



## The SA Metropolitan Fire Service Superannuation Scheme

# Annual Report

For the year ended 30 June 2018

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Issued by SA Metropolitan Fire Service Superannuation Pty Ltd ACN 068 821 750  
as trustee of the SA Metropolitan Fire Service Superannuation Scheme ABN 99 439 309 855.

# Message from the Chairman

Forty four years ago the SA Metropolitan Fire Service took its first step towards establishing a superannuation fund to manage and invest the retirement savings of its employees and to provide insurance benefits to protect them.

In the early days it was tough going as establishing such funds for firefighters was not all that common. In many areas superannuation was seen as a special advantage for upper management in the private sector and where it did exist, the rules often made it difficult for working people to participate. The Scheme was a pioneer in its approach to help members provide for their future. Over the years we have seen generations of members retire with financial security and dignity.

The Scheme has evolved into a unique model of buffering investment volatility, providing a high level of certainty of what end benefits might be received and distributing profits to members' accounts when it arises. Contribution levels have exceeded world best standards for many years which has resulted in the average retirement benefit to members over this last financial year averaging \$772,000. The Scheme is a very good working example of more money working for members over a long period allowing the compounding effect to produce a greater end benefit.

The SA Metropolitan Fire Service Superannuation Scheme's Board members are drawn from both the Fire Service and the United Fire fighters Union. This equal representation has for many decades worked very effectively to protect members' interests. I would like to thank departing Board members G. Northcott, M Vander Jeugd, T. King, N. Mangelsdorf and D. Harvey for their long-serving oversight of the Scheme as well as welcoming the newly appointed Union directors.

We continue to look for ways to make it easy for members to access, understand and manage their super whether through digital innovations or one-on-one support opportunities with the Manager. Finally on behalf of the Board and staff of our Scheme thank you for your continued trust and support.

**Robert Tidswell**  
**Chairman**

# Your Super – How your benefit works

## If you are a Defined Benefit Member

All permanent employees are Defined Benefit members.

### **After age 50**

Your retirement benefit is 'defined'. This means that your benefit on retirement is based on a calculation that takes in to account your years of service and your final average salary (please refer to the Member Benefit Guide for more information about how your benefit is calculated).

### **Before age 50**

As you would be aware, some benefits on leaving service prior to age 50 are related to the Scheme's earnings, i.e. the Immediate Benefit option. The assets for the Defined Benefit section of the Scheme are invested in the Growth option and therefore the investment earnings generated by this option will be allocated to your compulsory contributions to calculate your leaving service benefit options.

Alternatively you may choose the Deferred Benefit option. Under this option the Defined Benefit component of the Deferred Benefit will remain in the Scheme until you request payment after age 50. This component will be indexed annually by the movement in the Consumer Price Index (CPI Adelaide – All Groups) subject to a minimum of zero, from the date you cease employment to your 50th birthday. After age 50 the benefit will be allocated investment earnings, which may be positive or negative, applicable to your chosen investment option.

## If you are an Accumulation Member (or you are a Defined Benefit Member with an Accumulation Account)

### **Your accumulation investment purchases units**

The net amount of your superannuation contribution in an accumulation account (i.e. after any fees and/or taxes are deducted) buys what is known as 'units' in the Scheme. The number of units that your net contributions buy depends on the unit price at the relevant time. For example, if your net contributions are \$1,000 (i.e. after any fees and/or taxes are deducted) and the unit price is \$1.00 at that time, then 1,000 units would be bought on your behalf.

Unit prices are calculated on a weekly basis and fluctuate according to the investment performance of the Scheme (i.e. the unit price for the Scheme will reflect the value of the Scheme's underlying investments after making provision for tax on those investments and investment management fees).

The value of your accumulation account balance at any time is simply the number of units you have multiplied by their unit price at that time.

Net earnings on the Scheme's investments (which may be positive or negative) will be reflected via changes in unit prices. If the net earnings for the Scheme are positive, the unit price will increase. If the net investment earnings are negative (a loss), the unit price will decrease.

The effective rate of net earnings for a given period can therefore be determined by the proportionate increase (if returns are positive) or decrease (if returns are negative) in the unit prices from the start to the end of the period.

Your member statement shows how many units you have and their value as at 30 June 2018.

## Your options – Accumulation Benefits

Your Scheme offers you a choice of where to invest your super account balance.

Different members have different financial needs and no one investment option will suit everyone. That's why you have a choice of 7 options in this Scheme. You can choose to split your current account balance between any of the seven investment options. You can also allocate your future contributions between any of the seven investment options.

The rate of return you can expect from each investment option will vary according to the asset class(es) it is invested in.

Historically, an investment option invested mainly in growth assets (e.g. shares and property) has provided the best returns over the long term (more than 10 years). However, high growth options tend to have the most variation in returns from year to year. On the other hand, with an investment option that is invested mostly in defensive assets, such as fixed interest and cash, you could expect lower returns over the long term but less variation in returns from year to year.

However, you should be aware that past performance should not be relied upon as an indicator of future performance.

If you do not nominate an investment option when you join the Scheme or commence making any additional voluntary contributions, your super will be invested in the default option nominated by the Trustee. The Scheme's default investment option is the Growth option.

See pages 7 to 10 for a description of each investment option.

## Investment returns

The table below shows each investment option's effective rate of net earnings (i.e. the actual rate of return net of tax and investment fees) for each of the past 5 financial years. You should refer to each investment option's objectives on pages 7 to 10. For an explanation of the reasons behind this year's investment returns, please turn to page 11. Please note that past performance is not a forecast or guarantee of future performance.

	High Growth	Growth	Balanced	Moderate	Conservative	Capital Defensive	Cash
1 July 2013 to 30 June 2014	14.3%	12.7%	11.5%	9.9%	8.2%	6.1%	2.4%
1 July 2014 to 30 June 2015	10.1%	8.9%	8.1%	7.1%	5.9%	4.5%	2.3%
1 July 2015 to 30 June 2016	3.1%	3.4%	3.3%	3.2%	2.8%	2.8%	1.9%
1 July 2016 to 30 June 2017	12.5%	10.8%	9.5%	7.7%	6.2%	4.2%	1.7%
1 July 2017 to 30 June 2018	10.9%	9.3%	8.1%	6.6%	5.2%	3.6%	1.6%
Compound average effective rate of net earnings for period 1 July 2013 to 30 June 2018	10.1%pa	9.0%pa	8.1%pa	6.9%pa	5.7%pa	4.2%pa	2.0%pa

## Defined Benefits Assets

Defined Benefit assets for permanent employees under age 60 are invested in the Growth option.

