



**SUPER** *easy*

**ANNUAL REPORT 2011**

Local Government Superannuation Scheme  
– SuperEasy Annual Report  
for the year ended 31 March 2011

## INTRODUCTION

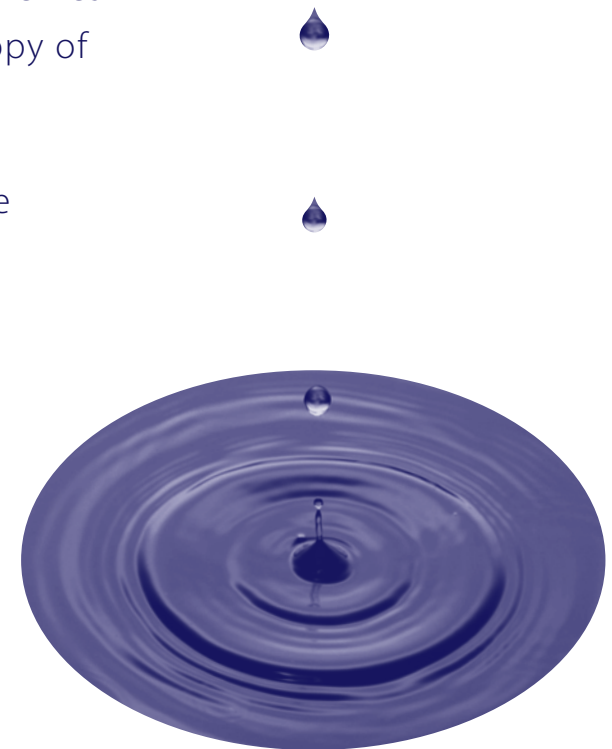
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The Trustee is pleased to present the Annual Report of the Scheme for the year ended 31 March 2011.

This Report includes information about the Scheme's management, operation and financial performance for the year.

The Report has been prepared in accordance with the Superannuation Schemes Act 1989. The Act requires that every member of the Scheme receive a copy of the Report.

If you require any further information regarding this report on the Scheme please contact Mr Roger Gyles, Trustee Secretary, phone (04) 978 1255.



## MEMBERSHIP

	Growth Fund	Balanced Fund	Income Fund	Conservative Fund	Automatic Fund	Total
<b>Number of members at 31 March 2010</b>	<b>134</b>	<b>193</b>	<b>97</b>	<b>143</b>	<b>1,013</b>	<b>1,580</b>
<b>Add:</b> New members who joined the scheme during the year	11	14	15	21	95	156
Members who joined the fund during the year	2	2	2	6	7	19
Members who transferred from Superplan	63	62	199	79	1	404
Sub-total	76	78	216	106	103	579
<b>Deduct:</b> Resignation	1	8	2	4	21	36
Redundancy	-	3	1	-	10	14
Retirement	-	2	-	-	6	8
Death	-	-	-	-	2	2
Transfers out to other schemes	2	-	-	-	8	10
Other	7	9	9	11	16	52
Sub-total	10	22	12	15	63	122
<b>Number of members at 31 March 2011</b>	<b>200</b>	<b>249</b>	<b>301</b>	<b>234</b>	<b>1053</b>	<b>2037</b>

### PROSPECTUS

The most recent prospectus for the Scheme was registered on 23 September 2010.

### CREDITING RATES

The crediting rates used for those members withdrawing from the Scheme are determined by the performance of the investment markets at the time of the member's withdrawal. A graph of the performance of each fund over the period indicates the crediting rates applied to benefit payments. It is important to note that past performance is not necessarily indicative of future performance.

The crediting rates for the year ended 31 March 2011 for each of the investment funds are shown on pages 4 and 5 of this report.

### REGISTRATION

The Scheme is registered under the Superannuation Schemes Act 1989, Reference Number AS/1527.

### PRIVACY ACT 1993

Your personal information may be held by and, when necessary, passed between the Trustee and the Scheme's professional advisors for the purposes of the Scheme.

If you wish to check or amend the information please contact the Scheme's Trustee Secretary.

### DISPUTE RESOLUTION

In accordance with industry best practices the Trustee has established a formal disputes resolution process should you have a dispute. It should in the first instance be addressed to the Scheme's Trustee Secretary Mr. Roger Gyles who will attempt to resolve it directly with you. In the event that satisfactory resolution is not achieved in a reasonable time frame the complaint will be submitted to a sub-committee of the Trustee for final resolution.

## MEMBERSHIP (CONTINUED)

## PARTICIPATING EMPLOYERS AS AT 31 MARCH 2011

Ashburton District Council	MacKenzie District Council	Upper Hutt City Council
Buller District Council	Manawatu District Council	Waikato District Council
Carterton District Council	Masterton District Council	Waikato Regional Council
Central Hawke's Bay District Council	Matamata District Council	Waimakariri District Council
Central Otago District Council	Nelson City Council	Waimate District Council
Clutha District Council	New Plymouth District Council	Waipa District Council
Dunedin City Council	Northland Regional Council	Wairoa District Council
Environment Bay of Plenty	Opotiki District Council	Waitaki District Council
Environment Canterbury	Otorohanga District Council	Waitomo District Council
Environment Southland	Palmerston North City Council	Wanganui District Council
Far North District Council	Porirua City Council	Wellington City Council
Gisborne District Council	Queenstown Lakes District Council	Western Bay of Plenty District Council
Gore District Council	Rangitikei District Council	Whakatane District Council
Greater Wellington Regional Council	Rotorua District Council	
Grey District Council	Ruapehu District Council	Personal Members Plan
Hamilton City Council	Selwyn District Council	Association of Local Government Engineers
Hastings District Council	South Taranki District Council	Civic Assurance
Hauraki District Council	South Wairarapa District Council	Events Centre Queenstown
Hawke's Bay Regional Council	Southland District Council	Heaney & Co
Horizons Regional Council	South Waikato District Council	Jardine Lloyd Thompson Ltd
Kaikoura District Council	Stratford District Council	Lakes Environmental Ltd
Horowhenua District Council	Tararua District Council	Risk Solutions Ltd
Hurunui District Council	Tasman District Council	NZ Society of Local Government Managers
Hutt City Council	Tauranga City Council	NZ Local Government Association
Invercargill City Council	Taupo District Council	Wellington Water Management
Kapiti Coast District Council	Thames-Coromandel District Council	Destination Great Lakes Taupo
Kawerau District Council	Timaru District Council	

# INVESTMENT COMMENTARY

## MARKET REVIEW

Volatility and risk were the key features this year. Concerns remained over the impact of the removal of policy stimulus over the coming year and the Greek debt crisis spreading into other European countries. Though the recovery showed signs of deteriorating, fears of a double dip recession were unrealised. By March 2011, despite volatile markets from rising tensions in the Middle East, Japan and New Zealand's disasters and the ongoing European sovereign debt crisis, the markets ended positively. Growth and Income assets were buoyed by strong risk appetites and positive economic data releases.

