

# Employer Newsletter



June quarter 2010

FuturePlus Super



## Welcome to the Employer Newsletter

In this issue, Michael Block, General Manager – Investments looks at how we might interpret recent share market performance. There is also a review of the recent Federal Budget and how the proposed measures might affect employers.

In addition, we outline the advantages of setting up a Policy Committee and how to go about doing so.

As usual, we include some administration reminders, an update on FuturePlus Super's investment performance and how

investment markets have performed.

Remember that we can help you with superannuation, insurance, financial planning and home loans.

If you need assistance with any of these services, please contact the Employer Helpline on **1800 636 441**. If your employees have any enquiries, they can contact Member Services on **1800 067 059**.

## The markets and you



**Michael Block**  
**General Manager**  
**Investments**

May 2010 was a particularly bad month for shares with stocks around the world losing value. This has caused many people to think whether it's time to get out of shares or hang on, particularly if they are close to retirement or scared of further losses.

There are many investment myths. For example, there is an old adage in the share market which says "sell in May and go away". It is based on the idea that May to November (roughly the European and American summer) is not a good time for shares. However, this saying has no basis in fact as the May to November period is neither particularly good nor particularly bad for shares.

But there are some facts that we can rely on and they have been a good guide for a very long time.

The way that I like to look at it is that shares have for centuries followed a fairly stable upwards trend and for the most part it makes sense to have some in your portfolio and hold them for the long term. This trend is evident in the attached diagram showing Australian share prices from 1980 to 2010.

If we look back (admittedly it's always easier with hindsight) it shows us that shares were above their long-term trend in 1987 and for those who could, it may have made sense to take a little risk off the table and reduce exposure to shares.

Similarly in 2007 the graph shows that shares were a very long way above their long-term trend and greatly overvalued. Like 1987 the lead-up to 2007 was a good time to sell and a bad time to buy.

After the so-called global financial crisis in 2007 share prices fell below their long-term trend suggesting it was a good time to add to your shareholdings.

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## How do your superannuation arrangements stack up?

Are they:

- Simple to use and easy to manage?
- Cost efficient?
- Able to provide a wide range of investment options to meet different members' needs?
- Flexible on group insurance?
- Compliant with Choice of Fund requirements?
- Suitable for your business?
- Able to provide free financial advice on all wealth creation needs?
- Strong on educating members?
- Able to offer members extended benefits via discounted financial, lifestyle and entertainment offers?

Call Chifley on **1800 800 002** to discuss your superannuation arrangements.

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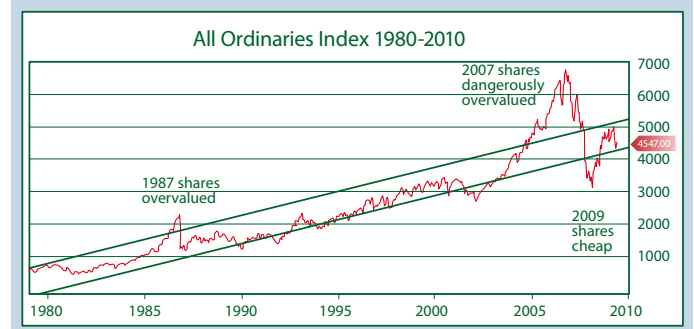
**So where are we now?**

Right now, share prices are within their long-term trend indicating that holding shares should result in an acceptable return over the long term.

A general rule of investing is that you buy when prices are low and sell when prices are high. If we accept this advice now is a time to do nothing and just hold your long-term allocation in shares. This is because shares are not cheap enough to suggest adding to portfolios and only just above their average long-term price which does not indicate the sort of danger that would make one run away from the markets.

Of course, this trend is a long-term trend and does not suggest that we won't see some more volatility in the next little while with so much uncertainty in the world.

I must emphasise this is advice from a funds management perspective and does not constitute personal advice as it does not take into account your personal objectives, financial situation or needs. Prior to making any investment decision you should consult your financial planner.



# Have you set up a Policy Committee?



A Policy Committee is a body with equal employer and employee representation whose purpose is to act as the main point of contact between the employer and FuturePlus Super. Some of its functions may include reviewing the features of the employer sub-plan, considering whether things like the default investment options, insurance, performance are suitable and up to date and reviewing the fund's performance.

