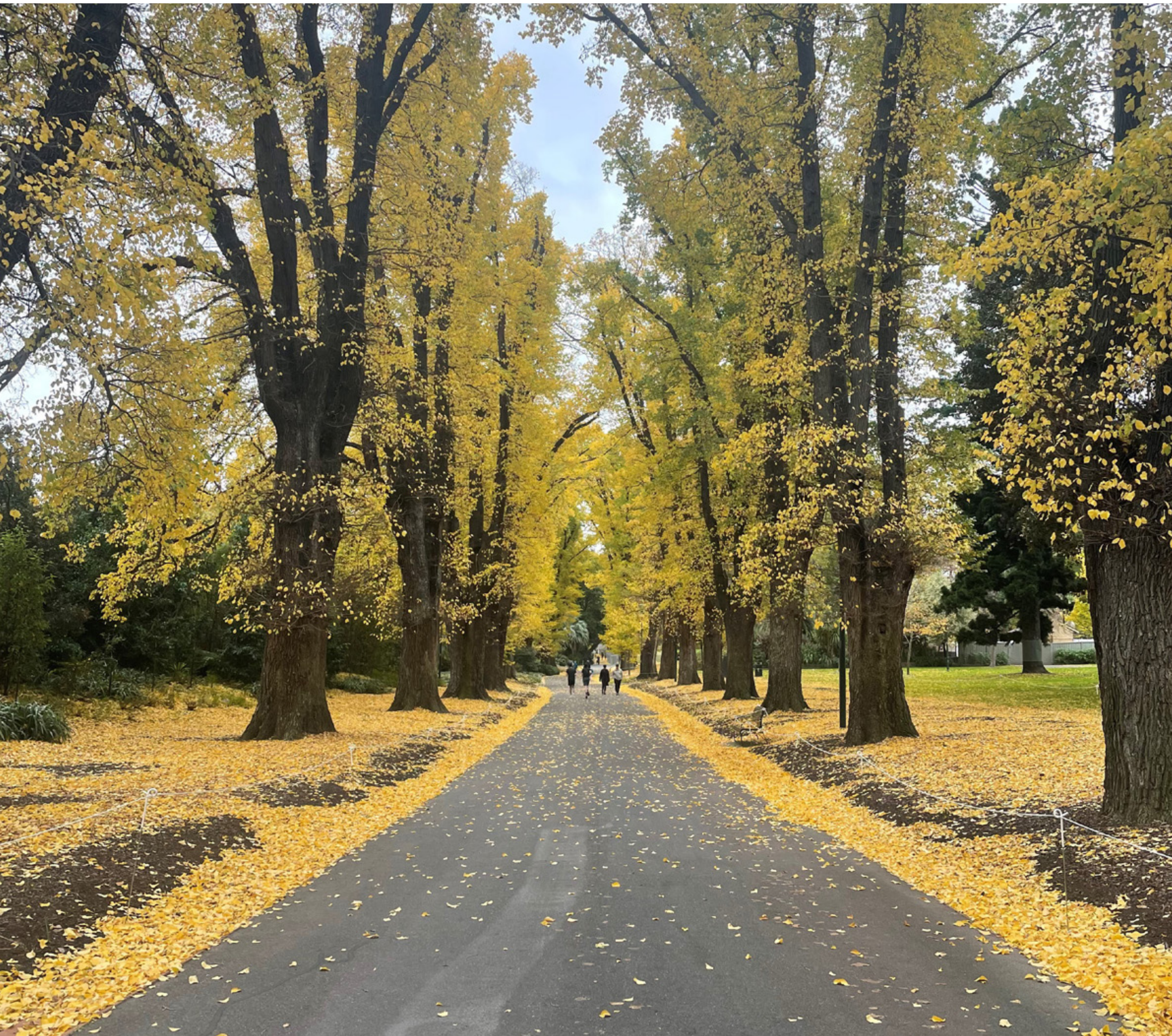
Goldman Sachs & JBWere Superannuation Fund

Annual Newsletter

June 2023

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 fifteen years, and thirteenth over ten years, to 30 April 2023 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.

