SUPER INFO

SUMMER 2019

What's inside:

Ah, the volatility. It's all about confidence

After six months of relative calm, share markets hit a rough patch in early October 2018. Global shares[1] fell 6.5% in less than two weeks. Australian shares[2] fared slightly better, only falling 5.2% in the same period.

The high-flying technology sector (which has seen massive gains since the financial crisis) was hit particularly badly. The tech-heavy NASDAQ index dropped nearly 9% in the first 12 days of October.

Four days later, Wall Street surged more than 2%, its biggest one-day gain since March. In the weeks following, equity prices recovered some of these losses[3] (Global Equities +0.8%; Australia +1.7%; NASDAQ +1.6%)… Ah, the volatility.

As always, it's almost impossible to pinpoint one reason for the sell-off; instead a range of factors combined to make investors nervous – among them are ongoing trade tensions between the US and China, rising oil prices and more contractionary monetary policy in the US.

One thing seems apparent – the historically low levels of volatility witnessed in equity markets over 2016/17 could soon be a thing of the past and investors could experience more volatility in stock prices over the coming years.

The financial system is based on confidence, not numbers.

There hasn't been a lot of volatility in markets over recent years, largely as a result of the actions of policymakers who rushed to restore confidence in the financial system following the 2008 Global Financial Crisis.

Politicians sought to rebuild confidence by stating that they would do "whatever it took" to ensure the survival of the system in roughly its current form. And it worked.

A rapid move to record low interest rates, the injection of huge amounts of cash into the banking system and a massive program of asset purchases helped avoid a deep global recession; Australia managed to avoid recession altogether.

These policies, known as quantitative easing, were untried and untested and their full long-term effect remains unclear. What we can say is that central bank intervention – and the increased confidence they would do whatever it took – helped fuel an exceptional boom in asset prices and kick-started a near 10-year bull market.

It also led to a decade-long build-up of public and private sector debt. Current debt levels are similar to those seen in the pre-crash period of 2007/2008 which brings the glaring prospect of another global financial crisis.

The end of an era

The era of extraordinary monetary policies is coming to an end. Major central banks are planning to gradually remove their support from the financial system, scaling back or ceasing asset purchases.

Interest rates in the US will likely continue to rise for the foreseeable future while other central banks – namely the Bank of England and the European Central Bank – have committed to a gentle tightening of monetary policy.

Brexit negotiations in the UK and potential political issues in Greece, Italy and Spain mean European regulators are treading a much more delicate path than those in the US, especially considering European economies are not performing as strongly as the US.

There are also some significant political risks, such as growing trade frictions, increasing populism in mainstream politics and simmering tensions in a number of geopolitical hotspots, not to mention falling house prices here at home.

Don't panic

There are sensible actions investors can take based on sound, long-term principles: keeping a cool head and embracing diversification are chief among them.

Do not make 'knee jerk' decisions that might damage your longer-term objectives.

Most superannuation investors are exposed to equity markets to some degree so will be affected by these market movements, but super is a long-term investment and that means there's usually time to make up any losses from volatility events.

If you're heading towards retirement, now is a good time to get some advice on your investments.

[1] Measured using the MSCI World Index
[2] Measured using the MSCI Australia Index
[3] All returns as at Friday 19th October 2018

Source: **Mercer**

Multi Factor Authentication

In order to protect sensitive member data on the SA Metropolitan Fire Service Superannuation Scheme website, we have added a new security access step known as multi factor authentication (MFA).

What is Multi Factor Authentication?

Multi Factor Authentication (MFA) combines a member's username and password with an additional security factor – a temporary numeric code sent to the member – to confirm identity and keep information secure.

You may already use MFA when you access banking or social media websites or apps.

MFA ensures a stolen or weak password is not sufficient for an unauthorised person to gain access to a member's sensitive data or our critical technology systems.

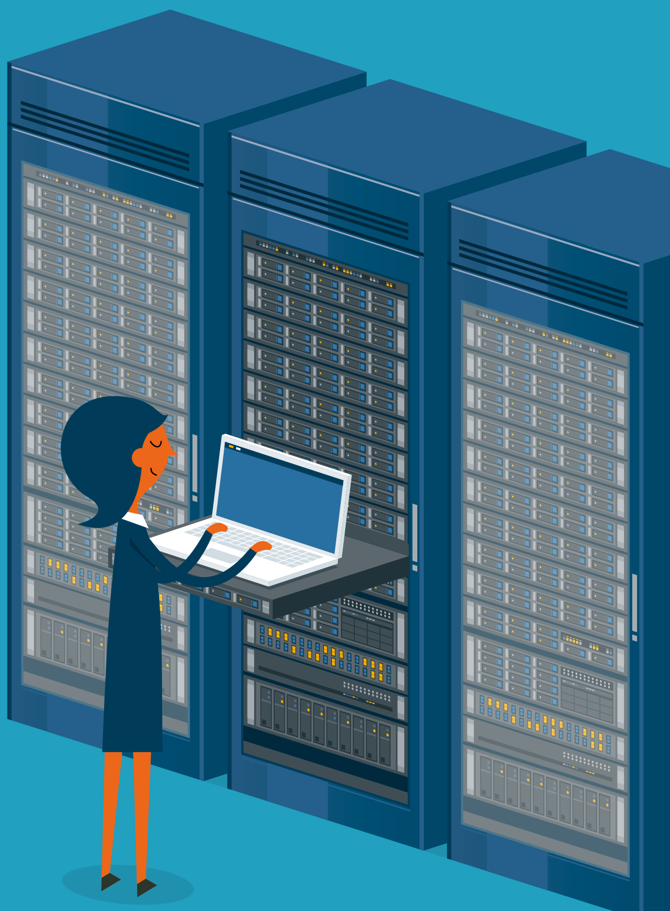
What do you need to do?