Initially the economic recovery showed signs of broadening with manufacturing being the key driver and Canada and the US leading the developed countries out of recession. The European Union (EU) and International Monetary Fund (IMF) agreed to an assistance package for Greece, and later Ireland, while governments implemented fiscal austerity packages to control government debt. Turbulence soon hit the markets as disappointing economic data indicated a slowing global economy and China attempted to cool its rapid growth and rising inflation by tightening monetary policy. The G20 committed to reforming the financial sector and EU regulators carried out stress tests on 91 banks, with favourable results, in an effort to ease investor concerns. After an initial slump caused by the second round of quantitative easing by the Federal Reserve, equity and bond markets began to improve whereas property assets continued to benefit from low yields on sovereign debt.

Meanwhile, closer to home, NZ economic growth started the year slowly driven by consumer caution, flat house prices and falling house sales. The RBNZ left interest rates low after the September earthquake and continuing growth in Australia and China supported NZ exports. Signs of recovery later in the year weakened when the February earthquake further rocked the domestic economy and business and consumer confidence fell sharply.

Volatility hit the sharemarkets again in March with Japan's earthquake, resulting nuclear disaster and knock on effects around the world. In addition the geopolitical tensions in the Middle East and high prices of oil and food reduced investor's risk appetite. Notwithstanding these effects, the share market rebounded and by the end of the month had clawed back some of the losses, ending the year relatively strongly.

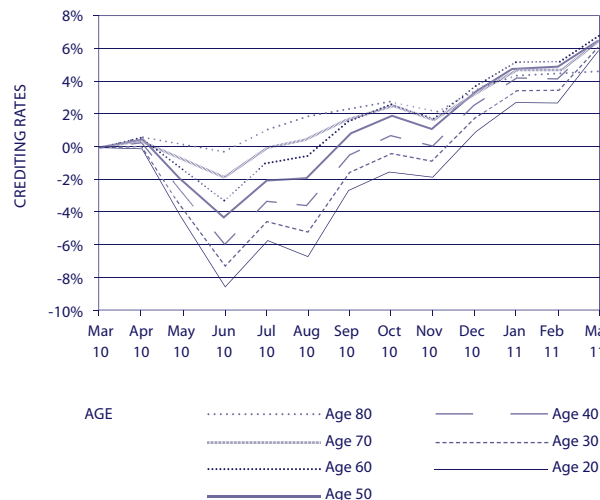
## AUTOMATIC FUND

The annual returns for sample ages to 31 March 2011, before fees, tax and expenses are as follows:

Year	Age 20	Age 30	Age 40	Age 50	Age 60	Age 70	Age 80
2011	6.01%	6.25%	6.59%	6.96%	6.82%	5.48%	4.70%

This Fund is jointly managed by AMP Capital Investors (New Zealand Ltd) and ASB Group Investment Limited. The objective of this Fund is to achieve the optimum long-term outcome by accepting a higher investment risk in the early stages of a member's working life as a trade for higher returns. So when a member is young the Automatic Fund provides greater exposure to investments with the potential for growth such as overseas and New Zealand equities. Each month as the member gets older the Automatic Fund will automatically and smoothly change their investments to a more conservative mix by increasing the member's exposure to income assets such as fixed interest securities and cash. This option is suitable to members who do not wish to have to continually reassess their retirement investment strategy.

The graph of the performance of this Fund over the year indicates the crediting rates applied to benefits paid to members withdrawing from the Fund during the year.

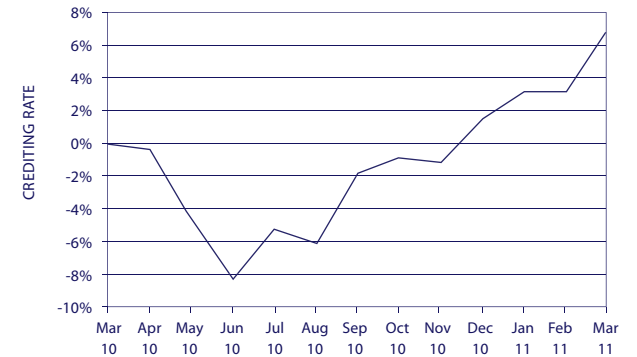


## GROWTH FUND

The return for the year was 6.79% before fees, tax and expenses.

This Fund is jointly managed by AMP Capital Investors (New Zealand Ltd) and ASB Group Investment Limited. The objective of this Fund is to achieve a high level of real returns over the medium to long term through substantial investment in equities, accepting that the returns may be subject to significant short term variations. This option is suitable for members willing to take a reasonable risk for potentially higher returns over the long term through selected actively managed domestic and international asset classes with special perceived growth potential.

The graph of the performance of this Fund over the year indicates the crediting rates applied to benefits paid to members withdrawing from the Fund during the year.



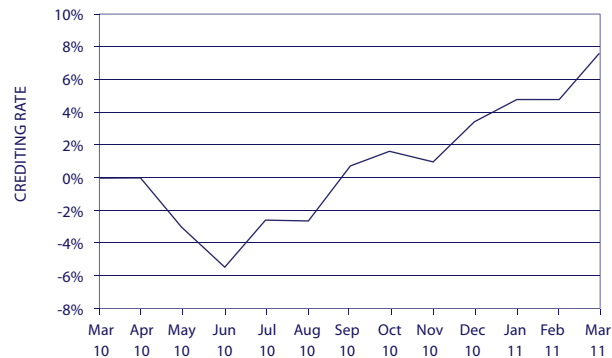
## INVESTMENT COMMENTARY (CONTINUED)

### BALANCED FUND

The return for the year was 7.66% before fees, tax and expenses.

This Fund is jointly managed by AMP Capital Investors (New Zealand Ltd) and ASB Group Investment Limited. The objective of this Fund is to achieve positive real returns through investment in growth assets, while controlling volatility through full diversification of the Fund's assets. This option is suited to members seeking long-term growth with risk limited by broad diversification.

The graph of the performance of this Fund over the year indicates the crediting rates applied to benefits paid to members withdrawing from the Fund during the year.

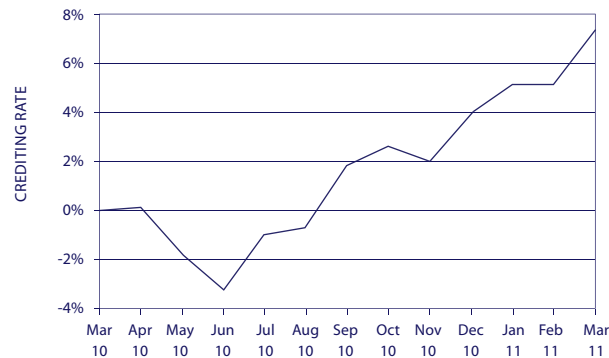


### INCOME FUND

The return for the year was 7.3 % before fees, tax and expenses.

This Fund is jointly managed by AMP Capital Investors (New Zealand Ltd) and ASB Group Investment Limited. The objective of this Fund is to reduce the chance of negative returns over the short to medium term through higher proportions of investment in defensive assets, such as cash and bonds, while still providing an opportunity for positive real returns over the long term by investing a proportion of the Fund in growth assets such as equities and property.

The graph of the performance of this Fund over the year indicates the crediting rates applied to benefits paid to members withdrawing from the Fund during the year.

