

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 (Pensioners) returned **11.63%** after fees for the 2022-23 financial year.

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

OPTION	3M	6M	1 YEAR	3 YEARS	5 YEARS
Australian Shares	1.07%	5.41%	14.33%	12.26%	6.91%
Cash	0.90%	1.69%	2.87%	1.06%	1.22%
Fixed Interest	-0.85%	2.11%	2.60%	-0.81%	1.40%
International Shares	8.36%	13.43%	18.07%	8.37%	8.54%
Moderate	2.46%	5.28%	8.36%	4.86%	4.31%
Smoothed	3.43%	7.04%	11.63%	7.31%	6.71%
Median Balanced Fund ¹	2.43%	N/A	10.06%	8.44%	6.48%

Past performance is not a guarantee of future results.

¹ Based on the SuperRatings Pension 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 satisfied	14%	54%
Fairly satisfied	40%	37%
Neither satisfied or dissatisfied	27%	7%
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

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.

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.

MINIMUM PENSION PAYMENTS RATES

From 1 July 2023 the minimum annual drawdown reverts to the normal rates. That means retirees who withdraw the minimum amount will need to double their recent level of payments in the 2023–24 financial year. For those who will be celebrating a milestone birthday and turning 65, 75, 80, 85, 90 or 95, your minimum drawdown will increase even more.

The table below shows the temporary rates and the normal rates. For example, someone aged 65–74 had to withdraw 2.5% of their account balance in 2022–23 under the temporary measure, but this amount doubles to 5% in the 2023–24 financial year. The percentage factor is set according to your age on 1 July in the financial year the pension is to be paid.

Age of beneficiary	Temporary percentage factor 2019-20 to 2022-23	Normal percentage factor (from 1 July 2023)
Under 65	2%	4%
65 to 74	2.5%	5%
75 to 79	3%	6%
80 to 84	3.5%	7%
85 to 89	4.5%	9%
90 to 94	5.5%	11%
95 or more	7%	14%

Payments must be received at least annually between 1 July and 30 June each financial year, although many retirees opt to receive weekly or monthly payments. Annual payment amounts are rounded to the nearest ten whole dollars. If the amount ends in an exact five dollars, it is rounded up to the next whole ten dollars.

Case study

Mike is a 66-year-old retiree with \$500,000 in a super account-based pension on 1 July 2022.

Following the temporary reduction in minimum drawdown rates, Mike is only required to withdraw 2.5% of his account balance, that's \$12,500 by 30 June 2023.

From 1 July 2023 the balance of Mike's super pension is still \$500,000 after drawdowns and investment earnings. During 2023–24, Mike is required to draw down 5% of his account balance, which is \$25,000 instead of \$12,500 the previous year.

PENSION PLANNING TIPS AND STRATEGIES

Some retirees may find the new minimum pension payment is more than they need. If so, you have options.

- If you are under 75, you could reinvest payments you don't need into an accumulation account. If your total super balance is under the transfer balance cap (increased to \$1.9 million from 1 July 2023), you can make non-concessional contributions until you turn 75. There is no longer any need to meet a work test to make this type of contribution.
- If you can't make super contributions but want to keep money in super, you could consider commuting (ceasing) your pension, transferring your pension balance to the accumulation phase and starting a new pension with a lower balance. A pension with a lower balance also has a lower minimum withdrawal.

Lastly, don't feel you have to set your pension payment strategy in stone on July 1 when the

new year's minimum is calculated. You can change the amount of your payment during the financial year, provided you meet the minimum annual withdrawal requirements.

What if I don't withdraw the minimum pension amount?

Minimum pension withdrawals are mandated by the government.

Does the minimum drawdown affect my Age Pension?

The amount of Age Pension you receive is determined by the income test and assets test.

The income test is not affected by the amount you withdraw from your super pension, as Centrelink applies the deeming rules to estimate your super pension income.

However, the assets test includes your total super balance and assets outside super. This presents an opportunity for retirees whose assets are only slightly above the Age Pension threshold, as the more you withdraw from your super the more Age Pension you may be entitled to receive.

Why does the government set a minimum payment?

The reason for setting minimum annual payments is to satisfy the sole purpose test. That is, that super (and the generous tax concessions it receives) is designed to provide retirement income and for your balances to eventually run out. It's not designed as a tax-effective way to transfer wealth to the next generation.

The percentage factor – normally beginning at 4% and rising to 14% as you age – is generally considered a safe amount for retirees to withdraw annually while maintaining an account balance that will keep the income flowing through retirement. As it's impossible to know how long any individual will live, these amounts are based on the average lifespan for Australians who reach age 65, 75, 80, 85, 90 and 95.

Your super income stream will stop:

- When there's no money left in the account.
- If it is commuted (converted) into a lump sum.
- When you die, unless you have a dependent beneficiary who is automatically entitled to receive the income stream, referred to as a reversionary beneficiary.

There is no maximum annual drawdown other than the balance of your account, unless it is a Transition-to-Retirement (TTR) Pension that is not in retirement phase, in which case the maximum amount is 10% of your pension account balance.

Calculating the first payment

If you start an account-based super pension after 1 July, the minimum amount for the first year is calculated on a pro-rata basis according to the number of days remaining in the financial year, including the start day (see example below).

If your super pension commences on or after 1 June, no payment is required in that first financial year.

The bottom line

The government's temporary halving of the minimum pension drawdown rates gave retirees with account-based super pensions more flexibility in the management of their pension assets while investment markets were volatile.

The return to normal minimum pension drawdown rates in 2023–24 may require some members with pension accounts to adjust their cashflow planning and retirement income strategy. Retirees affected by this adjustment may benefit from seeking independent financial advice to determine the best pension strategy for their circumstances.

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 Member

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 Member

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



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