

**SUPER** *easy*

**KiwiSaver**<sup>™</sup>  
*Poua he Oranga*

**LOCAL GOVERNMENT SUPERANNUATION SCHEME  
AND SUPEREASY KIWISAVER SUPERANNUATION SCHEME**

**SCHEME PROSPECTUS NO. 6**

Dated 15 June 2009

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A copy of this prospectus duly signed was delivered for registration to the Registrar of Companies, Level 18 ASB Bank Centre, 135 Albert Street, Auckland, on 30 June 2009, together with the documents which are required by Section 41 of the Securities Act 1978 and Regulation 7 of the Securities Regulations 1983.

All legislation referred to in the prospectus can be viewed online at [www.legislation.govt.nz](http://www.legislation.govt.nz).

This prospectus is produced in accordance with the requirements of the Securities Act 1978.

**LOCAL GOVERNMENT SUPERANNUATION SCHEME  
AND SUPEREASY KIWISAVER SUPERANNUATION SCHEME  
PROSPECTUS**

The information contained in this prospectus is provided for the purposes of the Securities Act 1978 and the Securities Regulations 1983. This prospectus contains all of the information, statements, certificates, and other matters specified in Schedule 3C of the Securities Regulations 1983 that are applicable.

**1. DESCRIPTION OF SCHEMES**

- (1) The schemes are known as the Local Government Superannuation Scheme (“the LGSS”) and the SuperEasy KiwiSaver Superannuation Scheme (“the SKSS”) (together called “the Schemes”).
- (2) The LGSS is a cash contribution superannuation (defined contribution) scheme registered under the Superannuation Schemes Act 1989. The SKSS is a cash contribution superannuation (defined contribution) scheme registered under the KiwiSaver Act 2006. Each Scheme was established with the principal purpose of providing members with benefits on retirement. They also provide benefits payable on death and hardship.
- (3) The LGSS was established in 2005 in Wellington. The SKSS was established as KiwiSaver SuperEasy Superannuation Scheme in 2007 in Wellington and changed its name in May 2009 to the present one. The SKSS was established under an umbrella trust (the Trust Deed) that also governs the LGSS.

**2. SUPERANNUATION TRUSTEE**

- (1) There is one superannuation trustee of the Schemes: Local Government Superannuation Trustee Limited (“LGST” or “Trustee”), the address of which is:

Level 9, Civic Assurance House  
114 Lambton Quay  
PO Box 5521  
Wellington

There are six members of the Board of Directors of the Trustee. Their names and city or town of residence are:

Cynthia Margaret Bowers	Waipawa
Ian Michael Buchanan	Greytown
Robert Roythorne Gallagher	Auckland
Darryl Clifford Griffin	Waitakere
Basil James Morrison	Paeroa
Rodney James Titcombe	Feilding

Each director can be contacted at LGST, Level 9, Civic Assurance House, 114 Lambton Quay, Wellington.

- (2) The Trustee is incorporated in New Zealand under the Companies Act 1993 having been incorporated under the Companies Act 1955 on 13 March 1991.

- (3) The ultimate holding company of the Trustee is New Zealand Local Government Insurance Corporation Limited which is incorporated in New Zealand under the Companies Act 1993 having been incorporated under the Companies Act 1955 on 16 December 1960. New Zealand Local Government Insurance Corporation Limited trades under the name “Civic Assurance”.
- (4) The Trustee is indemnified out of the assets of the Schemes to the maximum extent permitted by law against all expenses and liabilities incurred in the management and administration of the Schemes.
- (5) The Trustee is independent of the fund managers, but not of the administration and investment manager, New Zealand Local Government Insurance Corporation Limited, of which the Trustee is a subsidiary. The Board of Directors of the Trustee is limited to six directors. New Zealand Local Government Insurance Corporation Limited and the New Zealand Local Government Association Incorporated each have the right to appoint two directors to the Board of Directors, and the NZ Society of Local Government Managers Incorporated and the New Zealand Council of Trade Unions Incorporated each have the right to appoint one director.

### **3. MANAGERS, PROMOTERS, AUDITOR AND ADVISERS**

- (1) The Schemes’ administration and investment manager is New Zealand Local Government Insurance Corporation Limited (“Civic Assurance” or “Civic”), the address for which is:

Level 9, Civic Assurance House  
 114 Lambton Quay  
 PO Box 5521  
 Wellington

The Schemes’ fund managers and their addresses are:

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

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

- (2) The promoter of each Scheme is New Zealand Local Government Insurance Corporation Limited (“Civic Assurance” or “Civic”). The directors of the promoter are:

Darryl Clifford Griffin	Auckland
Michael Clifford Hannan	Auckland
Robert Alfred Lineham	Christchurch
Anthony John Marryatt	Christchurch
Kinsley Neville Sampson	New Plymouth
Bryan George Taylor	Auckland

Each director can be contacted at Civic Assurance, Level 9, Civic Assurance House, 114 Lambton Quay, Wellington.

- (3) The Office of the Auditor-General, which is the Schemes' auditor, has appointed Michael Wilkes of Deloitte, Chartered Accountants, to undertake the audit. The address for correspondence is Deloitte, P O Box 248, Christchurch 8140.

Burrowes and Company, Barristers and Solicitors, have been involved in the preparation of this prospectus.

#### **4. DESCRIPTION OF SCHEMES AND THEIR DEVELOPMENT**

- (1) The Trust Deed is dated 1 June 2005. The Trust Deed and amendments to it including the inclusion of SKSS have been consolidated by a Deed dated 25 May 2009. The description of the Schemes below applies to both Schemes, except for SKSS in respect of:

- (a) clause 8 - participating employers
- (b) clause 9 - membership of the Scheme
- (c) clause 11- contributions
- (d) clause 12 - benefits
- (e) clause 20 - winding up

The principal terms for these descriptions for SKSS are referred to in clauses 15 and 16 of the Trust Deed.

- (2) The Trust Deed provides for membership of the Schemes and for separately identified Funds into which contributions from participating employers (if they contribute) and members are credited. The contents of the Funds are invested with different fund managers, chosen by the administration and investment manager (with the prior approval of the Trustee) to mirror the investment objectives of the Fund or Funds selected. Separate accounts for LGSS and SKSS and for members are kept. The Schemes are administered by the administration and investment manager which charges the Schemes for its services.