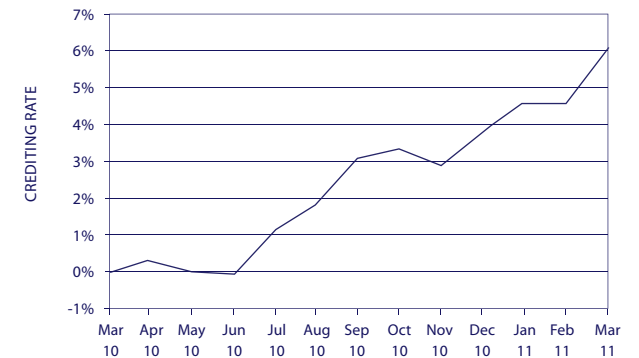


### CONSERVATIVE FUND

The return for the year was 6.04% before fees, tax and expenses.

This Fund is jointly managed by AMP Capital Investors (New Zealand Ltd) and ASB Group Investment Limited. The objective of this Fund is to reduce the chance of negative returns over the short term through higher proportions of investment in defensive assets, such as cash and bonds, while still providing an opportunity for positive real returns over the long term by investing a proportion of the Fund in growth assets such as equities and property.

The graph of the performance of this Fund over the year indicates the crediting rates applied to benefits paid to members withdrawing from the Fund during the year.



## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 31 MARCH 2011

	Notes	Growth Fund		Balanced Fund		Income Fund		Conservative Fund		Automatic Fund		TOTAL	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>INVESTMENT ACTIVITIES</b>													
<b>Investment Income</b>													
Gains on Assets	7	198,225	159,590	305,527	346,610	388,671	75,089	228,050	88,809	1,493,909	2,689,374	2,614,382	3,359,472
Interest		758	1,076	698	1,272	1,634	1,372	436	2,486	3,980	7,379	7,506	13,585
		198,983	160,666	306,225	347,882	390,305	76,461	228,486	91,295	1,497,889	2,696,753	2,621,888	3,373,057
<b>Investment Expenses</b>													
Investment Management Fees	13	(4,501)	(1,839)	(6,485)	(3,692)	(5,635)	(955)	(5,628)	(1,995)	(64,062)	(45,733)	(86,311)	(54,214)
<b>Net Investment Revenue</b>		<b>194,482</b>	<b>158,827</b>	<b>299,740</b>	<b>344,190</b>	<b>384,670</b>	<b>75,506</b>	<b>222,858</b>	<b>89,300</b>	<b>1,433,827</b>	<b>2,651,020</b>	<b>2,535,577</b>	<b>3,318,843</b>
<b>OTHER EXPENSES</b>													
Administration Fees	13	398	206	904	528	1,044	70	511	217	5,806	4,108	8,663	5,129
<b>Total Other Expenses</b>		<b>398</b>	<b>206</b>	<b>904</b>	<b>528</b>	<b>1,044</b>	<b>70</b>	<b>511</b>	<b>217</b>	<b>5,806</b>	<b>4,108</b>	<b>8,663</b>	<b>5,129</b>
<b>Change in Net Assets before Taxation and Membership Activities</b>		<b>194,084</b>	<b>158,621</b>	<b>298,836</b>	<b>343,662</b>	<b>383,626</b>	<b>75,436</b>	<b>222,347</b>	<b>89,083</b>	<b>1,428,021</b>	<b>2,646,912</b>	<b>2,526,914</b>	<b>3,313,714</b>
<b>MEMBERSHIP ACTIVITIES</b>													
<b>Contributions</b>													
Member Contributions	5	442,971	123,801	296,058	249,875	230,825	83,041	298,223	222,531	1,533,525	1,556,950	2,801,602	2,236,198
Employer Contributions		110,942	72,056	223,466	164,253	143,928	50,192	193,893	111,814	1,003,917	873,533	1,676,146	1,271,848
Transfers In from Other Schemes		830,634	320,608	883,522	1,420,970	6,408,860	698,099	2,837,628	1,417,742	556,794	2,833,449	11,517,438	6,690,868
Transfers Between Funds		(39,485)	3,081	(110,263)	(9)	(46,627)	16,283	149,062	(5,040)	47,313	(14,315)	-	-
<b>Total Contributions</b>		<b>1,345,062</b>	<b>519,546</b>	<b>1,292,783</b>	<b>1,835,089</b>	<b>6,736,986</b>	<b>847,615</b>	<b>3,478,806</b>	<b>1,747,047</b>	<b>3,141,549</b>	<b>5,249,617</b>	<b>15,995,186</b>	<b>10,198,914</b>
<b>Benefits Paid</b>													
Benefits Paid	6	44,691	30,919	326,212	36,846	261,141	42,662	259,828	46,850	975,569	666,362	1,867,441	823,639
Transfers Out to Other Schemes		3,958	25,236	-	4,879	-	1,717	-	5,002	122,456	74,658	126,414	111,492
<b>Total Benefits Paid</b>		<b>48,649</b>	<b>56,155</b>	<b>326,212</b>	<b>41,725</b>	<b>261,141</b>	<b>44,379</b>	<b>259,828</b>	<b>51,852</b>	<b>1,098,025</b>	<b>741,020</b>	<b>1,993,855</b>	<b>935,131</b>
PIE Tax Expense	9	12,833	8,073	26,846	28,347	54,871	10,496	37,430	15,664	183,132	269,604	315,112	332,184
<b>Net Membership Activities</b>		<b>1,283,580</b>	<b>455,318</b>	<b>939,725</b>	<b>1,765,017</b>	<b>6,420,974</b>	<b>792,740</b>	<b>3,181,548</b>	<b>1,679,531</b>	<b>1,860,392</b>	<b>4,238,993</b>	<b>13,686,219</b>	<b>8,931,599</b>
<b>Net Increase in Net Assets During Year</b>		<b>1,477,664</b>	<b>613,939</b>	<b>1,238,561</b>	<b>2,108,679</b>	<b>6,804,600</b>	<b>868,176</b>	<b>3,403,895</b>	<b>1,768,614</b>	<b>3,288,413</b>	<b>6,885,905</b>	<b>16,213,133</b>	<b>12,245,313</b>
Net Assets Available for Benefits at Beginning of Year		1,080,293	466,354	3,171,709	1,063,030	1,098,542	230,366	2,036,045	267,431	16,018,483	9,132,578	23,405,072	11,159,759
<b>Net Assets Available for Benefits at End of Year</b>		<b>2,557,957</b>	<b>1,080,293</b>	<b>4,410,270</b>	<b>3,171,709</b>	<b>7,903,142</b>	<b>1,098,542</b>	<b>5,439,940</b>	<b>2,036,045</b>	<b>19,306,896</b>	<b>16,018,483</b>	<b>39,618,205</b>	<b>23,405,072</b>

This statement is to be read in conjunction with the notes on pages 9 to 14.

