The SA Metropolitan Fire Service Superannuation Scheme

Annual Report

For the year ended 30 June 2017

Look inside to see:

Issued by SA Metropolitan Fire Service Superannuation Pty Ltd ACN 068 821 750
as trustee of the SA Metropolitan Fire Service Superannuation Scheme ABN 99 439 309 855.

Chairman's Report

On behalf of the Board of Trustees of the SA Metropolitan Fire Service Superannuation Scheme I would like to provide you with our report on the achievements and activities of the Scheme for the year ended 30 June 2017.

Performance and Investments

Financial markets produced good returns over the year with especially strong returns in the first half. The continuing low inflation environment restrained volatility for the year. The Growth investment option which supports the defined benefit for members aged under 60 returned a net 10.8% while the Conservative option supporting the over age 60 benefits returned a net 6.2% - both pleasing results for the financial year. Funds SA continue to invest the Scheme's funds on the Scheme's behalf which allows the Scheme to continue to benefit from the scale of much larger portfolios.

Membership and Assets

- Membership of 945 Defined Benefit members and 309 Retained members remained relatively static but an increasing recruit intake is anticipated throughout 2017-2018.
- During the year the Scheme paid out $16.89m in benefits.
- The Scheme received $21m in contributions ensuring that the Scheme's cash flow position remained sound.
- The Scheme's total assets grew from $332m to $368m.
- 50% of the additional contributions made by members between 2009-2012 to address the GFC funding deficit were repaid with interest.

Defined Benefit Scheme

An actuarial review of the Scheme is conducted each year. The 2016 review showed vested benefit coverage levels were higher than the levels expected and the longer term financial position of the Scheme is expected to improve with anticipated earnings.

The Scheme has also established a self-insurance reserve to meet the Scheme's anticipated self-insured disability income liability.

Governance and Compliance

Audit reports from the Auditor General's department which examine the operational risk areas of the Scheme reported that the financial transactions of the Scheme have been conducted properly and in accordance with law. The audit did not identify any significant matters requiring management attention.

Member Services

The Scheme's website is continually updated and has experienced a substantial increase in visits. The June pre-retirement seminar was again at maximum capacity with attendees' feedback being very positive. The Manager conducted numerous station visits which are always greatly appreciated by operational staff.

Board and Staff

Once again the Scheme's staff of Alan Kent and Veronica Varga continue to provide an outstanding level of service to members. The Board would like to thank them both for their continued hard work in servicing member, Board and Scheme requirements throughout the year.

In conclusion I would like to acknowledge the continuing strong contribution of my fellow Board members towards ensuring that your benefits are managed in a sound and compliant manner.

I commend the 2017 Annual Report of the SA Metropolitan Fire Service Superannuation scheme to all interested parties.

Robert Tidswell
Chairman

Your Super – How your benefit works

If you are a Defined Benefit Member

All permanent employees are Defined Benefit members.

After age 50

Your retirement benefit is 'defined'. This means that your benefit on retirement is based on a calculation that takes in to account your years of service and your final average salary (please refer to the Member Benefit Guide for more information about how your benefit is calculated).

Before age 50

As you would be aware, some benefits on leaving service prior to age 50 are related to the Scheme's earnings, i.e. the Immediate Benefit option. The assets for the Defined Benefit section of the Scheme are invested in the Growth option and therefore the investment earnings generated by this option will be allocated to your compulsory contributions to calculate your leaving service benefit options.

Alternatively you may choose the Deferred Benefit option. Under this option the Defined Benefit component of the Deferred Benefit will remain in the Scheme until you request payment after age 50. This component will be indexed annually by the movement in the Consumer Price Index (CPI Adelaide – All Groups) subject to a minimum of zero, from the date you cease employment to your 50th birthday. After age 50 the benefit will be allocated investment earnings, which may be positive or negative, applicable to your chosen investment option.

If you are an Accumulation Member (or you are a Defined Benefit Member with an Accumulation Account)

Your accumulation investment purchases units

The net amount of your superannuation contribution in an accumulation account (i.e. after any fees and/or taxes are deducted) buys what is known as 'units' in the Scheme. The number of units that your net contributions buy depends on the unit price at the relevant time. For example, if your net contributions are $1,000 (i.e. after any fees and/or taxes are deducted) and the unit price is $1.00 at that time, then 1,000 units would be bought on your behalf.

Unit prices are calculated on a weekly basis and fluctuate according to the investment performance of the Scheme (i.e. the unit price for the Scheme will reflect the value of the Scheme's underlying investments after making provision for tax on those investments and investment management fees).

The value of your accumulation account balance at any time is simply the number of units you have multiplied by their unit price at that time.

Net earnings on the Scheme's investments (which may be positive or negative) will be reflected via changes in unit prices. If the net earnings for the Scheme are positive, the unit price will increase. If the net investment earnings are negative (a loss), the unit price will decrease.

The effective rate of net earnings for a given period can therefore be determined by the proportionate increase (if returns are positive) or decrease (if returns are negative) in the unit prices from the start to the end of the period.

Your member statement shows how many units you have and their value as at 30 June 2017.

Your options – Accumulation Benefits

Your Scheme offers you a choice of where to invest your super account balance.

Different members have different financial needs and no one investment option will suit everyone. That's why you have a choice of 7 options in this Scheme. You can choose to split your current account balance between any of the seven investment options. You can also allocate your future contributions between any of the seven investment options.

The rate of return you can expect from each investment option will vary according to the asset class(es) it is invested in.

Historically, an investment option invested mainly in growth assets (e.g. shares and property) has provided the best returns over the long term (more than 10 years). However, high growth options tend to have the most variation in returns from year to year. On the other hand, with an investment option that is invested mostly in defensive assets, such as fixed interest and cash, you could expect lower returns over the long term but less variation in returns from year to year.

However, you should be aware that past performance should not be relied upon as an indicator of future performance.

If you do not nominate an investment option when you join the Scheme or commence making any additional voluntary contributions, your super will be invested in the default option nominated by the Trustee. The Scheme's default investment option is the Growth option.

See pages 7 to 10 for a description of each investment option.

Investment returns

The table below shows each investment option's effective rate of net earnings (i.e. the actual rate of return net of tax and investment fees) for each of the past 5 financial years. You should refer to each investment option's objectives on pages 7 to 10. For an explanation of the reasons behind this year's investment returns, please turn to page 11. Please note that past performance is not a forecast or guarantee of future performance.

