

# REI Super Pension Bulletin 2022

From your Industry Super Fund



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# Putting our members first

As I complete my third year as CEO of your fund, I reflect back on the past year and the significant economic, political and financial uncertainty facing us all.

Lingering impacts from the Covid pandemic, the war in Ukraine, the global energy crisis, rising inflation and interest rates have led to sharp and unpredictable corrections in equity markets. Inflation remains a persistent problem in Europe and the US and it is clear that the Reserve Bank tightening cycle is far from over in Australia. Against this backdrop of ongoing uncertainty, it is important to remember that superannuation is a long-term strategy to help fund your retirement. The nature of our system with rules around preservation allows members to take a long-term view of both risk and returns. In this environment, our Balanced investment option returned -5.36% for the financial year ended 30 June 2022 compared with 20.0% for the financial year ended 30 June 2021. Whilst capital volatility can be unsettling, it is important to remember that the core fundamentals of super remain the same – long-term real growth based on a consistent investment strategy and objectives. We continue to provide members with strong, long-term investment returns with the

Balanced investment option achieving average net investment returns of 7.38% per annum over 10 years.

## Investing in Infrastructure

Over the course of the past financial year we chose to reallocate a percentage of funds under management to Infrastructure assets for the first time, investing funds in the First Sentier Global Diversified Infrastructure Fund and the IFM International Infrastructure Wholesale Fund. These new infrastructure investments – airports, train lines, toll roads, energy pipelines, utilities and seaports - will provide members with exposure to long-term, consistent income producing assets whose underlying valuations are not subject to the same short-term volatility as global equity markets. It also means that your money is helping fund vital infrastructure for the benefits of current and future generations.

## Reduction in fees and insurance premiums

As a result of our continued focus on reducing costs we were able to remove the fixed

monthly administration fee applicable to all super and pension accounts, effective from 28 October 2021.

We also reduced the percentage investment fee applicable to a vast majority of members' account balances, effective from 7 November 2021. Through careful negotiation with our insurer MetLife, we were also able to reduce premiums paid by members on income protection and death and total & permanent disablement cover from 1 December 2021. Pleasingly, we were also able to significantly improve the terms and conditions for members to access this insurance whilst recovering from significant illness. Finally, we made changes to permanent & total disablement rules to provide extra support to our members in part-time roles.

## Government changes to the superannuation rules

From 1 July 2021, the superannuation guarantee contribution rate increased from 9.5% to 10.0% and from 1 July 2022 that rate increased to 10.5%.

## *'Administration fees will be reduced this year.'*

From 1 November 2021 all employees became 'stapled' to one of their existing superannuation accounts. The rules around stapling are intended to reduce the chance of working Australians accumulating multiple superannuation accounts during their working lifetime and therefore avoid paying multiple sets of fees and insurance premiums. We believe that the change in Government at the May election is positive for superannuation and the Treasurer's early comments on superannuation indicate a balanced and even-handed approach to the super industry including acknowledging the important role funds played in managing the early release scheme.

### **Award winning insurance partner**

Our insurance provider MetLife Australia won the award for best insurer at the 2021 Super Fund of the Year Awards in July 2021. This was the second consecutive win by MetLife Australia. In Australia MetLife covers over 1.6m lives and paid over \$533m in claims to policy holders in 2020.

### **Board Governance**

The past year has been one of significant Trustee Board renewal with the retirement of independent director Emery Feyzeny, as

and member-elected directors Neville Pozzi, Ian Armstrong and Greg Paterson. These vacancies provided an opportunity to renew our Trustee Board and we were delighted to welcome Craig Dunstan and Geoff Peck as new independent directors and Leanne Pilkington, Cassandra Mason and Nathan Jones as our new member elected directors. These Directors provide a great combination of expertise and experience as well as connections to the real estate industry.

