Goldman Sachs & JBWere Superannuation Fund

Annual Newsletter June 2022

In this newsletter:

Fund Performance

The Trustee is proud to advise that the Fund continues to deliver strong long term performance for members.

The Fund's investment performance was ranked number one over the ten and fifteen year periods to 30 April 2022 according to the latest SuperRatings[1] peer group data.

The Trustee's investment strategy is to prudently invest the assets of the Fund in pursuit of the maximum rate of return possible, subject to acceptable risk parameters and maintenance of an appropriate diversification of investments. By continuing to utilise access to the investment resources of Goldman Sachs and JBWere, the Fund has continued to meet the key investment objectives over the longer term.

Our key investment objective is to maximise members' retirement benefits by delivering the highest possible rate of return over the long term, whilst prudently managing risk and diversification. By continuing to utilise access to the investment resources of Goldman Sachs and JBWere, the Fund has continued to meet the key investment objective over the longer term.

The **INVESTMENT OBJECTIVE** is to generate a total net return of at least 4% above inflation over a rolling 10 year period.

MySuper Performance (accumulation members) for the 10 years to 30 April 2022:

Fund Returned: 10.77% pa
Objective: 6.2% (CPI + 4%) pa

Remember that you can look up the Fund's most recent investment performance on the Fund website: www.gsjbwsuper.com.au at any time.

The Fund has an investment committee comprising of Fund directors in addition to representatives from both Goldman Sachs and JBWere. Your investment strategy is managed by actual members of the fund.

A high-performing super fund powered by the combined expertise of Goldman Sachs and JBWere and designed to deliver a better retirement outcome for our employees. Members benefit from:

Leading Investment Performance

Investment returns that consistently outperform the market over the long term can mean thousands of dollars more in your super.

Fair Fees

We know that every dollar invested counts, so fees are competitive & some administration fees are capped for members with higher account balances.

Transparent Investment Startegy

One investment option managed by in-house investment expertise brings a strong focus on delivering exceptional long-term performance.

Protect against the unexpected

A good understanding of members' needs means the Fund's insurance benefits have you very well covered.

Your Trustee Board

Company	Employer representatives directors	Employer representatives directors	Alternative directors	Company secretary
Goldman Sachs	Simon Rothery Paul Sundberg	Sean Tolpinrud Georg von Wowern	Melissa Muratore	Jim Vais
JBWere	Angela Manning (Chair)	Brian Jones	Sally Campbell	-

Sally Campbell has advised that she will be stepping down from her role at the end of May. The Trustee wishes to thank Sally for her significant contribution to the Fund both as an Alternative Director and as a valued member of the Investment Committee over many years.

[1] SuperRatings' Fund Crediting Rate Survey – Growth 77-90 options (as at 30 April 2022)

Annual Member Meeting

The Fund's second annual member meeting was held on 22 February 2022 via video conference. Trustee chair, Angela Manning provided a detailed overview of the Fund, its operational governance and an update on key events during 2021 and the outlook going forward. An investment update followed from Paul Sundberg, Chair of the Investment Committee. Members were invited to submit questions prior, which were answered during the meeting.

The recording of the meeting and the meeting minutes can be viewed by visiting gsjbwsuper.com.au.

Member Outcomes Summary

Each year, the Fund is required to assess our performance against objectives and outcomes including investment performance; insurance options and costs; fees and costs and features and benefits offered to members. From this assessment, we have determined that for the year ended 30 June 2021, we continued to promote the financial interests of all our members.

For more information, read the Member Outcomes Summary, available on the **Documents** page of the Fund website.

We're #1 for Investment Performance over Seven Years!

The Goldman Sachs & JBWere Superannuation Fund continues to be an industry leader for investment performance on the MySuper Heatmap compared with our peers^ over seven years, to 30 June 2021!

Returns achieved by Goldman Sachs and JBWere's in-house investment expertise, used by the Fund's Investment Committee, continue to outperform delivering a Net Investment Return (NIR) of 10.02% pa. This makes the Goldman Sachs & JBWere Superannuation Fund the only MySuper product in the superannuation industry to achieve an NIR above 10% pa over seven years.

