



# NESS Members' Super Newsletter

New South Wales Electrical Superannuation Scheme Pty Ltd ABN 28 003 156 812, RSE Licence No. L0000161, Australian Financial Services Licence No. 238945 as trustee of the New South Wales Electrical Superannuation Scheme ABN 72 229 227 691 RSE Registration No. R1000115

Summer 2008/2009

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## TOPICS

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2. What's Happening to Investments?
3. Your Insurance Benefits
4. Dave's Great Start to 2009

## NESS Mid Year Report

### 1. Your Investment Options and Their Performance

| NESS Option | 5 years compound to June 2008 | 3 Years compound to June 2008 | 12 months to June 2008 | 6 months to December 2008 |
|-------------|-------------------------------|-------------------------------|------------------------|---------------------------|
| Cash        | 4.8%                          | 5.1%                          | 4.0%                   | 1.6%                      |
| Stable      | 7.6%                          | 6.4%                          | -0.8%                  | -8.1%                     |
| Balanced    | 9.6%                          | 6.9%                          | -7.4%                  | -14.2%                    |
| Property    | 11.1%                         | 10.8%                         | 2.2%                   | -9.5%                     |
| High Growth | 10.9%                         | 7.4%                          | -13.5%                 | -21.4%                    |

*Past performance is not an indicator of future returns.*

The investments of all superannuation funds have been adversely affected by the global credit crisis since late 2007. At the time of writing this report, January 2009, there remains a lack of confidence in the share markets world wide, resulting in depressed share values. Long term investors in superannuation funds have seen these cycles before (bear markets) although this is one of the severest. To put things into perspective, a longer term view is useful because it includes periods of strong investment returns. NESS' 5 year return to 30 June 2008 for the Balanced option is 9.6%. The Association of Superannuation Funds of Australia quotes this as the average return for that period. This coincides with NESS' objectives of providing strong stable returns for medium to long term investors.

#### What Investments are Best for Me?

Your Member Statement reflects your current investment options and in what proportion you are invested. NESS members now have seven (7) investment options in which to invest. In addition to Cash, Stable, Balanced, Property and High Growth, we have added Australian Shares and Overseas Shares. Your investment choice can be any combination of those.

Where no choice was nominated when first joining NESS, your account was invested in the default Balanced option - the target asset allocation is 70% growth and 30% defensive investments. Is that the best mix for you?

Have you considered recently whether your current investment option/s are going to help you achieve your retirement goals? Do you need help in making that decision? NESS encourages members to actively consider their short, medium and long-term retirement goals. You should exercise your investment choice to help you achieve those goals. Professional financial advice is available to members from Money Solutions.

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## 2. What's Happening to Investments?

Most members will be aware that in the past year most investments around the world have decreased significantly in value. The major cause of this is the global credit crisis, restricting the flow of money for businesses and causing uncertainty and volatility in all investment markets.

Currently:

- The majority of major economies are sharply weaker and still weakening. Inflation fears have disappeared and the deflationary impact of the credit crisis and rescue packages are keeping central bankers occupied.
- Unemployment is rising globally, as companies try to maintain profits and adjust to lower demand and activity levels by shedding jobs.
- The credit crisis is a bigger deal than most imagined. Observers expecting emerging economies (primarily China), to continue its unrelenting growth have changed their minds (in some cases more than once).
- In the face of weak economic, corporate and consumer data, commodity prices have been severely reduced.
- Massive amounts of global wealth have been destroyed and risk aversion has escalated sharply resulting in asset prices declining rapidly together with consumer confidence.

There has been nowhere to hide in this relentless cycle of deleveraging with only government bonds having held their value. The impact on global markets has been severe and NESS has not been immune to this credit driven crisis.

While most NESS managers have added value, the last 6 months has been tough and resulted in some managers underperforming. On a positive note, the Australian Shares strategy outperformed its benchmark and NESS' strategic exposures to direct property helped significantly as listed property funds were down over 50% during this time.

Many uncertainties remain and many pundits eagerly await the outcome of Barack Obama's rescue package. 2009 is not shaping up to be a good year, unemployment is set to rise further, economic data to worsen and company profits deteriorate but the tide will turn with the consensus being late 2009 early 2010.