## STATEMENT OF NET ASSETS AS AT 31 MARCH 2011

	Notes	Growth Fund		Balanced Fund		Income Fund		Conservative		Automatic Fund		TOTAL	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>CURRENT ASSETS</b>													
Cash & Cash Equivalents		12,632	17,812	10,000	27,340	(8,912)	31,700	2,041	120,357	167,695	371,481	183,456	568,690
Other Receivables		-	-	-	-	-	-	-	-	-	67	-	67
<b>Total Current Assets</b>		<b>12,632</b>	<b>17,812</b>	<b>10,000</b>	<b>27,340</b>	<b>(8,912)</b>	<b>31,700</b>	<b>2,041</b>	<b>120,357</b>	<b>167,695</b>	<b>371,548</b>	<b>183,456</b>	<b>568,757</b>
<b>FINANCIAL ASSETS</b>													
AMP Superannuation Funds		853,200	351,223	592,655	426,695	246,414	33,663	58,112	20,542	12,372,776	10,148,144	14,123,157	10,980,267
ASB Superannuation Master Trust		1,706,020	719,311	3,835,005	2,746,857	7,722,223	1,043,547	5,418,017	1,910,410	6,956,927	5,775,256	25,638,192	12,195,381
<b>Total Investments</b>		<b>2,559,220</b>	<b>1,070,534</b>	<b>4,427,660</b>	<b>3,173,552</b>	<b>7,968,637</b>	<b>1,077,210</b>	<b>5,476,129</b>	<b>1,930,952</b>	<b>19,329,703</b>	<b>15,923,400</b>	<b>39,761,349</b>	<b>23,175,648</b>
<b>TOTAL ASSETS</b>		<b>2,571,852</b>	<b>1,088,346</b>	<b>4,437,660</b>	<b>3,200,892</b>	<b>7,959,725</b>	<b>1,108,910</b>	<b>5,478,170</b>	<b>2,051,309</b>	<b>19,497,398</b>	<b>16,294,948</b>	<b>39,944,805</b>	<b>23,744,405</b>
<b>Less CURRENT LIABILITIES</b>													
PIE Tax Payable	9	12,146	7,338	25,092	27,646	52,873	9,964	35,729	14,382	171,586	260,919	297,426	320,249
Other Payables	13	1,749	715	2,298	1,537	3,710	404	2,501	882	18,916	15,546	29,174	19,084
<b>Total Liabilities</b>		<b>13,895</b>	<b>8,053</b>	<b>27,390</b>	<b>29,183</b>	<b>56,583</b>	<b>10,368</b>	<b>38,230</b>	<b>15,264</b>	<b>190,502</b>	<b>276,465</b>	<b>326,600</b>	<b>339,333</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		<b>2,557,957</b>	<b>1,080,293</b>	<b>4,410,270</b>	<b>3,171,709</b>	<b>7,903,142</b>	<b>1,098,542</b>	<b>5,439,940</b>	<b>2,036,045</b>	<b>19,306,896</b>	<b>16,018,483</b>	<b>39,618,205</b>	<b>23,405,072</b>
<b>LIABILITY FOR ACCRUED BENEFITS</b>													
<i>Represented By:</i>	3 & 4												
Member Accounts		2,557,957	1,080,293	4,410,270	3,171,709	7,633,587	1,074,048	5,439,940	2,036,045	19,306,896	16,018,483	39,348,650	23,380,578
Reserve Account	10	-	-	-	-	269,555	24,494	-	-	-	-	269,555	24,494
		<b>2,557,957</b>	<b>1,080,293</b>	<b>4,410,270</b>	<b>3,171,709</b>	<b>7,903,142</b>	<b>1,098,542</b>	<b>5,439,940</b>	<b>2,036,045</b>	<b>19,306,896</b>	<b>16,018,483</b>	<b>39,618,205</b>	<b>23,405,072</b>

Signed on behalf of the Trustee, Local Government Superannuation Trustee Limited, who authorised the issue of these financial statements on 11 May 2011.

 Director

 Director

# CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	Growth Fund		Balanced Fund		Income Fund		Conservative Fund		Automatic Fund		TOTAL	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>													
<i>Cash provided from</i>													
Member Contributions		442,971	123,801	296,058	249,875	230,825	83,041	298,223	222,531	1,533,525	1,556,998	2,801,602	2,236,246
Employer Contributions		110,942	72,056	223,466	164,253	143,928	50,192	193,893	111,814	1,003,917	873,466	1,676,146	1,271,781
Transfers from Other Schemes		830,634	320,608	883,522	1,420,970	6,408,860	698,099	2,837,628	1,417,742	556,794	2,833,449	11,517,438	6,690,868
Transfers Between Funds		(39,485)	3,081	(110,263)	(9)	(46,627)	16,283	149,062	(5,040)	47,313	(14,315)	-	-
Interest Received		759	1,077	697	1,271	1,633	1,372	435	2,485	4,047	7,378	7,571	13,583
		1,345,821	520,623	1,293,480	1,836,360	6,738,619	848,987	3,479,241	1,749,532	3,145,596	5,256,976	16,002,757	10,212,478
<i>Cash applied to</i>													
Benefits Paid		(44,691)	(30,919)	(326,212)	(36,846)	(261,141)	(42,662)	(259,828)	(46,850)	(975,569)	(668,056)	(1,867,441)	(825,333)
Transfers Out to Other Schemes		(3,958)	(25,236)	-	(4,879)	-	(1,717)	-	(5,002)	(122,456)	(74,658)	(126,414)	(111,492)
Other Expenses		(329)	(221)	(842)	(825)	(363)	(91)	(313)	(171)	(6,070)	(4,568)	(7,917)	(5,876)
RWT Paid		(355)	(355)	(419)	(419)	(452)	(452)	(820)	(820)	(2,434)	(2,434)	(4,480)	(4,480)
PIE Tax Paid		(7,671)	(6,201)	(28,980)	(10,053)	(11,510)	(3,424)	(15,263)	(2,751)	(270,031)	(78,913)	(333,455)	(101,342)
		(57,004)	(62,932)	(356,453)	(53,022)	(273,466)	(48,346)	(276,224)	(55,594)	(1,376,560)	(828,629)	(2,339,707)	(1,048,523)
<b>Net Cash Flows from Operating Activities</b>	<b>8</b>	<b>1,288,817</b>	<b>457,691</b>	<b>937,027</b>	<b>1,783,338</b>	<b>6,465,153</b>	<b>800,641</b>	<b>3,203,017</b>	<b>1,693,938</b>	<b>1,769,036</b>	<b>4,428,347</b>	<b>13,663,050</b>	<b>9,163,955</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>													
<i>Cash applied to</i>													
Net Purchase of Investments (Net of investment fees)		(1,293,997)	(466,063)	(954,367)	(1,727,901)	(6,505,765)	(807,715)	(3,321,333)	(1,693,521)	(1,972,822)	(4,366,719)	(14,048,284)	(9,061,919)
<b>Net Cash Flows from Investing Activities</b>		<b>(1,293,997)</b>	<b>(466,063)</b>	<b>(954,367)</b>	<b>(1,727,901)</b>	<b>(6,505,765)</b>	<b>(807,715)</b>	<b>(3,321,333)</b>	<b>(1,693,521)</b>	<b>(1,972,822)</b>	<b>(4,366,719)</b>	<b>(14,048,284)</b>	<b>(9,061,919)</b>
<b>Net (Decrease)/Increase in Cash Held</b>		<b>(5,180)</b>	<b>(8,372)</b>	<b>(17,340)</b>	<b>55,437</b>	<b>(40,612)</b>	<b>(7,074)</b>	<b>(118,316)</b>	<b>417</b>	<b>(203,786)</b>	<b>61,628</b>	<b>(385,234)</b>	<b>102,036</b>
<b>Cash &amp; Cash Equivalents at Beginning of Year</b>		<b>17,812</b>	<b>26,184</b>	<b>27,340</b>	<b>(28,097)</b>	<b>31,700</b>	<b>38,774</b>	<b>120,357</b>	<b>119,940</b>	<b>371,481</b>	<b>309,853</b>	<b>568,690</b>	<b>466,654</b>
<b>Cash &amp; Cash Equivalents at End of Year</b>		<b>12,632</b>	<b>17,812</b>	<b>10,000</b>	<b>27,340</b>	<b>(8,912)</b>	<b>31,700</b>	<b>2,041</b>	<b>120,357</b>	<b>167,695</b>	<b>371,481</b>	<b>183,456</b>	<b>568,690</b>