The release of the latest Heatmap is also off the back of a strong financial year ended 30 June 2021, where the Fund achieved a net return for members of 22.12%. The Fund also achieved a long term return for the ten years to 30 June 2021 of 10.90% pa, which is 5.1% pa above the Fund's return target of 5.8% pa.

The strong returns achieved by the Fund have also been reflected in the new annual APRA performance test. The Fund is pleased to announce that it has passed the test for the 2020/21 financial year and is ranked fifth overall for MySuper product test results.

Our key investment objective is to maximise members' retirement benefits by delivering the highest possible rate of return over the long term, whilst prudently managing risk and diversification. The Trustee is proud that we have consistently accomplished a high level of performance and achieved the #1 ranking over seven years.

Super always for you

Our commitment to our members and the growth of your super savings is unwavering.

It's important to remember that your access to great investment performance doesn't have to stop if you cease employment with Goldman Sachs or JBWere, or when you retire. Your membership can continue through the Retained Benefits section or an Account Based Pension.

If your spouse isn't a member of the Fund, we encourage you to consider their membership in the Eligible Spouse Division, so you can both take advantage of the Fund's strong investment performance. For more information, read Features of the Goldman Sachs & JBWere Superannuation Fund.

Please be aware that past performance is not a reliable indicator of future performance.

^ Australian Prudential Regulation Authority – MySuper Product Heatmap as at 30 June 2021. Note that a reference to peers means all other MySuper products in the superannuation industry.

2022 Global Market Overview

Q1 2022 Global economic outlook

Investors remained cautious over the outlook for global growth given the continuation of the Russia – Ukraine conflict, higher commodity prices and the prospect of more aggressive monetary policy tightening. The recent outbreak of Omicron in China has led to increased supply chain stress which is a risk to the growth and inflation outlook for 2022. As a result, economists have revised down 2022 annual growth estimates to 3.2% from 4.3% at the start of the year. Mercer expects further downside risks to global growth.

Inflation has increased in many parts of the world. Supply-side disruption, Russia's invasion of Ukraine and strong demand as economies recover from the pandemic are all contributing to the upward pressure on prices. In response, bond yields have risen and expectations of future policy interest rates have increased.

In March, the speed of US growth slowed. Higher input and labour costs pushed production and manufacturing prices to a new high. While the services sector improved, higher labour costs and difficulty in finding workers was a main concern. The US unemployment rate has fallen to 3.6%. While participation continues to improve total employment is still below pre-pandemic levels.

Consumer sentiment in the US decreased due to rising petrol prices and cost of living pressures and the annual rate of inflation increased to 8.5%. Increases to 10% are expected by the end of the second quarter driven by oil prices, logistic costs and supply chain stress.

The US Federal Reserve is now on track to tighten by up to 50bps in May with the market now expecting rate hikes up to 9 times this year.

Source: Bloomberg, Mercer

The impact of the Omicron variant caused China's first quarter growth to slow to 1.3%, though this exceeded expectations, it did not alleviate concerns for future growth. Mercer expects Chinese Q2 growth may fall below 1.0% which will put the government's growth target of around 5.5% at risk. China's inflation rate rose to 1.5%. Around 20 major cities have been shut down or partially locked down as part of China's Covid clearing policies, resulting in a slowdown in manufacturing and further supply chain disruption.

The State Council has urged implementation of easing policies to deal with the economic fallout from this crisis to retain macroeconomic stability in an important political year. China's external sector growth has also softened although export growth is still expected to be positive.

The Australian economy remains resilient and spending is picking up. Australian economic activity over the first quarter was positive as business activity and a stronger labour market offset the decline in household sentiment. Business investment is underway and there is a large amount of construction work in the pipeline. At the same time, rising prices are putting pressure on household budgets and the floods are causing hardship for many communities. The government's recently announced budget relief package will provide some relief although households are still facing negative real consumption growth.Unemployment rate fell a further to 4% in February. The Reserve Bank of Australia's (RBA) central forecast is for the unemployment rate to fall to below 4% this year and to remain below 4% next year. Wages growth has picked up, with a further pickup gradually expected.

The housing market has continued to soften as price growth eased further in March. For the first time in over 18 months Sydney recorded a second back to back negative monthly price rise. Higher fixed mortgage rates are starting to reflect into lower housing finance growth and overall system credit growth is likely to moderate over 2022.

