



## FUND STRATEGY MEETING Chairperson's Report

### Dear Members

I wish to report that the Coal Industry Superannuation Board held its annual Strategic Planning Meeting on 9<sup>th</sup> May 2008. The current Strategic Plan was reviewed and updated for 2008 and this year the meeting concentrated on reviewing the CISF's Investment strategy and structure in light of the current volatile investment markets.

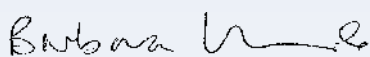
The Funds investment consultants PricewaterhouseCoopers assisted the Board in the investment review and a leading economist from one of the Funds investment managers MLC presented to the Board.

Issues in relation to the following were reviewed:-

- Strategy - the mix of growth and defensive investments
- Implementation – Style of investment approach
- Current Structure – Number and type of managers used
- Monitoring – Information provided to allow accurate informed decision making and tracking

The day resulted in a full review of the Funds investments with PricewaterhouseCoopers requested to undertake an in depth review of the Funds exposure to both Australian and Overseas shares to ensure the best possible exposure to these markets.

Members should be assured that as always and in particular in these volatile times the Trustees are closely monitoring the Funds investment portfolio.



**Barbara Whittle**  
Chairperson



## FUND RESERVES

With the downturn in Investment Markets the Trustees in conjunction with the Funds Actuary have been closely monitoring the Funds financial position including any reserves which are required to fund the Defined Benefit. Even with the downturn in investment markets the Actuary at the end of March 2008 advised the following:-

The 30 June 2006 Actuarial Report noted Vested Benefit coverage of 135% against a target of 115%-120%. Allowing for the negative returns this financial YTD (to 31 March 2008) the Fund will still be covering Vested Benefits at a level of approximately 115%.

In that report the Actuary recommended smoothing the asset values by writing down both Australian Equity and Property by 8%, and overall wrote down the assets 3% from market value, in order to determine long term returns. So the Board had effectively anticipated the recent adverse experience.

Therefore, as at 31 March 2008 the Fund remains in a satisfactory position, with assets sufficient to cover the vested benefits of all defined benefits members.

The Board in conjunction with the Actuary will continue to monitor the Reserves position very closely during these volatile investment times.

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## INVESTMENT MARKET UPDATE March 2008 (Looking Forward)

Investment markets are particularly volatile at present. Remember your superannuation investment is for the long-term, and the investment strategy takes a long-term view.

Australian shares fell by -14.6%, Overseas shares by -12.4%, Australian listed property

-19.31% and direct property 1.7% during the March quarter reflecting low levels of consumer sentiment and concerns about the general economic outlook.

The Reserve Bank of Australia increased interest rates by 0.5% to 7.25% during the quarter in an attempt to control inflation while Australian banks also increased lending rates on their own accord in response to the higher cost faced in obtaining credit.

The market recovered in the month of April returning 4.5% for the period yet volatility still exists in the market. At the time of writing this Newsletter the markets in May were also looking positive.

Some significant events for the next quarter include:

- US recession and sub prime mortgage developments and the effect on the US economy are expected to filter through later in the year.
- Inflation, rising oil prices and interest rates. A higher than expected domestic inflation result for the March quarter was driven by rising food and petrol prices. The rising price of oil is also expected to have further inflationary effects on the economy.

The CISF to the end of April 2008 returned -5.23% compared to the median growth manager with similar investments -5.10%.

### Interim Crediting Rates

For Members who leave the Fund the Board sets an "interim crediting rate" on a monthly basis to calculate benefit payments. The Board makes the decision on the recommendation of the Actuary. The current interim rate is -3.9% for fund members,

-4.2% for the pensioner growth option and 6.0% for the pensioner cash option.

**Please note this rate only affects members who are withdrawing all their money from the Fund.**

### How is the CISF affected?

All active members of the CISF have a Defined Benefit account and many have an accumulation account as well.

An accumulation account is like a bank account, its value depends on the level of contributions made by you and your employer, and the investment earnings on these contributions, less any costs and taxes.

The main difference between a defined benefit and an accumulation benefit is that the value of a defined benefit is more certain than an accumulation benefit. For an example, if investment returns are negative as they currently are an accumulation benefit may reduce, but a defined benefit would remain the same.

The investment risks for a defined benefit are carried by the employer (by meeting the balance of the cost of the defined benefit which is not funded by member contributions), whereas for an accumulation benefit the member carries all of the investment risks.

**Therefore at present the Defined Benefit accounts of CISF members are protected from the volatility in the investment markets.**

Please see **DEFINED BENEFITS - HOW DO THEY WORK** for a full explanation of the CISF Defined Benefits on the Funds web site [www.cisf.com.au](http://www.cisf.com.au)

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## NEED FURTHER INFORMATION?

If you wish to ask any questions about your superannuation or obtain a projection of benefits you may make an appointment to see Gary Peirce in Collie.

