METROPOLITAN FIRE SERVICE SOUTH AUSTRALIA

SUPER INFO

AUTUMN 2021

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Significant Event Notice

The Scheme, together with our investment manager Funds SA, regularly review the investment strategies and options available to you as a member of the Scheme.

We do this to ensure they reflect important shifts in investment markets and the superannuation sector.

This significant event notice summarises key changes that impact the Scheme. It describes what the changes are and when they come into effect.

Growth investment option closed to members

In our Spring 2019 and Summer 2021 Super Infos, we provided details about updates to investment strategies and options impacting member Accumulation and Parked accounts.

In 2019, as part of the Default Fund Review, we provided details of changes to our investment asset allocation ranges (i.e. growth assets compared to defensive assets), resulting in the strategic asset allocation and range of our default Growth investment option asset allocations aligning with those of the High Growth option.

While we originally expected this change to be implemented over several years, recent shifts within investment markets have meant this has occurred more quickly than anticipated. The Growth investment option now has growth asset allocations that look like those of the High Growth investment option.

As a result, after 2 June 2021, the Growth and High Growth investment options will be merged and the Growth investment option will no longer be available. In addition, any portion of future contributions being allocated to the Growth option will be redirected to the High Growth option. The operational requirements to transition from Growth to High Growth will be completed in Q3 2021.

Accumulation and Parked investors who are invested in the Growth option or have future contributions directed to the Growth option are included, with all existing funds and future contributions invested in the Growth option being switched to the High Growth option.

The High Growth investment option aims to have 85% exposure to growth assets, with a growth asset range between 70% and 100%. You can find more information about the High Growth investment option by clicking on investments on our website.

Both the Growth and High Growth options have the same Standard Risk Measure including:

- Investment time horizon of 10+ years
- High risk rating (risk band 6)
- Likelihood of recording a negative return is between four and six years in 20.

All investment options have different costs. The cost to manage investments generally increases when exposure to growth assets increases. The cost of managing the investments is incorporated in the Indirect Cost Ratios (ICR), which are deducted from investment returns before unit prices are applied to individual account balances.

The investment objective of the High Growth option is CPI + 4.5%, compared to CPI + 4% for the Growth option. Reflecting this objective, to achieve higher target returns than the Growth option, the High Growth option has slightly higher investment fees compared to Growth option (reflecting its higher growth assets allocation costs).

Need Help?

If you have any questions in relation to these changes please contact the Manager, Mr Alan Kent on **(08) 8204 3826**.

Federal Budget highlights

The 2021/2022 Federal Budget focused on improving the aged care system, creating jobs, lowering unemployment rates and implementing changes to support women's personal and economic security.

The Government announced changes to superannuation that will help increase the flexibility for older Australians, as well as support women and younger members. Below is an overview of the changes announced.

Increased flexibility older Australians

The Government announced its plans to extend the Downsizer contribution scheme by lowering the age requirement to 60 years old. The scheme currently allows eligible people aged 65 or older to make a Downsizer contribution into their superannuation of up to $300,000 or $600,000 for a couple from the proceeds of selling their home. The program will help reduce pressure on housing affordability, by freeing up housing stock for people trying to enter the housing market.

In addition, the Government has agreed to remove the work test for self-funded retirees aged 67 to 74 years old, unless they want to claim a tax deduction. Excluding the Downsizer scheme, currently if you are aged 67 to 74 years old you have to meet a work test to be able to make extra contributions into your super account.

Both these measures will provide greater flexibility for older people wanting to add to their super.

A female friendly budget

Treasurer Josh Frydenberg said 'we want all Australians to get the most out of the superannuation system' he also stated 'on average women retire with less superannuation than men.'

The Budget announced the removal of the $450 monthly earnings threshold for compulsory super payments. Currently, many employees earning less than $450 a month do not receive superannuation.

This change will help increase the super savings for young people entering the casual workforce and is another initiative to help women, who often enter or re-join the workforce on a casual or part-time basis. The Government has estimated the change will help improve the economic security in retirement for approximately 200,000 women.

To help increase workforce participation, the Government also announced they will be investing $1.7 billion into childcare and estimated 250,000 families will be $2,200 better off every year.

From 1 July 2021, working families will see an increase in the childcare subsidy, covering up to 95% of childcare fees for second and subsequent children, plus the removal of the $10,560 annual per-child cap, which will benefit approximately 18,000 families.

These additional steps will help ease the pressure on working families by increasing childcare affordability.

Additional help for first home buyers

The First Home Super Saver scheme was introduced in the 2017/18 Federal Budget and was designed to help younger Australians use their super account to help save for their first home.

Eligible first home buyers can potentially increase their house deposit savings through tax effective super contributions. When eligible members are ready to purchase their first home, the scheme allows them to apply to have the voluntary contributions released, plus any earnings on the money.

Previously, the total amount someone could access was $30,000, however last night the Government announced that this amount would increase to $50,000.

This brings the total tax benefit of contributing to the scheme $7,500, up from the previously available $4,500. However, the annual limit on eligible contributions of $15,000 will also mean that people will need to start making contributions earlier to take full advantage of this potential.

Increases to contribution caps

The Government encourages additional contributions by making them a part of your pre-tax earnings. However, contribution caps are applied to limit the amount of money you can add to your super every financial year and are indexed annually. If you contribute over the allocated amount, there may be tax implications on the money contributed.

From 1 July 2021, the concessional contributions cap will increase from $25,000 to $27,500. This is the amount of money you are allowed to add to your super before tax. For members who don't exceed the concessional cap, the Government has a rule where you can 'carry forward' the remainder of the cap to increase the amount you can contribute the following year. You can take advantage of this rule for up to five years.

In addition, the non-concessional cap will increase from $100,000 to $110,000. This is the amount of super you can add to your account, after tax, without any penalties. The amount you are allowed to bring forward will increase from $300,000 to $330,000 on 1 July 2021.