Since 1 July 2013, Defined Benefit assets for permanent employees over age 60 have been invested in the Conservative option. Before 1 July 2013 over age 60 Defined Benefit assets were invested in the Growth option.

See the table on page 4 for the 5-year compound returns to 30 June 2018, after fees and taxes.

## Changing your investment choice

Once you have made your investment choice, it will continue to apply until you inform the Scheme of a new choice. You are able to switch your investment choice once a week. Forms received by the Trustee by 5pm Thursday will be processed at the next declared unit price, generally on the following Monday.

Call the Manager on (08) 8204 3826 for details on how to make a change.

It's usually wise to seek professional financial advice before making any financial decisions.

## Is there a fee involved?

The first investment switch you make each year is free. For any subsequent switches you make each year, a fee of \$30.00 is deducted from your account balance.

## Planning to leave?

For Accumulation benefits, the investment earnings that apply to your chosen investment option are calculated up to the day you leave the Scheme and applied to your benefit.

For Permanent employees, the Defined Benefit portion of your benefit will be invested in the Growth investment option effective from the date of your leaving service (if under age 50 and you choose the Immediate Benefit option) or in the Cash investment option effective from the date of your leaving service (if over age 50). Any Accumulation derived benefit will continue to be invested in your chosen investment option/s.

If you are a Permanent employee under age 50 and choose the Deferred Benefit option, the Defined Benefit component of the Deferred Benefit will remain in the Scheme until you request payment after age 50. This component will be indexed annually by the movement in the Consumer Price Index (CPI Adelaide – All Groups) subject to a minimum of zero, from the date you cease employment to your 50th birthday. After age 50 the benefit will be allocated investment earnings applicable to your chosen investment option which may be positive or negative.

## Indexation rate for Deferred Members

Members that have elected to defer their benefits in the Scheme on ceasing employment prior to age 50 have their benefits indexed each year. The rate that applies depends on when a member elected to defer their benefit. For members who ceased employment prior to 23 June 2003 the annual indexation rate is based on the increase in Consumer Price Index (CPI) plus 3%, whilst for members deferring benefits after 23 June 2003 the annual indexation rate is CPI.

The rates applicable for the year ending 30 June 2018 are as follows:

Members electing to defer prior to 23 June 2003	5.3%
Members electing to defer after 23 June 2003	2.3%

# Your investment options

## Choosing and monitoring investment managers

The Scheme's investments are managed by Funds SA. Funds SA invests and manages over \$30 billion on behalf of South Australian public sector superannuation funds and other approved authorities. Funds SA create and deliver multi sector investment products by engaging specialist investment managers and advisers to enable superannuation funds like the Scheme to have access to efficient and well structured investment facilities.

Funds SA determines the allocations of investments in each of the Scheme's investment options, including which managers are used to invest the assets. Funds SA critically assesses the selection of investment managers, manages investment manager appointments and replacements, and reviews and reports on performance against investment objectives.

## Each investment option has guidelines for investing

For each investment option there is an investment policy that sets an investment strategy and objectives that determine how and where your money will be invested. While having an objective and strategy are required by law, having a strategy helps ensure that your Scheme maximises investment returns while maintaining an acceptable level of risk. **Please note that the objectives are not a forecast or guarantee of future performance.**

Each investment option's performance is monitored regularly against objectives and strategy and changes are made where necessary. A copy of your Scheme's investment policy statement is available on request. There are different levels of investment risk associated with each of the Scheme's investment options. For example, Standard Risk Measures, developed by the Association of Superannuation Funds Australia (ASFA) and the Financial Services Council (FSC) based on industry guidance, measures the risk of negative returns over a 20 year period. The Standard Risk Measure is not a complete assessment of all forms of risk; for instance it does not detail what the size of the negative return could be or the potential for a positive return to be less than a member may need to meet their objectives. Further, it does not take into account the impact of administration fees and tax or the likelihood of a negative return. Members should still ensure they are comfortable with the risks and potential losses associated with their chosen investment options.

Please refer to the Scheme's Member Benefit Guide for more information. You can obtain a copy of the Scheme's Member Benefit Guide by calling (08) 8204 3826 or visiting [www.samfs.superfacts.com](http://www.samfs.superfacts.com).

## The Scheme's investment approach

The Trustee aims to manage investment risk by offering members a range of investment options for Accumulation benefits that provide diversification by accessing different asset classes.

## High Growth Option

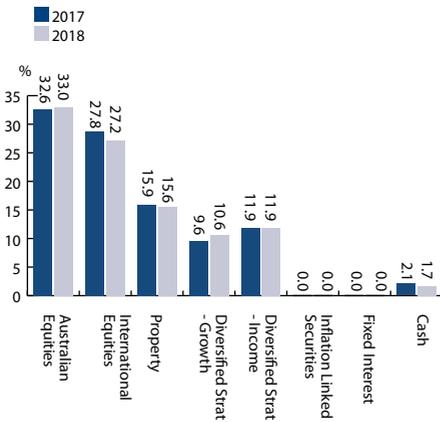
### Objectives/Risk

The High Growth investment option is structured for investors with an investment time horizon of at least 10 years. Over this period it aims to earn a return averaging 4.5% in excess of the rate of inflation. However annual returns may be volatile. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'high' (Risk Band 6) meaning that a negative return might occur between 4 and 6 years in 20.

### Strategy

The option is invested 75% -100% in growth assets with the balance in income assets.

## Where the assets were invested as at 30 June 2018



## Growth Option (default option)

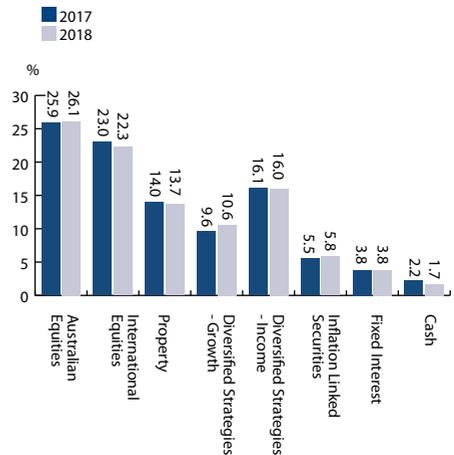
### Objectives/Risk

The Growth investment option is structured for investors with an investment time horizon of at least 8 years. Over this period it aims to earn a return averaging 4% in excess of the rate of inflation. However annual returns may be volatile. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'medium to high' (Risk Band 5) meaning that a negative return might occur between 3 and 4 years in 20.

