

Scoop on Super

Your super magazine, Autumn 2011



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Welcome to our first issue of Scoop on Super for 2011.

The hot topic in the industry at the moment is the recommendations made to Government as a result of the Cooper Review. Whether the Government is willing and able to implement the proposals, and how it would affect us all is matter for ongoing debate. For a complete overview of the proposals and likely changes turn to page 3.

The Board of Trustees always keeps a close eye on the fund's investment strategy and it is pleasing to see the 12 month returns back in the top quartile when compared to other funds.

Our new website was launched in the later part of last year. If you haven't checked it out yet, go to www.walgsp.com.au. It includes lots of information such as fund performance, recent news, fact sheets and calculators plus much more. While you're there, why not subscribe to our monthly email newsletter? The website also features our Online Member's area, for information on how to get access to your account online turn to page 7.

For some super saving tips to help you reach your retirement goals this year turn to page 6 and then to page 5 for a reminder on how to cash in on the Governments Co-contribution this financial year.

That is about it for now, I hope you enjoy your issue and please call us if you have any queries.

John McNally
Chief Executive Officer



Contact us

Administration:

Level 11, 105 St George's Terrace, Perth WA 6000
PO Box Z5493, St George's Terrace, Perth WA 6831
Tel: (08) 9480 3500 or 1300 99 85 42 (country WA)
Fax: (08) 9480 3501
Email: info@walgsp.com.au
Website: www.walgsp.com.au

Trustee:

WA Local Government Superannuation Plan Pty Ltd
ABN 64 066 797 162, AFSL No 269006
RSE Licence No L0001137, RSE Registration No R1004380

WA Local Financial Services Pty Ltd trading as Western Financial
AR No 302707 Administrator and Authorised Representative of WA
Local Government Superannuation Plan Pty Ltd ABN 64 066 797 162

western financial



Stronger super?

On the morning of the 16 December 2010 the newly appointed superannuation minister, Bill Shorten, unveiled the Government's Stronger Super package. This package was formed in response to the Super System Review which occurred earlier in 2010.

The intention of the Government's reforms is to make Australia's superannuation system stronger and more efficient and help to maximise retirement incomes for members. Whether this is realistic and achievable is still a matter for debate.

Overview of Reforms

My Super: This is a new low cost and simple superannuation product that will replace existing default funds. From 1 July 2013 Super funds will be allowed to provide MySuper products. All funds that offer a default product will have to comply with the rules and legislations enforced by the Australian Prudential Regulation Authority (APRA).

The intention of MySuper is to reduce fees by up to 40% and to increase the retirement incomes of all Australians. It has been suggested, if it goes ahead, it will lift superannuation balances by around \$40,000 or 7% after 37 years in the work force.

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Super news



Whether this is realistic and achievable is still a matter for debate. Little change will come about for those of you already a member of WALGSP as we already operate on low fees and no commissions and run only to profit our members.

SuperStream: The Government will introduce SuperStream from 1 July 2011. This is a package of measures designed to enhance the 'back office' of superannuation. The intention of these measures is to improve the productivity of the superannuation system and make the system easier to use which may lead to lower costs and better services to members.

In order to do this, from 1 July 2011, tax file numbers will become the primary identifier of member's accounts. This will be subject to strict conditions to ensure privacy and security of information. Using TFN's will also help members to find lost accounts and reduces the chance of losing their super in the future.

Self Managed Superannuation Funds: In order to improve integrity and increase community confidence in this section, the Government will implement a range of measures relating to Self Managed Super Funds. They will also improve the operation and efficiency of the sector by enabling more efficient transactions, including rollovers from superannuation funds regulated by the Australian Prudential Regulation Authority.

Governance: The Government is proposing measures to strengthen the integrity of the superannuation system to improve trustee and fund decisions and efficiency and effectiveness.

The next step

The Government is currently establishing consultative groups in early 2011 to discuss the measures and consult on the design and implementation of them.

For more information on the Governments response to the review, the Stronger Super package can be found at www.strongersuper.treasury.gov.au.

Co-Contribution.

An extra \$1,000 from the Government to boost your super... How nice is that?

