SA METROPOLITAN FIRE SERVICE
SUPERANNUATION SCHEME

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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 Autumn edition of Super Info.

Actuarial Review of the Scheme

All members should have now received a letter about the decisions made by the Trustee following its consideration of the results of the latest actuarial review of the Scheme as at 1 July 2008. Further, members have been or will be provided with the opportunity to ask questions during a series of station visits in May and June 2009.

Allowing for market returns to 30 June 2008, the Scheme was in a strong financial position as at 30 June 2008, with an actuarial surplus equivalent to 2.4% of all members' salaries. With respect to accrued benefits and vested benefits the Scheme was also in a strong position at 30 June 2008.

However, allowing for investment market movements and the EB salary increases that have occurred after 30 June 2008 and the resulting adjustments to actuarial assumptions, the surplus is reduced by an amount equivalent to 5.4% of all members' salaries. The combination of plus 2.4% and minus 5.4% results in an overall actuarial deficit to the Scheme equivalent to 3.0% of all members' salaries. The total value of this deficit as set out in the actuarial review report (and based on actuarial assumptions) is $21,137,000.

In accordance with its power to do so under Rule 4.1B of the Trust Deed and Rules for the Scheme, the Trustee has decided that the most appropriate option to assist the Scheme back to a fully funded position is to increase members' contributions by 3% of salary. These increased contributions will be compulsory for members under the age of 60. Compulsory contributions cease for members over the age of 60, so these members have been given the option of either contributing the additional 3% or having their future benefit increases reduced by 22%.

The Trustee and the Corporation agreed to effect an amendment to the Rules to enable the option for members over age 60 to contribute the additional 3%. Without such an amendment, the Trustee would have had to increase contributions above 3% for members under 60.

The proposed 3% increase in members' contributions will be implemented with effect from the first pay period in July 2009. The Trustee will re-assess contribution levels as part of the next scheduled review the financial position of the Scheme (as at 1 July 2009), though the Trustee will not receive the actuary's report for some months following 1 July 2009.

Nobody has been spared from the global financial crisis but the structure of the Scheme is such that the deficit can be addressed in a measured fashion over a period of time without reducing members' defined retirement benefits.

Below is a list of Questions & Answers that will give you additional information.

Q.1 How did the Scheme get into this position?

A.1 The Scheme was in a strong position as at 1 July 2008 but significant downturns in investment markets and larger than expected salary increases have seen a funding deficit arise in the level of assets needed to support the defined benefits payable.

Q.2 How long will I have to contribute an extra 3% for?

A.2 From the first full pay period after 1 July 2009 until the time that the Trustee determines on advice from the Actuary that it is appropriate to revert back to normal contribution levels. This is likely to be when positive investment market returns and increased contributions bring the Scheme back to a fully funded position. The funding position of the Scheme will continue to be actuarially reviewed as at the end of each financial year. The Actuary's report will typically only be available to the Trustee six months after the end of each financial year. If you are over age 60 you will have the option of electing to contribute 3%. If you elect not to contribute, all future increases in your late retirement benefits (including increases based on salary increases, length of service or investment returns) will be reduced by 22% for the duration of the the period that the option to contribute is in place.

Q.3 Have any of my defined benefits been reduced or clawed-back in any way?

A.3 No, all defined benefit formulae for those under the age of 60 have been maintained. For members over the age of 60 there will be no adjustment to your defined benefits if you elect to contribute 3% of your salary from 1 July 2009. This is in contrast to most accumulation funds, which have seen some member entitlements drop by over 30%. The defined retirement benefit will continue to be protected from short term investment loss and you can continue to plan ahead with a good degree of certainty.

Q.4 Have my insurance benefits been reduced in any way?

A.4 No, for members under the age of 60. Your extra contributions will help ensure that your Death, Total and Permanent Disablement and Total and Temporary Disablement insurance cover will not be reduced. The Trustee is of the firm view that insurance cover for members should not be compromised.

Q.5 When will the latest EB salary increases be factored into increasing my retirement benefit?

A.5 Your substantive salary as at 1 April 2009 will be used to calculate all defined retirement benefits from 1 July 2009. Due to your salary increase, your defined retirement benefits will increase with effect from the same date that your contributions increase. Your contributions will increase from 1 July 2009 both as a result of your salary increase and the additional compulsory 3% contribution.

Q.6 Can I salary sacrifice my additional compulsory contributions?

A.6 Yes. If you have already made arrangements to salary sacrifice your compulsory contributions your additional 3% contributions will also automatically be salary sacrificed. If your additional 3% contributions are made by salary sacrifice, the amount of salary that will be deducted will be 3.53% (pre-tax) which equates to a 3% contribution after tax when received by the Scheme.

Q.7 How do I know if salary sacrificing all my compulsory contributions is the right thing to do?

A.7 We are reconfiguring the salary sacrifice calculator on the website www.samfs.superfacts.com to allow you to compare making contributions before and after tax. Make sure you use the increased salary you are now receiving in the calculator. Often significant income tax savings may be achieved by salary sacrificing. However, the impact will depend on your individual circumstances and we recommend that you seek specialist tax or financial advice in relation to this issue before making a decision

Q.8 What about when investment markets finally recover and the Scheme ends up with funds that are surplus to requirements?