### Strategy

The option is invested 65% - 85% in growth assets with the balance in income assets.

## Where the assets were invested as at 30 June 2018



Note that due to rounding, the sum of the individual numbers within the graphs may not add up to 100%.

## Balanced Option

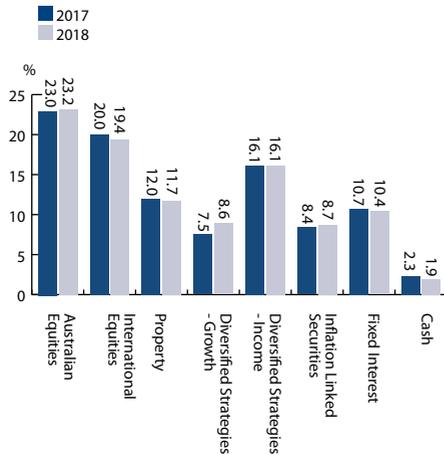
### Objectives/Risk

The Balanced Investment option is structured for investors with an investment time horizon of at least 7 years. Over this period it aims to earn a return averaging 3.5% in excess of the rate of inflation. However annual returns may be volatile. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'medium to high' (Risk Band 5) meaning that a negative return might occur between 3 and 4 years in 20.

### Strategy

The option is invested 55% - 75% in growth assets with the balance in income assets.

### Where the assets were invested as at 30 June 2018



## Moderate Option

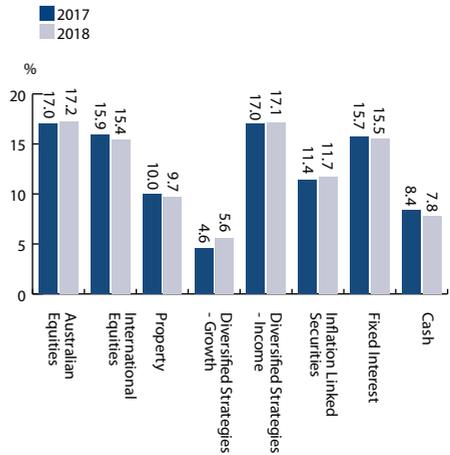
### Objectives/Risk

The Moderate investment option is structured for investors with an investment time horizon of at least 6 years. Over this period it aims to earn a return averaging 3% in excess of the rate of inflation. However annual returns may be volatile. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'medium' (Risk Band 4) meaning that a negative return might occur between 2 and 3 years in 20.

### Strategy

The option is invested 40% - 60% in growth assets with the balance in income assets.

### Where the assets were invested as at 30 June 2018



Note that due to rounding, the sum of the individual numbers within the graphs may not add up to 100%.

## Conservative Option

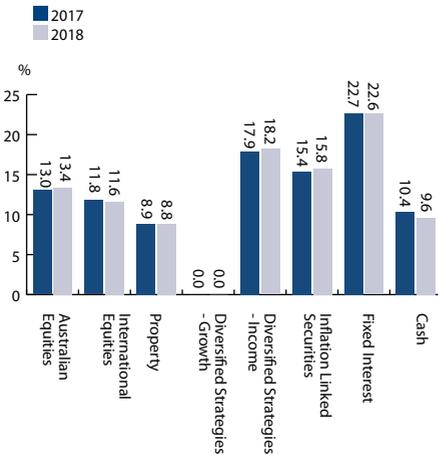
### Objectives/Risk

The Conservative investment option is structured for investors with an investment time horizon of at least 4 years. Over this period it aims to earn a return averaging 2% in excess of the rate of inflation. However annual returns may be volatile. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'low to medium' (Risk Band 3) meaning that a negative return might occur between 1 and 2 years in 20.

### Strategy

The option is invested 25% - 45% in growth assets with the balance in income assets.

## Where the assets were invested as at 30 June 2018



## Capital Defensive Option

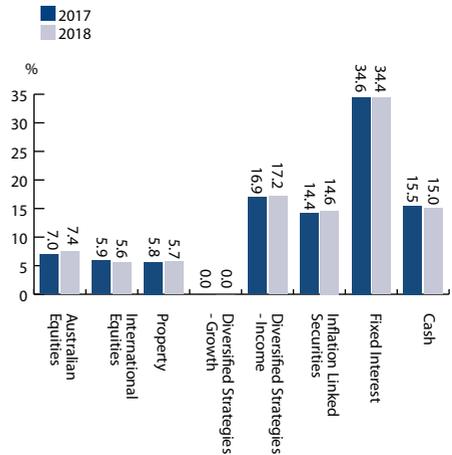
### Objectives/Risk

The Capital Defensive investment option is structured for investors with an investment time horizon of at least 2 years. Over this period it aims to earn a return averaging 1.5% in excess of the rate of inflation. However annual returns may be volatile. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'low' (Risk Band 2) meaning that a negative return might be expected to occur between 0.5 and 1 year in 20.

### Strategy

The option is invested 15% - 35% in growth assets with the balance in income assets.

## Where the assets were invested as at 30 June 2018



Note that due to rounding, the sum of the individual numbers within the graphs may not add up to 100%.

## Cash Option

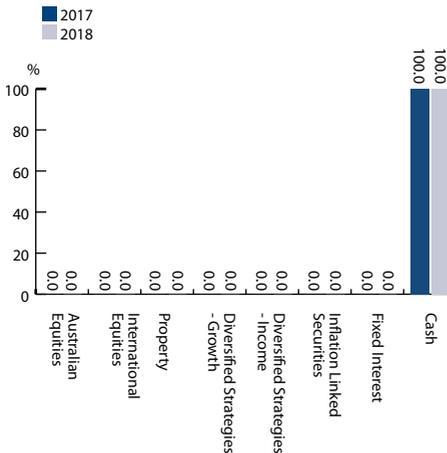
### Objectives/Risk

The Cash investment option has a target of maintaining the value of capital. Using the Standard Risk Measure developed by ASFA and the FSC its risk level is classified as 'very low' (Risk Band 1) meaning that a negative return might occur less than 0.5 years in 20.

### Strategy

The option is invested 100% in income assets.

