Goldman Sachs & JBWere
Superannuation Fund

Newsletter

June 2012

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2012 Federal Budget Update

Increase in concessional contributions tax for high income earners

The rate of concessional contributions tax imposed on high income earners (those with incomes of $300,000 p.a. plus) will generally be increased from 15% to 30% as from 1 July 2012. However, the higher tax rate will not apply to contributions that exceed the concessional contributions cap as these are already taxed at 46.5%.

If an individual's income excluding their concessional contributions is less than the $300,000 threshold, but the inclusion of their concessional contributions pushes them over the threshold, the higher tax will only apply to the amount of the contributions that is in excess of the $300,000 threshold.

Despite the intention that this new tax will commence from 1 July 2012, it is surprising that no details of how it will be assessed or collected have been provided.

It is also not clear whether the $300,000 will be indexed.

Higher concessional contribution limit for over 50's deferred

From 1 July 2012, the transitional concessional contribution limit will cease to apply and the concessional contribution limit for those aged 50 and above will therefore reduce from $50,000 to the standard level of $25,000.

In this year's Budget, the Government announced that the introduction of the ongoing higher limit (equal to the indexed standard limit plus a fixed amount of $25,000) for eligible individuals aged 50 and above will be deferred for two years and is now expected to commence from 1 July 2014 (by which time the standard limit is expected to have been indexed to $30,000 and hence the higher limit for eligible members aged 50 or over will start at $55,000).

Employees aged 50 or more who were intending to have concessional contributions of more than $25,000 a year after 30 June 2012, may wish to reassess those plans. Adjustments to remuneration packages may be necessary. This is particularly important for employees who are not on the top marginal tax rate.

Employees aged 50 or more will have less scope to salary sacrifice into superannuation and receive concessional tax treatment on those contributions, particularly where their employer contributions (due to SG, Award or employment conditions) are already at or near the $25,000 limit.

For those on the top marginal tax rate of 46.5% including the Medicare Levy, excess concessional contributions will still be taxed at 46.5% and such employees may not be concerned if their contributions exceed the concessional cap. However, it's important to remember that exceeding the non-concessional contributions limit can trigger total taxes of up to 93%.

Tax strategies designed around the salary sacrifice of employment income and the replacement of cash flow with a transition to retirement pension may be far more limited in scope if these proposals become law.

Sponsoring employer name change

The principal sponsoring employer changed its name from Goldman Sachs & Partners Australia Services Pty Ltd to Goldman Sachs Australia Services Pty Ltd, effective from 07 November 2011. The company was purchased by Goldman Sachs Group, Inc. This change does not impact on members' benefits in the Fund.

Investment Update*

After a more promising start to the year which saw sentiment towards risk assets improve following the release of funding for European banks and better than expected US economic data; risk aversion returned in May driven once again by increasing anxiety around the European financial system, the potential exit of Greece from the Euro and subsequent contagion risks and the apparent absence of any creditable or sustainable solution.

China remains a key focus for Australian markets, with the increasing potential of a more subdued economic outlook moving forward. Initial concerns of high inflation moved towards debate on credit growth and the stability of the property market. Commodity prices initially proved resilient, but more recently have been captive to deteriorating sentiment towards an expected step down in fixed investment spending in China and increasing supply in the bulks.

Locally economic conditions continued to track down outside the mining sector. In early May the RBA acknowledged this trend, cutting the cash rate by 50bps. However uncertain political and policy direction, moderating employment growth and concerns on utility, health and education costs weighed on domestic confidence.

Australian stocks continue to track global markets, benefitting from the global recovery early this calendar year, only to give back all the gains during May. After an initial and brief rally in cyclical stocks, a significant pattern of support has come towards income yields as many investors seek the security of distributions in light of lower cash interest rates.

However for corporations dependent on domestic demand, conditions have been testing with ongoing downgrades to earnings guidance. Conversely global companies have benefitted from the positive traction in the US as well as the fading strength of the A$.

Resource companies have felt the pressure of peaking commodity prices, production delays, rising costs and capital requirements, underperforming the broader market. Pressure is now building to delay capital programmes in favour of shareholder returns. Service providers to the sector have also been very volatile reflecting the potential for substantial workloads offset by leverage to weaker long term commodity prices.