A.8 We cannot foresee this situation occurring in the near future. However, the Trustee may (on advice from the Actuary) and in accordance with the Trust Deed and Rules determine to distribute any future surplus assets to members on an equitable basis, as has occurred on two previous occasions. All members who have previously had surpluses allocated to them retain those allocations, subject to investment returns in the investment portfolio of their choice. There is no guarantee that current members of the Scheme will receive any surplus allocations in the future.

Q.9 How will my extra contributions be factored into any future distribution of surplus that the Scheme might make at a future date and will the method be fair and equitable.

A.9 Firstly, when market conditions improve, ideally in the near term, any surpluses that arise should be applied to reverse the effects of the 3% extra contributions.

For example if a surplus of $5,000,000 was to arise, and the additional 3% contributions accumulated with interest for all members totalled $2,000,000, then the Actuary would recommend that the additional 3% contributions accumulated with interest would be credited to each member's surplus account as a priority, and the remaining $3,000,000 distributed in an equitable manner.

This means if an individual member's additional 3 % contributions plus interest was $5,000 when the surplus arose, then the $5,000 would be transferred to the member's surplus account, together with any additional equitable surplus distribution.

In short, each member would be "paid back" with interest what they have paid in when a future surplus arises.

Q.10 What other options were considered besides extra contributions?

A.10 The Actuary presented a variety of options to the Trustee, including both increased member contributions and a percentage (%) reduction in future benefit accruals. After thoroughly considering all relevant matters, the Trustee determined that the 3% increase in member contributions was the most appropriate and equitable option.

Q.11 Why doesn't the Fire Service have to increase its contributions to cover a share of the funding deficit?

A.11 The contributions payable by the Fire Service and other employers in the Scheme is limited by the Trust Deed and Rules to a maximum of 11% of annual salary (or 2% above the superannuation guarantee (SG) rate). This arrangement means that the Fire Service does not participate in any allocation of surplus funds as and when they arise and the Trustee determines to allocate them to members.

Q.12 Is it possible that the 3% rate might be further increased in the future?

A.12 Whilst it is possible that a further significant deterioration of investment markets could cause the Trustee to again have to re-assess the way in which the Scheme can be maintained on a fully-funded basis, the Trustee is hopeful that further increased member contributions will not be required.

May 2009 Federal Budget

The Government announced a number of changes impacting super in its 2009 Federal Budget. Read a summary of some of the key issues.

Changes to concessional contribution limits

- The concessional superannuation contributions cap will be reduced to $25,000 p.a. (currently $50,000 p.a.) from the 2009-10 financial year.

- The transitional concessional contributions cap for those aged 50-74 will be reduced to $50,000 p.a. (currently $100,000 p.a.). From 1 July 2012, the cap for those aged 50 and over will revert to the lower $25,000 cap (or the indexed amount at that time).

What do you need to think about?

Consider whether you can make the most of the higher caps ($50,000 or $100,000) that apply until 30 June 2009. Review your salary sacrifice arrangements from 1 July 2009.

Temporary reduction in Government co-contributions

There will be a temporary reduction in the Government co-contribution from 1 July 2009. The temporary rates are:

- From 1 July 2009 until 30 June 2012, the maximum rate will be 100% (that is $1 for each dollar you contribute), up to a maximum of $1,000 per annum for a $1,000 personal after-tax contribution
- For 2012-13 and 2013-14, the maximum rate will be 125% (that is $1.25 for each dollar you contribute)
- For 2014-15 onwards, the maximum rate will revert back to 150% (that is $1.50 for each dollar you contribute).

What do you need to think about?

Consider taking advantage of the current co-contribution arrangements before 30 June 2009 to receive up to $1.50 for each dollar you contribute.

Note that from 1 July 2009, any salary sacrifice contributions you make will count towards your income to determine eligibility for this and other Government benefits, with the result that those entitlements may be reduced or eliminated.

Private health insurance

- From 1 July 2010, higher income earners will receive a lower level of rebate for private health insurance. The current rebate of 30% will remain for lower income earners.
- The Medicare Levy Surcharge will also be adjusted for higher income earners. Under the new arrangements, the rebate and Medicare Levy Surcharge for people under age 65 from 1 July 2010 will be as follows:

Income level	Rebate	Medicare Levy Surcharge
Up to $75,000 (singles) Up to $150,000 (couples)	30%	Nil
$75,001 - $90,000 (singles) $150,001 - $180,000 (couples)	20%	1.0%
$90,001 - $120,000 (singles) $180,001 - $240,000 (couples)	10%	1.25%
$120,001+(singles) $240,001+ (couples)	Nil	1.5%

Income level rebate Medicare Levy Surcharge

What do you need to think about?

If you're a higher income earner, you will either pay more for your private health insurance or be subject to a higher Medicare Levy Surcharge.

From 1 July 2009, certain salary sacrifice and some other non-compulsory employer superannuation contributions will be counted as income when assessing your liability for the Medicare Levy Surcharge.

