SUPER INFO
AUTUMN 2022

METROPOLITAN FIRE SERVICE SOUTH AUSTRALIA

WHAT'S INSIDE:
- Scheme Manager Retiring
- Surplus Distribution Policy
- How Superannuation Works
- Investment risks, options and policies

Scheme Manager Retiring

Photo: Darren Royals and Alan Kent

Alan Kent has advised the Board that he will be commencing long term leave on 1 July 2022 before his subsequent retirement. Since being appointed in 2004, Alan has managed the Scheme through some challenging times including the move from APRA regulation to Exempt Public Sector Status and navigating the Global Financial Crisis. During his tenure, Scheme assets have grown from $185m to $530m and the average benefit payment to retiring members is now over $900,000. There were dozens of employer superannuation funds in Adelaide such as SANTOS and GMH when Alan commenced with the Scheme. Constant legislative change has seen all these funds merge or disappear with the SA Metro Fire Service Super Scheme as one of the very few single employer funds remaining in the state. Alan's member service has always been his first priority and many members will miss his genuine efforts to guide and help them as much as possible with their super during their various life stages.

With Alan's pending departure came a unique opportunity to secure Darren Royals, a very experienced person to take over the role of Scheme Manager. Darren managed a similar type of fund in South Australia for 18 years and brings a wealth of superannuation experience to the Scheme. Darren commenced on 4 April 2022 and is working with Alan so that a comprehensive transition can be completed.

The Board would like to thank Alan for his considerable efforts over his 18 years of responsibility for the day to day operation of the Scheme and wishes him all the best in his transition to retirement.

Garry Powell

Chairperson

Surplus Distribution Policy

The purpose of the **Surplus Distribution Policy** is to document the methodology adopted by the Trustee to distribute surplus funds to eligible Members of the Scheme when the agreed objective measures and surplus criteria are met. The below sets out a summary of the Policy.

SURPLUS DISTRIBUTION

In circumstances where there is a surplus of assets – the Trustee has developed a Policy for distributing assets to eligible Members.

How does it work?

An eligible Member is any member of the Scheme, who was an active member at the Annual Actuarial Review date that the surplus was calculated. This does not include Parked Members, Spouse Members or Retained Firefighters. For more information on member types refer to the Member Benefit Guide.

Annual Actuarial Review is conducted (1 July)

Trustee reviews rules to determine if the surplus distribution criteria has been met

If met, Scheme Actuary will calculate the distribution amount for each individual eligible membercalculate the distribution amount for each individual eligible member

How is a surplus payment made?

The distribution of surplus assets will be processed as a lump sum payment by the Fund Administrator to the eligible Member's Member Surplus Account. Eligible Members will receive a confirmation notice which includes the amount of the benefit and date it is expected to be paid, so please ensure your contact details are up-to-date.

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Eligibility for former Members

If you exit the Scheme but are eligible to receive a surplus payment, the Trustee will make best endeavours to contact you and make the benefit payment.

How Superannuation Works

What is super?

- Superannuation - or super, as it's commonly known - is a way for you to save for your retirement. You can think of super as an asset - like a home or an investment property you may own - because it holds value that should grow over time. In fact, super could well be one of the biggest assets you will ever have.
- Over time, contributions paid to your super will provide an amount of money you can use when you retire from the workforce.
  - A normal employer usually has to contribute at least 10% of your ordinary times earnings each year into your super under Commonwealth Superannuation Guarantee (SG) legislation. Depending on your category of super membership, your employer may contribute more than this. 'Ordinary times earnings' is defined by the Australian Taxation Office and generally means your normal salary or wages.
  - This super money is managed by the trustee of a super fund who is closely supervised by Commonwealth Government regulators to ensure that your entitlements remain safe and secure during your fund membership period.

Super funds look after your money

A super fund invests your money in investment markets to generate investment returns that could be positive or negative depending upon how the investment markets perform. The aim is to help you retire with more money than you would have otherwise had. The way that your final super balance is calculated depends on the type of super product that you have.

Accumulation style of super

Defined contribution or accumulation style of super funds are the most common type of super funds in Australia. If you have an accumulation super account in this type of fund your contributions (and those of your employer) will be invested based on your investment choice from the investment options available. Your final balance will depend on the investment returns achieved in those investment choices (which may be positive or negative at any point in time depending on the investment markets) and the fees and costs that you pay the trustee for those investment choices.

