

Annual Trustee Report

incorporating the quarterly newsletter
for the year ended 30 June 2005



NGS Super
*"reaping the
rewards of
another year
of good growth
returned
back to our
membership"*

report from the Chair

"Thanks to a successful strategic merger with the Independent Schools Superannuation Trust (ISST), the Fund has grown to almost \$1.7 billion in assets at the date of this report."



Dear Members and Employers

This has been a challenging, but highly productive year for NGS with the Fund meeting some of its major objectives. Thanks to a successful strategic merger with the Independent Schools Superannuation Trust (ISST), the Fund has grown to almost \$1.7 billion in assets at the date of this report.

The merger of NGS and ISST was completed on 1 July 2005 bringing 20,000 new members and over \$540 million in assets. As NGS now has members in NSW, ACT, VIC and SA we are well on our way to the target of being the national fund for non-government education. A planned merger with the Catholic Church Staff Superannuation Fund (South Australia) effective 1 February 2006 will further strengthen our position.

Investment returns

I am pleased to inform you that the Fund enjoyed another year of strong investment returns highlighted by double digit numbers in five of the nine options offered by the Fund.

At 30 June 2005, over 90% of the Fund's members remained in the default (Diversified) option which had over \$1 billion invested in a wide array of diversified investments. On pages 4 to 6, we have provided you with a detailed summary of the investments on offer and the performance of those investments over the last five years.

With the assistance of its professional investment advisors, your Trustee Board sets target returns and performance objectives based on the asset distributions chosen. The Trustee then uses Investment Manager selection and asset allocation decisions in an attempt to exceed the benchmark returns. For this year, all but one of the major benchmarks were beaten. For the Defensive Option, an underweight position in International Fixed Interest was the major reason for the Option return of 8.7% against a benchmark of 9.0%.

As part of the merger with the ISST, the Trustee has, from 1 July 2005, taken on a second asset consultant with Frontier Asset Management filling the role of adviser on "Alternative Assets" including Private Equity, Infrastructure and Hedge Funds. Mercer Investment

Consulting remains as the lead consultant responsible for "Traditional Assets" such as Shares, Property, Fixed Interest and Cash and for recommending Asset allocation positions.

RSE license

Throughout the past year NGS prepared for the RSE (Registrable Superannuation Entity) licence application process. The license has now been lodged and we are currently having that application assessed by the Australian Prudential Regulation Authority (APRA). Our license application is for Public Offer Status which will allow the Fund to open up to the wider community. NGS is particularly eager to open the Fund to the families of our members.

Through the actions outlined above, the NGS Board is confident that we have established a sound framework for building the Fund, improving service and outcomes to members and dealing with the increasingly competitive environment.

Gloria Taylor
Chair of NGS Super

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Disclaimer: The information provided in this Annual Report is general information only and is in accordance with the requirements as specified by law. Any recommendations, statements of opinion or financial advice in this document have been prepared without taking account of your personal circumstances, investment objectives, financial situation and needs.

Members should obtain specialist advice from a licensed financial adviser before making any changes to their superannuation arrangements or investments based on the information contained in this Annual Report. While all due care and diligence has been taken in the preparation of this Annual Report, the Trustee reserves its right to correct any errors.

investment performance

For the second successive year, NGS is pleased to report stronger than expected returns in most of the investment options offered to members. The most popular Diversified Option delivered a healthy 12% return to over 50,000 members of the Fund. The headline performer was again Australian Shares, which for the second year running exceeded 20% to deliver a 22.9% return.

Economic conditions

In recent years global growth has accelerated sharply, largely prompted by aggressive stimulatory policies of global policy makers, particularly those in the US. Risks remain in the global economies however, including considerable consumer debt, geopolitical risks, inflation fears linked to rapidly rising oil prices and the beginning of the interest rate tightening cycle of the world's largest economy, the US.

These risks were overwhelmed by the positive news and strong market momentum gathered to see solid performances earned by equity markets across the globe in both 2004 and 2005.

Some of the key developments which influenced financial performance during the year were:

- Rising interest rates in the US where short term borrowing rates rising 2.00% over the year to 3.25%;
- In Australia, the Reserve Bank increased short term cash rates by 0.25% to 5.5%;
- Oil prices rose strongly over the year, rising by more than 50% to close the year at \$US57.26 a barrel;
- Stable political conditions in both Australia and the US with incumbent Governments re-elected; and
- The May budget in Australia provided fiscal stimulus through personal income tax cuts, abolition of the superannuation surcharge tax and the creation of the Future Fund to finance unfunded public superannuation liabilities.

Investment options 'dissected'

The Fund's most popular **Diversified option** delivered a very solid **12%** return to members for the year. If members were able to visit the following internet link, http://www.selectingsuper.com.au/misc/SuperFundPerfTables_1_defaults.pdf

they would see that the **NGS Diversified (default) Option** has been rated in the top 30 funds of 107 surveyed by the Rainmaker Group. This result again delivered returns above the benchmark used by the Fund. As you will note from the Investment section to follow, the Diversified Option provides exposure to a wide array of investments. In this year's report, the Trustee has expanded on the details of the investment sectors used in this option, in order to provide a greater understanding of the 'diverse' assets utilised to deliver good returns to members.

The Property Market again rose strongly over the year as a result of continued strong demand for quality assets from both Australian and Overseas based institutions. The fund's **Property option** returned **17.6%** to members this year.

The **Australian Shares option** was the star performer for the second straight year and delivered a **22.85%** return to members. The market rose strongly over the year, advancing in ten of the twelve months. Mid cap stocks led the rise, followed by small cap stocks and large cap stocks which lagged over the year. At the sector level, Energy stocks provided the strongest returns while Consumer Discretionary was the worst performing sector over the year.

While Overseas Share markets rose over the year, the appreciation of the Aus\$ against all major currencies detracted from those gains. The Fund's **International Shares option** return was affected by these currency movements and ended up returning **4.56%** to participating members. The Fund's pre-mixed **Shares option**, which mixes Australian and International Shares naturally provided a return which fell between the two figures above. The option finally delivered a **13.89%** return for the full year. To round out the Fund's equity options, the **Green Shares option**, delivered an **11.36%** return to members.

The Fund's more conservative strategies performed as follows:

- **Diversified Bonds option** **9.66%**
- **Defensive option** **8.70%**
- **Cash option** **5.30%**

Note: The above investment returns apply to monies which were invested in your account for the entire year. Weekly unit price movements should be used when calculating returns on money invested for part of the year only.

Our investment strategy

- 1 NGS Super employs professional investment consultants and external investment managers to assist in selecting and managing the Fund's investments.
- 2 Sufficient liquidity is maintained to meet expected cash-flow requirements.
- 3 Investment risk is limited by diversification between and within asset classes, and between different investment managers. The Diversified and Defensive portfolios also employ Tactical Asset Allocation managers to conduct passive rebalancing of the portfolios.
- 4 Trustee Board Directors regularly review the performance of each investment manager.

The investment benchmark ranges, risk profile and investment timeframe for each investment option is set out on pages 4 to 6 of this Annual Report.

NGS investments are diversified across different asset classes and across a range of professional investment managers. Directors, with the assistance of the Fund's asset consultant, closely monitor all investment managers in an attempt to ensure that members receive consistently good returns without exposure to unacceptable levels of risk.

investment performance (cont.)

	DIVERSIFIED (DEFAULT OPTION)	DEFENSIVE	SHARES																																																																														
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This option may be suitable for:	It is designed to provide for reasonably high investment returns with less short term volatility than the share options.	Suitable for members who can withstand some market volatility with a view to obtaining better longer term results than would be available from investing solely in cash.	Suitable for members who can withstand high short term volatility in the pursuit of higher returns over the long term.																																																																														
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Note: if you have not selected an investment option your super will be invested in the Diversified portfolio.

The Trustee is required by law to set these objectives. They are neither a forecast nor a guarantee of future investment returns.

+ The table above shows each investment option's annual and effective rate of net return (i.e. the actual rate of return net of tax and investment expenses) over the past five years [or for the period which the investment option has been offered if less than five years].

^ The asset ranges apply from 1 July 2005. The Trustee reviews the continued suitability of the ranges for each option at least annually. To achieve the investment objectives the actual asset mix for each option is determined by the Trustee on a quarterly basis (or more frequently if required) and takes into account developments in the Australian and global economies.

investment performance (cont.)

