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NOW for Members May 2014 Issue 18

CATH  LICTM
Super

A note from the CEO



Welcome to the newest edition of NOW. I hope that you have all had an enjoyable Easter surrounded by family and friends.

In this edition we have included important information about an increase in contribution caps coming in the new financial year, which can assist you in increasing your superannuation savings allowing you to put aside more money for your retirement in a tax effective way.

We outline the way we approach our commitment to being a long-term responsible investor and the evaluation process that our external fund managers go through to make sure that they fit with our policy and approach to this commitment.

Catholic Super is calling for nominations for a member representative to sit on our Board of Directors. You will find the full details of how to nominate, should you wish to, on page 8 of this edition of the newsletter.

Also included in this edition is a profile on Jessica Pomeroy, the Team Leader for our Member Services team. A great asset to Catholic Super, Jess' number one priority is supporting her team, who in turn support our members.

The latest federal budget was also announced on May 13. For information on the changes to superannuation and how they may affect you, please visit our website www.csf.com.au for further information.

Should you have an enquiry about your super account, our Member Services team is always happy to assist. Call **1300 655 002** for superannuation enquiries, and **1300 730 327** for pension enquiries.

Frank Pegan
Chief Executive Officer

A super boost to your retirement

Making personal or salary sacrifice contributions into your super is a tax-effective way to increase your funds in retirement.

Take advantage of changes to caps on super contributions as of 1 July this year.

From 1 July this year, the Federal Government is increasing the caps on contributions to salary sacrifice, employer contributions and personal contributions.

Rob Clancy, Executive Officer Client Services for Catholic Super, said the changes were particularly relevant for anyone turning 50 next financial year.

"If you are 49 years of age at 30 June this year, you will be able to put up to an extra \$10,000 into your super through salary sacrificing," Rob explained.

"The current rule is that if you're over 60 you can put in \$35,000 and if you're under 50 you can put in \$25,000. From 1 July, over 50s will also be able to put in \$35,000."

Those under 50 will also see an increase of \$5,000 to the \$25,000 cap, so from next financial year, members aged 49 and under will be able to put in up to \$30,000.

Caps on personal contributions are also increasing. Currently, anyone under 65 years can put up to \$150,000 as a lump sum into super; or \$450,000 over a three year period.

From 1 July, this will increase to \$180,000 (or \$540,000 over three years – with the three year period starting once you contribute more than \$180,000 in a single financial year).

Rob encouraged members to consider taking advantage of the changes.

"Making additional contributions to your super allows you to put aside more money for your retirement in a tax-effective way," he said.

"With salary sacrifice, for example, we pay only 15 per cent tax when that money goes into super, whereas someone that earns between \$37,000 and \$80,000 is being taxed at a rate of 34 per cent."

"Of course, as with all financial decisions, you should seek advice on your own circumstances if you're considering making additional super contributions."

For advice or further information on contribution caps, phone Catholic Super's Member Services Line on **1300 655 002**.

Catholic Super's ESG monitoring of fund managers

Why we think fund managers need to invest in a sustainable way

At Catholic Super, investing as a long-term responsible investor is an important part of our investment philosophy and approach. It is our belief that this will promote a better long-term outcome for you – our members – and contribute to a more robust and better functioning capital market system. For more detailed information a copy of our Responsible Investment (RI) policy can be found here csf.com.au/responsible-investing-approach.

The way we evaluate fund managers

Because we rely on external fund managers to invest on our behalf, it is important that we evaluate how well they fit with our policy and approach and the extent to which they are willing to adapt their approach over time. This applies to all asset classes across all of our investment fund offerings.

You might have noticed in our policy documentation and across the industry reference to an acronym 'ESG', which stands for Environmental, Social and Corporate Governance factors. The integration of these extra-financial factors into investment processes and decision-making, together with a long-term investment horizon, are core components of the capabilities that we look for in our fund managers.