There are two great advantages for the employer in having a Policy Committee. First, the presence of employee representatives on the committee makes the employer's superannuation arrangements transparent and is a means of

keeping abreast of employee needs as they change over time. Second, it means that the responsibility for making decisions about the employer superannuation arrangements is more broadly based than is often the case and therefore more likely to reflect the needs of both the employer and its staff.

There are certain rules that need to be followed when setting up and operating a Policy Committee which are outlined in the brochure "A guide to your policy committee" which can be obtained by calling Member Services on **1800 067 059**.

However if you are interested in establishing a committee, a Chifley Financial Services representative would be happy to visit your workplace to explain the best way to go about it. Once the committee is established your Chifley representative will attend all committee meetings to help you run them as well as responding to any suggestions or feedback that arises.

If you would like further information, please contact us on **1800 800 002** and ask to speak to your Relationship Manager.

# Budget update

The Federal Budget contained fewer changes to super than the previous one, possibly because the Cooper Review had not presented its final conclusions at the time it was released. The changes it did announce will not take effect for some time but it is important to be aware of them and how they might affect you. The following is a summary of proposed budget measures which relate directly to employers.

## Superannuation Guarantee to rise to 12%

The most significant change in the budget was the announcement that the SG rate would rise from 9% to 12%. This 3% increase however will be phased in over a six year period with the first increment starting in July 2013 and the final one in July 2019. The table below outlines the effective dates for each rate increase:

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Financial year	SG Rate (%)
2009-10 to 2012-13	9
2013-14	9.25
2014-15	9.5
2015-16	10
2016-17	10.5
2017-18	11
2018-19	11.5
2019-20	12

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If employers are already making contributions in excess of the minimum SG requirements they will only need to worry about these new rates when they exceed their current level of contributions.

### Super Guarantee for people over 70

Australians who continue working between the age of 70 and 75 will be eligible for the compulsory Superannuation Guarantee contributions (currently 9%) for the first time. At the moment people in this age bracket are limited to voluntary salary sacrifice contributions and/or personal post-tax contributions except for those cases where SG contributions are required under an Award. This measure will take effect from 1 July 2013 and is aimed at providing an incentive for older people to remain in the workforce.

### Reduction in personal income tax rates

The Government has upheld its commitment to honour the previous Government's tax commitments. In the financial year 2010-11:

- The 30 per cent threshold increases from \$35,001 to \$37,001; and
- The second top marginal tax rate falls from 38 to 37 per cent. The table below provides a comparison between the previous and new tax rates.

Rates from 1 July 2009		Effective rates from 1 July 2010	
Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)
0 - 6,000	0	0 - 6,000	0
6,001 - 35,000	15	6,001 - 37,000	15
35,001 - 80,000	30	37,001 - 80,000	30
80,001 - 180,000	38	80,001 - 180,000	37
180,001+	45	180,001+	45

Note: excludes 1.5% Medicare Levy

### \$50,000 Concessional contributions cap to continue beyond 2012

The Government has proposed to allow individuals age 50 and over with superannuation balances less than \$500,000, to make Concessional contributions of up to \$50,000 per annum (indexed) after 1 July 2012. This will allow people to top up their super as they approach retirement as long as their account balance is under the threshold.

### Co-contributions – Matching level frozen at \$1,000

Measures announced in the federal budget 2009-10 reduced the maximum Co-contribution payable on eligible Non-Concessional contributions to \$1,000 from the previous maximum of \$1,500 and the maximum was going to revert to \$1,500 in 2014-15. However, the Government has decided to make the current maximum level of \$1,000 permanent.

Furthermore, the Government has indicated it will freeze, for the next two financial years, indexation of the income levels at which Co-contribution payments start to reduce (\$31,920) and where it cuts out completely (\$61,920). In other words, the rules that applied in the last financial year (2009-10) will apply for the next two financial years (2010-11 and 2011-12).

### New Government contributions for low income earners



While the Government has reduced the benefits available to low income earners under the Co-contribution scheme it has introduced a new scheme which will refund the 15% contributions tax levied on employer contributions up to a limit of \$500.

The new contribution is equal to the contributions tax payable for someone who is earning \$37,000 per year. The maximum payment will be \$500 and the first payment will occur in 2013-14 based on contributions made in the 2012-13 financial year.

The contribution for those who earn less than \$37,000 per year will be on a pro rata basis. For example, if a member earns \$24,000 per year, the employer would normally pay \$2,160 in SG which would attract contributions tax (15%) of \$324. This member would therefore receive a refund of \$324, assuming that they were otherwise eligible.