	AUSTRALIAN SHARES			INTERNATIONAL SHARES			GREEN SHARES		
# Investment performance objectives	Target = CPI + 4% To achieve a return of 4% above inflation per annum over rolling 7 year periods.			Target = CPI + 4% To achieve a return of 4% above inflation per annum over rolling 7 year periods.			Target = CPI + 3% To achieve a return of 3% above inflation per annum over rolling 7 year periods.		
^ Investment mix	Asset Class Australian shares Australian cash	Range 90-100% 0-10%		Asset Class International shares Australian cash	Range 90-100% 0-10%		Asset Class Australian shares International shares Australian cash	Range 50-70% 30-50% 0-15%	
Asset allocation by sector	Sector	% at 30/6/05	% at 30/6/04	Sector	% at 30/6/05	% at 30/6/04	Sector	% at 30/6/05	% at 30/6/04
	Australian shares	100%	100%	International shares	100%	100%	Australian shares and listed property	57%	61%
	listed property	<1%	<1%	Australian cash	<1%	<1%	International shares	38%	39%
	Australian cash	<1%	<1%				Australian cash	5%	<1%
Investment time frame	Long term 7 years +			Long term 7 years +			Long term 7 years +		
Risk Profile	High risk Probability of a negative return in any year is 1 in 3.			High risk Probability of a negative return in any year is 1 in 3.			Medium to high risk Probability of a negative return in any year is 1 in 4.		
This option may be suitable for:	Suitable for members who can withstand high short term volatility in the pursuit of higher returns over the long term.			Suitable for members who can withstand high short term volatility in the pursuit of higher returns over the long term.			Suitable for members seeking a socially responsible investment style and who can withstand high volatility over the short term.		
+ Recent effective rates of investment returns	Year ending 30/6/03*	6.29%		Year ending 30/6/03*	6.98%		Year ending 30/6/02*	-4.75%	
	Year ending 30/6/04	21.43%		Year ending 30/6/04	17.84%		Year ending 30/6/03	-8.68%	
	Year ending 30/6/05	22.85%		Year ending 30/6/05	4.56%		Year ending 30/6/04	20.94%	
	Since inception	22.12%		Since inception	11.05%		Year ending 30/6/05	11.36%	
							Since inception	5.44%	
	* Please note this option was introduced in February 2003			* Please note this option was introduced in March 2003			* Please note this option was introduced in November 2001		

The Trustee is required by law to set these objectives. They are neither a forecast nor a guarantee of future investment returns.

+ The table above shows each investment option's annual and effective rate of net return (i.e. the actual rate of return net of tax and investment expenses) over the past five years [or for the period which the investment option has been offered if less than five years].

^ The asset ranges apply from 1 July 2005. The Trustee reviews the continued suitability of the ranges for each option at least annually. To achieve the investment objectives the actual asset mix for each option is determined by the Trustee on a quarterly basis (or more frequently if required) and takes into account developments in the Australian and global economies.

investment performance (cont.)

	PROPERTY			DIVERSIFIED BONDS (WITH CASH)			CASH		
# Investment performance objectives	Target = CPI + 2% To achieve a return of 2% above inflation per annum over rolling 5 year periods.			Target = CPI + 0.5% To achieve a return of 0.5% above inflation per annum over rolling 3 year periods.			Target = CPI To achieve a return above inflation over rolling 1 year periods.		
^ Investment mix	Asset Class Listed property Direct property Total Property	Range 40-60% 40-60% 90-100%		Asset Class Australian fixed interest Australian inflation linked bonds International fixed interest Australian cash	Range 30-60% 0-15% 20-50% 10-40%		Asset Class Cash and short term money market investments	Range 100%	
Asset allocation by sector	Sector	% at 30/6/05	% at 30/6/04	Sector	% at 30/6/05	% at 30/6/04	Sector	% at 30/6/05	% at 30/6/04
	Listed property	100%	100%	Aust fixed interest	44%	44%	Australian cash	100%	100%
	Australian cash	<1%	<1%	International fixed interest	37%	37%			
				Australian cash	19%	19%			
Investment time frame	Medium to long term 5 years +			Short to medium term 3 years +			Short term 1 year +		
Risk Profile	Medium to high risk Probability of a negative return in any year is 1 in 4.			Low risk Probability of a negative return in any year is 1 in 10.			Low risk Nil probability of a negative return in any one year.		
This option may be suitable for:	Suitable for members who can withstand short term market volatility to obtain reasonable medium term returns.			Suitable for members who can withstand some short term volatility, including a negative return in some years in order to obtain a medium term return higher than cash.			Suitable for members seeking to minimise their investment risk over the short term.		
+ Recent effective rates of investment returns	Year ending 30/6/03*	9.31%		Year ending 30/6/01	6.58%		Year ending 30/6/01	5.00%	
	Year ending 30/6/04	16.65%		Year ending 30/6/02	6.14%		Year ending 30/6/02	3.89%	
	Year ending 30/6/05	17.61%		Year ending 30/6/03	6.52%		Year ending 30/6/03	4.12%	
	Since inception	14.70%		Year ending 30/6/04	3.21%		Year ending 30/6/04	4.14%	
				Year ending 30/6/05	9.66%		Year ending 30/6/05	5.30%	
				5 year rolling return	6.61%		5 year rolling return	4.45%	
	* Please note this option was introduced in September 2002								

The Trustee is required by law to set these objectives. They are neither a forecast nor a guarantee of future investment returns.

+ The table above shows each investment option's annual and effective rate of net return (i.e. the actual rate of return net of tax and investment expenses) over the past five years [or for the period which the investment option has been offered if less than five years].

^ The asset ranges apply from 1 July 2005. The Trustee reviews the continued suitability of the ranges for each option at least annually. To achieve the investment objectives the actual asset mix for each option is determined by the Trustee on a quarterly basis (or more frequently if required) and takes into account developments in the Australian and global economies.

making an informed choice

In making an informed investment choice you should look at things like your age, when you plan to retire, how many years you are likely to be retired and take into consideration your tolerance to investment risk.

Investment risk

“Risk” can be defined as the chance that a given set of objectives will not be met, for example the actual return you receive will be less than the return you expected. In assessing risk, your time horizon is very important. One member’s main objective may be to maximise returns over a twenty-year period, while for another the main priority may be to avoid a negative return in the coming year.

One way of measuring investment risk is in terms of volatility, i.e. the degree to which investment returns fluctuate over time. In general, growth assets like shares and property are highly volatile in the short term. Their value fluctuates significantly, so that in the short term the risk of a lower than expected return (even a negative return) is fairly high.

Defensive assets like fixed interest and cash are less volatile (i.e. their value fluctuates less), so that in the short term, the chance of a lower than expected return or a negative return is less.

Risk/Return Trade-off

Investing in growth options which aim to provide high returns exposes you to a higher risk of capital loss in the short term due to a high level of volatility in returns.

Options which generally provide low returns on the other hand have a lower level of volatility and less risk of capital loss, but provide lower returns.

Investment choice

NGS Super gives you a choice of nine investment options to suit a wide range of investment objectives and timeframes. We provide our members with the added benefit of freezing their current account balance and redirecting their future contributions into different option(s).

You may choose to redirect your future contributions in up to six (6) of the nine (9) options available and there is no fee for the future redirection facility. This feature allows you to increase the

diversification of your investment portfolio and avoid paying the buy-sell spread on your existing balance.

You can download a copy of the *Investment Switching Form* from the NGS website or call our Customer Service Team on **1800 451 210** for a copy.

Disclaimer: Please consider seeking advice from a licensed financial planner before making any investment decision as any switch has the potential of adversely affecting your benefit.

Member Investment Choice Mix

You can invest in up to six (6) options, in any combination, as long as the total amount allocated for your existing account balance and/or future contributions adds up to 100%. You must make your selections in multiples of 5%.



NGS Super sets the asset mix and performance objectives for these options:

- Diversified
- Defensive
- Shares



You may select your own asset mix and performance objectives by choosing from these asset sector options:

- Australian Shares
- International Shares
- Green Shares
- Property
- Diversified Bonds
- Cash

Do you need to change your investment choice?

On joining NGS Super, members automatically receive the Diversified option. This option has been constructed to best meet the long-term needs of the majority of our members. However it is impossible for one investment mix to be suitable for all members at all times. If the Diversified option does not meet your needs, or if your circumstances change, you should seriously consider changing your selection.

If you do not wish to make a choice, or if you are satisfied that the Diversified option best meets your needs, you need take no further action.

Re-balancing your investment mix

Due to movements in investment markets, the proportions of your chosen investment mix will change over time as the different investment options grow at different rates.

We do not automatically re-balance your account balance back to your original chosen proportions. You have the choice between allowing the better performing option to increase as a proportion of your account balance, or rebalancing the percentage you wish to have in each portfolio over time.

If you wish to rebalance at any time, please phone **1800 451 210** for an *Investment Switching Form*, or alternatively download a copy from our website. If you decide to switch your investment option, a buy-sell spread will be incurred.

TO ENSURE YOU MAKE AN INFORMED INVESTMENT CHOICE, PLEASE READ THE INVESTMENT SECTION IN THE FUND'S **PRODUCT DISCLOSURE STATEMENT** (AVAILABLE ON THE WEBSITE OR BY PHONING **1800 451 210**) BEFORE CHOOSING OR SWITCHING YOUR INVESTMENT PORTFOLIO WITH NGS SUPER.

how we invest your money

Allocation of investment earnings to your account

Investment earnings are allocated to member account balances by changes to the NGS unit prices which are calculated weekly and can be accessed through the NGS Super website at www.ngssuper.com.au. In accordance with regulatory requirements, the Fund's investments are held in custody. The Custodian safeguards the investments and monitors changes in the value of investments. The custodian calculates the NGS unit prices and forwards them to the Fund's Administrator for incorporation in the member record keeping system maintained by the administrator.

