

Member newsletter



Fire & Emergency Services
Superannuation Fund

2022-23 financial year in review

The Australian share market made a strong 14.4% return (as measured by the S&P/ASX 300) for the year. The sharpest annual gains were in the Information Technology sector (38.1%) which accords with the global mania for technology. The Resources sector also made strong gains of 23% given the benefit of strong commodity prices and a lower Australian dollar boosting profits. Even the Consumer Discretionary (13.3%) and Financial (13.1%) sectors delivered surprisingly strong gains despite the challenges of higher inflation and interest rates squeezing consumers.

United States shares as measured by the S&P 500 delivered a robust gain of 19% in local currency terms. This positive performance reflects the extraordinary gains of select 'magnificent 7' technology stocks. Investors poured their capital and optimism into stocks such as Apple, Alphabet/Google, Amazon, Facebook/Meta, Microsoft, Tesla and the chip maker Nvidia.

European shares also made strong gains even with the challenges of rising interest rates and Russia's invasion of Ukraine on their doorstep. The Japanese share market returned an extraordinary 25.7% annual gain given the benefit of interest rates remaining near 0% and a weak currency.

In sharp contrast, the Chinese share market continued to struggle with concerns over the government's handling of the economy and private sector. China's share market recorded a sharp negative return of -15.7% for the year.

Australian fixed income managed to scrape in a mildly positive 1.2% annual return but this was notably below the 2.9% cash return. Global bond investors had a disappointing year with a weak -1.2% return given rising inflation and interest rates.

The Fund's Smoothed investment option (Accumulation) returned **10.56%** after fees and tax for the 2022-23 financial year.

The crediting rates for the various options to **30 June 2023** are as follows:

Non Pension Accounts

OPTION	3M	6M	1 YEAR	3 YEARS	5 YEARS
Australian Shares	1.06%	5.40%	14.31%	12.25%	6.90%
Cash	0.77%	1.43%	2.41%	0.88%	1.00%
Fixed Interest	-0.73%	1.77%	2.18%	-0.72%	1.15%
International Shares	7.24%	11.60%	15.62%	7.29%	7.44%
Moderate	2.15%	4.66%	7.46%	4.42%	3.84%
Smoothed	2.99%	6.27%	10.56%	6.75%	6.14%
Median Balanced Fund ¹	2.11%	N/A	9.26%	7.40%	5.76%

Past performance is not a guarantee of future results.

¹ Based on the SuperRatings Balanced Fund Crediting Rate Survey as at 30 June 2023.

Annual Member Survey

The Fire and Emergency Services Superannuation Board (FES Super Board) strongly believes that member feedback is a valuable tool that helps us improve our service and the products we offer.

A key source of feedback is the Annual Member Survey that we have held every year since 2013 (except 2015). This year, we emailed the survey to 1,628 Active members (members employed by the Department of Fire and Emergency Services [DFES] or an associated employer) and 616 Pension and Retained members (members who are either drawing a FES Super pension or who's employer is no longer making contributions into their FES Super account).

350 Active members and 252 Pension and Retained members gave us feedback by completing the survey. Key topics that members commented on included:

- Being required to join the Defined Benefit fund;
- Topics for newsletter articles;
- Problems with gaining access to the Member Portal on the website;
- Binding Beneficiary Nominations; and
- Overall satisfaction with FES Super.

Member satisfaction is an important measure in evaluating the Fund overall.

We aim to help members improve their long-term financial security by providing value-for-money products and services that comply with legislation, engaging members with their superannuation and supporting members in making financial decisions relating to their superannuation.

Here's some key statistics on reported levels of member satisfaction with FES Super:

	ACTIVE MEMBERS	PENSION AND RETAINED MEMBERS
Extremely or fairly satisfied	14%	54%
Fairly satisfied	40%	37%
Neither satisfied nor dissatisfied	27%	7%
Extremely or fairly dissatisfied	10%	2%
Extremely dissatisfied	9%	0%

A small number of members reported dissatisfaction about the design of the Defined Benefit fund and problems with the Member Portal on our website. Members also commented on binding beneficiary nominations with the most common feedback being that they weren't sure if they had one in place. Refer to the articles on these topics for more information.

REVIEW OF THE DEFINED BENEFIT FUND DESIGN

In 2021, the Board facilitated the formation of a Stakeholder Committee to pursue this matter. The committee consisted of representatives from the Treasurer's office, the Department of Fire and Emergency Services (DFES), the United Professional Firefighters Union of Western Australia and the Superannuation Board.

