

Combined Schools Superannuation Fund Newsletter

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20

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Industry Funds Continue to Outperform Retail Master Trust Offerings

An article in Investor Weekly has confirmed research showing that Industry Funds such as CSSF (i.e. Wholesale Funds in the non-profit sector) are providing Members with better returns (over a 5-year time frame) than those available from "Major Brand" Master Trust offerings (i.e. Retail Funds in the for-profit sector).

Over the period reviewed, the average industry fund added \$8,237 to the account of a member on average weekly earnings while the average retail balanced fund added \$1,817 for the same member.

We recently carried out a comparison of earnings over 5-years between CSSF and a leading Master Trust (probably Australia's most well-known superannuation fund) and our fund had an additional earning rate of 1.8% per annum! Compound that over any reasonable period and the difference in a member's account balance is staggering!

Where CSSF suffers, of course, is that we do not have a million dollars to compete in the P.R. and advertising stakes, so we need our Members to do our P.R. and advertising for us.

The more the Fund grows, the more efficient we become and everyone benefits. So, tell your friends!



How Much “Choice” Does One Need?

Less than 10 years ago, very few Superannuation Funds were offering any sort of investment choice to members.

The standard investment was a “Balanced Fund” offering a mix of local and overseas shares, some fixed interest, some property and a small cash component and, even today, the vast majority of superannuation fund members are happy with this.

Competitors and sophisticated technology have meant, however, that superannuation funds have had to at least offer a range of investment options – most Industry Funds, for example, now offer 3-4, some 5 and, in the case of CSSF, 8.

In the retail (i.e. “for profit”) sector, competition is even more demanding and many of the major brand names offer not only a range of “investment sector” options (eg. Australian shares, international shares, property, etc.) but a range of Investment Managers (e.g. AMP, Merrill Lynch, Platinum, etc.). The number of options can range from 40 up to 100.

Common sense, as well as experience, tells us that it is difficult enough to select what “sector” is going to perform best, in any given period. To add another dimension and select what Manager is going to provide the best performance in the best sector, is a job at which even professionals blanch.

A recent report from the Vanguard Centre for Retirement Research has highlighted the “choice overload hypothesis”, which confirms that consumers initially find an extensive array of products appealing but, after reflection, find it more difficult to make a decision when confronted with so many choices.

How many times has this happened to you, in a specialty store, where your eyes initially feast on the goods on show, but you walk out empty handed because there is “too much” to choose from?

Research shows that choosing investments is a complex, if not daunting, task for the average person. That is the reason why Industry Funds have generally limited choice options to 3-5, and CSSF to 8. (Perhaps we feel that our Members are able to cope with a few more options because of their “education”, but don’t quote us on that!).

In any event there seems to be a strong case to be made for keeping investment options to a size which the average person can handle. Vanguard’s research suggests that there are marginally declining benefits from expanding choice, with each additional option offering less value than the prior one.



History from kids viewpoint

The following are answers provided by 6th graders during history tests. The spelling has been very carefully reproduced – wouldn’t want to spoil the effect!

- 1.** Ancient Egypt was inhabited by mummies and they all wrote in hydraulics. They lived in the Sarah Dessert. The climate of the Sarah is such that all the inhabitants have to live elsewhere.
- 2.** Moses led the Hebrew slaves to the Red Sea where they made unleavened bread, which is bread made without any ingredients. Moses went up on Mount Cyanide to get the Ten Commandments. He died before he ever reached Canada.
- 3.** Julius Caesar extinguished himself on the battlefields of Gaul. The Ides of March murdered him because they thought he was going to be made king. Dying, he gasped out “Tee hee, Brutus”.
- 4.** Queen Elizabeth was the “Virgin Queen”. As a queen she was a success. When she exposed herself before her troops they all shouted “hurrah”.
- 5.** It was an age of great inventions and discoveries. Gutenberg invented removable type and the Bile. Another important invention was the circulation of blood. Sir Walter Raleigh is a historical figure because he invented cigarettes and started smoking.
- 6.** Sir Francis Drake circumcised the world with a 100-foot clipper.
- 7.** The greatest writer of the Renaissance was William Shakespeare. He was born in the year 1564, supposedly on his birthday. He never made much money and is famous only because of his plays. He wrote tragedies, comedies, and hysterectomies, all in Islamic pentameter. Romeo and Juliet are an example of a heroic couple. Romeo’s last wish was to be laid by Juliet.
- 8.** Writing at the same time as Shakespeare was Miguel Cervantes. He wrote Donkey Hote. The next great author was John Milton. Milton wrote Paradise Lost. Then his wife died and he wrote Paradise Regained.

Make Your Super Savings Go Further!

Most people approaching retirement nowadays have not, unfortunately, been members of well-funded superannuation arrangements for 30-40 years. The outcome of this is that few will have sufficient monies in their superannuation account to allow them to live comfortably in retirement, by (say) drawing down monies as required from an Allocated Pension.

