



# SUPER INFO

AUTUMN 2018

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# Who is Funds SA?



Funds SA is responsible for investing the assets of the South Australian Metropolitan Fire Services Superannuation Scheme and the Super SA investment options, which members of the Fire Services can also invest into upon retirement. Other State related insurance and long horizon assets are invested and managed by Funds SA too.

### **Funds SA is a locally based and globally connected organisation.**

Locally Funds SA employs 40 staff and they are a great employer of the State's university graduates: 20 staff employed at Funds SA have graduated or are currently studying at a South Australian university across various disciplines including finance, economics, commerce, accounting, mathematics, property, computer science, management, arts and law.

Funds SA's global connections are very important, particularly in relation to investment strategy development. The organisation is managing over \$30 billion, of which around 45% (\$14 billion) is invested overseas. Staff have frequent interactions with our internationally based fund managers and advisors.

These organisations are constantly researching the current risks and opportunities in global financial markets. The relationship with them provides Funds SA with unique access to market intelligence that is incorporated into Funds SA's investment strategy.

Over the past twelve months, Funds SA had in excess of 200 meetings with overseas funds managers. In addition, Funds SA receives a wealth of research material from such managers and research houses which is reviewed and interpreted for input to the strategy development process.

### **SA Metro Fire super assets**

The majority of the assets of the SA Metropolitan Fire Services Superannuation Scheme are invested in a diversified, growth oriented strategy which includes cash, fixed interest, property, shares, infrastructure and investment into private companies. Funds SA engages over 40 professional managers globally who actively manage the investment portfolios.



# What's set to shape markets in 2018

The global economic climate offers plenty of opportunities and poses many challenges for investors. An end to economic stimulus, the continuing rise of populist politics and ongoing environmental pressures are a few big issues shaping markets.

## Banks tighten their purse strings

After almost a decade of increased spending and low interest rates, the world's central banks have started to pull back from efforts that stimulate their local economies.

In response to low unemployment and strong economic growth the US Federal Reserve (the Fed) announced plans to gradually "normalise its balance sheet" over the coming years; reducing purchases of US treasuries and government-supported securities.

In November 2017, the Bank of England announced its first rate hike in a decade and this year the European Central Bank started buying less assets. The pace and scale of the shift from "quantitative easing" to "quantitative tightening" will be critically important for markets in 2018 and beyond so it doesn't strangle consumer and investor confidence.

In fact, monetary policy poses the single biggest risk to almost all financial markets; if the Fed and other central banks raise interest rates aggressively in response to higher inflation economies, equity markets could be undermined.

## February correction a case-in-point

Recent market volatility, which saw the S&P 500 Index fall by 4.5% in a day and essentially reversed share market gains for January 2018 before bouncing back, is evidence of how touchy markets are to interest rates.

The apparent source of the sell-off in early February was a US jobs report which showed stronger-than-expected wages and employment growth. That raised expectations that bond yields will increase faster-than-expected and prompted fears the Fed would raise interest rates.

The volatility index (VIX), which is known as 'the fear gauge of Wall Street', briefly touched 50 on Monday 5 February, its highest level since the Chinese currency devaluation of August 2015.

That's because low rates have been a key ongoing support for the share rally that began in 2009; so even an inkling of rate hikes can lead to fear about falling share prices. In a classic market over-reaction, perception became reality and prices dropped – for a couple of days at least.

A 4.5% drop is not extreme in percentage terms; historically markets experience similar falls every two years or so. It was really quite jarring due to the extended period of extreme calm leading up to it.

## Backlash against mainstream politics

Investors are likely to face an environment of heightened political uncertainty for some time.

Since the early 1980s there has been widespread adoption of neoliberal policies, broadly centred on free trade, free markets and reduced state regulation.

In recent years though, there's been a backlash against mainstream politicians and their neoliberal policies, largely attributed to high levels of immigration, rising inequality and stagnant wages in many developed economies over the last 30 years.

The Brexit vote, elections across Europe, Donald Trump's US Presidency, the Catalan bid for independence and more recently an undercurrent of support for Berlusconi's return to public office in Italy are all examples of the rise of populism. These political developments come at a time of weak global trade and therefore pose the risk of increasing isolationism, protectionist trade policies and currency volatility.

We expect the current economic strength to continue into 2018, but investors should start preparing their portfolios for the risks of sudden falls in asset prices. It can be a good idea for investors to speak to their financial adviser about the composition of their portfolio and how it may perform.

## Environment and sustainability

Increasing numbers of investors will seek to reflect their values and to promote the social good.

Climate change remains one of the most pressing environmental issues for investors, both as a physical risk to real assets and as a policy risk to a wide range of carbon-sensitive assets.

There has been a clear trend in recognising the importance of Environmental, Sustainability and Governance (ESG) issues in the investment industry.

We see this as a positive development, having explicitly stated for many years that an engaged and sustainable investment approach – one that takes a long-term perspective and recognises the importance of ESG issues – is likely to preserve long-term investment capital.

# Superannuation and Family Law matters



The provisions of the Family Law Act mean that married and de facto\* couples have the option of splitting their super entitlements on divorce or separation. This document contains important information about Family Law matters and how they will be handled by the SA Metropolitan Fire Service Superannuation Scheme.

## 1 Getting information from the Scheme

### Who can ask for information?

The law allows the following people to ask for information about a member's benefits in a super fund:

- The member;
- The member's spouse; or
- A person who intends to enter into a superannuation agreement with the member.

