SA METROPOLITAN FIRE SERVICE SUPERANNUATION SCHEME

Spring 2010

SUPER INFO

This Newsletter is issued by SA Metropolitan Fire Service Superannuation Pty Ltd ACN 068 821 750, 99 Wakefield Street, Adelaide 5000.

Welcome to the Spring 2010 edition of Super Info.

Market Recovery Benefits Super

The Scheme's investment manager, Funds SA, looks back at how investment markets performed in the 2009-10 financial year.

Investment markets 2009-10

Strong share price gains over the 2009-10 financial year have positively benefited super balances. However, performance since April 2010 indicates the global financial crisis will continue to create volatility in financial markets for some time yet.

Over the past financial year, all asset classes have performed positively. Shares and property outperformed fixed interest and cash:

Australian share market	13.1%
Global share market	11.5%
Australian listed property	20.3%
Global fixed interest	9.4%
Cash	3.9%

Share prices rose in reaction to stronger-than-expected US company earnings, good economic data, and still very accommodative global interest rate settings. However by April 2010, the Greek debt crisis, more mixed US economic data and moves in China to cool their overheating economy, weakened the outlook.

The last three months of the financial year saw Australian and global shares down approximately 12%.

While Government spending has been one of the cornerstones of the recovery, elevated spending, bank bailouts and high unemployment have raised concerns over the extent and timing of economic recovery in both Europe and the US.

Accumulation account returns

All investment options have recorded solid returns for the financial year ending 30 June 2010.

While strong performance was recorded in 2009-10, many risks remain as a result of the gradual workout of the global financial crisis and it is expected that financial markets will remain volatile.

More than ever it is important to make sure your investment option accords with your personal financial objectives.

Each investment option has a documented investment aim or objective, which provides a guide to the risk and return outcomes of the option. Refer to your Member Benefit Guide or the 2010 Annual Report (available on the Scheme's website) for details about each option's investment objective.

For example, over the Growth (default) option's investment time horizon of eight years, it is expected that the option will return 4.5% above inflation with a reasonable likelihood. The probability of a negative return is two years in eight.

For more information about investments, visit the Investment section of the Scheme's website.

Setting the record straight

Some members have contacted me about the ABC story that ran in early August regarding the ABC journalist's so-called investigation into superannuation returns, stating that they had gone backwards over the last 14 years, or had barely kept pace with inflation.

The Association of Superannuation Funds of Australia (ASFA) provided the following press release and is provided with their approval.

"We were not aware that the program was going to air until 20 minutes before, but immediately agreed to go on breakfast TV the next day.

After appearing on the ABC TV breakfast news program on Thursday morning, and getting quite a grilling, we contacted the journalist concerned and requested details of how he calculated his figures from the APRA statistics.

The spreadsheet he used and sent to us, contained a number of fundamental flaws. It indicates that he calculated net earnings of superannuation funds by starting with assets at the beginning of a financial year plus net contributions, and then comparing that to total assets at the end of the year.

The flaw with this is that, in effect, it assumes that every amount paid by a superannuation fund should be taken off investment earnings. More specifically, the approach adopted by Stephen Long includes as investment expenses:

- *the contributions tax paid by superannuation funds on employer contributions received by funds;*
- *insurance premiums paid by superannuation funds.*

His results were, therefore, substantially lower than those calculated through usual industry methodology, including that used by APRA.

His attempt to compare the rates of return on super with interest payable on bank deposits was similarly flawed. There was no application of the personal tax rate paid on interest from bank accounts, and so the post-tax return on super was compared with the pre-tax return from bank interest.

We made a complaint direct to the ABC managing director about not getting a comment from the industry in the original report and advised the journalist about the shortcomings of his calculations. We were invited to respond on radio and television last night but chose not to give them another forum for airing the original so-called 'super scandal'. We have secured a commitment from the journalist to interview me on the actual picture of long-term returns when this is prepared and published in the September issue of Superfunds magazine."

Interesting Article
Chris Cuffe calls for shift to 'target benefits scheme'

The following article from I&T News reports on how Chris Cuffe (a builder and former Managing Director of Colonial First State) views the merits of a superannuation structure which reflects in principle how our own fire service superannuation scheme is structured.

The Australian superannuation industry would be quite difference if Chris Cuffe had a chance to build it from the ground up.

In remarks to a recent Fund Executives Association Conference, the builder of Colonial First State took it upon himself to mention a number of industry 'elephants in the room', one being most members' complete lack of preparedness to take responsibility for investment decisions.