Eligibility is determined when the member completes their tax return and the Fund reports contributions to the ATO. The employer is not required to do anything additional in relation to this new scheme.

## Administration reminders



### Contributions for those over age 70 years

Remember to warn employees approaching the age of 70 that you will soon no longer be able to make superannuation contributions on their behalf.

Under superannuation law, employers cannot make Superannuation Guarantee (SG) contributions on behalf of staff members after they turn 70 years of age. However, employers can contribute for those over the age of 70 if they are required to under an award agreement.

Employers should advise us of any contributions paid under an award agreement as "additional employer" contributions when remitting contributions.

Mandated contributions, which are contributions agreed to as part of an agreement between the employer and employee, can continue to be made past age 70. Employers should advise of mandated contributions as "additional employer" contributions when remitting contributions.

Employees aged 70 to 74 are free to make their own personal superannuation contributions from their after-tax income, or to direct their employer to make salary sacrifice contributions on their behalf.

The only requirement is that an individual making contributions must have worked a minimum of 40 hours over a period of 30 consecutive days. If they fail to meet this work test, no contributions can be accepted for that person other than mandated contributions.

### Exiting members

When completing the Employment Termination Advice (ETA) form please ensure that if you still have to remit member contributions after you forward the ETA, you answer "No" to the question: "Have all contributions for this member been paid?"

Please advise the date they are likely to be paid in the date boxes.

### New members

In line with the FPS rules, we are not permitted to create a new member account without having received a contribution for the account. Please advise of any new members when providing their initial contribution rather than providing the new member advice prior to sending the contribution.

You can provide the new member details in the contribution file or separately, but if you have a separate new member file, please send it at the same time as your contribution file. Please ensure that you include the new employee's full given names

and surname, date of birth, address, date they commenced employment and their Tax File Number.

Please remember to update your Payroll system with the member numbers for your new employees which are sent to employers in a fortnightly letter following the creation of the member's account.

### Member numbers

We require member numbers on all contribution files. If you need to update missing member numbers on your payroll system please ring the Employer Helpline and request a file of all your active members.

### FuturePlus Super – Contributions

It is important that you correctly identify the contributions that you remit in your contribution files. The contribution types are:

**Superannuation Guarantee (SG)** – most employees under the age of 70 are entitled to this minimum compulsory employer superannuation contribution which is currently 9% of ordinary time earnings.

**Member post-tax contributions (MV)** – employees may arrange for contributions to be deducted from their post tax salary or wages as personal contributions to their own account.

**Member pre-tax contributions (SS)** – employees may arrange for contributions to be deducted from their pre tax salary or wages as salary sacrifice contributions to their own account.

**Additional employer contributions** – employers may make additional contributions for members on top of SG contributions. These may be compulsory contributions under an award or industrial agreement.

**Spouse contributions** - employees may arrange for contributions to be deducted from their post tax salary or wages and paid into an account set up under the name of their spouse.

SG, SS and additional employer contributions are Concessional contributions and are subject to 15% contribution tax on receipt by the Fund Administrator. MV and spouse contributions are Non-Concessional contributions.

Please refer to the **Employer Handbook** for additional information regarding the above.

Please note that FuturePlus Super Fund files should not include negative contributions. If you have made an error and need money to be refunded, please email the details separately to [employerservices@futureplussuper.com.au](mailto:employerservices@futureplussuper.com.au).

Also, please ensure that contribution files do not include formulas in the contributions fields and that the fields are set to two decimal places. When formulas or the contribution fields are converted to values to two decimal places, discrepancies between file totals and the contribution payments can occur.

### Make sure forms are current

Please ensure when you complete an employer form or provide an Application for Membership form to an employee, it is a current form. For legal reasons we are unable to accept old, out-of-date forms. Most current forms are available in the Forms section of the FuturePlus Super website, or are otherwise available by emailing [employerservices@futureplussuper.com.au](mailto:employerservices@futureplussuper.com.au) or calling the Employer Helpline on **1800 636 441**.

