zest!

SuperRatings Pension of the Year Finalist 2016

Chant West Pension Fund of Year Finalist 2016

Investment performance
Your investment update and REST performance results

REST Industry Super

REST Pension Member Magazine

Spring 2016

A super busy year ahead

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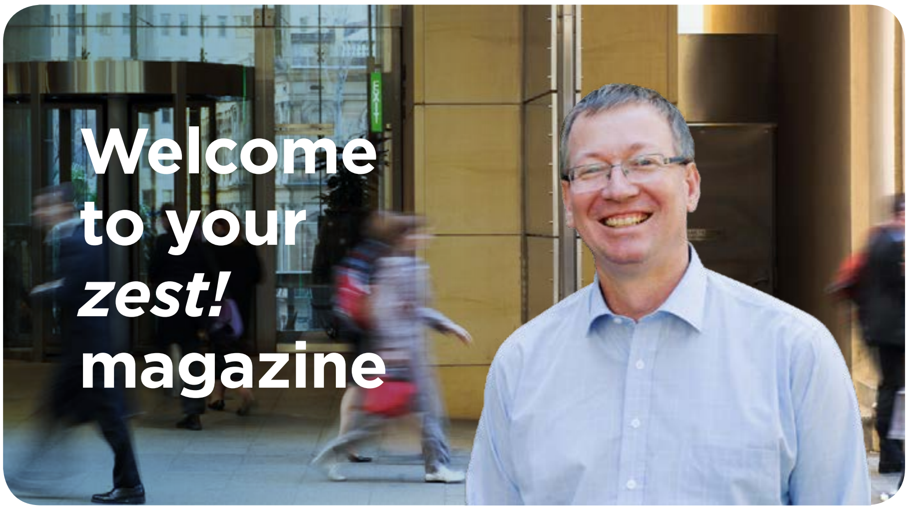
Brain training



Dear Members

Welcome to your annual ***zest!*** magazine.

With a bumpy ride for investment markets, and a Federal election thrown into the mix, the past financial year has certainly been an interesting one for superannuation.

As the dust from the election settles, we look forward to some clarity around the extent and timing of proposed changes to the super system. On page 3, we take a look at some of the super policy changes flagged by the major parties and how these might affect our members.

Despite an unsettled year in investment markets, I'm pleased to report that REST has continued to deliver competitive performance over the long term. Our investment update on pages 4 and 5 looks at your fund's performance over the past year, and explains how volatility is a normal part of the investment cycle.

So settle back for a few minutes and enjoy this edition of ***zest!*** As always, if you have any questions about your REST account, please call our customer service team on **1300 305 778** or contact us online at **rest.com.au**

Damian Hill
Chief Executive Officer
REST Industry Super

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In this issue

Contact REST Pension

1300 305 778
8am to 6pm Monday to Friday
Locked Bag 5042, Parramatta NSW 2124
rest.com.au

A super busy year ahead

Superannuation reform took centre stage in the recent Federal election, with both major parties proposing key changes to the super system.

However the make-up of the new Senate may prove difficult for either party to get legislation passed. So 2016-17 promises to be a 'super' busy year as these proposals face further debate. We'll keep members up to date with any changes that might impact their pension and super with REST through our website, newsletters and social media. In the meantime, here's a brief overview of some of the proposed changes.

Key proposed changes at a glance

$1.6 million maximum transfer into pension

As part of the 2016 Federal Budget, the Coalition proposed to introduce a $1.6 million cap on the total amount of superannuation savings that can be transferred into a pension, effective from 1 July 2017.

For retirees with a pension balance greater than $1.6 million this may mean you will need to transfer the excess back into a superannuation account or withdraw the excess amount from your super by 30 June 2017.

Tax changes to TTR

Currently, you can start a Transition to Retirement (TTR) account based pension when you reach 56 years old, and you can draw up to 10% of the total amount in your TTR pension as income each financial year. This can help supplement your income while you reduce your working hours in the lead up to your retirement. Or, you can continue working full-time and salary sacrifice more money than you take out of your TTR to boost your super as you draw nearer to retirement without impacting your take home pay.

