

REI Super Pension Bulletin 2020

From your Industry Super Fund



Contents



Putting our members first

As I complete my first year as CEO, I reflect back on the past year and the enormous personal and economic impact that the bush fires and the coronavirus (COVID-19) pandemic have had on our members, their families, our industry and Australia.

Federal, state, and local governments announced previously unheralded stimulus packages for individuals and business, for specific industries and for specific causes, such as mental health, to lessen the financial and emotional impacts of our natural bushfire disaster and the global COVID-19 pandemic.

In response to COVID-19 we developed and continuously updated our COVID-19 Information Hub to inform, educate and support our members and their families during these uncertain times. Further, we electronically distributed four separate letters to all our members, and our call centre team remained on standby to support member queries, whether that be about financial markets or the early release scheme.

The COVID-19 pandemic impacted on financial markets, which in turn affected members' retirement balances. From a market high on 23 February, the equities market in Australia fell by 33%, reaching its low on 20 March. As at 30 June the Australian equity market had increased by 24% from the low in March.

In this context of uncertainty, the Balanced option returned -2.1% net for the year ended 30 June 2020.

Government changes to the superannuation rules

The Federal Government announced two temporary changes to the superannuation rules. First, the government announced the early access to super scheme, enabling members who meet certain criteria to withdraw up to \$10,000 up to 30 June 2020 and a further \$10,000 from 1 July up to 24 September 2020 (now extended to 31 December 2020). Second, the government announced a temporary relief measure for members who have a pension or a transition to retirement account by reducing by 50% the minimum drawdown payment amounts for the 2019/20 and 2020/21 financial years.

In response to the early access to super scheme we had 3,682 claims made by members totalling \$31.6m as at 30 June 2020.



Putting our members first cont.

On 1 April, we implemented 'Putting Members Interest First' changes, which has the effect of making life insurance optional on an opt-in basis for new members under 25, or with balances less than \$6,000. As this represents an unwinding of a long-established universal system (similar to how health insurance operates) it will likely cause a rise in the cost of insurance for existing members.

Changes to the Member online experience

On 1 July we launched our new member online experience, which included significant enhancements concerning the security of members' data. Available on web, mobile and tablet 24/7, the new member dashboard contains many new features and functionality to help you find and combine old super, nominate non-binding beneficiaries, apply for or adjust your insurance cover, switch investment options, vary pension payments and make lump sum withdrawals. We also added an extra security feature known as Multi Factor Authentication which combines your username and password with a temporary numeric code sent to you to confirm your identity and to keep your information safe and secure.

Looking forward

REI Super has a long, rich history as the super fund for the Real Estate Industry over 44 years. We are proud of our unconflicted governance model, which combines independent and member elected directors, all focussed solely on outcomes for members. We acknowledge the significant contribution that our industry makes to the economic life of the nation and are passionate about representing your views, at both a state and Federal level.

Over the next twelve months you will see:

- The rollout of a completely new mobile App that will make reviewing and accessing your super easier, no matter where you are.
- Significant enhancement to the offerings to members through a range of value-added services.
- The strengthening of relationships with both the real estate Institutes and the large franchise groups to make super easy to administer.
- The development of a range of additional services for employers that make running your business easier and more efficient.

Thank you

I would like to thank all our members and their employers for their continued support and contribution to the Fund. Thank you also to the Board of Trustees and the Trustee team for their continued focus on our members, particularly in response to the significant challenges our members faced over the past year.

I hope you and your families stay healthy and safe.

Yours sincerely,

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Chief Executive Officer

Investment update

A year of two very different halves

Strong growth continued through the first half of the year, followed by a significant correction in February and March, then a recovery again in May and June.

We flagged in last year's Bulletin that we would be taking a conservative approach to investment in the 2019/20 year, holding elevated cash balances to protect against losses in what we saw as an overheated market. The US had recorded the longest expansion in its history at that stage and we know from experience, growth does not continue indefinitely without a correction. While it's not possible to predict a worldwide pandemic or significant market shocks in any one year, this strategy has proved vindicated in hindsight.

Investment performance

The growth in the second half of 2019 and the strong recovery in the last quarter could not overcome the turbulence in key global markets through February and March 2020, which saw the Balanced fund record its first negative return in 11 years.

The return for the balanced fund at 30 June 2020 was -2.1% net. While this is disappointing, negative returns are expected in every economic cycle and it is important to focus on long-term returns and stay the course with proven investment strategies. The REI Super Balanced Option has a performance objective of returning at least CPI plus 3% per annum over 10 years. The 10 year performance is considerably ahead of that target at 7.2% net pa.