As interest rates fall and cash offers little or no return, capital will find its way back into growth assets. The wait may be long but confidence will return and it is crucial that any recovery is based on business fundamentals and investment rather than government handouts or attempts to boost house prices. Most markets are either cheap or offer fair value. There will be some failures but a focus on quality business will ultimately reward investors. Good capital will be put to work and slowly but surely we will work our way through this crisis as we have done on many previous occasions.

## 3. Your NESS Insurance Benefits

We made significant improvements to your insurances that were effective from 1 December.

New insurance covers include:

- Higher value of Death insurance cover, depending on your age, at no extra cost;
- Introduction of Terminal Illness Benefit;
- Introduction of Transferring Insurance option;
- Introduction of Lifestyle Event Death insurance cover increases, no medical required for eligible members;
- Higher level of basic Temporary Salary Continuance (TSC) from \$1,000 of cover per month to \$2,000 of cover per month from age 21, for a small increase in the premium;
- Higher level of basic Temporary Salary Continuance (TSC) from \$1,000 of cover per month to \$1,600 of cover per month for members under age 21, no increase in premium;

The enclosed statement shows your current level of Death and TSC insurance cover.

Are you sufficiently insured? Would your family manage financially if you died? How would you pay the bills if you weren't able to work due to an illness or injury?

### Financial protection for you and your dependants

If you are eligible for automatic default insurance cover, You will be covered for a minimum of 2 units of Death and Terminal Illness cover and 2 units of Temporary Salary Continuance cover (1.6 units if you under age 21), subject to the terms of the insurance policies.

You are not limited to the default insurance cover and can apply to increase your cover at any time.

Every one's insurance needs differ however, when considering your insurance needs you should take into account:

- Your outstanding debts, including mortgage, personal loans, credit cards etc;
- How your family is going to meet day-to-day living expenses without your wage after your death or disability.

When reviewing the above, does the insurance shown on your statement cover your family's needs?

Considering the average Australian mortgage is around \$300,000, the answer is more than likely "no".

The basic TSC insurance is \$24,000 per annum (that equates to the maximum cover of 75% of \$32,000). If you earn more than this and NESS is your only form of TSC insurance, you are currently underinsured.

As a NESS member, you can apply for up to \$5,000,000 of Death and Terminal Illness insurance coverage and \$25,000 TSC insurance coverage subject to satisfying the Insurer's underwriting requirements.

Being sufficiently insured can give you peace of mind should you die, become terminally ill or not be able to work due to an illness or injury. NESS' premiums are extremely good value and have the benefit of being deducted from your NESS account without any further involvement by you.

Following are some features of insurance coverage available to you as a NESS member. More thorough information can be found in the Supplementary Product Disclosure Statement (SPDS) dated 1 November 2008 available on our website [www.nesssuper.com.au](http://www.nesssuper.com.au) or by calling us on 1800 022 067.

If you would like to apply to increase your insurance cover, a form can be downloaded from the publications section of our website [www.nesssuper.com.au](http://www.nesssuper.com.au) or by calling us on 1800 022 067.

## Death and Terminal Illness Cover

Cover is at a cost of \$1.20 per unit with the insured value determined by your age, as per the table below.

| Age      | 2 Units (Basic Cover) \$2.40 per week | Per Unit \$1.20 per week |
|----------|---------------------------------------|--------------------------|
| 15 to 24 | 154,800                               | 77,400                   |
| 25 to 29 | 146,200                               | 73,100                   |
| 30 to 34 | 137,600                               | 68,800                   |
| 35 to 39 | 120,400                               | 60,200                   |
| 40 to 44 | 112,800                               | 56,400                   |
| 45 to 49 | 110,400                               | 55,200                   |
| 50 to 54 | 107,800                               | 53,900                   |
| 55 to 59 | 105,000                               | 52,500                   |
| 60       | 90,000                                | 45,000                   |
| 61       | 88,000                                | 44,000                   |
| 62       | 86,000                                | 43,000                   |
| 63       | 83,000                                | 41,500                   |
| 64       | 80,000                                | 40,000                   |
| 65       | 70,000                                | 35,000                   |
| 66       | 60,000                                | 30,000                   |
| 67       | 50,000                                | 25,000                   |
| 68       | 40,000                                | 20,000                   |
| 69       | 30,000                                | 15,000                   |
| 70       | 0                                     | 0                        |

A Terminal Illness benefit is a new feature to the insurance offered by NESS. A benefit will be paid where a Terminal Illness is diagnosed after 1 September 2008 and is a disease or condition that is approved by the Insurer as likely to lead to death within 12 months.