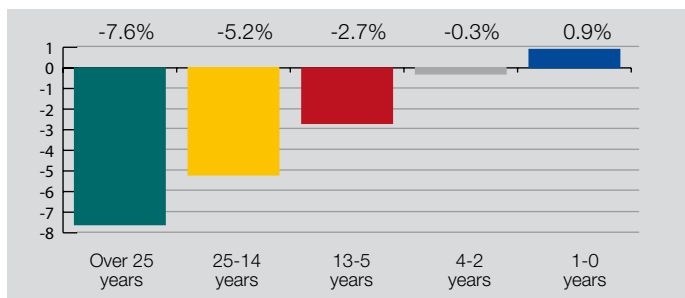
# Performance

For the quarter ending 30 June 2010

## LifeCycle Objective Management Program

The returns for the LifeCycle Objective Management Program are:

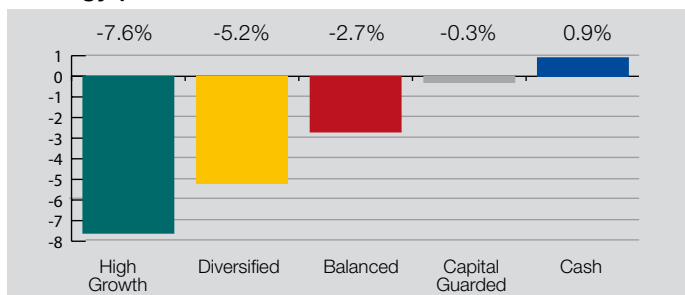
### Number of years remaining to retirement



## Managed Portfolio Program

The returns for the Managed Portfolio Program are:

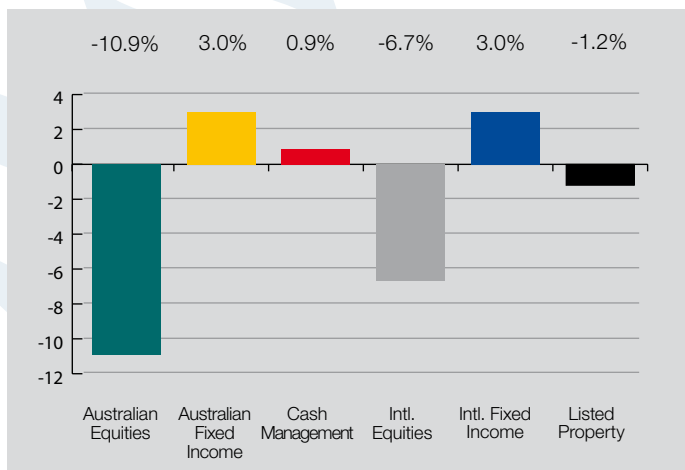
### Strategy performance



## Member Choice Program

The returns for the Member Choice Program are:

### Investment pool returns



All returns are shown to one decimal place.

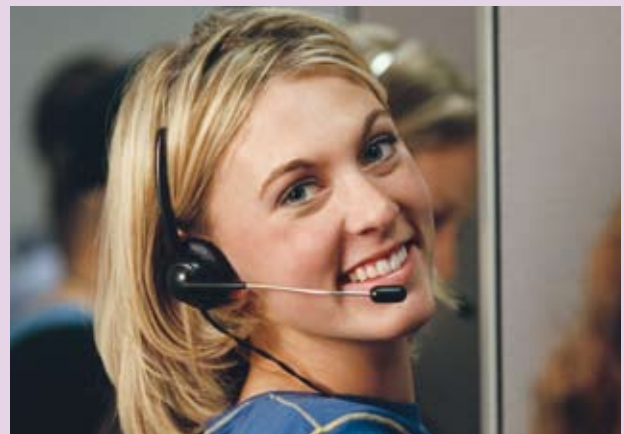
## Quarterly SG contributions

The following table obtained from the ATO lists the cut-off and lodgement dates for quarterly contributions.

Superannuation Guarantee quarter ended	Cut-off date for Superannuation Guarantee contributions	Due date for lodgement of an SG statement and payment of the SG charge if contributions are not made on time.*
1 July - 30 Sept	28 October	28 November
1 Oct - 31 Dec	28 January	28 February
1 Jan - 31 March	28 April	28 May
1 April - 30 June	28 July	28 August

\* The SGC is not tax deductible and cannot be reduced by the ATO.

# Keep us up to date



Please keep us informed of any changes to your contact details.

So that we can communicate with you as efficiently and directly as possible you should send details of any payroll personnel changes or postal or email address changes to [employeronline@futureplussuper.com.au](mailto:employeronline@futureplussuper.com.au) so that we can keep our records up to date.

# How have investment markets performed?

The main focus of economic news turned to Europe during the quarter with several countries including Greece, Spain, Portugal, Ireland and Italy facing doubts about whether they would be able to meet their debt obligations. Greece, in particular, had its debt rating cut to below investment grade as the risk of a default increased. This sparked a big sell-down in global share markets as concerns emerged about which companies had exposure to the debt of these nations and what effect it would have on the wider European economy.