In the June quarter

Risk assets staged a spectacular recovery with share markets delivering records not seen since 1983. The speed and magnitude of the market rebound was underpinned by the scale and speed of central bank and government stimulus, and the reopening of many economies from the COVID-19 shutdowns. This saw markets look through short-term weakness and price in expectation for economic recovery. With this optimistic view, global listed property and listed infrastructure recorded strong gains along with commodities, notably crude oil and iron ore. Defensive assets such as cash and bonds were slow movers but still managed small gains.

Support for markets from Government



Governments from around the world have been forced to lockdown their economies and the movement of people to stem transmission of the disease.

The result being a shock to investment markets and negative growth in the economy. The speed and magnitude of the policy response from Governments and the central banks worldwide to support economies in these difficult times has been unprecedented.

In Australia policies have included significant spending packages to support individuals and businesses.

The reserve bank has delivered cuts to official interest rates and put other measures in place to bolster liquidity and credit in the financial system. Individuals experiencing financial hardship have also been allowed early access to their super.

Investment update cont.

Looking forward

Another conservative approach to investment will be applied in 2020/21. We will continue to position ourselves away from the most expensive assets such as US shares, particularly US technology stocks that have surged to create large valuation differences in the market. Current pricing has created an opportunity to invest back into traditional markets such as diversified energy companies and banks that have attractive long-term expected returns trading at prices well below what they are worth.

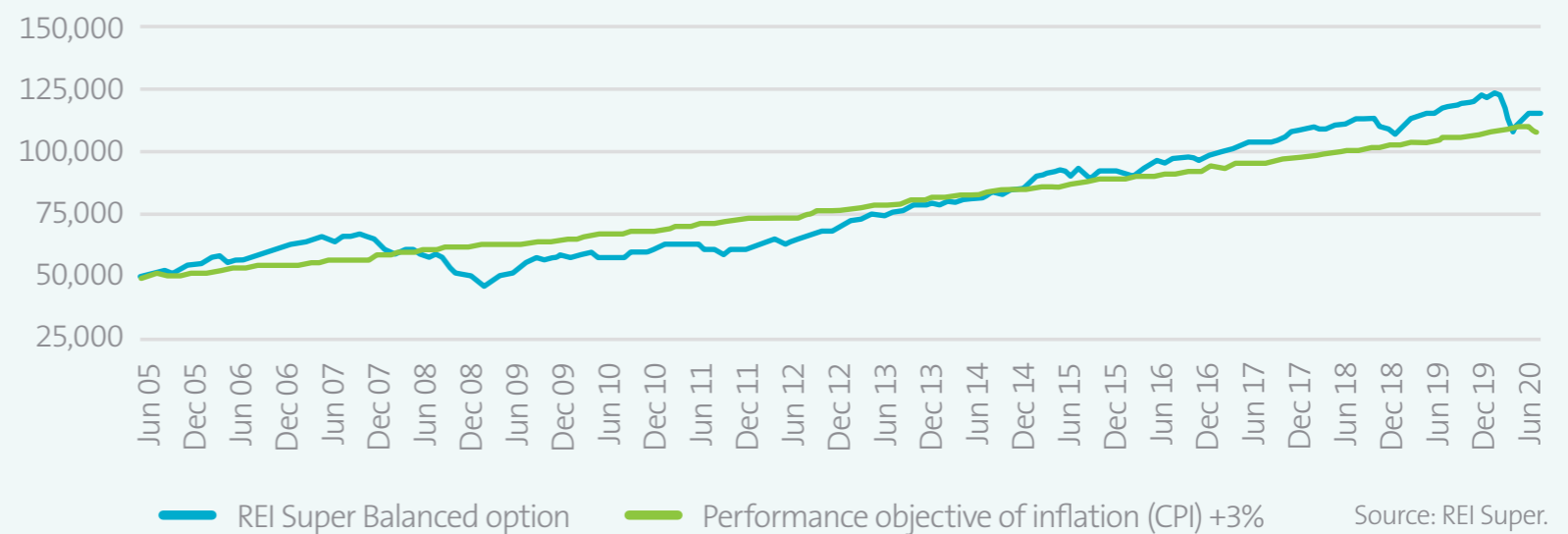
Is your investment option right for you?

Take our **Risk profile quiz** to understand your appetite for risk versus reward then call us on **1300 13 44 33** for professional financial advice if considering a change.

There's no question we live in challenging times and it remains unclear how the COVID-19 pandemic will play out in the short to medium term. The speed and magnitude of market returns in the June quarter serves to remind us how quickly sentiment and momentum can return. It's not possible to time the top or the bottom of markets with any kind of certainty, so we anchor our investment decisions on valuations, on what an asset is really worth.

We believe the portfolios are well positioned to benefit from share market gains as we have added quality equity investments when prices were low, and the balanced portfolio has healthy cash and domestic fixed income holdings to provide a buffer should equity markets decline. The portfolio remains biased to attractive priced opportunities which we believe will grow the wealth of our members over the long term.