In summary the principal terms of the Trust Deed are:

clause 3 – There is to be one trustee which is a company. The first trustee is LGST. Civic Assurance has the right to remove the trustee and appoint another company as trustee. The amount of the trustee's remuneration is determined after consultation with Civic Assurance. The trustee is indemnified out of the Schemes' assets except where there is wilful default, breach of trust or failure to comply with the law. The trustee may delegate. The trustee will deduct from the Scheme Funds the Schemes' outgoings including taxation.

clause 6 – Various investments are authorised. The trustee may prescribe terms and conditions regarding the establishment, alteration and closure of investment funds. The funds are detailed in section 4(6) of this prospectus. The trustee may appoint one or more fund managers. Members nominate the investment funds they wish their and their employer's contributions to be invested in.

- The trustee decides the appropriate investment funds for the reserve account.
- clause 7 – This details the operation of members’ accounts, employers’ accounts and the reserve account.
- clause 8 – For the LGSS this provides for participating employers. Local authorities and related organisations are eligible for admission to the LGSS, and any other employer the trustee decides to admit. A participating employer may terminate or suspend contributions on giving the required notice. In this event the affected employer may cease to be a participating employer. There are detailed rules as to how the employer’s account is to be dealt with. The overall intention is that it is dealt with for the benefit of the affected members. Payment out of the LGSS may be deferred where the investments allocated to the participating employer’s part of the LGSS is not immediately realisable. The Trustee believes this provision does not currently apply given the investments of the LGSS, but this may change – for example if the LGSS ever invests in the direct property sector.
- clause 9 – This provides for membership of the LGSS. In particular any employee of a local authority, whether belonging to a participating employer or not, may apply to become a member. A member who ceases to be employed by a participating employer does not cease to be a member of the LGSS. Instead the vested portion of the employer’s account is transferred to the member’s account. If following payment of a benefit the member’s account balance is less than \$50 then the member is deemed to have ceased membership and any residual balance is transferred to the reserve account.
- clause 10 – This provides for transfer of members to the Schemes, the transfer of a member to another superannuation scheme (with the consent of any participating employer and the member), and transfers between parts of the Schemes.
- clause 11 – For the LGSS contributions. Where contributions are paid through a participating employer, the employer and the member must contribute at least \$520 per annum. There are no maximum contributions for employers or members. For members who pay contributions independently there is presently a minimum contribution of \$520 per annum. Either the member or the participating employer can make additional voluntary contributions. There is presently a minimum level of \$500 for any lump sum contribution and \$260 per annum for increases to regular instalments.
- clause 12 – For the LGSS benefits. The retirement benefit is payable on a date selected by the member after the member’s employment ceases. It comprises all or part of the member’s account balance (which may include any vested employer’s account on cessation of employment). The death benefit comprises the member’s account balance and the employer’s account balance. It is payable at the trustee’s discretion to the estate of the member or one or more of the member’s dependants. The hardship benefit comprises all or part of the member’s and/or the employer’s

- account balance. It is payable at the trustee's discretion and with the consent of the participating employer (if any).
- clause 13 – The trustee may defer a benefit payment if it is satisfied the effect of the payment may be to affect the status of the Schemes as registered superannuation schemes. This is intended to protect the principal purpose of the Schemes, which is to provide retirement benefits. Members will not be able to access their funds as and when they wish like a bank account.
- clause 14 – LGSS ceases to have a complying superannuation fund section from 30 June 2009 for new members.
- clause 17 – Civic Assurance is the first appointor of the trustee.
- clause 18 – The trust deed may be amended but no member is to be adversely affected and the provisions regarding reversion of assets to participating employers are not to be changed to members' detriment.
- clause 19 – Any dispute can be arbitrated.
- clause 21 – For the LGSS winding up. The trustee can resolve at any time to wind up the LGSS. The order of priority of payments out of the LGSS is –
- (a) costs of winding up and taxation
  - (b) unpaid and overdue benefits
  - (c) providing for remaining members
  - (d) payment of surplus to participating employers with Government Actuary's consent.
- (3) (a) Qualifying employers and their employees or officers and employees of related organisations are presently eligible to join the LGSS. An employee of a participating employer may join the LGSS on invitation from his or her participating employer. The conditions of entry are set out in application forms (in which the participating employer or members as applicable agree to abide by the terms of the Trust Deed). A member ceases to be a member of the LGSS when the member, or his or her personal representatives, have received the benefits payable to them or, in respect of the member from the LGSS, his or her benefit entitlement has been transferred to another superannuation scheme.
- (b) The terms of the Trust Deed provide that all of the assets of the Schemes available for investment must be invested in accordance with the provisions of the Trustee Act 1956.
- (c) Each participating employer that contributes to the LGSS is required to contribute in accordance with the terms selected in their application to the Trustee, but may terminate or suspend contributions on three months' notice in writing. A participating employer has no right to any amount from the LGSS, other than defined amounts in the reserve account. These amounts may be applied towards its defined contributions or, in the event of the winding up of the LGSS, refunded to it with the consent of the

Government Actuary. In addition, a participating employer has the following rights or obligations under the Trust Deed:

- to determine the amount (if any) of its contributions;
- to establish further arrangements for different classes or groups of its employees;
- to close, or consent to closure, of any of its parts of the LGSS to new members.

The Trustee may in certain circumstances close the LGSS or part of the LGSS.

- (4) The LGSS was launched in June 2005 as an innovative superannuation scheme primarily for employees of local authorities. It features investment management by private sector fund managers with a local government trustee. The LGSS provides flexibility for both employees and their local authority employers as well as portability. It also allows employees who cease employment in the local authority sector to continue their membership of the LGSS, whether working or not.

The Trustee, LGST, is also trustee of a superannuation scheme named the Local Government Global Superannuation Scheme established by a trust deed dated 20 May 1991 for the principal purpose of providing retirement benefits for employees of local authorities. The LGSS and the SKSS have been established with the same purpose, but with a more modern structure and trust deed, which will simplify compliance with legislation. For example, the old scheme provides for six accounts. These have been simplified for each of the LGSS and the SKSS into three types of account – member’s funded by the member, member’s funded by the member’s employer and the reserve account.