	High Growth	Growth	Balanced	Moderate	Conservative	Capital Defensive	Cash
1 July 2012 to 30 June 2013	17.2%	14.0%	12.3%	10.2%	8.1%	4.4%	2.9%
1 July 2013 to 30 June 2014	14.3%	12.7%	11.5%	9.9%	8.2%	6.1%	2.4%
1 July 2014 to 30 June 2015	10.1%	8.9%	8.1%	7.1%	5.9%	4.5%	2.3%
1 July 2015 to 30 June 2016	3.1%	3.4%	3.3%	3.2%	2.8%	2.8%	1.9%
1 July 2016 to 30 June 2017	12.5%	10.8%	9.5%	7.7%	6.2%	4.2%	1.7%
Compound average effective rate of net earnings for period 1 July 2012 to 30 June 2017	11.3%pa	9.9%pa	8.9%pa	7.6%pa	6.2%pa	4.4%pa	2.2%pa

Defined Benefits Assets

Defined Benefit assets for permanent employees under age 60 are invested in the Growth option.

Since 1 July 2013, Defined Benefit assets for permanent employees over age 60 have been invested in the Conservative option. Before 1 July 2013 over age 60 Defined Benefit assets were invested in the Growth option.

See the table on page 4 for the 5-year compound returns to 30 June 2017, after fees and taxes.

Changing your investment choice

Once you have made your investment choice, it will continue to apply until you inform the Scheme of a new choice. You are able to switch your investment choice once a week. Forms received by the Trustee by 5pm Thursday will be processed at the next declared unit price, generally on the following Monday.

Call the Manager on (08) 8204 3826 for details on how to make a change.

It's usually wise to seek professional financial advice before making any financial decisions.

Is there a fee involved?

The first investment switch you make each year is free. For any subsequent switches you make each year, a fee of $30.00 is deducted from your account balance.

Planning to leave?

For Accumulation benefits, the investment earnings that apply to your chosen investment option are calculated up to the day you leave the Scheme and applied to your benefit.

For Permanent employees, the Defined Benefit portion of your benefit will be invested in the Growth investment option effective from the date of your leaving service (if under age 50 and you choose the Immediate Benefit option) or in the Cash investment option effective from the date of your leaving service (if over age 50). Any Accumulation derived benefit will continue to be invested in your chosen investment option/s.

If you are a Permanent employee under age 50 and choose the Deferred Benefit option, the Defined Benefit component of the Deferred Benefit will remain in the Scheme until you request payment after age 50. This component will be indexed annually by the movement in the Consumer Price Index (CPI Adelaide – All Groups) subject to a minimum of zero, from the date you cease employment to your 50th birthday. After age 50 the benefit will be allocated investment earnings applicable to your chosen investment option which may be positive or negative.

Indexation rate for Deferred Members

Members that have elected to defer their benefits in the Scheme on ceasing employment prior to age 50 have their benefits indexed each year. The rate that applies depends on when a member elected to defer their benefit. For members who ceased employment prior to 23 June 2003 the annual indexation rate is based on the increase in Consumer Price Index (CPI) plus 3%, whilst for members deferring benefits after 23 June 2003 the annual indexation rate is CPI.

The rates applicable for the year ending 30 June 2017 are as follows:

Members electing to defer prior to 23 June 2003	5.0%
Members electing to defer after 23 June 2003	2.0%

Your investment options

Choosing and monitoring investment managers

The Scheme's investments are managed by Funds SA. Funds SA invests and manages over $25 billion on behalf of South Australian public sector superannuation funds and other approved authorities. Funds SA create and deliver multi sector investment products by engaging specialist investment managers and advisers to enable superannuation funds like the Scheme to have access to efficient and well structured investment facilities.

Funds SA determines the allocations of investments in each of the Scheme's investment options, including which managers are used to invest the assets. Funds SA critically assesses the selection of investment managers, manages investment manager appointments and replacements, and reviews and reports on performance against investment objectives.

Each investment option has guidelines for investing

For each investment option there is an investment policy that sets an investment strategy and objectives that determine how and where your money will be invested. While having an objective and strategy are required by law, having a strategy helps ensure that your Scheme maximises investment returns while maintaining an acceptable level of risk. **Please note that the objectives are not a forecast or guarantee of future performance**.

Each investment option's performance is monitored regularly against objectives and strategy and changes are made where necessary. A copy of your Scheme's investment policy statement is available on request. There are different levels of investment risk associated with each of the Scheme's investment options. For example, Standard Risk Measures, developed by the Association of Superannuation Funds Australia (ASFA) and the Financial Services Council (FSC) based on industry guidance, measures the risk of negative returns over a 20 year period. The Standard Risk Measure is not a complete assessment of all forms of risk; for instance it does not detail what the size of the negative return could be or the potential for a positive return to be less than a member may need to meet their objectives. Further, it does not take into account the impact of administration fees and tax or the likelihood of a negative return. Members should still ensure they are comfortable with the risks and potential losses associated with their chosen investment options.

Please refer to the Scheme's Member Benefit Guide for more information. You can obtain a copy of the Scheme's Member Benefit Guide by calling (08) 8204 3826 or visiting **www.samfs.superfacts.com**.

The Scheme's investment approach

The Trustee aims to manage investment risk by offering members a range of investment options for Accumulation benefits that provide diversification by accessing different asset classes.

High Growth Option

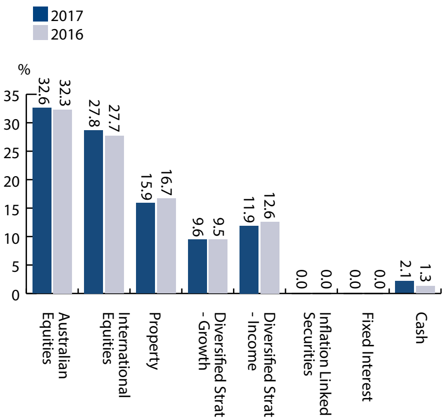
Objectives/Risk

The High Growth investment option is structured for investors with an investment time horizon of at least 10 years. Over this period it aims to earn a return averaging 4.5% in excess of the rate of inflation. However annual returns may be volatile. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'high' (Risk Band 6) meaning that a negative return might occur between 4 and 6 years in 20.

Strategy

The option is invested 75% -100% in growth assets with the balance in income assets.

Where the assets were invested as at 30 June 2017



Growth Option (default option)

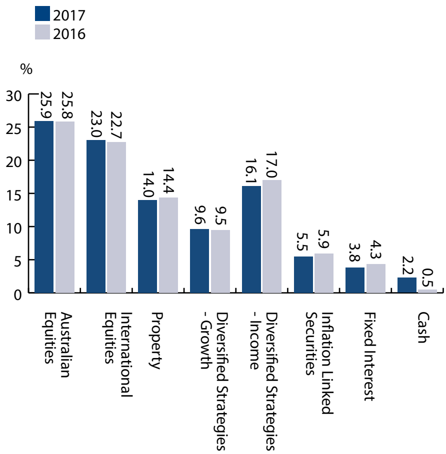
Objectives/Risk

The Growth investment option is structured for investors with an investment time horizon of at least 8 years. Over this period it aims to earn a return averaging 4% in excess of the rate of inflation. However annual returns may be volatile. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'medium to high' (Risk Band 5) meaning that a negative return might occur between 3 and 4 years in 20.