This statement is to be read in conjunction with the notes on pages 9 to 14.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

## 1. NATURE OF BUSINESS

### Scheme description

The Local Government Superannuation Scheme operating as SuperEasy (the "Scheme") is a superannuation scheme registered in New Zealand under the Superannuation Schemes Act 1989 to provide retirement benefits to the members of the scheme. The Scheme was registered on 13 June 2005.

The Scheme invests in the following funds:

**Income Fund**, which invests mainly in short term and fixed interest securities. **Balanced Fund**, which invests in selected NZ and international shares together with NZ property investments, cash and fixed interest securities and global bonds. **Growth Fund**, which invests mainly in a diversified selection of international and local shares with some investments in fixed interest securities. **Automatic Fund**, which invests in NZ and international fixed interest investments and shares. **Conservative Fund**, opened on 1 April 2008, which invests mainly in short term and fixed interest securities.

The Scheme is open to employees of New Zealand local authorities and any other employer permitted by the Trustee. There is only one class of member. There were no members receiving benefits other than those paid on exit.

### Funding arrangements

The Scheme is a defined contribution scheme. Under the Trust Deed each member and, if applicable, each participating employer, shall pay contributions at a rate expressed as a percentage of salary, or be such other amount as is specified in the Adopting Deed of a participating employer.

### Retirement benefits

The retirement benefits are determined by contributions to the scheme together with investment earnings on these contributions over the period of membership.

### Termination terms

The Trust Deed sets out the basis on which the Scheme can be terminated.

### Changes in the Deed

On 25 May 2009 a total replacement Trust Deed was issued, supplemental to a Trust Deed dated 1 June 2005 which established the Local Government Superannuation Scheme and the First Replacement Trust Deed dated 18 May 2007. This replacement Trust Deed consolidates a number of changes to the First Replacement Trust Deed and closes the complying superannuation fund in the LGSS to new members. It also includes a name change of KiwiSaver SuperEasy Superannuation Scheme to SuperEasy KiwiSaver Superannuation Scheme.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Financial Reporting Act 1993 and the Superannuation Schemes Act 1989.

### Statement of compliance

The financial statements comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRS).

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### Measurement base

The measurement base adopted is that of historical cost modified by the revaluation of assets which are measured at fair values at balance date.

### Presentational currency

These financial statements are presented in New Zealand dollars because that is the currency of the economic environment in which the Scheme operates.

### Classification of assets and liabilities

The Local Government Superannuation Scheme operates as a superannuation scheme. As such, the assets and liabilities are disclosed in the Statement of Net Assets in an order that reflects their relative liquidity.

### Accounting Policies

The following are the significant accounting policies which have been adopted in the preparation of the financial statements:

#### (a) Investment Income

Interest, dividends and distributions from unitised investments are taken to income on a due and receivable basis.

Net realised and unrealised gains and losses are recognised in the Statement of Changes in Net Assets in the period in which they occur.

#### (b) Expenses

All expenses are accounted for on an accruals basis. Investment management fees are charged directly to the Scheme for the AMP investments. Investment management fees for investments held with ASB are included in the underlying unit prices.

#### (c) Taxation

The PIE tax expense represents the sum of the tax paid and payable.

The Scheme is a Portfolio Investment Entity (PIE) under the Income Tax Act 2007. Under current legislation regarding the taxation of PIEs, the Scheme pays tax on behalf of members. As such, no income tax expense or deferred tax balances are recognised in the financial statements. PIE tax payable to Inland Revenue on behalf of members is recognised as a liability and is measured based on Prescribed Investor Rates (PIR) applicable to the individual members that have been enacted or substantively enacted during the year and by the balance date.

Tax losses are not recognised in the financial statements. However, these amounts are tracked and may be applied by members against tax payable in relation to their PIE investment income.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deductible expenditure incurred by the Scheme can be transferred to Master Superannuation Trusts in accordance with section DV 2 (1) of the Income Tax Act 2007. This results in tax credits to the Scheme which is disclosed in the Statement of Changes in Net Assets.

#### (d) Financial Instruments

Financial assets and financial liabilities are recognised on the Scheme's Statement of Net Assets when the Scheme becomes a party to the contractual provisions of the instrument. The Scheme shall offset financial assets and financial liabilities if the Scheme has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis. The Scheme does not use financial derivatives in any part of its investment management procedures.

#### (e) Financial Assets

##### *Financial assets at fair value through profit or loss*

Investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

All investments are through Master Superannuation Trusts and are classified at fair value through profit or loss. As the Scheme's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, listed equities and fixed income securities are designated as fair value through profit or loss on initial recognition.

Financial assets designated as at fair value through profit or loss are measured at subsequent reporting dates at fair value, which is the bid (exit) price of the exchange on which the investment is quoted.

##### *Categories of Financial Instruments*

Financial Instruments are categorised into 3 levels:

- Level 1 fair value measurements are those derived from quoted market prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments disclosed in these Financial Statements are categorised as Level 1 as they are valued using publicly available prices.

There have been no transfers between levels.

#### (f) Other Receivables

Other receivables are stated at amortised cost. As these do not carry any interest and are short-term in nature, amortised cost equals their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

#### (g) Other Payables

Other payables are not interest-bearing and are stated at amortised cost.

#### (h) Goods and Services Tax (GST)

The Scheme is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

#### (i) Cash Flow Statement

The cash flows of the Scheme do not include those of the investment managers. The following are definitions of the terms used in the Cash Flow Statement:

**Cash & Cash Equivalents** – comprises cash balances held with banks in New Zealand.

**Investing Activities** – comprise acquisition and disposal of investments. Investments include securities not falling within the definition of cash.

**Operating Activities** – include all transactions and other events that are not investing activities.

#### (j) Accrued Benefits

The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and beneficiaries.

It has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities as at balance date. Accrued benefits include amounts allocated to members' accounts and reserves.

#### (k) Contributions

Contributions are accounted for on a cash basis when received from the employer or member.

