

Firesuper Supernews

December 2016 No. 112

Welcome to the latest edition of the Fire Service Superannuation Scheme's Supernews. Read on for the latest news and information about your Scheme and superannuation in general.



FINANCIAL MARKETS CONDUCT ACT

Notice to members

We are pleased to advise that as mentioned in this year's annual report, the Scheme transitioned to the new Financial Markets Conduct Act (FMC Act) regime on 28 September 2016 and from that date, the requirements of the FMC Act apply to the Scheme.

The move to meet FMC Act requirements does not affect your membership of the Scheme or your benefits in any way. However, some changes have been required to comply with the new regime.

These include:

- The Scheme's investment statement has been replaced by a product disclosure statement (PDS). Additional, more in-depth information not included in the PDS is provided in an 'Other material information' (OMI) document.
- The Scheme has moved to a corporate trustee structure, where a company (FireSuper Trustee Limited) has been established and appointed to manage the Scheme. The former trustees are now trustee directors of FireSuper Trustee Limited.

At least one of the trustee directors must be a licensed independent trustee. This is to ensure that there is one trustee director who is separate from the Scheme's sponsors and who brings specific governance skills relating to financial services. Tim McGuinness has been appointed to this position. Read Tim's CV at <https://secure.superfacts.com/attachments/Form/FireServiceAnnualReport2016.pdf>

- Your annual membership benefit statement must be issued within three months of the Scheme's year end (i.e. by 30 June);
- The Scheme's annual financial statements must be completed within four months of the Scheme's

- The annual report must be completed by 31 July and issued within 28 days.

The remaining changes, including the review and updating of documents such as the trust deed and statement of investment policy and objectives (SIPO), have been 'behind-the-scenes'.

You can view or download copies of the Scheme's trust deed and SIPO as well as the PDS and OMI document from the Scheme's entry on the 'Disclose' schemes register by visiting www.business.govt.nz/disclose, selecting Search schemes and entering the Scheme name.

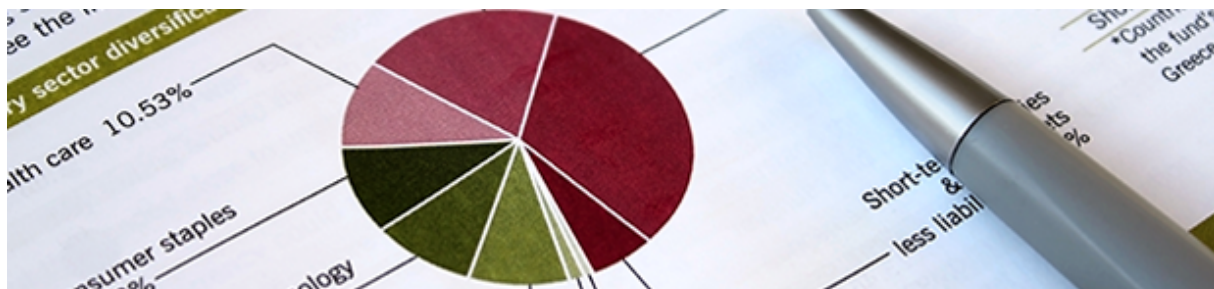
A useful source of further information about the FMC Act is the Guide to the Financial Markets Conduct Act <https://fma.govt.nz/guidance/>.

The Trustee, as the issuer of the Scheme, can be contacted care of:

Jan Barber
Scheme Secretary
New Zealand Fire Service Superannuation Scheme
Mercer (N.Z.) Limited
PO Box 2897, Wellington 6140

You have the right to receive a copy of the Trust Deed from the Trustee free of charge if, within 15 working days after receiving this newsletter, you contact the Trustee at the above address to request a copy.

The Scheme's PDS, OMI document and the updated trust deed and SIPO are all available under Member Documents at <https://secure.superfacts.com/public/firesuper/Documents.tpz>.



INVESTMENT MARKET PERFORMANCE

The September quarter started on a positive note...

as investors put aside their concerns about Britain's decision to exit the European Union.

... which continued for much of the quarter

as fears about deflation (negative inflation) subsided. At the same time, there were signals from the US Federal Reserve (the Fed) that a second interest rate increase before the end of the calendar year was increasingly likely.

followed by a turnaround in October

as expectations rose for a rate climb in the United States as soon as December, the upcoming US election and the prospect of the European Central Bank gradually reducing its bond purchasing programme, saw share and bond (fixed interest) markets both finish lower in October.

THE US ELECTION – WHERE DOES IT LEAVE INVESTORS?

US voters went to the polls on 8 November 2016 and elected Donald Trump as the next president.

Voters also delivered Republicans control of both houses of Congress.