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 2023:

Fund Returned: 9.03% pa
Objective: 6.6% (CPI + 4%) pa

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

The Fund has an investment committee comprising 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 current and past 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	Member representatives directors	Alternate directors	Company secretary
Goldman Sachs Australia Pty Ltd	Conor Smyth Paul Sundberg	Sean Tolpinrud	Melissa Muratore	Jim Vais
JBWere Limited	Angela Manning (Chair)	Brian Jones	-	-

[1] SuperRatings Fund Crediting Rate Survey – Growth 77-90 options (as of 30 April 2023)

Member director elections

Recently a call for nominations was issued for both Goldman Sachs and JBWere member-representative positions as follows:

- Georg von Wowern resigned as a Goldman Sachs member-representative director on 3 April 2023 and will be replaced by Jack Dawson who will commence his four year term on 1 July 2023;
- Brian Jones will continue as a JBWere member-representative director for another four-year term running until 30 June 2027.

Congratulations to both successful candidates who were elected unopposed. The Trustee sincerely thanks Georg for his contribution to the Board during his term and wishes him well.

Becoming a member director gives you the opportunity to become actively involved in the management and direction of the Fund and to continue to build on the Trustee's existing relationship with members. Visit our call for nominations page on our website for more information on member elections.

Annual member meeting

The Fund's third annual member meeting was held on 15 March 2023 via video conference. Trustee chair, Angela Manning, provided a detailed overview of the Fund, its operational governance and an update on key events during 2022 and the outlook going forward.

An investment update followed from Paul Sundberg, Chair of the Investment Committee. During the meeting Directors answered both live and pre-submitted questions from members. 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 its performance against objectives and outcomes across a range of areas 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 2022, we continued to promote the financial interests of all our members.

For more information, read the Member Outcomes Summary, available on the Fund website gsjbwsuper.com.au.

Making the most of your super

Want to make the most of your super? Here are four ways to take control of your super to make sure your retirement savings are working for you.

Check your account regularly

Log in and check your super balance regularly so you can ensure you're on track and you can mitigate any gaps early. Navigate to the login page on our website.

While you are there you can view the *Contributions* page to track your total contributions, go to the *Beneficiaries* page to make or update your preferred beneficiary nominations, and update your *Personal Details* and *Communication Preferences*.

Make regular voluntary contributions (pre-tax)

Consider boosting your super by making before-tax contributions via salary sacrifice and benefiting from tax savings. Start saving now and you can get the added benefit of compounding interest – earn interest on not only the money in your account, but on the interest you have already earned. Simply complete the making a voluntary contribution form available on the Fund website.

Make a lump sum contribution (pre or post tax)

Whether you're an active member or a member of the Retained Division you can top up your super by making a lump sum contribution. Simply fill in the application to make lump sum contribution form to make a contribution via cheque or log into your online member account for BPAY options. To have your contribution treated as concessional (pre-tax) you must submit an ATO notice. Note: annual limits apply.

Review your insurance cover

Know your cover! Check your insurance cover online by logging in to your member account or request your cover details from GSJBW via the Helpline on **1800 025 026**. Make sure you only have the amount of insurance that is right for your needs. To learn more about the GSJBW insurance options available to you read our insurance guide.

2023 economic update

Source: Mercer Consulting (Australia) Pty Ltd

Economic activity appears to be broadly holding up well here in Australia, and house prices recorded their second consecutive monthly rise with CoreLogic's national Home Value Index (HVI) rising by 0.5% in April.

Headline inflation has also moderated with the year-on-year CPI reading for the first quarter of 2023 coming in at 7.0% versus 7.8% in the fourth quarter of 2022, although services inflation continues to accelerate on a year-on-year basis. Meanwhile, the Reserve Bank of Australia (RBA) raised its cash rate by 0.25% in May to 3.85% p.a. with the accompanying statement noting that "inflation in Australia has passed its peak, but at 7 per cent is still too high and it will be some time yet before it is back in the target range".

