



Inside this issue

March 2006

MilitarySuper achieves major milestone: AUD\$2 billion in assets under management

Fund Performance – the year to date

MilitarySuper members are making the most of new benefits

Consolidating your super: transferring other super into your MilitarySuper account

Interested in salary sacrificing some extra super?

Now you can pay super for your spouse!

Can I make additional contributions on top of my regular super contributions?

Interested in the MilitarySuper ancillary benefits and want more information?

Additional ways to grow your super

Taking advantage of Co-contributions

Looking for your lost super

Avoid becoming a lost member

MilitarySuper gets its APRA Licence

Understanding your employer benefit

Growth of your employer benefit whilst you're a contributor

Growth of your employer benefit whilst you're a preserved benefit member

Funded productivity benefit

Death and invalidity benefits

Using the web to get more from your super

What information do I need if I want to get a benefit estimate?

Accessing Member Services On-line

MilitarySuper achieves major milestone

AUD\$2 billion in assets under management

During the first week in January 2006 the MilitarySuper Fund achieved a major milestone with the Fund's total investment assets exceeding AUD\$2 billion in value for the first time. Given the Fund's strong inward cash flows and investment performance, the Fund is projected to grow to AUD\$3 billion by late 2008.

Equity markets, internationally and particularly domestically, continued to defy expectations and performed strongly during the first half of 2005–06, propelled by signs of continuing healthy economic growth, double digit profits and low inflation rates. On an annual basis, the Australian market outperformed the world markets for the sixth consecutive year. These strong performances in equity markets have continued in January and February.

Those elements of the MilitarySuper Fund which are exposed to listed markets have shared fully in that market generated return. The return achieved on the Fund's Australian Equities portfolio to date has been in line with the market, and in International Equities, the Fund's return has been ahead of the benchmark, notwithstanding the impacts the appreciation of the Australian dollar against the greenback have had on returns when translated back to the AUD. Importantly, however, returns to the Fund from non-listed assets, and particularly in the Private Equity and Infrastructure sectors, have continued to post impressive returns. The return achieved on the Fund's Infrastructure investments alone has been an impressive 28.7%, when viewed on a 12 month return basis.

For the seven months to 31 January 2006 the return in the Growth (Default) Option was 12.00% (21.2% annualised) and in the High Growth Option the return was 13.43% (23.9% annualised). Note however, that the annualised rate is indicative only as it is unlikely that markets will continue to perform for the full year at the current rate and indeed there was some decline in the markets in early February.

Fund Performance

Investment Strategy	Unit Price as at 30 June 2005	Unit Price as at 31 January 2006	Financial Return Year to Date	Annualised rate
Cash	\$1.089529	\$1.123102	3.0814%	5.2873%
Conservative	\$1.164356	\$1.239222	6.4298%	11.1590%
Balanced	\$1.277561	\$1.412905	10.5939%	18.6428%
Growth (Default)	\$1.262020	\$1.413479	12.0013%	21.2174%
High Growth	\$1.351856	\$1.533431	13.4315%	23.8569%

The table provides an annualised rate for each option which should only be regarded as a guide to possible full financial year outcome.



MilitarySuper members are making the most of new benefits

MilitarySuper recently introduced a range of products to allow members to make the most of their super. The new products are known as ancillary benefits and they allow members to pay a range of contributions into the MilitarySuper Fund in addition to their regular contributions.

The response to MilitarySuper's new ancillary benefits has been extremely positive and many members have already taken advantage of the new arrangements and the benefits they offer. Members have transferred nearly 6 million dollars from other superannuation accounts into their MilitarySuper accounts since the option became available in August last year and other contributions are fast approaching the 1 million dollar mark!

So if you have super from a previous employer, or are interested in making extra super payments for yourself or on behalf of your spouse, through ancillary benefits, MilitarySuper has the ability to accept such contributions and transfers. Please remember that the information we provide is general advice only and you may wish to consult a financial professional such as a financial advisor before you make any decisions about your super.

Consolidating your super: transferring other super into your MilitarySuper account

Did you know that it is possible to transfer the superannuation you may have from previous jobs into your MilitarySuper account? Consolidating super accounts in this way can reduce the amount of paperwork you have in relation to your super, make it easier to keep track of your benefits, and possibly minimise your account keeping fees.

