Member newsletter

Fire & Emergency Services
Superannuation Fund

Superannuation funds surpassed expectations in the year to December 2023. Against a backdrop of challenging economic conditions and geopolitical tensions, with high market volatility, the median Balanced fund returned 10.1%. The Smoothed Option returned 10.6%.

During the December quarter, the Australian share market made a strong 8.4% return (as measured by the S&P/ASX 300). This was the strongest December rally in 30 years and was driven by the resources and banking sectors, both key beneficiaries of the improving growth and rates outlooks.

In Australian dollar terms, global share markets delivered solid returns gaining 4.9% over the quarter. United States shares gained ground over the period as a broad rally in the final two months of the year helped stocks record solid returns. The quarter started off on a weak note, as investors appeared to worry that interest rates would remain "higher for longer" due to unforeseen strength in the economy. However, encouraging inflation data released later in the period appeared to help markets engineer a turnaround. European shares also made gains as growing hopes for interest rate cuts in early 2024 bolstered risk sentiment.

Australian fixed interest returned 3.8% whilst the Cash benchmark was up 1.1% for the quarter.

The Reserve Bank of Australia raised the cash rate to 4.35% in November 2023, its highest level in twelve years

The crediting rates for the various options to **31 December 2023** are as follows:

OPTION	3M	6M	1 YEAR	3 YEARS	5 YEARS
Australian Shares	8.36%	6.91%	12.68%	9.70%	10.41%
Cash	0.97%	1.93%	3.38%	1.49%	1.24%
Fixed Interest	1.78%	2.65%	4.47%	-0.38%	1.38%
International Shares	2.72%	4.80%	16.96%	7.30%	8.79%
Moderate	2.96%	3.36%	8.18%	4.18%	4.75%
Smoothed	3.58%	4.07%	10.60%	6.24%	7.53%
Median Balanced Fund[1]	4.49%	3.91%	10.09%	5.76%	7.09%

Past performance is not a guarantee of future results.
[1] Based on the SuperRatings Balanced Fund Crediting Rate Survey as at 31 December 2023.

Who will receive your Super when you die?

Super exists to provide you with an income when you finish working.

So, if you die while still a member of FES Super, your super is paid to your dependants to replace this income. By nominating your beneficiaries, you can help decide who will be paid your super benefit in the event of your death.

You can only nominate your dependants. This is your spouse (including de-facto), child or children, a person who is financially dependent on you (financial dependant), a person you have an interdependency relationship with (interdependent) or your estate.

OPTION 1. **Do Nothing**	**OPTION 2.** **Make a Preferred Beneficiary nomination**	**OPTION 3.** **Make a Binding Beneficiary nomination**
If you don't make a beneficiary nomination, you are leaving it entirely up to the Fire and Emergency Services Superannuation Board (the Trustee) to decide who will receive your benefits. The Trustee will make investigations about your personal circumstances (including the terms of your Will, if you've made one) and will take that information into account in making its decision. There is no guarantee, however, that the decision will be what you would have wanted. So, while doing nothing may be the easy option, it could result in your money ending up in the hands of someone you would not have chosen. And, if the Trustee has to make detailed investigations, it could delay any payment being made.	This means that you tell the Trustee who you would prefer to receive your benefits, but it is not compulsory for the Trustee to follow those preferences. The Trustee will consider your nomination, but may decide to pay the benefits to someone you didn't nominate. That could happen, for example, if your personal circumstances had changed but you hadn't got round to changing your nomination. Or, as part of our investigations, we learn that you have other financial dependants at the time of your death. For example, you may have been divorced and remarried or ended a relationship and have not updated your nomination. This could lead to your super benefit going to your ex-spouse or partner, or another dependant, if your initial nomination was followed. So a non-binding nomination is a way of expressing your wishes at a certain point of time, but it doesn't guarantee that those wishes will be followed.	A Binding Beneficiary Nomination means that the Trustee is obliged to act in accordance with your directions, as long as your nomination is valid and hasn't lapsed at the time of your death. A Binding Beneficiary Nomination is only effective for 3 years. After that time it will lapse unless you renew it or make a new one. If you make a Binding Beneficiary Nomination, we will remind you by email when it is due to expire. Making a Binding Beneficiary Nomination is the only way to guarantee that your wishes will be followed, but it does put the responsibility on you to make sure that it is valid and up-to-date.