Domestically, the overriding feature of the Australian economy seemed to be stability. Unemployment has levelled out at a rate of 5.2% by the end of June and the rate of inflation is within the Reserve Bank's target range. One worrying area of the economy is the rate of property price increases with numbers indicating a year-on-year increase of 20%. This has been one of the reasons the RBA has been inclined to raise interest rates. With a pull-back in the first home buyers grant and other housing initiatives, this rapid increase in prices is unlikely to continue, but how the housing market performs without artificial stimulus is something to watch out for.

In the US, there are still structural issues that need to be addressed before investors can start to believe in a sustained economic recovery. The level of household debt is still at very high levels and with unemployment remaining in the 9.5-10% range it is difficult to see this improving any time soon.

**The market commentary below is provided to give an indication of the various factors affecting the investment performance of individual asset classes. It is based only on the gross performance of the relevant market index and no allowance is made for taxes or fees as they apply in your superannuation investment. It is provided merely as an indication of relative performance between asset classes and should not be used as a measure for judging the performance of an investment strategy.**

## Australian Equities

The Australian share market benchmark, the S&P/ASX200 Accumulation Index, returned -11.1% for the quarter. The market really struggled after a good start to the quarter with a 6.5% return in April. From there, though, it was all downhill with mainly

macroeconomic news driving the market down as concerns emerged about the debt situation in some European states and its ramifications.

## International Equities

International shares, like the domestic market, performed poorly after a positive start with the benchmark for global shares, the MSCI World ex-Australia Index, returning -11.8% on a currency hedged basis. The currency impact was significant in the quarter with the Australian Dollar falling against most of the major currencies, with the exception of the Euro. It is difficult to see where the markets will go from here but they are sure to be volatile for the next few months.

## Listed Property

Australian Listed Property finished the quarter down with the S&P/ASX200 A-REIT Accumulation index returning -1.3%. This was a considerably better performance than shares in general as the property fundamentals limited the downside. Previously, listed property companies had received significant sell-downs due to their high levels of debt but, after significant capital raisings, investors were able to focus on the underlying property valuations, which have remained relatively stable and provided some growth.

## Cash and Fixed Interest

There were a further two interest rate rises in the quarter with the Reserve Bank of Australia raising rates by 0.25% in April and May amidst concerns that the economy may be growing at too fast a rate following the general recovery. Rates are now at a level considered to be 'normal' as the stimulatory Government spending measures of last year have been progressively removed or wound back. There is scope for further rate rises but this is likely to be at a much slower pace than we have seen so far.

Short-term money markets produced decent returns with the UBS Bank Bill Index finishing up 3.6% for the quarter. Bond markets also produced significant returns over the quarter (particularly when compared with shares) with the UBS Australian Government Bond Index returning 4.1% as investors sought quality investments as a replacement for shares. Globally, government bond prices increased with the benchmark S&P/Citigroup World Government Bond Index (Hedged) returning 3.5% as the 'flight-to-quality' extended to global bond markets.

## We have branches at:

**Sydney:** 28 Margaret Street  
**Lismore:** 81-83 Molesworth Street  
**Newcastle:** 161 King Street  
**Orange:** 187 Summer Street  
**Parramatta:** Suite 3, Ground floor, 10-14 Smith Street

**Wollongong:** Shop 2/60 Burelli Street  
**Wagga Wagga:** Shop 2/209 Baylis Street  
**Albury\*:** 621 Dean Street

\* Bookings are essential. Phone 1800 067 059 to make an appointment.  
Office hours 8.30am - 5.00pm Monday - Friday

Employer Helpline: 1800 636 441  
Member Helpline: 1800 067 059  
Employer Fax: (02) 9299 9321  
Member Fax: (02) 9279 4131  
Website: [www.futureplussuper.com.au](http://www.futureplussuper.com.au)

Address: Ground Floor  
28 Margaret Street, Sydney  
Write: PO Box N835  
Grosvenor Place NSW 1220

Email: [employerservices@futureplussuper.com.au](mailto:employerservices@futureplussuper.com.au)  
(general employer queries)

Email: [employeronline@futureplussuper.com.au](mailto:employeronline@futureplussuper.com.au)  
(contribution files and changes)



**FuturePlus  
Super**

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