This begs the question – Retirement from when?

From:

- (a) Your 65th birthday, (because that's what you and the community see as the accepted and normal age to retire);
- (b) Some earlier age (because you have always wanted to do that special thing – travel, build a boat, whatever);
- (c) Some later age (because you are still active and have something to offer to the community).

More and more people are coming to the realization that (c) is worth looking at seriously. Even the Government is on the same wave-length.

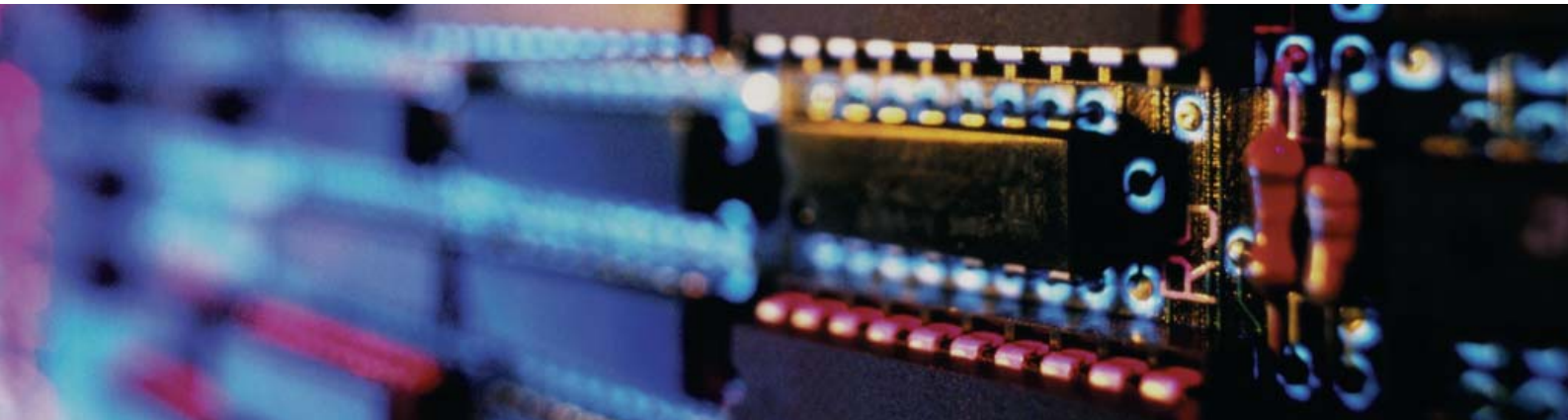
We're not talking about full-time, hard at it work but a gradual wind down over a period of years to fit in with a person's health and life-style requirements.

An important factor in this is to debunk the myth that productivity declines with age, as a matter of course. Nature is such that some people are "old at 60" whilst others are "young at 70", but the latter group are fast becoming the norm as advancing medical science, nutrition and exercise play their part in extending our "active life" by anything from 5-10 years.

Reverting to our lead paragraph, one can see why the convergence of:

- (a) people approaching retirement struggling to have enough super savings to live comfortably; and
- (b) those same people being able to work a bit longer (even 2-3 days/week, for 2-3 years) past what might be seen as "normal retirement age"

is good common sense and a sure way to make your super savings go further!



Participating Schools

Several Schools over recent months have opened their superannuation arrangements to include CSSF, thereby allowing staff to participate.

These include:

Camberwell Anglican Girls Grammar, Ozford College, Melbourne Rudolf Steiner School; Dandenong Ranges Rudolf Steiner School, Methodist Ladies' College, Hillcrest Christian College and Canberra Grammar School.

This is useful to know, as any CSSF Member transferring to another employer which participates in CSSF can obviously maintain their underlying membership seamlessly.

Pick the Index Competition

Our last Quarter's competition, to predict the S&P/ASX 300 Index closing figure at 31 July 2003, was won by **Jan Daff** from **Newhaven College**. The index was 3122.2 and Jan's entry was the closest.

Here we go again.

As at 31 July 2003, the S&P/ASX300 Index was

3122.2

Fax this page before 15 October 2003 to Combined Schools Secretariat (03) 9640 0787.

Member Investment Options – Unit Prices

The following are the respective Unit Prices for each Investment Option, as at 31 July 2003

	Unit Price		%
	31/12/2002	31/7/2003	
Australian Shares	1.40411	1.47864	5.3%
International Shares	0.81672	0.81028	(0.8%)
Fixed Interest	1.21801	1.24474	2.2%
Property	1.42037	1.45455	2.4%
Balanced	1.20444	1.22717	1.9%
Capital Stable	1.20760	1.23674	2.4%
Ethical	1.08119	1.09826	1.6%
Cash	1.16584	1.19000	2.1%

CSS S&P/ASX 300 Index Competition

NAME: _____

SCHOOL: _____

PHONE: _____

My estimate of the S&P/ASX300 Index as at 31 October 2003 is:

The winner will receive a voucher for an all-inclusive "Dinner for Two" at a 5 star Restaurant of their choice and a one year subscription to Personal Investment Magazine.