You are usually able to choose where your money is invested from a specified list of investment options made available by the super fund as most funds have a range of investment options on offer. Most funds also have a default investment option where your super is invested if you don't make an investment choice. The default investment option in the SA Metro Fire Service Super Scheme is the High Growth investment option.

Defined Benefit style of super

Both defined benefit members and the employer of these members are generally required to contribute a specified percentage of the member's annual salary to defined benefit super funds.

If you have a defined benefit style of super the amount of money you get when you retire is generally determined by a formula based on a fund membership multiple (the number of years you have been a fund member multiplied by an annual percentage benefit accrual factor) and your final average salary (usually your average salary over the previous three years prior to your retirement). Defined benefit members are not subjected to the volatility of the investment markets in the same way as accumulation account members, as with defined benefit members, it is the employee who bears the investment risk of markets not providing positive investment returns and also the employee shares in any actuarial surpluses.

There are very few defined benefit funds left operating in Australia as there has been an industry trend in recent years towards converting this style of fund to an accumulation style of fund.

Insurance and super

Most super funds also provide members with access to death, disablement and income protection insurance cover through insurance policies the fund takes out with an insurance company. The benefit of having insurance cover within the super fund is that it is generally much cheaper than taking out your own insurance policy. Members in our Scheme pay no premiums.

Withdrawing your super money

There are limitations on withdrawals from super funds. Generally you can only withdraw your super when you reach your preservation age and have permanently retired from your employment. Your preservation age depends upon your date of birth and is prescribed by Commonwealth rules. There are limited circumstances when your account can be paid out early, such as if you die or if you become totally and permanently disabled.

What happens to my super if I die?

If you die before receiving all or part of your super, the trustee of your fund will pay your super entitlements to the person or persons you had chosen as your nominated beneficiary subject to them meeting certain conditions at that time. Super paid after a person's death is called a 'super death benefit'.

If there are no death benefit nominations made by you at the time of your death the trustee of the super fund will decide how and to whom the super death benefit will be paid. Depending on the trust deed, governing rules and regulation of superannuation, the trustee may pay the super death benefit to your estate, in which case the executor or administrator of your estate will deal with it according to your wishes if you have made a Will or alternatively according to State or Territory law if you haven't made a Will.

However, your super does not generally form part of the assets of your deceased estate and the trustee of your super fund will decide in most cases who receives your super entitlements having regard to your circumstances at the date of your death.

Investment risks, options and policies

Understanding your investment risks

All investments have risks, which can affect you in different ways. Volatility of the investment market isn't the only risk that applies to your retirement income.

Type of risk	What is it?
Adequacy	The risk that your super savings won't provide enough retirement income for as long as you'll need it.
Agency	The risk that the third parties who manage investments do not perform as expected.
Credit or counterparty	The risk that the issuer of a security (like a bond) doesn't pay back the money borrowed when it's due.
Currency	Movements in exchange rates can affect the value of your investments. For example, an increase in the Australian dollar compared to other currencies can reduce the returns of international share investments. A drop in the value of the Australian dollar can improve returns.
Drawdown (retirement income payment amount)	When your retirement income payments are much higher than your investment returns and you start to draw large amounts of your savings to provide your income payments. This could have a significant impact on how long your retirement savings last.
Inflation	Inflation is the rate at which the general level of prices for goods and services rises and the value of currency falls. Inflation risk is when your investment returns don't grow above inflation to meet your long-term income requirements.
Interest rate	Interest rate movements can affect your investment returns. While lower interest rates are usually good for the economy, they can lead to low returns for investors relying on cash-based investments for income.
Liquidity	The risk that your investment can't be sold at the right time or when you need your money. For example, if your funds are invested in a term deposit.
Longevity	The risk that you'll outlive your retirement savings.
Market timing	The risk that you buy or sell your investments at the wrong time. For example, if prices are low when you sell, you may lose savings. If you wait until prices pick up before you buy, it might take longer for the value of your savings to grow. This can be a risk when switching investment options.
Policy or legislative	The risk that changes to super legislation, retirement income account rules or industry regulations will affect your investment.
Sequencing	Sequencing risk relates to the order and timing of your investment returns. Experiencing negative returns when you're early in retirement can significantly impact how long your retirement savings last. You may not have as much time to recover from market downturns and you won't be getting ongoing super contributions to help offset this risk.
Volatility or market risk	Market ups and downs can cause the value of your investment to rise and fall. This is something you may want to avoid if drawing income over a short-term timeframe. Volatility is sometimes measured by how often you can expect to receive a negative annual return within a particular period of time.

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