### **Looking forward**

REI Super has a long rich history as the super fund for the Real Estate Industry over 47 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 our in-house financial advice model which will provide members with access to support and education as well as financial advice.
- A new member online join experience as

well as an enhanced easy consolidation online experience.

- Improved member experiences as we streamline our technology and marketing activities.
- 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. We acknowledge how important our industry is to the broader Australian economy and to the lives of everyday Australians. 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.

Yours sincerely,

**Jarrold Coysh**

Chief Executive Officer



# Investment update

## A year of volatility in markets

The last 12 months have been a period of economic, political and financial uncertainty. Lingering impacts from the Covid pandemic, the war in Ukraine, the global energy crisis, rising inflation and interest rates in most major economies have led to sharp corrections in equity markets. Central banks have been aggressively raising interest rates meaning that bonds, a traditionally lower risk asset class, have also performed poorly. Energy and wage price pressures will continue to exaggerate the impact of supply chain disruptions on global inflation with the risk of recessionary conditions across the western economies. However, against this background of ongoing short term uncertainty, it is important to remember that, that superannuation is a long-term strategy to help fund your retirement over an extended investment horizon.

## Superannuation is a long-term strategy

Members should expect four negative investment return years over any given twenty-year period. The last negative investment return year was during the COVID 19 recession. For the 12 months to 30 June 2022, our Balanced (MySuper) investment option had a net investment return of -5.36%.



## Balanced Investment Option 7.38%

Per annum over 10 years

### Average annual net investment returns over the past 10 years

The Balanced investment option invests mainly in growth assets with some interest-bearing defensive assets. It has the potential for high returns – demonstrated by the 20.0% net investment return for the previous 12 months ending 30 June 2021.

It is important to remember that the core fundamentals of superannuation remain the same – long-term real growth and this reinforces the need to focus on the long-term investment strategy and objectives. REI Super continues to provide members with strong, long-term investment returns with the Balanced investment option achieving

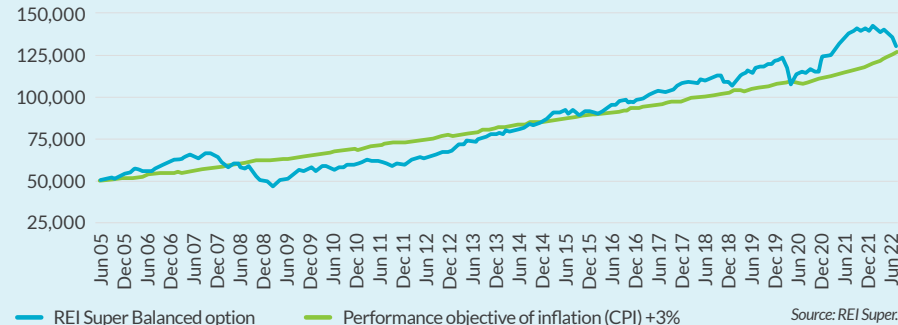
average net investment returns of 7.38% per annum over 10 years.

### Think carefully before you act

During turbulent market conditions like this, it's important to keep focused on **long-term investment objectives**. As the COVID pandemic has shown us, markets can fluctuate wildly and reacting to short-term market movements could have a negative impact on your long-term retirement savings.

Disclaimer: 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. The investment returns of REI Super are not guaranteed, and the value of the investment may rise or fall.

### How the Balanced (MySuper) option has performed against its objective (Value of \$50,000 over 16 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

With the change of government this year it is not expected that any significant changes will occur in Superannuation or Pension rules in the year ahead. That said, there are a great many members that will benefit from the few planned changes that come into effect 1 July 2022. In particular, increases to employer contribution rates and the removal of the threshold for employer contributions. Below is an overview of these changes – for more detailed information visit the ATO website.

