Goldman Sachs JBWere Superannuation Fund

Newsletter

June 2009

Topics covered in this newsletter:

For further information, limited financial advice or to make changes to your Fund arrangement, simply:

Call the Helpline on **1800 025 026**

Check the website **www.superfacts.com**

2009 Federal Budget Update

In addition to significant infrastructure spending, the Labor Government's second Budget incorporated a number of changes affecting retirement incomes (including superannuation), employee benefits and health insurance.

The significant changes from a retirement incomes perspective include:

- A phased increase in the age pension age to 67 by 2023
- Other Social Security changes include:
  - An increase in the age pension
  - An increase in the rate at which the age pension reduces as a result of the income test
  - Changes to the Commonwealth Seniors Health Card eligibility rules
  - Removal of the age pension bonus scheme to be replaced by a new pension income test concession for employment income
- **Significant reductions in the level of superannuation contributions subject to concessional tax treatment**
- **A temporary reduction in the level of Government co-contributions.**

Other significant changes affecting employees and employers include:

- Changes to the private health insurance rebate and Medicare Levy Surcharge
- Changes to the treatment of employee share schemes
- The introduction of a paid parental leave scheme from 1 January 2011

Further minor changes relating to superannuation include:

- The transfer of certain inactive superannuation accounts and small lost accounts to unclaimed monies (held by the Australian Taxation Office)
- **An extension of the temporary draw down relief for account-based pensions**
- An 'in principle' agreement to provide for the ability to transfer benefits between certain Australian and New Zealand superannuation schemes

The Government has also released reports on the Retirement Income System issued by the Harmer Pension Review and the Henry Tax Review. Both reports recommended an increase in the Age Pension age. However many of the additional recommendations in those reviews have not yet been adopted by the Government.

The remainder of this article focuses on the budget detail in relation to the major changes affecting superannuation.

Contribution limits

Instead of increasing to $55,000 from 1 July 2009 as per the current legislation, the current limit of $50,000 on concessional (pre-tax and salary sacrifice) contributions will be reduced to $25,000 in 2009/10. The transitional concessional contributions cap of $100,000 per annum for those over 50 (which currently applies until 30 June 2012), will also be reduced to $50,000 per annum in 2009/10. Indexation will apply to the $25,000 cap but not to the $50,000 cap.

The annual cap on non-concessional (after-tax) contributions will remain at $150,000 for the 2009/10 financial year, instead of being indexed to $165,000 as previously announced. In the future, the non-concessional contributions cap will be calculated as six times the level of the (indexed) concessional contributions cap.

Pension Division Members

For Pension Division members, the contributions counted for the purpose of the concessional contribution limits are called 'notional taxed contributions'. Currently there is an existing 'grandfathering' arrangement whereby, for Pension Division members, your notional taxed contributions are limited to your concessional contributions limit. In other words, no excess contributions tax can arise on your defined benefit notional contributions.

The Government has announced that similar 'grandfathering' arrangements will apply to eligible defined benefit members as at 12 May 2009 whose notional taxed contributions would otherwise exceed the reduced cap. The Trustee plans to provide more details of these arrangements to Pension Division members when they are available.

What this means for you

You will need to review your salary sacrifice arrangements considering the new limits applicable from 1 July 2009 to ensure that you do not accidently exceed these new limits.

You may need to change your planned arrangements for retirement funding – the retirement plans of some members may be severely affected.

Government co-contributions

The Government will temporarily reduce the matching rate and maximum co-contribution that is payable on non-concessional (after-tax) superannuation contributions, with effect from 1 July 2009.

- Co-contributions currently apply for incomes up to $60,342 pa, but the maximum co-contribution reduces for incomes above the threshold of $30,342 pa (indexed for future years).
- From 1 July 2009 to 30 June 2012 the matching rate will reduce from 150% to 100%, with a maximum co-contribution of $1,000, reduced by 3.333 cents for each dollar of total income over the threshold.
- From 1 July 2012 to 30 June 2014 the matching rate will increase to 125% with a maximum co-contribution of $1,250 reduced by 4.167 cents for each dollar of total income over the threshold.
- From 1 July 2014 onwards the matching rate will increase back to 150% with a maximum co-contribution of $1,500 reduced by 5 cents for each dollar of total income over the threshold.

Although temporarily reduced, the co-contribution system remains a valuable incentive to employees to save for their retirement.