Where a terminal illness benefit is claimed, the member's Death insurance is reduced by the amount paid.

### Transferring Insurance from Another Fund

NESS members can elect to transfer Death and TSC insurance coverage they have with another employer sponsored fund, to NESS without the need to go through an approval process (underwriting).

Coverage will only be provided where elected when first joining NESS, subject to eligibility.

For further information please refer to the NESS Supplementary Product Disclosure Statement (SPDS) dated 1 November 2008.

### Opportunity to Increase Cover - Life Style Events

You can increase your Death and Terminal Illness benefit by an extra unit without having to go through an application approval process (underwriting) when you:

1. Purchase a home as your permanent residence and takes out a mortgage; or
2. Get married;
3. Or your partner gives birth or adopts a child.

To find out if you are eligible please refer to the NESS Supplementary Product Disclosure Statement dated 1 November 2008.

## Temporary and Long Term Salary Continuance Cover

This insurance type covers you for loss of income due to illness or injury.

NESS has two policies you can choose from, being:

1. Temporary Salary Continuance (TSC) cover – providing a monthly benefit payable for up to 2 years after a member has been off work for 90 days, subject to the terms of the insurance policy; or
2. Long Term Salary Continuance (LTSC) cover – provides a monthly benefit payable to members up to age 65, where TSC cover has been paid for a total of 2 years, subject to the terms of the insurance policy.

All members upon first joining will receive 2 units of TSC cover, referred to as 'Basic Cover'. Basic cover provides up to \$2,000 per month income at a cost of \$1.25 per week. Basic cover excludes members aged under 21 years. These members receive up to \$1,600 per month income at a cost of \$1.00 per week. Cover can provide you with up to 85% of your pre-disability income, up to a maximum of \$25,000. This includes a 10% Superannuation Guarantee payment to NESS.

LTSC cover is a voluntary insurance cover and can provide you with up to 85% of your pre-disability income. You must have TSC cover to be eligible to apply for LTSC cover and have the same amount of cover under both policies.

The cost of LTSC cover is additional to the TSC cost. The cost depends on your age, amount of cover and any special conditions imposed by the Insurer during the underwriting process. The age rates are set out in the table below.

| Weekly Premium Rates Per \$1,000/Monthly Income Benefit. Benefit Period up to Age 65. 2 year and 90 day waiting period |      |        |     |      |        |
|--|------|--------|-----|------|--------|
| Age  | Male | Female | Age | Male | Female |
| 15   | 0.10 | 0.14   | 39  | 0.89 | 1.53   |
| 16   | 0.10 | 0.14   | 40  | 1.05 | 1.76   |
| 17   | 0.10 | 0.14   | 41  | 1.24 | 2.02   |
| 18   | 0.10 | 0.14   | 42  | 1.45 | 2.31   |
| 19   | 0.10 | 0.14   | 43  | 1.69 | 2.64   |
| 20   | 0.10 | 0.17   | 44  | 1.96 | 3.02   |
| 21   | 0.10 | 0.20   | 45  | 2.26 | 3.44   |
| 22   | 0.10 | 0.23   | 46  | 2.60 | 3.92   |
| 23   | 0.10 | 0.26   | 47  | 2.98 | 4.45   |
| 24   | 0.10 | 0.30   | 48  | 3.40 | 5.03   |
| 25   | 0.10 | 0.30   | 49  | 3.86 | 5.68   |
| 26   | 0.10 | 0.31   | 50  | 4.36 | 6.38   |
| 27   | 0.10 | 0.32   | 51  | 4.90 | 7.14   |
| 28   | 0.10 | 0.35   | 52  | 5.49 | 7.96   |
| 29   | 0.10 | 0.39   | 53  | 6.11 | 8.84   |
| 30   | 0.12 | 0.44   | 54  | 6.76 | 9.75   |
| 31   | 0.16 | 0.50   | 55  | 7.42 | 10.67  |
| 32   | 0.21 | 0.57   | 56  | 8.04 | 11.54  |
| 33   | 0.27 | 0.66   | 57  | 8.59 | 12.30  |
| 34   | 0.34 | 0.76   | 58  | 8.99 | 12.86  |
| 35   | 0.42 | 0.87   | 59  | 9.13 | 13.06  |
| 36   | 0.52 | 1.00   | 60  | 9.20 | 13.16  |
| 37   | 0.63 | 1.16   | 61  | 8.86 | 12.69  |
| 38   | 0.75 | 1.33   | 62  | 7.32 | 10.52  |

