LOCAL GOVERNMENT SUPERANNUATION SCHEME
AND SUPEREASY KIWISAYER SUPERANNUATION SCHEME

SCHEME PROSPECTUS NO. 9

Dated 24 September 2012
INDEX

Matters required by Schedule 6 of the Securities Regulations 2009

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Page No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Description of schemes</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Superannuation trustee</td>
<td>1</td>
</tr>
<tr>
<td>3</td>
<td>Managers, promoters, auditors and advisers</td>
<td>2</td>
</tr>
<tr>
<td>4</td>
<td>Description of schemes and their development</td>
<td>3</td>
</tr>
<tr>
<td>5</td>
<td>Summary of financial statements</td>
<td>15</td>
</tr>
<tr>
<td>6</td>
<td>Interested persons</td>
<td>18</td>
</tr>
<tr>
<td>7</td>
<td>Material contracts</td>
<td>19</td>
</tr>
<tr>
<td>8</td>
<td>Financial statements and auditor’s report</td>
<td>19</td>
</tr>
<tr>
<td>9</td>
<td>Places of inspection of documents</td>
<td>20</td>
</tr>
<tr>
<td>10</td>
<td>Other material matters</td>
<td>20</td>
</tr>
<tr>
<td>11</td>
<td>Superannuation trustee’s statement</td>
<td>28</td>
</tr>
</tbody>
</table>

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 24 September 2012, together with the documents which are required by Section 41 of the Securities Act 1978 and Regulation 18 of the Securities Regulations 2009.

All legislation referred to in the prospectus can be viewed online at 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 2009. This prospectus contains all of the information, statements, certificates, and other matters specified in Schedule 6 of the Securities Regulations 2009 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 are two superannuation trustees of the Schemes: Local Government Superannuation Trustee Limited (“LGST”) and an independent trustee, presently Graeme Robertson Mitchell (together called “the 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 LGST. Their names and city or town of residence as at the date of the Registered Prospectus are:

Jane Mary Annear Timaru
Cynthia Margaret Bowers Waipawa
Robert Roythorne Gallagher Auckland
Darryl Clifford Griffin Waitakere
Basil James Morrison Paeroa
Nicola Jane Harrison Nelson
Each director can be contacted at LGST, Level 9, Civic Assurance House, 114 Lambton Quay, Wellington.

(2) LGST 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 LGST is New Zealand Local Government Insurance Corporation Limited (trading as Civic Assurance) which is incorporated in New Zealand under the Companies Act 1993 having been incorporated under the Companies Act 1955 on 16 December 1960.

(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. The indemnity is not applicable in the case of wilful default, breach of trust or failure to comply with the law.

(5) LGST and the independent trustee is each independent of the fund managers, but LGST is not independent of the administration and investment manager and promoter of the Schemes, New Zealand Local Government Insurance Corporation Limited, of which LGST is a subsidiary.

The Board of Directors of LGST 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 New Zealand 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” and “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 as at the date of this Registered Prospectus are:
ASB Group Investments Limited
Sovereign House
33-45 Hurstmere Rd
Private Bag 93518
Takapuna
North Shore City 0740

AMP Capital Investors (New Zealand) Limited
Ground Floor, 113-119 The Terrace
PO Box 3764
Wellington
(2) The promoter of each Scheme is New Zealand Local Government Insurance Corporation Limited and the directors of the promoter who are not also directors of LGST are:

Michael Clifford Hannan                  Auckland
Robert Alfred Lineham                   Christchurch
Anthony John Marryatt                   Christchurch
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. The address for correspondence is Burrowes and Company, P O Box 24515, Wellington 6142.

4. DESCRIPTION OF SCHEMES AND THEIR DEVELOPMENT

(1) The Trust Deed and amendments to it including the inclusion of SKSS have been consolidated by a Deed dated 29 April 2011. 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 21 - 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 are kept for each Scheme and for each member and participating employer. 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 are two trustees. The first trustee is LGST. The second trustee is an independent trustee in addition to LGST. Civic Assurance has the right to remove each trustee and appoint one or more replacement trustees. The two trustees are hereafter referred to as “the Trustee”. The amount of the Trustee 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 may be 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 the relevant, if any, participating employer and the member), and transfers between funds within the Schemes.

clause 11 – This provides 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 – This provides 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 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 any member’s detriment.

clause 19 – Any dispute can be arbitrated.

clause 21 – This provides 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 the consent of the Financial Markets Authority (“FMA”).
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.

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.

Each participating employer that contributes to the LGSS is required to contribute in accordance with the terms selected in their application to the Trustee. They may however 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 FMA. 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 part of the LGSS to new members.

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

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.

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 Portfolio Investment Entity (“PIE”) tax described on pages 27 and 28 of this Prospectus. In most cases benefits will be paid net of tax.
(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:

- Automatic
- Growth
- Balanced
- Income
- Conservative.

