

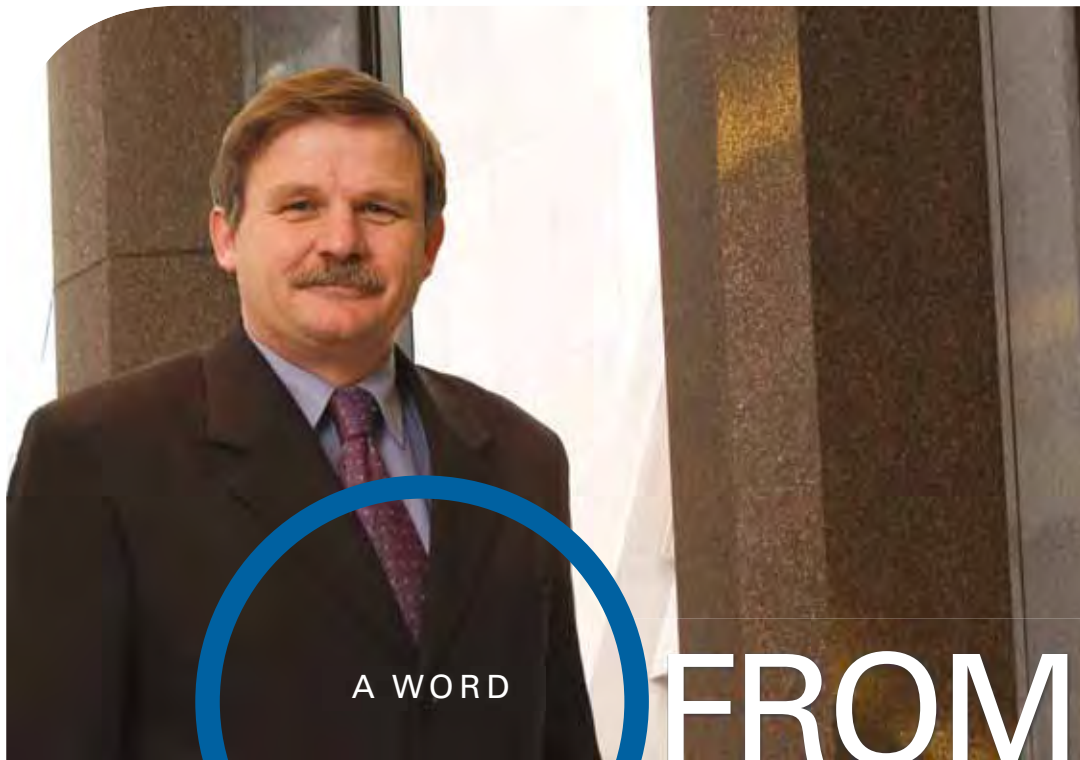
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Member Newsletter July 2008, Issue 4



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A WORD

# FROM THE CEO

## **A WORD FROM THE CEO**

In the superannuation industry we focus on long term returns but the current reality is that markets have changed and market volatility has continued unabated. The possibility of a negative return for the 2007-2008 financial year is highly likely. While market uncertainty remains for the time being, Catholic Super will always continue to work hard to deliver the best outcome for members.

Although no-one can ever know the future, some spend their lives studying the past to prepare themselves for the present so that they might better understand the future but only a very select few are given the chance to truly test their understanding.

The future can only be experienced through the passage of time. Where we have been remains unchallenged, with our history of strong long term returns standing us in good stead, but our determination is to be number one for you as we continue into the future.

Our number one challenge is to continue to improve and strive to be number one for you in all areas of activity including investments, communication and education, risk management and compliance and services to members and employers.

We at Catholic Super are caught in this dilemma of looking into the future and working in the present. We will probably be reporting a low negative return on investments for members in the short term but we will, while still looking to the future, work hard to ensure that in the medium to long term we will deliver to you, our members.

As the end of another financial year looms, life remains wonderful and the challenges going forward are unlimited. Where the journey takes us is in some ways determined by us, but the unknown provides a challenge that we all face both as individuals and as members of Catholic Super.