The committee met in November 2021 and agreed the United Professional Firefighters Union of Western Australia (UPFUWA) should continue discussions about the level of employer contributions made for defined benefit members with the Department of Premier and Cabinet and report back to the Stakeholder Committee in due course.

The UPFUWA is continuing discussions with DFES and the State Government on this matter.

We are aware that some members are requesting the option of "choice of superannuation fund" to give permanent DFES employees the flexibility to choose their preferred superannuation fund. Any suggested changes to the Fund and benefit design will be communicated to all members and, if changes to our legislation are needed, these will take considerable time to develop and implement.

DISCOUNT FACTOR

Comments in the survey by some members indicate confusion about the discount factor that is applied to defined benefit accounts when a member resigns before they turn 55 years of age.

When the defined benefit fund was established, it was usual for firefighters to remain with the Department of Fire and Emergency Services (DFES) for the length of their career.

The design of the defined benefit fund includes a formula used to calculate the amount payable when a member retires after the age of 55 years, known as the retirement benefit.

The formula used for the retirement benefit calculation assumes the member and DFES will continue making contributions into the defined benefit account until the member retires, that the member's salary will increase until they retire and that FES Super will invest the

contributions at least until the member turns 55 years of age.

Back in the 1990's, the Superannuation Board understood that employment practices had changed over time. In 1999, a new rule was introduced into legislation enabling a member who resigns before the age of 55 to immediately transfer their FES Super account to their new superannuation fund into which their new employer could make contributions.

When a defined benefit member resigns before they turn 55 years of age, we need to calculate the present-day value of the retirement benefit. This is because the assumptions of the formula used to calculate the retirement benefit no longer apply i.e. contributions stop, the member misses out on future DFES salary increases and FES Super also misses out on the future investment earnings that help pay for the benefit. Paying a benefit now means we have to recognise that FES Super will not earn the investment earnings that help pay for the benefit.

The resignation benefit calculation assumes the difference is 2% per annum for the number of years remaining to age 55. This is known as the discount factor.

A member's resignation benefit is the present-day value of the future retirement benefit that has accrued so far.

All resignation benefits are checked against the minimum benefit required to be paid under the Superannuation Guarantee legislation and the higher of the two benefits is paid.

MEMBER PORTAL ISSUES

Our administration team provide the member servicing and administration for FES Super.

This means that our small administration team – Emerald and Sheryl – provide a range of services including being the point of contact for member enquiries, processing contributions and making payments, as well as managing insurance requirements and helping members access the member digital portal on the Fund's website.

In the survey, some members commented about problems with logging on to the member portal on our website. We acknowledge that the member digital portal has proven difficult for some members.

While we do the administration and member servicing ourselves, access to and data in the member digital portal is provided by a software

supplier that specialises in superannuation administration information systems.

We continue to work closely with the software supplier to resolve all the issues identified with the member digital portal.

Your patience is very much appreciated.

BINDING BENEFICIARY NOMINATIONS

The comment most often made about binding beneficiary nominations was “I don’t know if I have one”.

It’s easy to check – just log on through the Member Portal, click on the “My options” tab and the information will tell you whether you have nominated beneficiaries.

Your Annual Benefit Statement also tells you whether you have nominated beneficiaries.

What is the retirement age in Australia?

“What is Australia’s retirement age?” or “What age can I retire?” are common questions. The simple answer is “it depends”.

There’s no such thing as a ‘retirement age’ in Australia, nor any laws that dictate when someone can retire. In theory, you can choose to retire whenever you want, although there are some age-based rules that impact when many Australians choose to retire. More on those later.

BACKGROUND

This wasn’t always the case. It was only in 1993 that an Industrial Relations Reform Act prohibited terminating someone’s employment because of their age. The public service didn’t catch up until 1999.

Rather than thinking about what age you can retire, better questions are “When should I retire?” and “When can I afford to retire?”. These are very personal matters that depend principally on when you can financially support the lifestyle you want to lead in retirement unless ill health or other factors make the decision for you.

So, at what age do most Australians retire?

THE AVERAGE AGE OF RETIREMENT

According to the government’s Retirement Income Review released in November 2020, the average age of retirement in Australia is currently between the ages of 62 and 65, with women tending to retire one to three years before men. But things are changing.