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 Schemes have separate Funds for the purposes of Section 9A of the Financial Reporting Act 1993.
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, the Automatic Fund will automatically and smoothly change a member’s target investments from a higher risk to a more conservative mix. The member’s target exposure to income assets such as fixed interest securities and cash is increased and exposure to growth assets is decreased. 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 reassessed to reflect the target asset allocation for their age. Examples of these current targets are set out for specimen ages in the table below:

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

Within each of these asset classes the current target asset allocation of the Automatic Fund has a range of investments including overseas equities (hedged, un-hedged 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 for each age includes 10% investment in socially responsible investment funds. The target asset allocation of the Automatic Fund is set out in the table below:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Age 20</th>
<th>Age 40</th>
<th>Age 60</th>
<th>Age 80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas Equities Un-hedged</td>
<td>46.9%</td>
<td>28.0%</td>
<td>14.3%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Socially Responsible Investment Fund</td>
<td>6.5%</td>
<td>4.5%</td>
<td>2.8%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Overseas Equities Hedged</td>
<td>11.6%</td>
<td>12.5%</td>
<td>10.4%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Trans-Tasman Equities</td>
<td>20.0%</td>
<td>17.5%</td>
<td>12.5%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Property</td>
<td>10.0%</td>
<td>12.5%</td>
<td>15.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Global Fixed Interest</td>
<td>2.0%</td>
<td>12.0%</td>
<td>20.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>New Zealand Fixed Interest</td>
<td>1.0%</td>
<td>8.0%</td>
<td>20.0%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Cash</td>
<td>2.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>30.0%</td>
</tr>
</tbody>
</table>
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 will change and it regularly reviews the asset allocation of the Fund.

In addition, the intention is to maintain the automatic asset allocation positions over time but possibly with changes in the hedging and changes in the exposure to Trans-Tasman equities. However, 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 take a reasonable risk for potentially higher returns over the longer term through selected domestic and international asset classes with perceived growth potential.

**Balanced Fund:**

To achieve positive real returns over the medium to long-term through investment in growth assets, while controlling volatility through 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:

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

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.

Market conditions as assessed by the fund managers and/or the Trustee will result in variations from the target asset allocations from time to time.

The investment and administration manager is 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 likely 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, annually 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 and 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 ended 31 March 2008 to 31 March 2012 are:
## GROWTH FUND

<table>
<thead>
<tr>
<th>Period Ended</th>
<th>Investment Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2012</td>
<td>-2.74% per annum</td>
</tr>
<tr>
<td>March 2011</td>
<td>6.8% per annum</td>
</tr>
<tr>
<td>March 2010</td>
<td>27.7% per annum</td>
</tr>
<tr>
<td>March 2009</td>
<td>-22.5% per annum</td>
</tr>
<tr>
<td>March 2008</td>
<td>-8.7% per annum</td>
</tr>
</tbody>
</table>

## BALANCED FUND

<table>
<thead>
<tr>
<th>Period Ended</th>
<th>Investment Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2012</td>
<td>0.4% per annum</td>
</tr>
<tr>
<td>March 2011</td>
<td>7.7% per annum</td>
</tr>
<tr>
<td>March 2010</td>
<td>26.9% per annum</td>
</tr>
<tr>
<td>March 2009</td>
<td>-19.7% per annum</td>
</tr>
<tr>
<td>March 2008</td>
<td>-3.0% per annum</td>
</tr>
</tbody>
</table>

## INCOME FUND

<table>
<thead>
<tr>
<th>Period Ended</th>
<th>Investment Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2012</td>
<td>2.53% per annum</td>
</tr>
<tr>
<td>March 2011</td>
<td>7.3% per annum</td>
</tr>
<tr>
<td>March 2010</td>
<td>21.6% per annum</td>
</tr>
<tr>
<td>March 2009</td>
<td>-8.1% per annum</td>
</tr>
<tr>
<td>March 2008</td>
<td>-1.8% per annum</td>
</tr>
</tbody>
</table>

## CONSERVATIVE FUND

This Fund opened on 1 April 2008.

<table>
<thead>
<tr>
<th>Period Ended</th>
<th>Investment Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2012</td>
<td>4.38% per annum</td>
</tr>
<tr>
<td>March 2011</td>
<td>6.0% per annum</td>
</tr>
<tr>
<td>March 2010</td>
<td>11.7% per annum</td>
</tr>
<tr>
<td>March 2009</td>
<td>-0.1% per annum</td>
</tr>
</tbody>
</table>
The Automatic Fund currently invests in eight asset classes:

- New Zealand Cash;
- New Zealand Fixed Interest;
- Global Fixed Interest;
- Property;
- Trans-Tasman Equities;
- Socially Responsible Global Equities;
- 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 reassessed to reflect the target asset allocation for their age, 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 day, over the 12-month period.

Investment returns for the years ended 31 March 2008 to 31 March 2012 are set out for specimen ages in the table below:

<table>
<thead>
<tr>
<th>Period Ended</th>
<th>Age 20</th>
<th>Age 30</th>
<th>Age 40</th>
<th>Age 50</th>
<th>Age 60</th>
<th>Age 70</th>
<th>Age 80</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2012</td>
<td>-3.38</td>
<td>-1.89</td>
<td>-0.62</td>
<td>0.72</td>
<td>1.82</td>
<td>2.50</td>
<td>2.95</td>
</tr>
<tr>
<td>March 2011</td>
<td>6.0</td>
<td>6.3</td>
<td>6.6</td>
<td>7.0</td>
<td>6.8</td>
<td>5.5</td>
<td>4.7</td>
</tr>
<tr>
<td>March 2010</td>
<td>25.1</td>
<td>25.7</td>
<td>26.3</td>
<td>27.1</td>
<td>25.9</td>
<td>20.0</td>
<td>16.2</td>
</tr>
<tr>
<td>March 2009</td>
<td>-18.4</td>
<td>-18.4</td>
<td>-17.9</td>
<td>-17.5</td>
<td>-13.6</td>
<td>-6.9</td>
<td>-0.7</td>
</tr>
<tr>
<td>March 2008</td>
<td>-10.3</td>
<td>-9.8</td>
<td>-7.4</td>
<td>-5.0</td>
<td>-2.9</td>
<td>-0.9</td>
<td>0.9</td>
</tr>
</tbody>
</table>