Your beneficiary nomination will continue to apply unless you cancel or change it, so it is important to update it if your circumstances change, such as getting married, separating from your partner or having children.

Before you make any decisions, however, we suggest you discuss your decision with your legal adviser.

If you want to make a nomination for the first time, or you want to change, update or cancel your existing nomination, please complete the Preferred Beneficiary Nomination form or the Binding Beneficiary Nomination form available in the Forms section on our website, or contact the Superannuation Office.

All current beneficiaries are listed on your Annual Member Statement and can be viewed in the Member Online Portal.

Salary Sacrifice Arragements

Following the recent EBA negotiations and the extra 0.5% per annum employer contribution that will be allocated to all members' accumulation account, the table below details the maximum voluntary salary sacrifice contribution rate a member can contribute to remain under the $27,500 annual cap (based on current salaries, you are a defined benefit member and you have no other superannuation being paid by another employer) for the 2023/2024 financial year:

Defined Benefit Accrual Rate	18.0%	21.5%
Defined Benefit Contribution Rate (after tax)	**6.25%**	**9.75%**
3rd Class Firefighter	15.0%	13.0%
1st Class Firefighter	12.0%	10.0%
Senior Firefighter	12.0%	10.0%
Sation Officer	9.0%	7.0%
Area Officer	7.0%	5.0%
District Officer	6.0%	4.0%
Communications Systems Officer Level 2	16.0%	14.0%
Communications Systems Officer Level 4	13.0%	11.0%
GOSAC Level 3, 1st year	20.0%	18.0%
GOSAC Level 4, 1st year	17.0%	15.0%
GOSAC Level 5, 1st year	15.0%	13.0%
GOSAC Level 6, 1st year	11.5%	9.5%
GOSAC Level 7, 1st year	9.0%	6.5%

As an example, a Senior Firefighter salary sacrificing 7.353% (i.e. 6.25% net after the 5% contribution tax) towards their defined benefit can salary sacrificve an extra 12.0% to superannuation without exceeding the $27,500 concessional contribution cap.

New Contributions Cap from 1 July 2024

CONCESSIONAL CONTRIBUTIONS

From 1 July 2024, the annual cap for concessional (before tax) contributions into your super account will increase to $30,000 (currently $27,500). This cap is applied per person, not per superannuation fund. This means if you have more than one superannuation fund, all concessional contributions made to all of your superannuation funds (including employer and salary sacrifice contributions) within a financial year are added together and count towards the same cap.

Members can make catch up salary sacrifice contributions into their super account using any unused concessional contributions cap amounts from previous years. To qualify, the member must have a total super balance of less than $500,000 on 30 June of the previous financial year and not used all of their concessional contributions in previous years.

Under the rules, a member can carry forward up to five years of unused concessional contributions for use in a later financial year, but the rolled forward amount expires after five years. The five year carry forward period commenced on 1 July 2018, meaning 2019/2020 was the first year in which a member could make catch up contributions.

NON-CONCESSIONAL CONTRIBUTIONS

All personal after-tax contributions are referred to as non-concessional contributions. A non-concessional contribution cap of $120,000 (currently $110,000) per financial year will apply from 1 July 2024 to members under the age of 75.

Members under age 75 may be able to bring forward two or three years worth of non-concessional contributions (provided they have not exceeded the non-concessional cap in any of the two previous years) and make non-concessional contributions of up to $360,000 over a three year period.

Other Contributions

Personal non-concessional or after-tax contributions, personal contributions (tax deductible) contributions, and salary sacrifice contributions tend to be favoured by members when looking to add to their superannuation balance.

However, there are several other ways to grow superannuation balances that are lesser known. These include spouse contributions, government superannuation co-contributions and offsets, downsizer contributions and re-contributing COVID-19 early release withdrawals.

Following is a summary on the limits and eligibility requirements that apply to these other contribution opportunities and any tax consequences that may also apply.

SPOUSE CONTRIBUTIONS

An individual may be entitled to a tax offset by making a non-concessional contribution to a complying superannuation fund on behalf of their low-income spouse. The legal definition of spouse, when making a spouse contribution, includes another individual who, although not legally married, lives with the first individual in a genuine domestic relationship as a couple.

The maximum tax offset available is $540 calculated at 18% on the first $3,000 non-concessional contribution made on behalf of the spouse. It progressively reduces to nil where the spouse's income is between $37,000 and $40,000.