I recommend that you spend a little time reading this newsletter as it covers a number of interesting topics. To all of those members who have chosen to receive this electronically, we thank you as it helps us reduce our impact on the earth's resources.

As I've said before, please feel free to engage me in conversation. On behalf of the staff and Directors thank you for supporting Catholic Super through your membership. We are privileged to be able to work for you.



Frank Pegan  
Chief Executive Officer

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## INVESTMENT PERFORMANCE UPDATE

Financial markets continue to be extraordinarily volatile with the performance numbers on the Fund's investment options changing day by day. This makes it difficult to comment on the detail of performance at this time. That said, at the time of writing, it appears likely that both Australian and international share investments will have significant negative returns over the year ended June 30 and this will result in a number of Catholic Super's managed investment options, including the Balanced Option, having negative returns for the year.

While we would have far preferred these shorter term returns to be positive, our major focus remains on longer term returns. These are the ones that really matter when it comes to accumulating meaningful retirement benefits for members. In this regard, we do not regard the declines and uncertainty in the financial markets as posing a significant longer term threat to investment returns. Rather, the repricing of investment risk that has occurred over the past year has largely restored prices to levels that represent attractive longer term investment value and the Investment Management Group is committed to capturing as much of that value as possible for members over that longer term.

Note. At the time of writing, full financial year investment returns were not finalised.

## INVESTMENT NEWS

Superannuation is very much a long term investment and yet we tend to place a large emphasis on short term economic and financial market developments. The reality is that by far the most important influences on longer term super returns are longer term factors, not whether the share market has gone up or down over a quarter or a year.

Examples of long term factors that have had a very substantial positive impact on our long term investment returns include the demise of inflation through the early 1990s and the increased international competitiveness of the Australian economy.

However, as important as these events have been, they almost pale to insignificance as compared to the emergence of China, and to a lesser extent India, as modern economic powers. We are currently living through what is arguably the most important development in the world economy since the industrial revolution.

The important issue here is scale. This is economic development on a scale beyond anything that the world has ever seen.

The combined population of the United States, Western Europe, Japan and other developed nations is around 750 million.

But the combined population of China and India is over three times that at 2.4 billion.

Already around 600 million people in China and India are considered to be "middle class". That is twice the population of the United States. Further, not only is the standard of living of these middle class people increasing dramatically, but so is their number.

For example, China is determined to lift another 650 million people out of poverty over the next 25 years and is currently moving close to the entire population of Australia from the country into the cities each and every year. With the average urban Chinese having an income around 5 times those in rural areas, what is happening in China is the largest and most successful poverty alleviation program ever seen.

The consequences of this are evident everywhere in China. On a recent visit I did not expect to be surprised given that it had only been two years since my previous visit. However, I was astounded by the change in even that short period of time. The rate of infrastructure development is truly astonishing, while the construction of housing, factories, education institutions and the like is on a scale probably never seen before in the history of the world.


While India lags China by 15 to 20 years, it too is experiencing an economic revolution.

The development of these two countries is not only changing our world but will change it beyond recognition over the next 30 years with enormous implications for future investment strategy and returns.

It also has huge implications for Australia. In fact very few countries are as well positioned as we are to benefit from the explosion of economic activity in Asia. Not only do we have so many of the mineral and energy commodities that Asia desperately needs, but we are also a major food exporter as well as being ideally placed to benefit from Asian demand for tourism and education.

I might also mention that every Chinese business person that I met on my recent trip knew that our Prime Minister could speak their language, perfect Mandarin I was told. This has given Australia a profile in China out of all proportion with our size. As one of China's leading investors said to me "The relationship between China and Australia is extraordinary".

Capitalising on these opportunities has been a major focus of our Investment Management Group and we will continue to seek avenues to enhance the long term growth of our portfolios as the Asian story continues to emerge.



FEDERAL

# BUDGET

The 2008 Federal Budget was handed down on 13 May. Some major changes were announced in relation to taxation, social security and family allowances. Unlike the previous year, few changes were made to superannuation in this year's budget.