The end of the financial year will be upon us again in no time at all so there is no better time than now to check if you will be eligible to receive the Government's co-contribution payment of up to \$1000.

The Government co-contribution is a measure introduced to help boost retirement savings. If you're a low to middle income earner and personally contribute money into your super (after tax) you may receive a bonus contribution from the Government, tax free.

How does it work?

If you are eligible, for every \$1 you contribute after tax into your super fund the Government will contribute another \$1 up to a maximum of \$1,000. The amount you can get is reduced by 3.333 cents for every \$1 you earn over \$31,920 up to \$61,920.

Am I eligible?

To qualify for the contribution you must (during this 2010/2011 tax year):

- Make a personal super contribution after tax by 30 June each year into a complying super fund or retirement savings account.
- Have a total income less than \$61,920 (assessable income, reportable fringe benefits and reportable superannuation contributions, less allowable business deductions).
- Be a permanent resident and aged less than 71 years of age at the end of the financial year you made the payment.
- Lodge a tax return for relevant income year.
- Earn 10% or more of your total income (excluding allowable business deductions) from eligible employment, running a business or a combination of both.
- You must not hold a temporary resident visa at any time during the income year, unless you are a New Zealand citizen or a holder of a prescribed visa.

How can I make a contribution?

There are three easy payment options open to you:

BPAY® – Our Biller Code is 18622 and your BPAY® reference number can be obtained by logging onto the secure Member Log In area of our website or by calling us. If you choose this payment option, you need to get your contribution in by 5.00pm, 29 June 2011.

Cheque – whether you deliver it personally or send it by snail mail, we'll need your cheque by 5.00pm, 30 June 2011.

Employer arrangement – talk to your pay office about making non-concessional contributions. Again, we'll need your contribution by 5.00pm, 30 June 2011.

How do I get my co-contribution?

- Ensure you have given us your Tax File Number
- Make a contribution into your account by 30 June
- Lodge a tax return as per usual

Then the tax office will pay the co-contribution into your super fund account.

More Information

If you would like to know more, visit our website at www.walgsp.com.au and download a brochure or try our online calculator to work out how much you could be eligible to receive.

5 ways to reach your super saving goals this year

- 1 Consolidate.** If you have worked for a while or had a few jobs, you'll probably have money in several super funds. Money in multiple super accounts is vulnerable to more fees and charges and over the long term could cost you dearly. To cut down on paper work and for greater control you should consider rolling your entire super into one account but be sure to check any insurance or other benefits you may lose or exit fees, before doing so.
- 2 Find lost Super.** If you've moved house, changed jobs or even changed names, your super could have lost you. However it's never too late to try and find it. By spending a couple of minutes on the Australian Tax Office website you could find hundreds of dollars that belong to you. To find your lost super today visit www.ato.gov.au and go to the SuperSeeker tool or call us on 9480 3500. Get your money before the Government does!
- 3 Check your insurance cover.** As recent research suggests, Australians are drastically underinsured when it comes to life insurance. Many Australians have life insurance but not the correct amount of cover. Different milestones in your life usually coincides with an increase in the level of financial responsibility you take on. Milestones such as purchasing your first home, becoming a parent or changing you career, all increase the level of financial responsibility you now have and therefore should increase the amount of insurance you have. You should ask yourself; what type of cover have you got and is that enough to get you by?
- 4 Mix Right.** If you are putting personal contributions into your super you should make sure you are getting the most out of it. A small change in making personal contributions before tax to after tax or vice versa could potentially boost your super by thousands. Here is how it works:
 - If you are currently earning under \$61,920 per annum (pa) you could be taking advantage of the super co-contribution payment from the Government by making your personal contributions after tax. Depending on your annual income the Government can match up to \$1,000 of your personal super contributions. (For more info on this see the article on page 5.)
 - If you are earning over \$61,920 you would generally be better off making personal contributions before tax (salary sacrifice) in order to save on tax. Salary sacrificed super contributions are taxed at 15% which may be lower than your marginal income tax rate.For more detailed information on the different types of contributions you can make visit our website at www.walgsp.com.au/Members/Contributions.aspx or alternatively give one of our account managers a call on 9480 3500 and they will be sure to help you.
- 5 Get expert advice.** At WALGSP we provide our members financial advice at no extra cost. If you would like more information on any of these super saving tips or an extra hand getting your super sorted give us a call on 9480 3500 or email us at admin@walgsp.com.au today. We are here to help so why not make the most of it?