Weekly changes to NGS unit prices reflect the gain (or loss) on the underlying investments of each of the nine (9) options. Members' account balances are calculated by multiplying the units on issue to a member by the NGS unit price current at that point in time. In this way, investment market movements and valuations are translated to the member account balances.

The investment returns quoted in this report reflect the return (net of fees and tax) that would have been achieved if you were invested in a particular option for 12 months to 30 June 2005. If you made contributions during the year, those contributions would only receive the investment return equal to the change in the NGS unit price between the contributions being allocated and the end of the financial year. If you changed investment options during the year, you would receive varying investment returns based on the changes to the relevant NGS unit prices of each option selected.

Your personal superannuation account

All the contributions paid into the Fund by you or your Employer, as well as any superannuation money you transfer into NGS Super, are placed into your personal account, after deduction of any administration fees, insurance premiums and government taxes.

The money in your account (your benefit) is then invested according to the investment option(s) you select. Each time we receive a contribution from you or your Employer we will allocate units to your account at the issue or buy price for the investment option you invest in. Your account balance increases or decreases according to the collective performance of the underlying assets.

While your money is held in the Fund, we deduct member fees from your account, as well as insurance premiums if you have insurance cover. Your investment in NGS Super, your benefit, is calculated by multiplying the number of units allocated to your account from each investment option by their withdrawal or sell price.

Administration Reserve

The NGS Super Reserve account is established in accordance with the Trust Deed. Prior to 30 June 2005, the Trustee reviewed the operation of the Reserve account (and the Reserve amount) in light of the successor fund transfer (SFT) on 1 July 2005 from the Independent Schools Superannuation Trust (ISST), particularly taking into account that the SFT will provide greater economies of scale for NGS Super.

Following its review, the Trustee resolved to confirm that a Reserve will continue to be held to ensure that sufficient funds are available to protect members against significant events which may impact the operating costs of NGS Super. A secondary reason is to ensure that Reserve funds are available to implement new products and services for members without the need to immediately recover costs from member accounts. The third reason is for the Trustee to meet APRA's RSE licensing conditions in ensuring its ongoing solvency and to support its business operations as trustee of NGS Super.

The Trustee has set the ongoing Reserve level at one year's expected operating expenses of the Fund, which for the 2005-2006 financial year is expected to be around \$7.7m or 0.46% of the Fund assets.

This Reserve is maintained by the Trustee retaining a small portion of the fees charged to members and interest earned on the Reserve account, which is invested in the Cash Option. Prior to the SFT from ISST, all members of NGS Super received a proportionate distribution from the Reserve account to enable the revised policy to be implemented. This Reserve will be known as the **administration reserve**.

The 30 June 2005 and preceding years reserve levels are shown below:

As at	\$M	% of Assets
30 June 2001	\$6.689	1.03%
30 June 2002	\$6.290	0.97%
30 June 2003	\$6.385	0.87%
30 June 2004	\$8.179	0.89%
30 June 2005	\$5.057	0.44%

Allocated Pension Investment Performance

Investment Portfolio	Year ending 30 June 2005	Year ending 30 June 2004	Year ending 30 June 2003	Rolling Return	Inception Date
Diversified	13.00%	15.41%	1.30%	3 year rolling return 9.73% p.a.	Nov 2001
Defensive	9.89%	7.66%	1.73%	3 year rolling return 6.37% p.a.	Nov 2001
Shares	13.26%*	N/A	N/A	Return since inception 13.26%	Sep 2004
Australian Shares	18.65%*	N/A	N/A	Return since inception 18.65%	Sep 2004
International Shares	7.59%*	N/A	N/A	Return since inception 7.59%	Sep 2004
Green Shares	4.50%*	N/A	N/A	Return since inception 4.50%	Dec 2004
Property	19.21%	17.90%	N/A	Return since inception 17.75% p.a.	Dec 2002
Diversified Bonds	10.72%	N/A	N/A	Return since inception 11.47% p.a.	Nov 2001
Cash	5.67%*	N/A	N/A	Return since inception 5.67%	Jul 2004

Note: The NGS Allocated Pension commenced in October 2001. *Please note these represent returns of less than one full financial year owing to the fact that the first member account in each option was only received during the last financial year. The commencement date for each of these options are listed in the Inception Date column.

As at 30 June 2005

abridged financial statements

Statement of the financial position for the year ended 30 June 2005

Statement of changes in net assets

Net market value of assets available to pay benefits at start of year

PLUS

Contributions from employers
Contributions from members
Rollovers received
Insurance proceeds
Investment earnings

2005
\$'000

920,199

122,156
9,971
51,965
1,257
128,777

2004
\$'000

734,095

108,763
5,635
31,626
836
117,124

LESS

Benefits paid
Insurance premiums
Administration and management expenses
Taxation expense

52,731
5,571
4,739
33,758

48,782
4,438
4,984
19,676

Net market value of assets available to pay benefits at end of year

1,137,526

920,199

Statement of net assets

Investments
Cash
Other assets

1,143,768
17,183
1,127

918,295
11,678
1,281

LESS

Creditors and accruals
Liability of taxation

3,315
21,237

3,679
7,376

Net market value of assets available to pay benefits at end of year

1,137,526

920,199

Please note that the above information has been extracted from interim financial statements. A copy of the full audited accounts financial statements may be obtained from the Trustee Office after 31 October 2005.

As at 30 June 2005

investment managers

The Trustee Board engages the services of Mercer Investment Consulting, a division of Mercer Human Resource Consulting Pty Ltd, to provide strategic investment recommendations to assist with the selection and overseeing of investment managers.

NGS derivatives policy

Investment managers are permitted to use derivatives. However, derivatives may only be used to hedge the portfolio against adverse market movements and may not be used for speculative purposes or gearing the investment portfolio. The Trustee has adopted an appropriate Risk Management Strategy.

Comparison of total fund investments by investment manager allocation at 30 June 2005 and 30 June 2004 were:

Investment Manager	Market Value as at 30 June 2005	% of total	Market Value as at 30 June 2004	% of total
AMP Capital Investors	\$19,237,576	1.68%	\$18,267,743	1.99%
ANZ	-	-	\$25,864,346	2.82%
Ausbil Dexia Ltd	\$66,322,098	5.80%	-	-
Barclays Global Investors	\$262,098,716	22.92%	\$255,312,383	27.80%
BNP Paribas Securities Services	\$15,702,602	-	\$10,490,385	1.14%
BT Financial Group	\$24,011,347	1.37%	\$12,442,712	1.35%
Challenger Financial Services Group	\$22,576,478	2.10%	\$19,176,779	2.09%
Citigroup Asset Management (Australia) Ltd	\$8,155,603	0.71%	\$5,293,574	0.58%
Colonial First State	\$6,720,906	0.59%	\$6,269,013	0.68%
Credit Suisse Asset Management (Australia) Ltd	\$46,589,851	4.07%	\$23,637,820	2.57%
Downer EDI Ltd	-	-	\$17,299	0.00%
GMO (Grantham Mayo Van Otterloo) Australia Ltd	\$32,348,470	2.83%	\$24,964,618	2.72%
ING Investment Management	\$56,085,096	4.90%	\$66,880,817	7.28%
Lazard Asset Management Pacific Co	\$33,257,126	2.91%	\$33,562,265	3.65%
Lend Lease Real Estate Investments	\$38,094,669	3.33%	\$31,571,133	3.44%
Macquarie Investment Management Ltd	\$45,521,476	3.98%	-	-
Maple-Brown Abbott	\$54,290,247	4.75%	\$54,880,747	5.98%
Members Equity (Industry Funds Management)	\$4,474,333	0.39%	\$4,302,187	0.47%
Merrill Lynch Investment Managers Limited	\$17,168,000	1.50%	\$11,599,945	1.26%
National Corporate Investments Trust	\$136,616,537	11.94%	\$130,449,845	14.21%
Pantheon Ventures Ltd	\$8,510,348	0.74%	\$8,261,187	0.90%
Paradise Cooper Investors	\$24,969,227	2.18%	\$18,669,639	2.03%
Perennial Investment Partners	\$57,527,898	5.03%	\$46,706,828	5.09%
Portfolio Partners	\$44,367,739	3.88%	-	-
State Street Global Advisors	\$64,592,873	5.65%	\$69,244,314	7.54%
Tactical Global Management Ltd	-	-	\$14,996,781	1.63%
UBS Global Asset Management (Australia) Ltd	\$54,529,281	4.77%	\$25,432,185	2.77%
Total	\$1,143,768,495	100.00%	\$918,294,545	100.00%

Note: This table does not reflect investment performance.

Outsourced Services

The following companies provide services to the Trustee Board to promote and support the efficient management of the Fund.