Account based pensions

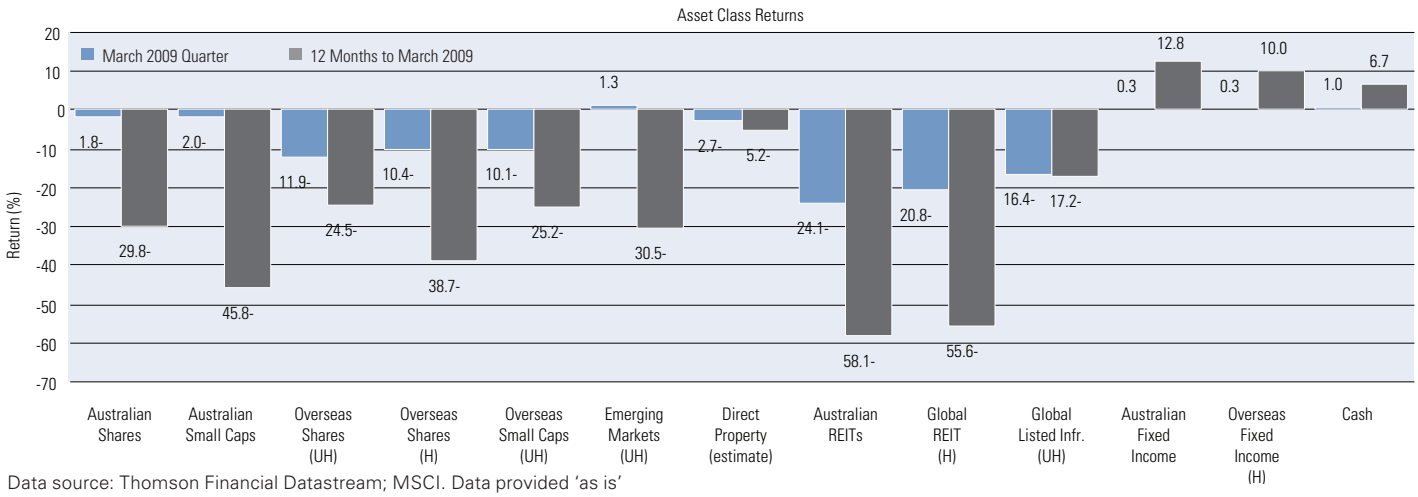
The minimum income amount that must be paid annually from account based pensions will be halved for the 2009/10 financial year, which is an extension of the provision that was introduced in February for the 2008/09 financial year.

What this means for account based pensioners

- Account based pensioners will be able to reduce the amount of income they receive from their account based pension. In some cases this may also result in an increase in their Age Pension entitlement.
- We will write to account-based pensioners in June in relation to their pension income for the 2009/10 financial year.

Investment Update*

Market and Economic Conditions – March 2009 Quarter



Data source: Thomson Financial Datastream; MSCI. Data provided 'as is'

The March quarter saw equity markets and the majority of asset classes continue to lose ground as further indications of a deepening global recession continued to emerge.

The weakness in equity markets continued in the first quarter of 2009 with both domestic and global shares finishing the quarter lower, despite a rally in March. Markets remained under pressure for much of the quarter, weighed down by poor economic data, disappointing earnings and deteriorating investor confidence. Markets showed signs of recovery in March after major policy announcements in the US and UK and suggestions that some economic indicators were bottoming.

Bond yields were higher over the quarter despite the poor economic outlook and lower interest rates. Investors focused on greater bond issuance stemming from higher government spending. Fixed income returns were flat over the quarter.

Key developments during the quarter were:

- The Reserve Bank of Australia (RBA) cut official interest rates by 100bps to 3.25% in February. March saw a

pause in monetary easing despite market expectations of a 50bps cut.