- (5) There are no liabilities (including contingent liabilities) that can be incurred by members in relation to the Schemes other than in respect of their contributions payable under the Schemes and in respect of tax on investment earnings. Tax includes PIE tax described on page 19 and Fund Withdrawal Tax (FWT) described on page 20 of this Prospectus. In most cases benefits will be paid tax-free.
- (6) The objective of the Schemes is to provide various benefits. The benefits available to members are described in the Trust Deed and include retirement, death and hardship.

In respect of the retirement benefit, “retirement” for the LGSS is defined in the Trust Deed as meaning any date selected by the member after cessation of employment. The member’s account and the vested portion of the employer’s account is payable as a benefit.

In respect of the death benefit for the LGSS, the amount payable is the member’s account and the employer’s account (if any).

In respect of the hardship benefit for the LGSS, the Trust Deed provides that a member may elect to withdraw all or part of the member’s and/or employer’s account if the member suffers financial hardship and the trustee and the member’s participating employer (if any) agree.

The percentage of the employer account payable on leaving service is contained in the relevant admission document for each participating employer.

The benefits are paid from the sums held in the employer's account for the member (if any) and from the member's account. They are paid after deducting any tax that may be payable on the benefit.

Members currently have a choice of five different Funds in each Scheme in which to have their contributions and any employer contributions made on their behalf invested, namely, the Automatic, Balanced, Growth, Income and Conservative Funds. Members are able to switch investments between the Funds. At the date of this prospectus no fee for switching has been introduced by LGST and none is currently intended. These Funds are run independently of one another; so for example, a loss in the Growth Fund will not affect members investing in the Income Fund unless there is a winding up of the Scheme. In this event the assets of any one fund are not ring-fenced against the liabilities of other funds.

The current objectives of those Funds are as follows:

**Automatic Fund:** to achieve the optimum long-term outcome by accepting a higher investment risk and return volatility in the early stages of a member's working life as a trade for higher returns. So when a member is younger the Automatic Fund provides greater exposure to investments with the potential for growth such as overseas and New Zealand equities. Each month, between the ages of 20 and 80, as the member gets older the Automatic Fund will automatically and smoothly change a member's target investments to a more conservative mix by increasing the member's target exposure to income assets such as fixed interest securities and cash. This option is suitable for members who do not wish to have to continually reassess their retirement investment strategy. The Automatic Fund has target asset allocations which are set by the Trustee from time to time and which depend on the member's age. Each month the member's investment will be reviewed to reflect the targets. Examples of these current targets are set out for specimen ages in the table below:

<b>Specimen Age</b>	<b>Growth Assets</b> (e.g. international equities, domestic equities, property)	<b>Income Assets</b> (e.g. cash, international bonds, domestic bonds)
20	95%	5%
40	75%	25%
60	55%	45%
80	25%	75%

Within each of these asset classes the current target asset allocation of the Automatic Fund is a range of investments including overseas equities (hedged and un-hedged), New Zealand equities, property, overseas and New Zealand fixed interest securities and cash, to reflect the targets that are set out in the table below:

Asset	Age 20	Age 40	Age 60	Age 80
Overseas Equities Un-hedged	46.9%	28.0%	14.3%	4.7%
Socially Responsible Investment Fund	6.5%	4.5%	2.8%	1.0%
Overseas Equities Hedged	11.6%	12.5%	10.4%	4.3%
Trans-Tasman Equities	20.0%	17.5%	12.5%	5.0%
Property	10.0%	12.5%	15.0%	10.0%
Global Fixed Interest	2.0%	12.0%	20.0%	15.0%
New Zealand Fixed Interest	1.0%	8.0%	20.0%	30.0%
Cash	2.0%	5.0%	5.0%	30.0%

The Trustee established the shape of asset allocation of the Automatic Fund to achieve what it believed, having taken professional advice, the optimum long term outcome for all members over their life time with the Fund. The Trustee recognises that investment conditions change and it will regularly review the asset allocation of the Fund.

In addition, while the intention is to maintain the automatic asset allocation positions over time but possibly with some extra hedging and reduced exposure to Trans-Tasman shares, the Trustee may, if it feels market conditions demand it, make tactical or long-term asset allocation changes to meet the changes in the market place.

**Growth Fund:** to achieve a high level of real returns over the medium to long-term primarily through investment in equities, accepting that the returns may be subject to significant short-term fluctuations. This option is suitable for members willing to accept significant volatility in order to pursue higher returns over the longer term through selected domestic and international asset classes perceived to have special growth potential.

**Balanced Fund:** to achieve positive real returns over the medium to long term 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.

**Income Fund:** to reduce the likelihood 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 a reasonable opportunity for

positive real returns over the longer term by investing a reasonable proportion of the Fund in growth assets such as equities and property.

**Conservative Fund:** to reduce the likelihood of negative returns over the short-term it has higher proportions of investment in defensive assets, such as cash and bonds, while still providing an opportunity for positive real returns over the longer term by investing a smaller proportion of the Fund in growth assets such as equities and property.

The objectives of the Growth, Balanced, Income and Conservative Funds are clearly indicated by their target asset allocations, which can be summarised as follows:

<b>Investment Option</b>	<b>Growth Assets</b> (e.g. international equities, domestic equities, property)	<b>Income Assets</b> (e.g. cash, international bonds, domestic bonds)
Growth Fund	90%	10%
Balanced Fund	70%	30%
Income Fund	50%	50%
Conservative Fund	20%	80%

Within each of these asset classes, the current target asset allocation of each Fund has a range of investments including overseas equities (hedged, unhedged and socially responsible investment funds), Trans-Tasman equities, property, overseas and New Zealand fixed interest securities and cash. Currently the target asset allocation for global equities includes 10% investment in socially responsible investment funds.

These asset allocations take into account the Funds' objectives and the effects of the 2007 and 2008 legislation changes, which mean that on average assets for the Growth, Balanced, Income and Conservative Funds can now be expected to be invested for a longer term. The effect on these Funds is that it is now appropriate to make more use of Growth Assets which, although over time are more volatile, are expected to produce higher returns on average than Income Assets.