Outlook

During the April meeting the RBA moved towards a more hawkish outlook by dropping its 'patient stance' with a focus on real economic data outcomes such as wage growth and other measures of inflation expectations. We expect the RBA may tighten to around 1% by the end of 2022 with terminal rates in Australia to be well below Europe and the US as underlying inflation pressures are not as severe.

Our medium term outlook for the global economy and markets remains constructive however growth momentum is likely to moderate towards trend over this year as central banks continue to pursue monetary tightening.

The biggest shock to growth is expected to emerge from higher commodity prices which is expected to have a direct impact on headline inflation. In Europe and parts of Asia where oil and gas dependency is high, rising commodity prices will also be a headwind for growth. Just when supply side indicators showed improvement towards the end of last year, higher producer prices and logistic costs will likely exacerbate supplier deliveries and this may result in further goods price inflation.

Central banks now face a difficult task between managing growth expectations and controlling inflation. The policy reaction from most central banks still point towards raising rates which is reflected in market pricing with the US set to lead the pack with around nine rate hikes in 2022. In China, policy makers have revealed a clear preference to defend growth stability by implementing greater fiscal support in targeting infrastructure and other supply side initiatives.

Over the DAA's time horizon of 1 to 3 years and with slightly higher concern over policy and inflation risk we believe it is prudent to position portfolios less aggressively but retain an overall risk-on position to benefit from trend growth in the global economy.

Source: Bloomberg, Mercer

What's Happening in Super?

We have seen a number of significant changes to super since last year's Super Update that we believe will be important to our members. To get across the latest changes and see how they may apply to you, read our summary below.

Super guarantee (SG) rate increase and earnings threshold removed

The SG rate at which employers are required to make superannuation contributions for most employees increased from 9.5% to 10% from 1 July 2021 and is due to increase again from 1 July 2022 to 10.5%.

Another SG change starting from 1 July 2022 is that employees will no longer need to earn at least $450 in a month to be eligible for SG contributions by their employer.

Increase in super pension and contribution caps

A number of superannuation rates and thresholds were increased from 1 July 2021, including increases in the:

- General transfer balance cap from $1.6m to $1.7m;
- Base concessional contributions cap from $25,000 to $27,500; and
- Annual non-concessional contribution cap from $100,000 to $110,000.

These rates and thresholds will continue to apply for the 2022/23 financial year.

More flexible contribution rules for over 66s

Effective from 1 July 2021:

- The eligible age to make downsizer contributions into super will reduce from 65 to 60 years of age
- Members under 75 years of age will be able to make non-concessional contributions and salary sacrificed contributions without meeting the work test, subject to the existing contribution caps outlined above.

More flexible contribution rules for over 66s

Effective from 1 July 2021:

- The eligible age to make downsizer contributions into super will reduce from 65 to 60 years of age
- Members under 75 years of age will be able to make non-concessional contributions and salary sacrificed contributions without meeting the work test, subject to the existing contribution caps outlined above.

Save more for a home deposit through super

From 1 July 2022, the maximum amount of voluntary contributions that can be released under the First Home Super Saver Scheme (FHSSS) will increase from $30,000 to $50,000.

Super co-contribution scheme threshold changes

Where your total income during the 2021/22 financial year is below $56,112 (or below $57,016 for the 2022/23 financial year), and you make an after-tax contribution to your super fund, the federal government will pay you 50 cents for each dollar you contribute to your super fund, up to a maximum. The maximum co-contribution is $500 if you earn less than $41,112 (or less than $42,016 in the 2022/23 financial year), and reduces as your total income increases. If you earn more than $56,112, you will not get a co-contribution.

Eligibility conditions include that you will need to:

- Be under the age of 71; and
- have a total super balance of less than $1.7 million at 30 June 2021.

Temporary reduction in minimum pension drawdown requirements

The Government's COVID-19 relief package included a 50% reduction in the minimum drawdown requirements for account-based pensions and similar products. The reduction, which originally applied for 2019–20 and 2020–21, has been extended to apply also for 2021-22 and 2022-23 as part of the *Superannuation Legislation (Superannuation Drawdown) Regulations 2022.*

Coronavirus early release 're-contributions'

Individuals who utilised the Coronavirus early release of super initiative can make 're-contributions' of these amounts, between 1 July 2021 and 30 June 2030, that do not count toward their non-concessional contributions cap. For more information about any of these changes, head to the ATO website or call the Helpline on **1800 025 026**.