Are your **contact details** up to date?

WA Local Super can only keep you informed if your details are up to date. If we have out of date details you could miss out important information such as, fee changes or changes to legislation regarding your super, and reports on how your super is performing.

To keep your contact details up to date and to stop missing out on important information about your Super, register for access to our Online Member area. Our secure member's area allows you to update your details easily and whenever it's convenient for you. You can also update your beneficiaries, change investment options for future contributions and view your insurance details.

How to register

To register to use the Online Member's area, head to our home page at www.walgsp.com.au then navigate and click on the 'Member Register' button on the top right hand corner of the home page. Simply enter all your information in the fields required and hit 'Sign up', you will then receive an email with your access details, including a PIN number.

Once you receive your registration confirmation email you should be able to log in. The first time you log in you will be required to change your password/pin to something of your choice.

I am logged in, so what can I do?

Once you are logged in you can choose from a range of options on the left hand side. To update your details click 'Member Basic Details' in the left hand column and enter your new information in the available fields. Remember to click 'Submit Change' when you're done and before leaving the page so your new information is saved!

To make any other changes simply navigate to the different sections by clicking the links on the left hand column.

Not computer savvy?

That's not a problem, we appreciate that not everyone is cyber-connected. If this is the case and you would like to update your contact details, beneficiaries or investment options, please give one of our friendly account managers a call as they will be happy to help.



The facts of life insurance

Despite most Australians having some life insurance cover within their super, we are still one of the most underinsured nations in the developed world.

In fact:

- 6 out of 10 Australians do not have sufficient life insurance cover to care for their families for more than a year, if they were to die prematurely¹ and
- Every day, more than 65 families are impacted by an event that seriously affects their ability to earn an income and support their children².

To address this issue, Lifewise (an initiative of the Investment and Financial Services Associations) is encouraging Australians to take appropriate steps to protect themselves from financial hardships caused by injury, sickness or death.

In support of this program and to help change the perception amongst Australians that insurance companies do not pay claims, we decided to put our insurer to the test.

Currently the Fund's insurance is provided by Tower Australia Limited. Tower has been in operation in Australia since 1990 and has over 1000 dedicated staff Australia-wide. They are currently protecting the financial security of over 1.1 million Australians.

We approached Tower to provide us with statistics for all approved and declined claims from 1 January 2010 – 31 October 2010, we also requested to know the reason behind declined claims if any.

These were the fantastic results:

Type of claim	Approved
Death	100%
Terminal Illness	100%
Total and Permanent Disablement (TPD)	85%
Salary Continuance Insurance	100%
Grand total of all claims approved	96%

Out of a total of 77 claims made, only 3 were declined. Two were due to the definition of TPD not being met and the other was declined as the member was not TPD as he was capable of returning to his previous occupation on a full-time basis.

If you would like to know more visit our comprehensive website as www.walgsp.com.au/Members/Insurance.aspx or give one of our friendly account managers a call on 9480 3500.

Why insure through super?

- Insurance through super is generally cheaper than an individual policy you might buy with an insurance agent or broker.
- Premiums are conveniently deducted from your super account.
- Payment is tax-effective, because super contributions are only taxed at 15%.

¹ 'Fast facts – a nation overexposed' - Investment and Financial Services Association, 2005.

² 'First-time ever figures: Over one in five working age parents will die, become seriously ill or injured, new research shows' – Financial Services Council, 2010.

Fund update

Performance to 31 January 2011

January was dominated by international unhedged shares, which benefited from the \$A falling from its absolute high set on December 31 – hit by concerns over the impact of the natural disasters.