Administrator:
CitiStreet Australia Pty Limited

Adviser:
Mercer Human Resources Consulting Pty Ltd (ABN 32 005 315 917), a corporate authorised representative number 260851 of Mercer Investment Nominees Limited (ABN 79 004 717 533) AFS Licence Number 235906 (MINL), which belongs to the Marsh & McLennan Group of Companies.

Auditor:
Deloitte Touche Tohmatsu
Bank:
Westpac Banking Corporation
Custodian:
BNP Paribas Pty Ltd
Insurer:
CommInsure
Legal Adviser:
Kemp Strang Lawyers

fees and charges

The Trustee negotiates with service providers to ensure fees to members are kept as low as possible. NGS Super is run to **profit our members only** and we do not pay commissions to personal financial advisers, nor do we return profits to shareholders.

The cost of fees can have a substantial impact on your long term retirement savings. Put simply, if two funds are producing identical investment returns the one with the lower fees will produce the greater retirement benefit.

Fees and other costs

Pages 11 and 12 of this Annual Report show fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole.

For information on tax details please refer to the "Taxation Issues" section on pages 30-31 of the Fund's *Product Disclosure Statement PDS* dated 1 July 2005. Insurance costs are set out in the "Explaining our Insurance Cover" section of the *PDS* on page 22.

Fees and costs for particular investment options are set out on page 12.

Portability between Employers - take NGS Super with you when you change jobs

Did you know that you can keep your NGS Super account when you change jobs - anywhere within Australia?

As NGS Super is portable it means that you do not have to change super funds when you change your job. This has the added bonus of allowing you to continue with your competitive insurance cover.

For information on how you can keep your NGS Super account after leaving your current employer, please call our Customer Service Team on **1800 451 210**.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Fees when your money moves in or out of the Fund		
Establishment fee¹ The fee to open your investment.	Nil	Not Applicable.
Contribution fee¹ The fee on each amount contributed to your investment – either by you or your employer.	Nil	Not Applicable. However, remember to allow for the buy/sell spread which applies when you purchase units in any investment option.
Withdrawal fee¹ The fee on each amount you take out of your investment.	\$30.00 This fee does not apply to retirement benefits paid as cash.	Deducted from your account each time a benefit is paid. When member protection applies, the fee may be partly or fully rebated.
Termination fee¹ The fee to close your investment.	Nil	Not applicable.
Management costs		
The fees and costs for managing your investment.	A flat fee of \$65.00 ² p.a. administration fee. Plus	The flat fee is deducted from a members account on a weekly basis (\$1.25 per week).
The amount you pay for specific investment options is shown on page 29 of the <i>PDS</i> .	A percentage fee ranging from 0.07% p.a. for the Cash option to 0.79% p.a. for the Green Shares option ³ .	The percentage based fee is deducted from investment earnings prior to the unit price for that investment option being determined.
Expense recovery fee The Trustee is entitled to recover from the Fund expenses that can not be met from the administration or investment fees.	These costs will vary from year to year and are disclosed in our Annual Financial Statements (anticipated fee of between 0% p.a. and 0.2% p.a. of assets).	These costs are deducted from our Reserves and not deducted from members' accounts.
Service fees		
Investment switching fee The fee for changing investment options.	Members are entitled to one free investment change each financial year. Any additional investment change will cost \$30. Plus	Deducted from account balance at the time of the switch.
The buy/sell spread you pay for specific investment options is shown on page 12.	A percentage buy/sell spread ranging from 0.00% p.a. for the Cash option to 0.65% p.a. for the Australian Shares option ⁴ .	The buy-sell spread applies when you first purchase units in any investment option, either through new contributions or when changing your investment mix.

Notes:

- 1 No adviser remuneration fee applies.
- 2 This is the fee applicable for active members. Inactive members pay \$59.80 p.a.
- 3 These fees have been estimated based on the assets and investment managers held to 30 June 2005 and will vary throughout the new financial year as investments change. Where you have more than one investment option, the fee deducted from the gross investment earnings will be apportioned.
- 4 The buy/sell spread fees have been estimated based on the assets and investment managers held to 30 June 2005 and will vary throughout the new financial year as investments change.

fees and charges (cont.)

Additional disclosure items

All fees and charges are current and may be revised from time to time due to changes to your super or the Trust Deed. If the Trustee increase any of the fees that are **deducted from your account**, it must notify you 30 days in advance of the change. **Important Notice: Please note that the fees relating to both the Buy-sell spread and the Investment Management fees in the adjacent table take into account an increase proposed by the Trustee that will be effective from 1 October 2005 and accordingly this report will constitute the 30 days' notice required under the Trust Deed for such increases. No other fees have been changed.**

The fees and expenses relating to investment reflect actual costs paid by the Fund to external providers and may change from time to time. These changes will always be advised here in the Annual Report. NGS Super does not pay any commissions to investment advisers or financial planners for recommending NGS Super for superannuation investment.

NGS Super is a member owned Fund. Fees charged to members are designed to cover the cost of operating the Fund. An administration reserve is maintained for this purpose. In any year where the fees charged do not cover the cost of operating the Fund, investment earnings returned to members would be reduced to cover the shortfall. Any such amount would be deducted before the year end unit price was calculated and the details would be reported to members in the Annual Report.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website www.fido.asic.gov.au has a superannuation fee calculator to help you check out different fee options.

Table of fees	Amount	Payment details
Buy-sell spread A once only buy-sell spread applies to the price of units in the different investment portfolios. Generally the cost of purchasing the units at any point in time is more than the price to sell the units. This difference in unit price (or buy/sell spread) represents the cost of brokerage and depends upon how expensive it is to buy and sell the assets in each investment portfolio.	Diversified 0.45% Defensive 0.24% Shares 0.67% Australian Shares 0.66% International Shares 0.68% Green Shares 0.58% Property 0.44% Diversified Bonds 0.08% Cash nil	The buy-sell spread applies when you first purchase units in any investment option, either through new contributions or when changing your investment mix.
Additional information fee If you request information or services that are outside the normal operation of NGS Super then you may be charged an additional fee.	This fee is rarely charged and members will be advised in advance of any costs involved in the provision of additional information.	The fee will either be deducted from a member's account or paid directly by the member, depending upon the specific circumstances.
Investment management fees* All superannuation funds pay investment fees for the day-to-day administration and transaction costs of investing.	Diversified 0.63% Defensive 0.44% Shares 0.72% Australian Shares 0.62% International Shares 0.74% Green Shares 0.80% Property 0.70% Diversified Bonds 0.28% Cash 0.12%	Investment management fees are deducted from investment earnings prior to unit prices being determined i.e. investment performance is net of these fees. We do not charge these fees directly to your account.
Family law fees The Trustee is subject to the changes in Family Law and allows either the splitting or deferral of a member's account on separation or divorce. Government regulations allow the Trustee to charge a reasonable fee for any member requests.	Request for information Members: \$100 Non-members: \$110 An order to split or flag an interest Members: \$100 Non-members: \$100	The request for information fee is payable when the request is made. Fees related to splitting or flagging an interest will be deducted from a member's account at the time of the split.

Note: No GST is payable by members on any fees quoted.

* Some investment management contracts include a performance based fee e.g. in periods of high returns some managers will receive additional fees for performance which exceeds agreed benchmarks.

** Actual fees being charged are calculated quarterly in arrears and will be posted on the Fund's website.



Report directly

from the CEO's desk

In my opening remarks last year, I commented that we had entered an "exciting period" for superannuation.... little did I know just how exciting it would prove to be!

The Board Chair has already highlighted important issues for you to reflect on and I am going to raise a few more.

NGS Super and your insured benefits

Most people do not truly appreciate the incredible 'benefit' which is automatically granted to new employees when they join NGS for the first time within the eligibility period. If NGS Super is the Employer default fund and you join when first eligible, then regardless of age or physical condition, you will be granted an immediate default level of insurance which covers you in the event of death, total and permanent disablement and when you are unable to work in certain circumstances. Additional insurance in excess of the basic default level is available in all categories if you wish (conditions apply).

As members get older and increasingly suffer medical 'events', they quickly realise the value of the automatic insurance that was granted to them. When changing jobs, but more so when changing funds, this is one issue which you need to seriously consider. Under the Governments 'Choice of Fund' legislation, it is proposed that members will have the right to change their chosen fund annually. What most people do NOT realise until too late is that the insurance they now have, may NOT be available to them when they transfer to another fund, particularly if still employed with the same employer.

Providing 'SUPER' advice to employees

Under new Government regulations associated with the Choice of Fund

legislation, Employers will now face up to two years in prison or fines up to \$22,000 for advising their workers on what to do with their retirement funds. NGS staff are freely available to come to your workplace or organise an after work seminar, if you or your colleagues need to understand more about the current superannuation system.

Industry super funds "Marketing Campaign" achieves success



In the much publicised lead-up to the so called "Choice of Fund" launch on 1 July this year, a group of 19 Industry Superannuation Funds went on the offensive by publicising their major strengths namely, great returns and low fees. NGS Super is proud to be part of the campaign which features the "Compare the Pairs" adverts. The success of this campaign has greatly reinforced the major advantages that Industry Funds have over many other funds.