Strategy

The option is invested 65% - 85% in growth assets with the balance in income assets.

Where the assets were invested as at 30 June 2017



Note that due to rounding, the sum of the individual numbers within the graphs may not add up to 100%.

Balanced Option

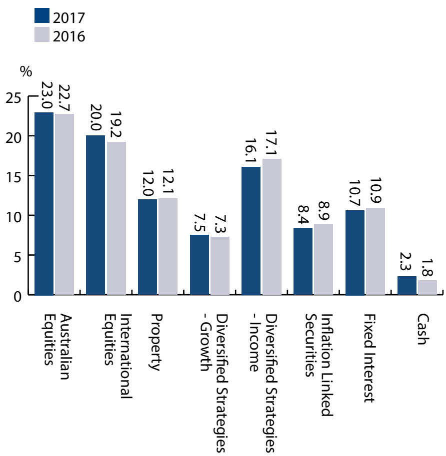
Objectives/Risk

The Balanced Investment option is structured for investors with an investment time horizon of at least 7 years. Over this period it aims to earn a return averaging 3.5% in excess of the rate of inflation. However annual returns may be volatile. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'medium to high' (Risk Band 5) meaning that a negative return might occur between 3 and 4 years in 20.

Strategy

The option is invested 55% - 75% in growth assets with the balance in income assets.

Where the assets were invested as at 30 June 2017



Moderate Option

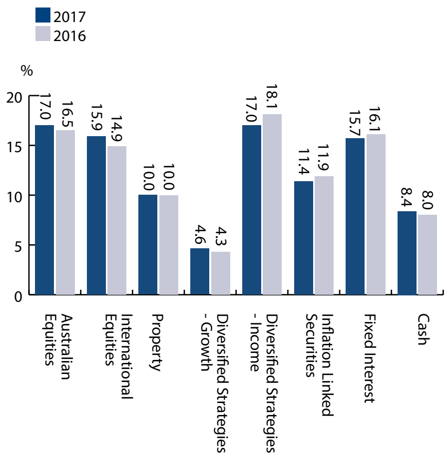
Objectives/Risk

The Moderate investment option is structured for investors with an investment time horizon of at least 6 years. Over this period it aims to earn a return averaging 3% in excess of the rate of inflation. However annual returns may be volatile. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'medium' (Risk Band 4) meaning that a negative return might occur between 2 and 3 years in 20.

Strategy

The option is invested 40% - 60% in growth assets with the balance in income assets.

Where the assets were invested as at 30 June 2017



Note that due to rounding, the sum of the individual numbers within the graphs may not add up to 100%.

Conservative Option

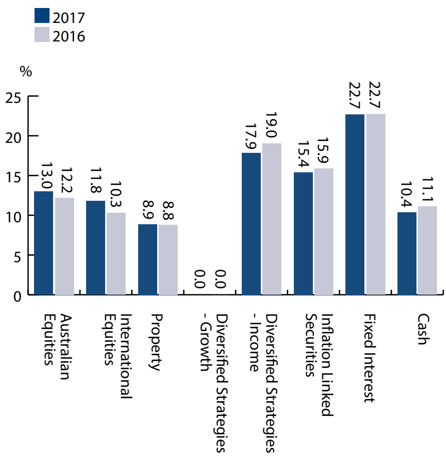
Objectives/Risk

The Conservative investment option is structured for investors with an investment time horizon of at least 4 years. Over this period it aims to earn a return averaging 2% in excess of the rate of inflation. However annual returns may be volatile. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'low to medium' (Risk Band 3) meaning that a negative return might occur between 1 and 2 years in 20.

Strategy

The option is invested 25% - 45% in growth assets with the balance in income assets.

Where the assets were invested as at 30 June 2017



Capital Defensive Option

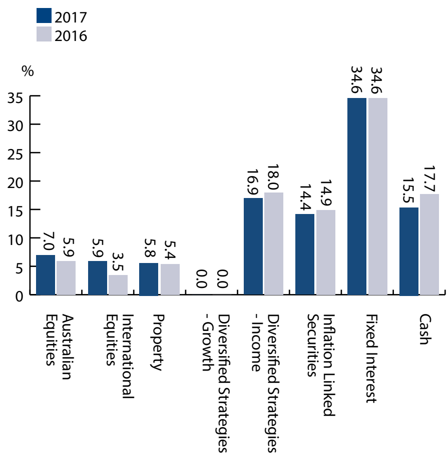
Objectives/Risk

The Capital Defensive investment option is structured for investors with an investment time horizon of at least 2 years. Over this period it aims to earn a return averaging 1.5% in excess of the rate of inflation. However annual returns may be volatile. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'low' (Risk Band 2) meaning that a negative return might be expected to occur between 0.5 and 1 year in 20.

Strategy

The option is invested 15% - 35% in growth assets with the balance in income assets.

Where the assets were invested as at 30 June 2017



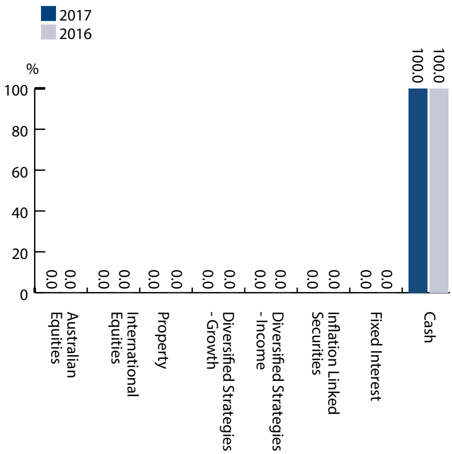
Note that due to rounding, the sum of the individual numbers within the graphs may not add up to 100%.

Cash Option

Objectives/Risk
The Cash investment option has a target of maintaining the value of capital. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'very low' (Risk Band 1) meaning that a negative return might occur less than 0.5 years in 20.

Strategy
The option is invested 100% in income assets.

Where the assets were invested as at 30 June 2017



Keeping an eye on risk

External investment managers used by Funds SA are required to take steps to ensure that risk is kept at an acceptable level.

The Trustee does not undertake day-to-day management of derivative instruments. Derivatives can be defined as investment products whose value depends on or is derived from separate assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers, for the purposes described above.

Environmental, social and ethical considerations

Decisions to invest in or realise investments are based on key financial and managerial criteria. The Trustee does not separately consider social, environmental or ethical factors or labour standards to make these decisions.

Economic and market wrap

Source: Mercer

A look at the economy and markets in 2016-17 and what's in store for the year ahead.