The fund managers are required to maximise the return for the members within the investment guidelines for that Fund with the intention that the contributions and the accumulated profits from the investment of the contributions be used to provide the benefits selected. It is possible in some periods that returns will be negative. The Trustee, with advice from the administration and investment manager and any other advisers that the Trustee may choose to use, periodically reviews and compares the performance of the fund managers with a view to change if considered desirable.

- (7) The LGSS and the SKSS are defined contribution schemes therefore any fluctuations in investment asset values of the schemes due to investment market conditions will be reflected daily in the liabilities (member balances) of the schemes. Consequently the total assets of the schemes will match the total liabilities of the schemes.

The returns are calculated from income derived and the realised and unrealised changes in the market values of the Funds. The investment returns earned on the Funds before tax, fees and expenses, for the years ending 31 December 2005, 31 December 2006, the quarter to 31 March 2007, and the years ending 31 March 2008 and 31 March 2009 are:

#### GROWTH FUND

<b>Period Ended</b>	<b>Investment Returns</b>
December 2005	16.2 % per annum
December 2006	10.3 % per annum
March 2007	1.0 % per quarter
March 2008	-8.7 % per annum
<b>March 2009</b>	<b>-22.5% per annum</b>

#### BALANCED FUND

<b>Period Ended</b>	<b>Investment Returns</b>
December 2005	9.1 % per annum
December 2006	11.2 % per annum
March 2007	1.3 % per quarter
March 2008	-3.0 % per annum
<b>March 2009</b>	<b>-19.7% per annum</b>

#### INCOME FUND

<b>Period Ended</b>	<b>Investment Returns</b>
December 2005	10.4 % per annum
December 2006	6.5 % per annum
March 2007	0.9 % per quarter
March 2008	-1.8 % per annum
<b>March 2009</b>	<b>-8.1% per annum</b>

#### CONSERVATIVE FUND

This Fund opened on 1 April 2008. The investment return for the period ending 31 March 2009 before tax, fees and expenses was -0.1% per annum.

#### AUTOMATIC FUND

The Automatic Fund currently invests in 8 funds; NZ Cash, NZ Fixed Interest, Global Fixed Interest, Property, NZ Equities, Global Equities socially responsible investment funds, Global Equities Unhedged and Global Equities Hedged. It has a target asset allocation which is set by the Trustee from time to time and which depends on the member's age, with the initial allocation based on the age of the member when they enter the fund. Each month the members' asset allocations will be reviewed to reflect the targets, examples of these targets are given on page 8. Actual annual returns are calculated by adding the actual returns (before tax, fees and expenses) earned on the member's actual asset allocation for each month, over the 12 month period.

Investment returns for the years ending 31 December 2005\*, 31 December 2006, the quarter to 31 March 2007, and the years ending 31 March 2008 and 31 March 2009 are set out for specimen ages in the table below:

Period Ended	Investment Returns for Sample Ages						
	Age 20	Age 30	Age 40	Age 50	Age 60	Age 70	Age 80
December 2005 % per annum	20.5	20.6	19.0	17.5	15.7	13.9	12.2
December 2006 % per annum	11.9	12.2	11.3	10.5	9.5	8.6	7.5
March 2007 % per quarter	0.8	0.9	0.9	0.9	0.9	0.9	0.8
March 2008 % per annum	-10.3	-9.8	-7.4	-5.0	-2.9	-0.9	0.9
<b>March 2009 % per annum</b>	<b>-18.4</b>	<b>-18.4</b>	<b>-17.9</b>	<b>-17.5</b>	<b>-13.6</b>	<b>-6.9</b>	<b>-0.7</b>

\*where the 2005 figures are based on the returns that would have applied had the Automatic Fund been in operation on 1 January 2005.

- (8) The consolidated trust deed for the SKSS is dated 25 May 2009.
- (9) The summary of the principal terms of the trust deed for SKSS is largely set out in subsection (2) above. Clauses 15 and 16 of the Trust Deed set out the key features of the SKSS. These are modelled on the provisions in the KiwiSaver Act 2006. Subject to the KiwiSaver Act 2006 and the KiwiSaver scheme rules, the provisions of the Trust Deed relating to the LGSS apply equally to the SKSS with any necessary modifications.
- (10) The conditions of entry to the SKSS are specified in sections 9-23, 33-36 and 53 of the KiwiSaver Act 2006. In summary, natural persons will be admitted to membership of the SKSS as follows:
- (a) In respect of any employees of any employer who has agreed with LGST that LGST will provide access to the SKSS for the employer's employees as a preferred provider in accordance with the KiwiSaver Act; or
  - (b) By contracting directly with LGST to become a member of SKSS.

Every new employee from 1 July 2007 who gains membership to SKSS in the manner referred to in paragraph (a) above may opt-out of the SKSS at any time in the period beginning on the 13<sup>th</sup> day after the date on which that person started his or her employment and ending on the close of the 55<sup>th</sup> day after the date on which that person started his or her employment.

An employee wishing to opt out of the SKSS must give an opt-out notice either to the Inland Revenue (IRD) or to his or her employer.

An opt-out date takes effect on the later of the 13<sup>th</sup> day after the date on which that person started his or her employment and the date on which the opt-out notice is accepted by the IRD (if notice is given to the IRD) or received by the employer.

A person who is a member of the SKSS cannot (whilst an existing member of the SKSS) become a member of any other KiwiSaver scheme.

Admission of a person to membership of the SKSS may be subject to such criteria as are determined by LGST from time to time and are permitted by law.

The conditions as to termination of membership of the SKSS are specified in sections 15-21 and 36 of the KiwiSaver Act 2006. In summary a person shall cease to be a member of the SKSS on the first to occur of:

- (a) The person's death;
- (b) The person receiving the person's full benefit from the SKSS and ceasing to have an entitlement under the SKSS;
- (c) The person transferring from the SKSS to another KiwiSaver Scheme and ceasing to have an entitlement under the Scheme;
- (d) LGST determining that the person shall cease to be a member if:
  - (i) the balance in the member's accounts reaches zero; and
  - (ii) LGST gives notice to the member in accordance with the KiwiSaver Act that the person's membership is terminated; and
- (e) any date prescribed by law on which that person ceases to be a member.