The framework that we use to evaluate existing and potentially new fund managers is summarised as follows:

- Policy:** We ask if a fund manager has a policy that refers to sustainability, RI or ESG issues. If they don't this would be a cause for some concern as it might indicate that these issues are not adequately considered, so we would need to investigate this further. If the fund manager does have a policy, we evaluate its approach to ESG integration, voting at company AGMs and engagement with companies. We look at how detailed the policy is, if it is publicly available and if the outcomes are measured and publicly reported.
- Collaboration:** Second, we explore whether the fund manager collaborates with other investors in raising industry standards around ESG integration and long term investing. The reason why we think this is important is that many of the short-term pressures on investors and poor oversight over companies is perpetuated by industry wide norms that are best changed through collaboration. For example, fund managers are often compensated on the basis of short-term bonus cycles linked to short-term performance



metrics, there is an over emphasis on short-term earnings results versus long-term investment in strategic initiatives when evaluating investment opportunities and there is a tendency to focus on the 'price' of companies with a lack of interaction between companies and investors on longer term strategic issues, such as climate change.

Research / Capabilities: For a fund manager to be able to implement a policy that is long-term and responsible, we look for evidence of some internal research capabilities/expertise or whether they have access to third party analysis (either through broker research, industry research, NGOs, third party data providers and so on). We evaluate the extent to which a fund manager is collating and interpreting ESG data as part of the investment decision making process, whether there is internal training on ESG issues, how it fits within the firm's investment philosophy and the extent to which it embeds long term thinking and behaviour.

Integration Process: Following on from the research capabilities and access to data, we evaluate the extent to which these issues have an impact on investment decisions and the way the fund manager's think and behave. This is a crucial part of the evaluation process, because having good policies and access to data is not of much

benefit if the fund manager is not embedding these into how they actually invest. Our evaluation process and what we look for varies across asset classes. We do not have a prescriptive tick box approach that we impose on fund managers. Rather, we look for evidence that the issues are integrated into their internal investment processes. If the level of integration is weak, then we look for signs that there is an openness to improve processes over time and a willingness to evolve.

Voting: Almost all fund managers in listed equities will have a policy that sets out their approach to voting their proxies. As well as evidence of exercising their voting rights, we ask for a breakdown of this by proportion of votes in favour or against management, and also on type of issue. Some investors may seek third party input into their voting decisions and others implement through in-house research. Either approach is acceptable provided there are sufficient resources and consideration given to ensure that the voting rights are well utilised. We are also interested in the extent to which fund managers are pro-actively involved in proposing resolutions that relate to ESG issues and how they chose to vote when a specific issue arises, for example an increasing number of resolutions on climate change are emerging internationally.

Catholic Super's ESG monitoring of fund managers

Continued

Engagement: Another factor we consider is the extent to which fund managers incorporate long-term issues and ESG factors into their meetings with company directors. Some corporate directors complain that investors can over-emphasise short-term results, with some investors reportedly failing to meet with companies but rather 'trading' the stock at an arms length. As well as asking about a fund manager's approach to face-to-face company meetings, we also enquire as to what issues are considered to be most important and why. We also explore the extent to which discussions with management are recorded and have an impact on the companies that they invest in.

Reporting: Finally, to promote transparency and higher standards across the industry we enquire as to whether the fund manager is willing and able to report all of the above as part of their regular reporting output. This regular reporting of ESG information as part of a fund's strategy reports would be extremely beneficial as we would be able to clearly see the ESG issues that arose over the reporting period, and those issues that are ongoing.

How we rate and compare the fund managers

We have a 3 point ESG grading system of managers – leader, improver and laggard. Our assessment crosses all of the areas mentioned above. Using this framework and the information we have available, we categorise the managers into one of the 3 levels. Sometimes the manager may be rated as a laggard but with potential to be an 'improver' if they have plans to evolve their processes and make changes in the future.

The process is qualitative and requires judgment on areas that are often challenging to ascertain, such as attitudes towards ESG, management support, the culture of the organisation, and formulating a view on how things are likely to evolve in the future.

How we work with fund managers to achieve improvement over time

We view engagement with fund managers as an integral part of the process for implementing our long-term RI policy. Our approach is to be as open and clear as possible with the fund managers about our assessment of their ESG capability and what our expectations are for improvement in the future.