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 (“the Act”). Subject to the Act and the KiwiSaver scheme rules, the provisions of the Trust Deed relating to the LGSS apply equally to the SKSS with any necessary modifications. From 24 September 2012 SKSS is a restricted entry scheme. In summary, only persons who have some connection with local government in New Zealand (whether as a local government employee or an immediate family member of such a person) can apply to join SKSS.
The Act details the benefits from and contributions to SKSS. By way of summary the Act permits withdrawals (subject to various terms and conditions) if a member dies, reaches New Zealand Superannuation qualifying age (subject to being a member of a KiwiSaver scheme for at least five years), suffers a serious illness or significant financial hardship or permanently emigrates, and permits limited withdrawals for a first home. The New Zealand Superannuation qualifying age is currently 65. Constraints also exist around the circumstances in which any Crown credits received by a member can be withdrawn. The Act requires a minimum contribution of 2% of the gross salary or wages of each employee (3% from 1 April 2013). An employee may elect to change from this initial rate of 2% to either 4% or 8% by notifying the relevant employer.

Employers will, in most circumstances, be required to make contributions in respect of the employees who are members. The compulsory employer contributions are currently capped at 2% of an employee’s gross salary or wages (3% from 1 April 2013). An employer may contribute additional amounts to the scheme on top of any compulsory employer contributions.

(9) 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 who qualify for membership 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 13th day after the date on which that person started his or her employment and ended on the close of the 55th 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 13th 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 determined by LGST from time to time and 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 the IRD along with the PAYE payments;
- accept opt-out requests from employees within the 2-8 week opt-out period and notify the IRD;
- act on an employee’s contributions holiday notice;
- stop or start deductions when the 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.
The SKSS was launched on 1 July 2007. It features investment management by private sector fund managers with a local government trustee.

The Portfolio Investment Entity Regime
The Taxation (Savings Investment and Miscellaneous Provisions) Act 2006, which was enacted on 18 December 2006, introduced the 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 Schemes invest in appropriate PIE compliant funds that provide suitable investment opportunities for members.

At present LGST invests with two fund managers; AMP Capital Investors (New Zealand) 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 years ended 31 March 2008 to 31 March 2012 have been taken from the audited financial statements for the LGSS, on which unmodified audit reports were issued.
# LGSS Summary of Financial Statements

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contributions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Members</td>
<td>3,536,238</td>
<td>14,319,040</td>
<td>8,927,066</td>
<td>2,857,263</td>
<td>5,271,133</td>
</tr>
<tr>
<td>- Employers</td>
<td>1,891,003</td>
<td>1,676,146</td>
<td>1,271,848</td>
<td>802,848</td>
<td>836,941</td>
</tr>
<tr>
<td><strong>Benefits Paid</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,427,241</td>
<td>15,995,186</td>
<td>10,198,914</td>
<td>3,660,111</td>
<td>6,108,074</td>
</tr>
<tr>
<td><strong>PIE Tax Paid</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2,422,976)</td>
<td>(1,993,855)</td>
<td>(935,131)</td>
<td>(1,903,246)</td>
<td>(1,360,615)</td>
</tr>
<tr>
<td><strong>Net Membership Activities</strong></td>
<td>2,463,024</td>
<td>13,686,219</td>
<td>8,931,599</td>
<td>1,609,603</td>
<td>4,706,285</td>
</tr>
</tbody>
</table>

**Investment Activities**

| Realised Gains/ (Losses) on Investments | 426,093 | 343,647 | 206,778 | (548,786) | 62,981 |
| Unrealised Gains/ (Losses) on Investments | 665,024 | 2,278,241 | 3,166,279 | (992,325) | (574,664) |
| **Other Revenues** |             |             |             |             |             |
| **Total Investment Revenue** | 1,091,117 | 2,621,888 | 3,373,057 | (1,541,111) | (511,683) |
| **Investment Expenses** |             |             |             |             |             |
| **Net Investment Revenue/ (Loss)** | 980,301 | 2,535,577 | 3,318,843 | (1,586,896) | (561,214) |

| Other Expenses | (12,256) | (8,663) | (5,129) | (6,469) | (7,887) |
| Change in Net Assets Before Tax | 968,045 | 2,526,914 | 3,313,714 | (1,593,365) | (569,101) |

| Tax Provided For or Credited |             |             |             |             | (654) |

| **Change in Net Assets After Tax** | 968,045 | 2,526,914 | 3,313,714 | (1,593,365) | (569,755) |
| Allocation to Members’ Funds | 3,431,069 | 16,213,133 | 12,245,313 | 16,238 | 4,136,530 |
| Transfers from/ to Reserves | (6,095) | (245,061) | 10,134 | (3,584) | (11,982) |
| **Total Assets** | 43,603,504 | 39,944,805 | 23,744,405 | 11,291,193 | 11,190,691 |
| **Total Tangible Assets** | 43,603,504 | 39,944,805 | 23,744,405 | 11,291,193 | 11,190,691 |
| **Liabilities Other Than for Accrued Benefits** |             |             |             |             |             |
| **Net Assets Available for Benefits** | 43,049,274 | 39,618,205 | 23,405,072 | 11,159,759 | 11,143,521 |

**Liability for Accrued Benefits**

| - Members | 42,773,624 | 39,348,650 | 23,380,578 | 11,125,131 | 11,112,477 |
| - Reserve | 275,650 | 269,555 | 24,494 | 34,628 | 31,044 |

| **Total Liability for Accrued Benefits** | 43,049,274 | 39,618,205 | 23,405,072 | 11,159,759 | 11,143,521 |
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 years ended 31 March 2009 to 31 March 2012 have been taken from the audited financial statements for the SKSS, on which unmodified audit reports were issued.