The rights and obligations of employers in regard to the SKSS are set out in the KiwiSaver Act 2006 and the KiwiSaver Scheme Rules and in taxation legislation. In summary, an employer is required to:

- check whether a new employee is eligible to be a KiwiSaver member;
- check whether they should be automatically enrolled;
- distribute the KiwiSaver employee information pack (IRD KS 3 form) to new employees who qualify for automatic enrolment, and to existing employees who want to opt in or ask for one;
- provide new employees with an investment statement for the SKSS if this is the employer's chosen scheme;
- send to IRD the details of new employees who are enrolled automatically in the SKSS;
- deduct KiwiSaver contributions and forward them to Inland Revenue along with the PAYE payments;
- accept opt out requests from employees within the 2-8 week opt-out period and notify IRD;
- act on an employee's contributions holiday notice;
- stop or start deductions when IRD advises it to.

Employers who select the SKSS for their employees as an employer-chosen scheme will not be liable if the scheme fails.

From 1 April 2009 the compulsory employer contribution is 2%.

- **Contributions made to an existing scheme**

Employer contributions made to an existing registered superannuation scheme such as SuperEasy will count towards the compulsory amount in some circumstances. Such contributions will need to “vest” in the employee immediately.

(11) The SKSS was launched on 1 July 2007. It features investment management by private sector fund managers with a local government trustee.

(12) **The Portfolio Investment Entity Regime**

The Taxation (Savings Investment and Miscellaneous Provisions) Act 2006, which was enacted on 18 December 2006, introduced the new Portfolio Investment Entity (PIE) regime for collective investment vehicles and the fair dividend rate (FDR) method of taxation for foreign shares.

The tax position of savings vehicles and the tax treatment of investments in foreign shares have been affected significantly by the Act. The LGSS (including the SKSS) registered as a PIE effective from 1 October 2007 so as to maximise the benefits of the Act for its members. Consequently the Trustee has reassessed the investment products provided by the Fund Managers and have moved to suitable PIE compliant funds whilst maintaining a similar range of investment opportunities for members.

(13) At present LGST invests with two fund managers; AMP Capital Investors (NZ) Ltd and ASB Group Investments Ltd. The Trustee will continue to review and compare the performance of the fund managers with a view to change if considered desirable.

## 5. SUMMARY OF FINANCIAL STATEMENTS

The amounts stated in the LGSS summary of financial statements included in this section of the Prospectus for the periods 13 June 2005 to 31 December 2005, the year to 31 December 2006, the three months to 31 March 2007 and the years to 31 March 2008 and 31 March 2009 have been taken from the audited financial statements for the LGSS, on which an unqualified audit report was issued.

The LGSS changed its accounting policies on 1 April 2007 to comply with New Zealand International Financial Reporting Standards (NZ IFRS). The classification and valuation of investments and the calculation of gains and losses on these investments were not materially affected. Under the previous Generally Accepted Accounting Practice (GAAP), investments included in the financial statements were recorded at net market value, being the published mid price less anticipated disposal costs. Realised and unrealised gains or losses were calculated using the cost inclusive of transaction costs. On transition to NZ IFRS, investments are designated as at fair value through profit or loss. Financial assets in this classification have transaction costs charged to the statement of changes in net assets on initial recognition. Fair value is determined as the exit price of the investment.

The Scheme invests solely in unitised products in the period. There were no transactions costs and the exit price is the same as the valuation price. As a result there were differences to the classification and presentation of investments and no financial change to net assets. Full disclosure is made in the LGSS financial

statements for the period ended 31 March 2008, a copy of which is available on request from the Scheme's secretary.

### LGSS Summary of Financial Statements

Period Ended	31 March	31 March	31 March	31 March	31 Dec	31 Dec
	2009	2008	2007	2007	2006	2005
	NZ IFRS \$	NZ IFRS \$	NZ IFRS \$	Previous GAAP \$	Previous GAAP \$	Previous GAAP \$
<b>Contributions</b> - Members	2,857,263	5,271,133	1,030,091	1,030,091	2,978,924	1,273,614
- Employers	802,848	836,941	212,035	212,035	1,146,270	706,560
	3,660,111	6,108,074	1,242,126	1,242,126	4,125,194	1,980,174
Benefits Paid	(1,903,246)	(1,360,615)	(171,550)	(171,550)	(552,122)	(30,631)
PIE Tax Paid	(147,262)	(41,174)	-	-	-	-
Net Membership Activities	1,609,603	4,706,285	1,070,576	1,070,576	3,573,072	1,949,543
<b>Investment Activities</b>						
Realised (Losses)/ Gains on Investments	(548,786)	62,981	10,555	10,555	27,456	-
Unrealised (Losses)/ Gains on Investments	(992,325)	(574,664)	56,562	56,562	265,509	81,870
Other Revenues	-	-	-	-	-	-
Total Investment Revenue	(1,541,111)	(511,683)	67,117	67,117	292,965	81,870
Investment Expenses	(45,785)	(49,531)	(5,041)	(5,041)	(8,818)	(7,462)
<b>Net Investment (Loss)/ Revenue</b>	<b>(1,586,896)</b>	<b>(561,214)</b>	<b>62,076</b>	<b>62,076</b>	<b>284,147</b>	<b>74,408</b>
Other Expenses	(6,469)	(7,887)	(171)	(171)	(162)	(19)
Change in Net Assets Before Tax	(1,593,365)	(569,101)	61,905	61,905	283,985	74,389
Tax Provided For or Credited	-	(654)	(1,876)	(1,876)	(6,098)	1,495
<b>Change in Net Assets After Tax</b>	<b>(1,593,365)</b>	<b>(569,755)</b>	<b>60,029</b>	<b>60,029</b>	<b>277,887</b>	<b>75,884</b>
Allocation to Members' Funds	16,238	4,136,530	1,130,605	1,130,605	3,850,959	2,025,427
Transfers to Reserves	(3,584)	(11,982)	(11,304)	(11,304)	(7,758)	-
	12,654	4,124,548	1,119,301	1,119,301	3,843,201	2,025,427
Total Assets	11,291,193	11,190,691	7,020,256	7,020,256	5,886,924	2,032,889
Total Tangible Assets	11,291,193	11,190,691	7,020,256	7,020,256	5,886,924	2,032,889
Liabilities Other Than for Accrued Benefits	(131,434)	(47,170)	(13,265)	(13,265)	(10,538)	(7,462)
Net Assets Available for Benefits	11,159,759	11,143,521	7,006,991	7,006,991	5,876,386	2,025,427
<b>Liabilities for Accrued Benefits</b>						
- Members	11,125,131	11,112,477	6,987,929	6,987,929	5,868,628	2,025,427
- Reserve	34,628	31,044	19,062	19,062	7,758	-
<b>Total Liabilities for Accrued Benefits</b>	<b>11,159,759</b>	<b>11,143,521</b>	<b>7,006,991</b>	<b>7,006,991</b>	<b>5,876,386</b>	<b>2,025,427</b>