Equities close out a strong FY 2017

Super funds performed strongly in FY 2017, despite starting the financial year with the aftermath of Brexit and political uncertainty during the year surrounding elections in the US and Europe.

It was the eighth year in a row of positive returns for most superannuation customers, including those invested in the Scheme's default options, Growth and Conservative.

Outlook

Returns going forward are likely to be less than those received over the last eight years, as yields have reduced and valuations across asset classes are at high levels.

Our investment portfolio management team continues to monitor economic and market developments and adjust portfolio exposures to shares accordingly

Year that was: 2016 – 2017

After the initial shock of 'Brexit', calm returned quickly to global markets early in July 2016. In addition to more supportive stances from a range of global central banks, economic data tended to support the consensus view of steady and broad-based, but otherwise tepid, global economic growth. Correspondingly, global deflation fears continued to recede.

In November, the impact of a new administration in Washington DC added a new layer of uncertainty, with equity markets performing strongly with renewed focus on the degree of fiscal stimulus that may flow from the new US government administration. In contrast, global bond markets weakened as growth and inflation expectations rose.

Business and consumer sentiment continued to improve into early 2017 and equity markets continued to perform strongly, with a bottoming of downwards earnings revisions in the US and a turn in the corporate profitability cycle adding a further tailwind.

Emerging markets started outperforming its developed market counterparts as concerns over geopolitical risks and a higher USD from a Trump administration faded and focus shifted to the improving developed market growth backdrop.

Global bonds then rallied gaining back some of the performance previously lost in late 2016, as the likelihood of passing the proposed changes from the Trump administration were reduced. Furthermore, price and wage pressures remained muted, with core inflation moderating in the early to mid 2017. Central banks have been attributing this to transitory effects, though this view has moderated somewhat as low inflation surprises have persisted, and markets have backed away from expected rate increases.

At the end of the financial year, markets continue to closely watch central bank actions for any signs of the pace in which monetary policy stimulus will be reduced. More generally, global financial conditions remain accommodative, credit and business investment growth continues to recover in a number of regions, renewed declines in the oil price are supporting consumer spending, and fiscal drag continues to abate.

In Australia, increases in household incomes continue to be subdued, with declining savings rates being used to increase consumption. However the last few months of the financial year saw growing signs GDP growth may be poised to gradually strengthen, with employment gains picking up and business confidence strengthening.

What should investors do?

With elevated global risks looming and no asset classes offering particularly compelling value, this is not a time to be taking risks with your super.

That said, it all depends on your individual goals, needs and expectations.

If you're unsure about whether you are in the right investment option, talk to your financial adviser.

Please note:

- Returns shown allow for the deduction of tax and investment fees (but not administration or other fees)
- Past performance is no guarantee of future performance

Some investment terms explained

Consumer Price Index (CPI) — is used to measure the rate of increase in inflation. In Australia, it is based on the change in prices of a selection of household goods and services.

Average Weekly Ordinary Time Earnings (AWOTE) — is used to measure the rate of increase in average wages in Australia.

Asset class — type of investment such as Australian shares, property securities or Australian fixed interest.

Asset allocation — the range of assets held in the various asset classes such as Australian shares, overseas shares, and property.

Growth assets — assets expected to grow in value over time (although their value may rise and fall in the short term), such as shares and property.

Stable assets — assets held to generate an income rather than for long-term growth. They are sometimes referred to as 'debt' or 'defensive' assets. Examples are fixed interest and cash.

ASFA— Association of Superannuation Funds of Australia

FSC — Financial Services Council

How your Scheme works

Your Scheme is run by a trustee company SA Metropolitan Fire Service Superannuation Pty Ltd ACN 068 821 750 according to its governing legal document, the trust deed, and superannuation law.

There are eight Directors of the Trustee Company, four Employer Representatives that are appointed by the Employer and four Member Representatives.

The Member Representatives are appointed and elected from two separate groups. The United Fire Fighters Union Inc (UFU) nominates three Directors and Scheme members who are not eligible to join the UFU elect one Director. The period of office for a member-elected Director is up to three years (or longer if the Trustee determines there are special circumstances). Subject to their being renominated and being willing, the Member Representative Director can be reappointed or re-elected for a further term.

Directors who are either Employer or UFU nominated Member representatives, will cease to hold office if the nomination by the relevant organisation is withdrawn or the Director becomes ineligible under relevant legislation.

For the Director elected by the Scheme members who are not eligible to join the UFU, he or she will cease to hold office if written notice to that effect is given to the Trustee by a majority of the relevant Scheme members, or the Director becomes ineligible under relevant legislation.

A formal set of rules governing the appointment and removal of Member Directors has been established and is available on request from the Manager (see page 26 for the Manager's details).

The Directors of SA Metropolitan Fire Service Superannuation Pty Ltd during the period from 1 July 2016 to 30 June 2017 were:

Employer Representatives
Garry Powell (1/7/16 to 30/6/17)
Glenn Benham (1/7/16 to 30/6/17)
Christopher Smith (1/7/16 to 7/12/16)
Roy Thompson (1/7/16 to 30/6/17)
Gregory Crossman (7/12/16 to 30/6/17)

Alternate directors:
Paul Fletcher (7/12/16 to 30/6/17)
Michael Morgan (1/7/16 to 30/6/17)
Gregory Crossman (1/7/16 to 7/12/16)

Member Representatives
Nominated by the UFU:
Dave Harvey (1/7/16 to 30/6/17)
Michael Vander Jeugd (1/7/16 to 30/6/17)
Greg Northcott (1/7/16 to 30/6/17)

Alternate Directors
Neil Mangelsdorf (1/7/16 to 30/6/17)
Chris Barry (1/7/16 to 7/12/16)
Tyrone King (7/12/16 to 30/6/17)

Elected by Scheme members who are not eligible to join the UFU:
Robert Tidswell (1/7/16 to 30/6/17)

Annual benefit statements delivered electronically

If you have provided your email address to the Scheme, your annual benefit statement is delivered via email as an e-statement. Your statement is available through your secure member online account at **www.samfs.superfacts.com**

If we don't hold an email address for you on record, we will mail your annual benefit statement to you. To change your annual benefit statement delivery method, please log into your secure member online account at **www.samfs.superfacts.com**

Advice about your super

While the Trustee and the Manager can give you information about your benefit in the Scheme, neither the Trustee, the Manager nor your employer can provide you with any advice.

If you require any advice about superannuation, you should consult an appropriately licensed financial adviser.

You can also access up-to-date information about your benefit in the Scheme by visiting the Scheme website at **www.samfs.superfacts.com**.
The website allows you to:

- view your account balance;
- update your contact details;
- update your beneficiaries;
- change your investment option(s); and
- view your contribution history, account deductions or surcharge details.

