Employer *news*

catholic super

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A message from the CEO

People, planet, and profit – the cornerstone of what we do.

An article in our last newsletter described how Catholic Super leads the way regarding responsible investment, and my presentations about this at the United Nations Climate Change Conference (COP21) in France and at the Vatican in Rome. At these events, I spoke about how super funds, governments and large organisations can use their influence to make a commitment to reduce the damages of climate change.

The largest achievement at COP21 was the Paris Agreement, an ambitious new climate change agreement which aims to:

- keep the increase in the global average temperature to well below 2°C above pre-industrial levels,
- increase global adaptability to the adverse impacts of climate change in a manner that does not threaten food production, and
- drive investors to reduce their interests in high-risk, carbon-intensive assets and increase their interests in low-carbon, climate-resilient development.

Around 190 countries (representing over 90% of global emissions) have officially put forward climate change action plans. Emma Herd, CEO of the Investor Group on Climate Change (IGCC), has said that "the Paris Agreement sends a strong signal to the market that the world is now serious about addressing climate change. [It] has delivered a roadmap for ongoing, global economic transformation."

After the COP21 conference, I travelled from Paris to Vatican City to meet Vatican representatives, including the authors of last year's *Laudato Si'* environmental Papal encyclical (refer to our September 2015 newsletter for more information). We discussed the outcomes and impacts of the Paris Agreement, and I was able to promote Catholic Super's responsible investment approach. As part of the visit, I met Pope Francis and personally thanked him for all he is doing for our world.

In my role as CEO of Catholic Super, I am proud that we were an Australian founding signatory of the UN Principles of Responsible Investment (PRI), and the first super fund to invite the carbon disclosure project into Australia. As Chair of the IGCC, I'm also proud to represent 365 organisations and $24 trillion in funds under management worldwide.

But my greatest source of pride is that for many years, Catholic Super's strategy of using your money to drive engagement and influence change in a responsible way already fits into the aims of the Paris Agreement, and has also delivered strong, stable investment returns over the long term. Where we can, we invest in areas that are sustainable and climate-friendly.

I want to live in a world where there is a sustainable future for younger people making their way in the world – students, young women and men starting their first job or buying a home, my kids and grandkids. I want them to have the amenities that I was lucky enough to have had when I was their age. This is the key to everything we do, and the cornerstone of how we do it.

To me, our corporate responsibility comes down to three words:

People

Catholic Super takes corporate social responsibility for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour. This contributes to sustainable development, including the health and the welfare of society, and takes into account the expectations of stakeholders. This means that we invest in companies that promote responsibility in the conduct of their business, and whose values are in line with our own. We assess their output (e.g. we do not invest in companies that produce landmines), their impact on their local communities, the treatment and conditions of their staff, and the diversity of their board and workforce.

Planet

Part of our corporate social responsibility is to focus our investments on those companies that are trying to lower their carbon footprint. We invest in a diverse range of companies (including those who work with coal, solar, and wind energy production) and influence their corporate responsibility via engagement with them and using your super's purchasing power. Catholic Super also leads by example and actively lobbies within the super industry in Australia to commit to the Paris Agreement and other COP21 discussion points.

Profit

Our first responsibility is to you, our member, to support you in having more money in your super, and therefore more security and the lifestyle you want in retirement. This means that our goal is to create strong and stable investment returns over the long term. Corporate social responsibility and high investment returns are not mutually exclusive: they can (and do) work together. Our strong long-term returns are evidence of this (please refer to our website or latest Annual Report).

Investment update

Our portfolios are holding up well in volatile markets

By Garrie Lette, Chief Investment Officer

We are pleased to report that our Managed Choice options have achieved positive returns despite an overall drop in Australian and international markets over the past year.

Investment markets have been very volatile over recent months, and Australian and international shares have fallen heavily over the last year. Between the end of March 2015 and the end of February this year, the Australian sharemarket fell by 19%, with many overseas markets sharing the experience – the US S&P500 index fell by 13% between July 2015 and mid-February 2016.

Markets have been affected by concerns surrounding:

- General disappointment with the growth of the world economy;
- A slowdown in the growth of the Chinese economy in particular;
- Sharp falls in the price of oil and other commodities, including coal and iron ore which are of particular relevance to Australia;
- The long-awaited increase in the US Federal Funds rate.

More generally, concern has that around the unconventional monetary policies pursued in many countries over an extended period since the Global Financial Crisis (quantitative easing, zero and indeed negative interest rates), have not achieved an economic recovery as strong as hoped for. Rather, the additional liquidity has boosted valuations of financial assets to levels which are unsustainable given the outlook for relatively muted revenue and earnings growth. In addition, various geopolitical issues have arisen that now include the possible exit of the UK from the European Union.

In this uncertain environment, we are pleased to report that the performance of our various Managed Choice options has held up reasonably well. As of early May this year, for the financial year to date, our Balanced Option recorded a return of 3.5% for superannuation members and 4.2% for pension members.

Indeed, all of our Managed Choice options are clearly in positive territory over this period. Returns over this financial year to date are down compared to those recorded in the previous three financial years and are also below what we expect the options to deliver on average over the long term. However, given the sharp losses recorded in share markets over the short term period, we want to reassure our members that we are tracking comparatively well.

The main reason our 'Managed Choice' options have held up fairly well is that they are diversified across asset classes. When listed equities are falling sharply and attracting all the media attention, other asset classes will be doing better. The impact on the overall portfolio from the weak areas is diluted. Furthermore, when markets fall sharply, we are able to top-up our exposure (rebalance) and profit from the subsequent recovery. In addition, our portfolios are actively managed by our investment managers who generally perform slightly above their peers when the market is weak.

What does this mean for you?