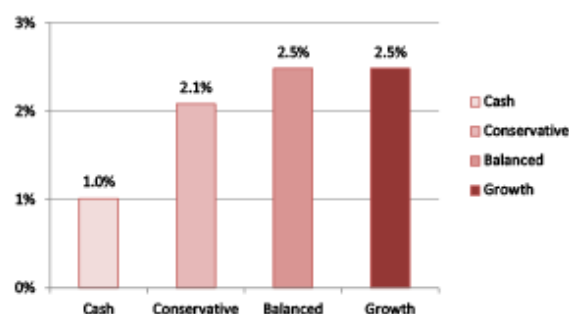
In a repeat of the Brexit vote in the UK, Trump's election shocked most pundits and pollsters. Similarly, markets plunged, although they

subsequently rebounded on the back of expectations for 'business-friendly' changes in policy. The market expected gridlock from a Clinton administration and a Republican House, but the Republican sweep results in more potential for policy changes.

With the lack of clarity surrounding policy details, markets are likely to be volatile reflecting the uncertainty of what a Trump administration will look like.

SCHEME EARNING RATES

Earning rates for the seven months to 31 October 2016 are shown in the chart below:



*Returns shown are after tax and all administration and investment expenses.

- While global growth was normal during the golden era, the researchers found that the characteristics of emerging markets' populations and improving productivity worldwide boosted corporate profits and revenues, and contributed to share market returns.
- The unprecedented surge in corporate profits in the last three decades: US companies never had it so good.

How differences in earning rates can affect your benefit

Over the long term, even a single percentage point can make a very big difference.

After a series of exceptional long-term results, the Scheme's returns for the last couple of years have been more modest; a trend which many market commentators expect to continue.

A recent study by McKinsey attributes the exceptional returns during the recent so-called 'golden era' to four unusual factors.

- A sharp decline in US inflation rates, to well below their historic average, which led to a rise in the price that investors were willing to pay for shares.
- A steep drop in interest rates boosted returns from bonds (fixed interest) and also helped boost share prices.

Let's say that you've got \$100,000 and you're earning an annual return of 5.5%. At the end of 30 years, assuming you have reinvested all of the money you make, thanks to the magic of compounding, you'll have about \$500,000. But if your returns are only 4.5%, that sum will fall to \$375,000. A single percentage point has cost you \$125,000 over 30 years. A decline of two percentage points and you've lost nearly half of your total potential returns.

Like it or not, McKinsey's message is that investors need to lower their expectations, work more years and double their savings.

For the most up to date earning rates please visit the website at www.firesuper.superfacts.co.nz

UPDATE YOUR CONTACT DETAILS

It's important that we hold your current contact details, including your email address. You can update your contact details by signing in to www.firesuper.superfacts.co.nz and selecting

the Personal details tab. Then scroll down to update your current details. Also take a moment to update your communication preferences.

ANSWERS TO SOME OF YOUR QUESTIONS

Q1. I'm about to retire. What form should I complete?

A. You need to complete the Cessation Advice form available at https://secure.superfacts.com/attachments/Form/NZFSS_CessationAdvice&DischargeForm.pdf.

Q2. Do I have to take my money when I leave the Scheme?

A. You can leave some or all of your benefit in the Scheme and become a deferred member by completing the appropriate sections of the Cessation Advice form.

Q3. When does an investment switch take effect?

A. Provided your request is received on or before the 20th of the month, your change will take effect from the first of the following month. For example, if you made an online switch on 19 February, your change would take effect on 1 March. Had you made the switch on 21 February, your change would not take effect until 1 April.

Q4. What is the last date for getting my benefit payments form in to be processed before the holiday?

A. For a pre-Christmas payment Mercer needs to receive the completed form from you by Friday 16 December 2016. Please be aware that in the case of leaving service, your benefit payment cannot be made until your final contributions have been received from payroll.

Payments in the New Year will be processed from Wednesday 4 January 2017.

WEALTH STRATEGIES THROUGH THE DECADES

Coming to grips with saving for your retirement in your early years probably isn't, but should be, a priority.

Good budgeting, a solid plan and professional advice in your 20s through to your 50s will carry you through the rest of your life.

In your 20s

Get rid of credit card debt and budget, budget, budget.

In your 30s

Keep chipping away at debt and focus on the home loan and saving for your kids' education.

In your 40s

If you haven't seen an appropriately qualified financial adviser by now, then you should. Understand what you are doing with your income, so that you can see areas where you could cut back or where you could reallocate funds.

In your 50s

Now is the time to ramp up your retirement savings and get serious about engaging a financial adviser.

In your 60s

You've worked hard and now is the time to start thinking about settling in and having fun with your family and friends and enjoying your hobbies.

Embrace your retirement; you've worked hard for it. Understand it and look forward to it.



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