### SKSS Summary of Financial Statements

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contributions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Members</td>
<td>9,192,083</td>
<td>8,269,107</td>
<td>7,503,115</td>
<td>5,806,972</td>
<td>1,897,417</td>
</tr>
<tr>
<td>- Employers</td>
<td>5,793,425</td>
<td>4,895,248</td>
<td>4,099,504</td>
<td>2,381,643</td>
<td>526,595</td>
</tr>
<tr>
<td>- Crown Contributions</td>
<td>5,047,711</td>
<td>4,545,977</td>
<td>4,029,074</td>
<td>3,107,238</td>
<td>1,725,045</td>
</tr>
<tr>
<td></td>
<td>20,033,219</td>
<td>17,710,332</td>
<td>15,631,693</td>
<td>11,295,853</td>
<td>4,149,057</td>
</tr>
<tr>
<td>Transfers to other KiwiSaver schemes</td>
<td>(2,059,154)</td>
<td>(1,282,234)</td>
<td>(839,779)</td>
<td>(221,011)</td>
<td>(17,906)</td>
</tr>
<tr>
<td>Benefits Paid</td>
<td>(642,653)</td>
<td>(163,067)</td>
<td>(66,553)</td>
<td>(15,242)</td>
<td>-</td>
</tr>
<tr>
<td>PIE Tax Paid</td>
<td>(637,549)</td>
<td>(358,309)</td>
<td>(380,915)</td>
<td>(69,723)</td>
<td>(2,320)</td>
</tr>
<tr>
<td><strong>Net Membership Activities</strong></td>
<td>16,693,863</td>
<td>15,906,722</td>
<td>14,344,446</td>
<td>10,989,877</td>
<td>4,128,831</td>
</tr>
<tr>
<td><strong>Investment Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realised (Losses)/ Gains on Investments</td>
<td>991,002</td>
<td>666,712</td>
<td>304,628</td>
<td>(128,364)</td>
<td>28,956</td>
</tr>
<tr>
<td>Unrealised Gains/ Losses on Investments</td>
<td>772,487</td>
<td>3,183,776</td>
<td>4,672,624</td>
<td>(913,524)</td>
<td>(104,533)</td>
</tr>
<tr>
<td>Total Investment Revenue</td>
<td>1,763,489</td>
<td>3,850,488</td>
<td>4,977,252</td>
<td>(1,041,888)</td>
<td>(75,577)</td>
</tr>
<tr>
<td>Investment Expenses</td>
<td>(201,334)</td>
<td>(138,930)</td>
<td>(76,799)</td>
<td>(24,915)</td>
<td>(2,637)</td>
</tr>
<tr>
<td><strong>Net Investment Gain/ Loss</strong></td>
<td>1,562,155</td>
<td>3,711,558</td>
<td>4,900,453</td>
<td>(1,066,803)</td>
<td>(78,214)</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>(310,399)</td>
<td>(260,775)</td>
<td>(204,758)</td>
<td>(168,350)</td>
<td>(32,260)</td>
</tr>
<tr>
<td><strong>Change in Net Assets After Tax</strong></td>
<td>1,251,756</td>
<td>3,450,783</td>
<td>4,695,695</td>
<td>(1,235,153)</td>
<td>(110,474)</td>
</tr>
<tr>
<td>Allocation to Members’ Funds</td>
<td>17,945,619</td>
<td>19,357,505</td>
<td>19,040,141</td>
<td>9,754,724</td>
<td>4,018,358</td>
</tr>
<tr>
<td>Transfers to Reserves</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Change in Net Assets After Tax</strong></td>
<td>17,945,619</td>
<td>19,357,505</td>
<td>19,040,141</td>
<td>9,754,724</td>
<td>4,018,358</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>70,927,114</td>
<td>52,622,457</td>
<td>33,309,887</td>
<td>13,940,148</td>
<td>4,054,196</td>
</tr>
<tr>
<td><strong>Total Tangible Assets</strong></td>
<td>70,927,114</td>
<td>52,622,457</td>
<td>33,309,887</td>
<td>13,940,148</td>
<td>4,054,196</td>
</tr>
<tr>
<td><strong>Liabilities Other Than for Accrued Benefits</strong></td>
<td>(810,769)</td>
<td>(451,731)</td>
<td>(496,666)</td>
<td>(167,067)</td>
<td>(35,839)</td>
</tr>
<tr>
<td><strong>Net Assets Available for Benefits</strong></td>
<td>70,116,345</td>
<td>52,170,726</td>
<td>32,813,221</td>
<td>13,773,081</td>
<td>4,018,357</td>
</tr>
<tr>
<td><strong>Liability for Accrued Benefits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Members</td>
<td>70,116,345</td>
<td>52,170,726</td>
<td>32,813,221</td>
<td>13,773,081</td>
<td>4,018,357</td>
</tr>
<tr>
<td>- Reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liability for Accrued Benefits</strong></td>
<td>70,116,345</td>
<td>52,170,726</td>
<td>32,813,221</td>
<td>13,773,081</td>
<td>4,018,357</td>
</tr>
</tbody>
</table>
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 the administration fee is $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. There is no dollar limit on any of the fees described above.

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’. All direct costs of the Schemes are met by Civic. Civic then separately recovers the fixed fee of 0.5% per annum of the total value of each investment fund from the Schemes, as described above.

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.

In relation to switching, alteration or exit charges for each Scheme, the Trustee intends that, for the foreseeable future, it will not introduce any such charges.

The administration and investment manager’s obligations include:

1. full management of the Schemes;
2. maintenance of records and accounts;
3. administering the Trustee’s requirements;
4. processing of contributions received; and
5. production of annual financial statements and statements of members’ benefits.