- Economic data releases in Australia were on the whole negative. Highlights were a Q408 GDP figure of -0.5% (the first period of negative growth in 8 years) and the unemployment rate reaching a 4 year high of 5.2%.
- US economic data was poor. GDP was -6.2% qoq in Q408, its worst quarterly performance since Q1 1982. The unemployment rate increased to 8.1% in February – its highest level since December 1983. Trade deficit, retail sales, and industrial production weakened over the quarter while consumer sentiment and housing starts recovered some ground in March.
- The Australian Federal Government announced a stimulus package of $42bn or approximately 4% of annual GDP. Spending will be over several years. The main features were infrastructure initiatives and cash payments to lower income households.
- The International Monetary Fund (IMF) downgraded its 2009 global economic growth forecast to 0.5%, the lowest level since the Second World War.
- US Treasury Secretary Geithner announced the $140 billion Public-Private Investment Fund (PPIF) as the next step to remove distressed assets from US bank balance sheets.
- China released GDP figures that showed annual GDP growth to December 2008 had plunged to 6.8%, from 9.0% for the 12 months to September - the lowest level of growth since 2001.
- Central banks continued to implement monetary easing by cutting interest rates. The European Central Bank, Bank of England (BoE), Canada's central bank and New Zealand's central bank all cut their respective cash rates.
- The price of oil (WTI) increased 26.5% over the quarter closing at US$49.67 a barrel.
- Gold finished 4.4% higher over the quarter to close at US$918.20/oz.

Australian Shares

March saw the local market gain 8.1%, its first positive return since August 2008 and the strongest monthly result since December 1993. The rally did not however make up for the ground lost in January and February. The S&P/ASX 300 closed the quarter 1.8% lower but outperformed other major equity markets. Factors supporting Australian shares included reasonable valuations, high dividend yields, lower cash rates and well capitalised banks relative to global peers. The announcement of the Public Private Investment Program (PPIP) unveiled by US Treasury Secretary Tim Geithner also buoyed the local market.

Small cap stocks marginally underperformed the broader market posting a modest loss of 2.0% over the quarter.

Property Trusts (-24.1%) were the worst performing sector for the quarter bringing the loss for the current calendar year to -58.1%. IT (+14.6), Materials (+6.4%), Energy (+5.8%), and Financials ex Prop (+0.9%) posted positive returns while Resources benefited from ongoing Chinese investor interest.

In contrast to the previous quarter, Banks and Mining companies dominated the positive contributors list. CBA (+24.8%) made the strongest positive contribution to the index whilst Rio Tinto posted an impressive +50.3% return over the quarter. QBE Insurance Group (-24.2%) made the strongest negative contribution whilst Gpt Group (-46.5%), Westfield Group (-20.9%) and Telstra Corporation (-14.5%) were also sold off.

Overseas Shares

The first two months of 2009 saw large sell offs in the global equity market due to deteriorating economic data and continuing concerns about a worsening global recession. The global market finally stabilised in March with the MSCI ex Australia delivering a positive return of +6.3% in local currency terms. This was not enough to prevent a loss for the quarter of -10.3% in local currency terms. The return for unhedged Australian investors was further eroded to -11.9% after the AUD appreciated 3.2% on a trade-weighted basis.

All major markets recorded losses in local currency terms. Emerging markets (+1.3%) outperformed all developed markets over the quarter in AUD terms.

In contrast to domestic sector returns, the Financials sector (-21.9%) was hardest hit over the quarter, followed by Industrials (-17.3%) suffering from a lack of consumer confidence and a gloomy global growth outlook. In contrast, IT (+1.1%) managed to produce a positive return in the bearish market.

Property

Investments in both global and domestic listed property funds suffered substantial losses after the two topped the worst performing asset classes for the second quarter running. Global Listed Property (FTSE EPRA/NAREIT Global Index) and Domestic Listed Property (S&P/ASX 300 Property Trust Index) returned -20.8% and -24.8% respectively over the quarter. Direct Property (Mercer Unlisted Property Index) dropped an estimated 2.7% over the quarter.

Fixed Income and Cash

Australian 10 year bond yields finished the quarter 63bps higher at 4.61%. The UBSA Composite Bond index returned +0.3% for the quarter bringing the 12 month return to +12.8%. Short-term (0 - 3 year) bonds returned +1.2% out performing their longer term (10+ years) counterparts which returned -3.2%.

US ten year bond yields rose 45bps to 2.66%. The Citigroup World Government Bond index and the Barclays Capital Global Aggregate index returned +0.3% and +0.6% respectively on a fully hedged basis over the quarter and +10.0% and + 7.0% over 12 months as global bonds outperformed most asset classes.

Currency Markets

The March quarter produced mixed returns for the Australian dollar. The local currency returned –-0.3% against the US dollar, was flat against the Pound and appreciated against the Yen (+8.6%) and the Euro (+4.3%). The local currency returned +3.2% on a trade weighted basis.

Fund Performance

A summary of the Fund's monthly crediting rates since 1 July 2008† is set out in the following table. The returns on the Mercer Pooled Fund Survey for Balanced Funds (the Fund's benchmark) have been included for comparison.