#### (l) Benefits

Benefits are accounted for on an accruals basis.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

	Growth Fund		Balanced Fund		Income Fund		Conservative Fund		Automatic Fund		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>3. LIABILITY FOR ACCRUED BENEFITS</b> Liability for accrued benefits as at 31 March												
<b>Members' Account</b>												
Opening Balance 1 April	1,080,293	466,354	3,171,709	1,063,030	1,074,048	195,738	2,036,045	267,431	16,018,483	9,132,578	23,380,578	11,125,132
Contributions	1,345,035	519,546	1,294,904	1,835,089	6,499,607	847,615	3,478,585	1,747,047	3,141,131	5,249,617	15,759,262	10,198,914
Benefits Paid and Transfers Out	(48,649)	(56,155)	(326,212)	(41,725)	(261,141)	(44,379)	(259,828)	(51,852)	(1,098,025)	(741,020)	(1,993,855)	(935,131)
Change in net assets before tax	194,084	158,621	298,836	343,662	374,298	72,547	222,347	89,083	1,428,021	2,646,912	2,517,586	3,310,824
PIE tax expense	(12,833)	(8,073)	(26,846)	(28,347)	(53,373)	(9,927)	(37,430)	(15,664)	(183,132)	(269,604)	(313,614)	(331,615)
Transfers to Reserve	-	-	(2,434)	-	-	-	-	-	-	-	(2,434)	-
Transfers from Reserve	27	-	313	-	148	12,454	221	-	418	-	1,126	12,454
<b>Balance 31 March</b>	<b>2,557,957</b>	<b>1,080,293</b>	<b>4,410,270</b>	<b>3,171,709</b>	<b>7,633,587</b>	<b>1,074,048</b>	<b>5,439,940</b>	<b>2,036,045</b>	<b>19,306,896</b>	<b>16,018,483</b>	<b>39,348,650</b>	<b>23,380,578</b>
<b>Reserve Account</b>												
Opening Balance 1 April	-	-	-	-	24,495	34,628	-	-	-	-	24,495	34,628
Transfers from Members' Account	-	-	-	-	2,434	-	-	-	-	-	2,434	-
Transfers to Members' Account	-	-	-	-	(1,126)	(12,454)	-	-	-	-	(1,126)	(12,454)
Transfers in from Other Schemes	-	-	-	-	235,922	-	-	-	-	-	235,922	-
Change in net assets before tax	-	-	-	-	9,328	2,889	-	-	-	-	9,328	2,889
PIE tax expense	-	-	-	-	(1,498)	(569)	-	-	-	-	(1,498)	(569)
<b>Balance 31 March</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>269,555</b>	<b>24,494</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>269,555</b>	<b>24,494</b>

**Guaranteed Benefits** No guarantees have been made in respect of any part of the liability for accrued benefits (2010: Nil).

#### 4. VESTED BENEFITS

Vested Benefits are benefits payable to members or beneficiaries under the conditions of the Trust Deed, on the basis of all members ceasing to be members of the Scheme at balance date. The Vested Benefits for SuperEasy members as at 31 March 2011 were \$39,116,273 (31 March 2010: \$22,361,563).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

	Growth Fund		Balanced Fund		Income Fund		Conservative Fund		Automatic Fund		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>5. CONTRIBUTIONS</b>												
Contributions from members and employers who were:												
Existing members	558,007	119,849	566,417	112,843	409,265	53,556	394,902	24,729	2,446,538	1,507,132	4,375,129	1,818,109
Members who joined the Scheme during the year	825,596	395,076	836,345	1,659,144	6,374,286	774,606	2,928,359	1,674,666	630,071	3,523,967	11,594,657	8,027,459
Lump sum contributions	944	1,540	284	63,111	62	3,170	6,483	52,692	17,627	232,833	25,400	353,346
Transfers Between Funds	(39,485)	3,081	(110,263)	(9)	(46,627)	16,283	149,062	(5,040)	47,313	(14,315)	-	-
<b>Total Contributions Received</b>	<b>1,345,062</b>	<b>519,546</b>	<b>1,292,783</b>	<b>1,835,089</b>	<b>6,736,986</b>	<b>847,615</b>	<b>3,478,806</b>	<b>1,747,047</b>	<b>3,141,549</b>	<b>5,249,617</b>	<b>15,995,186</b>	<b>10,198,914</b>
On 1 December 2010, all remaining members of the Local Government Global Superannuation Scheme were transferred into SuperEasy.												
<b>6. BENEFITS</b>												
Redundancy	-	1,077	25,795	-	2,745	-	-	-	188,411	13,566	216,951	14,643
Retirement	83	-	16,667	-	197	-	20,789	-	123,578	60,849	161,314	60,849
Withdrawal	44,608	29,842	283,750	36,846	258,199	42,662	239,039	46,850	584,498	590,766	1,410,094	746,966
Death	-	-	-	-	-	-	-	-	79,082	1,181	79,082	1,181
<b>Total Benefits Paid</b>	<b>44,691</b>	<b>30,919</b>	<b>326,212</b>	<b>36,846</b>	<b>261,141</b>	<b>42,662</b>	<b>259,828</b>	<b>46,850</b>	<b>975,569</b>	<b>666,362</b>	<b>1,867,441</b>	<b>823,639</b>
<b>7. GAINS AT FAIR VALUE THROUGH PROFIT AND LOSS</b>												
<b>Realised Gains</b>												
AMP Superannuation Funds	9,802	7,088	7,399	6,815	627	186	259	115	318,054	178,989	336,141	193,193
ASB Superannuation Master Trust	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Realised Gains</b>	<b>9,802</b>	<b>7,088</b>	<b>7,399</b>	<b>6,815</b>	<b>627</b>	<b>186</b>	<b>259</b>	<b>115</b>	<b>318,054</b>	<b>178,989</b>	<b>336,141</b>	<b>193,193</b>
<b>Unrealised Gains</b>												
AMP Superannuation Funds	51,807	39,611	29,682	45,126	15,293	3,702	4,503	2,291	429,193	1,087,154	530,478	1,177,884
ASB Superannuation Master Trust	136,616	112,891	268,446	294,669	372,751	71,201	223,288	86,403	746,662	1,423,231	1,747,763	1,988,395
<b>Total Unrealised Gains</b>	<b>188,423</b>	<b>152,502</b>	<b>298,128</b>	<b>339,795</b>	<b>388,044</b>	<b>74,903</b>	<b>227,791</b>	<b>88,694</b>	<b>1,175,855</b>	<b>2,510,385</b>	<b>2,278,241</b>	<b>3,166,279</b>
<b>Gains on Financial Assets at Fair Value Through Profit &amp; Loss</b>	<b>198,225</b>	<b>159,590</b>	<b>305,527</b>	<b>346,610</b>	<b>388,671</b>	<b>75,089</b>	<b>228,050</b>	<b>88,809</b>	<b>1,493,909</b>	<b>2,689,374</b>	<b>2,614,382</b>	<b>3,359,472</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

