Goldman Sachs & JBWere
Superannuation Fund

Newsletter

May 2013

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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**

Member superannuation seminars

Superannuation seminars will be provided for members of the Fund in the Melbourne and Sydney offices on Thursday, 23 May 2013. The seminars will focus on the Fund communications that have been sent to accumulation members recently, on the following topics:

- **Retirement Income Projection Statements** – to show an estimate of the income you might expect to receive from the Fund in retirement and your projected superannuation account balance. This session will help you understand the statements and provide you with an opportunity to ask questions about them.
- **Death and Disability Insurance Changes** – from 1 July 2013 there will be changes to the insurance benefits provided by the Fund. Information about these changes will be sent to members prior to the information sessions.

If you are interested in finding out more about your Fund or if you have any questions relating to superannuation, you should attend one of the seminars. Please see your meeting invitations for any details of video conferencing options for attendance.

Investment Update*

Global investment market performance has continued to be dominated by three major issues for this year to date, namely the continuing slow progress around the European debt crisis, quantitative easing in the US (and more recently Japan) and the sustainability and rate of growth in China.

Macro tail risks remain a focus, but have declined since the implementation of the ECB's Outright Monetary Transactions policy in August 2012 and resolution of the US fiscal cliff negotiations in January 2013. More broadly the lack of a political process and decisive steps towards a European resolution and ongoing austerity measures, continue to drag on confidence and see growth remain well below trend. The US economy continues to evolve as a balancing act between a positive impulse from the private sector recovery and a negative impulse from fiscal retrenchment. The largest policy surprise has been the monetary policy change by the Bank of Japan with significant impact on Japanese assets, spill-over effects on government bonds elsewhere and a contribution to the continued easing of global financial conditions.

Domestically the strength of mining investment cycle has continued to provide significant impetus to economic growth, but volatility in commodity prices has resulted in a significant shift in policy settings and significant underperformance in resource companies' performance. Pressure from peaking commodity prices, production delays, rising costs and capital requirements is manifesting in restructuring and changes in capital programs at the expense of shareholder returns.

The key issue is increasingly what policy settings are required to generate recovery in the non-mining economy as the mining related sectors begin to drag on growth, and manage the consistently high Australian dollar, and weakness in both the housing and consumers sectors. The current easing cycle has seen the RBA cut the cash rate by 175bp since November 2011. However, a number of economic data points and business indicators (business conditions, job vacancies, PMI, business credit growth) continue to highlight that the compression of profitability and peaking in activity in the mining sector still represent a headwind to growth.

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

In the nine months to 31 March 2012 the ASX 200 is up 21%. Through the initial phase this was lead by a significant rerating of the most defensive sectors, however, from November, cyclical sectors have started to catch up, slowly outperforming the continued strength of the defensive sectors. Two factors have been constant throughout: 1) multiple expansion and 2) resource underperformance.

The demand for high-quality defensive assets appears to have been the key factor in explaining Australia's outperformance on both a regional (+8% vs MSCI Asia ex Japan) and global basis (+4% vs MSCI World ex Australia and +6% vs S&P500). With relatively tight fiscal and monetary conditions, the trajectory of the Australian economy has been relatively weak, and therefore there is a need to be careful in extrapolating the relative outperformance over the longer term, particularly if the Australian dollar remains elevated.

The combination of unusually low real bond yields, a decline in risk aversion and move towards a more stable recovery path and supportive monetary policy has seen equities significantly outperform fixed income. Credits spreads have compressed to a level where the market is focused on relative rather than absolute value. Increasingly there is a need to reduce interest rate risk via more active management of the maturity profile, duration and sector allocations. Global bond and credit markets have provided investment opportunities for managers able to identify mispriced securities as well as changing risk. For example, bond yields in countries such as Italy and Spain have retraced from the extreme levels at the midst of the European debt problems. Similarly bank debt spreads have reduced as new regulation and recapitalisation of the financial sector has improved the security of bond holders. As the RBA has eased the cash rate, the relative attractiveness of Australian term deposit interest rates has increasingly favoured higher yielding equities.