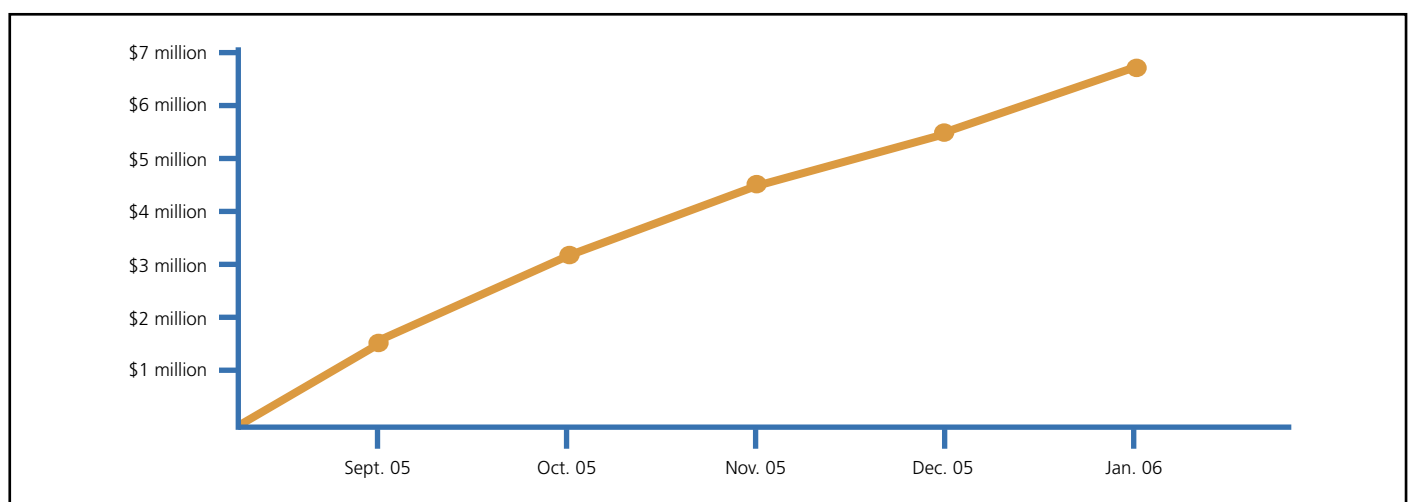


How do I arrange a transfer? MilitarySuper makes it easy

Many members have expressed interest in transferring other super into their MilitarySuper account. In response to your interest and comments we have made the process of transferring amounts into your MilitarySuper account much simpler.

To transfer an amount into your MilitarySuper account you now only need to complete an *Application to Pay in a Transfer Amount* form (MAC02) and send it to your previous super fund provider. If you have more than one previous fund, you'll need to complete a separate form for each super fund. Once your previous super money has been received and credited to your MilitarySuper account, we will notify you in writing.

A personalised *Application to Pay in a Transfer Amount* form (MAC02) is included with this report. Additional copies of the form can be obtained from the MilitarySuper website or by phoning 1300 006 727.



Ancillary contributions made by MilitarySuper members - August 2005 to January 2006

Want to know more about transferring amounts into MilitarySuper?

For more information on transferring amounts, including the types of superannuation and other benefits you can transfer into your MilitarySuper account, visit our website at www.militarysuper.gov.au or call our Contact Centre on 1300 006 727.

Interested in salary sacrificing some extra super?

MilitarySuper's new salary sacrifice option has also been very popular with members.

Salary sacrifice contributions are voluntary contributions you are able to make from your pre-tax salary. These are in addition to your regular MilitarySuper contributions. You can make salary sacrifice contributions each fortnight, but once paid into your MilitarySuper account you cannot access the money until your ancillary benefit becomes payable.

Salary sacrifice contributions are treated as employer contributions, can reduce your pre-tax salary, and are subject to a 15% tax which is deducted when the contributions are received by the MilitarySuper fund. The abolition of the Surcharge Tax from 1 July 2005 may make salary sacrificing an attractive option for some members. We also recommend that you to talk to a financial advisor to determine the implications of salary sacrificing extra super and how it might fit with your personal goals and situation.



There is a limit on the amount of salary sacrifice contributions you can pay each financial year so you will need to contact your Pay Unit to determine what limit applies to you.

Now you can pay super for your spouse!