### How do I ask for information?

You must complete an Application for Information (Form 6). You must also complete a Declaration as set down in the legislation - this declares that you are eligible to ask for information. A copy of these forms are available on request from the Family Court or at [www.familycourt.gov.au](http://www.familycourt.gov.au).

You must also pay any fee imposed by the Trustee for providing the information. The fee must be paid at the same time as the Declaration and Application is sent to the Trustee.

### What information will I get?

The Trustee will only provide the information required by the legislation.

In the event that an Application for Information is received from someone other than the member of the Scheme, the Trustee cannot tell the member that the Application has been received.

### How do I contact the Trustee?

In order to ensure prompt action by the Trustee in relation to all Family Law matters it is important that applications for information and other documents dealing with super are sent to the correct address. The Trustee may be unable to take action on a Family Law matter if the documents are not sent to the correct address.

All documents relating to Family Law matters should be sent to:

**Mr Alan Kent**  
**Manager**  
**SA Metropolitan Fire Service**  
**Superannuation Scheme**  
**GPO Box 98**  
**ADELAIDE SA 5001**

## 2 Professional Advice

The Trustee is not permitted to provide you with any advice in relation to Family Law matters. If you have any queries it is recommended that you seek legal advice from an appropriately qualified person.

It may also be in your best interests to speak to a licensed financial adviser about the impact of the changes to the Family Law Act in your particular circumstances.

## 3 Fees payable to the Trustee

The fees payable to the Trustee in relation to Family Law matters are as follows:

Responding to an Application for Information for a defined benefit member including a full valuation of the benefit in line with the Family Law Act#	\$250
Responding to an Application for Information for a defined benefit member with no valuation of the benefit in line with the Family Law Act:	Nil
Processing and responding to an Application for Information for an accumulation member#:	Nil
Splitting a benefit under a Splitting Agreement or Order**(to be shared by each party):	\$385
Flagging a benefit under a Flagging Agreement or Order**:	Nil
Removing a flag under a Flag Lifting Agreement or Court Order**:	Nil

# Cheques must be made payable to SA Metropolitan Fire Service Superannuation Scheme and paid by the party requesting the valuation at the time the request is made.

\* Restrictions apply where a de facto relationship has been in existence for less than 2 years. Restrictions also apply in respect of de facto couples living in Western Australia as currently the Commonwealth law s in relations to de facto couples do not apply to this state.

\*\* Generally split equally between the parties and deducted from the entitlement of each party.

## SUPERANNUATION & FAMILY LAW MATTERS

### 5 How super can be split

The superannuation benefit can be split as part of the property settlement either by private agreement between the parties, or by Court Order.

A benefit can be “flagged” – by a Flagging Agreement or Order, or “split” – by a Splitting Agreement or Order.

“Flagging” means that the decision on how to split the benefit is deferred until a later date. If a benefit becomes payable to the member while a flag is in place, the benefit cannot be paid and the trustee must notify the parties, or the Court. The Trustee must then wait for further instructions from the parties or the Court before paying the benefit.

“Splitting” means that a decision on how to split the benefit has been made and that a portion is to be allocated to the non-member spouse\*. When a Splitting Agreement or Order is made, the Trustee will check that the Agreement or Order is valid and will then notify both parties that the Agreement or Order is in place. This notification will also include details of the options available to the non-member spouse in respect of their share of the member’s benefit. It will also set out what action needs to be taken by the non-member spouse, by when and the implications if the Trustee does not receive a reply.

\* The non-member spouse is the member’s spouse or former spouse as referred to in the Agreement or Order.

### 5 When an Agreement or Order is made

When an Agreement or Order is made, a copy should be provided to the Trustee along with any other required documents (your legal adviser will tell you what needs to be done).

If it is a Flagging Agreement or Order, the non-member spouse must also provide the following information to the Trustee:

- The non-member spouse’s full name; and
- The non-member spouse’s postal address;

If it is a Splitting Agreement or Order, the non-member spouse must also advise:

- The non-member spouse’s date of birth; and
- Full details of the superannuation fund to receive the amount to be split from the member’s benefit in the Scheme. A split will not occur until full details are provided.

\* The non-member spouse is the member’s spouse or former spouse as referred to in the Agreement or Order.

### 6 Important Notes

- The amount allocated to the non-member spouse will be adjusted to take account of any fees that may apply (refer to item 3 on page 1 for fee details).
- The amount allocated to the non-member spouse is not usually immediately available in cash. It must remain in the superannuation system until age 65 in most cases, or until the person meets one of the legal conditions that allows their benefit to be paid in cash.
- The Trustee has determined that if you have defined benefits that no split will be allowable whilst your benefits are in the growth phase ie that you are employed with the Fire Service or are a Deferred member.
- The member’s benefit in the Scheme will be reduced to reflect the amount allocated to the non-member spouse, plus any fees payable by the member as outlined on page 1. The reduction in the benefit will be shown on the next member benefit statement.
- When allocating the required amount to the non-member spouse, the Trustee must also split some of the tax components of the member’s benefit. The components to be split, and the method by which they are to be divided between the parties, are set down in the legislation.
- The Trustee has had an alternate retirement age of 60 approved by the Attorney General for calculation of defined benefit values in the Scheme.

This provides a brief summary of Family Law legislation as it applies to superannuation. It is not intended and should not be relied upon as advice. You should always seek professional advice for your specific circumstances.



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