SA METROPOLITAN FIRE SERVICE SUPERANNUATION SCHEME

SUPER INFO

Autumn 2014

METROPOLITAN FIRE SERVICE SOUTH AUSTRALIA

***Welcome** to the Autumn 2014 edition of Super Info*

What's inside:

Anti-Detriment Payments

What is an anti-detriment payment?

An anti-detriment payment is the additional amount which is included in a lump sum death benefit paid to eligible beneficiaries as per the Income Tax Assessment Act 1997.

This payment is designed to ensure that eligible beneficiaries of deceased super fund members do not suffer any "detriment" as a result of contributions tax.

The Scheme calculates an anti-detriment payment using an actuarially based formula in line with the guidelines as provided by the Australian Taxation Office (ATO).

Who is eligible for an anti-detriment payment?

An anti-detriment payment can be made to:

- A spouse, former spouse or child (including an adult child) of the deceased member;
- The trustee of the deceased member's estate provided the beneficiaries are a spouse, former spouse or child.

The amount and applicability of this additional payment varies depending on each member's circumstances.

How do I know if I'm eligible for an anti-detriment payment?

If you are eligible for an anti-detriment payment, the Scheme will automatically calculate this for you, and include this in your death benefit payment.

Continued next page

Do all super funds offer anti-detriment payments?

There is no legal obligation on the trustee of a fund to make an anti-detriment payment. Therefore some public offer funds do not offer them and others will not make an anti-detriment payment unless specifically requested to do so.

Is tax payable on an anti-detriment payment?

Where the death benefit is being paid to a spouse, former spouse or minor child, the entire benefit, including the anti-detriment payment, will be tax free as these beneficiaries are dependants for tax purposes and always receive a superannuation death benefit tax free.

Where the death benefit is being paid to an adult child who is not financially dependent, the entire benefit, including the anti- detriment payment, will be taxed on the taxable component. Currently this is 16.5% for the taxed element and 31.5% for the untaxed element (including Medicare Levy).

Super's stunning X-factor

Boomers have taken over Gen X as the best savers,

writes **Sophie Elsworth**

You may have noticed the following article by Sophie Elsworth in the Advertiser on Tuesday 8 April. It's an interesting read so we've reproduced it for you in this Super Info edition.

BABY Boomers are grabbing onto a bigger slice of the retirement savings pie and fattening their superannuation at a rapid rate.

The Boomers now have claim to nearly 34 per cent of assets held in superannuation funds, not including selfmanaged super, Australian Prudential and Regulation Authority data shows.

This has climbed from about 24 per cent in 2005.

At the same time we have Generation X (aged 35-49) with a smaller chunk of the nation's retirement savings.

They now hold about 28 per cent of it compared with 33 per cent in 2005. Australians aged up to 35, predominantly Gen Ys, hold 9 per cent of the total superannuation savings, compared with 11 per cent in 2005.

Mercer senior partner David Knox says older Australians have continued to top up their retirement savings by making voluntary contributions before they finally stop work.

"Clearly, the older people are becoming more important in the system. They are holding more of the assets and that trend will continue,'' he says. "There's still a lot of people in the workforce in their 60s who are topping up their super.

"This includes ways such as salary sacrificing or, in some cases through their partner.

"If, for example, you have a partner who has a lower income and is working part-time, it may be a way for them to save.''

Knox says as more Boomers edge closer to quitting the workforce, they will continue to super-size their assets to ensure they retire in good financial health. This will help ease the economic strain on the Government, he says.

"As the Baby Boomers retire with their super, there will be more assets held by the older people. But one of the key issues that needs to be looked at in the Financial Systems Inquiry is how to fund Australia's future."

The inquiry is examining the future of the nation's financial system over the next decade.

One of the key issues discussed at the Conference of Major Super Funds on the Gold Coast last month was the need to encourage older Australians to stay in the workforce for longer to reduce the financial impacts on the nation.

Forgotten your PIN?
Call the Helpline on 1300 132 573 and one of our friendly consultants will assist you.

Family Law

Family Law legislation provides for the splitting of superannuation entitlements between divorcing/separating parties, just as it provides for the division of real estate and other property. Superannuation splitting is done by Court Order or a Settlement Agreement that binds SA Metropolitan Fire Super Scheme, just as it binds the divorcing/separating parties. Superannuation splitting is complex; your interests will be better protected if you hire a solicitor to advise you.

Here is a summary of the process:

Step 1: Obtain information about your partner's super

Family Law legislation creates an exception to the Scheme's ordinary privacy obligations, obliging it to provide information about a member's superannuation to a separating/divorcing spouse or partner where that information is sought to assist in the property settlement process. The Scheme is only obliged to provide this information if it is requested on the Family Court's Form 6, which is available from the Family Court or via its website at **www.familycourt.gov.au.**

If you are using a solicitor, your solicitor will have this form. This information is provided on a strictly confidential basis. In particular, the Scheme is forbidden from advising its members where a spouse or partner has sought or obtained this information and forbidden from providing contact or address details. If you need to clarify your own superannuation entitlements, you can contact us at any time. The cost to have a Form 6 processed by the Scheme is $250.00.