You may either phone, fax or email him at the following to make an appointment or alternatively contact the Miners Union office:-

Gary is in Collie next on Wednesday 18 June 2008

Coal Industry Superannuation Fund

Phone: 08 93881840

Fax: 08 93883545

Email: [cisb@bigpond.com](mailto:cisb@bigpond.com)

Web Page [www.cisf.com.au](http://www.cisf.com.au)

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# TRANSITION TO RETIREMENT PENSIONS (TRAPS)

**If you are over age 55, you can access your super before retiring completely. This is called transition to retirement pension or TRAP and they are now available at CISF.**

**Have you ever thought you would like to ease into retirement, without having to retire completely?**

**Employees over age 55, who have not yet retired, can access their super even while they are still working! These rule changes open some interesting possibilities for you in terms of both lifestyle and taxation planning.**

**Still working but want access to your super?**

You have access to your superannuation (including preserved benefits) if you deposit it into a TRAP account with the CISF and draw on it as a pension to supplement your income.

Previously you would have had to meet a 'condition of release' to access preserved benefits (such as retiring after reaching your preservation age). If you decide to open a TRAP for this purpose, you cannot withdraw lump sums from your account until you fully retire or certain other conditions are met.

**An important note however, is that you can only use your accumulation account in the CISF not your defined benefit monies to start a Transition to Retirement Pension. Funds from other super accounts can be rolled in to the CISF to start the Transition to Retirement Pension.**

## Am I eligible?

You must be over age 55 to take advantage of 'transition to retirement', but you do not need to meet any working conditions. This means you can work part time or even continue working full time in your job and use your superannuation to supplement your income needs.

## How can you use it?

**You can use the transition arrangements in a number of ways. For example you could:**

Work part time (**Please note: your employer must allow you to work part time before you can consider this option**) and use a TRAP to supplement your income;

Work full time, but use an TRAP to provide some or all of your income.

You could then salary sacrifice more of your pay, providing potential taxation savings.

Combine full time work with a TRAP and use the additional income for other investments outside superannuation, to reduce non-deductible debt or provide lifestyle improvements.

## How does it work?

**Basically, you nominate how much super you would like transferred to a TRAP from your accumulation account. This account will then begin paying you a pension to supplement your other income.**

You can open this account with as little as \$50,000 and can use up to the whole balance of your account.

The trick for most members is to work out how much you need to transfer. The easiest way to do this is to start at the other end, that is, how much income you need your account based pension to generate. Then you can work out how much needs to be in the account to generate that level of income.

Remember you must have an Accumulation account for a transition to retirement strategy and your Defined Benefit cannot be converted.

## What if I change my mind?

If your employer agrees, you are able to vary your work patterns at any time and may choose to transfer the TRAP back to an Accumulation account if you no longer require additional income.

## How do I start a transition to retirement?

To start a transition to retirement, please contact the CISF Office for the relevant forms.

A Product Disclosure Statement detailing all conditions, fees charges is available on the Funds Web Site [www.cisf.com.au](http://www.cisf.com.au).

**Please Note: Members considering taking a TRAP should seek independent financial planning advice from a 'fee for service' financial planner not a 'commission based' planner which can result in you benefit being reduced by fees.**



## 30 JUNE CHECKLIST

The year is flying by and before you know it, it will be tax time again. Many members ask us 'is there anything I can do with my super to reduce my tax'?

Superannuation is designed to help you save for retirement, but if you play your cards right you may find contributing to your super can help you right now.

### **Salary Sacrificing**

Most members must contribute a proportion of their salary into their super. Typically these contributions are made after you have paid income tax, which can be up to 46.5% of your salary.

Salary sacrificing allows you to make super contributions before income tax is paid – which may save you from paying high rates of tax.

If your marginal tax rate is more than 15%, you could benefit by salary sacrificing your super. The higher your marginal income tax rate, the more you could save. People with incomes under \$30,000 or who are on the lowest tax rate are less likely to benefit from salary sacrifice.

### **Co-Contribution**

The super co-contribution is a payment made by the Commonwealth Government into your super account to encourage you to save for retirement. The government contributes \$1.50 for each \$1 you contribute (up to a maximum of \$1,500 per year), if your assessable income is less than \$28,980. The super co-contribution progressively reduces for incomes over this amount and phases out completely at \$58,980. Even if you don't qualify your partner may.

To be eligible you must:

- make personal super contributions (providing they are not salary sacrifice contributions, and you are not entitled to claim a tax deduction for your personal super contributions);
- have an assessable income (and reportable fringe benefits) of less than \$58,980;
- work for an employer during the financial year;
- be less than age 71 at the end of the financial year;
- not be a temporary resident; and
- lodge a tax return.

You don't need to do anything to claim super co contribution but make a contribution to your super fund and lodge a tax return. The ATO will then send the payment direct to the super fund.

### **Spouse Contributions**

A spouse contribution is money you contribute into super for your spouse. If your spouse earns less than \$10,800 per annum, the first \$3,000 of any spouse contribution entitles you to an 18% tax offset (\$540 maximum tax offset per year). And even if your spouse earns up to \$13,800, you may still get a partial tax offset. A Spouse contribution will not qualify for a Co contribution.

## **Coal Industry Superannuation Fund**

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General Advice Warning: Please note that the information contained in this Newsletter is general information only, and does not take into account your particular objectives, financial situation or needs. You should seek professional financial advice before acting on this information.

Past investment performance is no guarantee of future investment performance. Investment markets can be volatile.