If you have not accessed your super account since the release of MFA in December, on your next login, you will enter your login credentials as normal which will then direct you to a MFA registration page where you will be asked to confirm your email and or mobile number. You will be guided through steps taking approximately 2 minutes which will generate a temporary code to complete the authentication process and access your account.

On subsequent logins you may be asked for MFA if you are logging in from a different location or device.

Secure passwords are still important!

MFA will provide an additional layer of security however, we still recommend members use strong, unique passwords for all online accounts.



Superannuation and Family Law matters

The provisions of the Family Law Act mean that married and de facto* couples have the option of splitting their super entitlements on divorce or separation. This document contains important information about Family Law matters and how they will be handled by the SA Metropolitan Fire Service Superannuation Scheme.

Getting information from the scheme

Who can ask for information?

The law allows the following people to ask for information about a member's benefits in a super fund:

- The member;
- The member's spouse; or
- A person who intends to enter into a superannuation agreement with the member.

How do I ask for information?

You must complete an Application for Information (Form 6). You must also complete a Declaration as set down in the legislation - this declares that you are eligible to ask for information. A copy of these forms are available on request from the Family Court or at **www.familycourt.gov.au**.

You must also pay any fee imposed by the Trustee for providing the information. The fee must be paid at the same time as the Declaration and Application is sent to the Trustee.

What information will I get?

The Trustee will only provide the information required by the legislation.

In the event that an Application for Information is received from someone other than the member of the Scheme, the Trustee cannot tell the member that the Application has been received.

How do I contact the Trustee?

In order to ensure prompt action by the Trustee in relation to all Family Law matters it is important that applications for information and other documents dealing with super are sent to the correct address. The Trustee may be unable to take action on a Family Law matter if the documents are not sent to the correct address.

All documents relating to Family Law matters should be sent to:

Mr Alan Kent
Manager
SA Metropolitan Fire Service Superannuation Scheme
GPO Box 98
ADELAIDE SA 5001

Professional advice

The Trustee is not permitted to provide you with any advice in relation to Family Law matters. If you have any queries it is recommended that you seek legal advice from an appropriately qualified person.

It may also be in your best interests to speak to a licensed financial adviser about the impact of the changes to the Family Law Act in your particular circumstances.

How super can be split

The superannuation benefit can be split as part of the property settlement either by private agreement between the parties, or by Court Order.

A benefit can be "flagged" – by a Flagging Agreement or Order, or "split" – by a Splitting Agreement or Order.

"Flagging" means that the decision on how to split the benefit is deferred until a later date. If a benefit becomes payable to the member while a flag is in place, the benefit cannot be paid and the trustee must notify the parties, or the Court. The Trustee must then wait for further instructions from the parties or the Court before paying the benefit.

"Splitting" means that a decision on how to split the benefit has been made and that a portion is to be allocated to the non-member spouse*. When a Splitting Agreement or Order is made, the Trustee will check that the Agreement or Order is valid and will then notify both parties that the Agreement or Order is in place. This notification will also include details of the options available to the non-member spouse in respect of their share of the member's benefit. It will also set out what action needs to be taken by the non-member spouse, by when and the implications if the Trustee does not receive a reply.

* The non-member spouse is the member's spouse or former spouse as referred to in the Agreement or Order.

Superannuation and Family Law matters (cont.)

When an agreement or order is made

When an Agreement or Order is made, a copy should be provided to the Trustee along with any other required documents (your legal adviser will tell you what needs to be done).

If it is a Flagging Agreement or Order, the non-member spouse must also provide the following information to the Trustee:

- The non-member spouse's full name; and
- The non-member spouse's postal address;

If it is a Splitting Agreement or Order, the non-member spouse must also advise:

- The non-member spouse's date of birth; and
- Full details of the superannuation fund to receive the amount to be split from the member's benefit in the Scheme. A split will not occur until full details are provided.

* The non-member spouse is the member's spouse or former spouse as referred to in the Agreement or Order.

Important notes

- The amount allocated to the non-member spouse will be adjusted to take account of any fees that may apply.
- 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 beforehand.
- 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 are a Deferred member.
- The member's benefit in the Scheme will be reduced to reflect the amount allocated to the non-member spouse, plus any fees payable by the member. The reduction in the benefit will be shown on the next member benefit statement.
- 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.
- The Trustee has had an alternate retirement age of 60 approved by the Attorney General for calculation of defined benefit values in the Scheme.

This provides a brief summary of Family Law legislation as it applies to superannuation. It is not intended and should not be relied upon as advice. You should always seek professional advice for your specific circumstances.

Website: **www.samfs.superfacts.com**