	Growth Fund		Balanced Fund		Income Fund		Conservative Fund		Automatic Fund		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>8. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO INCREASE IN NET ASSETS DURING THE YEAR</b>												
Increase in net assets during the year	1,477,664	613,939	1,238,561	2,108,679	6,804,600	868,176	3,403,895	1,768,614	3,288,413	6,885,905	16,213,133	12,245,313
<b>Less non cash and investing items:</b>												
Changes in fair value of financial assets through profit and loss after investment expenses	(193,724)	(157,751)	(299,047)	(342,924)	(383,036)	(74,133)	(222,422)	(86,815)	(1,429,848)	(2,643,640)	(2,528,077)	(3,305,263)
<b>Movements in other working capital items:</b>												
Decrease/(increase) in other receivables	-	-	-	-	-	-	-	-	67	(67)	67	(67)
Increase/(decrease) in other payables	69	(16)	68	(293)	680	(22)	198	45	(263)	(2,107)	752	(2,393)
(Decrease)/increase in PIE tax payable	4,808	1,519	(2,555)	17,876	42,909	6,620	21,346	12,094	(89,333)	188,256	(22,825)	226,365
<b>Net Cash Flows from Operating Activities</b>	<b>1,288,817</b>	<b>457,691</b>	<b>937,027</b>	<b>1,783,338</b>	<b>6,465,153</b>	<b>800,641</b>	<b>3,203,017</b>	<b>1,693,938</b>	<b>1,769,036</b>	<b>4,428,347</b>	<b>13,663,050</b>	<b>9,163,955</b>

**9. PIE TAX**

The Scheme calculates and pays tax on members' behalf at the members' Prescribed Investor Rate (PIR) as follows:

- From 1 April 2010 to 30 September 2010, members PIR were either 12.5%, 21% or 30%;
- From 1 October 2010 to 31 March 2011, members PIR were either 10.5%, 17.5% or 28% respectively.

Changes in net assets before tax and membership activities	194,084	158,621	298,836	343,662	383,626	75,436	222,347	89,083	1,428,021	2,646,912	2,526,914	3,313,714
<i>Less Permanent differences:</i>												
Non taxable income	135,794	126,578	172,540	230,243	136,485	35,164	67,097	28,559	601,075	1,614,489	1,112,991	2,035,033
<b>Taxable Income</b>	<b>58,290</b>	<b>32,043</b>	<b>126,296</b>	<b>113,419</b>	<b>247,141</b>	<b>40,272</b>	<b>155,250</b>	<b>60,524</b>	<b>826,946</b>	<b>1,032,423</b>	<b>1,413,923</b>	<b>1,278,681</b>
Tax thereon at members PIR	16,047	9,448	33,816	32,706	66,060	12,038	41,126	17,557	227,459	302,218	384,508	373,967
Tax effect of allocated PIE credits	(3,569)	(1,632)	(7,389)	(4,331)	(11,641)	(1,535)	(4,516)	(1,800)	(46,761)	(32,559)	(73,876)	(41,857)
Prior year adjustments	355	257	419	(28)	452	(7)	820	(93)	2,434	(55)	4,480	74
<b>Total Tax Expense</b>	<b>12,833</b>	<b>8,073</b>	<b>26,846</b>	<b>28,347</b>	<b>54,871</b>	<b>10,496</b>	<b>37,430</b>	<b>15,664</b>	<b>183,132</b>	<b>269,604</b>	<b>315,112</b>	<b>332,184</b>
<b>Current Tax</b>												
Opening balance	7,338	5,820	27,646	9,771	9,964	3,344	14,382	2,289	260,919	72,662	320,249	93,886
PIE Tax paid in respect of prior year	(7,693)	(5,820)	(28,066)	(9,771)	(10,417)	(3,344)	(15,203)	(2,289)	(263,353)	(72,662)	(324,732)	(93,886)
PIE tax in respect of current year	12,478	8,073	26,427	28,347	54,419	10,496	36,610	15,664	180,698	269,604	310,632	332,184
PIE Tax Expense Paid on Members Behalf	(66)	(123)	(1,110)	(310)	(1,048)	(87)	(735)	(555)	(7,805)	(6,306)	(10,764)	(7,381)
Withholding tax paid	(266)	(355)	(224)	(419)	(497)	(452)	(145)	(820)	(1,307)	(2,434)	(2,439)	(4,480)
Prior period Adjustment	355	(257)	419	28	452	7	820	93	2,434	55	4,480	(74)
<b>PIE Tax Payable</b>	<b>12,146</b>	<b>7,338</b>	<b>25,092</b>	<b>27,646</b>	<b>52,873</b>	<b>9,964</b>	<b>35,729</b>	<b>14,382</b>	<b>171,586</b>	<b>260,919</b>	<b>297,426</b>	<b>320,249</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011 (CONTINUED)

### 10. RESERVE ACCOUNT

Pursuant to the Trust Deed, the Trustee shall establish a Reserve Account which shall be credited with the following:-

- i. any amount not paid to a member upon ceasing employment with the Employer;
- ii. any part of an Employer's Account Balance remaining after the Benefit has been paid in respect of a Member who has ceased to be an Employee or ceased to be a Member;
- iii. any unclaimed benefit;
- iv. the Reserve Account's share of the Scheme's profit or loss;
- v. any credits in respect of taxation allocated by the Scheme's investment manager and not otherwise allocated to members' accounts.

The Trustee may, at its discretion, apply any part or the whole of the Reserve Account to:-

- i. meeting all or part of the contributions of all Members associated with the Participating Employer on an equitable basis determined by the Trustee;
- ii. meeting all or part of the Participating Employer's contributions to the Scheme;
- iii. increasing the Employer's Account in respect of all Members associated with the Participating Employer on an equitable basis determined by the Trustee;
- iv. providing personal Benefits for Members associated with the Participating Employer or their Dependants in cases of hardship;
- v. the paying of Trustee's remuneration and the Scheme's outgoings;
- vi. in such other manner as is permitted from time to time under the Trust Deed.

### 11. FINANCIAL INSTRUMENTS

The Scheme is involved with a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the accounting policies.

The Trustee has established the investment portfolio objectives and target asset allocations. Performance against these targets is reviewed regularly by the Trustee and asset reallocations undertaken as required.

### Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the Scheme's accounting policies.

### Liquidity Risk

All financial assets at fair value through profit and loss can be realised within 12 months. Other than the liability for accrued benefits, there are no significant financial liabilities. The Scheme's investments are managed to ensure the Scheme will have sufficient liquidity to meet expected cash flow requirements.

### Credit Risk

Financial instruments which potentially expose the Scheme to credit risk consist of cash and cash equivalents, fixed interest securities and receivables and, indirectly, investments in unitised products which invest in cash and fixed interest investments. The Scheme does not require collateral or other security to support instruments with credit risk and as such, no collateral exists for any of the investments held by the Scheme. The maximum credit exposure is the carrying amount of the individual investments. All investments entered into are required to meet the credit rating parameters as set forth by the Trustee.

The significant counterparties of the Scheme are its investment managers AMP Capital Investors (New Zealand Ltd) and ASB Group Investment Limited. The investments are held in trust by the investment managers for the benefit of the Scheme. The managers maintain diversified investment portfolios in accordance with the portfolio mix adopted by the Trustee. There are no specific industry related concentrations of credit risk.

