SA METROPOLITAN FIRE SERVICE SUPERANNUATION SCHEME

SUPER INFO

Autumn 2012

METROPOLITAN FIRE SERVICE SOUTH AUSTRALIA

***Welcome** to the Autumn 2012 edition of Super Info*

What's inside:

Defined Benefit 3% Super Contribution to Stop – What now?

The extra 2% employer contribution to our Defined Benefit Scheme (employer contribution to be 13% or the Superannuation Guarantee plus 4%) commencing from the 1st July 2012 is very good news and will really benefit you in both the long and short term.

Please note the following;

The immediate benefit is that the additional 3% compulsory contribution that you are currently paying will stop from 1 July 2012. Members are querying what they will do with the extra income.

Some members want to see their take home pay increase (after tax) to improve their personal budget. Other members want to continue to salary sacrifice the 3% (or any other amount) to their accumulation account in the Scheme. If you want to continue to contribute you will have to contact the Super Office for the necessary forms. We need these forms to convert your 3% compulsory contributions to voluntary contributions. If you are already making voluntary salary sacrifice contributions the new forms will have to be for the total amount.

If you want the 3% as extra take home pay no forms are required.

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The first pay on 4 July will be confusing! The extra 3% will be deducted for part of the fortnight to 30 June, the normal 6% will be based on your new 1 April 2012 salary and some members will be starting new voluntary salary sacrifice contributions. Perhaps wait until the second pay period to see what the actual figures will be for the rest of the year.

Remember that all your defined benefit values and insurances are also indexed up from 1 July as well.

If you are going to convert your 3% to voluntary contributions you might want to review which portfolio they will be allocated to. Does the default "growth" portfolio suit your expectations and perhaps more importantly, your personal investment risk comfort level? There is a wealth of information on the website www.samfs.superfacts.com to explain which portfolio best suits your personal circumstances.

If you want to switch investment portfolios or would like any other assistance please contact the Manager on 8204 3826. Please note this information is not intended to constitute advice and you should seek professional advice before relying on the information.

Note: This information was previously circulated by an "All Staff" email on 23 April 2012. There will also be a charge levied by Payroll of $44.00 to administer any new salary sacrifice arrangement.

Investment update

This update is provided by Mercer.

Investment markets surged in the March 2012 quarter, following a very difficult six to nine month period.

Crucial policy actions – particularly measures implemented in Europe - have underpinned the improvement in market confidence. But large debt burdens continue to weigh down the major economies, which will need to resolve at least three key risks before the global recovery can gather stronger momentum.

Policy action – including monetary easing by the Bank of England and the Bank of Japan and the extension of tax relief in the US through 2012 – has helped investor confidence and boosted liquidity in the short term.

But major economies still face difficult times ahead as they attempt to reduce the large debt burdens built up over the past years.

UNITED STATES

Consumer spending in the US picked up speed in the second half of last year thanks to continuing low interest rates, signs of stabilisation in the housing market, increased employment and lower energy prices.

The fourth quarter of 2011 saw the strongest expansion in GDP since mid-2010.

These favourable developments in employment and household spending, remained broadly intact in early 2012, and, along with an unseasonably warm winter, helped increase forecasts of first-quarter GDP growth by a further 2.5%.

Growth is expected to range between 2.0% to 2.5% over the balance of the year.

EUROPE

In Europe, tightened fiscal policy and funding market stresses have almost certainly pushed the broader Euro area into recession.

GDP contracted by 0.3% in Q4 2011 and various leading indicators suggest GDP may have contracted at a broadly similar rate in the first three months of 2012.

At this stage, however, there are good reasons to anticipate a relatively mild overall recession.

CHINA

In China, GDP growth slowed from 8.9% to 8.1% in the March quarter - the weakest outcome since early 2009.

Consensus forecasts anticipate China's recovery to slowly gather momentum over the course of the year. Forecast growth in 2012 remains at 8.4%.