In summary, the process involves:

- Gathering information about their approach and process from various sources, including their website, fund reports, consultant survey response, meetings with investment staff.
- Summarising our assessment into a note that includes reference to the key issues listed above.
- Identifying any areas for improvement and being as specific as possible and actionable by the fund manager, opening the door for dialogue and exchange on the particular points that have been raised.
- Having a list of specific areas for improvement makes it more transparent for the fund manager and also helps us to monitor progress over time. After engaging with the fund manager in this way we are able to ascertain fairly quickly their willingness and ability to respond to the issues. We are also better equipped to monitor progress and changes over time.



Summing up

It is important to highlight that we consider ESG integration alongside other indicators of a fund manager's style, culture, investment philosophy and process. There may be cases where fund managers have a strong historical performance record but may rate very poorly on long-term ESG issues. This can be challenging to manage – as there is likely to be support to retain the manager even if their approach towards ESG is unlikely to improve. Our approach in these cases (which are so far quite rare) is to engage with the fund manager individually, and if that doesn't have any impact on their plans, we could collaborate with other investors to apply more collective pressure to improve. If there is still no intention to respond, we would need to evaluate – in the context of other indicators of the investment process – the future risk the investment could pose for our members and its ongoing place in the portfolio.

Board of Directors

**Nominations
now open for the
election of a member
representative
to the Board of
Directors**



We are now calling for nominations for a member representative to sit on our Board of Directors.

The Board of Directors is responsible for the operations of Catholic Super to make sure it is being administered in the best interests of both members and employers.

It also ensures the Fund is managed in accordance with the Fund's governing rules and with superannuation legislation.

The Board consists of an equal number of employer and member representatives. Once nominations are received, a ballot may be conducted and the nominee polling the highest number of votes will be elected.

Nominations must be received by

Joe Farrugia
Returning Officer
Catholic Super
PO Box 333
Collins St West, Victoria 8007

by no later than 3pm, Friday 6 June 2014.

If you are interested in nominating, please contact the Trustee Office on 03 9648 4700 for a nomination form.



HAVING JUST ONE SUPER ACCOUNT CAN SAVE YOU MONEY.

If you have multiple superannuation accounts, you are throwing money away on unnecessary management fees. Consolidate your super accounts with Catholic Super and start saving.

- save on excess management fees
- save on excess paperwork
- grow with a strong, long-term investment performance

Visit csf.com.au/consolidate-now

Consolidating your super is just a mouse click away. You can even do it from your desk at work. Just visit the website, follow the simple steps and we'll take care of the rest. If you've got any questions, call Member Services on 1300 655 002.

**iPAD MINI
WORTH \$349**

to be won each month.
See website for details.

You should read the current Catholic Super Product Disclosure Statement and the associated information available at csf.com.au/super-pds, or call us on 1300 655 002 to obtain a copy before deciding to consolidate your super. Issued by CSF Pty Limited (ABN 30 006 169 286; AFSL 246664), the Trustee of Catholic Superannuation Fund (ABN 50 237 896 957; SPIN CSF0100AU). You should also check if your other fund/s will charge you an exit fee or penalties. Ensure you have transferred or replaced any insurance you have with your other fund/s before closing your other accounts. Visit www.csf.com.au/consolidate-now for full terms. Open to Aus residents. One entry for each successful transfer of funds per month. Competition opens 15/05/2014 at 09:00 AEST and closes 15/11/2014 at 17:00 AEDT. Monthly draws close at 17:00 each month with winners drawn, at the Promoter's premises at 11:00, on 30/6, 31/7, 31/8, 30/9, 31/10, and 30/11. Winners notified by mail and published on www.csf.com.au/consolidate-now. Total prize value is up to \$2,049.00 (incl. GST). The Promoter is CSF Pty Ltd (ABN 30 006 169 286) the Trustee for Catholic Superannuation Fund trading as Catholic Super (ABN 50 237 896 957) of Level 1 535 Bourke Street, Melbourne VIC 3000. NSW Permit No LT/PS/14/03234. ACT Permit No. TP 14/01452.