The fact that we are industry sponsored means that we do not pay profits to shareholders. The employer and employee organisations that sponsor NGS Super do not get one cent back from their 'investment' in the Fund. In doing so, they ensure that the members are the ones who receive what would normally be regarded as the shareholders return on investment.

On the investment side, the Fund's returns are high due to being able to invest with the best Investment Managers at low fee levels....and we do not 'load up' our Investment Management fees either. These fees are simply deducted from the Investment Earnings of the Fund so that you can be sure that the declared interest rate on your investment is a net return.



We will proudly use the "Industry Super Funds" campaign logo into the future to remind you of the fundamental advantages you receive from your Fund.

Additional costs in protecting your retirement savings

Earlier this year, all registered superannuation funds were 'levied' by the Government, who collected funds to reimburse members of funds who had suffered a loss due to fraudulent conduct or theft. The principle is laudable, BUT NGS Super was required to pay \$230,000 as it's share of the 'levy pool'. Our new merger partner, the ISST also contributed \$225,000 prior to the merger. In 2002-03, 543 funds were assisted with a further 79 in 2003-04. On the evidence presented, most of these were small self managed superannuation funds (SMSF's) with less than five members.

Questions needed to be asked as to the effectiveness of the current guidelines placed on the promoters of these SMSF's. The Trustee has been utilising its membership of Industry Associations to urge the Government to introduce a more rigorous system for registering and supervising these small funds.

Colin McGuinness
Chief Executive Officer

changes to super legislation



Some of the more significant legislative changes recently introduced that may impact NGS members and employers include the new 'transition to retirement' provisions and the 'Choice of Fund' legislation. Please read on for these and other legislative changes which have been implemented.

Federal Government's co-contribution scheme

The Government will match eligible contributions from low-income earners up to a maximum of \$1500, in a scheme called 'co-contributions'. This has been introduced to assist low-income earners to save for an adequate retirement, and can be tax effective, as co-contributions are not subject to the usual superannuation taxes. The contributions tax and surcharge tax are not applied, nor will the amount of the co-contribution be taxed when you receive your end benefit.

To be eligible for a co-contribution you:

- must make personal after tax superannuation contributions to a complying superannuation fund, such as NGS Super;
- have a total annual income (assessable income plus reportable fringe benefits) of less than \$58,000;
- be a permanent resident of Australia;
- lodge an income tax return for the year of income; and
- be less than 71 years old.

Choice of Fund

From 1 July 2005, some employees have been able to choose into which fund they want to have their super contributions paid. Not all employees are eligible as there are a number of exemptions. Employers were required to offer choice to existing eligible employees on or before 28 July 2005 and to new employees who start work after 1 July 2005, within 28 days of commencing work.

NGS Super recommends that members, and employers, make informed decisions and be critical of the advice and information they may receive.

If your super contributions are currently being paid to NGS Super, this may not automatically continue. You may need to take action. Your employer will select a fund into which contributions will be paid for employees that don't make a choice. This is called the default fund.

In some cases NGS Super may not be selected as your employer's default fund. This means that you will have to let your employer know that you want your contributions to continue to be paid to NGS Super. You can do this by completing the Standard Choice Form which your employer gives you.

It is also important, if you decide to change super funds, that you make sure that any relevant insurance cover is approved with the new fund before you cancel your old fund.

Abolition of Super surcharge tax

In the 2005 Federal Budget, the Government announced that the surcharge will no longer apply from 1 July 2005 and this was recently passed by the Senate. This will boost superannuation savings of affected members and provide incentives for members to make additional superannuation savings.

Trustees will however still need to report surchargeable contributions for the 2004/05 tax year and expect to continue to receive surcharge assessments for several years in respect of periods ending before 1 July 2005.

Portability

The new portability rules, which apply from 1 July 2005, allow a member to request the transfer of an existing super benefit at any time. The Fund may refuse the request if a similar request has been met in the previous twelve months or if, after transferring the

money, the account would remain open and the member's interest in the Fund would be less than \$5,000. This means that members can move their account balance even though further employer contributions may still be forthcoming, either once or on an ongoing basis.

If you transfer your full account balance out of NGS Super, this will cancel any insurance cover that you have with the Fund. You may then need to apply for cover and complete a health statement if you require cover in the future.

Transition to retirement

On 1 July 2005, the new "transition to retirement" provisions commenced. These introduce a new condition of release for members who have reached preservation age but have not yet retired. Members will be able commence a non-commutable income stream. A non-commutable allocated pension can be commuted at a future time, but only at the point where another condition of release is satisfied (e.g. retirement from the workforce or reaching age 65).

NGS Super has decided that it will offer these types of pensions to members through the Allocated Pension and the Term Allocated Pension.

Cashing rules after age 65

NGS Super is required to apply a work test to members who are aged 65 or more on 30 June 2005. Where such a member has not worked at least 240 hours in the 2004/05 financial year, NGS Super is required to compulsorily cash the member's benefit or commence paying the member's benefit as an income stream. Where the member meets the test, their benefits may remain in the Fund during the following 12 months. From 1 July 2005, this test must be applied to each member as they reach age 65.

flexible and affordable insurance

NGS Super not only provides members with the ability to save for their retirement but also provides valuable insurance cover for them should they die, become totally and permanently disabled, or suffer a temporary illness or injury.

Increasingly low cost insurance through an industry superannuation fund is seen to be a true member benefit. Thanks to the economies of scale, NGS members who meet the eligibility criteria are able to gain the advantage of Group Life and Income Protection Policies which have been negotiated and designed specifically for them. The NGS Directors are committed to providing low cost insurance benefits and will continue to negotiate with various insurance providers to improve our member options. Recent additions to the menu of options include Income Protection (3) and Death Only cover. Higher levels of cover are now also possible (subject to the insurer's acceptance) so a 40-year old may now obtain up to \$650,000 worth of Death/TPD cover through NGS Super. All at competitive prices!

Although Basic Cover is an existing benefit for most members, it should be kept in mind that it is not an absolute right once an individual leaves the Fund. This means that if a member leaves NGS Super then returns to the Fund, both Death/TPD and IP insurance will not automatically be reinstated. The returning member will have to complete a medical statutory declaration and insurance application form. Acceptance is no longer automatic and will be at the discretion of the insurer.

NGS insurance benefits for members

Nobody can predict the future but it is possible to protect yourself and your family financially should unexpected life events occur by ensuring your insurance needs are met.

The types of insurance cover available to NGS members are **Death and Total and Permanent Disablement (TPD), Death Only** and **Income Protection (IP)** and provide cover 24 hours a day, seven days a week while in Australia. However, insurance is not available to spouse members or members 65 years of age or

older. If you have Death Only or Death/TPD insurance cover with NGS Super, the amount for which you are insured would be paid in addition to the balance in your superannuation account.

Death and TPD benefits are paid as lump sums, with the amount depending on your age at the time you permanently stop work because of permanent illness, injury or death.

The table below (effective 15 March 2004) shows the age-based insurance cover per four (4) units of Death & TPD:

*Age	Basic Cover: Four (4) [^] units of Death/TPD	*Age	Basic Cover: Four (4) [^] units of Death/TPD
Up to 19	\$195,000	43	\$91,000
20	\$193,000	44	\$78,000
21	\$191,000	45	\$73,000
22	\$188,500	46	\$68,000
23	\$186,500	47	\$63,000
24	\$184,500	48	\$58,000
25	\$182,500	49	\$53,500
26	\$180,500	50	\$48,500
27	\$178,500	51	\$43,400
28	\$176,500	52	\$38,400
29	\$174,000	53	\$33,400
30	\$172,000	54	\$28,600
31	\$170,000	55	\$26,000
32	\$168,000	56	\$23,400
33	\$165,500	57	\$20,800
34	\$163,500	58	\$18,400
35	\$161,500	59	\$15,800
36	\$159,500	60	\$12,800
37	\$157,500	61	\$11,600
38	\$155,500	62	\$10,200
39	\$153,500	63	\$ 9,000
40	\$130,000	64	\$ 7,200
41	\$117,000	65	Nil
42	\$104,000		

* Age at date of Death or TPD.

[^] Basic cover is equivalent to four (4) units of Death/TPD.

Basic Cover

On joining NGS Super, eligible members automatically receive Basic cover, which is equivalent to four (4) units of Death/TPD and two (2) units of Income Protection 6 (IP 6). The total cost of this cover is \$3.44 per week and the premium is deducted on a before-tax basis from the Employer contribution portion of your account, thus being a tax effective way of ensuring you and your family are protected.

Four (4) units of Death/TPD will provide a 45 year old member with a lump sum insurance payment of \$73,000. Members can apply for extra Death/TPD cover and/or Death Only cover to a maximum of twenty (20) units combined.

Income Protection covers members for temporary disablement. The Basic cover of two (2) units of IP 6 will provide an income of up to 75% of a member's pre-disability salary (for salaries of up to \$70,000). Members can apply for up to nine (9) units of IP, with each unit covering \$35,000 of salary.