AUSTRALIA

In Australia, GDP growth slowed sharply in the final quarter of 2011 - from 0.8% in Q3 to 0.4%. The weakening in economic growth in late 2011 was largely due to a sluggish household sector. Business investment for mining activities remains strong but a downturn in consumer spending and major city housing prices is contributing to low consumer confidence and will likely push the RBA into cutting interest rates further.

Federal Budget 2012

Provided by Mercer. The information in this article does not necessarily reflect the views of the Trustee.

Families and low-income earners were among the biggest winners from last night's Federal Budget but high-income earners and big business copped a hit in the Government's bid to deliver a surplus of $1.5 billion for 2012-13.

As the Government hinted before the Budget, it moved to increase the tax on concessional contributions for individuals with income greater than $300,000 per annum. In a surprise move – and a double hit to some high-income earners - the Government decided to defer the $50,000 concessional contributions cap for those aged 50 and over with super account balances under $500,000.

The Budget included mixed news for middle and low income earners. The mature-age worker tax offset was tightened and plans for the standard deduction and a 50 per cent discount on interest income were scrapped. But this group may benefit from a range of family payments and Centrelink allowances.

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The Budget at a glance:

Savings

- Defence - $5.4 billion, over four years
- Scrapping promised company tax cut - $4.8 billion, over four years
- Foreign aid - $2.9 billion over four years
- Tighter superannuation concessions - $2.4 billion over four years
- More than 3000 public service jobs to go
- Scrapping the company tax rate cut – which will remain at 30% (instead of the proposed 29%).

Spending

- National Disability Insurance Scheme - $1 billion
- Schoolkids Bonus - $2.1 billion
- Boosting family tax benefits - $1.8 billion
- $3.7 billion for the aged to remain at home longer
- $1.5 billion over five years for remote jobs and community program
- $38.8 billion over four years to higher education with extra support for students from poor backgrounds.

This Budget has not tinkered with the marginal tax rates nor the tax thresholds and so the new tax rates that will apply from 1 July 2012 will proceed as announced in the last Budget.

Resident	Marginal tax rate (%)
$0 - $18,200	0
$18,201 - $37,000	19
$37,001 - $80,000	32.5
$80,001 – $180,000	37
$180,001 plus	45

What's in it for retirees?

Not much, at least directly, but existing benefits – including the tax free status on pension income for those aged 60 and above – remain unchanged.

It didn't get a mention in the Budget but the Government will phase out the pension drawdown relief that has been provided over the last few years. Minimum payment amounts for account-based, allocated and market linked pensions have been reduced by 25% for the 2011-12 financial year and will continue in the 2012-13 financial year.

High income earners

High income earners **will pay more tax** on 'concessional contributions' under changes announced in yesterday's Federal Budget.

From 1 July 2012 the rate of contribution tax will double from 15 per cent to 30 per cent for people with incomes of $300,000 or more.

This will apply to concessional contributions only, including Superannuation Guarantee, Award Contributions as well as those contributions salary sacrificed into super.

In addition, concessional contributions will be capped at $25,000 for everyone – including members aged 50 and older – from 1 July 2012. The Government last night announced that it will delay the introduction of this more generous concessional contributions cap for older Australians by two years so that it is now intended to be available from 1 July 2014.

Those who are salary sacrificing and in particular have commenced a "transition to retirement" pension may want to review their strategy with their financial adviser.

The government has moved to limit the tax effectiveness of employment termination payments (sometimes referred to as golden handshakes) paid from 1 July 2012. These payments may be taxed at the highest marginal tax rate rather than the current concessional tax rates, and again it would be important to speak to a financial adviser.

Low – middle income earners

The government announced that it would not proceed with the proposed standard deduction for work related expenses and managing tax affairs, which was to commence on 1 July 2013. It will also alter the mature age worker tax offset so that from 1 July 2012 it will only be available to taxpayers born on or before 1 July 1957.

After announcing the measure in the 2010 budget, and then in 2011 deferring implementation, the Government has finally abandoned the proposed 50% tax discount for interest income up to $1,000. The decision follows feedback concerning potential complexity and effectiveness of the proposal.