Another of MilitarySuper's new ancillary benefits allows you to make super contributions on behalf of your spouse. There is no limit on how much or how often you can contribute but once paid into MilitarySuper, these contributions belong to your spouse. Spouse contributions will be allocated to a separate MilitarySuper account in your spouse's name and he or she will become a beneficiary of the scheme. Note that your spouse cannot access these contributions other than in limited circumstances prior to reaching his/her preservation age. If you make spouse contributions, your spouse will get a benefit which will be payable as a lump sum, rather than as a pension. The benefit comprises the contributions you paid for your spouse and MilitarySuper investment returns on those contributions.

If you wish to make spouse contributions you will need to let us know by completing an *Application to Pay Spouse Contributions* form (MAC03). This form is available on our website.

For more information on making super payments on behalf of your spouse visit our website at www.militarysuper.gov.au or call our Contact Centre on 1300 006 727.

Can I make additional contributions on top of my regular super contributions?

Yes you can. There is no limit on how much you contribute on an after-tax basis or how often you make the extra contributions, but the additional contributions do not attract additional employer benefits. You should also be aware that once you have made additional contributions into MilitarySuper you can only get access to these contributions prior to your preservation age in limited circumstances.

MilitarySuper can accept extra super contributions from your Pay Unit which can arrange to have the additional super contribution deducted from your pay. MilitarySuper will also accept direct payment by cheque or money order. For the latter you will need to download an *Additional Personal Contributions—Deposit* Form (MAC 01) from our website and send it to us with your payment.

Interested in the MilitarySuper ancillary benefits and want more information?

More information on the ancillary benefits that are available as part of your MilitarySuper account can be found in the enclosed Supplementary Product Disclosure Statement, on our website at www.militarysuper.gov.au, by emailing members@enq.militarysuper.gov.au, or by calling the MilitarySuper Contact Centre on 1300 006 727.



Additional ways to grow your super

Here are some other ways you may be able to maximise your super.

Taking advantage of Co-contributions

In December 2005 alone, MilitarySuper received nearly \$12 million in Co-contributions paid by the Australian Tax Office to the accounts of 20 471 MilitarySuper members! If you are eligible for the Commonwealth Government's Co-contribution Scheme, you could receive up to \$1,500 tax-free directly into your super account. You are generally

eligible to receive the Co-contributions if your total income (assessable income plus reportable fringe benefits) is less than \$58,000 a year, and you make personal after-tax contributions. Your personal contributions and the Government's matching Co-contributions are treated as "undeducted contributions" – i.e. they are not taxed when they are deposited to the MilitarySuper Fund or paid to you from MilitarySuper. Co-Contributions are included as part of your MilitarySuper ancillary benefits account.

For more information on the Government's Co-contributions scheme go to the ATO website at www.ato.gov.au or call our Contact Centre on 1300 006 727.

Looking for your lost super

The Australian Taxation Office keeps a list of people who have been reported by their superannuation funds as "lost". You can find out whether you have any lost super by phoning the SuperSeeker self-help phone service on 132865 or conducting your own online search of the ATO's lost super register called SuperSeeker at www.ato.gov.au/super. All you need to do is enter your tax file number, name and date of birth and the database will look for any lost super you may have. It will also search the ATO records including the Superannuation Holding Account's Special Account (formerly SHAR) and any unclaimed superannuation guarantee vouchers in your name.





MilitarySuper gets its APRA Licence

On 26 September 2005, the Australian Prudential Regulation Authority (APRA), granted a licence to the Military Superannuation and Benefits Board of Trustees.

The main purpose of APRA licensing is to ensure that superannuation trustees are competent and have adequate systems in place to look after the interests of their members and beneficiaries of the fund. In its assessment of the MilitarySuper application, APRA had to be satisfied that the Trustees of the Scheme were suitable to manage a fund and that all necessary strategies were in place to provide maximum protection for members' money. The granting of the licence demonstrates that MilitarySuper is properly equipped and resourced, and that all relevant industry standards have been met.

Avoid becoming a lost member

If you leave the ADF, please remember to keep us up to date with any changes to your postal address so we can keep in touch with you. You can change your contact details online, by emailing your new details to members@enq.militarysuper.gov.au, by advising us by phone on 1300 006 727 or by completing a *Change of Contact Details* form which can be downloaded from www.militarysuper.gov.au.