## **CHANGE TO CO-CONTRIBUTION RULES NEXT YEAR**

On behalf of 4,124 members, Catholic Super has received \$4,362,768 in government co-contributions as at 31 May 2008 for the 2007-08 financial year.

One of the announced changes may have an impact on some members who participate in the government's co-contribution scheme. From 1 July 2009, salary sacrifice contributions will be included in an expanded definition of income when assessing eligibility for the scheme.

To find out whether this affects you and to ascertain what strategies may be available to minimise any negative impact, please call **1300 550 273** to talk to one of our financial planners. (CSF Financial Services Pty Limited ABN 38 100 468 200)

## FIRST HOME SAVER ACCOUNTS

First announced during Labor's election campaign, these accounts are now expected to commence on 1 October 2008. Australians over 18 and under 65 years of age will be able to open an account to save a deposit for their first home.

The government will contribute 17% (\$850) for the first \$5,000 contributed to the account each year. Contributions can be made until the account reaches \$75,000. Earnings on the account will be taxed at a concessional rate of 15%.

Tax-free withdrawals will be able to be made after at least \$1,000 per annum has been contributed over four years. Withdrawals will be tax-free only if used to purchase a first home.

First home saver accounts will be provided by many superannuation funds, life insurers, banks, building societies and credit unions.

The Treasurer's budget proposals are still subject to legislation so details of how superannuation funds might operate these accounts have not been finalised. Because of this, Catholic Super has not yet decided whether it will be able to offer this product to its members.

## OTHER ITEMS OF INTEREST

Treasury will be looking at a proposal that the Australian Tax Office (ATO) establish a Superannuation Clearing House to assist small employers to pay super contributions for their employees. Employers would be able to contribute into the specific fund chosen by each employee by paying all contributions to the ATO, which would disburse the money to the fund selected by the member.

In the Budget Papers, the government also made a commitment to preserving the tax-free status of super payments for those aged over 60.





## GOING GREEN WITH CATHOLIC SUPER

We're pleased that the number of members choosing to receive their communications electronically has now reached 10,777, 31% of our membership. Your support for these initiatives enables us to cut back substantially on the resources we use and lessens our impact on our planet.

Our recent campaign to boost the number of members selecting the electronic option has now concluded. The winner of the Canon Ixus 70 digital camera is Nathalie Fraser. Congratulations Nathalie.

It's never to late to choose to receive your super communications by email, so if you've been meaning to do so and just haven't got round to it yet, take a moment and do it now. Send a quick email to [info@csf.com.au](mailto:info@csf.com.au) or call **1300 550 273**.

## ARE YOU MAKING THE MOST OF YOUR SUPER?

Would you like to work out how to achieve the most efficient results from your super contributions? By using our web-based calculator you can see whether your current contributions strategy is giving you the best possible outcome.

The **Optimise Your Super Contributions** calculator will enable you to determine the best mix of contributions, whether that be pre-tax (salary sacrifice) or after-tax, or a combination of both. Note that after-tax contributions may attract the government co-contribution benefit if you are eligible.

The calculator gives you two options. The first is to **retain your current net take home pay** while the other allows you to **retain your current net contribution rate**. Whichever you choose, the calculator will determine the most efficient contribution method.

Go to [www.csf.com.au](http://www.csf.com.au) and click on the **Super Optimiser** box.

Please bear in mind that the calculator provides factual information about super. It is not intended to be a recommendation. You should consider your personal position, objectives and requirements before taking any action.



## CATHOLIC SUPER ALLOCATED PENSION TAKES PLATINUM

We are very pleased to announce that our Allocated pension has recently been awarded a platinum rating by SuperRatings. In his congratulatory email, Jeff Bresnahan of SuperRatings said "After exhaustive research and analysis, only a limited number of funds have been awarded our prestigious Platinum Rating."

SuperRatings assesses investment, fees & charges, member services, administration and governance. Catholic Super rated Excellent (well above benchmark) for the first two and Good (above benchmark) for the rest.



SuperRatings says ...