### Currency Risk

The Scheme is indirectly exposed to currency risk in that future currency movements will affect the valuation of investments in unitised products which invest in foreign currency denominated investments.

Each of the five Funds may include investments in Australasian Shares, Global Shares, Global Fixed Interest and Global Property Shares asset classes. To reduce the impact of currency movements, the Fund Managers may currency hedge to New Zealand dollars from time to time in respect of the international investments.

The Scheme has no exposure to currency risk in respect of directly held investments denominated in a foreign currency.

Risk management activities are undertaken by the Scheme's investment managers to operate within the guidelines provided by the Trustee.

### Interest Rate Risk

The Scheme is exposed to interest rate risk in that future interest rate movements will affect cash flows and fair values of fixed interest assets and, indirectly, the valuation of investments in unitised products which invest in cash and fixed interest investments.

As at balance date the Scheme's direct exposure to interest rate risk was in respect of the cash and cash equivalent balances of each Fund. The average interest rate for the year was 3.13% (2010: 2.48%).

Interest rate risk management activities are undertaken by the investment manager in accordance with the investment mandate set by the Trustee.

### 12. COMMITMENTS AND CONTINGENT LIABILITIES

There were no commitments or contingent liabilities outstanding as at 31 March 2011 (2010: Nil).

### 13. RELATED PARTIES

New Zealand Local Government Insurance Corporation Limited, trading as Civic Assurance, has been appointed the administration and investment manager of the Scheme by the Scheme's Trustee, Local Government Superannuation Trustee Limited. Civic Assurance is the parent entity of Local Government Superannuation Trustee Limited.

The Scheme holds no investments in any of the employer companies or any of its related parties. During the year the Scheme paid administration (including audit fees) and investment management fees to Civic Assurance of \$83,534 (2010: \$64,194). As at 31 March 2011 the administration (including audit fees) and investment management fees payable to Civic Assurance is \$29,174 (2010: \$19,084).

### 14. EVENTS AFTER BALANCE DATE

There have been no material events after balance date that require adjustment to or disclosure in the financial statements (2010: Nil).

### TO THE READERS OF THE LOCAL GOVERNMENT SUPERANNUATION SCHEME FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

The Auditor-General is the auditor of the Local Government Superannuation Scheme (operating as "SuperEasy") (the "Scheme"). The Auditor-General has appointed me, Michael Wilkes, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Scheme, on her behalf, for the year ended 31 March 2011.

#### UNQUALIFIED OPINION

In our opinion the financial statements of the Scheme on pages 6 to 14:

- comply with generally accepted accounting practice in New Zealand; and
- comply with International Financial Reporting Standards; and
- give a true and fair view of:
  - the Scheme's financial position as at 31 March 2011; and
  - the results of its operations and cash flows for the year ended on that date.
- Based on our examination the Scheme kept proper accounting records.

The audit was completed on 11 May 2011, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Trustee and the Auditor, and explain our independence.

#### BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Trustee;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

#### RESPONSIBILITIES OF THE TRUSTEE AND THE AUDITOR

The Trustee is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the Scheme as at 31 March 2011 and the results of its operations and cash flows for the year ended on that date. The Trustee's responsibilities arise from section 14 of, and the second schedule to, the Superannuation Schemes Act 1989.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

#### INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit, and taxation compliance services, we have no relationship with or interests in the Scheme.



Michael Wilkes

**Deloitte**  
**On behalf of the Auditor-General**  
**Wellington, New Zealand**

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In accordance with Section 14 of the Superannuation Schemes Act 1989 and its second schedule the Trustee certifies that:

- i. The Statement of Changes in Membership of the Scheme as set out in this report is correct.
- ii. That all contributions required to be made to the Scheme in accordance with the terms of the Trust Deed have been made.
- iii. All the benefits required to be paid from the Scheme in accordance with the terms of the Trust Deed have been paid.
- iv. The market value of the assets of the Scheme at the close of the financial year equalled or exceeded the total value of benefits that would have been payable had all members of the Scheme ceased to be members at that date, and had provision been made for the continued payment of all benefits being paid to members and other beneficiaries as at the close of the financial year.
- v. On 25 May 2009 a total replacement Trust Deed was issued, supplemental to a Trust Deed dated 1 June 2005 which established the Local Government Superannuation Scheme and the First Replacement Trust Deed dated 18 May 2007. This replacement Trust Deed consolidates a number of changes to the First Replacement Trust Deed and closes the complying superannuation fund in the LGSS to new members. It also includes a name change of KiwiSaver SuperEasy Superannuation Scheme to SuperEasy KiwiSaver Superannuation Scheme.

The Trustee, after due inquiry, is of the opinion that:-

- 1) the value of the Scheme's assets relative to its liabilities (including contingent liabilities) and
- 2) the ability of the Scheme to pay its debts as they become due in the normal course of business have not been materially or adversely changed since the end of the financial year.

Signed for and on behalf of the Trustee on 11 May 2011:



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## INFORMATION

The New Zealand Local Government Insurance Corporation Limited (trading as Civic Assurance) is the administration and investment manager of the Scheme, with supporting assistance from Melville Jessup Weaver.

**The Scheme's auditor is:**

Deloitte on *behalf of the Office of the Auditor General*  
Deloitte House, 10 Brandon St  
PO Box 1990, Wellington 6140

**The Trustee of the Scheme is:**

Local Government Superannuation Trustee Limited

**The Scheme's Solicitor is:**

Burrowes & Co, Barrister & Solicitor  
Level 2, Perpetual Trustee House  
111 Customhouse Quay  
PO Box 24515, Wellington 6142

**The Scheme's Actuary is:**

Melville Jessup Weaver  
AMP Chambers, 187 Featherston Street  
PO Box 3109, Wellington 6140

**The Investment Managers of the Scheme are:**

AMP Capital Investors (New Zealand) Limited  
Level 14, 171 Featherston Street,  
PO Box 3764, Wellington 6140

ASB Group Investments Limited  
Level 1, 67-73 Hurstmere Rd,  
Private Bag 93518  
Takapuna, Auckland 0740

**The address for correspondence is:**

Mr Roger Gyles, Scheme Secretary  
Local Government Superannuation  
Trustee Limited  
PO Box 5521, Wellington 6145  
Phone (04) 978 1255

**The Directors of the Trustee are:**

Basil J MORRISON (Chairman), Consultant,  
appointed by Civic Assurance

Darryl C GRIFFIN, Company Director,  
appointed by Civic Assurance

Rob R GALLAGHER, Engineer,  
appointed by NZ Council of Trade Unions

Cynthia M BOWERS, Company Director,  
appointed by Local Government New Zealand

Rod J TITCOMBE, Chief Executive,  
appointed by Society of Local Government Managers

Jane M ANNEAR, Company Director, appointed by Local  
Government New Zealand

Mr Ian Buchanan resigned as a director of the Trustee in  
February 2011.

Ms Jane Annear was appointed on 28 February 2011.

There has been no change of Trustee during the period  
under review.