Changes to Board of Directors

Mr Bert Stewart (Geelong College), who was a Member Representative on the Trustee Board, retired on 31st July 2003. Bert served on the Board for 7 years and was a member of the Executive/Investment Committee. All of his colleagues wish him well in his forthcoming retirement.

Mr George Kogios (Heathdale Christian College) was elected to fill the vacancy. George will join the Finance/Audit Committee, while Mr Brian Collins (Braemar College) will transfer from the Finance/Audit Committee to the Executive/Investment Committee.

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Confused by Health Insurance?

Is health insurance an important and valuable benefit for you and your family or is it just a necessary evil (to avoid the Government's Medicare Levy Surcharge)?

Whichever way you look at it, health insurance is a significant expense and, with the bewildering array of options available, how can you be sure that you have the right cover?

Your membership of CSSF now entitles you to a FREE health insurance advisory service with **iSelect** – a health insurance specialist advisory group.

With the aid of the latest technology, you can save time and money by letting **iSelect**:

- Find you the best policy for your budget and needs
- Do the hard work searching over 5,000 policies across many health funds
- Handle all the paperwork (iSelect will transfer you to your new fund and ensure your waiting periods are preserved)
- Provide expert advice not biased toward any participating fund
- Provide this service free to you (iSelect receives a small fee from the health funds when you apply through them but this has no effect on the health fund premium).

How it works

Here's how you reach iSelect's FREE service:

- Complete the questionnaire on the reverse side of this page and send it to:

iSelect

Reply Paid 530

Port Melbourne Vic 3207

- OR go to **www.cssf.com.au** and go to "Four Members"
- OR call **1800 10 2000** (24 hour service)

Your personal recommendation:

- Arrives promptly through the mail, online or via phone (your choice)
- You review your recommendation

You transfer or join by:

- Completing the application; and
- Letting iSelect handle the paperwork

CSSF already provides a facility for group membership of the MBF health fund and this facility will continue.

The iSelect advisory service is simply an additional facility to assist you as a CSSF member to determine:

- Not only the most appropriate health fund for you
- But also the most appropriate benefit table in that health fund for your current circumstances.

So, why not give it a try? Log on to **www.cssf.com.au** for more details.

Personal details: Privacy: All personal information is treated in strictest confidence and is carefully guarded.

Title Mr Miss Mrs Ms Other (please specify)

Surname

Given name(s)

Postal address

Postcode

Home phone Work phone

Mobile phone Email

Date of birth / / Gender (you) M F

Date of birth of your partner / / Gender (your partner) M F
(if applicable)

Did you have health insurance at 1 July 2000? Yes No Did your partner have health insurance at 1 July 2000? Yes No

If presently insured: What is your current Health Fund & Cover Table? _____

What is your current excess and/or co-payment maximum? \$ _____

Estimated Premium Cost per Month of your current cover? \$ _____

Preferred Option: Tick one below:

- Best priced cover for my needs Best cover for my needs but to a limit of \$ _____ per month premium
- Cheapest possible cover i.e. to offset Medicare Levy Surcharge (NB no need to complete the Hospital Cover section below)

Who is this policy for?

- Single Couple Single Parent
- Family (Age range of children: from _____ yrs to _____ years)
- Family with non-dependent children (Age range of children: from _____ yrs to _____ years)

What type of cover do you need?

- Hospital Extras (eg dental, optical) Hospital and Extras

Do you require ambulance cover?

- Yes No

Hospital Cover – select your needs:

- Top hospital cover** – Very best cover for private hospital
- Tailored cover** – Private hospital cover but where some services have been excluded or are reduced to basic cover eg. joint replacement, cataract surgery or maybe even obstetrics
- Basic cover** – suitable for a shared ward in a public hospital or in some instances limited private hospital cover

What excess (the first amount of any hospital claim) are you willing to pay?

- Zero \$1-\$250 \$251-\$500 \$501-\$1000 (Family only)

Please tick if you have or may need any special hospital requirements:

- Pregnancy/birth related Assisted reproductive Major eye surgery Cardio-thoracic surgery
- Hip and knee joint replacement Other: _____ In-hospital psychiatry In-hospital rehabilitation

Extras Cover (eg dental, physiotherapy etc) – select your needs:

- Top – high benefits across an extensive range of services
- General – average benefits across a broad range of services
- Basic – average benefits but with possible exclusions and/or lower annual limits

Please tick if you have or may need any special extras requirements:

- General dental Major dental Optical Physiotherapy
- Chiropractic/Osteopathic Alternative/Natural therapies Other: _____

Next Step:

When you have completed this form please **fax to 1300 735 322 (Local call cost)**

OR By mail (no stamp required) to **iSelect Reply Paid 530, Port Melbourne VIC 3207**

Thank you for returning this form. How would you like to receive your recommendation? Via:

- Email Mail Fax () _____