Your Scheme's advisers

These people provide assistance to the Trustee:

Accounting and tax services

Sharyn Long Chartered Accountants
Level 6, 216 Georges Tce
Perth WA 6000

Superannuation consulting

Mercer Consulting (Australia) Pty Ltd
Level 6, 70 Franklin Street
Adelaide SA 5000

Administration

Mercer Outsourcing (Australia) Pty Ltd
201 Sussex Street
Sydney NSW 2001

Death and Disablement Insurance

Hannover Life Re of Australasia Ltd
Level 7, 70 Phillip Street
Sydney NSW 2000

Auditing services

Auditor-General's Department
200 Victoria Square
Adelaide SA 5000

PricewaterhouseCoopers
Level 11, 70 Franklin Street
Adelaide SA 5000

Actuary

Mercer Consulting (Australia) Pty Ltd
Level 6, 70 Franklin Street
Adelaide SA 5000

Legal

DMAW Lawyers
Level 3, 80 King William Street
Adelaide SA 5000

Mercer Legal Pty Ltd
727 Collins Street
Melbourne VIC 3008

Investment Manager

Funds SA
Level 20, 25 Grenfell Street
Adelaide SA 5000

Insurance protection

The Scheme pays for insurance to protect the Trustee, its Directors and the Scheme against the financial effects of any 'honest mistake' that might occur in running the Scheme.

Special tax treatment

Super is one of the most effective ways to save because it is taxed at a lower rate than many other forms of income. To get this tax advantage, your Scheme must operate according to a strict set of laws.

The Trustee is unaware of any event that occurred during the year that would affect this special tax treatment.

Fees and Costs

The costs of running the Scheme are managed carefully.

This section shows fees and other costs you may be charged. These fees and costs may be deducted from your account, from the returns on your investment, or from the Scheme assets as a whole. You need to take into account the impact of tax as well.

You should read all the information about fees and costs because it is important to understand their impact on your investment. Please refer to the Scheme's Member Benefit Guide for more information.

You do not pay GST on any of the fees and charges set out below.

If you are a Defined Benefit member then fees and costs will not generally impact your defined benefit.

Fees and other costs table

Type of fee	Amount	How and when paid
Investment fee	Nil	The applicable investment fees and costs incurred in the Scheme's underlying investments are included in the indirect cost ratio below.
Administration fee	Permanent fire-fighters: Nil Deferred members: Nil Parked and Spouse members: $4.42 per week Retained fire-fighters: $1.35 per week	This fee is deducted monthly.
Buy-sell spread	Nil	
Switching fee	One free switch per year; subsequent switches are $30 each	The switch fee is deducted from your Accumulation Benefit at the time you switch investments.
Exit fee/Withdrawal fee	$60 for each super payout made from the Scheme, (including any partial payout), whether this payment is made in cash, rolled over or transferred.	This fee is deducted from your account at the time a payment is made
Advice fees relating to all members investing in a particular product or investment option	Nil	

Other fees and costs[1]

Type of fee	Amount	How and when paid
Indirect cost ratio (ICR)[2]	Ranges from 0.05% to 0.70%. The ICR is different for each investment option.	The ICR is calculated and applied in determining the weekly unit price for each investment option.

[1] Other fees and costs which may apply to you are: family law fees, activity fees and withdrawal fees AND if you leave the Scheme early, you will be charged an exit fee of $60. Please refer to the Additional Explanation of fees and costs on page 17 for details.

Additional explanation of fees and costs

This section provides further information on fees and costs.

Family Law: fees for information and for splitting your super – charged to members and/or their former spouses for various services

Where fees apply	Fee	Who pays the fee
Application for information – in the format specified under the Family Law Act		Payable by the person requesting the valuation.
– For Defined Benefit valuation	$250	
– No valuation required	Nil	
Splitting a benefit	$385	Shared equally by both parties and will be deducted from each super benefit at the time the benefit is split.
Flagging a benefit	Nil	N/A

For more information about Family Law and how it may affect you, please call or write to the Manager.

Indirect cost ratio

The indirect cost ratio (ICR) shown includes fees and costs that are not deducted directly from your account that impact on your investment returns. This includes the fees and costs of managing your investments by specialist investment manager, Funds SA. The ICR shown excludes any performance related fees and costs and any transactional and operational costs.

The investment management fee that Funds SA deducts before they declare returns covers costs such as fund manager fees (including performance related fees), asset consulting fees, custodian fees, investment-related legal advisory fees, and an administration fee that covers expenses incurred by Funds SA in managing the funds as well as transactional and operational costs associated with the investments.

Investment option	ICR year to 30 June 2017 (%p.a.)
High Growth	0.70%
Growth	0.70%
Balanced	0.63%
Moderate	0.52%
Conservative	0.39%
Capital Defensive	0.32%
Cash	0.05%

* Estimated investment related expenses associated with the Plan's investments in pooled investment products are included as indirect costs. Investment fees and indirect costs are taken into account in calculating the investment returns to your account. These amounts can vary and cannot be calculated precisely in advance. The table above shows estimated indirect costs incurred which are estimated based on information for the 12 month period ended 30 June 2017. Actual amounts may vary.

Performance related fees (RG97)

Some of the managers of pooled investment vehicles managed by Funds SA are entitled to a performance related fees if they outperform certain benchmarks. The estimated performance related fees (if any) for each of the investment options for the year ending 30 June 2017 are set out in the table below:

Estimated performance related fees for year to 30/6/2017	
Investment option	**Fees**
High Growth	0.20
Growth	0.21
Balanced	0.18
Moderate	0.13
Conservative	0.06
Capital Defensive	0.06
Cash	0

Performance related fees are not included in the indirect cost ratios shown for each option and are an additional cost to investors.

Surcharge Tax

Prior to 20 June 2005, an additional 'surcharge tax' was charged on the super accounts of some higher income earners. This tax only applied to certain contributions and to some termination payments made by your employer.

Although this tax was abolished from 1 July 2005, it still applies to some contributions and termination payments that were made before 20 June 2005. In these cases, the Australian Tax Office (ATO) will issue surcharge tax assessments or amended surcharge assessments in respect of those contributions and termination payments.

If the Scheme is required to pay surcharge tax in relation to you, the tax payable is deducted from your super account in the Scheme. If you roll your super into the Scheme from another fund, any surcharge tax liability may be transferred to the Scheme.

If you leave the Scheme and we receive a surcharge assessment or an amended surcharge assessment for your account, we will return it to the ATO. The ATO will either forward it to your new fund or to you.

Insurance costs

For Defined Benefit members, insurance premiums are currently paid from the Scheme and factored into the contributions you and your employer make. If this arrangement were to change in the future you would be appropriately advised.

For Retained firefighters the insurance premiums are paid by your employer.