## Where the assets were invested as at 30 June 2018



## Keeping an eye on risk

External investment managers used by Funds SA are required to take steps to ensure that risk is kept at an acceptable level.

The Trustee does not undertake day-to-day management of derivative instruments. Derivatives can be defined as investment products whose value depends on or is derived from separate assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers, for the purposes described above.

## Environmental, social and ethical considerations

Decisions to invest in or realise investments are based on key financial and managerial criteria. The Trustee does not separately consider social, environmental or ethical factors or labour standards to make these decisions.

# Economic and market wrap

Source: Mercer

## A look at the economy and markets in 2017-2018 and what's in store for the year ahead.

### Super delivers positive returns ... again

The year to 30 June 2018 was a pretty good one for markets and investors with global and Australian shares posting double-digit returns. Most super fund investors enjoyed their 9th consecutive year of positive returns with both "balanced/equity" and "growth" options averaging healthy returns of around 9%.

Superannuation research firm Chant West says Growth options – which it defines as those with 61% to 80% of their investments in growth assets – have delivered a cumulative return of over 130% since the GFC low point back in February 2009.

Despite a poor show by financial stocks, which suffered from negative investor sentiment following the Banking Royal Commission, Australian shares posted a financial-year return of 13.2% with strong results from health, energy and materials sectors. Global shares returned 10.8% on a hedged basis and 15.3% in unhedged terms. Unhedged returns were higher due to a falling Australian dollar; when the dollar drops in value, the worth of overseas assets increases.

The news was not as good for more defensive investors as central banks tightened monetary policy by raising cash rates or curbing stimulus measures. Local and overseas bonds delivered low single-digit returns for the financial year.

"Naturally, the financial year performance will get most of the attention but it's always important to look at the latest returns in a longer-term context," an industry expert says. "Super fund members have enjoyed a fantastic run with 2008/09 being the last negative year that most experienced."

## Global markets - a year in two halves

The first and second halves of the financial year threw up very different conditions for share markets and investors.

Markets continued their strong run of growth in the six months to December despite barriers, including growing tensions in the Korean Peninsula, conflict in Spain, two hurricanes in the US, earthquakes in Mexico and flooding South-east Asia.

The US S&P 500 Index – one of the most common benchmarks for US market performance – reached record highs in January 2018 following the passage of much anticipated personal and corporate tax cuts. But volatility returned in following months due to fears of steep rate hikes in the US and the Trump administration's controversial trade tariffs on China as well as close allies; Canada, Mexico and the EU.

European markets were anxious as the British Parliament and EU leaders entered Brexit negotiations and Italy's weak economy and the new coalition Italian government's spending plans created market concerns late in our financial year.

In Australia, in line with most part of the world, economic growth continued to slowly strengthen, again supported by an upturn in business profitability and non-mining capital expenditure. Despite strong employment growth, however, the outlook for consumer spending remained subdued, with households constrained by weak wage growth and high levels of debt. Further to this, consumer sentiment took a turn for the worse in response to Banking Royal Commission findings of alleged misconduct by major Australian banks.

Experts expect this strength to continue throughout 2018, with most parts of the world experiencing healthy growth. Consumer spending should remain well supported on the back of very low unemployment and slightly stronger wage growth, which has already boosted consumer confidence. Business confidence is also at high levels, and that has led to a long-awaited upturn in investment.

\* Source: Mercer Investment.

## What should investors do?

Markets face a range of economic and geopolitical challenges in the year ahead, including the ongoing threat of a global trade war, political risks in Europe – the lingering possibility of a ‘hard Brexit and Italian political uncertainty) – slowing growth in China and fears the US Federal Reserve may be too aggressive in raising interest rates.

Most superannuation investors are exposed to share markets to some degree, so will be affected by market volatility. However, super is a long-term investment and that means there is time to make up any losses from volatile events impacting markets.

Whatever happens, “don’t panic” really is good advice. Do not make knee jerk decisions that might damage your longer-term objectives; stick to your long-term plan. In uncertain times it’s important to keep a clear head.

### **Please note:**

- Returns shown allow for the deduction of tax and investment fees (but not administration or other fees)
- Past performance is no guarantee of future performance

## Some investment terms explained

**Consumer Price Index (CPI)** — is used to measure the rate of increase in inflation. In Australia, it is based on the change in prices of a selection of household goods and services.

**Average Weekly Ordinary Time Earnings (AWOTE)** — is used to measure the rate of increase in average wages in Australia.

**Asset class** — type of investment such as Australian shares, property securities or Australian fixed interest.

**Asset allocation** — the range of assets held in the various asset classes such as Australian shares, overseas shares, and property.

**Growth assets** — assets expected to grow in value over time (although their value may rise and fall in the short term), such as shares and property.

**Stable assets** — assets held to generate an income rather than for long-term growth. They are sometimes referred to as ‘debt’ or ‘defensive’ assets. Examples are fixed interest and cash.

**ASFA** — Association of Superannuation Funds of Australia

**FSC** — Financial Services Council

# How your Scheme works

Your Scheme is run by a trustee company SA Metropolitan Fire Service Superannuation Pty Ltd ACN 068 821 750 according to its governing legal document, the trust deed, and superannuation law.

There are eight Directors of the Trustee Company, four Employer Representatives that are appointed by the Employer and four Member Representatives.

The Member Representatives are appointed and elected from two separate groups. The United Fire Fighters Union Inc (UFU) nominates three Directors and Scheme members who are not eligible to join the UFU elect one Director. The period of office for a member-elected Director is up to three years (or longer if the Trustee determines there are special circumstances). Subject to their being renominated and being willing, the Member Representative Director can be reappointed or re-elected for a further term.

Directors who are either Employer or UFU nominated Member representatives, will cease to hold office if the nomination by the relevant organisation is withdrawn or the Director becomes ineligible under relevant legislation.

For the Director elected by the Scheme members who are not eligible to join the UFU, he or she will cease to hold office if written notice to that effect is given to the Trustee by a majority of the relevant Scheme members, or the Director becomes ineligible under relevant legislation.

A formal set of rules governing the appointment and removal of Member Directors has been established and is available on request from the Manager (see page 23 for the Manager's details).