[1] These changes were part of the Treasury Laws Amendment (Enhancing Superannuation Outcomes For Australians and Helping Australian Businesses Invest) Act 2022 which received Royal Assent on 22 February 2022.

What does 'Comfortable' mean?

Comfortable can mean many things – could be a warm blanket on a comfy couch or a well-worn pair of hiking boots – but for our purposes here we'll limit the scope to financial security.

Even then, `comfort' is difficult to define because it's largely a matter of personal preference.

A guaranteed roof over your head, a balanced diet and the odd camping trip to Yackandandah may be more than adequate, or `comfortable enough' for some, but your picture of a comfortable lifestyle may be quite different. Maybe you'll only be truly comfortable if you can afford to do and buy whatever you want, whenever you want.

According to 'Australia today' research published in 2016, three quarters of Australians think 'comfortable' means "having enough money to do what I want, and buy what I want".[1]

The report found when Australians think about a comfortable lifestyle, we think about regular overseas holidays, having a nice car, living in a nice house and paying private school fees. Almost half of us believe we need more than $150,000 in annual household income to live comfortably in Australia.

What's the super "standard" for comfort?

Google the phrase "comfortable lifestyle" and you'll get a lot of results about retirement and superannuation; most of it referencing the Association of Superannuation Funds of Australia (ASFA) and its retirement standard.

According to the ASFA standards – the most widely used estimate for retirement income adequacy in Australia – a comfortable retirement lifestyle comes with an annual price tag of $45,962 for singles and $64,771 for couples; a far cry from the $150,000 "buy and do what I want" kind of comfort many of us apparently have in mind.

The association estimates a single person would need $545,000 in retirement savings to generate their recommended income while a couple would need $640,000.

The standard assumes you own your home and you're in reasonably good health. With that pretty significant caveat, ASFA's budget would allow you to:

- Eat at restaurant regularly
- Have private health insurance
- Own a reasonable car and a range of electronic equipment
- Buy good clothes and have regular haircuts
- Afford one annual holiday in Australia and "occasional international travel"

ASFA's 'modest' retirement standard – $29,139 per year for singles, $41,929 for a couple – is considered better than the Age Pension, but still only able to afford fairly basic activities.

You can check out ASFA's detailed budgets for comfortable, modest and pension-dependent retirement lifestyles at superguru.com.au.

How much do we actually spend in retirement?

While the ASFA standards are widely used and even more widely quoted, not everyone thinks they've got it right. Many critics say the 'comfortable' standard is overly generous while others say the exclusion of rent and mortgage debt means it's not nearly enough.

A recent report, commissioned by the Australian Institute of Superannuation Trustees (AIST) and conducted by Monash Business School's Australian Centre of Financial Studies, suggest most retirees spend much less than ASFA's comfortable standard would indicate they should – regardless of their available income.

The Expenditure patterns in retirement report is based on 12-years of data (2002-2014) from the Household, Income and Labour Dynamics (HILDA) survey of about 8,000 households.

It found 80% of retired households reported spending levels at ASFA's 'modest' standard of living. Less than 7%

of retired households were found to be living at or above the 'comfortable' standard of $43,538 for singles and $59,808 for couples.

That's quite the discrepancy, some of which is likely due to the different items included in the ASFA standard and HILDA survey – ASFA includes things like travel and household goods while HILDA surveys do include rent and mortgage repayments.

So how much do I need?

Both the ASFA benchmarks and insights provided by more than a decade of HILDA studies are useful guides to how much you'll need in retirement.

Just to complicate matters there's the concept of income replacement rates; the OECD, for example, suggests the target retirement income for a median income earner should be 70% of their final earnings, while the World Bank suggests 78% of net average lifetime wage.

But just how much you need depends on the lifestyle you're accustomed to and the future life you imagine for yourself. It also depends on your personal circumstances now and at the time you retire.