- Catholic Super Allocated Pension was a finalist in SuperRatings Pension Fund of the Year Award 2008.
- Catholic Super is a well balanced product offering members good value for money and has a history of very strong investment returns.
- The fund strives to ensure that investments are managed responsibly and seeks to use its power as a major investor to bring about positive change on environmental, social and governance criteria.
- The Fund offers members a host of additional benefits such as loans, credit cards and savings accounts.

In summary, Catholic Super Pension is a 'best value for money' fund. Well balanced across all key assessment criteria in a robust, secure and proven risk framework. The fund provides features that should assist most individuals to meet their retirement goals.

Find out more about SuperRatings by visiting their website on [www.superratings.com.au](http://www.superratings.com.au)



## CATHOLIC SUPER PENSION SERVICE CENTRE.

Our pensions are very popular with members and the numbers taking them up continue to grow daily.

In order to provide the best service possible for members who have set up a pension or wish to do so, we have established a Pension Service Centre. The contact details are different to those used for general fund business so please make a note of them or add them to your contact list now.

**Phone: 1300 730 327**

**Email: [pension@csf.com.au](mailto:pension@csf.com.au)**



# INSURANCE

## INSURANCE – IS YOUR FAMILY FULLY PROTECTED?

One in two Australians is under-insured and does not realise it. Insurance is about protecting the people and things that are important to you – your family, your health and your lifestyle.

Could you still manage your mortgage payments if you were ill and unable to work?

Could you afford your children's education?

Would your partner have to take unpaid leave from work to look after you?

If you died, would your family be able to manage hospital and funeral expenses as well as continuing the lifestyle they were used to?

Don't be the one out of every two Australians who is under-insured. Take the peace of mind test. Go to our website [www.csf.com.au](http://www.csf.com.au) and click on **Calculators** from the **Quick links** list. Under the heading **Tools to help you** click on **Insurance Calculator** and fill in your details. The calculator will show whether your insurance is adequate for your needs.

If you need additional insurance, consider applying for it through

Catholic Super. Premiums come out of your super, not your take home pay. Because we purchase group insurance on your behalf, costs are generally lower than if you buy it retail.

The team at CSF Financial Services can assist if you require more information about your insurance needs. Simply call **1300 550 273**.



## NEW PLANNER FOR CSF FINANCIAL SERVICES

Eric Marshall has been with CSF Financial Services as a financial planner since April 2008.

Eric spent 17 years in Catholic Education as a primary teacher and principal in Geelong. After leaving teaching, Eric ran his own businesses in Geelong for a number of years. His wife Thea spent many years as a Catholic primary teacher and now works with disadvantaged youth in Geelong.

Before joining CSF Financial Services, Eric worked as a financial planner for a company specialising in superannuation, insurance and retirement planning within a large retail superannuation fund.

For leisure, Eric enjoys fishing and camping and spends many hours on the Gellibrand river or on the ocean.

## RECENT BOARD ELECTIONS

The election of a Director representing the electorate, **All Employers** was completed on 18 April 2008. Only one nomination was received, resulting in Marcia Clohesy being successful.

Marcia was already a Director who represented **Members in the Archdiocese of Melbourne**.

When her term of office expired and Dan Sexton retired, she decided to nominate for his position.

We congratulate Marcia on her continuing involvement with the Board.

The election in respect of Marcia's previous position has also been concluded. It was a contested election with John Connors, Principal at St Anne's School, East Kew being the successful candidate.

Our congratulations go to John on his election to the Catholic Super Board.

## NEW INSURER FOR CATHOLIC SUPER

We have recently reviewed the insurance benefit we offer our members and concluded a lengthy tender process to find an Insurer to provide improved benefits. The Trustee of Catholic Super has decided that Tower Australia Limited (ABN 70 050 109 450) will take over our insurance arrangements as at 26 July 2008. In the short term after that date, all current member benefits will stand.

Over the next few months Catholic Super and Tower will work together to let you know about the improvements and how you can take advantage of them. Before the changes are made you will receive a personalised notice about your current insurance benefit and costs, along with details of the improved benefits and whether there is any action you may need to take.

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