SUPER INFO
WINTER 2018

What's inside:

Retirement for Defined Benefit members

When can I retire?

You are eligible for a retirement benefit once you have reached aged 50*, or after completion of 30 years service. The normal retirement age for the Scheme is age 60.

**Please note, however, that cashing of benefits from the Scheme is subject to the Federal Government's preservation rules. This means that you may not be able to withdraw your retirement benefit in cash until you have met the requirements of these rules. Please see the 'Super and Preservation' section below.*

How is my defined benefit calculated?

You will receive a lump sum benefit calculated as your "Final Average Salary" multiplied by your "Benefit Multiple" plus your Accumulation Benefit.

Your "Benefit Multiple" is calculated as the sum of:

(i) 19.5% times your period of contributory Scheme membership to the later of age 55 and the completion of 30 years contributory Scheme membership; plus

(ii) 10.75% times your remaining years of contributory Scheme membership to your actual date of retirement or age 60.

A maximum "Benefit Multiple" of 8.0 applies in calculating the benefit.

Contributory Scheme membership is measured in years and complete months from the date you joined the Scheme. Any period of unpaid leave will not count in calculating your benefit multiple.

The benefit multiples detailed above may decrease in the event the investment return plus the existing level of member and employer contributions are insufficient to ensure the ongoing financial position of the Scheme. You will be notified should there be any adjustment to your future benefits or the level of compulsory Defined Benefit contributions you make to the Scheme.

On retirement (whether before or after age 60) you can request the trustee keep all or part of your benefit in the Scheme (subject to superannuation legislation).
The trustee may set special terms and conditions on the benefit.

Examples:

1. John joined the Scheme at age 22 and retires after 38 years' membership at age 60. He will be required to contribute 5.8% of after-tax superannuation salary or 6.82% of before tax superannuation salary.

   John's "Final Average Salary" is $90,000. John's "Benefit Multiple" will be calculated as:

   (i) 19.5% x 33 years (period to age 55) = 6.435

   plus

   (ii) 10.75% x 5 years = 0.538.

   John's "Benefit Multiple" is 6.973. John's retirement benefit at age 60 would be:
   6.973 x $90,000 = $627,570
   Plus his Accumulation Benefit.

2. If John retires at age 50 assuming his Final Average Salary is $90,000 would be:
   5.46 x $90,000 = $491,400
   Plus his Accumulation Benefit.

Super and preservation

Government legislation is designed to make sure that your super money is used for retirement and, consequently, there are restrictions on when you can access your benefit.

Your benefit may be made up of:

- A restricted non-preserved amount
- A preserved amount

Restricted non-preserved amounts are only payable when you cease employment. It is not available to you if you transfer to another employer that participates in the Scheme.

Preserved amounts of over $200 are only accessible in cash if you satisfy one of the conditions permitted under superannuation law shown below:

- You have permanently retired from work on or after your 'preservation age' (see table below).
- You are aged 60 or more and you resign or retire.
- you are aged 65 or more.
- The trustee is satisfied that you are permanently incapacitated.
- You have compassionate grounds for applying.*
- You suffer severe financial hardship.*
- You have a terminal medical condition (and provide the required evidence^)
- You leave Australia permanently (if you are a temporary resident and satisfy certain conditions)
  – see the **Access to your super if you are a temporary resident and leave Australia permanently** section.

**as specified under superannuation law and permitted under the trust deed. The Scheme's trust deed does not permit a release of benefits in these circumstances.*

^ as provided under superannuation law.

Your 'preservation age'

Your 'preservation age' (ie the age at which your preserved super can be paid to you in cash if you have permanently retired from the workforce) depends on your date of birth:

Date of birth	Preservation age
Before 1 July 1960	55
Between 1 July 1960 and 30 June 1961	56
Between 1 July 1961 and 30 June 1962	57
Between 1 July 1962 and 30 June 1963	58
Between 1 July 1963 and 30 June 1964	59
After 30 June 1964	60

The law requires that preserved super stays invested in an approved superannuation arrangement. This could include transferring any preserved benefit from the Scheme to another employer's fund, a personal super fund, a rollover fund or a retirement savings account in circumstances where you cease employment.

Are Cryptocurrencies a good fit for Super?

Many virtual currencies, such as Bitcoin, have emerged over the last 10 years, but just how safe are they?

What are cryptocurrencies?

Cryptocurrencies are digital money that use encryption to secure and validate transactions. There are over 1,000 available on the market, and users send and receive "coins" using a public ledger called "Blockchain", which records all transactions.

Are they valuable?

While they are actively traded, virtual currencies are extremely volatile, meaning their value can plunge – or skyrocket – based on things like popularity or ease of trading.

In fact, unlike "real" money that is backed by governments, digital currencies only have value based on what others are willing to pay for them. They may even become worthless! Even Bitcoin admits as much on their FAQ page.

Unlike traditional investments where we understand what the risk and return drivers are, with cryptocurrencies these are currently not well known.

What's our focus?

You. The goal of super is steady, consistent growth, so you have a reliable income later in life.

Check out our performance report posted monthly on the website.

Trade tensions spark warnings of another financial crisis

Source: Mercer

Growing tension between the US and major trading partners risks plunging the world into another global financial crisis, the World Bank has warned.