In the recent Federal Budget, the Coalition proposed that from 1 July 2017 TTR accounts would no longer attract a tax exemption on investment earnings, irrespective of when the retirement income stream commenced. This means they will be taxed the same as superannuation investment earnings, at a rate of up to 15% per year.

It was also proposed that income payments from TTR accounts are to be treated as pension income stream payments and are taxed at your marginal tax rate less 15% if you are aged between 55 and 60.

These proposed measures are designed to ensure that TTR accounts are used primarily to help those transitioning to retirement and not for tax minimisation.

Cuts to concessional caps

Under the Coallition proposal, the maximum amount of concessional contributions (including SG and salary sacrifice contributions) you can make to your super in a financial year would be lowered. Currently, the maximum amount is $30,000 per annum for those aged 49 and below or $35,000 per annum for those aged 50 and over. The proposal is to lower the maximum amount to $25,000 per financial year from 1 July 2017.

$500,000 cap on non-concessional contributions

The Coalition had proposed to immediately introduce a $500,000 lifetime cap on after-tax contributions. Non-concessional contributions made from 1 July 2007 will be counted against the cap. This replaces annual non-concessional caps.

If an individual has already exceeded the cap, they will be taken to have used up the lifetime cap but will not be required to take the excess out of the superannuation system (providing the excess amount was not added after the Federal Budget announced on 3 May 2016).

Labor proposed immediately introducing a $500,000 lifetime cap on after-tax contributions. This replaces annual non-concessional caps. If an individual has already exceeded the cap, they will be taken to have used up the lifetime cap but will not be required to take the excess out of the super system.

Removal of the work test for members aged 65-74

Currently, members aged over 65 who wish to make voluntary contributions to their super can only do so if they meet a work test – that is, they work a certain number of hours in employment. While Labor has not proposed any change to the work test, the Coalition has proposed removing this test, allowing members between 65 and 74 years of age to contribute to their super without needing evidence of employment.

Removal of anti-detriment payments for death benefits

If you die and your eligible beneficiary receives a lump sum death payment from REST, currently they will receive a refund of all contributions tax paid on your super contributions throughout your lifetime. This is known as an anti-detriment payment. Both the Coalition and Labor have indicated they will remove this provision.

We're here to help

If you'd like further information on any aspect of your REST Pension, please call our customer service team on **1300 305 778** or contact us online at **rest.com.au**

Investment update

We take a look at how your investment with REST performed over the past year, and how REST's long-term performance continues to be ahead of the pack.

Your investment performance

REST Pension's default investment option, the Balanced option, returned +1.81% for the financial year ending 30 June 2016, a moderation in returns following a long stretch of strong performance since the end of the global financial crisis.

Financial markets saw significant volatility over the past financial year, most notably at the beginning of 2016 and again in June. These key periods of market volatility explain much of the moderation in investment returns during the year.

The Balanced option continues to meet its long-term investment return objective of delivering performance of 2% per annum over the Consumer Price Index (CPI) over a rolling six year period.

The property asset class was the largest contributor to returns for the Balanced option followed by infrastructure, with both asset classes underpinning investment performance over the twelve month period.

Australian shares and bonds contributed modest returns, but overseas shares - the largest asset class exposure for the Balanced option - was the main detractor to performance.

Market review

Monetary policy eased further as economic conditions remain weak

Weak economic conditions have prompted central banks around the world, including the Reserve Bank of Australia (RBA), to lower interest rates in an attempt to boost economic activity and growth.

The RBA lowered the Australian cash rate from 2.00% to 1.75% in May following weak inflation data from the first quarter of 2016 and has stated that it is ready to reduce rates further if domestic conditions continue to wane. Other major central banks including the European Central Bank, Bank of Japan and the Reserve Bank of New Zealand have also made similar moves to ease monetary policy by lowering official interest rates over the last twelve months.

The closely-watched US Federal Reserve, after having raised US interest rates for the first time in almost a decade in December 2015 to 0.50%, has now indicated that they will pause on further interest rate rises in light of global economic concerns and the bouts of significant financial market volatility over recent months.