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## 4. David's Great Start to 2009

David is 35 years old, married and works as a contract electrician building a bottling plant in Newcastle. He has been in the electrical industry since he left school at 18.

Recently, David had a scare at work. One of his mates injured their back when he fell from a ladder working on the installation of a new packer. His mate is facing at least a year of physio; it's not known if he'll ever be able to work again, he has a wife, three children and a mortgage.

David sat down with his wife and they decided to have a look at their finances, their insurance and their super – the lot.

David remembers when he started with his current employer he was handed a bundle of paperwork about where his super would be paid, he put it a draw along with all the other unopened envelopes about superannuation.

David's New Years resolution – to get his super in order and make sure that if anything happens to him at work, his family will be properly looked after.

David earns \$75,000 per year. He finds he has three super funds. Retail fund #1 – current balance \$12,000 (This is where his money is currently going). Retail fund #2 – current balance \$16,000. Industry fund – current balance \$1,700. Total superannuation = \$29,700.

### What are his next steps?

When David contacts his industry fund for his balance, they mention a service ran by Money Solutions (AFS Licence 258145) who can help him crunch the numbers to see where he is best to put his super and how he can make sure his family is protected with the right level of insurance.

David speaks to Ben, A Money Solutions Personal Money Coach and they discuss how to compare superannuation funds. Ben mentions that it is important not to just consolidate all your money into your current fund without thinking about whether it is the best one for you. Ben says you need to look at three keys areas when comparing funds:

1. Fees, to make sure you are not paying more than you need to have your money managed;
2. Performance, over a longer term you want to see a strong performance history; and
3. Insurance, importantly your super fund needs to offer insurance that is relevant to you circumstances in a cost effective way.

Taking all these factors into consideration, David decides to consolidate his money to his industry fund.

Ben shows David that by this action alone he will be over \$200,000 better off when he retires because he is saving so much money on fees.

The graph below shows the difference super fund consolidation makes over David's working life\*:



Next step is insurance. David discusses with Ben that he needs peace of mind that his family will be OK if they no longer have his income to rely on.

Ben and David work together to calculate how much insurance David needs. Ben shows David how to adjust these levels for changes in life – another child or a bigger mortgage. All of David's insurance is provided by his Industry Super Fund.

David thought he would never be the type to get help from a financial adviser or Money Coach, he thought that was for the rich people. Now he knows where his money is and that his family is protected, best of all it was all done over the phone. David feels he now has control of his retirement savings and together with Ben, his Personal Money Coach, he can work towards a comfortable retirement.

NESS understands that many members need help to choose their super fund and insurance. We have made that easy by paying for your first phone interview with our financial advisory service - Money Solutions and its Personal Money Coaches.

We have also arranged with Money Solutions for members to be provided with the option to deduct the cost of any subsequent Super advice relating from their NESS account.

If you would like to make a great start to your year, contact Money Solutions on 1800 046 144.

\* Based on 8.79% growth of all funds for 30 years. Yearly salary increase of 3%, SCG of 9%. Financial modelling provided by Money Solutions AFSL 258145

This case study is of general nature only and has been prepared without taking into account your objectives, financial situation or needs.

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