Understanding your employer benefit

There are two main types of superannuation schemes, accumulation and defined benefit. An accumulation scheme is based on the contributions paid into a fund and the income earned on those contributions. In such schemes, the value of the member's benefit depends on the performance of the fund. The benefit from a defined benefit scheme is usually based on a member's length of service and salary. The MilitarySuper Scheme is a combination of an accumulation and defined benefit scheme, with the defined benefit paid entirely by the employer. The member's benefit comprises moneys invested according to the member's investment option in the MilitarySuper Fund, whereas the employer benefit is unfunded (except for the productivity account) and is paid from Consolidated Revenue when the member's benefit becomes payable.

Growth of your employer benefit whilst you're a contributor

For the first 7 years of your enlistment the employer component of your super accrues at a rate of 18% of your Final Average Salary (FAS). Once you have been enlisted for longer than 7 years the accrual rate increases to 23% of FAS until you have reached 20 years of service. At this time the rate increases to 28% of your FAS.

If you leave the ADF and then return at a later date your accrual rate is maintained at the level it reached upon your discharge. For example, if you left after 7.5 years of service and re-enlisted six months later, your employer component recommences accruing at 23% of FAS, rather than dropping back to the 'day one' rate of 18% of FAS.

Growth of your employer benefit whilst you're a preserved benefit member

Unfunded employer benefit

The main part of your preserved employer component is unfunded, meaning that your employer finances it at the time the benefit is paid rather than by paying regular contributions into the Fund. This part of your preserved MilitarySuper benefit, which is equal to the total employer benefit less the value of the productivity benefit at the time you left the ADF, is increased annually by upward movements of the Consumer Price Index (CPI). The Australian Bureau of Statistics determines the CPI by surveying the costs of a variety of goods and services including food, clothing and footwear, housing, health care, transportation, communication, recreation, and education. The CPI adjustment allows your benefits to keep

pace with inflation and to maintain value when the cost of living alters.

Funded productivity benefit

The productivity benefit is the funded component of the preserved employee benefit as is invested in the Growth (Default) Option.

Unfunded productivity benefit

Members of MilitarySuper who transferred from the now closed DFRDB scheme also have a component of their productivity benefit that is unfunded. This part of a preserved productivity benefit is increased annually in line with upward movements in the CPI.

After retirement

Once you reach your preservation age you may elect to take your employer benefit as a pension or a lump sum. If you choose the pension option, in order to maintain the value of this benefit, your pension is adjusted twice each year in line with any increases in the CPI.

Death and invalidity benefits

MilitarySuper provides benefits to both contributory and preserved benefit members in the event of death or invalidity.





Using the web to get more from your super

Did you know that the MilitarySuper website can provide answers to many of your questions about your super? You can also use the website to get an estimate of retirement, resignation or invalidity benefits, and to view and print your latest member statement. You can even use the website to keep your contact details up to date. The website provides the facility to send an email directly to our Contact Centre requesting a benefit estimate, and to use the i-Estimator to generate an on-line estimate.

What information do I need if I want to get a benefit estimate?

To obtain an estimate via the email request function or by way of the i-Estimator you will need to provide the following information:

- Service number
- Service

- Full name
- Date of birth
- Length of eligible service
- Proposed date of retirement, resignation or discharge
- Your return address.

Accessing Member Services On-line

While the MilitarySuper website provides a wealth of information through fact sheets, publications, and answers to members' most frequently asked questions, it also offers members a range of secure functions via Member Services On-line.

To access Member Services Online you will first need to apply for an Access Number. This can be done by downloading an *Access Number Application* form from the website. Once you have completed the form, mail it to MilitarySuper, PO Box 22, Belconnen, ACT, 2616. We will then send you an Access Number by post. Please note that we are not able to send your Access Number by email or fax.

If you would like more information

Visit our website

For up-to-date information about MilitarySuper and to check your benefits online visit www.militarysuper.gov.au

MilitarySuper Contact Centre

Phone: 1300 006 727

Fax: (02) 6272 9617

Email: members@enq.militarysuper.gov.au

Write to

If you have a general enquiry or wish to send a form or other information please write to:

MilitarySuper
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Belconnen ACT 2616

To contact the Trustees, write to

The Secretary, MSB Board of Trustees No. 1
GPO Box 636
Canberra City ACT 2601