The administration and investment manager is entitled to recover from the Trustee all reasonable charges and expenses that it incurs in association with carrying out its functions or complying with any directions, without limitation. In practice all such charges and expenses are met by Civic out of the fixed fee described in the second paragraph on this page. Examples of such charges and expenses include audit fees, legal fees, trustee fees, marketing costs, and administration costs.
Directors of LGST and the independent trustee receive fees, as determined by the Board of Civic Assurance, and reimbursement of direct expenses incurred for attendance at meetings. There are no limits to the amounts of fees which may be paid or to 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. However, it is noted that directors of one of the Trustees (LGST) may from time to time include members 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) Administration and Investment Management Agreement between Civic Assurance and LGST dated 4 February 2011. The general nature of this agreement is that LGST appoints Civic Assurance as administration and investment manager of the funds of both 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 2011 to 31 March 2012. A copy of those financial statements was registered with the Registrar of Companies on 17 May 2012. The auditor’s report on these financial statements was dated 9 May 2012, did not refer to any fundamental uncertainty, and was not modified in any respect.

The LGSS is a defined contribution superannuation scheme and therefore there is 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 2011 to 31 March 2012. A copy of those financial statements was registered with the Registrar of Companies on 17 May 2012. The auditor’s report on these financial statements was dated 9 May 2012, did not refer to any fundamental uncertainty, and was not modified in any respect.

The SKSS is a defined contribution superannuation scheme and therefore there is 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 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 6011  
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 or by contacting the Ministry of Business, Innovation and Employment Business Service Centre at e-mail info@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

Information about Directors and Senior Management

Qualification and Legal History:

No Director of LGST or Civic Assurance has been or is disqualified to be a Director in terms of the Companies Act 1993 requirements and all Civic Assurance Directors are Fit and Proper persons to be Directors in terms of the Insurance Companies (Prudential Supervision) Act 2010.
The Trustee is not disqualified from registration as a financial service provider as none of its directors, senior managers or controlling owners are:

- an un-discharged bankrupt;
- a person prohibited from being a director or promoter of, or concerned in the management of, an incorporated or unincorporated body under the Companies Act 1993, the Securities Act 1978, the Securities Markets Act 1988, or the Takeovers Act 1993;
- a person subject to a management banning order under the Securities Act 1978, the Securities Markets Act 1988, the Takeovers Act 1993, or subject to an order under section 108 of the Credit Contracts and Consumer Finance Act 2003;
- a person who has been convicted of an offence against section 11, 12, or 41 of the Financial Service Providers (Registration and Dispute Resolution) Act 2008 within the past 5 years;
- a person who has been convicted of an offence under sections 217 to 266 of the Crimes Act 1961 within the past 5 years;
- a person who has been convicted of a money laundering offence or an offence relating to the financing of terrorism;
- a person who is subject to a confiscation order under the Proceeds of Crime Act 1991.

Independence:

No Director of LGST or Civic Assurance, or the independent trustee holds shares in LGST or Civic Assurance or its subsidiaries and none has been involved in insolvent companies or failed businesses in the last five years. Five directors of LGST are members of SKSS and one director is a member of LGSS. Three directors of Civic Assurance are members of SKSS and one director is a member of LGSS.

Time Commitment:

Civic Assurance Directors meet formally 8 times a year, and at other times when required. The independent trustee and the LGST Directors meet formally a minimum of 4 times per year, and at other times when required.

Remuneration:

All remuneration costs of the LGST directors and the independent trustee are set by the Civic Assurance Board and are met by Civic Assurance. The level of remuneration is usually reviewed three-yearly to coincide with the results of a review of Director’s fees carried out by an external consultant. Any change in the Civic Assurance Directors’ fees is approved by shareholders at the Civic AGM.
LGST Directors:

Basil Morrison – Chairman of Directors. Appointed in 2008 by Civic Assurance. Is a Director of Civic Assurance. Has had an extensive career in Local Government as an elected Representative on the District, Regional and National scene including being President of the National Association of New Zealand Local Authorities and as such has a wide range of contacts in Central Government as well as Local Government. He has served as a commercial Director on a number of companies, currently including Landcorp, a Government State Owned Enterprise. Is also current Chairman of the New Zealand Local Government Commission.

Darryl Griffin – Director. Appointed in 2008 by Civic Assurance. Is a Director of Civic Assurance. Has had 40 years Local Government management experience including 20 years as Chief Executive. Is a member of New Zealand Institute of Directors since 2001 and has been a member of New Zealand Institute of Management since 1995. Was Vice President of SOLGM (1995 – 1999) and was its President (1999 – 2000). Mr Griffin is currently employed in a senior management role by Auckland Council.

Robert Gallagher (BE and BCom) – Director. Appointed in 1991 by New Zealand Council of Trade Unions. Has over 30 years’ experience in local government and extensive trade union roles including past Vice President of PSA. Director, statutory trustee and governance roles with voluntary organisations.

Cynthia Bowers – Director. Appointed in 2002 by Local Government New Zealand. A member of the New Zealand Institute of Chartered Accountants since 1989 and the New Zealand Institute of Directors since 2011. Has been involved in local government politics since 1995 and has been Deputy Mayor of Hastings District Council since 2001. Is a company director and a business woman.

Nicola Harrison (B Com (Hons)) – Director. Appointed in 2012 by New Zealand Society of Local Government Managers. A member of the New Zealand Institute of Chartered Accountants since 1993. Has worked in the banking sector until early 2010 when employed by Nelson City Council as Chief Financial Officer.