The first set of financial statements were prepared for the SKSS for the period ended 31 March 2008 and as such there are no prior comparatives or transition from previous NZ GAAP to NZ IFRS.

The amounts stated in the SKSS summary of financial statements included in this section of the Prospectus for the nine months from 1 July 2007 to 31 March 2008 and for the year to 31 March 2009 have been taken from the audited financial statements for the SKSS, on which an unqualified audit report was issued.

### SKSS Summary of Financial Statements

Period Ended	31 March 2009 NZ IFRS \$	31 March 2008 NZ IFRS \$
<b>Contributions</b> - Members	5,806,972	1,897,417
- Employers	2,381,643	526,595
- Crown Contributions	3,107,238	1,725,045
	11,295,853	4,149,057
Transfers to other KiwiSaver schemes	(221,011)	(17,906)
Benefits Paid	(15,242)	-
PIE Tax Paid	(69,723)	(2,320)
Net Membership Activities	10,989,877	4,128,831
<b>Investment Activities</b>		
Realised (Losses)/ Gains on Investments	(128,364)	28,956
Unrealised Losses on Investments	(913,524)	(104,533)
Total Investment Revenue	(1,041,888)	(75,577)
Investment Expenses	(24,915)	(2,637)
<b>Net Investment Loss</b>	(1,066,803)	(78,214)
Other Expenses	(168,350)	(32,260)
	<b>(1,235,153)</b>	<b>(110,474)</b>
Allocation to Members' Funds	9,754,724	4,018,358
Transfers to Reserves	-	-
	9,754,724	4,018,358
Total assets	13,940,148	4,054,196
Total Tangible Assets	13,940,148	4,054,196
Liabilities Other Than for Accrued Benefits	(167,067)	(35,839)
Net Assets Available for Benefits	13,773,081	4,018,357
Liabilities for Accrued Benefits		
- Members	13,773,081	4,018,357
- Reserve	-	-
<b>Total Liabilities for Accrued Benefits</b>	<b>13,773,081</b>	<b>4,018,357</b>

## 6. INTERESTED PERSONS

- (1) The administration and investment manager (Civic) receives fees which are agreed from time to time by the Trustee of each Scheme. For LGSS this is \$6.00 per month per member and can be waived at the discretion of Civic. For SKSS effective from 1 July 2009 the administration fee will be set at \$4.50 per month per member. Civic also receives from each Scheme an annual investment management fee from which Civic then pays each Scheme's fund managers, identified in section 3(1) above. Civic's remuneration is 0.5% per annum expressed as a percentage of the total funds under management in the different Funds.

One commentator on superannuation has raised the issue of what he calls the 'Unitisation Mispricing Factor'. Civic's fee of 0.5% per annum is set as a percentage of the value of the investment funds and has nothing to do with unitisation, so for Civic there is no 'Unitisation Mispricing Factor'. For the avoidance of doubt, all direct costs of the Schemes are met by Civic; Civic then separately recovers a fixed fee expressed as a percentage of the total value of each investment fund from the Schemes.

In addition to Civic's remuneration, some fund management charges such as trusteeship and audit fees are charged against the income of the funds by the fund managers. The total cost to the members of these items is not limited and would typically average less than 0.1% per annum. The contracts with the Schemes' fund managers also provide for recompense of expenses direct from funds under management incurred by the fund managers, including the costs of buying and selling investments, for which there are no limits.

The Trustee intends that, for the foreseeable future of SuperEasy KiwiSaver, it will not introduce any switching, alteration or exit charges for this Scheme.

The administration and investment manager's obligations include full management of the Schemes, maintenance of records and accounts, administering the Trustee's requirements, processing of contributions received and production of annual accounts and statements of members' benefits. The administration and investment manager may recover from the Trustee all reasonable charges and expenses in association with carrying out its functions or complying with any directions, without limitation.

Directors of the Trustee do not receive director's fees as such. They receive a fixed meeting allowance from Civic together with reimbursement of direct expenses incurred for attendance at directors' meetings. There are no limits to the amounts of the fees which may be paid. However, the allowances are agreed from time to time by the administration and investment manager. There are no limits on any reimbursement of direct expenses incurred.

- (2) The administration and investment manager is a participating employer and some of its employees may from time to time be members of the Schemes. Except for this and as noted in this Prospectus none of the Trustee or any administration and investment manager, fund manager, custodian or promoter has at any time during the five years preceding the registration of this Prospectus had a material interest, whether direct or indirect, in the Schemes, or in any contract or arrangement entered into on behalf of or in respect of the Schemes.

## **7. MATERIAL CONTRACTS**

Material contracts entered into in respect of the Schemes at any time in the two years preceding the date this Prospectus is delivered in registrable form to the Registrar of Companies for registration are as follows:

- (1) ASB Superannuation Master Trust (SMT) Trustee Deed agreement between Public Trust and LGST dated 28 November 2007. The general nature of this agreement is that certain of the assets of the LGSS are invested in the ASB Superannuation Master Trust which is managed by ASB Group Investments.