Any additional voluntary insurance premiums are deducted from your accumulation account.

There is no insurance cover for Parked, Spouse or Deferred members.

Indexation of fees

The administration fees for Parked and Spouse members and the withdrawal fee and termination fee set out in the 'Significant fees' table may be indexed annually each 1 April to AWOTE, with the next indexation occurring at 1 April 2018.

Fee increases (other than indexation)

The Trustee has the right to increase fees at any time. You will receive at least 30 days' notice of any increase in fees.

No-TFN tax refund fee

If we don't receive your Tax File Number (TFN) then additional tax is payable in respect of your concessional contributions (see the section 'You'll pay extra tax if the trustee does not have your TFN' in the Tax & super section for more details). If you leave the Scheme and your super payout is paid from the Scheme before we receive your TFN, an allowance for this additional tax will be deducted from your super payout. A charge of $800 will apply if you subsequently provide your TFN and request that this additional tax be refunded and paid to you or rolled over to your new super fund from the Scheme. This fee is additional to the fees shown in the "Fees and other costs table".

Withdrawal fee

For each withdrawal you will be charged a withdrawal fee of $60 (including when you leave the Scheme early).

Super in review

Source: Mercer

Changes in age pension assets test

From 1 January 2017, the age pension assets test was varied so that:

- The level of assets which can be held before they start to impact the age pension was increased, which results in an increase in the age pension for some retirees.
- The rate at which the age pension is reduced for each $1,000 of additional assets was increased from $1.50 to $3.00 per fortnight. This reduces the age pension for some retirees.

Concessional contributions limit for 2017-18

The standard concessional (before tax) contribution limit for 2017-18 is $25,000 for all ages. This is a reduction from 2016-17 ($35,000 for those aged 50 or over at 30 June 2017 and $30,000 for those younger than 50). Concessional contributions include employer and salary sacrifice contributions.

From 1 July 2019 you may be entitled to contribute more than the standard concessional contribution limit if:

- you have not fully used your annual cap on concessional contributions in the previous five years (but not counting years before 1 July 2018), and
- the combined balance of all your superannuation accounts is less than $500,000 on 30 June of the previous financial year.

Non-concessional contributions limit for 2017-18

The annual non-concessional (post tax) contribution limit for 2017-18 is:

- $100,000 if the combined balance of all your superannuation accounts as at 30 June 2017 is less than $1.6 million and you did not trigger the 'bring forward' rule (see below) in 2015/16 or 2016/17, or
- A special calculation if the combined balance of all your superannuation accounts as at 30 June 2017 is less than $1.6 million and you did trigger the 'bring forward' rule (see below) in 2015/16 or 2016/17, or
- Nil if the combined balance of all your superannuation accounts as at 30 June 2017 is $1.6 million or more.

Under the 'bring forward' rule, a member under age 65 at the start of a financial year (1 July) can (unless they have already done so in the prior two years) generally bring forward two years of non-concessional contributions and make non-concessional contributions of up to three times the annual limit in that year. The 'bring-forward' rule will be triggered if an eligible member makes non-concessional contributions of more than the annual limit (e.g. $100,000 in 2017-18), with excess non-concessional contributions then only generally arising if that member's total non-concessional contributions in the trigger year (e.g. 2017-18) and the next two years exceed three times the annual limit applicable in the trigger year e.g. if the bring-forward' rule was triggered by an eligible member making non-concessional contributions of more than the annual limit of $100,000 in 2017-18, excess non-concessional contributions will then generally only arise if that member's total non-concessional contributions over 2017-18, 2018-19 and 2019-20 exceed $300,000. However, from 1 July 2017:

- If the combined balance of all your superannuation accounts is $1.6 million or more at the prior 30 June your non-concessional contribution limit for the year is nil, even if you have not fully utilised all of your three year bring forward cap
- If the combined balance of all your superannuation accounts is $1.4 million or more (but less than $1.6 million) at the prior 30 June, special bring forward restrictions apply
- Special transitional rules apply to determining your limit in 2017-18 if you triggered the bring-forward provisions in the 2015/16 or 2016/17 financial year and did not fully utilise your bring forward limit by 30 June 2017.

Lost super accounts

The account balance threshold for lost super to be transferred to the ATO increased from $4,000 to $6,000 from 31 December 2016. These accounts will attract an interest rate equal to increases in the Consumer Price Index (CPI) after being transferred to the ATO.

Other 2016 federal Budget reforms now legislated

High income concessional contributions threshold: From 1 July 2017, the income threshold at which high income earners pay additional contributions tax was reduced from $300,000 to $250,000.

Spouse contributions tax offset: From 1 July 2017, the income threshold for a low income spouse to qualify for the maximum spouse contributions tax offset was increased from $10,800 to $37,000 and the cut off income level for a partial offset increased from $13,800 to $40,000. However the offset is not available if the low income spouse's total superannuation balance is $1.6 million (indexed) or more.

$1.6 million superannuation pension transfer balance cap: From 1 July 2017, a $1.6 million (indexed) cap applies to the amount that individuals can transfer into a superannuation pension account that has tax-exempt investment earnings. Those with pension accounts above $1.6 million at 1 July 2017 would need to transfer the excess to a taxed superannuation account or withdraw it from super. Special rules apply to defined benefit pensions.

Low income superannuation tax offset: From 1 July 2017, the Government has introduced a Low Income Superannuation Tax Offset of up to $500 to offset tax on concessional contributions for a members with adjusted taxable incomes up to $37,000. This is to replace the existing Low Income Superannuation Contribution which applies for contributions made up to 30 June 2017.

Co-contribution: From 1 July 2017, individuals will not be eligible for the government co-contribution in an income year if their non-concessional contributions exceed their limit for the year or if their total superannuation balance is $1.6 million (indexed) or more.

Removal of anti-detriment provision: From 1 July 2017, the Government has removed the 'anti-detriment' tax deduction that was available for some superannuation death benefits. This provision allowed eligible death benefits to be augmented to offset the contributions tax introduced in 1988.

Transition-to-retirement pensions: From 1 July 2017, the tax exemption on earnings from assets supporting Transition to Retirement Income Streams only applies where the pensioner has reached age 65 or has satisfied another relevant condition of release. The ability for individuals to treat superannuation income stream payments as lump sums for tax purposes was also removed.

Tax deduction for personal superannuation contributions: From 1 July 2017, most individuals will be eligible to claim an income tax deduction for any after-tax personal contributions they make to superannuation (subject to the concessional limit). This option was previously largely restricted to the fully self-employed.

Concessions for deferred pension products: From 1 July 2017, the Government has extended the tax-exemption on investment earnings to deferred pension products that meet rules such as restrictions on access to capital. However treatment of these products under the age pension means tests is yet to be determined.