Staff profile:

Jessica Pomeroy, Team leader, Member Services



Jessica Pomeroy is running on negative time. That's what happens when you add together all the hours you need to spend on both full-time work and full-time study.

But at the age of 29, Catholic Super's Member Services Team Leader has become adept at multi-tasking and prioritising.

Jessica is about three-quarters of the way through a Master of Business Administration (MBA), an intense course at the Melbourne Business School that takes up just about all of her spare time. But she wasn't always destined for a career in business and finance. Straight out of high school, she obtained a psychology degree at the University of Queensland, where she picked up many tips that continue to help her in her current role.

"I think it really gave me a perspective on communicating with people and understanding that people require different levels of communication," she explains.

Jessica's role is all about communication, both internal and external. She heads up a group of six in the Member Services Team, providing coaching, training and support for staff taking phone enquiries from members.

"My number one priority is making sure that the team are supported so that the members are supported," she says.

She is also constantly looking for ways to improve Catholic Super's service to members.

"Something that I'm really passionate about is using feedback from members to actually make changes," she says.

"Here at Catholic Super it's something that is really encouraged, which is great, I really appreciate that."

Jessica moved to Melbourne from Brisbane three years ago with her partner. She started working in super in 2010, with a role at QSuper. Before moving to Catholic Super, she worked for UniSuper and Mercer.

In her limited downtime, Jessica has taken to golf. Together with her golf-obsessed partner, you will often find her teeing off early on a crisp Saturday morning at Albert Park golf course.

Aged Care – What are your choices?

Guiding you through aged care options

Are you or a loved one considering a move into aged care? Catholic Super is here to help.

Making the decision to move yourself or a loved one into Aged Care can be a very emotional and stressful time for families. Finding your way through the maze of personal and financial issues is difficult and complex.

Catholic Super's financial advisory arm, Catholic Financial Services, has a team of financial planners that can help members work their way through the Aged Care process, in a sensitive and impartial way.

As our population ages and medical technology improves, Aged Care is becoming a reality for a growing number of people.

More than one million Australians receive some form of Aged Care and more than 10 per cent of people aged over 70 live in permanent residential care.

By 2050, almost 18 per cent of the population will be over 65 and the pressures on the Aged Care system will be enormous.

Our financial planners can talk you through the steps so you understand what lies ahead. Once your family knows what to expect and you begin planning for the costs of Aged Care, some of the stress can be eased.

Our team members will talk you through the different cost structures depending on the type of care and facility, for example:

- Accommodation payment
- Lump sum payments
- Daily care fees
- Income tested fees
- Extra service fees

They will then be able to help you develop a plan to cover the costs and create an optimal financial outcome, working through questions such as:

- Should the family home be kept, sold or rented?
- Should the accommodation payment be paid in full, as a daily fee, or a combination of the two?
- What is the impact on the person's pension and how can entitlements be maximised?
- How should funds be invested to generate an adequate income?

Our financial planners can also discuss whether a move into Aged Care may impact upon the person's estate plans. The person's will may need to be reviewed and updated if any assets have been restructured.

It's also important for the person entering Aged Care to consider nominating an Enduring Power of Attorney or an Enduring Guardianship so that the appropriate people are empowered to look after their affairs.

Because everyone's circumstances are different, seeking professional financial advice can help clarify matters and alleviate some of the stress and emotion which accompanies this time of change.



For more information or to make an appointment with a Catholic Financial Services planner, phone 1300 655 002.



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P 1300 655 002

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P 02 9211 5622

Canberra

Unit 3, 59 Wentworth Avenue, Kingston ACT 2604
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Brisbane

Lavalla Centre, Level 2, 58 Fernberg Road, Paddington Qld 4064
P 07 3367 0447

Perth

St Brigid's Centre, 60 John Street, Northbridge WA 6003
P 08 9228 8365

Hobart

35 Tower Road, New Town TAS 7008
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