

# SUPER INFO

#### WHAT'S INSIDE:

- Significant Event Notice
- Change to Investment Objective
- Retirement Benefit
- Performance

# **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.

# **Change to Investment Objective**

The investment objectives state the aims of each investment option. The objectives are developed having regard for long term performance and characteristics of finance markets.

### Capital Defensive new investment objective - effective 1 January 2021

Currently the Capital Defensive option seeks to provide a return above cash with some protection against market downturns. The current investment objective is a target return of CPI + 1.5% over an investment time horizon of 2+ years.

Due to the unprecedented easing of monetary policy by the Reserve Bank of Australia (RBA) and global central banks, yields for short-term fixed interest securities (defensive assets) have fallen towards zero per cent. This record low interest rate environment is likely to persist for a number of years and it has become increasingly difficult for the Capital Defensive investment option to achieve its investment objectives. Given the conservative nature of the Capital Defensive investment option, the investment return target has been adjusted accordingly. Funds SA have reviewed the investment objective, and from 1 January 2021 the investment objective for the Capital Defensive option will change reducing from CPI + 1.5% to CPI + 1%.

Existing	From 1 January 2021				
CPI + 1.5%	CPI + 1%				

All other aspects of the Capital Defensive investment option including risk rating remain the same. Details of Capital Defensive and other investment options can be found on our website at www.samfs.superfacts.com.

This movement was expected to occur over multiple years, however due to market movements in recent months, this transition has happened more quickly.

### **Retirement Benefit**

### How is my retirement benefit calculated up to age 60?

You will receive a lump sum benefit calculated as your "Final Average Salary" multiplied by your "Benefit Multiple" plus your Accumulation Benefit.

Your "Benefit Multiple" is calculated as the sum of:

- (i) 19.5% times your period of contributory Scheme membership to the later of age 55 and the completion of 30 years contributory Scheme membership, plus
- (ii) 10.75% times your remaining years of contributory Scheme membership to your actual date of retirement or age 60,

A maximum "Benefit Multiple" of 8.0 applies in calculating the benefit.

Contributory Scheme membership is measured in years and complete months from the date you joined the Scheme. Any period of unpaid leave will not count in calculating your benefit multiple.

The benefit multiples detailed above may decrease in the event the investment return plus the existing level of member and employer contributions are insufficient to ensure the ongoing financial position of the Scheme. You will be notified should there be any adjustment to your future benefits or the level of compulsory Defined Benefit contributions you make to the Scheme.

On retirement (whether before or after age 60) you can request the trustee keep all or part of your benefit in the Scheme (subject to superannuation legislation). The trustee may set special terms and conditions on the benefit.

#### **Examples:**

John joined the Scheme at age 24 and retires after 36 years membership at age 60. He will be required to contribute 6.0% of after-tax superannuation salary or 7.06% of before tax superannuation salary.

John's "Final Average Salary" is \$100,000. John's "Benefit Multiple" will be calculated as:

(i)  $19.5\% \times 31$  years (period to age 55) = 6.05

#### plus

(ii)  $10.75\% \times 5 \text{ years} = 0.53$ 

John's "Benefit Multiple" is 6.58

John's retirement benefit at age 60 would be:

6.58 x \$100,000 = \$658,000

#### plus

his Accumulation Benefit.

#### What if I retire after age 60?

If you retire from employment after age 60 your contributions to the Scheme cease at age 60. The employer continues to contribute 13.5% of salary and your benefit is calculated as:-

The greater of A, B or C as follows:

- A. Your Benefit Multiple as at age 60, multiplied by your "Final Average Salary" at your actual date of retirement;
- B. Your Benefit Multiple calculated to the date of your actual retirement after age 60 (with a maximum multiple of 8.0) multiplied by your "Final Average Salary" at age 60;
- C. The balance of your Late Retirement Account calculated as:
  - (i) your Benefit Multiple at age 60 multiplied by your "Final Average Salary" at age 60,
  - (ii) investment earnings on (i) above based on the unit price movement of the Conservative investment option which may be positive or negative, plus
  - (iii) the balance of your post age 60 Superannuation Guarantee account which is an employer contribution of 9.5% of Superannuation Salary less an allowance for 15% contribution tax and administration expenses plus investment earnings based on unit price movements of the Conservative investment option.

#### plus

The balance of your Accumulation Benefit.

If the Conservative portfolio produces good returns you will have the full benefit applied to your 'C' benefit. If poor investment returns come about you have the protection of the Defined Benefits 'A' or 'B'. The highest value will be the amount payable to you.

Your annual statement will detail each of these calculations as at 30 June.

# Performance

### Taxable investment option returns to 31 December 2020

The SA Metropolitan Fire Service Superannuation Scheme invests in Funds SA's Taxable investment options. This report outlines performance of investment options to the end of the month.

### Table 1: Taxable investment option returns to 31 December 2020 Returns net of fees and tax, based on the post-tax unit pricing model detailed in the SLA

Investment option	1 mth %	3 mths %	FYTD %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	10 Years % p.a.
Cash	0.0	0.0	0.1	0.4	1.1	1.4	1.6	2.2
Capital Defensive	0.8	2.6	3.7	2.7	3.6	3.9	3.9	4.6
Conservative	1.0	4.1	5.7	3.3	4.4	5.1	5.0	5.7
Moderate	1.1	5.4	7.3	3.7	5.2	6.1	5.9	6.4
Balanced	1.2	7.2	9.6	5.1	6.3	7.2	6.9	7.3
Growth	1.4	8.3	10.9	5.7	6.8	8.0	7.6	7.9
High Growth	1.4	8.4	11.2	4.8	7.0	8.6	8.1	8.5

Note: The Taxable investment options were established in March 2005, with the exception of the Moderate investment option (established in June 2006)

#### Chart 1: Taxable investment option annualised returns, net of fees and tax to 31 December 2020



### Performance

### Taxable investment option returns to 31 December 2020

#### Key drivers of performance during December 2020:

- Strong markets resulted in positive returns for all investment options for the month.
- International equities were a key driver of our option returns, investment options with higher allocations to growth assets performing strongest; IT companies leading the market.
- Diversified Strategies Income benefited from investments held in equity markets, returning just under 4% for the month.
- Globally, developed markets bonds were flat or slightly down for the month, however, this was offset by the positive return in emerging markets bonds.

# **Asset Allocation**

The asset allocation of the investment options is shown in the table below.

#### Table 2: Asset allocation as at 31 December 2020

Asset class	Cash %	Capital Defensive %	Conservative %	Moderate %	Balanced %	Growth %	High Growth %
Cash	100.0	15.2	10.5	8.3	3.2	3.2	2.2
Short-Term Fixed Interest	0.0	29.4	17.2	6.2	1.2	0.0	0.0
Long-Term Fixed Interest	0.0	5.0	5.0	9.0	6.0	0.0	0.0
Inflation-Linked Securities Taxable	0.0	15.4	15.3	11.3	5.3	0.0	0.0
Diversified Strategies Income	0.0	17.2	18.2	12.2	8.2	12.1	12.1
Property Taxable	0.0	5.1	8.2	9.0	11.1	13.0	15.0
Australian Equities Taxable	0.0	5.3	11.2	17.3	26.2	28.0	27.1
International Equities Taxable	0.0	7.3	14.3	20.3	29.4	32.2	32.2
Diversified Strategies Taxable	0.0	0.0	0.0	6.4	9.4	11.4	11.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Note that due to rounding, the sum of the individual numbers within the table may not equal the totals quoted.

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