Cuffe talked up the merits of a 'target benefits scheme', called a 'collective defined contribution scheme' in some countries, in which member benefits ascribed to a Defined Benefit like formula, but the investment risk was born by the collective membership rather than employers.

Unisuper, the industry fund of which Cuffe is a trustee director, is a live example of this type of fund, which allowed "trustees to manage the aggregate risks rather than forcing each individual to fend for him or herself", Cuffe said.

Perhaps the ultimate extension of such an arrangement would be a government guaranteed national annuities scheme, which Cuffe also supported.

Noting that household superannuation assets had grown in lockstep with household debt for at least 20 years, Cuffe also suggested the banning of lump sum retirement benefits, to discourage people from loading up with more debt towards the end of their full time working lives.

How Much Super is enough?

How much do you need to retire comfortably?

Have you ever thought about what level of income you would like when you retire? Do you know how much super you need to provide that income? In Australia, almost everyone who is working has super. Will it be enough to provide you with a comfortable retirement?

A general rule of thumb is that you will need to generate a retirement income of between two-thirds to three-quarters of your final pre-retirement salary. If you wish to have a more comfortable lifestyle in retirement, you will need to budget for a greater level of income. Not only is the amount of super you need dependent on your own lifestyle choices, but you may also have a range of income options in retirement (such as part-time work or income from other investments) that can supplement your income.

Our website contains a number of calculators and planners which will help you to work out what your retirement income is likely to be. This enables you to try out various scenarios and look at how much you need to save to achieve the final retirement income you want.

We strongly recommend that you consult a licensed financial adviser who will take into account your individual objectives, financial situation and retirement needs.

Ways to grow your super

With a little careful planning you can maximise your retirement benefits to help you achieve the retirement lifestyle you've hoped for. Below are a few options to help you along the way.

Consolidate your super into one account

If you had a few part-time jobs, you probably have a number of super funds and are paying several lots of fees. You can benefit from transferring all of your existing super funds into one because it is not only easier to keep track of your super but also may save you money, which means more super for you.

Find your lost Super

If you have several super funds, you may have lost track of where they are. There are millions of dollars of lost super recorded with the ATO. If you have lost super, you may be pleasantly surprised at how easy it is to find it. Go to the ATO SuperSeeker online search at www.ato.gov.au/super or contact the ATO on 131020.

Salary Sacrifice into your Super

Salary sacrifice is a simple strategy that involves paying some of your pre-tax salary as contributions into super through your employer. This can result in a reduction of the total amount of income tax you pay because these contributions are taxed at only 15 per cent. This is lower than the average marginal tax rate. Not only do you pay less income tax, but more of your money is invested for retirement.

Contribute on behalf of your spouse for a tax offset

If your spouse's income is less than $13,800 pa and you make contributions on his or her behalf, you may be eligible for a tax offset. The tax offset is equivalent to 18 per cent of the first $3,000 of spouse contributions. The maximum offset of $540 applies when the spouse's income is $10,800 pa or less. The eligible spouse contribution limit of $3,000 then reduces by $1 for every $1 of income above

$10,800, reducing to nil when your spouse's income reaches $13,800.
Boost your super with the Super Co-contribution payment

If you earn less than $61,920 pa and make additional personal after-tax contributions, you may be eligible for an additional tax-free Super Co-contribution payment of up to $1,000 pa. People earning up to $31,920 pa will receive the maximum payment of $1,000 if they contribute at least $1,000. The payment then reduces by 3.33 cents for each $1 of income in excess of $31,920. No Super Co-contribution payment will be paid where your income is $61,920 pa or more. Your compulsory contributions automatically qualify as personal contributions if not salary sacrificed.

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 for an extended period?

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?

6. **Working less than 20 hours per week.**
   For members working less than 20 hours per week, your insurance cover may be reduced.

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, available on the Scheme's 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

Alan Kent
Manager

Important Notice: *The information in this Newsletter is for educational purposes only and is not intended to be advice. It has been prepared without taking account of your personal objectives, financial situation or needs. Therefore, before acting upon any of the information in this Newsletter, you should consider its appropriateness having regard to your objectives, personal situation and needs. It is recommended that you seek professional financial advice from a licensed or appropriately authorised financial adviser before making any decisions in respect to your membership of the Scheme. Please note that there are no guarantees of the investment performance of the Scheme's assets and the value of your investment in the Scheme may rise or fall from time to time. You should also note that past performance is not an indicator of future performance. For further information about the Scheme, you should read and consider the Scheme's Member Benefit Guide which you can obtain by calling the Manager on (08) 82*