In fixed interest, credit has been the asset of choice. Government bonds have continued to outperform all asset classes reaching record low yields as investors continue to pay a premium for capital preservation.

In summary, equity markets remain captive to sentiment around global macro news flows with the potential for a period of lower returns supported by attractive yields. Despite valuations being at the lower end of historic trading ranges, the asset class has not been subject to additional flows, with many investors sidelined. More companies are offering higher distribution payouts and growth in the changing dynamics of service industries and emerging market consumers presents stock selective opportunities.

*Source: Goldman Sachs Australia Pty Ltd and JB Were Pty Ltd

Fund performance

A summary of the Fund's monthly crediting rates since 1 July 2011† is set out in the following table. The returns on the Mercer Employer Super Balanced Growth Survey (the Fund's benchmark) have been included for comparison.

Month	Crediting rate for the month*	Mercer Employer Super Balanced Growth Survey Balanced Median for month
July 2011	-2.42%	**-1.50%**
August 2011	-2.63%	-1.90%
September 2011	-2.52%	-2.00%
October 2011	4.30%	3.10%
November 2011	-2.27%	-1.10%
December 2011	-0.04%	-0.10%
January 2012	2.15%	2.40%
February 2012	1.59%	1.70%
March 2012	2.00%	1.60%
April 2012	0.78%	0.30%
10 Months to 30 April 2012	**0.67%**	**2.37%**

* inclusive of stamp duty but excluding GST and commission.

Given the significant market volatility in recent months, it is important to remind Members that superannuation is a long term investment. Under the Fund's Investment Strategy, our investment objective is to provide a five year rolling net return that is equal to or above the median of balanced pooled investment managers, as measured in the Mercer Employer Super Balanced Growth Survey over a 5 year rolling average. The following table demonstrates the Fund's strong performance relative to the benchmark over the longer term (5 and 10 years)†.

	30 June 2002	30 June 2003	30 June 2004	30 June 2005	30 June 2006	30 June 2007	30 June 2008	30 June 2009	30 June 2010	30 June 2011	Average 5 year return pa	Average 10 year return pa
Crediting Rate	-1.7	2.2	13.6	22.1	23.7	18.1	-7.2	-6.7	13.2	8.5	4.7	8.0
Benchmark*	-3.9	-0.8	13.0	13.0	15.7	14.6	-9.4	-13.9	9.8	8.3	1.9	4.2

* Mercer Employer Super Balanced Growth Survey Median Return

† It is very important to note that past performance is not a reliable indicator of future performance.

Remember that you can look up the Fund's most recent crediting rates on the Fund website www.gsjbw.superfacts.com, at any time.

APRA League Tables

APRA has published a summary of the whole-of-fund rates of return for the largest 200 superannuation funds and eligible rollover funds. The following table sets out the top 5 performing superannuation funds as ranked by the five-year fund-level rates of return.

Rank	Fund name	Fund type	One-year ROR (%)					Five-year per annum ROR (%)
			Jun 2007	Jun 2008	Jun 2009	Jun 2010	Jun 2011	2007-2011
1	CBH Superannuation Fund^	Corporate	27.7	-4.2	1.3	7.3	5.8	7.1
2	Goldman Sachs & JBWere Superannuation Fund	Corporate	19.3	-6.5	-6.2	13.8	8.2	5.2
3	Officers' Superannuation Fund	Corporate	16.1	-2.1	-9.5	11.7	9.6	4.7
4	Challenger Retirement Fund	Retail	4.4	4.3	5.1	3.9	4.9	4.5
5	Reserve Bank of Australia Officers Superannuation Fund	Public Sector	19.9	-2.6	-12.8	11.1	9.8	4.4

^ Funds with a non-30 June year-end

Source: APRA Superannuation Fund-level Rates of Return (issued 29 February 2012)

Board of Director Changes

Mark Levinson resigned as a member representative Director of the Fund effective 2 March 2012. At the close of nominations for the election of his replacement, the Fund received one nomination for the vacant position for the Goldman Sachs member director representative. The nominee, Angela Le Brun, has been elected unopposed according to the Election Rules. A copy of the Election Rules and Procedures for the Nomination of Director is available from your Fund Secretary by contacting the Helpline on 1800 025 026.

Therefore the Trustee is pleased to advise that, **Angela Le Brun** has been elected as a Director of the Trustee from 11 May 2012 and her term expires on 30 November 2013.