The Directors of SA Metropolitan Fire Service Superannuation Pty Ltd during the period from 1 July 2017 to 30 June 2018 were:

## **Employer Representatives**

Garry Powell (1/7/17 to 30/6/18)  
Glenn Benham (1/7/17 to 30/6/18)  
Roy Thompson (1/7/17 to 30/6/18)  
Gregory Crossman (1/7/17 to 30/6/18)

## **Alternate directors:**

Paul Fletcher (1/7/17 to 30/6/18)  
Michael Morgan (1/7/17 to 30/6/18)

## **Member Representatives**

Nominated by the UFU:  
Dave Harvey (1/7/17 to 30/6/18)  
Michael Vander Jeugd (1/7/17 to 30/6/18)  
Greg Northcott (1/7/17 to 30/6/18)

## **Alternate Directors**

Neil Mangelsdorf (1/7/17 to 30/6/18)  
Chris Barry (1/7/17 to 30/6/18)  
Tyrone King (1/7/17 to 30/6/18)

## **Elected by Scheme members who are not eligible to join the UFU:**

Robert Tidswell (1/7/17 to 30/6/18)

## Annual benefit statements delivered electronically

If you have provided your email address to the Scheme, your annual benefit statement is delivered via email as an e-statement. Your statement is available through your secure member online account at **[www.samfs.superfacts.com](http://www.samfs.superfacts.com)**

If we don't hold an email address for you on record, we will mail your annual benefit statement to you. To change your annual benefit statement delivery method, please log into your secure member online account at **[www.samfs.superfacts.com](http://www.samfs.superfacts.com)**

## Advice about your super

While the Trustee and the Manager can give you information about your benefit in the Scheme, neither the Trustee, the Manager nor your employer can provide you with any advice.

If you require any advice about superannuation, you should consult an appropriately licensed financial adviser.

You can also access up-to-date information about your benefit in the Scheme by visiting the Scheme website at **[www.samfs.superfacts.com](http://www.samfs.superfacts.com)**.

The website allows you to:

- view your account balance;
- update your contact details;
- update your beneficiaries;
- change your investment option(s); and
- view your contribution history, account deductions or surcharge details.

## Your Scheme's advisers

These people provide assistance to the Trustee:

### Accounting and tax services

Sharyn Long Chartered Accountants  
Level 6, 216 Georges Tce  
Perth WA 6000

### Superannuation consulting

Mercer Consulting (Australia) Pty Ltd  
Level 6, 70 Franklin Street  
Adelaide SA 5000

### Administration

Mercer Outsourcing (Australia) Pty Ltd  
201 Sussex Street  
Sydney NSW 2001

### Death and Disablement Insurance

Hannover Life Re of Australasia Ltd  
Level 7, 70 Phillip Street  
Sydney NSW 2000

### Auditing services

Auditor-General's Department  
200 Victoria Square  
Adelaide SA 5000

PricewaterhouseCoopers  
Level 11, 70 Franklin Street  
Adelaide SA 5000

### Actuary

Mercer Consulting (Australia) Pty Ltd  
Level 6, 70 Franklin Street  
Adelaide SA 5000

### Legal

DMAW Lawyers  
Level 3, 80 King William Street  
Adelaide SA 5000

Mercer Legal Pty Ltd  
727 Collins Street  
Melbourne VIC 3008

### Investment Manager

Funds SA  
Level 20, 25 Grenfell Street  
Adelaide SA 5000

## Insurance protection

The Scheme pays for insurance to protect the Trustee, its Directors and the Scheme against the financial effects of any 'honest mistake' that might occur in running the Scheme.

## Special tax treatment

Super is one of the most effective ways to save because it is taxed at a lower rate than many other forms of income. To get this tax advantage, your Scheme must operate according to a strict set of laws.

The Trustee is unaware of any event that occurred during the year that would affect this special tax treatment.

## Fees and Costs

The costs of running the Scheme are managed carefully.

This section shows fees and other costs you may be charged. These fees and costs may be deducted from your account, from the returns on your investment, or from the Scheme assets as a whole. You need to take into account the impact of tax as well.

You should read all the information about fees and costs because it is important to understand their impact on your investment. Please refer to the Scheme's Member Benefit Guide for more information.

You do not pay GST on any of the fees and charges set out below.

If you are a Defined Benefit member then fees and costs will not generally impact your defined benefit.

### Fees and other costs table

Type of fee	Amount	How and when paid
<i>Investment fee</i>	Nil	The applicable investment fees and costs incurred in the Scheme's underlying investments are included in the indirect cost ratio below.
<i>Administration fee</i>	Permanent fire-fighters: Nil Deferred members: Nil Parked and Spouse members: \$4.51 per week Retained fire-fighters: \$1.35 per week	This fee is deducted monthly.
<i>Buy-sell spread</i>	Nil	
<i>Switching fee</i>	One free switch per year; subsequent switches are \$30 each	The switch fee is deducted from your Accumulation Benefit at the time you switch investments.
<i>Exit fee/Withdrawal fee</i>	\$60 for each super payout made from the Scheme, (including any partial payout), whether this payment is made in cash, rolled over or transferred.	This fee is deducted from your account at the time a payment is made
<i>Advice fees relating to all members investing in a particular product or investment option</i>	Nil	

### Other fees and costs<sup>1</sup>

Type of fee	Amount	How and when paid
<i>Indirect cost ratio (ICR)</i>	Ranges from 0.05% to 0.73%. The ICR is different for each investment option.	The ICR is calculated and applied in determining the weekly unit price for each investment option.

<sup>1</sup> Other fees and costs which may apply to you are: family law fees, activity fees and withdrawal fees AND if you leave the Scheme early, you will be charged an exit fee of \$60. Please refer to the Additional Explanation of fees and costs on page 17 for details.

## Additional explanation of fees and costs

This section provides further information on fees and costs.

### Family Law: fees for information and for splitting your super – charged to members and/or their former spouses for various services

Where fees apply	Fee	Who pays the fee
Application for information – in the format specified under the Family Law Act		Payable by the person requesting the valuation.
– For Defined Benefit valuation	\$250	
– No valuation required	Nil	
Splitting a benefit	\$385	Shared equally by both parties and will be deducted from each super benefit at the time the benefit is split.
Flagging a benefit	Nil	N/A

For more information about Family Law and how it may affect you, please call or write to the Manager.

### Indirect cost ratio

The indirect cost ratio (ICR) shown includes fees and costs that are not deducted directly from your account that impact on your investment returns. This includes the fees and costs of managing your investments by specialist investment manager, Funds SA. The ICR shown excludes any performance related fees and costs and any transactional and operational costs.