Such contributions count towards the receiving spouse's non-concessional contribution limit.

The contributing individual is entitled to this tax offset if they meet **all** of the following conditions:

- The sum of the spouse's assessable income is less than $40,000.
- The individual making the contribution and the receiving spouse must be married or in a de facto relationship and be Australian residents when the contribution is made.
- The receiving spouse is under the age of 75.

However, an individual is **not** entitled to the offset when the receiving spouse:

- Exceeds their non-concessional contributions cap; or
- Has a total superannuation balance equal to or exceeding the total superannuation balance cap of $1.9 million immediately prior to the start of the financial year in which the contribution was made.

How is the total superannuation balance calculated?

Add together:

- The accumulation phase value of an individual's superannuation interests that are not in the retirement phase, including transition to retirement income streams that are not in retirement phase.
- The 'transfer balance' or 'modified transfer balance' if an individual has a superannuation income stream in the retirement phase.
- The amount of any rollover superannuation benefits not already reflected in the accumulation phase value of an individual's superannuation interests or their transfer value (i.e. rollovers in transit between superannuation funds on 30 June).

GOVERNMENT SUPERANNUATION CO-CONTRIBUTIONS

The government superannuation co-contribution is a matching payment of up to $500 to an individual's superannuation fund when an eligible individual makes a non-concessional contribution. The government superannuation co-contribution does not count towards the non-concessional contribution limit.

The amount of government superannuation co-contribution an individual receives will depend on their income and the amount they contribute.

To be eligible for a government superannuation co-contribution, the individual must satisfy **all** of the following conditions in the relevant financial year:

- Make a non-concessional contribution to a complying superannuation fund.
- Satisfy the income threshold and 10% eligible income test.
- Be less than 71 years old at the end of the financial year.
- Did not hold a temporary visa at any time during the financial year (unless the individual is a New Zealand citizen, or it was a prescribed visa).
- Lodged their tax return for the relevant financial year.

However, individuals are **not** entitled to the government co-contribution if:

- They have exceeded their non-concessional contributions limit for the relevant financial year; or
- They have a total superannuation balance equal to or exceeding the total superannuation balance cap of $1.9 million before the start of the financial year in which the contribution was made.

Income threshold

The government superannuation co-contribution income thresholds for 2023/2024 are:

- Lower threshold - $43,445
- Higher threshold - $58,445

If an individual's total income is equal to or less than the lower threshold and they make non-concessional contributions of $1,000 they will receive the maximum co-contribution of $500.

If an individual's total income is between the two thresholds, their maximum entitlement will reduce progressively as their income rises. An individual will not receive any co-contribution if their income is equal to or greater than the higher threshold.

For the income threshold test, income includes assessable income, certain concessional contributions, reportable fringe benefits, less allowable business deductions.

Eligible income test

10% or more of an individual's total income must come from employment related activities, carrying on a business, or a combination of both. For this test, income includes total assessable income, certain concessional contributions, reportable fringe benefits but is not reduced by allowable business deductions.

LOW INCOME SUPERANNUATION TAX OFFSET

The low-income superannuation tax offset (LISTO) aims to support low income earners by ensuring they do not pay more tax on their superannuation contributions than on their take-home pay. If an individual's 'adjusted taxable income' is $37,000 or less, they may be eligible to receive a payment into their superannuation fund of the tax paid on their concessional contributions, up to $500.

To be eligible, the individual must satisfy **all** of the following conditions in the relevant financial year:

- The individual or the individual's employer pays concessional contributions for the financial year to a complying superannuation fund. This includes superannuation guarantee (SG) amounts.
- The individual has **not** held a temporary resident visa at any time during the financial year. Note New Zealand citizens in Australia are eligible for the payment.
- The individual lodges an income tax return and 10% or more of their total income comes from business and/or employment; or
- The individual does not lodge an income tax return and 10% or more of their total income comes from employment.

Individuals need to make sure their superannuation fund has their tax file number (TFN). Without a TFN, superannuation funds cannot accept a LISTO payment. If eligible, the Australian Taxation Office (ATO) will automatically pay the amount to their superannuation fund.