On the plus side for low and middle income earners the Government flagged measures to "help people make ends meet".

These measures include increases to family payments, a new "Schoolkids bonus" available to available to families receiving family tax benefit Part A, young people in school receiving Youth Allowance and a new "Supplementary allowance" to help people on income support manage unexpected cost of living expenses. The allowance will be $210 a year for a single person and $350 a year for a couple.

Concessional Contributions Cap

Concessional Contributions to superannuation include the employer's contribution and any compulsory contributions salary sacrificed as well as any additional voluntary contributions salary sacrificed. From 1 July 2012 the concessional contribution limit for those aged 50 and above will reduce from $50,000 to the lower level of $25,000 (currently applicable to those under age 50).

For permanent employees, both your employer and compulsory contributions (only if they are paid by salary sacrifice) are included as concessional contributions. Your employer's contributions are reported to the ATO as 'notional taxed contributions', rather than the actual contributions made, since they relate to the funding of your defined benefits in the Scheme. Please contact the Manager for an explanation of what 'notional taxed contributions' are reported to the ATO.

Contributions exceeding the respective caps will incur a very high penalty tax as levied by the Australian Tax Office. It is important that you contact the Manager for any additional general clarification you may require particularly if you are considering making voluntary salary sacrifice contributions.

You can view your concessional contributions received by the Scheme in the current financial year by logging on to www.samfs.superfacts.com. Go to the 'Contributions' page and click on 'Annual contributions caps'.

The Scheme Has Appointed a New Insurer

After a very thorough tender process and exhaustive legal review the Trustee has appointed Hannover (HLRA) as the Scheme's new insurer from 1 July 2012.

AMP have been the incumbent insurer for many years but with the group insurance market now more competitive than ever and with insurers now more inclined to accept the risk associated with emergency services, the Trustee has taken full advantage of this opportunity.

The Scheme's insurance premium is a very significant figure and this has been reduced by 50% which is a substantial reduction in our operating costs. Not only is cost reduction good business practice but the insurance offering to members has been enhanced.

Members will be able to purchase additional voluntary Death and Total and Permanent Disablement cover over and above the normal default level of cover provided at very competitive rates. Normal underwriting will be required.

There will also be a "Life Style Events" benefit where you will be able to increase your cover without providing medical evidence if a nominated event occurs such as an increase in your mortgage.

We are currently working through changes required to our administration systems to implement the new arrangements and will provide further details in the Winter Super Info.

A complete revision of the insurance details in the Scheme's Member Benefit Guide is being conducted and will be available early in the new financial year. If you have any immediate queries please contact the Manager directly.

Australian Government's "Money Smart" Website

Take a look at the "Money Smart" website

Often members ask me "how much do I need in retirement", "are extra contributions worthwhile", "do I put extra against my mortgage" as well as many other personal finance related questions.

While our own website at www.samfs.superfacts.com has a host of information and calculators to assist members in their decision making, the www.moneysmart.gov.au website maintained by the Australian Securities and Investment Commission (ASIC) is well worth visiting to not only help you improve your financial literacy but to also provide some excellent planning advice and tools.

This website is exceptionally comprehensive and provides simple to understand information on most things you need to know including –

- Managing your money
- Borrowing and credit
- Superannuation and Retirement

- Investing
- Scams

It also provides a number of calculators that are easy to use but remember that they can't accommodate the design of our defined benefit scheme. They are very useful where you might be contemplating additional voluntary salary sacrifice contributions, budgeting or making extra mortgage payments.

The website even provides very useful information on "Life Events" such as –

- Having a baby
- Buying a mobile
- Losing your job
- Buying a home
- Divorce or separation
- Losing your partner

There is far too much information to mention it all here so I strongly encourage you to visit www.moneysmart.gov.au where I am sure you will find something that is directly related to your own financial situation and how you might seek to improve it.

Important checklist 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? When your wages cease your insurances will be affected.

6 **Working less than 20 hours per week** For members working less than 20 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.

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.

**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.

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