As always, when thinking about investment concerns we urge you to:

- Ensure you are invested in the option, or mix of options, suited to your needs and circumstances;
- In general, avoid changing strategy unless it is justified by a change in circumstances i.e. avoid knee-jerk responses to short term market volatility; and
- Focus on investment periods relevant to your circumstances. For most of our members, this is the long term.

Winners in customer satisfaction – again!

Industry Super Fund of the Month

The results are in: Catholic Super was the Industry Super Fund of the Month (March 2016) for customer satisfaction!

The award was given by Roy Morgan Research (a well-known and trusted market research company), and full details of all winners and runners up are available at **customersatisfactionawards.com**.

Your guide to the Federal Budget 2016/17

For our summary of the recent changes to the Federal Budget, please refer to our website at **csf.com.au/budget2016**

Important Changes to the Social Security Assets Test

Changes to the Social Security Assets test come into effect from 1 January 2017.

→ **By Craig Voyer, General Manager, MyLife MyAdvice**

The Government has introduced these changes as a means of increasing entitlement to the age pension for those with lower levels of assets and reducing entitlement for those with higher asset levels.

There will be both winners and losers as a result of the asset test changes. According to the Government, the changes will result in:

- 170,000 receiving an increase in age pension
- 235,000 receiving a reduced age pension
- 91,000 losing entitlement to the age pension

Overview of the changes:

- An increase in the 'asset free' threshold for both homeowners and non-homeowners.
- Increase in the taper rate (the rate at which the maximum pension reduces) from $1.50 to $3.00 for assets over the asset free threshold.
- A significant reduction in the upper asset test threshold.

What are the Retirement Funding Issues?

For those that will incur a reduction in age pension as a result of these changes, there are several possible implications:

- Retirement plans and projections may need reviewing to ensure that retirement income goals can be met
- Pre-retirees may need to reassess retirement savings or delay retirement
- Those already retired may need to review their retirement goals and adjust the level of drawdown from existing investments

Comparison of current and new asset test thresholds

	Asset free area			Cut off limit		
	Current		As at 1/1/2017	Current		As at 1/1/2017
Single Homeowner	$205,500	+	$250,000	$779,000	–	$547,000
Single Non-Homeowner	$354,500	+	$450,000	$928,000	–	$747,000
Couple Homeowner	$291,500	+	$375,000	$1,156,500	–	$823,000
Couple Non-Homeowner	$440,500	+	$575,000	$1,305,500	–	$1,023,000

The amount of any change in age pension entitlement will depend upon the level of assessable assets that an individual or a couple have.

What Strategies should I consider?

Strategies that reduce assessable assets for pension purposes will be even more critical from 1 January 2017 as a result of these changes.

Strategies to consider that may increase possible age pension entitlements include:

- Contributing to superannuation in the name of a spouse under age pension age
- Improving or purchasing a more expensive principal home
- Gifting within allowable limits
- Purchasing funeral bonds
- Investing in annuities

Get Advice:

Understanding Centrelink and arranging your finances can be a complex area. Our financial planners can provide you with financial advice to ensure you maximise your retirement savings and your entitlement to the age pension.

You can contact our Financial Planners at MyLife MyAdvice on **1300 655 002** or you can book an appointment online at **csf.com.au**.

How much can I contribute to my super?

As another financial year draws to a close it is timely to revisit the amount of contributions that are allowed to be paid each year into superannuation.

The amount of contributions allowable each year depends on the type of contribution and your age.

For employer, salary sacrifice and tax deductible contributions:

- $35,000 per annum for individuals age 50 or over as at 30 June 2016
- $30,000 per annum for individuals aged 49 or less as at 30 June 2016

Note: This is proposed to change to $25,000 per year for all individuals from 1 July 2017.*

For personal and spouse contributions:

Once you have reached age 65 you can only make a contribution to super if you work more than 40 hours in not more than 30 consecutive days in the financial year that the contribution is made.*

The Government has introduced a $500,000 lifetime cap for all non-concessional contributions made on or after 1 July 2007.

Please note that penalties can apply if contribution caps are exceeded.

* Please refer to our summary of the recent changes to the Federal Budget at **csf.com.au/budget2016** for proposed changes to these requirements.

Supporting people

Catholic Super provided sponsorship to Centacare North Queensland in Townsville for their 10,000 Steps Challenge.

The 10,000 Steps Challenge was part of Centacare North Queensland's Health and Wellbeing Program, established late 2015. The teams were comprised of staff members from various offices that Centacare Townsville manages – as far reaching as Mount Isa and Longreach. We provided gift vouchers and certificates to Centacare staff members who performed well in the Challenge.

To recognise the Centacare staff's achievements, Catherine Muller, a Senior Superannuation Specialist with Catholic Super, was invited to participate in the celebrations of both the Centacare Townsville and Mount Isa offices. "To give you an idea of how well they did," says Catherine, "the eight-person team who achieved the highest number of steps over the 2 month period reached just under 6 million steps, which was a fantastic result!"

The visits also provided Catherine with the opportunity to conduct seminars and member meetings in both offices, which were very well received by the Centacare staff. "There is a real sense of pleasure to be able to provide this service to employers and members. It just shows that we can help make a difference by visiting these areas, and that there is a genuine need to do so." said Catherine. "In Mount Isa in particular, I was overwhelmed by the interest and hospitality from the Centacare team. I was told when I arrived that 'You'll never be a true Aussie until you've visited The Isa', and I've got to admit that, after visiting, that's pretty much correct!"

As a not-for-profit organisation, Centacare expressed their gratitude for Catholic Super's support and involvement, and are already planning their next Health and Wellbeing initiative: a healthy cookbook full of recipes from their staff.

We'd love to hear from you

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