The floods in multiple states, followed by Cyclone Yasi, dominated the financial market outlook during the month. The preliminary conclusions were that an estimated \$5bn would need to be spent on reconstruction. Business interruption, loss of tourism, mine closures and lost infrastructure were estimated to subtract 0.5% from GDP in the near term. While there will be some incremental GDP impact during the reconstruction phase, Treasury poured cold water on the notion that it would be a net stimulus – especially when coupled with the effect of \$2bn of tax levies to help preserve the balanced budget promise.

There is no doubt that inflation will spike due to the impact on food prices – much less severe events have had measurable effects previously, notably the “petrol and bananas” CPI shock in 2007. However, markets looked through the temporary price impacts to the bigger picture view that interest rates were firmly on hold, and the 20bp rally in bond yields saw bonds return more than double the cash rate (at +0.9%) even while international bonds continued to sell off – barely breaking even in the month on rising yields.

While the Australian market was broadly flat, the A-REIT index returned nearly 3% - rebounding from a 12% underperformance in the previous 4 months.

December saw just +2300 jobs created (compared to +54,600 in November), which didn't stop unemployment hitting a new cyclical low of 5%. Retail sales remained muted at just +0.2% for the month.

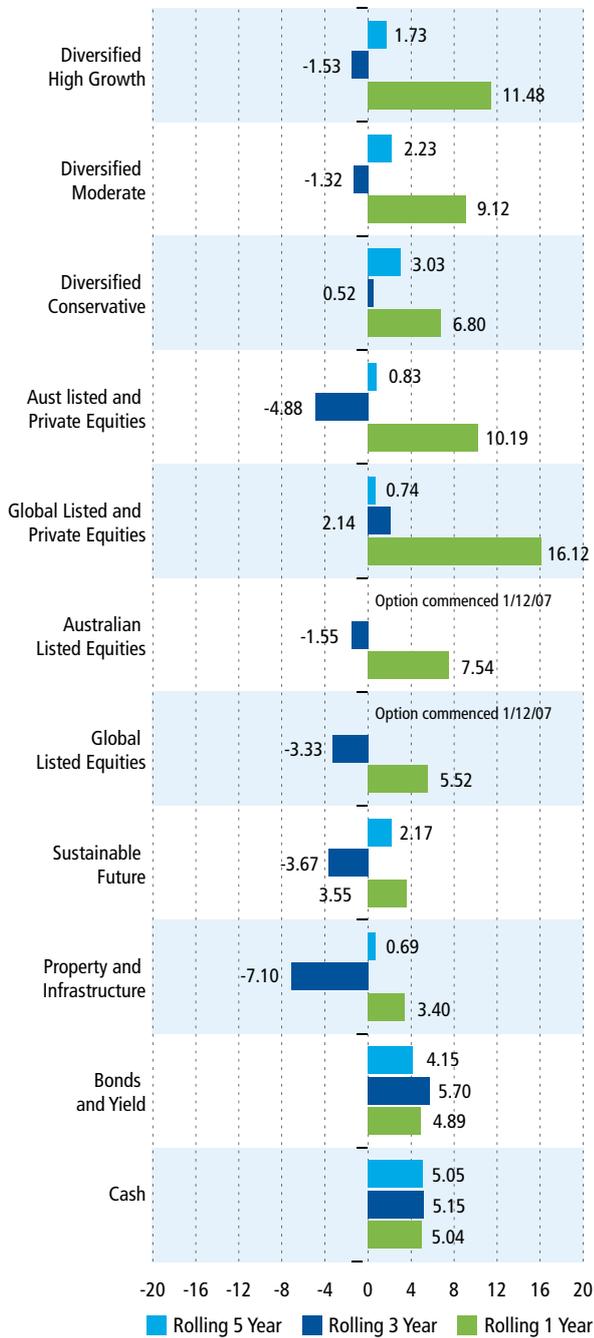
The month also saw (ultimately successful) protests in Egypt against the Mubarak government – henceforth referred to as the “Mubarak regime” after President Obama distanced himself from the US' former ally. While relatively peaceful, by the standards of military coups, it is not clear what the ongoing implications will be for Egypt, oil prices, or the stability of the rest of the Middle East. A utopian outcome would be a democratic and open Egyptian economy. The cheering from Iran suggests otherwise.