Month	Crediting rate for the month (non-account based pension accounts)	Crediting rate for the month (account based pension accounts)	Mercer Pooled Fund Survey Balanced Median for month
July 2008	-2.20%	-2.40%	-1.4%
August 2008	3.75%	4.09%	3.6%
September 2008	-5.02%	-5.47%	-5.0%
October 2008	-7.16%	-7.81%	-7.9%
November 2008	-4.10%	-4.47%	-5.0%
December 2008	-0.93%	-1.01%	-0.4%
January 2009	-0.22%	-0.24%	-2.4%
February 2009	-4.20%	-4.59%	-5.0%
March 2009	6.73%	7.34%	2.8%
9 Months to 31 March 2009	**-13.28%**	**-14.46%**	**-19.39%**

Given the significant market volatility in recent weeks and 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 Pooled Fund 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 1999	30 June 2000	30 June 2001	30 June 2002	30 June 2003	30 June 2004	30 June 2005	30 June 2006	30 June 2007	30 June 2008	Average 5 year return pa	Average 10 year return pa
Crediting Rate	16.55	15.45	13.64	-1.7	2.2	13.55	22.1	23.7	18.1	-7.2	13.5	11.8
Benchmark‡	8.5	13.0	5.4	-4.5	-2.2	13.7	13.0	15.7	14.6	-9.4	9.1	6.4

‡ Mercer Pooled Fund Survey Balanced Median

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

Insurance for Retained Benefit Division Members

Retained Benefit Division member numbers have grown to approximately 50% of the Fund and represent a significant part of the assets of the Fund. The Trustee is committed to providing high quality, competitive benefits for Retained Benefit Division members. To achieve this goal, the Trustee recently reviewed the benefits provided to Retained Benefit Division members, including death and disablement benefits.

Currently, when a member of the Fund ceases employment with GSJBW, their super is immediately transferred to the Retained Benefit Division and all insurance cover ceases 60 days after the member ceases employment.

We are pleased to advise that from 1 July 2009, Retained Benefit Division members will be eligible for death and disablement insurance cover and may be eligible to apply for salary continuance insurance cover (or continue their existing cover).

This cover is being provided under a Group Policy and therefore premiums will generally be less than would be available under an individual life policy.

Existing Retained Benefit Division Members

For all existing members of the Retained Benefit Division as at 30 June 2009, this means you will automatically receive death and Total & Permanent Disablement (TPD) cover from 1 July 2009 provided that on 1 July 2009 you are "At Work" as defined in the policy, are under age 60, have not received a TPD benefit, and are not in the process of receiving a TPD benefit.

- Cover will be set at a standard level of $240,000 for death and TPD up to age 50, reducing evenly to $0 at age 65.
- There is also a one off opportunity to increase this insurance cover to 150% of the standard level (ie, $360,000) without the need to provide health information.
- If you are a member of the Retained Benefit Division and do not want this insurance you will be given the opportunity to opt-out of the cover. If you opt-out of the cover before 30 August 2009, any premiums deducted from your account will be reimbursed.
- Retained Benefit Division members may also be eligible to apply for voluntary salary continuance cover.

If you are a current Retained Benefit Division member affected by this change you should have already received a letter explaining the new insurance cover in more detail. If you have not already received this letter, please contact the Helpline on 1800 025 026.

All Other Members

For members of the Fund who transfer to the Retained Benefit Division on or after 1 July 2009, instead of ceasing

after 60 days, your death and TPD insurance cover will automatically continue provided that you are under age 60 on the last day of your employment, you have not received a TPD benefit and you are not in the process of receiving a TPD benefit.

- The amount of cover will be equal to your level of death and TPD insurance cover on the date of your transfer to the Retained Benefit Division. This includes any basic and additional voluntary death and TPD insurance cover.
- Your insurance cover will be fixed up to age 50. Cover will then reduce evenly to $0 at age 65.
- Premium rates are the same rates as for the Superannuation Guarantee Division. Premiums depend on your age and gender and will be set out in the Product Disclosure Statement.

If you have Salary Continuance Insurance (SCI) cover as an employed member, this cover will not automatically continue when you transfer to the Retained Benefit Division. Instead, affected members will be given the option to "opt-in" to this cover within 60 days of transfer (subject to meeting the eligibility criteria). Affected members will be provided with more information about their options regarding SCI cover at the time they transfer to the Retained Benefits Division.