Step 2: Decide how you think the super should be split

Once you know what your spouse's superannuation entitlements are, you and your legal advisers need to decide how the superannuation entitlements should be split. You may decide that a particular dollar amount (this is called a base amount) should be split, or a percentage of the superannuation entitlement. Generally, base amount splits are appropriate for benefits in the growth phase (ie, while you are accumulating your benefit in the years before retirement), as only those benefits accrued (not those that might accrue in the future) are factored into the split. Percentage splits are generally more appropriate for interests in the payment phase (ie, when you have retired and may have Parked your benefit in the Scheme). You may need expert advice to assist you to understand the implications of a split.

Step 3: Forward the draft Order/ Agreement to The Scheme for approval

This must be done before the Court Order is made or the Agreement signed because if the Order/Agreement contains terms that the Scheme can't implement, you will have to redraft the Agreement or return to Court for a fresh order.

Step 4: Sign an Agreement/obtain a Court Order

Hopefully you and your spouse/partner will be able to agree on an appropriate superannuation split and you can record this in a written agreement, or get your solicitor to do this. If you can't agree, the court will make an order imposing whatever the judge thinks is the most appropriate split. The Scheme will then be legally obliged to comply with the terms of the Order or Agreement that apply to it.

Step 5: The split

Once the Scheme has the agreement/order, we will implement the split. If the split has been expressed as a base amount, the Scheme will use that base amount to calculate an appropriate sum to be split.

Wherever possible the Scheme will implement the split by creating a separate account for the receiving spouse.

Step 6: Important Notes

- The amount allocated to the non-member spouse is not usually immediately available in cash. It must remain in the superannuation system until age 65 in most cases, or until the person meets one of the legal conditions that allows their benefit to be paid in cash.

- The Trustee has determined that if you have defined benefits that no split will be allowable whilst your benefits are in the growth phase ie that you are employed with the Fire Service or have chosen to be a Deferred member.
- The member's benefit in the Scheme will be reduced at retirement to reflect the amount allocated to the non-member spouse.
- When allocating the required amount to the non-member spouse, the Trustee must also split some of the tax components of the member's benefit. The components to be split, and the method by which they are to be divided between the parties, are set down in the legislation.

Non-splittable payments

The law provides that some payments cannot be split. Non-splittable payments include:

- Income benefits paid on account of the member's temporary disability for a period of up to two years.
- A payment after the death of the member to, or in respect of a child of the member who is:
  - Under 18 years old; or
  - Dependent on the member to complete his or her education; or
  - Physically or intellectually disabled.

Tax & Preservation Implications

When a benefit is split, the ETP components of that benefit are split in the same proportion, with the exception to the pre and post 1983 components. The proportion of pre and post 1983 components in the receiving spouse's benefit will be determined by his or her own eligible service date.

In the same way, non-preserved benefits contained in the member's benefit are split in the same proportion as the overall benefit. Preserved benefits applicable to the non-member spouse cannot be paid directly until he or she satisfies a "condition of release", for example, reaching retirement age, or being totally and permanently disabled.

Parked Members' Fee Indexation

The Parked Members' fees increase each 1 April with the Average Weekly Overtime Earnings (AWOTE), to match Mercer's fee indexation. From 1 April 2014 the parked fee will be $216.40 ($4.16 per week) including GST.

Alan Kent
Manager

Important Check List Reminder

1. **Change of Address** Have you advised the Scheme of your change of address?

2. **Nomination of Beneficiary Form** Is your Nomination of Beneficiary form up to date?

3. **Leave Without Pay** Are you going on Leave without Pay? If so, all your insurance cover may cease.

4. **Long Term Sick leave** Members under age 60, is your sick leave due to run out?

5. **Maternity leave** Are you going on maternity leave and when will wages cease - as your insurances will be affected.

6. **Working less than 15 hours per week** For members working less than 15 hours per week, your insurance cover will be reduced to Death insurance only.

   Death insurance will cease if you are working less than 10 hours per week.

   Please advise the Scheme on any of the above and contact the Manager, Mr Alan Kent on* ***8204 3826* *for any clarification you may require. Information is also available in the Member Benefit Guide on the website* ***www.samfs.superfacts.com.***

   Note: *If you are on extended leave at any time, you can always access the Super Info on the website* ***www.samfs.superfacts.com.***

7. **Salary Sacrifice Forms** Please ensure you send in **original** signed Salary Sacrifice forms to this office. If you fax your copies in, we still need the originals to be signed off by the employer before forwarding to Shared Services.