Other insurance options

Death Only

Death Only is another insurance option for our members. The amount of cover provided by Death Only is the same as for Death/TPD. Each unit of Death Only cover costs \$0.20 per week.

Income Protection 3 (IP3)

IP 3 is another form of income protection cover for temporary disablement. It provides the same level of cover as Income Protection 6 (IP 6). However, the waiting period from the time a member is temporarily disabled to when they can access their benefit is reduced from six (6) months to three (3) months. IP 3 is more expensive than IP 6, with two (2) units of cover costing \$2.34 per week.

Salary Range	Units Required	Cost per week for IP 6	Cost per week for IP 3
\$0 - \$70,000	2	\$1.44	\$2.34
\$70,001 - \$105,000	3	\$2.16	\$3.51
\$105,001 - \$140,000	4	\$2.88	\$4.68
\$140,001 - \$175,000	5	\$3.60	\$5.85
\$175,001 - \$210,000	6	\$4.32	\$7.02
\$210,001 - \$245,000	7	\$5.04	\$8.19
\$245,001 - \$280,000	8	\$5.76	\$9.36
\$280,001 - \$315,000	9	\$6.48	\$10.53

flexible and affordable insurance (cont.)

When am I not eligible for insurance cover?

Insurance cover is not available to Spouse members, members 65 years and older and inactive members. In the event of death or TPD, the benefit paid to uninsured members would be equal to their account balance in NGS Super (with no insured component).

Eligibility requirements

You will be eligible to receive Basic Cover unless one of the following applies:

- your Employer failed to forward your membership details and/or first contributions to us within four (4) months from the date you first started work for that employer;
- you have previously been a member of NGS Super and are now rejoining the Fund; or
- you have ever claimed, or have been eligible to claim, a disablement benefit from any superannuation fund or insurance company.

If any of the above does apply and you wish to apply for any cover, you must complete both the *Insurance Application Form* and also the *Health Declaration* and *Privacy Consent Forms*. The insurer may require further information, and has the right to decline your application. If you fail to inform NGS Super that one of the above applies, you may have premiums deducted but you will not be eligible for payment of an insured benefit.

If the Fund receives an employer contribution within the eligibility period along with minimal data (name, date of birth, date joined employer, address and gender), you will be automatically granted Basic insurance cover.

If you are eligible for Basic Cover and wish to receive Basic Cover you need take no action. To decline insurance outright you need to complete an *Insurance Variation Form*.

How much insurance cover do I need?

It is important that you regularly check that your insurance cover is sufficient for your needs. Your enclosed Member Benefit Statement shows your current level of cover.

If you wish to increase or decline your level of insurance cover, you will need to obtain the *Insurance Information for Members brochure* and complete the *Insurance Application Form*. Members who wish to increase their Income Protection due to a pay rise need to advise us within four (4) months or they will have to complete a *Health Declaration Form*.

Our *Insurance Information for Members brochure* and relevant forms are available on our website at www.ngssuper.com.au or alternatively you may prefer to contact our Customer Service Team on **1800 451 210** to have them sent out to you.



Helping you make the most of your super retirement planning

One of the smartest and easiest ways to enjoy your retirement is to plan it carefully beforehand..... so start planning today as tomorrow may be too late to accumulate a comfortable nest egg to allow you to enjoy the lifestyle you would like to retain!

FREE NGS financial planning seminars

Do you know what a non-commutable term allocated pension is? How would you deal with an eligible termination payment? What can you do with your unrestricted non-preserved contributions? If you are not sure of the answers to any of the above questions, it may be worthwhile for you to attend a free NGS Financial Planning Seminar.

As the national industry fund for teachers and support staff in non-government schools, NGS Super is committed to providing financial education to Fund members. The seminars are conducted by professional financial planners from Mercer Wealth Solutions who are paid on a fee for service basis. That means the presenters are there for one purpose – your education.

Recent seminars have been fully booked with Fund members firing the questions they wanted clarified in an interactive learning situation. In the increasingly complex world of superannuation, it is important to have a fundamental grasp of how the system works. Comments such as, “Very clear and relevant to my situation” and “I would recommend this for other NGS members” were typical of the comments on the feed-back sheets.

Generally NGS presents three Sydney seminars and one outside Sydney per year. This year Fund members from the Newcastle region were able to benefit from the seminar in their area. The Fund will also support a financial planning seminar at a school if the number of participants is sufficient. So if you and a number of work colleagues are interested in expanding your super knowledge in a 3 – 4 hour session, contact the Fund.

NGS will be publicising the dates for the financial planning seminars on the website www.ngssuper.com.au so keep an eye out for the next one. When complex financial matters are explained by a professional, they become understandable and maybe even enjoyable!

Free financial planning assistance

NGS members are entitled to one (1) hour of financial planning service per financial year. This financial planning service involves a consultation (either in person, by telephone, by email with a Mercer Wealth Solutions [a division of Mercer Human Resource Consulting Pty Ltd] financial planner) and the production of a written summary (if required) of the discussion at no cost to you. Additional time or sessions may incur a charge.

Because NGS is meeting the cost of this service, Mercer Wealth Solutions Financial Planners are limited to providing you with advice regarding your NGS Superannuation and related matters such as:

- Taxation on super
- Retirement planning
- Super surcharge
- Salary sacrifice
- Investment choice

For preparation of a Statement of Advice, advice on broader financial planning matters and placement of investments, a fee will apply.

To access this service please telephone **1300 883 318**. Alternatively you may email your questions to ngs@mercer.com

NGS school in-service and visits on superannuation

The regulators have made it clear that employers who provide any type of personal or general financial planning advice are in breach of the Corporations Act, 2001, and could face serious consequences for this breach. This is because new licensing requirements are in place for entities who deal with financial products and schools do not fit

into this category. The legislation is in place to enhance consumer protection. So for questions on superannuation, Fund members are not able to rely on or even expect answers from the pay office.

As part of its commitment to assist and educate members in the non-government education sector, NGS Super provides free, no-strings-attached information sessions on superannuation. Topics usually covered in these sessions include: investment options, insurance cover, the taxation of super, member benefits and pensions (both Allocated Pensions and Term Allocated Pensions). NGS Super is licensed (AFS Licence No 233 154) to provide general product information on superannuation. As an industry fund, there are no commissions paid to staff or financial planners. This means that a qualified NGS Representative will be able to provide you with answers to superannuation related questions to assist you to navigate the sometimes complex rules of super for your benefit.

Some schools recognise the need to keep staff informed on superannuation and organise regular meetings on the subject.

It goes without saying that understanding your options is the key to using them successfully. Since everyone has different risk-return expectations, individuals are able to shape their portfolios according to age (investment horizon), risk tolerance and expected returns. Those members who understand their options and use them effectively stand to benefit when retirement becomes a reality! This requires an active approach which is gained through understanding.

So consider organising a full staff meeting or part of a staff meeting on super. Before school and lunchtime meetings are also used by some schools or groups of interested members. “NGS Super – The Educated Choice” aims to put you on a path to a comfortable retirement but you have to take an active interest along the way.

To organise a school in-service on superannuation phone: (02) 9232 7727 or e-mail: bernard@ngssuper.com.au.

retirement planning (cont.)

For further information on any of our retirement products please contact the NGS Customer Service Team on **1800 451 210**.

Options on leaving your employer due to retirement

NGS Super Allocated Pension

We provide an allocated pension product which is a flexible and tax-effective means of converting a lump sum retirement benefit into a regular income stream. Allocated pensions receive taxation concessions, both on investment earnings within the Fund and on regular pension payments. Upon your death, your pension can continue to be paid to your spouse, or it can be paid as a lump sum to your dependants or your estate.

There are no additional establishment charges for existing members who elect to take up the NGS Super Allocated Pension.

Up to 30 June 2005, NGS Super members must have retired from the workforce after preservation age to access the NGS Super Term Allocated Pension. Accumulated benefits (ETPs only) can be released, and therefore invested, only once the member has retired.

From 1 July 2005, the Regulations allow the Trustee to provide non-commutable income streams, such as the NGS Term Allocated Pension, to people who:

- have reached the preservation age; and
- are still gainfully employed.

For more detailed information regarding the NGS Allocated Pension please refer to the *NGS Allocated Pension Product Disclosure Statement (effective 1 July 2005)*, which can be obtained by either calling customer service on **1800 451 210** or downloading a copy from our website.

In addition to the Allocated Pension product which was introduced by NGS in October 2001, NGS Super now offers a Term Allocated Pension (TAP).

NGS Term Allocated Pension

NGS Super now offers a Term Allocated Pension which is a new retirement income stream product. It is different from a traditional allocated pension in a number of ways, including:

- it is assessed under more generous Pension RBL rules;
- it is subject to 50% Assets Test exemption;
- the pension amount payable each year is restricted to a proportion of the account balance;
- the access to capital (commutation) is only available in very limited circumstances and the term of the pension is fixed.