The investment management fee that Funds SA deducts before they declare returns covers costs such as fund manager fees (including performance related fees), asset consulting fees, custodian fees, investment-related legal advisory fees, and an administration fee that covers expenses incurred by Funds SA in managing the funds as well as transactional and operational costs associated with the investments.

Investment option	ICR year to 30 June 2018 (%p.a.)
High Growth	0.73%
Growth	0.73%
Balanced	0.66%
Moderate	0.55%
Conservative	0.41%
Capital Defensive	0.35%
Cash	0.05%

\* Estimated investment related expenses associated with the Plan's investments in pooled investment products are included as indirect costs. Investment fees and indirect costs are taken into account in calculating the investment returns to your account. These amounts can vary and cannot be calculated precisely in advance. The table above shows estimated indirect costs incurred which are estimated based on information for the 12 month period ended 30 June 2018. Actual amounts may vary.

## Performance related fees (RG97)

Some of the managers of pooled investment vehicles managed by Funds SA are entitled to a performance related fees if they outperform certain benchmarks. The estimated performance related fees (if any) for each of the investment options for the year ending 30 June 2018 are set out in the table below:

Estimated performance related fees for year to 30/6/2018	
Investment option	Fees
High Growth	0.29
Growth	0.28
Balanced	0.23
Moderate	0.15
Conservative	0.02
Capital Defensive	0.01
Cash	0

Performance related fees are not included in the indirect cost ratios shown for each option and are an additional cost to investors.

## Surcharge Tax

Prior to 20 June 2005, an additional 'surcharge tax' was charged on the super accounts of some higher income earners. This tax only applied to certain contributions and to some termination payments made by your employer.

Although this tax was abolished from 1 July 2005, it still applies to some contributions and termination payments that were made before 20 June 2005. In these cases, the Australian Tax Office (ATO) will issue surcharge tax assessments or amended surcharge assessments in respect of those contributions and termination payments.

If the Scheme is required to pay surcharge tax in relation to you, the tax payable is deducted from your super account in the Scheme. If you roll your super into the Scheme from another fund, any surcharge tax liability may be transferred to the Scheme.

If you leave the Scheme and we receive a surcharge assessment or an amended surcharge assessment for your account, we will return it to the ATO. The ATO will either forward it to your new fund or to you.

## Insurance costs

For Defined Benefit members, insurance premiums are currently paid from the Scheme and factored into the contributions you and your employer make. If this arrangement were to change in the future you would be appropriately advised.

For Retained firefighters the insurance premiums are paid by your employer.

Any additional voluntary insurance premiums are deducted from your accumulation account.

There is no insurance cover for Parked, Spouse or Deferred members.

## Indexation of fees

The administration fees for Parked and Spouse members and the withdrawal fee and termination fee set out in the 'Significant fees' table may be indexed annually each 1 April to AWOTE, with the next indexation occurring at 1 April 2019.

## Fee increases (other than indexation)

The Trustee has the right to increase fees at any time. You will receive at least 30 days' notice of any increase in fees.

## No-TFN tax refund fee

If we don't receive your Tax File Number (TFN) then additional tax is payable in respect of your concessional contributions (see the section 'You'll pay extra tax if the trustee does not have your TFN' in the Tax & super section for more details). If you leave the Scheme and your super payout is paid from the Scheme before we receive your TFN, an allowance for this additional tax will be deducted from your super payout. A charge of \$800 will apply if you subsequently provide your TFN and request that this additional tax be refunded and paid to you or rolled over to your new super fund from the Scheme. This fee is additional to the fees shown in the "Fees and other costs table".

## Withdrawal fee

For each withdrawal you will be charged a withdrawal fee of \$60 (including when you leave the Scheme early).

# Super in review

Source: Mercer

## **A recap on key super changes from 1 July 2017**

Changes that took effect from 1 July 2017 have seen Australia's superannuation system undergo its biggest shake up in a decade.

### **1. Reduced concessional (before-tax) contributions**

The concessional contribution cap for before-tax super contributions – including employer Superannuation Guarantee payments and salary sacrifice – has dropped to \$25,000 a year for everyone; down from \$30,000 for those aged under 50 and \$35,000 for those 50 or older.

The change may make it more difficult to boost your super quickly in the years leading up to retirement, so you'll need to start thinking about super earlier in your career.

### **2. Reduced non-concessional (after-tax) contributions**

After-tax superannuation cap has dropped to \$100,000 a year, down from \$180,000. Those under age 65 can still "bring forward" three years of after-tax contributions, but the limit is now \$300,000, down from \$540,000.

Under the new rules, you can't make any non-concessional contributions once your total super balance reaches \$1.6 million.

### **3. Spouse contributions more widely available**

The spouse tax offset has been extended to those whose recipient spouses earn up to \$40,000, a significant increase from \$13,800. The offset gradually reduces for incomes above \$37,000 and completely phases out at incomes above \$40,000.

The move means there is greater flexibility to support your partner and include spouse contributions as part of your overall strategy.

### **4. Widening access to concessional contributions**

All individuals under the age of 65, and those aged 65 to 74 who meet the work test, can claim a tax deduction for personal contributions to eligible superannuation funds up to the concessional contributions cap.

An income tax deduction for personal superannuation contributions before 1 July 2017 was only available to people who earn less than 10% cent of their income from salary or wages.

### **5. Introducing catch up contributions**

From 1 July 2018, super members with total super balances of less than \$500,000 will be able to "carry forward" any unused concessional cap amounts for up to five financial years.

Unused amounts "carried forward" can only be used in subsequent years, so the first year in which you'll be able to access the ability to contribute more than the normal cap is 2019/20. Catch up contributions could be helpful if you take time out of work, where your income varies considerably from one year to the next, or if your circumstances have changed and you are now in a position to increase your contributions to superannuation.

If you'd like to find out what these changes mean for you and your current investment and contribution strategy, please call the Helpline to speak to a financial adviser.

## What should I expect in 2018/2019?

Whilst the past financial year saw some of the most significant changes to super in years, it's worth keeping in mind the changes that have recently been enacted and those just around the corner. This calendar year, individuals preparing for retirement or are ready to buy their first home could be in for a windfall in 2018, with a number of key superannuation changes coming into effect.

Some of the key super changes that came into effect on 1 July 2018 include:

### **Downsizer contributions**

From 1 July 2018 individuals aged 65 years or over can make non-concessional contributions of up to \$300,000 (per person) to their superannuation from proceeds of selling their main residences. This is regardless of their work status, or super balance. To qualify, the property sold needs to have been your main residence, owned for at least 10 years and contracts for sale exchanged on or after 1 July 2018.