In addition, **Graham Goldsmith** ceased to be an employer nominated alternate director effective 27 April 2012.

Contribution Rule Changes

The Tax Office has released the key superannuation rates and thresholds for 2012/2013. As the end of financial year 2011/2012 is approaching, it is a good time to remind members about the superannuation contribution limits and penalties that apply if you exceed those limits.

Concessional contributions cap

Concessional contributions include contributions paid by your employer, and any salary sacrifice amounts which you pay into your superannuation account, including bonus payments. The Employer meets some of the administration expenses in respect of the Fund by making additional contributions to the Fund, rather than passing these expenses onto members. The additional employer contribution which relates to you counts towards your concessional contributions cap. Your Employer will advise you of the current allocation per member per year.

The standard concessional contributions cap of $25,000 is unchanged for 2012/2013. The Government has announced changes and, if passed by Parliament, will pause the indexation of the concessional contributions cap at $25,000 for the 2013/2014 year.

As mentioned in the Federal Budget section above, the rate of concessional contributions tax for those with incomes of $300,000 pa and above will generally increase from 15% to 30% from 1 July 2012. However, the higher tax rate will not apply to contributions that exceed the concessional contributions cap as these are already taxed at 46.5%.

Concessional contributions cap for the over 50's

As mentioned in the Federal Budget section above, the transitional concessional contributions cap of $50,000 for people aged 50 or over does not apply after 30 June 2012. The Government has announced that from 1 July 2012, the transitional concessional contribution limit will cease to apply and the concessional contribution limit for those aged 50 and above will therefore reduce from $50,000 to the standard level of $25,000.

Non-concessional contributions cap

The non-concessional cap for an income year is 6 times the standard concessional contributions cap and therefore for the 2012/2013 income year, the cap will remain at **$150,000**. If you are under 65 at the start of the year, you may be able to bring forward two financial years' non-concessional contributions, but you are still limited to $450,000 over the three year period.

Super co-contribution

From 1 July 2012, the superannuation co-contribution will be reduced when the new low income superannuation contribution commences. The maximum co-contribution will be reduced by 50%, with a maximum possible co-contribution of $500 (currently $1,000) for people with income up to $37,000 in 2012-13. That is, if your income for the 2012/2013 income year does not exceed $37,000, the government will contribute an additional amount to your super of up to 15% of your concessional contributions, subject to the $500 maximum. This government contribution referrable to the 2012/2013 income year will be made in the following income year.

TRAP and Allocated Pensions

A Transition to Retirement Account-based Pension (TRAP) can support a change to your work/life balance in preparation for retirement or may be a tax-effective way to build your superannuation savings. You may be eligible to start a TRAP if you are an existing Fund member and have reached your Preservation Age*. You do not need to retire to receive a Transition to Retirement Pension and you can continue working.

The Fund already offers a traditional Account Based Pension (also known as an Allocated Pension). A TRAP is different from a traditional Account Based Pension. An Account Based Pension starts to pay you an income stream only after your 'retirement' from the workforce (as defined by law), whereas a TRAP pays you while you are still working, provided you have reached your preservation age. The money in a TRAP is adjusted for investment earnings (which may be positive or negative) in accordance with the Fund's Crediting Rate, and it is reduced by the pension payments and any fees which may apply.

You can start a TRAP by transferring a minimum of $20,000 from your existing account, and you must leave a minimum balance of $5,000 in your existing account. The Government has set minimum and maximum limits on the annual amount paid from the TRAP. The minimum amount is a function of the TRAP balance and a factor based on your age, the maximum amount is 10% of the balance at the start of the year. Regular contributions made by or in respect of you will still be paid into your normal superannuation account, while you receive an income stream from the TRAP account.

You can choose to receive any amount between the minimum and the maximum (subject to your Account balance). Pension payments from the TRAP can be made monthly, quarterly or annually.

A TRAP can be used to:

- Allow you to reduce your working hours while maintaining your income;
- Increase your income; or
- Increase your super savings.

You should seek financial advice on whether a TRAP is suitable for you. Further details on the TRAP can be found in the Fund's Product Disclosure Statement for Pensions.

There are some special requirements for Pension Division members. Pension Division members should call the Helpline on 1800 025 026 for more information.

* Your Preservation Age is:

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
From 1 July 1964	60

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