For more detailed information regarding the NGS Term Allocated Pension please refer to the Term Allocated Pension Supplementary PDS (SPDS) which can be obtained by calling **1800 451 210** or a copy may be downloaded from our website.

NGS Transition to Retirement product

The superannuation cashing rules in force until 30 June, 2005 required people below the age of 65 to retire before they could access their superannuation benefits. For a person who has reached 60 years of age, 'retirement' includes the termination of an arrangement under which the person was gainfully employed. These rules may have led people to decide to retire or leave their job prematurely in order to access their superannuation benefits.

The central feature of this new policy, effective from 1 July 2005, is that people who have reached their preservation age will be able to access their superannuation in the form of a non-commutable income stream without the need to retire from the workforce.

The measure is not intended to provide people with a vehicle to dissipate their superannuation savings excessively before retirement.



adding to your super

There are a variety of before tax and after tax options available to "top up" your superannuation account with NGS. As both before tax and after tax contributions are subject to preservation rules, you should only invest in superannuation money that you can afford to put away until you retire.

Most people will need to make contributions to their super in addition to what their employer pays, to be able to enjoy a reasonable standard of living upon retirement.

At NGS, we make saving for your retirement easy, offering the following services in assisting you to build your super:

- **personal after PAYG tax (member) contributions;**
- **lump sum contributions;**
- **government co-contribution scheme;**
- **personal before PAYG tax (salary sacrifice) contributions;**
- **spouse accounts;** and
- **transfers or rollovers-in.**

After PAYG tax (member) contributions

After tax contributions are voluntary payments made to the Fund on an after PAYG tax basis. Your contributions are deducted from your post tax earnings before determining your take-home pay. Between 0% and up to 100% of your salary can be contributed after tax.

You should note that after-tax contributions:

- are subject to preservation requirements;
- are currently not subject to tax upon entry or withdrawal; and
- may result in earnings that could be subject to tax upon withdrawal.

Lump Sum Contributions

If you have any surplus cash and wish to make a lump sum contribution to your super account, please complete the *Lump Sum Payment Form* which can be downloaded from our website at www.ngssuper.com.au. Please return your completed form together with a cheque or Australian money order made payable to NGS Super to NGS Administration. A *Lump Sum Payment Form* is also included with this Annual Report mail out.

After tax contributions (government co-contribution scheme)

Please refer to page 14 for further details and eligibility requirements. If you meet these requirements and would like to make a personal superannuation contribution to enable you to receive the government co-contribution, a *Lump Sum Payment Form* to attach with your voluntary payment is included with this Annual Report mail out.

Before PAYG tax (salary sacrifice) contributions

With the prior approval of your Employer, you have the option to make your regular personal contributions on a before-tax or "salary sacrifice" basis.

Salary sacrifice super contributions are taken from your total remuneration and are treated the same way as Award or Superannuation Guarantee contributions from your employer, that attract only a 15% contributions tax.

Please note that before-tax contributions:

- will be subject to contributions tax;
- could be subject to tax upon payment of your benefit;
- are subject to preservation requirements, including earnings thereon;
- count towards your Reasonable Benefit Limit (RBL); and
- do not affect your salary for the purposes of long service leave and annual leave taken while still employed.

How do I change my voluntary contributions?

If you would like to cease or change the amount of your pre or post-tax voluntary contributions being deducted from your pay, simply advise your Employer in writing to affect the change. NGS Super

does not require regular payments, and you are free to change the amount you contribute at any time.

Spouse accounts

A minimum initial contribution of \$1,200 is required to commence an account with NGS Super on behalf of your spouse. Thereafter there is no minimum contribution amount when making additional contributions.

An annual tax off-set may be claimed by a member for any spouse contributions that they make on behalf of their spouse, depending on the income of the spouse. The maximum tax-offset is 18% on a \$3,000 spouse contribution, i.e. \$540.

Consolidating your inactive super accounts

Amalgamating your superannuation accounts will help you keep track of your money and save you extra fees. The *Transfer Authority Form* included with this Annual Report mail out allows you to transfer any inactive accounts into NGS Super.

NGS Super does not charge you an entry fee for transferring your money in, however you should check whether your other fund(s) charge you an exit fee.

We also recommend that you check the Tax Office's Lost Members Register to make sure there isn't any super you have forgotten about which you may also transfer in. Call the ATO on 13 10 20 or visit their website at www.ato.gov.au to find out.

For more information on making additional contributions to your super please contact our NGS Customer Service Team on **1800 451 210**.

what's new at NGS?

NGS Super continues to improve the services available to our members.

New voice recognition system (VRS)

NGS recently launched an Interactive Speech Recognition System which has been designed to connect members and employers to the "Real Person" most able to help them with their enquiry as quickly as possible.

NGS employers also now have the opportunity to "self service" with automated ordering of forms such as new Member Applications and blank contribution returns. NGS members can automatically obtain a balance of their account and date of last contribution. All callers can have access to NGS fund information such as SPIN and ABN numbers, business hours and fax contact details. These services are all available 24 hours a day, 7 days a week with no need to wait in a queue.

The system understands normal speech and will match the caller's details to our records before offering a number of service options. At this point members are provided with account balance information. Employers wishing to order forms can say

"Forms" and follow the system prompts to select the type and number of forms required.

For callers who do not require any of the self-service options or who have more complex enquiries, calls are delivered to an agent specifically skilled in the subject of their call. The system saves callers time by supplying the agent with the member or employer account details via a "Pop-Up". Callers will not be asked to repeat this information once connected to an agent.

So next time you place a call to the NGS Call-Centre, have your membership number ready and after a few simple identification questions you will have your enquiry answered promptly.

Website issues

The current website has served the Fund admirably over recent years but is due for a facelift, enhanced information and some structural changes to accommodate our new merger partners in SA and Victoria. Over the coming months you should

look for a number of changes including a feedback section on the home page, where you can provide feedback to the Trustees on any issue. This will become an important tool for us to ensure that the Fund is meeting your needs.

Staff changes

During the year the Fund's Communications Officer, Caroline Nesbitt, resigned to enable her to devote full time attention to her family business interests. We have been extremely fortunate to secure the services of Vilija Burneikis, who comes to us from a Desktop Publishing/Member Services role with the Catholic Superannuation and Retirement Fund in Burwood. Vilija has a long association with the Catholic Education Office, Sydney and you may know her from previous support roles in Selection & Recruitment and Professional Development areas in Human Resources.

Vilija is now responsible for 'desktopting' and publishing all the Fund's publications and will shortly take over the maintenance of the Fund's website.



accessing your super

Superannuation is a long-term investment vehicle to allow for retirement. The Commonwealth Government has restrictions, known as preservation rules, on when you can access your superannuation savings.

Accessing your super

Generally your superannuation benefit is payable when you reach your preservation age and permanently retire from the workforce.

Please refer to your Member Benefit Statement to determine what proportion of your superannuation is preserved and non-preserved.

Your date of birth	Preservation age
Before 1 July 1960	55
Between 1 July 1960 and 30 June 1961	56
Between 1 July 1961 and 30 June 1962	57
Between 1 July 1962 and 30 July 1963	58
Between 1 July 1963 and 30 June 1964	59
After 30 June 1964	60

Your preservation age is determined as follows:

At present your preserved superannuation savings can only be released on the following conditions:

- when you reach 65;
- when you cease employment on or after age 60;
- when you permanently retire from the workforce and have reached your preservation age;
- if you become permanently incapacitated*;
- if you are a temporary resident permanently departing Australia*;
- if you suffer severe financial hardship or are eligible on compassionate grounds determined by Government rules*.

Your preserved superannuation savings include any employer ETP that has been rolled over into your super.

Of course your super, subject to the Trustee's discretion, will become payable to your beneficiary(ies) upon your death along with any insurance benefit if applicable.

*Conditions apply. Please contact our Customer Service Team on **1800 451 210** for further details.

Rules for compulsory cashing of benefits

Effective from 1 July 2004, a member's benefit must be paid out as soon as possible after the occurrence of any of the following:

The member:

- has reached 65 but is not yet 75 and is not gainfully employed on a 'part-time basis' i.e. has not worked at least 240 hours in the most recent financial year;
- has reached age 75 on or since 1 July 2004;
- was 75 prior to 1 July 2004 and has not worked at least 30 hours per week since 1 July 2004; OR
- dies.

A fund may have to cash out accrued benefits even though contributions might still be being accepted under various award agreements.

If you would like more information on the current preservation rules please call our customer service team on **1800 451 210**.

2005/06 Tax-free threshold for ETPs

When you withdraw your benefit from the Fund on or after age 55 as an eligible termination payment (ETP), the first **\$129,751** of the post-30/06/1983 component is tax free.

2005/06 Reasonable benefit limits (RBLs)

Reasonable benefit limits determine how much of your super is concessionally taxed.

If you take at least 50% of your retirement benefits in the form of a 'complying income stream' such as a Allocated Pension or a Term Allocated Pension, the **Pension RBL of \$1,297,886** applies.

If you take your benefit as a lump sum payment, it will be assessed against the **Lump Sum RBL of \$648,946**.