Departing Australia superannuation payment tax: From 1 July 2017, the rate of tax on 'departing Australia superannuation payments' increased to 65 per cent for working holiday makers.

Proposed changes yet to be legislated

Super measures to assist housing affordability: In the 2017 Federal Budget, the Government announced a package of changes to assist housing affordability, which included the following superannuation measures:

- A First Home Super Saver Scheme (FHSSS) which is proposed to allow first-home buyers to save for a deposit inside their superannuation account. Savers will be able to contribute $30,000 (up to $15,000 a year within existing caps), and be able to withdraw the contributions along with deemed earnings in order to help fund a deposit on their first home. Concessional tax treatment is proposed to apply. The Government proposes to allow releases from 1 July 2018, with voluntary contributions made from 1 July 2017 to be eligible. Conditions to access super under the FHSSS include that a members must be aged 18 or more, not have used the FHSSS before, and never owned real property in Australia. The FHSSS will be administered by the ATO.

- Allowing Australians aged over 65 to make an exempt contribution to their superannuation after downsizing their family home. The aim of this measure is to help free up the stock of larger houses for young families, by allowing older Australians to sell their houses and contribute up to $300,000 of the proceeds into superannuation. Existing voluntary contribution rules and restrictions would not apply to Downsizer contributions. This measure is proposed to apply to proceeds from contracts for the sale of a main residence entered into on or after 1 July 2018. The home sold must have been held for a minimum of ten years but only needs to have been the main residence for some portion of this. Downsizer contributions must be non-concessional contributions and can be up to $300,000 for an individual or $600,000 (i.e. $300,000 each) for a couple (both parties do not need to be on the home's title).

Amending the Superannuation Guarantee to exclude salary sacrifice contributions: The Government has announced it will amend the Superannuation Guarantee (SG) legislation, effective from 1 July 2018, to:

- prevent contributions made under salary sacrifice arrangements from satisfying an employer's SG obligations; and
- to specifically include salary or wages sacrificed to superannuation in the earnings base for calculating an employer's SG obligations

Superannuation complaints body: The Government has announced it will establish of a new 'one-stop shop' external dispute resolution (EDR) body — the Australian Financial Complaints Authority (AFCA) — that will deal with all financial disputes, including superannuation disputes from 1 July 2018. AFCA is to replace the existing three EDR bodies in the financial system (the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal (SCT)) and will operate under an ombudsman model.

Extension of capital gains rollover relief for fund mergers: The Government has announced it will extend the tax relief for merging superannuation funds until 1 July 2020. Under current legislation this relief is only available up to 1 July 2017.

Superannuation objective: The Government proposes to enshrine in legislation a superannuation objective 'to provide income in retirement to substitute or supplement the Age Pension'. The objective is to serve as a guide to policy-makers, regulators, industry and the community about superannuation's fundamental purpose.

Governance: The Government proposes to require at least one-third independent directors (including an independent chair) on trustee boards for both public offer and non-public offer super funds.

Choice of Fund: The Government proposes to remove the current exemption from Choice of Fund requirements for employees covered by enterprise agreements and workplace determinations.

Fund website information: The Government proposes to require superannuation fund websites to show: (i) a 'product dashboard' with key information for their 10 largest non-MySuper investment options, from the second half of 2019 (product dashboards are already required for MySuper investment options); and (ii) details of their investment holdings, from the first half of 2020.

Financial summary

This is a summary of the Scheme's audited accounts for the year ended 30 June 2017. You can request a copy of the audited accounts and the auditors report from the Manager.

Statement of the change in financial position 2016-2017	
Scheme assets at 30 June 2016	**$330,127,401**
plus	
Net investment revenue	$35,582,108
Employer and Salary Sacrifice Contributions	$19,509,662
Member Contributions	$1,493,320
Transfers from other funds	$1,535,157
Insurance proceeds	$265,211
Other revenue	$1,591
Total revenue	**$58,387,049**
less	
Benefits paid	$16,889,095
General administration expenses	$339,631
Other operating expenses	$727,516
Insurance premiums	$874,400
Income tax expense	$5,506,613
Total Expenses	**$24,337,255**
Net assets as at 30 June 2017	**$364,177,195**

Financing the Defined Benefits

Under the financing arrangements for permanent employees' benefits, the Employer pays a contribution of the Superannuation Guarantee amount plus 4% of members' superannuation salaries.

Statement of financial position 30 June 2017	
Investment by facility	
Investments	$368,227,903
Cash at Bank	$1,857,449
Other assets	$29,945
Receivables	$14,809
Total Assets	**$370,130,106**
Liabilities	
Benefits payable	$7,789
Provisions for tax	$5,782,139
Other liabilities	$162,983
Total liabilities	**$5,952,911**
Net assets as at 30 June 2017	**$364,177,195**

These accounts were prepared by Sharyn Long Chartered Accountants.

Superannuation salary is based on the salary at 1 April each year and changes for Scheme purposes at each 1 July.

Members are required to pay the relevant contribution rate based on their age at the date joining the Scheme.

Each year, the Scheme's actuary conducts a review of the Scheme's financial position to determine if the contributions being made are sufficient to meet the ongoing financial requirements of benefits to members.

What to do when you leave

Permanent employees

Following your termination of employment with a participating employer you have 90 days from when you receive information from the Scheme to make arrangements for your super. If you don't advise the Trustee of where your benefit is to be paid you will remain in the Scheme as a Parked Member effective from the date of your termination of employment.

If you are under age 50 and you don't provide the Trustee with any instructions regarding your benefit, the amount of your benefit will be based on the amount payable for the Immediate benefit as detailed in the Scheme's Member Benefit Guide and you will no longer have the option to select the Deferred benefit.

If you are aged 50 or more, and you don't provide the Trustee with any instructions regarding your benefit, the amount of your benefit will be based on the amount payable for the Retirement Benefit.

It is important to note that your Defined Benefit derived portion will be invested in the Growth investment option if under age 50 (and you choose the Immediate Benefit option) or in the Cash investment option if over age 50, effective from the date of your leaving service, and will accumulate with investment earnings which may be positive or negative. Any Accumulation derived benefit will be invested in your chosen investment option/s and will accumulate with investment earnings which may be positive or negative.

If you are a Permanent employee under age 50 and choose the Deferred Benefit option, the Defined Benefit component of the Deferred Benefit will remain in the Scheme until you request payment after age 50. This component will be indexed annually by the movement in the Consumer Price Index (CPI Adelaide – All Groups) subject to a minimum of zero, from the date you cease employment to your 50th birthday. After age 50 the benefit will be allocated investment earnings applicable to your chosen investment option which may be positive or negative.

Retained fire-fighters

If you are about to leave work and take your super, make sure you respond promptly to letters from the Trustee about your benefit payment.