In its June 2018 global economic prospects report[1], the World Bank predicts steady global growth of around 3.1% this year and next but warns "protectionist threats cast a dark cloud over future [economic] growth".

"Even the threat of substantial shifts in trade policies in major economies could have negative consequences for financial markets, investment, and activity worldwide," the bank says. "If these threats lead to trade wars, the consequences could be devastating."

The bank found a worldwide escalation of tariffs – up to the limits permitted under existing international trade rules – would lead to a 9% decline in global trade; about the same drop experienced during the hard times of the global financial crisis in 2008-09.

Unambiguously negative

Mercer's global head of investment research Deb Clark says limited tariffs should have only a minor impact on the global economy but an all-out trade war would be "unambiguously negative for global equity markets".

Clark says global bond markets could also suffer as a result of inflationary pressures and emerging market currencies, particularly those with high exposure to the US, would likely weaken.

"Limited and proportional retaliation [to US tariffs] should not have a significant economic or market impact," Clark says. "However, there is a risk that this and future actions from the Trump administration could eventually escalate into a trade war.

"A trade war would reduce global growth and disrupt global supply chains, ultimately harming corporate profits and increasing inflation."

Trump and China go tit-for-tat

In early 2018 Trump made good on protectionist "America first" policies announced during his run for White House, imposing tariffs on Chinese steel and aluminium. China responded by threatening its own tariffs on a range of goods including food and wine.

In escalating tit-for-tat rhetoric, the US hit back with more of its own worth about $US100billion[2] and China warned it would fight back "at any cost", proposing tariffs on products such as soybeans, cars and aeroplanes.

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Trade tensions spark warnings of another financial crisis

Source: Mercer

On again, off again

The two nations apparently reached consensus[3] on 20 May and US Treasury Secretary Steve Mnuchin said a trade war with China was "on hold". Nine days later it was back on and the White House issued a release saying "Trump is confronting China's unfair trade policies".

Trump announced on June 15 that his administration will impose tariffs on $50 billion worth of Chinese goods and after threats of tariffs on up to $400 billion more in the future.

The Trump administration this week stepped back from threats to restrict Chinese investment in US technology companies and block the ability of US businesses to sell some high-tech products to China.

John Ballingall, deputy CEO of independent think tank the New Zealand Institute of Economic Research, says the potential fallout of a trade-rift between the two global economic behemoths is "deeply worrying".

"We haven't seen this type of trade tension between major global superpowers for decades," Ballingall says. "The US administration is trying to satisfy its voting base and fulfil its campaign promises by being tough on China, and it seems unlikely that Trump and his team will back down."China refuses to be bullied and, despite its offers of further discussions to avoid a full-blown trade war, will not take US efforts to restrict Chinese exports lying down.

"Unless the US rethinks its approach, or China makes some significant concessions, I find it hard to see how some form of tit-for-tat trade restrictions can be avoided."

Upping the rates on allies

The Trump administration then slapped tariffs on imported steel and aluminium from the European Union, Mexico and Canada. All have either retaliated or indicated they will retaliate against the United States.

Following the divisive G7 summit in Canada on 10 June President Trump renewed his attacks on America's closest allies and trading partners, threatening to double down on import tariffs by hitting cars and auto parts – a move that could devastate the Canadian auto industry in particular.

According to some commentators the approach risks upending the United States' longstanding embrace of free trade and its use of trading relationships to help power economic growth in the world economy.

Groups representing America's largest retailers, car manufacturers and the agriculture industry wrote to US senators[4] warning of the "serious negative economic impacts" of escalating trade disputes.

"It is now also increasingly clear that the way the steel and aluminium tariffs have been used will result in retaliatory tariffs from our largest trading partners and closest allies," the letter, signed by 51 trade groups says. "That retaliation will have serious negative economic impacts on the United States."

Impact on Australia

Australian Prime Minister Malcolm Turnbull's "100 years of Mateship" visit to the US in February 2018 paid dividends, with Australia being granted tariff exemptions on steel and aluminium.

Mr Trump reiterated on 30 May that Australia would be excluded from 25 per cent steel and 10 per cent aluminium tariffs that target key US allies the European Union, Canada and Mexico "to address the impairment" to US national security.

Tim Harcourt, J W Nevile Fellow in Economics at the University of NSW Business School, says the US is not a huge market for Australian steel and US protectionism good work in Australia's favour.

"If the US is isolated, it could actually be good for Australia," Harcourt says. "If Trump makes the US an erratic and chaotic trade partner, Australia will be seen by China, South Korea, India and the Association of South East Asian Nations as a safe and reliable supplier and customer."

But Harcourt says, realistically, there are few positive outcomes when the world's largest economies go toe-to-toe.

"It is said that putting up tariffs is like putting rocks in your own harbour and, ultimately, that will hurt your own country's consumers, producers and workers," he says. "We are all losers in a global trade war and that will only hurt the most vulnerable in all societies."

[1] Global economic prospects: The turning of the tide? The World Bank, June 2018

[2] "Donald Trump flags $US100b more China tariffs", Sydney Morning Herald, 6 April 2018

[3] "China, US agree to abandon trade war: Beijing", SBS News, 20 May 2018

[4] "Limit Trump tariffs, business tell Congress in letter" Paul Davidson, USA Today, 26 June 2018

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