Paid parental leave

A Government funded paid parental leave scheme will commence from 1 January 2011. This will provide income of $543.78 (indexed) for up to 18 weeks.

- Primary carers will be eligible for the scheme if they:
  - earned less than $150,000 in the full financial year prior to the birth or adoption of a child;
  - have worked at least 330 hours over the 10 months preceding the birth or adoption of a child; and
  - have also worked continuously with one or more employers for at least 10 of the 13 months before the expected date of birth or adoption.
- If you access paid parental leave, you will be unable to claim the Baby Bonus, Family Tax Benefit Part B and some dependant's tax offsets.

What do you need to think about?

It appears it will be necessary to choose between the parental leave payments and the other benefits listed above. You may need to seek financial advice to determine the most appropriate option for you.

Age pension age increase

The qualifying age for the Age Pension will gradually increase from 65 to 67 by 2023 - increased by six months every two years, commencing from 1 July 2017 and reaching 67 on 1 July 2023.

The table below shows how the age pension age will change:

Date	New age pension	Affects people born	When group reaches new age pension age
1 July 2017	65 yrs & 6 mths	1 July 1952 to 31 December 1953	1 January 2018 to 30 June 2019
1 July 2019	66 yrs	1 January 1954 to 30 June 1955	1 January 2020 to 30 June 2021
1 July 2021	66 yrs & 6 mths	1 July 1955 to 31 December 1956	1 January 2022 to 30 June 2023
1 July 2023	67 yrs	From 1 January 1957	From 1 January 2024

What do you need to think about?

If you want to retire at the 'traditional' age of 65, you will have to, in the future, self fund your retirement for somewhere between 6 months and 2 years.

Increased Government pension

- From 20 September 2009, pensioners will get an overall increase in their pension of:
  - $32.49 per week for single pensioners on the full rate of pension
  - $10.14 per week for pensioner couples (combined) on the full rate of pension.

The increase applies to the Age Pension, Disability Support Pension, Carer Payment, Veterans' Service Pension, Income Support Supplement, War Widow/ers pension, Bereavement Allowance, Wife Pension and Widow B pension.

Income test for pensioners to change

From 20 September 2009, payments to pensioners will be reduced by 50 cents for each extra dollar of private income above the 'income test free threshold' (currently pension payments are reduced by 40 cents for each extra dollar of private income).

- This 'income test free threshold' is currently $138 per fortnight for single pensioners and $240 per fortnight for pensioner couples (combined).
- A transitional safety net will apply for existing pensioners who would otherwise face a payment reduction because of this change.

What do you need to think about?

From 20 September 2009, if you receive the above Government pensions and you're over the 'income test free threshold', you may receive less pension.

Commonwealth Seniors Health Card

From 1 July 2009 salary sacrifice contributions to superannuation will be included in the income test for determining eligibility for the Commonwealth Seniors Health Card.

What do you need to think about?

From 20 September 2009, some members who were previously eligible for the Commonwealth Seniors Health Card will no longer qualify.

Allocated pension drawdowns

- The minimum income amount that must be paid from account based pensions (allocated pensions and transition to retirement allocated pensions) will be halved for the 2009/10 financial year, (which is an extension of the provision that was introduced in February for the 2008/09 financial year).

What do you need to think about?

If you have an account based pension, you will be able to reduce the amount of income you receive from your pension. For some people this may result in an increase in their Age Pension entitlement.

Age	Percentage of account balance	New percentage for 2009/2010
Under 65	4%	2%
65-74	5%	2.5%
75-79	6%	3%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95+	14%	7%

Pension Bonus Scheme abolished

- The Pension Bonus Scheme will be closed to new entrants from 20 September 2009 and will be replaced with a new Work Bonus which will only include half of the first $500 of employment income earned per fortnight under the pension income test - this will enable up to $250 of earnings a fortnight to be excluded from the income test.

What do you need to think about?

If you are already registered for the Scheme (before 20 September) you will be able to remain in the Scheme and claim your Bonus when you cease working.

Transition to retirement

- There is no change to tax treatment of Transition to Retirement Allocated Pensions.

Personal income tax rates

For the year commencing 1 July 2009, the resident tax rates will be as follows:

Taxable income ($)	Tax payable ($)
0-6,000	Nil
6,001 – 35,000	Nil + 15% of excess over 6,000
35,001 – 80,000	4,350 + 30% of excess over 35,000
80,001 – 180,000	17,850 + 38% of excess over 80,000
180,000+	55,850 + 45% of excess over 180,000

Change of address - Reminder

The Scheme has been getting a number of letters returned because members have moved and not advised their change of address. Members are reminded that they need to inform the Scheme separately of any change of address as we are not automatically informed by the Corporation.

There are a number of ways open to members to advise this office.

1. By email ie kent.alan@samfs.sa.gov.au or veronica.varga@samfs.sa.gov.au
2. Facsimile (08) 82043610
3. Completing a Member Change Details advice which can be obtained from this office or on the website www.samfs.superfacts.com login and click on 'Your Library'

Alan Kent
Manager

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