If you have reached age 65 and have not told your Scheme how and where to pay your benefit, and you cannot be contacted, then your benefit will be considered unclaimed money. It will then be placed with the ATO or relevant State or Territory authority for placing unclaimed money. You will then need to contact the ATO or State or Territory authority to find out how to claim your benefit.

If you are aged 64 or younger, and you do not respond to the Trustee within 90 days of leaving, your benefit may be transferred to an Eligible Rollover Fund (ERF). Upon transfer, you will no longer be a member or have any rights under the SA Metropolitan Fire Service Superannuation Scheme.

ERFs are designed as holding funds and are required to provide member protection. As a result, the rate of return in the ERF may be lower than in another superannuation fund. You should seek professional financial advice about the best place to roll over your benefit when you leave employment.

The Scheme uses the following ERF:

Australian Eligible Rollover Fund

About the Australian Eligible Rollover Fund

Set out below is a summary of some of the more significant features of the Australian Eligible Rollover Fund (AERF), current as at 1 May 2017:

- As the AERF is designed to be a temporary repository for member benefits, the Trustee of the AERF considers that a conservative diversified investment strategy is appropriate for its members.
- The investment return objective is to achieve a return which outperforms CPI by 2% per annum, after fees, over rolling two-year periods.
- The AERF doesn't have investment options. Instead, Trustee invests the AERF's assets across a range of investment products offered by the appointed investment managers.

- The AERF cannot accept any contributions from members, their spouses or employers.
- The AERF does not provide insurance benefits to members.

Should you wish to know more about the AERF, please call on 1800 677 424. For a copy of their Product Disclosure Statement, visit **www.perpetual.com.au/super-funds-aerf.aspx** or Email on: aerfenquiries@perpetual.com.au

Like to know more?

As a member of the SA Metropolitan Fire Service Superannuation Scheme, you already have access to a Member Benefit Guide containing information about your benefits and rules governing the Scheme. You also receive an annual Benefit Statement containing important personal information about your benefits in the Scheme. All of these documents and more are available at **www.samfs.superfacts.com**

Other documents relating to the Scheme that are available for you to look at are:

- the trust deed and rules
- the investment policy statement
- the enquiries and complaints procedure
- the Privacy Policy.

If you have a question about your benefits in the Scheme, please contact the Manager. Please note that neither the Trustee, its directors nor the Manager are able to give any personal advice relating to your own personal circumstances.

If you need advice, you should speak to a licensed financial adviser.

The Manager is:
Mr Alan Kent
Manager
SA Metropolitan Fire Service Superannuation Scheme
99 Wakefield Street
Adelaide SA 5000
Phone: (08) 8204 3826
Fax: (08) 8204 3610
Email: kent.alan@samfs.sa.gov.au

Your website

At the SA Metropolitan Fire Service Superannuation Scheme, we're keen to ensure you have fast and easy access to information about your super, presented in a way that is easy to understand.

The website is divided into two parts – a public area and a secure member area.

The public area of the website

The public homepage provides information about the Scheme, the latest Annual Report, and includes the Scheme's documents and forms. It also includes a range of planning tools and an article library which has special interest and education articles on a range of financial topics, not just super.

The secure member area of the website

To access the secure member area, go to the 'Sign in' section in the top right hand side of the homepage (see below for sign in information). This area allows you to:

- Check your current account balance
- View your preferred dependant details and update them if required
- Download your annual Benefit Statements since 30 June 2007
- Download documents & forms
- View a year-to-date statement of your account (Accumulation Members only)
- View a history of transactions for your account
- Change your PIN
- See how your super is invested and make changes to your investment strategy online
- Stay on top of your contributions, including how you're tracking against the annual contribution limits
- Monitor taxes and any fees deducted from your account
- View a summary of administration workflow related to your super

Sign-in today to manage your account online

Sign-in to your member account at **www.samfs.superfacts.com** and get up-to-date information about your account at any time.

You'll need your member number (your Personal ID as shown on your latest Benefit Statement) and your PIN/Password to access your personal account online.

Forgotten your PIN/Password?

Call the Mercer Helpline on 1300 132 573 and one of their friendly consultants will assist you.

Mobile website

You can also login using our mobile website – your super on the go!

The mobile friendly version of the site allows you to see your:

- super balance,
- transaction history,
- personal details,
- investments, and
- contributions.

You can also update your PIN and, if you have any website related questions, there is a click through capability to call the Helpline or the Manager for information regarding the Scheme.

To access the new mobile site, simply enter **www. samfs.superfacts.com** into your smartphone browser and get your super on the go! Alternatively you can scan the QR code above using the QR reader in your smartphone and it will take you directly the mobile site.

Enquiries and complaints

Most queries can be sorted out over the phone, but if we are unable to help you immediately, you can make a complaint over the phone or by writing to:

Enquiries and Complaints Officer
SA Metropolitan Fire Service Superannuation Scheme
GPO Box 98
ADELAIDE SA 5001

The Complaints Officer will generally reply to your enquiry as soon as possible. By law your complaint should be resolved within 90 days. Sometimes further time is required for complicated matters. If more time is needed you will be advised.

If you have a complaint and you are not satisfied with the response, or the matter can't be resolved, you may be able to refer the matter to the Superannuation Complaints Tribunal (SCT). The SCT is an independent government body which is set up to help resolve disputes between super funds and their members. Any complaints must be lodged with the Tribunal within certain time limits.

For more information you can contact the SCT on 1300 884 114 or write to:

Superannuation Complaints Tribunal
Locked Bag 3060
Melbourne Victoria 3001

Protecting your privacy

Your Scheme holds personal information about you, such as your name, address, date of birth, salary and tax file number in order to provide your super benefits. This personal information may be disclosed as necessary to the Scheme's administrator and professional advisers, insurers, Government bodies, employers, and other parties.

The Scheme has a privacy policy that sets out in more detail the way your personal information is handled. If you would like a copy of the Scheme's privacy policy, please contact the Scheme's Privacy Officer Mr Alan Kent on (08) 8204 3826.

Disclaimer

This annual report has been prepared by the Trustee to meet its legislative obligations. The information contained in this annual report does not take account of the specific needs, or personal or financial circumstances of any persons. Readers should obtain advice from a licensed financial adviser before making any changes to their own superannuation arrangements or investments. You should also read carefully the Scheme's Member Benefit Guide.

The terms of your membership in the Scheme are set out in the Scheme's trust deed and, should there be any inconsistency between this annual report and the Scheme's trust deed, the terms of the Scheme's trust deed prevail. While all due care has been taken in the preparation of this report, the Trustee reserves its right to correct any errors and omissions.

All statements of law or matters affecting superannuation policy are up-to-date as at 30 June 2017.

This document contains general information about investments and investment performance. Please remember that past performance is not necessarily a guide to future performance.

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