

Super Business



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THE EDUCATED CHOICE



AN UPDATE FROM YOUR SUPER FUND

JUNE 2009

Federal Budget 2009: small change but with significant long-term effects



From a superannuation point of view, the Government's 2009 Federal Budget didn't contain broad sweeping changes. However the long-term consequences of the changes that were made may be significant.

Changes to before-tax contribution limits

From 1 July 2009, the limits on before-tax contributions will drop from the planned \$100,000 to \$50,000 for people over the age of 50 and from \$55,000 to \$25,000 for people under the age of 50. Before-tax contributions – also known as concessional contributions – are any contributions an employer makes on an employee's behalf or any before-tax contributions an employee might make, such as salary sacrifice.

Until 1 July 2009, the limit for people under the age of 50 is \$50,000. Before the budget was delivered, this amount was due to be indexed to \$55,000 but instead will be reduced. However, in the future, the \$25,000 cap will be indexed annually and from 2012 the limit for everyone, regardless of age will be \$25,000 (or its indexed equivalent).

This is an important change, so what does it mean?

The change to the before-tax limit from 1 July 2009 means that making large before-tax contributions in the lead-up to retirement will be more difficult in future.

If employees have more time before their retirement, they may wish to review their

broader superannuation contribution strategy and consider increasing their contributions each year over a longer period rather than playing catch up later. This strategy will also allow them to take advantage of the compounding effect of their contributions over a longer time frame.

Keep in mind that the after-tax contribution limit remains unchanged and members can still make up to \$150,000 in after-tax contributions to their super on a yearly basis.

It is not the employer's responsibility to ensure that staff do not go over the limits. However, your staff will incur tax penalties if they do exceed the limit.

Action point

Ensure that staff are aware of these changes and the need to review their arrangements to ensure that they remain under the new Government limits. This is particularly important for those staff who salary sacrifice large amounts to their super and have a transition to retirement pension in place.

In this issue

- 1 Federal Budget 2009
- 2 Federal Budget 2009 (continued)
- 3 Investment update
- 4 Super news
 - NGS Super to partner with Mercer to provide member services and administration

Contact details

(Continued overleaf)

The Government co-contribution will be temporarily reduced

From 1 July 2009 the co-contribution will drop from a maximum of \$1.50 for every dollar contributed after-tax to a maximum of \$1.00 for every dollar.

This change was announced as a temporary measure, and the table below shows the temporary decrease and its return to current rates over the next five years.

FINANCIAL YEAR	GOVERNMENT CO-CONTRIBUTION RATE	MAXIMUM CO-CONTRIBUTION AVAILABLE
2008 - 2009	\$1.50 per dollar	\$1,500
2009 - 2010	\$1.00 per dollar	\$1,000
2010 - 2011	\$1.00 per dollar	\$1,000
2011 - 2012	\$1.00 per dollar	\$1,000
2012 - 2013	\$1.25 per dollar	\$1,250
2013 - 2014	\$1.25 per dollar	\$1,250
2014 - 2015	\$1.50 per dollar	\$1,500

The full co-contribution is available for people whose assessable income is less than \$30,342 per year (\$31,920 from 1 July 2009) and decreases as income increases. The maximum assessable income to be eligible for the co-contribution is \$60,342 (\$61,920 from 1 July 2009). This range is indexed each financial year.

The Age Pension eligibility age will increase from 65 to 67 by 2023

The qualifying age for the Age Pension will increase from 65 to 67. This will be a gradual increase that will start on 1 July 2017 and will reach 67 on 1 July 2023. The following table shows how this change will work:

DATE	NEW PENSION ELIGIBILITY AGE	AFFECTS PEOPLE WHO WERE BORN BETWEEN:	THIS GROUP WILL REACH THE NEW PENSION AGE FROM:
1 July 2017	65 years & 6 months	1 July 1952 to 31 December 1953	1 January 2018 to 30 June 2019
1 July 2019	66 years	1 January 1954 to 30 June 1955	1 January 2020 to 30 June 2021
1 July 2021	66 years & 6 months	1 July 1955 to 31 December 1956	1 January 2022 to 30 June 2023
1 July 2023	67 years	From 1 January 1957	From 1 January 2024

Some lost super accounts will be transferred to the ATO

From 1 July 2010, some lost super accounts will be transferred to the ATO in an effort to reduce the number of inactive accounts and to assist members with consolidation.

Accounts that will be transferred include those:

- with a balance of \$200 or less
- where there are insufficient records to identify the owner of the account and
- where the account has been inactive for five years or more.

Even though the money is being transferred to the ATO, it can still be claimed by members. There's more information available on the ATO website at www.ato.gov.au.

Salary sacrifice contributions will be taken into account when determining eligibility for some Government benefits

From 1 July 2009, any salary sacrifice contributions will generally count towards an individual's income when assessing eligibility for certain Government benefits, including the super co-contribution. This may reduce or eliminate co-contribution eligibility for some members who may have qualified previously due to salary sacrifice arrangements. This change was announced in the previous Federal Budget but comes into effect on 1 July 2009.