For a variety of reasons, today’s retirees are likely to stay in the workforce for longer than previous generations. In fact, the workforce participation rate for those aged 65-plus more than doubled since the start of 2000, from 6.1% to 15.5% in December 2022. Improved health outcomes, greater workforce flexibility allowing a gradual transition into retirement and higher average levels of education requiring less physical work are contributing factors to a trend that is likely to continue.

But for some people there are also financial imperatives to work a little longer. These may include:

- We are living longer and need to save more for our retirement or run the risk that our savings will run out.
- Our lifestyle expectations are higher than they were for previous generations.
- More of us are carrying a mortgage and other debt later in life.
- Our children are leaving home later, leaving us with less time to boost our retirement savings.
- The age of eligibility for the Age Pension is rising.

This last point puts a floor under retirement decisions for many Australians. Given that today’s retirees have not had the full impact of compulsory super throughout their working life, the Age Pension still supplements the income of around 65% of retirees.

When can I access my super or the Age Pension?

In practice, there are two age rules that impact when most Australians can retire because they allow you to access funds to support your retirement. These are:

- **Preservation age:** This is the age when you can access your super provided you have also met a condition of release (such as retiring or turning 65).

- **Age Pension age:** This is the age when you can access Australia's Age Pension, provided you're an Australian resident and you pass both the income test and the assets test.

You can find out your preservation age and Age Pension eligibility age in the table below.

Birth year	Preservation age	Age Pension age
1949, 1950 or 1951	55	65
1952	55	65 (if you were born between 1 January 1952 and 30 June 1952) or 65 and 6 months (if you were born between 1 July 1952 and 31 December 1952)
1953	55	65 years and 6 months
1954	55	66
1955	55	66 (if you were born between 1 January 1955 and 30 June 1955) or 66 and 6 months (if you were born between 1 July 1955 and 31 December 1955)
1956	55	66 years and 6 months
1957, 1958 or 1959	55	67
1960	55 (if you were born between 1 January 1960 and 30 June 1960) or 56 (if you were born between 1 July 1960 and 31 December 1960)	67
1961	56 (if you were born between 1 January 1961 and 30 June 1961) or 57 (if you were born between 1 July 1961 and 31 December 1961)	67
1962	57 (if you were born between 1 January 1962 and 30 June 1962) or 58 (if you were born between 1 July 1962 and 31 December 1962)	67
1963	58 (if you were born between 1 January 1963 and 30 June 1963) or 59 (if you were born between 1 July 1963 and 31 December 1963)	67
1964	59 (if you were born between 1 January 1964 and 30 June 1964) or 60 (if you were born between 1 July 1964 and 31 December 1964)	67
1965 or later	60	67

The bottom line

Deciding when you should retire is an important financial decision. You can use the preservation and Age Pension eligibility ages as a guide, but it's important to consider your financial circumstances and goals. You may want to consider seeking independent professional advice. Doing this will help you make a decision that will enable you to lead a lifestyle you can afford in retirement.

Board Election

The results of the ballot held in August 2023 by the WA Electoral Commission for a Member representative on the FES Super Board are as follows:

Board Members

Mr Tom Nolan was elected by the members of the Fund as a Board Member for the period 19 August 2023 to 18 August 2026.

Alternate Board Members

Ms Brodie Skalko was elected as an Alternate Board Member for the period 19 August 2023 to 18 August 2024.

Current Board Members

Mr Boyd Winton (Chair)
Mr Michael Bailey
Mr Richard Burnell
Ms Karen Lamont
Mr Kevin Landwehr
Mr Tom Nolan

Alternate Board Members

Ms Brodie Skalko

Report to Members

The annual Report to Members for the 2022-23 financial year is being issued and is also available for you to read and download from the Fund's website.

To access the Report to Members on the Fund's website you need to click on the 'Resources' tab.

Member Statements

Your annual Member Statement for the year ending 30 June 2023 is being issued and is also available in the Member Login area on the Fund's website.

To access your 2023 annual Member Statement on the Fund's website you need to click on the 'Member Login' access button on the home page and enter your secure personal details. Once logged in, click on the 'My reports' menu button. Then select 'My correspondence' and your annual statement will be listed as a portable document format (pdf) document for you to access.

242 Rokeby Road, Subiaco WA 6008
Telephone: (08) 9382 8444
admin@fessuper.com.au
PO Box 513, Subiaco WA 6904

FESSUPER.COM.AU



Fire & Emergency Services
Superannuation Fund