Fund performance

A summary of the Fund's monthly crediting rates since 1 July 2012† 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 2012	3.20%	1.30%
August 2012	2.31%	1.70%
September 2012	1.38%	1.40%
October 2012	1.92%	0.90%
November 2012	0.49%	0.50%
December 2012	3.21%	1.90%
January 2013	4.02%	2.70%
February 2013	3.27%	2.00%
March 2013	-0.40%	-0.40%
9 Months to 31 March 2013	**21.06%**	**12.56%**

* Account Based Pension crediting rates are available on the website www.gsjbw.superfacts.com

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 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	30 June 2012	Average 5 year return pa	Average 10 year return pa
Crediting Rate	2.2	13.6	22.1	23.7	18.1	-7.2	-6.7	13.2	8.5	1.8	1.6	8.4
Benchmark*	-0.8	13.0	13.0	15.7	14.6	-9.4	-13.9	9.8	8.3	0.3	-1.4	4.6

* 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 nine-year fund-level rates of return.

Rank	Fund name	Fund type	Nine-year per annum ROR (%) 2004-2012
1	Goldman Sachs & JBWere Superannuation Fund	Corporate	9.0
2	Commonwealth Bank Group Super	Corporate	7.8
3	Worsley Alumina Superannuation Fund	Corporate	7.5
4	Tidswell Master Superannuation Plan	Retail	7.1
5	Unisuper	Industry	7.1

Source: APRA Superannuation Fund-level Rates of Return (issued 9 January 2013)

The ability to generate strong long term investment returns is critical to your retirement benefits. 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 utilising access to the investment resources of Goldman Sachs and JBWere, the Fund has continued to meet the key investment objectives over the longer term.

As the Stronger Super reforms come into effect over the course of 2013 and beyond, the Trustee remains committed to continue to succeed in relation to the investment strategy and to continue to offer competitive superannuation benefits.

Board of Director Changes

Angela Le Brun resigned as a member representative Director of the Fund effective 18 February 2013. Nell Hutton was the only nomination to fill the vacant position of the Goldman Sachs member director representative, therefore she was elected unopposed. Nell was appointed as a Director of the Trustee from 29 April 2013 and her term will expire on 29 April 2017.

We thank Angela for her contribution to the Fund.

Insurance Changes

We are pleased to advise that the Fund is introducing improvements to insurance benefits from 1 July 2013 by way of simplified insurance benefits provided to all active members of the accumulation categories. An overview of the changes is set out below.

Death and Total & Permanent Disablement Insurance cover from 1 July 2013 will be calculated by the following formula:

18% x Salary x complete years and months (YCM) to age 65.

If your current TPD insurance cover is $50,000, it will not change. If your current TPD cover is equal to your Death cover, it will also change in line with the formula above.

There will no changes to Salary Continuance Insurance cover.

How these changes will affect you

Benefits Plus (including former Defined Benefit) Categories

The salary used in your insurance cover formula is currently Final Average Salary (FAS). From 1 July 2013, the salary used in your insurance cover formula will change from FAS to simply Salary. A detailed description of the salary definition is provided in the "Insurance Changes" letter sent to you. Your default Death and TPD insurance cover will change from 1 July 2013 because of this Salary definition change.

Currently, you pay an annual fee of 0.5% of Salary which is broadly intended to cover the cost of providing your insurance benefit. From 1 July 2013, there will be a change to the way your premiums are charged; instead of the existing 0.5% fee, you will be charged age based premiums. A copy of the premium rate tables was provided in the 'Insurance Changes' letter recently mailed to you.

Employers currently contribute at a higher rate for Benefits Plus (former Defined Benefit) category members than other categories, namely 13% of Salary. As a result of streamlining the Fund arrangements, from 1 July 2013 the requirement for contributions at a rate of 13% no longer applies. Instead, you will be able to request that your employer contributes to your account at the Superannuation Guarantee rate 9.25% (JBWere members can only reduce their contribution to 10 %) with no impact on the insured benefits you receive from the Fund. You can negotiate this change in contributions from 13% by contacting your employer's Payroll officer.