Civic Assurance Directors

Anthony Marryatt (BBS) – Chairman of Directors. Appointed 2008. A member of the New Zealand Institute of Chartered Accountants. Has been a Chief Executive in Local Government for 20 years including Hamilton City Council and presently Christchurch City Council.

Robert Lineham (B Com) – Director. Elected 1996. A member of the New Zealand Institute of Chartered Accountants since 1973 and currently holds the status of Fellow Chartered Accountant (FCA). He is a Fellow of the New Zealand Institute of Management and a member of the Institute of Directors and the New Zealand Society of Local Government Managers. Started work in the Audit Office and has worked in local government in financial and general management roles since 1974. Mr Lineham has had a broad experience in financial management, accounting, investment and also in general management, held and holds a number of Directorships and is currently employed as Chief Executive of Christchurch City Holdings Limited.
Bryan Taylor (B.Sc., Th.A.L.Th) – Director. Elected 2005, Chairman of Directors 2006 – 2012. Has had 25 years in the commercial manufacturing sector mainly in senior management positions but also in board positions. Then 15 years in the local government sector in senior management positions including 9 years as CEO of Auckland City Council. For the last 7 years has been centered on governance, having been on 5 boards with chair responsibility for three companies.

Michael Hannan – Director. Appointed 2006. Is a senior Associate Member of ANZIIF and holds a Certificate in International Management (CIM), “Insead” France. Has had 40 years continuous service in the General Insurance Industry including 13 years overseas in senior management positions and concluding with three years as Chief Executive of New Zealand Insurance Co. Ltd (NZI).

Messrs Morrison and Griffin are Directors of both Civic Assurance and LGST.

Independent Trustee:

Graeme Mitchell (BA (Hons)) – Independent Trustee. Appointed 2012. A member of the Institute of Chartered Accountants of Scotland and currently holds the status of Fellow Chartered Accountant with the New Zealand Institute of Chartered Accountants (FCA). Is a member of the Institute of Directors. Was a Partner in Deloitte New Zealand for 28 years specializing in Audit and Assurance until Nov 2008. Is presently Honorary Consul General for Norway (2002), Director Barnardos New Zealand (2008), Member Victoria University Council, and Chair Audit Committee (Jan 2009), Deputy Chairman External Reporting Board (July 2011), Member New Zealand Audit and Assurance Standards Board (July 2011), Trustee Karori Sanctuary Trust Board and Chair Audit Committee (July 2009), Appointed Independent Member Porirua City Council Audit and Risk Management Subcommittee (Aug 2009), Independent Member Human Rights Commission Audit Committee (Sept 2009), Board Member National Provident Fund (July 2010), Independent Member and Chair Ministry of Justice Audit and Risk Committee (June 2010), Independent Member Ministry of Social Development Audit and Risk Committee (July 2012) and is a Director of Cigna Life Insurance New Zealand Limited (July 2012).

Senior Management Information

Timothy Sole – Chief Executive of Civic Assurance. Appointed October 2004. Has held three other Chief Executive roles since 1991, which were Public Trustee and Chief Executive of Public Trust, Group Chief Executive of State Insurance, Managing Director and Chief Executive of Royal & SunAlliance Life. Prior to this he held a number of actuarial roles including six years in Wellington, four years in Australia, and seven years in the UK. Adviser to New Zealand Export Credit Office. Other roles have included Chairman of Insurance and Savings Ombudsman Board, Chairman of the Life Offices Association, Board member of the Trustees Association, Board member of the Insurance Council of New Zealand, Board member of Fly Buys Ltd. Qualifications include Fellow of the New Zealand Society of Actuaries and Fellow of the Institute of Actuaries of Australia, Fellow of the Australian and New Zealand Institute of Insurance and Finance and Chartered Insurance Professional, Fellow of the Royal Statistical Society and Chartered Statistician, Master of Business Administration (Victoria University) and Bachelor of Science (Honours) in Mathematics, Statistics, and Economics.
Auditor Regulation Act 2011

This Act requires an auditor of an issuer to be licensed under the Act and their firm to be registered from 1 July 2012. Michael Rodney Wilkes, the auditor of LGSS and SKSS, has a transitional licence under the Act and his firm Deloitte has a transitional registration.

Risks

While The Schemes Are Running:

Both Schemes are defined contribution schemes and therefore any fluctuations in investment asset values of the schemes due to investment market conditions will be mirrored daily in the liabilities (member balances) of the schemes. The total assets of the Schemes will therefore match the total liabilities of the Schemes.

The risk of money paid by you not being recovered in full or you not receiving the returns depends principally on the investment returns of each Scheme. The returns credited or debited to member accounts each year will be related to the investment returns for that year on the fund(s) chosen. Your returns are reduced for expenses and enhanced by any allocation from each Scheme’s reserve accounts.

In the event that:

- the assets in which each Scheme invests fall in value; or
- to the extent those assets do not produce sufficient income to cover that fall; or
- do not increase sufficiently in value to meet the fees charged or taxation deducted –

the benefit payable upon termination of your investment may be less than the amount you have paid in.

No person guarantees the payment of any monies payable from each Scheme, or any particular amount of return. There is no Crown guarantee in respect of SKSS or any of its investment products.

Members have a choice of five different Funds in which to have their contributions and any employer contributions made on their behalf invested; namely the Automatic, Balanced, Growth, Income and Conservative Fund. These Funds are run independently of one another. For example, a loss in the Growth Fund will not affect members investing in the Income Fund unless there is a winding up of a Scheme. In this event the assets of any one Fund are not ring-fenced against the liabilities of other Funds.