For example, going into retirement without owning your own home is not ideal. The Centre of Excellence in Population Ageing Research (CEPAR) found that owning your home mortgage-free, instead of renting, is a significant factor in your ability to live a modest lifestyle, or better, in retirement. Among all older people only about 10% fall below the poverty line set at half the median income. Among older Australians who rent, 40% fall below. Among older Australians who rent and live alone, it's more than 60%.[2]

[1] See Australia today research which is funded by MLC [full entity name?]. Mutual Life & Citizens Assurance Company Limited

[2] https://cepar.edu.au

The bottom line

However you define it, if you want to live your comfortable life in retirement, now is the time to start thinking about what that life looks like and how you'll pay for it.

A good way to start calculating your own benchmark is to work out exactly what you're spending now and identify the expenses that are likely to continue in retirement – then subtract the costs that don't think you'll need.

Your super is likely to make up a good proportion of your retirement savings and making small changes now can have a big impact on your final balance; things like consolidating multiple super accounts into one, considering making extra contributions – before and/or after tax – and making sure your money is invested in the most appropriate option.

Non-super strategies, like property investments or shares, could also contribute significantly to your income.

There's a lot to consider and everyone's needs vary, but you don't have to do this alone. You have access to experts from the people who already look after your retirement funds. The Goldman Sachs & JBWere Superannuation Fund Helpline is available on **1800 025 026**.

Source: Mercer Financial Services

How a Spouse Membership could work for you

To boost your joint retirement savings with your spouse, why not consider the benefits a Goldman Sachs & JBWere Super Fund spouse account can offer?

If you are an Employee member of the Fund, your spouse is eligible to open a spouse account into which they can make before and after-tax contributions. However, spouse accounts cannot accept SG employer contributions.

Enjoy a tax offset

If your spouse earns less than $40,000 a year, you may qualify for a tax offset of up to $540 for contributions of up to $3,000 that you make to super on their behalf in a financial year. This may be particularly helpful for a spouse who is not working, working part-time or has taken a career break.

Super co-contributions

If your spouse is a low-income earner or isn't working, the Government's super co-contributions is a way to boost super savings. If their income is at or below the threshold of $56,112 for the 2021/22 financial year (or below $57,016 for the 2022/23 financial year), they may qualify for a super co-contribution when they make post-tax contributions to super. If their income is $41,112 or less for this financial year (or $42,016 or less in the 2022/23 financial year), they will receive 50 cents for every dollar contributed up to the $500 maximum. Co-contributions reduce as income increases, ceasing when upper income threshold is reached. If eligible, the co-contribution is paid automatically into their Fund account once their tax return has been assessed for the relevant financial year.

Splitting your contributions

Concessional contributions (up to 85% of employer and salary sacrifice contributions) from last financial year can be split with your spouse in this financial year. Contribution splitting can be a useful way to boost your spouse's super if they aren't working or are looking to retire or to maximise your combined super savings. To split contributions, complete a *Contributions splitting application* form, available from the Fund website. Seeking advice from a licensed financial adviser before making and changes to your contributions is recommended.

Becoming a spouse member

For details about membership in the Spouse Division, making or splitting contributions or super co-contributions, read the Features Guide, available on the Fund website. If your spouse wants to become an Eligible Spouse Division Member, please complete and return the *Application for spouse membership form*.

For assistance, call the Goldman Sachs & JBWere Superannuation Fund Helpline on **1800 025 026**.

Women in Finance Award

Congratulations to our Fund Chair Angela Manning on winning the Director of the Year at the Women in Finance Awards 2021!

This is a wonderful achievement that reflects Angela's dedication and hard work for the Fund and its members over many years.

Congratulations Angela.

Contact Us

To request additional information or to have copies of any the application forms sent to you directly, please contact our Member Services team.

Member Services

Email: GSJBWAdmin@mercer.com

Helpline: **1800 025 026**

If calling from overseas dial: **+61 3 8687 1868**

Fund website: gsjbwsuper.com.au

Have a question?

If you need assistance with your super or would like to speak to a financial adviser for limited personal advice, call the Helpline on **1800 025 026.** Alternatively, visit the website, **gsjbwsuper.com.au** for latest news, information and investment updates.

You can also send a query online by visiting the website, clicking the 'Contact us' tab and completing the online enquiry form.

BEST Superannuation Pty Ltd (Trustee) ABN 57 070 732 008, AFS Licence 530672 trustee of the Goldman Sachs & JBWere Superannuation Fund (Fund) ABN 55 697 537 183

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