- (2) ASB Superannuation Master Trust (SMT) Trustee Deed agreement between Public Trust and LGST dated 28 November 2007. The general nature of this agreement is that certain of the assets of the SKSS are invested in the ASB Superannuation Master Trust which is managed by ASB Group Investments.
- (3) Agreement between LGST and Tower Asset Management Limited dated 13 November 2007 in respect of membership of the SKSS in the Tower Investment Linked Superannuation Fund and other funds. The general nature of this agreement is that LGST appoints Tower Asset Management as a fund manager in respect of certain assets of the SKSS which will be invested in the Tower Investment Linked Superannuation Fund and may be invested in other funds. This agreement is no longer operative.
- (4) A Letter of Authority dated 31 October 2007 instructing AMP Superannuation Investment Trust to act as fund manager for certain of the funds of the SKSS, pursuant to the membership agreement dated 4 August 2005. This instruction is no longer operative.
- (5) A Letter of Authority dated 31 October 2007 instructing ING (NZ) Limited to act as fund manager for certain of the funds of the SKSS, pursuant to the Fund management agreement dated 22 August 2005. This instruction is no longer operative.
- (6) Agreement between LGST and AMP Capital Investors (New Zealand) Limited dated 17 March 2008 in respect of investment management arrangements of the SKSS. The general nature of this agreement is that LGST appoints AMP Capital Investors (New Zealand) Limited as a fund manager in respect of certain assets of the SKSS.
- (7) Agreement between LGST and AMP Capital Investors (New Zealand) Limited dated 17 March 2008 in respect of investment management arrangements of the LGSS. The general nature of this agreement is that LGST appoints AMP Capital Investors (New Zealand) Limited as a fund manager in respect of certain assets of the LGSS.
- (8) ASB Superannuation Master Trust (SMT) Trustee Deed amendment between Public Trust and LGST dated 15 May 2008, pursuant to the membership agreement dated 28 November 2007. The general nature of this amendment is that certain of the assets of the LGSS are replaced with certain other assets invested in the ASB Superannuation Master Trust which is managed by ASB Group Investments.
- (9) ASB Superannuation Master Trust (SMT) Trustee Deed amendment between Public Trust and LGST dated 15 May 2008, pursuant to the membership agreement dated 28 November 2007. The general nature of this amendment is that certain of the assets of the SKSS are replaced with certain other assets invested in the ASB Superannuation Master Trust which is managed by ASB Group Investments.
- (10) Agreement between LGST and AMP Capital Investors (New Zealand) Limited dated 30 October 2008 in respect of investment management arrangements of the LGSS and the SKSS. The general nature of this agreement is that LGST appoints AMP Capital Investors (New Zealand) Limited as a fund manager in respect of certain assets of the LGSS and the SKSS.

## **8. FINANCIAL STATEMENTS AND AUDITOR'S REPORT**

The latest financial statements for the LGSS that comply with and have been registered under the Financial Reporting Act 1993 are for the period 1 April 2008 to 31 March 2009. A copy of those financial statements was registered with the Registrar of Companies on 15 June 2009. The auditor's unqualified report on these financial statements was 5 June 2009.

The LGSS is a defined contribution superannuation scheme and there is therefore no actuarial report.

Attached to this Prospectus is a copy of a report by the auditor for the LGSS stating that the summarised information set out in the Summary of Financial Statements in section 5 of this Prospectus has been correctly taken from audited financial statements.

The latest financial statements for the SKSS that comply with and have been registered under the Financial Reporting Act 1993 are for the period 1 April 2008 to 31 March 2009. A copy of those financial statements was registered with the Registrar of Companies on 15 June 2009. The auditor's unqualified report on these financial statements was dated 5 June 2009.

The SKSS is a defined contribution superannuation scheme and there is therefore no actuarial report.

Attached to this Prospectus is a copy of a report by the auditor for the SKSS stating that the summarised information set out in the Summary of Financial Statements in section 5 of this Prospectus has been correctly taken from audited financial statements.

Mr Michael Wilkes of Deloitte, on behalf of the Auditor-General, has given and has not withdrawn his consent to be named in this Prospectus as auditor for the LGSS and the SKSS and to the issue of this Prospectus with his auditor's report appearing in the Prospectus in the form in which it appears.

Mr Michael Wilkes of Deloitte takes no responsibility for, nor has he authorised, nor caused the issue of any part of this Prospectus except for the auditor's report.

## **9. PLACES OF INSPECTION OF DOCUMENTS**

Copies of any of the following documents may be obtained from the Schemes' secretary, at Civic Assurance's offices between 9.00 am and 5.00 pm on normal business days. The address and contact numbers are:

Level 9, Civic Assurance House  
114-118 Lambton Quay  
Wellington

Telephone: (04) 978 1250  
Facsimile: (04) 978 1260

The following documents are available:

- Any material contracts and the Trust Deed for the Schemes together with any amendments.
- The audited financial statements for the LGSS and the SKSS.

- The latest annual report for the LGSS and the SKSS.

The documents will be provided free of charge with the exception of the Trust Deed, for which there may be a charge of \$25.00.

Copies of the documents may also be obtained (a fee may be payable) at [www.companies.govt.nz](http://www.companies.govt.nz) or by contacting the Companies Office Contact Centre at e-mail [compliance@companies.co.nz](mailto:compliance@companies.co.nz) or telephone 0508 266-726. File reference 1802383 should be quoted for the LGSS and file reference 1963812 should be quoted for the SKSS.

## 10. OTHER MATERIAL MATTERS

The Trustee and the SKSS administration and investment manager, Civic Assurance, will in due course enter into an administration agreement on normal terms and conditions. The terms and conditions of this agreement have not yet been finalised. Given the close relationship between the Trustee and the administration and investment manager it is not envisaged there will be any difficulty in reaching agreement on the terms and conditions of appointment.

No offer of interests in the LGSS where the employer will be contributing may be made to an employee unless an admission document has been signed by the participating employer. The admission document is available, free of charge, to employees of a participating employer and prospective members of the LGSS on request to the participating employer, as provided for in the supplement that forms part of the investment statement for the LGSS.

The date of each participating employer's admission document and the dates of all amendments to that document are contained in the relevant investment statement for the LGSS.

The complying fund section of the LGSS (Locked-In SuperEasy) was closed on 30 June 2009 to new members; there were no existing members at this time.