If you become bankrupt (provided that the benefits have not been committed to you), your benefits are forfeited in respect of LGSS to the Trustee. The Trustee will then apply the benefits towards your support and the support of your dependants to relieve hardship or in such manner as decided by the Trustee. If you are a member of SKSS and you become bankrupt, the rights you are entitled to become vested in the Official Assignee.
If The Schemes Are Wound Up:

Although the intention of the Trustee is to continue the Schemes indefinitely, circumstances could change and the Trustee could decide to wind up the Schemes.

LGSS:

Your employer could also decide they wish to wind up their involvement in the Scheme. In either circumstance you would be entitled to a benefit of your member’s account plus 100% of your employer’s account (if any). Any monies remaining in any reserve account established by your employer could, with the FMA’s prior consent, be refunded to the employer. However, if the FMA did not agree to a refund, the reserve account would be allocated to all the members of that employer in the Scheme based on their account balances at the date the Scheme is wound up. The benefit would be paid in the same manner as your retirement benefit.

If LGSS is wound up, the money in the Scheme will be allocated in the following order of priority:

(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 the FMA’s consent.

SKSS:

If SKSS is wound up, the Scheme will be wound up in accordance with the KiwiSaver Act. If the Scheme is solvent, you will have all your funds transferred to another KiwiSaver scheme either by:

• Choosing which KiwiSaver scheme you wish to transfer to, or
• If you do not choose you will be allocated to your employer’s preferred provider or a default KiwiSaver scheme.

In the event that a Scheme became insolvent a member would not be liable to pay any money into the Scheme or to any other party to meet any shortfall. In the event of a Scheme being wound up, final Scheme accounts would be prepared and you would be provided with a copy of these accounts together with written advice on how the monies of the Scheme are to be distributed.

If SKSS is wound up, claims for fees and expenses payable in the normal course of business, and other claims preferred at law, will rank ahead of claims by SKSS members. Accordingly, you may not recover the full amount paid to SKSS by you and any employer for your benefit. However, you will otherwise have no liability to contribute to any shortfall in the assets of the Scheme. If SKSS is wound up, then your claim on the Scheme’s assets will rank equally with the claims of other SKSS members. Following the wind up of SKSS, members will be required to transfer from the Scheme to other KiwiSaver Schemes in accordance with the choice and default allocation principles prescribed in the KiwiSaver Act.
Crown Contributions

When a member first joins KiwiSaver they are eligible to receive an upfront Crown contribution of $1000. Contributing members are eligible for an annual KiwiSaver Member Tax Credit (MTC) if they are aged between 18 and the age of eligibility for withdrawal. Eligible members must be principally resident in New Zealand or a Government employee living overseas or volunteering (or working for token payment) for specified charitable organisations. Employer contributions do not count towards the MTC entitlement. Up to the year ended 30 June 2011, the MTC rate matched the member contributions dollar for dollar up to a maximum of $1,042.86 a year. From 1 July 2011 the MTC rate changed to $0.50 for each member’s contribution dollar to a maximum $521.43

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.

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 10.5%, 17.5% or 28%; and

- Capital gains on New Zealand and certain listed Australian shares are exempt from tax; and

- Any distributions received from the fund managers will not be subject to tax.

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

Calculation and payment of tax

- 10.5% if the member’s taxable income was less than $14,000, and combined taxable income and PIE income did not exceed $48,000 in either of the two income years¹ immediately before the tax year² in question.

- 17.5% if the member’s taxable income was less than $48,000, and combined taxable income and PIE income was over $48,000 and did not exceed $70,000 in either of the two income years¹ immediately before the tax year² in question.

- 28% for all other members and non-residents.

¹ Income year is the period from 1 April to 31 March.
² 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, a portfolio switch and annually at 31 March 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 a lower rate to a higher rate) so no obligation to file a tax return for members’ investment in the relevant Scheme generally arises. 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.

**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 certain Australian unit trusts) 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.

The following are taxed under the Comparative Value Method (i.e. annual change in market value):

1. Foreign equity investments offering guaranteed or fixed rate returns;
2. Investments in foreign funds that are 80% or more invested in New Zealand currency debt securities; and
3. Investments determined by Inland Revenue to be debt in economic terms.

Debt securities are taxed under the financial arrangement rules.

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.
Budget 2011

The Government announced changes to KiwiSaver on 19 May 2011. The specific changes are:

1. From 1 April 2012: The tax-free status of employer contributions to KiwiSaver and other complying superannuation funds will end. All employer contributions will be subject to Employer Superannuation Contribution Tax (ESCT) paid at the employee’s marginal tax rate.

2. From 1 July 2011: The Member Tax Credit rate was halved from $1 to 50c for every $1 contributed by members, up to $521.43 a year – half the current maximum. These MTC payments are made annually after the government financial year, so the first payments at these new levels occurred in the second half of 2012.

3. From 1 April 2013: The minimum employee contribution rate will rise from 2% to 3% of their gross salary or wages. This will apply to existing and new members. This will also be the new default rate, but members will still be able to select a higher contribution rate of 4% or 8% of their gross salary or wages.

4. From 1 April 2013: The compulsory employer contribution rate will also rise to 3% of their gross salary or wages.

11. SUPERANNUATION TRUSTEES’ STATEMENT

After due enquiry by the directors of LGST and by Graeme Robertson Mitchell as independent trustee, they are of the opinion that:

(a) The value of the assets of the LGSS relative to its liabilities (including contingent liabilities); and

(b) The ability of the LGSS to pay its debts as they become due in the normal course of business –

have not materially and adversely changed during the period between the 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 and by Graeme Robertson Mitchell as independent trustee, they are of the opinion that:

(c) The value of the assets of the SKSS relative to its liabilities (including contingent liabilities); and

(d) The ability of the SKSS to pay its debts as they become due in the normal course of business –

have not materially and adversely changed during the period between the 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.
Trustees' Execution

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

J M Annear (Director)

C M Bowers (Director)

R R Gallagher (Director)

D C Griffin (Director)

B J Morrison (Director)

N J Harrison (Director)

Signed by Graeme Robertson Mitchell as independent trustee or by his or her agent authorised in writing.