## Low cap rate increase

This is the maximum lump sum a member under 60 who has reached their preservation age can take, the new rate is \$230,000

Transfer from Super to Pension the general transfer balance cap remains at \$1.7 million

## SG INCREASE

2021

10%



2022

10.5%

## Super Capital Gains Tax Elections cap,

Available to eligible members to contribute amounts that would otherwise be subject to CGT to super; the non-concessional contribution rate is now \$1.65 million

## Employer contribution rate increased to 10.5%

Previously 10%, the Superannuation Guarantee (SG) increased to 10.5% on 1 July 2022. This increase is the next in a planned series of increases to achieve 12% by 2025.

## Removing the threshold for employer contributions

Removal of the \$450 per month threshold means that anyone earning less than \$450 per month from a single job will begin receiving super guarantee contributions from their employer from 1 July 2022.

## Contribution caps remain the same as last year

These are the annual limits on how much you can pay into super each year.

The concessional cap (before tax, salary sacrificed contribution) is \$27,500

The non-concessional cap (after tax contribution) is \$110,000

## Co-contribution rate remains at \$500 but thresholds increase

Co-contribution is a government incentive matching individuals after tax contributions to super, dollar for dollar, up to a maximum of \$500 for people with an income less than \$42,016. The amount decreasing progressively until it cuts out when income reaches \$57,016

### **Div 293 tax threshold remains at \$250,000**

This is the additional tax on employer contributions for high income earners. In place since 2017 it is an additional 15% (total 30%) tax on concessional contributions.

### **High income earners**

The maximum super contribution base (the amount your employers is obliged to pay super on) increases to \$60,220 per quarter.







Neville Pozzi  
REI Super pension member



# Nice work Neville

Recently retired CEO with a 45 year career at REIWA, Neville Pozzi has a deep understanding of our industry and in particular, superannuation. One of Neville's many accolades is his contribution to a better retirement life for all of us who work in real estate.

As an elected member of the REI Super board from 1992 to October 2021, Neville has 29 years of dedicated service to members. With this unique insight into the workings of super and super pensions, we asked Neville if he could share some of his wisdom with you.

## About super

'Baby boomers like myself have missed out a bit by not having an entire working lifetime of compulsory super contributions. The next generation are better placed to benefit greatly in this regard, particularly if they pay attention to their super. Super advice is most important and you can never start too early to actively manage your super. Compound interest is a powerful tool over time, so the more you can get into super the earlier the better.'

'Owning your own home and having a strong super balance are key to a comfortable retirement. It's so important to inform yourself and understand the things you can do to improve your financial position throughout your life. It's not all just about making extra contributions, but that said, it is important to do so if you can.'

'There are many ways you can improve your position just by being

informed. Understanding your risk profile and making an investment choice for one thing can make a real difference. Taking advantage of government incentives and tax concessions likewise will improve your lot. There are many ways to get ahead.'

'Beware the self managed super fund (SMSF) in my experience, I have known of many with real estate assets and share portfolios that never do as well as the Industry Funds manage to. And when it comes to fees and insurance cover, it's no contest.'

## Into retirement

'Having a regular income in retirement is such an important thing, and having your investments working for you through your retirement is equally important. That's where a super pension has huge advantages, with the flexibility to transition to retirement, cut back hours or days and still maintain your income with a top up from your super account. And when you finally retire, it can provide a regular income with the ability to take lump sums if and when you need. While all the time your nest egg stays working for you with strong returns.'



### What's next for Neville

'My plan is to catch up on all the things I didn't get time for working full time; catching up with old friends, more time with family and in particular with the grandchildren. Golf, travel, dining and gardening are all high on the list. I'll still be involved in the industry at a strategic level with my involvement at PropTech, providing advice and supporting start-ups which I'm passionate about.'

'I'm looking forward to the next phase in my life.'

*'Beware the self managed super fund (SMSF). In my experience, I have known of many with real estate assets and share portfolios that never do as well as the Industry Funds manage to.'*

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Call between 8.30am and 7.00pm AEST. (Local call cost within Australia, calls from mobile phones may cost more.)

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