You can elect to reduce your level of Death and/or TPD insurance cover. Please call the Fund's Helpline if you would like further information on reducing your insurance cover.

SG Category

From 1 July 2013, your insurance cover will automatically increase as per the formula above. If you wish you can elect to keep your level of Death and TPD Cover at 10% x Salary x YCM to age 65.

The Trustee is pleased to advise that it has negotiated improvements of around 1% in relation to the premiums you will be charged. All insurance premiums will be deducted from your superannuation account as per current arrangements. A copy of the premium rate tables was provided in the 'Insurance Changes' letter recently mailed to you.

To ascertain your level of insurance cover please check online at www.gsjbw.superfacts.com or check your most recent member statement (also available online).

Retained Benefit Category

There are no changes to your cover, however, the Trustee is pleased to advise that it has negotiated improvements of around 1% in relation to the premiums you will be charged. All insurance premiums will be deducted from your superannuation account as per current arrangements.

How to apply for or vary your insurance cover

A letter has been sent to all Benefits Plus and SG Category members detailing the above insurance changes. SG Category members have insurance options which can be implemented by returning a form (attached to the letter) to the Administrator by 14 June 2013. If you have not received this letter, please call the Helpline.

If you are unsure of the options available to you please attend a member information seminar on 23 May, visit the website www.gsjbw.superfacts.com or call the Helpline on 1800 025 026 for more information.

2013 Legislative Update

MySuper

From 1 July 2013, subject to Parliament passing the required legislation and the trustee obtaining approval from the superannuation regulator, APRA, super funds will be able to offer a new style of superannuation membership called MySuper. MySuper arrangements will need to meet a number of new standards including rules relating to fees, charges and features/structure. The Government has determined that, from 1 January 2014, employers will need to pay the contributions for employees to a fund offering a MySuper arrangement unless an employee has chosen a fund other than their employer's default fund. Superannuation funds will also be required to allocate all contributions received to a MySuper arrangement for the member unless the member has specified an alternative arrangement in the fund.

The Fund is currently applying for a MySuper licence. You will be advised if you need to take any action in respect of your benefit.

Key Superannuation rates and thresholds

The Tax Office has released the *Key superannuation rates and thresholds for 2013-14*. It contains rates and thresholds that apply to superannuation contributions and benefits, Employment Termination Payments, Superannuation Guarantee and co-contributions, as well as other useful information. The more relevant rates and thresholds are:

Concessional contributions cap

The standard concessional contributions cap of $25,000 is unchanged for 2013-14. The indexation of the concessional contributions cap has been paused at $25,000 up to and including 2013-14. Normal indexation will resume for the 2014-15 year.

Concessional contributions cap for the over 50's and 60's

From 1 July 2012, all individuals have had a concessional contributions cap of $25,000 regardless of age. The Government has announced changes that, if passed a higher concessional contributions cap of $35,000 is to apply for people aged 60 and over in 2013/14 and for people aged 50 and over from 1 July 2014.

Non-concessional contributions cap

The non-concessional cap for an income year is 6 times the standard concessional contributions cap and therefore for the 2013-14 income year, the cap will remain at **$150,000**. The bring-forward option, allowing people under 65 years to make non-concessional contributions of up to 3 times the non-concessional limit in the first year of a 3 year period, has also remained capped at **$450,000**.

Low rate cap amount

The low rate tax free threshold for lump sum superannuation payments (over preservation age) will be **$180,000** for the 2013-14 year. The low rate cap is reduced by any amount previously applied to the low rate threshold.

Employment termination payments (ETPs)

The amount up to the ETP cap amount will be taxed at a concessional rate. The amount in excess of the ETP cap amount will be taxed at the top marginal rate. The ETP cap amount for 2013-14 is $180,000.

The following rates are indexed in line with March quarter AWOTE and the 2013-14 amounts will be released in May:

- **Tax Free Part of Genuine Redundancy Payments**: For 2012-13 the tax free limit is $8,806 plus $4,404 for each complete year of service.
- **SG Maximum Contribution Base**: The SG Maximum Contribution Base in 2012-13 is $45,750 per quarter (equivalent to $183,000 per year).

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