Share markets run out of puff

Global share markets were tested in the early months of the calendar year by oil prices[1] that fell to as low as $US26 a barrel in February 2016 and concerns of a slowdown in global economic growth. Equities were rattled again at the end of the financial year in June 2016 following the vote for 'Brexit' – the UK's decision to leave the European Union.

International share markets, as measured by the MSCI World ex Australia Index[2], closed the quarter ending 30 June 2016 up +4.4% and finished the financial period with a return of +0.4%. Australian equity markets fared marginally better compared to overseas markets, with the S&P/ASX 300 Accumulation Index[3] returning +4.0% for the final quarter of the fiscal period and rounding out the financial year higher by +0.9%.

Global bond yields fall to record lows as investors shift to defensive assets

Bond yields around the world hit record lows following a string of interest rate cuts from major central banks and as investors shifted towards defensive assets. Over the last twelve months 10-year US government bond yields hit as low as 1.43%, Australian 10-year government bonds troughed at 1.95% and German 10-year bunds (government bonds) slid into negative yields plummeting to as low as -0.13%.

Global bond markets have benefited from falling yields given that bond prices move inversely to expected changes in interest rates, making respectable gains for the financial year. Australian bond markets, as measured by the Bloomberg Ausbond Composite Index, added +2.9% for the fourth quarter of the fiscal period and closed the financial year with a +7.0% return.

Business as usual for REST

Uncertainties surrounding a range of economic and political conditions are expected to continue to drive financial markets in the short term.

Despite these challenges, it's business as usual for REST. That is, we continue to actively manage our portfolios by regularly reviewing and adjusting our positions in view of current and expected market conditions.

At REST we believe that investing is inherently about managing uncertainty and risk. The market is never constant and fluctuations in the value of underlying assets are a normal part of investing.

REST has demonstrated its ability to manage our members' investments through difficult periods such as the global financial crisis and we remain committed to growing members' superannuation savings over the long term.

View the latest updates on your Superannuation Investments

Watch video

[1] Bloomberg West Texas Intermediate (WTI) Cushing Crude Oil Spot Price
[2] MSCI World ex Australia Index (unhedged in AUD) covers 22 of 23 developed markets excluding Australia
[3] S&P/ASX 300 Accumulation Index includes up to 300 of Australia's largest shares by float-adjusted market capitalisation

REST Pension performance results to 30 June 2016					
Investment Option	**1 Year (%)**	**3 Year (%pa)**	**5 Year (%pa)**	**7 Year (%pa)**	**10 Year (%pa)**
Core Strategy	1.56	8.50	9.31	10.00	N/A
Structured					
Cash Plus	2.09	2.89	3.55	4.12	4.30
Capital Stable	1.86	6.05	7.03	7.74	6.28
Balanced	1.81	7.50	8.30	8.89	6.56
Diversified	1.82	9.38	9.94	10.29	7.03
High Growth	1.54	10.41	10.77	11.01	7.15
Tailored					
Basic Cash	2.12	2.38	2.95	3.38	N/A
Cash	2.41	2.79	3.37	3.96	4.29
Bond	1.85	4.78	6.65	7.89	7.05
Shares	-1.84	11.52	11.73	11.49	6.41
Property	14.16	9.87	8.71	7.34	7.17
Australian Shares	1.79	9.93	9.70	11.16	7.54
Overseas Shares	-4.23	12.76	13.28	11.38	4.79

Returns are net of investment management fees and untaxed. Investment returns are at the investment option level and are reflected in the unit prices for those options. Returns for the three, five, seven and ten year periods are annualised. N/A applies to options running less than the indicated time periods. Past performance is not an indication of future performance. For more investment information including the latest investment returns visit rest.com.au/investments

Brain training

We often talk about brain versus brawn but new research shows they might just work better in tandem.

In welcome news for Australia's ageing population, recent studies are proving that physical exercise is not only good for the brain, it offers major promise in the prevention of brain diseases like dementia, Alzheimer's and Parkinson's.