For Australia, we maintain a mild recession outcome as our base case outlook in the near term with the high level of indebtedness and the significant rise in mortgage rates likely to weigh on consumption. Whilst we expect inflation in Australia to moderate this year, the risks appear tilted for core inflation to decline more slowly than more rapidly in light of the pressures in the residential rental and services markets. Consequently, whilst the RBA cash rate may be nearing its peak this cycle, we believe that it may remain higher for longer considering the risks to the inflation outlook.

Looking at the global economy, it broadly continues to slow following the rapid pace of interest rate rises in the past year. So far, the slowing was the most notable in interest rate sensitive sectors such as housing. Recently, slowing in the manufacturing sector has also become notable but so has the resilience of labour markets and services sectors, with unemployment remaining very low compared to historical levels. Economic data released over the past month largely continue these trends.

Looking ahead, we expect weak growth in the coming quarters for most parts of the developed world with the monetary policy tightening over the past year likely to weigh on economic activity. While several quarters of weak growth creates the possibility of a quarter or two of negative growth, we do not expect a hard landing considering the health of household and corporate balance sheets.

Inflation is also expected to decline this year, albeit we believe central banks are likely to keep interest rates at a level that ensures growth is below trend and the tightness in labour markets unwinds. On a positive note, we expect China to continue its recovery following the end of its covid lockdowns last year.

From 2024, the forecast is for growth to remain below trend but pick up a little, as the effect of the earlier monetary policy tightening wanes, inflation moderates and household wealth recovers.

What's happening in super?

Source: Mercer Consulting (Australia) Pty Ltd

As expected, there were no major new superannuation measures announced in the recent Federal Budget, but the Budget did confirm the recently announced 'Payday Super' initiative and the proposed new earnings tax on super balances over $3 million.

Contrary to some speculation, there were no plans proposed to reduce contribution caps or to stop the $200,000 indexation increase in the Transfer Balance Cap which is due to take effect from 1 July 2023.

Key changes in focus

- Confirmation of the proposed additional earnings tax on super balances over $3 million, commencing in FY25.
- Confirmation of the Payday Super initiative, which would require employers to pay their employees' super contributions at the same time as their salary and wages from 1 July 2026.
- An unexpected review of Defined Benefit notional contributions methodology.

Additional earnings tax on super balances over $3 million

In February 2023 the Government announced that from 1 July 2025, individuals with a total superannuation balance over $3 million at the end of a financial year will be subject to an additional tax. Once implemented, this tax will be effected through an additional 15% tax on the earnings related to the portion of their balance over $3 million (not indexed). In short, earnings attributable to balances above $3 million will generally attract a combined headline tax rate of 30% from 2025/26, 15% lower than the highest marginal tax bracket.

- The calculation first considers the proportion of their superannuation that is over $3 million. For example, a superannuation account of $4 million has 25% of the account balance in excess of the $3 million threshold. This will mean that in this example, 25% of the earnings is subject to the new tax.
- Earnings are calculated based on the change in balance, less any contributions that reached the account, and after adding back any withdrawals.
- Once the earnings have been calculated, and the proportion of those earnings subject to the new tax is known, the actual tax can then be calculated at a rate of 15%.
- The tax will not apply until the 2025/26 financial year, so the first ATO assessments would not be expected to be sent until late in the 2026 financial year. These assessments are sent to the individual to be paid personally, however money can be taken out of their super account to pay the assessment if the individual requests it.

The Budget Papers provide very limited further information on the new tax, except that, in 2027/28, the first full year of receipts collection, revenue from the new tax is estimated to be $2.3 billion. You can read more about this in our article 'Proposed $3 million cap for super tax concessions'.

Payday Super

From 1 July 2026, employers will be required to pay their employees' Superannuation Guarantee (SG) contributions at the same time as their salary and wages. Development of this measure will be supported by a consultation period led by Treasury and the ATO with industry and other interested stakeholders in the second half of the 2023 calendar year, with the final design to be considered as part of the 2024-25 Budget.