### **First Home Super Saver Scheme (FHSSS)**

From 1 July 2018 eligible first home buyers will be able to withdraw voluntary super contributions (with associated earnings), which they've made since 1 July 2017 (up to a certain limit) to put toward their first home. These voluntary contributions are limited to \$15,000 per year, up to a total of \$30,000 for individuals or \$60,000 for couples.

Changes due to take effect from 1 July 2019 include:

### **Pension loan scheme**

From 1 July 2019 every homeowner over Age Pension age will be able to take out a Government-backed loan on the equity of their home to boost their annual income by more than \$11,000 for the rest of their lives.

Under its 'More Choices for a Longer Life' package, the government has opened the Pension Loans Scheme to all retirees of Age Pension age – not only part-rate pensioners as is currently the case.

The loans scheme is essentially a mortgage which allows retirees to supplement their income by lending against their home equity.

Retirees on a full Age Pension will be able to use equity in their homes to increase the maximum fortnightly income to 150% of the maximum Age Pension, which is about \$23,000 a year for individuals. That's additional income of about \$11,500.

Income streams from the loans scheme are non-taxable and not means tested.

Loans only need to be repaid – at an interest rate of 5.25% pa – if the house is sold, or the borrower dies, in which case it is repaid by their estate.

### **Lifetime income**

New rules for lifetime income products could help pensioners boost their pay cheque and improve living standards.

From 1 July 2019, means test rules for Age Pensions will be altered to encourage more people to take up lifetime retirement income products – which provide an income for as long as they live – in a move designed to help more retirees ensure they don't outlive their savings.

Under the proposal a fixed 60% of all lifetime product payments will be assessed as income for Age Pension eligibility, and 60% of the purchase price of the product will be assessed as assets, reducing to 30% from the later of age 84 or 5 years after purchase.

The new rules will not apply to products purchased before 1 July 2019.

## Financial summary

This is a summary of the Scheme's audited accounts for the year ended 30 June 2018. You can request a copy of the audited accounts and the auditors report from the Manager.

Statement of the change in financial position 2017-2018	
<b>Scheme assets at 30 June 2017</b>	<b>\$364,177,195</b>
<b>plus</b>	
Net investment revenue	\$33,595,626
Employer and Salary Sacrifice Contributions	\$19,619,000
Member Contributions	\$1,041,202
Transfers from other funds	\$2,057,602
Insurance proceeds	\$988,605
Other revenue	\$909
<b>Total revenue</b>	<b>\$57,302,944</b>
<b>less</b>	
Benefits paid	\$20,034,161
General administration expenses	\$348,431
Other operating expenses	\$653,147
Insurance premiums	\$922,772
Income tax expense	\$5,473,205
<b>Total Expenses</b>	<b>\$27,431,716</b>
<b>Net assets as at 30 June 2018</b>	<b>\$394,048,423</b>

## Financing the Defined Benefits

Under the financing arrangements for permanent employees' benefits, the Employer pays a contribution of the Superannuation Guarantee amount plus 4% of members' superannuation salaries.

Statement of financial position 30 June 2018	
<b>Investment by facility</b>	
Investments	\$398,017,023
Cash at Bank	\$4,342,454
Other assets	\$30,194
Receivables	\$16,588
<b>Total Assets</b>	<b>\$402,406,259</b>
<b>Liabilities</b>	
Benefits payable	\$183,449
Provisions for tax	\$8,007,495
Other liabilities	\$166,892
<b>Total liabilities</b>	<b>\$8,357,836</b>
<b>Net assets as at 30 June 2018</b>	<b>\$394,048,423</b>

These accounts were prepared by Sharyn Long Chartered Accountants.

Superannuation salary is based on the salary at 1 April each year and changes for Scheme purposes at each 1 July.

Members are required to pay the relevant contribution rate based on their age at the date joining the Scheme.

Each year, the Scheme's actuary conducts a review of the Scheme's financial position to determine if the contributions being made are sufficient to meet the ongoing financial requirements of benefits to members.

# What to do when you leave

## Permanent employees

Following your termination of employment with a participating employer you have 90 days from when you receive information from the Scheme to make arrangements for your super. If you don't advise the Trustee of where your benefit is to be paid you will remain in the Scheme as a Parked Member effective from the date of your termination of employment.

If you are under age 50 and you don't provide the Trustee with any instructions regarding your benefit, the amount of your benefit will be based on the amount payable for the Immediate benefit as detailed in the Scheme's Member Benefit Guide and you will no longer have the option to select the Deferred benefit.

If you are aged 50 or more, and you don't provide the Trustee with any instructions regarding your benefit, the amount of your benefit will be based on the amount payable for the Retirement Benefit.

**It is important to note that your Defined Benefit derived portion will be invested in the Growth investment option if under age 50 (and you choose the Immediate Benefit option) or in the Cash investment option if over age 50, effective from the date of your leaving service, and will accumulate with investment earnings which may be positive or negative. Any Accumulation derived benefit will be invested in your chosen investment option/s and will accumulate with investment earnings which may be positive or negative.**

**If you are a Permanent employee under age 50 and choose the Deferred Benefit option, the Defined Benefit component of the Deferred Benefit will remain in the Scheme until you request payment after age 50. This component will be indexed annually by the movement in the Consumer Price Index (CPI Adelaide – All Groups) subject to a minimum of zero, from the date you cease employment to your 50th birthday. After age 50 the benefit will be allocated investment earnings applicable to your chosen investment option which may be positive or negative.**

## Retained fire-fighters

If you are about to leave work and take your super, make sure you respond promptly to letters from the Trustee about your benefit payment.

If you have reached age 65 and have not told your Scheme how and where to pay your benefit, and you cannot be contacted, then your benefit will be considered unclaimed money. It will then be placed with the ATO or relevant State or Territory authority for placing unclaimed money. You will then need to contact the ATO or State or Territory authority to find out how to claim your benefit.

If you are aged 64 or younger, and you do not respond to the Trustee within 90 days of leaving, your benefit may be transferred to an Eligible Rollover Fund (ERF). Upon transfer, you will no longer be a member or have any rights under the SA Metropolitan Fire Service Superannuation Scheme.