G R Mitchell (Independent Trustee)
Promoter's Execution

Signed on behalf of
New Zealand Local Government
Insurance Corporation Limited
by its agent Timothy Charles Sole

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

D C Griffin (Director)

M C Hannan (Director)

R A Lineham (Director)

A J Marryatt (Director)

B J Morrison (Director)

B G Taylor (Director)
24 September 2012

The Trustee
Local Government Superannuation Scheme
SuperEasy KiwiSaver Superannuation Scheme
PO Box 5521
WELLINGTON 6145

Dear Trustee

INDEPENDENT AUDITOR’S REPORT FOR INCLUSION IN PROSPECTUS

As auditor of the Local Government Superannuation Scheme (the “LGSS”) and the SuperEasy KiwiSaver Superannuation Scheme (the “SKSS”) (together known as the “Schemes”) I have prepared this report pursuant to section 5(1)(f) of the Public Audit Act 2001 and clause 12 of Schedule 6 of the Securities Regulations 2009 (‘Schedule 6’) for inclusion in a prospectus to be dated 24 September 2012. Pursuant to section 32 of the Public Audit Act 2001, the Auditor-General has appointed Michael Wilkes, of Deloitte, to undertake the audit.

This report is made in accordance with clause 12(4) of Schedule 6. Our audit has been undertaken so that we might state those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Schemes and the Schemes’ members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Summary of Financial Statements


The summaries of financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summaries, therefore, is not a substitute for reading the audited financial statements of the Schemes.
Responsibilities of the Trustee

The Trustee is responsible for the preparation and presentation of:

(a) the financial statements of the LGSS referred to in accordance with clause 12(1) of Schedule 6, that comply with and have been registered under the Financial Reporting Act 1993 and which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the Scheme as at 31 March 2012 and its financial performance and cash flows for the financial year ended on that date, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and

(b) the summary of financial statements of the LGSS for the financial years ended 31 March 2012, 31 March 2011, 31 March 2010, 31 March 2009 and 31 March 2008, as required by clause 5 of Schedule 6; and

(c) the financial statements of the SKSS referred to in accordance with clause 12(1) of Schedule 6, that comply with and have been registered under the Financial Reporting Act 1993 and which comply with generally accepted accounting practice in New Zealand and give a true and fair view of the financial position of the Scheme as at 31 March 2012 and its financial performance and cash flows for the financial year ended on that date, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and

(d) the summary of financial statements of the SKSS for the financial years ended 31 March 2012, 31 March 2011, 31 March 2010, 31 March 2009 and for the nine months ended 31 March 2008, as required by clause 5 of Schedule 6.

Auditor’s Responsibilities

It is our responsibility to report in accordance with clause 12(4) of Schedule 6:

i) on the amounts included in the summary of financial statements of the LGSS for the financial years ended 31 March 2012, 31 March 2011, 31 March 2010, 31 March 2009 and 31 March 2008 as presented by the Directors; and

ii) on the amounts included in the summary of financial statements of the SKSS for the financial years ended 31 March 2012, 31 March 2011, 31 March 2010, 31 March 2009 and the nine months ended 31 March 2008 as presented by the Directors.

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clauses 12(4) of Schedule 6. We disclaim any assumptions of responsibility for reliance on this report or the amounts included in the financial statements, the summary financial statements, for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Independence

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the Schemes.
Opinion on the Summary of Financial Statements

In our opinion the amounts set out in the summary of financial statements of LGSS, on page 16 of this prospectus, as required by clause 5 of Schedule 6, have been correctly taken from the audited financial statements of the Scheme for the financial years ended 31 March 2012, 31 March 2011, 31 March 2010, 31 March 2009 and 31 March 2008 from which they were extracted.

In our opinion the amounts set out in the summary of financial statements of SKSS, on page 17 of this prospectus, as required by clause 5 of Schedule 6, have been correctly taken from the audited financial statements of the Scheme for the financial years ended 31 March 2012, 31 March 2011, 31 March 2010, 31 March 2009 and the nine months ended 31 March 2008 from which they were extracted.

In terms of Regulation 18(1)(c)(ii) of the Securities Regulations 2009 we hereby give our consent to the inclusion in the above mentioned prospectus of this report in the form in which it is included. We also confirm that we have not, before delivery of this prospectus for registration, withdrawn our consent to the issue thereof.

Yours faithfully

Michael Wilkes
Deloitte
On behalf of the Auditor-General
Christchurch, New Zealand

This audit report relates to the prospectus of the Local Government Superannuation Scheme and the SuperEasy KiwiSaver Superannuation Scheme (the “Schemes”) dated 24 September 2012 included on the Schemes’ website. The Board of Directors of the Trustee are responsible for the maintenance and integrity of the Schemes’ website. We have not been engaged to report on the integrity of the Schemes’ website. We accept no responsibility for any changes that may have occurred to the prospectus since it was initially presented on the website. The audit report refers only to the prospectus named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the prospectus. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the prospectus and related audit report dated 24 September 2012 to confirm the information included in the prospectus presented on this website. Legislation in New Zealand governing the preparation and dissemination of prospectuses may differ from legislation in other jurisdictions.