"Anything that's good for the body, including exercise and a good diet, appears to be good for the brain," says Associate Professor Anthony Hannan from the Florey Institute of Neuroscience and Mental Health, the largest brain research group in the Southern Hemisphere.

In 2011 United States researchers announced they had isolated exercise as a key trigger in the production of functional new cells in the learning and memory centre of the brain. This raises the potential of exercise to build a buffer zone, feasibly delaying the onset of neurodegenerative diseases such as Alzheimer's and Parkinson's.

The research supported work by the Florey Institute in Australia on the impact of combining physical exercise and mental activity for people with a predisposition to Huntingdon's disease, a devastating genetic disorder that affects muscle coordination.

"Obviously the priority for medical research is to develop treatments that delay, prevent, slow and eventually cure brain diseases," explains Associate Professor Hannan. "The reality is, if we live long enough, we are all at risk of dementia and late-age brain disorders, so the news that physical activity is good for body, brain and mind is of potential benefit for everyone."

Significantly, the research has shown that while physical and cognitive exercises each improved brain health, a combination of both had the greatest effect.

That underscores the 'use it or lose it' message about the brain that encourages people to keep mentally active – learning new languages, doing puzzles and keeping up social contacts - to keep their brain fit, says Gerald Edmunds, Chief Executive of the Brain Foundation.

"We used to think that we only got one issue of brain cells. Now it's understood that we can build up our brains and, in some circumstances, the brain can actually recharge itself."

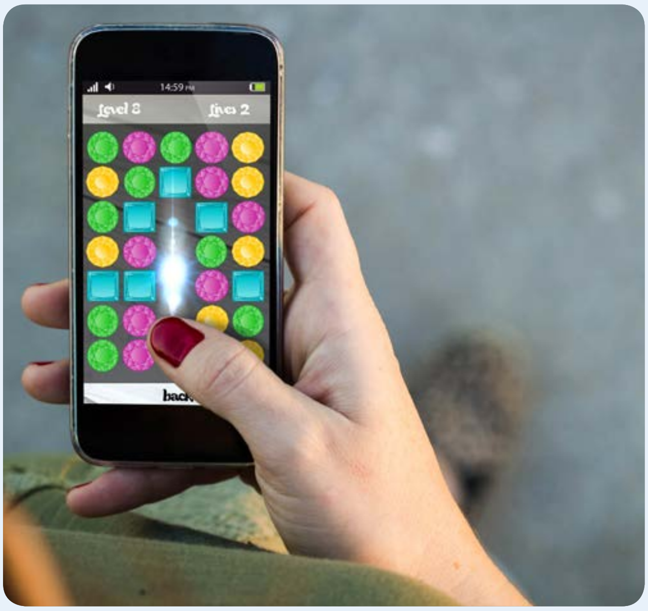
Could video games be good for you?

Worries about teens spending hours playing video games have translated into a widely held belief that they're bad for your brain and body.

But Neuroscience Research Australia has joined a growing investigation into how game technology can help the brain by combining physical and cognitive exercise.

Their research includes a promising pilot study that demonstrated how modified video games reduced the risk of falls and improved the stepping ability of older people, as well as the role of the Nintendo Wii in helping stroke patients regain limb function.

Experts say it's difficult to confirm the positive impact of new technologies without further study, but there is every chance they could help. In the meantime, make sure you combine mental and physical exercise to keep your grey matter clever.



A grandparent's guide to mental health

headspace is the National Youth Mental Health Foundation, providing early intervention mental health services to 12-25 year olds. **headspace** provides information for young people, their families and frends. REST is proud to sponsor **headspace**.

As a grandparent, it can sometimes be hard to know the difference between normal behaviour of a young person, such as moodiness, irritability and withdrawal, and an emerging mental health problem.

Feeling down, tense, angry, anxious or moody are all normal emotions for young people, but when these feelings persist for long periods of time, or if they begin to interfere with their daily life, they may be part of a mental health problem.