Minimum drawdown for pension products

The Budget did not announce a further extension of the temporary 50% reduction in the minimum annual payment amounts for superannuation pensions and annuities. As a result, the 50% reduction in the minimum pension drawdowns- which has applied since the 2019-20 income year - will cease on 30 June 2023.

Age	2019-20 to 2022-23 income years	2023-24 income year onwards
Under 65	2.0%	4.0%
65 - 74	2.5%	5.0%
75 - 79	3.0%	6.0%
80 - 84	3.5%	7.0%
85 - 89	4.5%	9.0%
90 - 94	5.5%	11.0%
95 or more	7.0%	14.0%

Source: Mercer Australia

Proposed $3 million cap for super tax concessions

The Albanese Government has proposed to introduce a $3 million cap for total super balances (including pension accounts, if any), with investment returns on amounts above the cap to be taxed at an additional 15%, giving a total of 30%.

Investment earnings on super balances below the cap will still be taxed at up to 15%. Investment returns on pension accounts will remain tax free where the current tax exemption applies.

The proposal has been touted to ensure "generous superannuation tax breaks are better targeted and sustainable"[1], by reducing generous tax concessions on large super balances. It is projected to affect just 80,000 current super members. This proposal is expected to target large legacy accounts rather than growing accounts that will be limited in accumulation of high balances due to the existing annual contribution caps and the transfer balance cap.

However, if it comes into effect, this cap would not be indexed, meaning that over time, as many as 500,000 super fund members or about one-third of workers entering the workforce now may go over this cap by the time they leave the workforce, noting that $3 million in today's value would be worth approximately $1 million by that time[2].

Timing for this proposal is from 1 July 2025, with the first payments being calculated as at 30 June 2026 and would be calculated on future earnings, not applying retrospectively.

While the proposal appears to be simple in its intent in theory, experts have flagged the potential complexity of practical application, giving rise to unintended consequences especially where tax is determined on unrealised capital gains where the underlying assets have not been sold. This could pose significant implications for self-managed super funds in particular, where a significant portion of a fund is invested in non-liquid assets such as property. In turn, this may give rise to cash-flow challenges not anticipated at the outset of the fund, where a fund is asset rich but cash-flow poor, necessitating premature sale of assets to cover tax liabilities.

Bear in mind that this proposal has not yet been tabled or legislated. The Government is seeking further consultation with industry stakeholders.

[1] *Superannuation tax breaks* Media release Joint media release with The Hon Stephen Jones MP, Assistant Treasurer, Minister for Financial Service, ministers.treasury.gov.au/ 28 February 2023

[2] *Think new $3m super cap won't affect you? Here's how it could* Peter Burgess https://www.smsfassociation.com/news-articles/ 23 March 2023

How to invest for longevity in a global downturn

Volatile financial markets can cause investors to lose their nerve but sticking to your financial goals is more important than ever during such periods.

Wise advice for retirees and investors as they weigh up the consequences of challenging global markets can best be summarised in three words – do not panic.

Sensational headlines about sharemarket plunges and the potential for falling property prices in the wake of COVID-19, the Russian invasion of Ukraine, China-Taiwan tensions and rising inflation is prompting some people to ask about selling off assets or changing course with their financial strategy.

Of course, sharp falls in global equities and almost all other asset classes are of concern, but rushed decisions now can result in poor financial outcomes in the future. History tells us that global markets will at some point experience significant financial shocks, whether that is a result of wars, financial crises or, more lately, a pandemic. However, markets typically recover from downturns and go on to deliver impressive returns over the long-term – if you are patient.

So, given current volatility and the fact that the life expectancy for Australians keeps increasing, what are the options for getting the most out of your retirement fund? Here are some suggestions.