How the Balanced (MySuper) option has performed against its objective (Value of \$50,000 over 15 years)



Note: Benefits shown in the graph are net of investment fees and tax and expressed in today's dollars. No contributions paid in and no benefits paid out. Future investment performance can vary from past performance, and you should not base your decision to invest in REI Super simply on past performance. Past earning rates are not an indicator of future earning rates. Investment returns of less than one year should not be relied upon as any guide to future performance. The investment returns of REI Super are not guaranteed, and the value of the investment may rise or fall.

Legislative update

A number of government changes have come into place in 2019/20. Some of which are long term planned changes, together with a temporary change in response to the economic impact of corona virus.

Temporary halving of the minimum draw down rate.

This is a government response due to corona virus - giving members that can manage reduced super pension income in the 2019/20 and 2020/21 financial years the opportunity to retain funds in their Pension account at a time of economic downturn.

Details of age based limits can be found at [reisuper.com.au/retirement/in-retirement/pension-payments](https://www.reisuper.com.au/retirement/in-retirement/pension-payments)

Work Bonus and Work Bonus Income Bank

From 1 July 2019 retirees can earn an additional \$300 per fortnight without affecting their age pension. This is on top of the income test free area which for single pensioners is \$174 per fortnight and couples (combined income) \$308 per fortnight. Significantly this additional income amount is 'banked' which means any unused part of the \$300 per fortnight can be accrued up to \$7,800 and offset against future income. Accrued amounts are not time limited and can be carried forward across years.

Lowering of deeming rates

Over the year on 12 March and 1 May 2020 to an upper rate of 2.25% and a lower rate of 0.25%.

Deeming is the method by which the government calculates the rate of earning of money invested in financial assets for the

purpose of eligibility for the age pension regardless of actual amounts earned.

Voluntary contributions

Are now permitted for retirees aged 67–74 in their first year of retirement with balances below \$300,000.

Pension Loans Scheme

This is effectively a reverse mortgage, to access the equity you have in your home, made available by the federal government. It provides eligible pensioners with additional income, delivered as fortnightly payments. Once you qualify for a loan you can choose the amount of income you receive up to a maximum of 1.5 times the payment rate of your eligible pension each fortnight. Payments are a loan from the federal government, attracting interest, that must be repaid if you sell your home or come from your estate if you die.

Got questions?

If you need more information on any of these changes, simply call us on **1300 13 44 33**.

\$16 B+ISPT's unlisted
property investment
in the core fund

Invested in our members and our industry

REI Super is one of the oldest industry super funds in Australia, delivering highly rated superannuation services to members for over 40 years. We understand that investing in our members and our industry delivers great value for all of us.

Professional development, product development and service

REI Super works closely with all the major real estate institutes, franchises and employer bodies to actively support professional development and advocate for professional standards in the industry. We do this in a number of ways, through sponsorship of programmes and with our business development team providing support, advice and delivery of information sessions to new members.

For employers, we make it easy to comply with government super legislation, provide regular updates via newsletters, display alerts on our online portal, make visits with field staff and problem solve via our Help Line.

We keep members up to date with things that may affect you, provide advice on growing your nest egg and develop industry specific products like income protection insurance that takes commission income into account and develop investment options that cater for levels of risk and stages of life.

Invested in high quality property assets

Listed and unlisted property together form a core investment strategy for the fund and is a sector in which many of our members work. Unlisted property in particular, holds assets not listed on the stock exchange and are generally not available for individuals to invest. They provide a great source of strong, stable,

MELBOURNE'S GPO

100 ST GEORGE TERRACE



WESTFIELD DONCASTER



SYDNEY'S LIBERTY PLACE



CANBERRA'S 2 NATIONAL CIRCUIT

Invested in our members and our industry cont.

long-term returns to our portfolio, and form approximately 50% of our property investment portfolio.

Our investment in this sector is through our long standing investment manager, Industry Super Property Trust (ISPT). Since its inception in 1994 through to 30 June 2020, the ISPT core fund where has returned an average 9.00% per annum (net of fees), an outstanding result.


At 30 June 2020, the ISPT core fund was valued at a huge \$16.2 Billion and includes properties around Australia such as Melbourne's GPO, Westfield Doncaster and Casseldon Place, Sydney's Liberty Place, Canberra's 2 National Circuit and Perth's 100 St George Terrace.

Our industry partners:



Manage your pension online


We've recently refreshed the usability of your online account and added many new features. So now it's even easier to take control of your pension. Simply login at reisuper.com.au and check it out.

Check your account balance




View investments & make changes




Check your transactions



Update your personal details



Update your beneficiaries



Vary your pension payments



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Before making any changes to your investments in your REI Super account, we strongly recommend you contact our financial advice team to be certain you are making changes in your best interest.



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Helpline 1300 13 44 33

Mon – Fri 8:30am to 7pm AEST

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