Members will be given the opportunity to "opt-out" of insurance cover at the time they transfer to the Retained Benefits Division or any time after.

All members are urged to seek professional financial advice before making a decision in relation to insurance cover.

Please also refer to the Fund's Product Disclosure Statement (available at www.superfacts.com) for further details from 1 July 2009 or call the Helpline on 1800 025 026.

Death Benefit Nominations

Under superannuation law, in the event of a member's death the benefit can be paid to one or more of:

- the member's spouse (legal or de facto) and children;
- any person with whom the member had an interdependency relationship (covering for example people with whom the member was living at their death and (among other requirements) with whom they were sharing living expenses. This could be a parent, sibling or friend);
- any person who was financially dependent on the deceased member; and
- the member's legal personal representative (i.e. their estate).

Recently the Trust Deed definition of "spouse" was amended to include same-sex partners, in line with changes to Government legislation.

Under the current Fund arrangements members can nominate to whom they would like their benefit paid in the event of their death by either making a binding or non-binding death benefit nomination.

Binding Nomination

If you have made a valid binding death benefit nomination the Trustee will pay your benefit as nominated. This allows members to plan with certainty, knowing how their superannuation benefit will be paid in the event of their death (provided all requirements are complied with).

Binding nominations are valid for 3 years. However, a binding nomination should be reviewed if your circumstances change (e.g. birth of children, marriage, separation or divorce), as the Trustee has no discretion when paying a death benefit that is subject to a valid binding nomination.

Non-binding Nomination

This type of nomination is not binding on the Trustee. That is, the Trustee will take your nomination into account but is not bound to follow it. As with a binding nomination, if you have made a non-binding nomination it should be reviewed if your circumstances have changed.

How to make a nomination

You can make death benefit nominations (binding or non-binding) and update your beneficiaries at any time. Forms are available on the website www.superfacts.com or you can call the Helpline on 1800 025 026 for assistance with making a death benefit nomination.

Note that for Pension Division members there are certain benefits that must be paid to a member's spouse or to dependent children. Any new binding election will only relate to the remainder of the benefit.

Your annual member benefit statement shows your nominated dependants and the proportion of your death benefit that you want them to receive in the event of your death. It also shows if your nomination is binding or non-binding.

Fee Increases

From 1 August 2009 the fee for a benefit payment because of a portability request will increase to $180 (from the current fee of $126). If you make a partial transfer, the fee will be deducted from your account.

For a contribution split, where the split is paid to another fund, the fee deducted from your account will increase to $180 (from the current fee of $126). If the split is paid to your spouse's account in the GSJBW Fund, there is no fee.

Alternate Trustee Directors

In order to ensure the smooth running of the Fund, the Directors of the Trustee have appointed two Alternate Directors to take their place when other commitments may prevent them from attending Trustee meetings.

The Employer Directors have appointed Graham Goldsmith to act as an Alternate Director should one of them be unavailable to attend a meeting. The Member Directors have appointed Sally Campbell to act as their Alternate.

Eligible Rollover Fund Change

The Trustee recently conducted a review of the Fund's Eligible Rollover Fund (ERF) and its policy for transferring members to the ERF. ERF's are superannuation funds which are designed to cater for low balances and lost members. The Fund transfers low balance Retained Benefit Division members to the ERF if the member does not nominate a rollover fund for their benefit or where a member is deemed to be "lost"[§].

Currently the Fund's ERF is the AMP ERF. However, as a result of the review, the Trustee has decided to use AUSfund as the Fund's ERF from 1 July 2009. AUSfund was chosen because:

- AUSfund actively seeks to find lost members and rollover their super to their active superannuation account.
- AUSfund's investment strategy aligns with the Trustee's strategy for low balance members.

From 1 July 2009, the Trustee's policy in relation to transferring members to the Fund's ERF will change by increasing the current minimum account balance requirements. In summary, a member will be transferred to the Fund's ERF if:

- The member's account balance is $10,000 or less on ceasing employment (increased from $2,000) and the member does not provide rollover instructions to the fund
- A Retained Benefit Division member becomes a lost§ member, or
- An employed member decides to have their employer contributions made to a different fund, does not make a rollover request in relation to their remaining account balance and that account balance is $10,000 or less.

*Data source: Mercer (Australia) Pty Ltd

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

§ you become a "lost" member if two consecutive Annual Reports that have been sent to you are returned to the Fund unclaimed

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