Stick to your financial goals and objectives

You should have a clear understanding of your risk tolerance and your long-term financial objectives. That includes knowing how much income you will require in retirement and having a sense of the appropriate time horizon for your investments. When markets turn, it is crucial to stay disciplined and not lose sight of those plans. Yes, it is wise to regularly review any strategies given such market fluctuations, but so long as your investments and risk tolerance are aligned, you should be well placed to ride out any volatility.

Avoid trying to 'time' the market

Investors who try to time the market run the risk of derailing their financial outcomes. Most meaningful market fluctuations happen over a period of just a few days throughout the financial year, and picking those days is all but impossible. By trying to outsmart the market, the big risk is that you will miss any gains and lock in your losses. The global financial crisis in 2008 provided proof of this risk when many spooked investors sold off assets as markets tumbled and missed out on the market rebound.

On the back of ongoing geopolitical tensions, rising energy prices and inflation, and supply-chain disruptions, there is every expectation that financial markets will be choppy in the 12 months to come. All eyes will be on inflation and what central banks do to counter it, but over time most assets can and do recover.

The key is to invest for the long term as per our Fund's approach.

Protecting yourself against scams

The Australian Competition and Consumer Commission's (ACCC) Targeting scams report shows that $3.1 billion was lost by Australians in 2022 as result of scams.

Research commissioned by the ACCC shows that 96% of the population was exposed to a scam in the five years to 2021, highlighting the need for continued vigilance across the board. Half of the survey's respondents were contacted weekly or daily by scammers, a figure expected to rise given current cyber security concerns.

In 2022, consumers lost $1.5 billion through investment scams; $229 million from remote access scams and $224 million from payment redirection scams.Tragically, more vulnerable Australians are falling victim to scams with people from culturally and linguistically diverse communities significantly over-represented in terms of financial losses across a range of scam-types.

Scams are becoming increasingly sophisticated, unscrupulous and more and more difficult to detect, demanding the need for ever-greater vigilance. Scamwatch received hundreds of reports in the weeks following recent data breaches across high profile organisations. Common scams are:

Identity theft

Phishing: access to personal information is gained through phishing emails and texts. Be wary of any unexpected contact asking for personal information or validation of details. Overdue payments, expired details are common tricks. The "Hi mum" scam is becoming more common with "distress" calls being made often through WhatsApp pretending to be a child in distress and needing money.

Hacking: security weakness allows scammers to gain access to your computer, mobile or network or they may access information by hacking government or business accounts.

Malware or ransomware: consumers may be tricked into installing software allowing access files and tracking online activity, while ransomware may lock your device or files demanding payment before giving you access. Watch for unexpected pop ups on a device asking for permission for software to run.

Fake online profiles or websites: 'friend' requests from a fake social media or dating site profile on a social media. People often fall victim to fake investment sites after searching online for investment opportunities and completing enquiry forms via fake third-party comparison sites.

Document theft: unlocked mailboxes or discarded personal documents such as utility bills, insurance renewals or health care records give scammers the opportunity to access your personal information.

How to protect yourself from scams

- Be alert. Some red flags include unexpected urgency, claims of expired details or overdue accounts, dire consequences, bad grammar and unencrypted webpages.
- Be wary of unusual payment requests via text message or phone – even if they appear to be from a trusted person. Contact the person on their known number before responding to any messages.
- Don't give out your personal information or bank account information in response to calls, email or texts.
- Know who you're dealing with. Verify if you're not sure by taking a reference number, hanging up the call and then contacting the company directly via its official website, phone or app.
- Don't open suspicious texts, pop-up windows and avoid clicking on links or attachments in emails – delete them.
- Don't respond to phone calls about your computer asking for remote access – hang up.
- Keep your personal details, mobile devices and computers secure. Change your passwords often and use online password generation to help ensure adequate password strength and keep your anti-spyware and malware updated.
- Enable multi-factor authentication across all of your accounts.
- Donate directly to reputable organisations rather than GoFundMe pages. For more information, visit Scamwatch.