### *Income Tax*

#### *Tax applying to Portfolio Investment Entities*

Each Scheme has been a portfolio investment entity ("PIE") from 1 October 2007, which in general terms, allows tax to be paid on members' behalf as follows:

- Investment income is taxed within each Scheme at the member's marginal tax rate of either 19.5% or a maximum rate of 30%;
- Capital gains on New Zealand and certain listed Australian shares are exempt from tax; and
- Any distributions received from the Schemes will not be subject to tax.

The following is intended to be by way of general guidance only:

*Calculation and payment of tax*

Each Scheme calculates and pays tax on members' behalf at one of the following Prescribed Investor Rates:

- 19.5% if the member's combined taxable income and PIE income did not exceed \$60,000 in either of the two income years<sup>1</sup> immediately before the tax year<sup>2</sup> in question.
- 30% for all other members and non-residents.

<sup>1</sup>-Income year is the period from 1 April to 31 March.

<sup>2</sup>-Tax year is the following year from 1 April to 31 March.

Members are required to provide the administration and investment manager with their IRD numbers and asked to advise the correct Prescribed Investor Rate to use. Members should advise if their Prescribed Investor Rate changes. If no change is advised or the wrong rate is provided, members may have an obligation to file an income tax return and pay further tax.

Upon a member's partial or full withdrawal of their investment or upon a portfolio switch any tax liability attributed to the member will be met by way of a debit to the member's and/or employer's account. If a member partially withdraws and their account balances are of insufficient value to cover the accrued tax liability this will be deemed a full withdrawal.

The tax paid on income attributed to members by each Scheme will be a final tax (unless the member fails to advise a Prescribed Investor Rate change from 19.5% to 30% or to advise that the correct Prescribed Investor Rate is 30% when it should be 19.5%) so no obligation to file a tax return for members' investment in the relevant Scheme will generally arise. As at the date of this Prospectus, income from each Scheme attributed to members will also have no impact on their family assistance eligibility, student loan repayment obligations or child support payment obligations.

Members or employers may be required to provide further information in the form required by the Trustee to ensure no FWT is deducted from a withdrawal.

*Tax treatment of investments*

Gains or losses made on shares in New Zealand resident companies or certain Australian resident companies listed on an approved list of the Australian Securities Exchange (ASX) and certain Australian unit trusts are not taxable or deductible. The PIE regime is designed to pass through these benefits to members where a Scheme invests in unit trusts or other superannuation schemes that are PIEs.

Foreign equities and offshore funds (other than certain Australian resident companies listed on an approved list of the ASX and Australian unit trusts that offer Resident Withholding Tax (RWT) proxy and meet turnover requirements) are taxed under the Fair Dividend Rate method. Under this method, each Scheme is taxed on 5% of the average market value of its offshore shares and holdings in offshore funds. Dividends or other returns are not taxed separately, as they will be considered to be included under the 5% calculation. Losses are not deductible but foreign tax credits may be available for offset against tax payable.

Foreign equities where the holding is 10% or greater, or equity investments offering guaranteed or fixed rate returns or investments in foreign funds that are 80% or more invested in New Zealand currency debt securities or investments determined by Inland Revenue to be debt in economic terms are taxed under the comparative value method, i.e. annual change in market value. Debt securities are taxed under the financial arrangement rules.

Where withdrawals are made from the LGSS or the SKSS and the amount withdrawn arises from contributions made by a member's employer (or from contributions the source of which cannot be determined) the Trustee may (unless an exemption applies) be required to pay income tax equivalent to 5% of the amount withdrawn ("FWT"). In that case the Trustee will deduct that amount from the withdrawal amount or the member's account.

In some cases for exemptions to apply members or employers may be required to provide further information in the form required by the Trustee.

Tax legislation is complex and may have different or further consequences than those described in general terms above. Tax legislation may also change. Members should consider seeking independent professional tax advice before investing or withdrawing.

## **11. SUPERANNUATION TRUSTEE'S STATEMENT**

After due enquiry by the directors of LGST, they are of the opinion that:

- (a) The value of the assets of the LGSS relative to its liabilities (including contingent liabilities);
- (b) The ability of the LGSS to pay its debts as they become due in the normal course of business –

has not materially and adversely changed during the period between the balance date of the latest financial statements for the LGSS referred to in this Prospectus and the date this Prospectus is delivered in registrable form to the Registrar of Companies for registration.

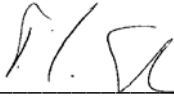
After due enquiry by the directors of LGST, they are of the opinion that:

- (c) The value of the assets of the SKSS relative to its liabilities (including contingent liabilities);
- (d) The ability of the SKSS to pay its debts as they become due in the normal course of business –

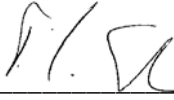
has not materially and adversely changed during the period between the balance date of the latest financial statements for the SKSS referred to in this Prospectus and the date this Prospectus is delivered in registrable form to the Registrar of Companies for registration.

**Trustee's Execution**

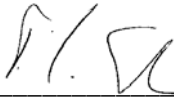
**Signed** by each of the directors of the trustee or by his or her agent authorised in writing



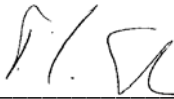
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**C M Bowers (Director)**



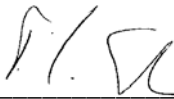
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**I M Buchanan (Director)**



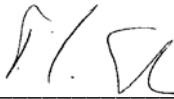
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**R R Gallagher (Director)**



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**D C Griffin (Director)**



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**B J Morrison (Director)**



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**R J Titcombe (Director)**

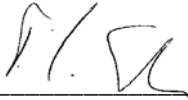
**Promoter's Execution**

**Signed** on behalf of  
**New Zealand Local Government  
Insurance Corporation Limited**  
by its duly authorised agent

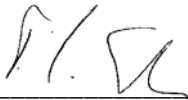


\_\_\_\_\_  
**Timothy Charles Sole**

**Signed** by each of the directors of the promoter or by his or her agent authorised in writing



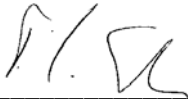
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**D C Griffin (Director)**



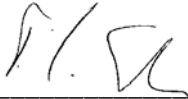
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**M C Hannan (Director)**



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**R A Lineham (Director)**



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**A J Marryatt (Director)**



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**K N Sampson (Director)**



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**B G Taylor (Director)**