What happens when you retire?

When you retire on or after your preservation age you may take your benefit as a lump sum and pay any applicable lump sum tax, or you may transfer part or all of your benefit to another fund, or, if your benefit is greater than \$20,000 you may transfer into our allocated pension, term allocated pension or non-commutable pension (refer page 18 for more information).

For more details on the NGS Super Allocated Pension, Term Allocated Pension (TAP) or Non-Commutable Pension, please contact our customer service team on **1800 451 210**. You can also download a copy of the Allocated Pension Product Disclosure Statement or the Supplementary Term Allocated Pension Product Disclosure Statement from our website at www.ngssuper.com.au.

other things you need to know

On-line payment of super contributions for Employers

Paying employee contributions on-line is both a convenient and secure service available to NGS Employers. Our dedicated online consultant, Peter Weber, is available to train your relevant staff, as well as give an initial demonstration of the service. To find out more, please call Peter Weber direct on (02) 9238 3672 to discuss your requirements.

Member Account Access on-line



NGS Online is a service dedicated to NGS Super members. It provides our members with access to details of their membership including account balance, transaction history and personal details.

If you wish to access any of your account information on-line, please remember that this facility is available for existing members via our secure website www.ngssuper.com.au under NGS On-line (located in the top right-hand corner of the NGS homepage).

First time users will need to register for a secure password. If you would like to register for this service, if you are a registered user and cannot remember your password or if you are experiencing difficulty using NGS On-line please contact NGS Administration on **1800 451 210** for assistance.

Eligible Rollover Fund (ERF)

An Eligible Rollover Fund (ERF) is a superannuation fund designed to "protect" the superannuation entitlements of lost members and those with small account balances for the purpose of superannuation law. The ERF selected by the Trustee of NGS Super is the Australian Eligible Rollover Fund (AERF). If the following occurs, we may transfer your benefit to the Australian Eligible Rollover Fund without applying a fee for this transfer:

- your account balance is under \$500 and we have not received any employer contribution for you in the last 15 months; or
- correspondence addressed to you has been returned unclaimed and we have received no employer contributions in the last two years.

Once we have transferred your account to the AERF:

- you cease to be a member of NGS;
- any insurance cover with NGS Super ceases; and
- your benefit will be credited to an account in AERF, where it will earn interest and pay fees under the rules of AERF.

Contact details for NGS Super's ERF are:

Australian Eligible Rollover Fund (AERF)
Locked Bag 5429
Parramatta NSW 2124
Freecall: 1800 677 424

Complaint and dispute resolution

We try to ensure that our level of service meets your expectations. However, sometimes problems occur. If you are dissatisfied about your experience with the Fund, or this product, you may make a formal written complaint to **The Complaints Officer, NGS Super, GPO Box 3822, Sydney NSW 2001**. We have in place an internal complaints resolution procedure that will attempt to resolve your complaint in the first instance.

The matter will be investigated by the Complaints Officer and reported to the Trustee Board for decision. You will be advised of the Trustee's decision as soon as possible and within 90 days, or within 30 days of the Trustee's decision, whichever is the earlier.

Please remember to include an address to which the response can be mailed. If the Trustee has not responded to your complaint within 90 days, or you are not satisfied with the Trustee's decision, you may be able to take the matter to

a special Government body called the Superannuation Complaints Tribunal (SCT).

You can contact the SCT by telephone 1300 780 808 or write to them at: Locked Mail Bag 3060, GPO Melbourne VIC 3001. Please refer to the SCT at www.sct.gov.au for further information. While NGS Super has a process in place to deal with complaints from members, the Trustee's objective is to avoid complaints by providing a superior level of service to members and if complaints do occur, to resolve them to the satisfaction of all concerned. A copy of the Fund's detailed enquiries and complaints procedures is available on request from our Customer Service Team on **1800 451 210** or by emailing administration@ngssuper.com.au.

Compliments to the Fund

Both complaints and compliments enable us to better gauge what level of service you expect as a Member/ Employer of NGS Super and any feedback, positive or negative, assists us in retaining and improving the services we provide.

A lot of the great work done by the Fund goes unnoticed, but we were heartened by an email from one of our member's, Clarence Bouma, who wrote:

"I forgot to add in my first reply, that I am so impressed at actually getting replies to questions etc. I used to be with [...a retail fund] and a couple of others and transferred overall all my super to NGS. Elsewhere you rarely get replies and if you do, they are generally computer generated replies that tell you nothing. Never think that this more personal contact available with NGS goes unnoticed or undervalued. It doesn't".

We will endeavour to continue this level of personalised service and appreciate any comments you may have which will assist us in this regard.

Looking after your super fund management

NGS Super is run on behalf of the members by a trustee company, Non-Government Schools Superannuation Fund Pty Ltd (ACN 003 491 487) which is run by Member and Employer Appointed Trustee Directors. The Trustee Directors, who are all members of NGS Super, represent the interests of all members and are responsible for making decisions on the strategic management of the Fund.

Your Trustee Board as at 30 June 2005

Member representative directors



Gloria Taylor
CHAIR
Appointed by the IEU



Helen Spry
Appointed by the IEU



John Quessy
Appointed by the IEU



Kevin Phillips
Appointed by the IEU

Employer representative directors



Dr Geoff Newcombe
DEPUTY CHAIR
Appointed by the AIS



Judith McGregor
Appointed by the AIS



Paul Leotta
Appointed by the Catholic
Hierarchy of NSW



Peter Fogarty
Appointed by the Catholic
Hierarchy of NSW

Keep in touch

To ensure you receive regular updates on your super, remember to inform us in writing if you change your address or employer. Thousands of Australians also lose track of the money they have in super because their fund does not have their correct contact details. A *Change of Details Form* is included with this Annual Report mail out if you wish to change any of your personal particulars or your nomination of preferred beneficiary.

We protect small superannuation accounts

Our protection policy aims to protect members with account balances of less than \$1,000 from administration fee erosion. Under the policy, accounts with a low balance receive a rebate so that administration charges do not exceed interest paid on an account unless the Fund's investment returns are less than the Fund's administration costs (in this case the rebate is reduced by up to \$10).

Trustee liability insurance

NGS Super pays for indemnity insurance to protect the Trustee, its Directors and the Fund from the financial effects of any "honest mistakes" that may occur in the day-to-day management of the Fund.

Principal Organisations

NGS Super is sponsored by the Association of Independent Schools of New South Wales Limited (AIS), the Catholic Hierarchy of New South Wales and the NSW/ACT Independent Education Union (IEU). The principal organisations are responsible for electing and removing Trustee Directors.

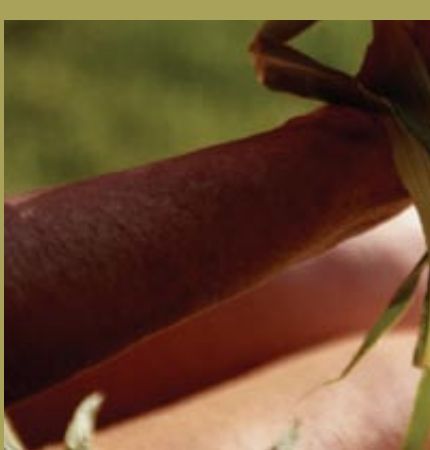
NGS Super has a specific set of rules applying to the appointment and removal of Trustee Directors. For a copy of the Trustee's election rules, please contact the Trustee Office on (02) 9232 7727.

The Trust Deed

The governing rules of NGS Super are contained in the Trust Deed, which is available from the Trustee's Office. This document covers issues such as who can join the Fund, how contributions are received and invested, and how benefits are paid. The Trust Deed is the final authority in the event of any inconsistency or uncertainty.

The Trust Deed has been amended to incorporate changes which occurred over the last twelve months, in particular the merger of Independent Schools Superannuation Trust (ISST) with NGS Super effective on 1 July 2005 and in contemplation of the NGS Fund becoming a public offer fund during 2006.

If you would like to obtain a copy of the amended NGS Trust Deed, please contact the Trustee Office on (02) 9232 7727.



Contact details

NGS Super Administration

Phone: **1800 451 210**
Phone number for callers outside of Australia: (0011) (61) (7) 3121 0718
Fax: (02) 9232 7311
Email: administration@ngssuper.com.au
Website: www.ngssuper.com.au

Postal address

GPO Box 4665
SYDNEY NSW 2001

NGS Super Trustee Office

Colin McGuinness
Chief Executive Officer

Bernard O'Connor
Assistant CEO

Level 10, Suite 1
67 Castlereagh Street
SYDNEY NSW 2000
Phone: (02) 9232 7727
Fax: (02) 9232 7752

Members Equity

Super Members Home Loans
Phone: 13 15 63
Web: www.membersequity.com.au

Sue Handley
Mobile Lending Manager (NSW)
Mobile: (0409) 245 908

Mercer Wealth Solutions

Phone: 1800 883 318
Web: www.mercerwealthsolutions.com.au

NGS SUPER

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