Contact us

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

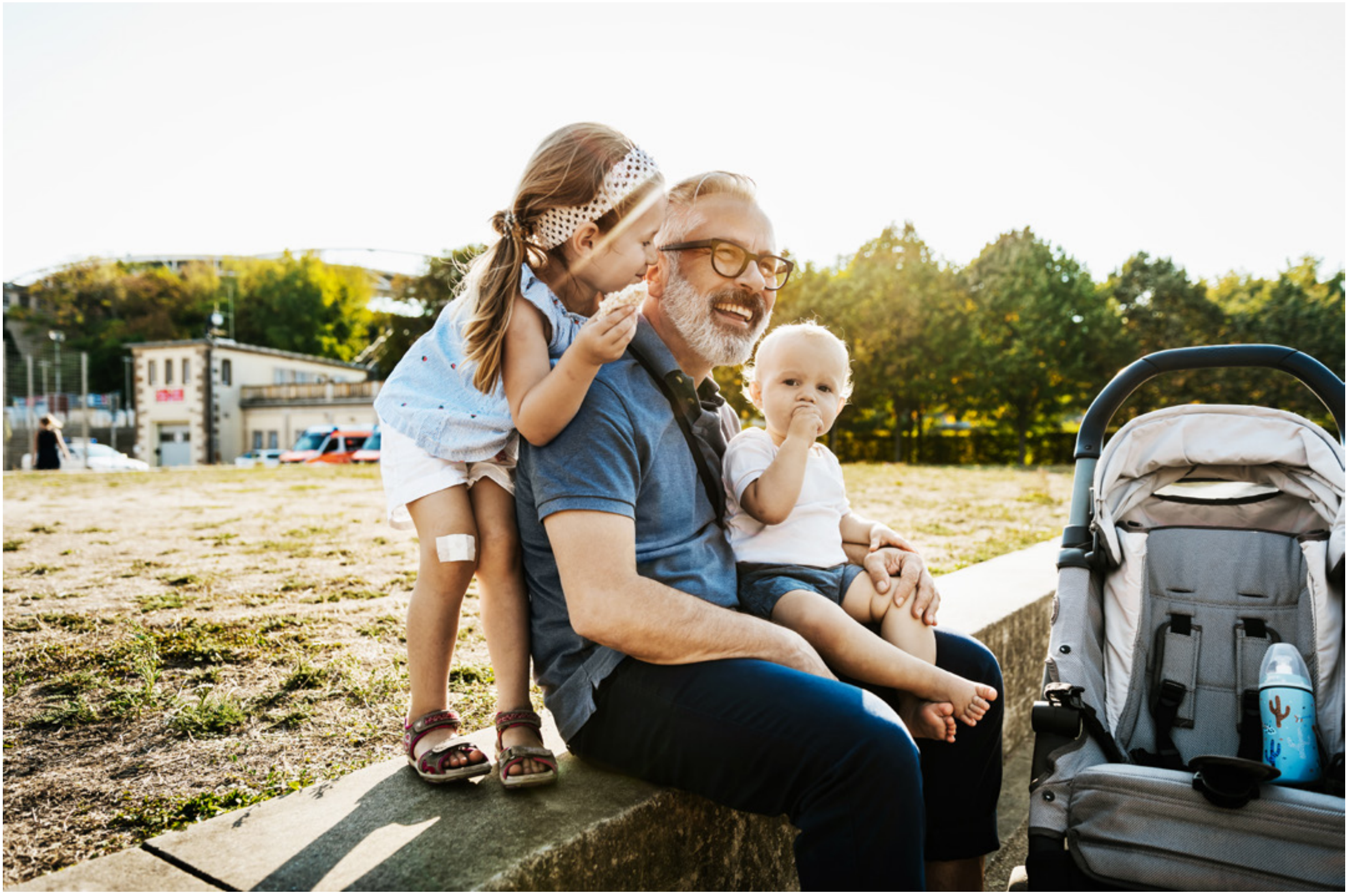
Member Services

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.

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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