Mental health problems can also influence how young people think and their ability to function in their everyday activities, whether at school, at work or in relationships.

If you think you know a young person whose mental health is getting in the way of their daily life, it's important to let them know you are there to support them.

Warning signs

There are signs that suggest a young person might be experiencing a mental health problem. These are new, noticeable and persistent changes in the young person, lasting at least a few weeks, including:

- not enjoying, or not wanting to be involved in things that they would normally enjoy
- changes in appetite or sleeping patterns
- being easily irritated or angry for no reason
- finding that their performance at school, TAFE, university or work is not as good as it should be or as it once was
- involving themselves in risky behaviour that they would usually avoid, like taking drugs or drinking too much alcohol
- issues with their concentration
- seeming unusually stressed, worried, down or crying for no reason
- expressing negative, distressing, bizarre or unusual thoughts.

headspace tips for talking to a young person

It's important that young people feel comfortable and supported to talk about their mental health. Here are some things you can do to encourage this:

- talk openly and honestly, let them know what you are concerned about and ask what they need from you. They might not know what they need so be prepared to make suggestions – and have them dismissed
- encourage them to talk and listen, be patient and hear their fears and concerns
- do things with them. Sometimes they might say more if you're driving somewhere or doing something together
- if they are distressed, don't tell them to 'just calm down' or 'get over it' - they need to be taken seriously
- avoid judgment and reassure them that you will be there for them
- let them know if they don't want to talk to you, they could talk to other trusted adults, and there's help available.

How headspace can help

headspace has a national network of more than 95 centres across metropolitan, regional and rural areas of Australia with a range of workers available including GPs and mental health workers. To find your nearest **headspace** centre, visit headspace.org.au

eheadspace is a national online and telephone support service for those who can't access a **headspace** centre or would prefer to get help via online chat, email or phone. To access **eheadspace**, visit eheadspace.org.au

Have you visited the hub?

REST's knowledge hub is packed with information to help you make the best of your super and retirement. You can find the latest super and investment news, special member offers and lifestyle tips for a healthy and happy retirement. So visit the hub today at hub.rest.com.au

Like us on Facebook

You can now keep up to date with REST on social media by liking us on Facebook (REST Industry Super) or following us @RESTSuper on Twitter. It's a great way to keep in touch with REST and join the conversation.

New Age Pension assets test and taper rate

As announced in the 2015-16 Federal Budget, there will be changes to the Age Pension assets test thresholds and taper rates from 1 January 2017.

For a single homeowner, the assets test threshold will increase from $202,000 to $250,000. For a homeowner couple the threshold will rise from $286,500 to $375,000. For non-homeowners, the threshold will be $200,000 more than the homeowner threshold – so $450,000 for a single and $575,000 for a couple.

However the government is also tightening the asset test for people who receive a part-pension. Couples who are home owners will lose pension entitlements once their assets reach $823,000 (down from $1.163 million) and single homeowners once their assets reach more than $547,000 (down from $783,500). For non-home owners, the new thresholds are $547,000 for a single (down from $775,000), and $1.023 million for a couple (down from $1.298 million).

Added to the above lower thresholds, from 1 January 2017 the taper rate - the rate at which the Age Pension begins to phase out – will also increase, from $1.50 to $3.00 per fortnight for every $1,000 in assets you have over the assets test threshold. This means the more assets you hold, the less part-pension you will receive.

So for example, if you currently have assets of $10,000 above the threshold, your Age Pension is reduced by $15 for per fortnight. From 1 January 2017, this same amount would reduce your Age Pension by $30 per fortnight.

We're making things easier

We recently contacted all REST Pension members to let you know that from 1 July 2016, we'll be starting to send out important information, like links to your annual statement and other notifications, through digital channels such as email, text message and social media.

This means we can let you know more quickly about important information regarding your REST account, and you'll still be able to print out a paper copy for your records if you'd like.

If you need any further information or would like to update your contact details, just call us on **1300 305 778** between 8am - 6pm weekdays.

rest.com.au 1300 305 778
Please call between 8am-6pm, Monday to Friday

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