In \$US terms, the MSCI Emerging Markets index fell -2.8%, spooked by a combination of Egypt's uncertainty and the contractionary policies of China – clearly trying to engineer a “soft landing” having reflat the economy post GFC and probably overdone the stimulus. The MSCI EM contrasted with stockmarkets like Spain (+9.6%), France (+5.3%) and even the US (+2.3%) – contributing to a pullback in the returns of Global Macro funds that would have been positioned to take advantage of growth differentials.

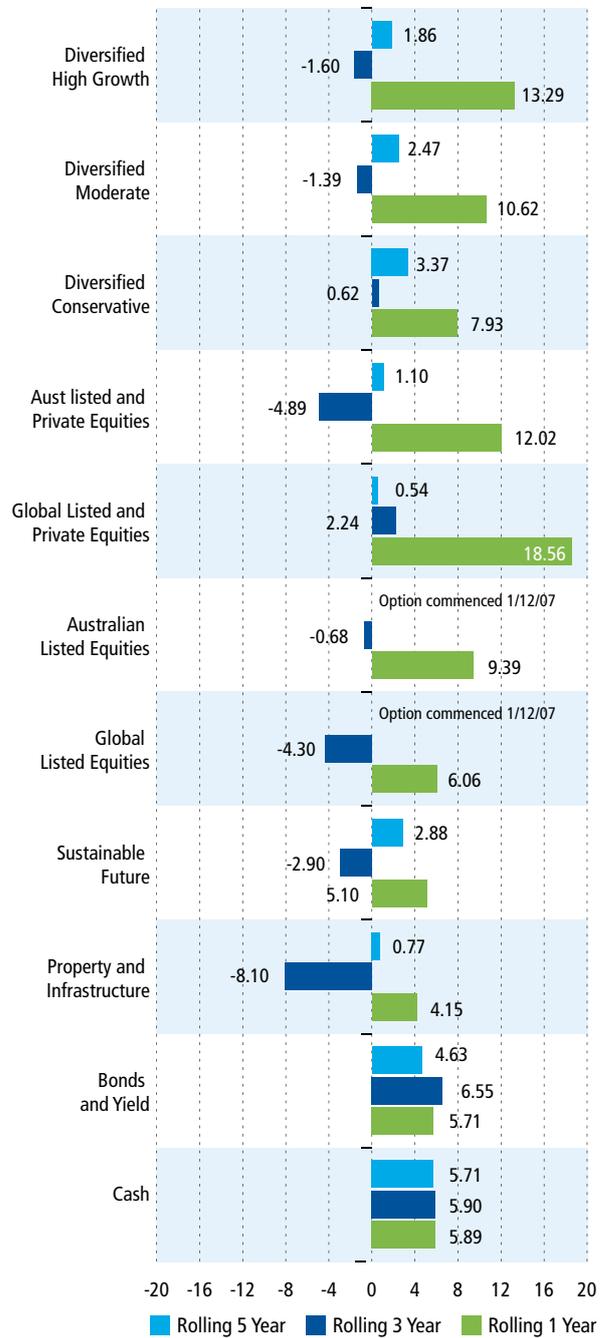
The credit market was broadly flat, inching to a new 12 month low of 84bp. The iTraxx Australia widened from 103bp to 114bp, with short term trading again flood-driven (almost all recouped in February).

The rates quoted below are net of fees and taxes.

Superannuation Accounts Performance to 31 January 2011



Retirement Solutions – Income Stream Performance to 31 January 2011



Performance rates contained in the graphs above are the Funds "Declared Rates". Members who have payments from the Fund will have a mixture of "Declared" and "Interim" rates applied to their payment.

Please refer to the Product Disclosure Statement or contact the Fund for additional information.

Lost super search

Starting in the next couple of months we will be washing our member database against the Australian Tax offices lost member database on a periodic basis. The purpose of this is to help find our members lost super and essentially re-unite them with it.

We will contact any member for whom we find some lost super!



If you're a member of
WA Local Government Super,
ME Bank is *your* bank.



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