ERFs are designed as holding funds and are required to provide member protection. As a result, the rate of return in the ERF may be lower than in another superannuation fund. You should seek professional financial advice about the best place to roll over your benefit when you leave employment.

The Scheme uses the following ERF:

## Australian Eligible Rollover Fund

### About the Australian Eligible Rollover Fund

Set out below is a summary of some of the more significant features of the Australian Eligible Rollover Fund (AERF), current as at 1 May 2017:

- As the AERF is designed to be a temporary repository for member benefits, the Trustee of the AERF considers that a conservative diversified investment strategy is appropriate for its members.
- The investment return objective is to achieve a return which outperforms CPI by 2% per annum, after fees, over rolling two-year periods.
- The AERF doesn't have investment options. Instead, Trustee invests the AERF's assets across a range of investment products offered by the appointed investment managers.

- The AERF cannot accept any contributions from members, their spouses or employers.
- The AERF does not provide insurance benefits to members.

Should you wish to know more about the AERF, please call on 1800 677 424. For a copy of their Product Disclosure Statement, visit [www.perpetual.com.au/super-funds-aerf.aspx](http://www.perpetual.com.au/super-funds-aerf.aspx) or Email on: [aerfenquiries@perpetual.com.au](mailto:aerfenquiries@perpetual.com.au)

## Like to know more?

As a member of the SA Metropolitan Fire Service Superannuation Scheme, you already have access to a Member Benefit Guide containing information about your benefits and rules governing the Scheme. You also receive an annual Benefit Statement containing important personal information about your benefits in the Scheme. All of these documents and more are available at [www.samfs.superfacts.com](http://www.samfs.superfacts.com)

Other documents relating to the Scheme that are available for you to look at are:

- the trust deed and rules
- the investment policy statement
- the enquiries and complaints procedure
- the Privacy Policy.

If you have a question about your benefits in the Scheme, please contact the Manager. Please note that neither the Trustee, its directors nor the Manager are able to give any personal advice relating to your own personal circumstances.

If you need advice, you should speak to a licensed financial adviser.

### **The Manager is:**

Mr Alan Kent

Manager

SA Metropolitan Fire Service Superannuation Scheme

99 Wakefield Street

Adelaide SA 5000

Phone: (08) 8204 3826

Fax: (08) 8204 3610

Email: [kent.alan@samfs.sa.gov.au](mailto:kent.alan@samfs.sa.gov.au)

# Your website

At the SA Metropolitan Fire Service Superannuation Scheme, we're keen to ensure you have fast and easy access to information about your super, presented in a way that is easy to understand.

The website is divided into two parts – a public area and a secure member area.

## The public area of the website

The public homepage provides information about the Scheme, the latest Annual Report, and includes the Scheme's documents and forms. It also includes a range of planning tools and an article library which has special interest and education articles on a range of financial topics, not just super.

## The secure member area of the website

To access the secure member area, go to the 'Sign in' section in the top right hand side of the homepage (see below for sign in information). This area allows you to:

- Check your current account balance
- View your preferred dependant details and update them if required
- Download your annual Benefit Statements since 30 June 2007
- Download documents & forms
- View a year-to-date statement of your account (Accumulation Members only)
- View a history of transactions for your account
- Change your PIN
- See how your super is invested and make changes to your investment strategy online
- Stay on top of your contributions, including how you're tracking against the annual contribution limits
- Monitor taxes and any fees deducted from your account
- View a summary of administration workflow related to your super

## Sign-in today to manage your account online

Sign-in to your member account at **www.samfs.superfacts.com** and get up-to-date information about your account at any time.

You'll need your member number (your Personal ID as shown on your latest Benefit Statement) and your PIN/Password to access your personal account online.

## Forgotten your PIN/Password?

Call the Mercer Helpline on 1300 132 573 and one of their friendly consultants will assist you.

## Mobile website

You can also login using our mobile website – your super on the go!

The mobile friendly version of the site allows you to see your:

- super balance,
- transaction history,
- personal details,
- investments, and
- contributions.

You can also update your PIN and, if you have any website related questions, there is a click through capability to call the Helpline or the Manager for information regarding the Scheme.



To access the new mobile site, simply enter **www.samfs.superfacts.com** into your smartphone browser and get your super on the go! Alternatively you can scan

the QR code above using the QR reader in your smartphone and it will take you directly to the mobile site.

## Enquiries and complaints

Most queries can be sorted out over the phone, but if we are unable to help you immediately, you can make a complaint over the phone or by writing to:

### **Enquiries and Complaints Officer**

SA Metropolitan Fire Service Superannuation Scheme  
GPO Box 98  
ADELAIDE SA 5001

The Complaints Officer will generally reply to your enquiry as soon as possible. By law your complaint should be resolved within 90 days. Sometimes further time is required for complicated matters. If more time is needed you will be advised.

If you have a complaint and you are not satisfied with the response, or the matter can't be resolved, you may be able to refer the matter to The Australian Financial Complaints Authority (AFCA). AFCA is an independent government body which is set up to help resolve disputes between super funds and their members.

### **AFCA can be contacted at**

Online: [www.afca.org.au](http://www.afca.org.au)

Email: [info@afca.org.au](mailto:info@afca.org.au)

Phone: 1800 931 678

## Protecting your privacy

Your Scheme holds personal information about you, such as your name, address, date of birth, salary and tax file number in order to provide your super benefits. This personal information may be disclosed as necessary to the Scheme's administrator and professional advisers, insurers, Government bodies, employers, and other parties.

The Scheme has a privacy policy that sets out in more detail the way your personal information is handled. If you would like a copy of the Scheme's privacy policy, please contact the Scheme's Privacy Officer Mr Alan Kent on (08) 8204 3826.





#### **Disclaimer**

This annual report has been prepared by the Trustee to meet its legislative obligations. The information contained in this annual report does not take account of the specific needs, or personal or financial circumstances of any persons. Readers should obtain advice from a licensed financial adviser before making any changes to their own superannuation arrangements or investments. You should also read carefully the Scheme's Member Benefit Guide.

The terms of your membership in the Scheme are set out in the Scheme's trust deed and, should there be any inconsistency between this annual report and the Scheme's trust deed, the terms of the Scheme's trust deed prevail. While all due care has been taken in the preparation of this report, the Trustee reserves its right to correct any errors and omissions.

All statements of law or matters affecting superannuation policy are up-to-date as at 30 June 2018.

This document contains general information about investments and investment performance. Please remember that past performance is not necessarily a guide to future performance.