Action point

Ensure that all the required reportable employer super contributions are included on Payment Summaries. Further information on reportable employer contributions is available at www.ato.gov.au/business

Seek financial advice

The changes may affect your employees' retirement plans and an investment professional can help them to make sense of these changes in the context of their current situation and needs in retirement. If any of your employees would like to speak to someone about their super, NGS Super Relationship Managers are located in our offices around Australia. They can also make school visits on request. Find more information and contact details on our website at www.ngssuper.com.au/school-visits-members/.

Investment update

After 16 straight months of turmoil, signs of recovery from the global financial crisis started to emerge in March this year with the climb continuing in April, causing many to speculate that the market downturn had in fact bottomed and recovery was underway. NGS Super's investment options have all delivered positive returns for the month in April. Compound returns for the three months to 30 April 2009 were also all positive, with the exception property, which delivered a return of -0.11% for this period.



Having experienced one of the most significant bear markets of the last fifty years, the current downturn has seen a fall of 47.3% in the All Ords, second only to the 1973-74 oil crisis when markets plunged 54%. Duration has little to do with its severity, but bear markets have lasted 15 months on average, with the longest on record being the 32 month bear market of

1980-1982. The current bear market has continued for some 16 months and may not be over yet.

NGS Super members have access to a suite of 11 investment options that provide a range of asset classes and risk profiles for individual needs. Our default option is the Diversified Option, a portfolio of 74% growth assets and 26% defensive assets. This means it's a growth investment with a higher weighting towards assets such as shares, infrastructure and property that have the potential to provide growth in the medium to long term. NGS Super has chosen this as the default option to give the opportunity to increase members' super savings over the long term, while having the adverse effects of any market downturn reduced by the investment in defensive assets.

Super is a long term investment and long term returns of five years or more give the best indication of the Fund's overall performance. While the market downturn has delivered significant negative returns

in the last year or so – and while past performance is not a guarantee of future returns – the annual compound five year returns for all options, with the exception of the Conservative and High Growth options,[#] are positive – Property and Australian Shares being best performers, delivering 6.08% p.a. and 6.42% p.a. respectively. Latest investment returns can be found on the NGS Super website, via the Superannuation investment summary link in the Investment section.

[#] The Conservative and High Growth investment options have only been available for investment since July 2007.

Action point

For more information on investments see our monthly Investment Update in the News section of our website.



Super News

BRIEF NEWS STORIES FROM NGS SUPER ON FUND DEVELOPMENTS AND COMING EVENTS

NGS Super to partner with Mercer to provide member services and administration

From 1 November 2009, NGS Super participating employers and members will enjoy improved administration and member services through the formation of a strategic partnership with our new administrator, Mercer. NGS Super and Mercer have enjoyed a long standing relationship of more than 20 years. Following an extensive evaluation process to select the new administrator, Mercer was chosen based on its proven record for high quality service, strong local and global presence and 30-years' experience in the Australian superannuation industry.

Commenting on the partnership, NGS Super's CEO, Anthony Rodwell-Ball, said "Our members demand more from us than just a place to keep their superannuation savings. They expect services to help them better manage their financial futures.

Mercer will help us expand our range of services to members so they can make informed decisions about their retirement savings and wealth management. We're particularly excited by the seamless integration that we'll be able to achieve between administration, a professional telephone financial advice model and face to face financial planning. We also intend to leverage off Mercer's proven strengths in education and sophisticated marketing and communications to ensure we significantly improve the quality of our engagement with both members and employers."

This partnership confirms and supports our commitment to increase member satisfaction, loyalty and financial literacy, positioning us as the fund of choice for the education sector.

We will keep you informed of any administration changes and new initiatives that may result from the change to the new administrator.



This is general information only – it does not take into account your objectives, financial situation or needs. Please assess your own financial situation, read the Product Disclosure Statement for any product you may be thinking of acquiring and consider seeking advice from a licensed or appropriately authorised financial adviser before acting on this information.

Non-Government Schools Superannuation Fund Pty Ltd ABN 46 003 491 487 AFSL No: 233 154 the Trustee of Non-Government Schools Superannuation Fund ABN 73 549 180 515

How to contact us

Visit our website www.ngssuper.com.au, or contact our Customer Service Team or your local relationship manager at any time. We're here to help you.

NGS Super Administration

Phone number for callers outside Australia: (61) (7) 3121 0718
Fax: (07) 3121 0724
Email: administration@ngssuper.com.au
Web: www.ngssuper.com.au

Postal address

PO Box 2095
MILTON BC QLD 4064

NGS Super Trustee Office (NSW)

Jorjet Issavi
Relationship Manager
Email: jissavi@ngssuper.com.au

Dee Duke
Relationship Manager
Email: dduke@ngssuper.com.au

Level 16, 99 Bathurst Street
SYDNEY NSW 2000
Phone: (02) 9273 7900

South Australian Regional Office

Elaine Santos Facchino
Relationship Manager
Email: efacchino@ngssuper.com.au

John Pedersen
Relationship Manager
Email: jpedersen@ngssuper.com.au

Level 1, 104 Frome Street
ADELAIDE SA 5000
Phone: (08) 8418 2400

Victorian Regional Office

Laurie Buchanan
Relationship Manager
Email: lbuchanan@ngssuper.com.au

Level 5, 737 Burwood Road
HAWTHORN VIC 3122
Phone: (03) 9811 0502

Members Equity

Super Members Home Loans
Phone: 13 15 63
Web: www.membersequity.com.au