DOWNSIZER CONTRIBUTIONS

An individual, 55 years old or over, may make a downsizer contribution of up to $300,000 from the proceeds of selling their main residence, where the exchange of contacts for the sale occurs on, or after 1 July 2018. The downsizer contribution is a one-time only contribution and cannot be made from the proceeds of selling a second home.

The downsizer contribution does not count towards the contributions caps and does not affect the total superannuation balance limit in the financial year of the contribution. That is, the amount the individual has in superannuation does not affect an individual's eligibility to contribute. However, the amount will count towards the pension balance transfer cap when commencing a new pension.

Downsizer contributions are not personally tax deductible, and the superannuation fund does not incur tax upon receipt of these contributions. These contributions are included in determining eligibility for the age pension. If an individual sells their home, are eligible and choose to make a downsizer contribution, there is no requirement for the individual to purchase another home.

Individuals are eligible to make a downsizer contribution of up to $300,000 if **all** of the following conditions are met:

- They are 55 years old or more at the time of the contribution.
- The home was owned by the individual or their spouse for 10 or more years before the sale.
- The home is in Australia and not a caravan, houseboat, or other mobile home.
- The proceeds (capital gain or loss) from the sale of the home are either exempt or partially exempt from capital gains tax (CGT) under the main residence exemption, or would be entitled to such an exemption if the home was a CGT asset rather than a pre-CGT asset – acquired before 20 September 1985.
- They have provided the superannuation fund with the downsizer contribution form either before, or at the time of making the downsizer contribution.
- The downsizer contribution is made within 90 days of receiving the proceeds of the sale, which is usually the settlement date.
- A downsizer contribution has not been previously made from the sale of another house.
- The contributed amount is not greater than the total proceeds from the sale.

RE-CONTRIBUTION OF COVID-19 EARLY RELEASE SUPERANNUATION AMOUNTS

From 1 July 2021, individuals who received COVID-19 early release payments will be able to re-contribute these amounts into superannuation without impacting their non-concessional contributions cap.

A contribution will be considered as a COVID-19 re-contribution for an individual if:

- The contribution is made to a complying superannuation fund in a financial year.
- The contribution is made between 1 July 2021 and 30 June 2030.
- One or more amounts have been paid in either (or both) the 2020 and 2021 financial years under COVID-19 early release.
- The amount is not more than the total of COVID-19 early release payments.
- If there are one or more previous COVID-19 re-contribution amounts, the sum of all COVID-19 recontribution amounts is not more than the total COVID-19 early release amounts.

The COVID-19 re-contribution cannot be claimed as a tax deduction and will not count towards the individual's non-concessional contribution cap.

The individual must choose to have a contribution amount covered under COVID-19 re-contribution by making the choice in the approved form. The form must be given to their superannuation fund on or before the contribution is made.

Surplus Distribution

A surplus of assets may occur within the defined benefit section of the Fund. The main reasons are:

- The Fund's investment performance may have been more favourable than what was assumed.
- Total contributions paid into the Fund, by the employer and members, may have been more than that was required to fund benefits accruing.
- Salary increases may have been lower than that assumed.
- Membership experience, the rate of resignations, retirements and deaths, may have been more favourable than that assumed.

The Board uses an index to look at the immediate funding of all benefits payable. This index is the Vested Benefit Index (VBI). Vested benefits are the benefits payable if all members resigned, or if eligible, retired at a certain date.

There are two VBI indicators used by the Board and the Board's Actuary. One VBI indicator includes the Supplementary Disablement Benefit assets, the other indicator excludes the Supplementary Disablement Benefit assets.

A Supplementary Disablement Benefit is payable when a defined benefit member retires on medical grounds and is entitled to a partially and permanently disabled. The employer contributes 1% of salaries (before tax) for each defined benefit member towards the Supplementary Disablement Benefit assets.

The Board sought legal advice as to whether the Supplementary Disablement Benefit assets could be included in the surplus of assets for distribution purposes and was advised that the Supplementary Disablement Benefit assets should **NOT** be included in any surplus distribution.

As at 30 June 2023, the VBI was **122%** (excluding the Supplementary Disablement Benefit assets).

The Board has in place funding targets and trigger points based on the ratio of vested benefits to assets.

120%+ The Board will seek actuarial and investment advice about de-risking options.

120% The Board's target is to maintain a funding level at 120%. A buffer of 20% provides a margin against adverse experience, and in particular, investment shocks.

105% Is an early warning sign and the Board needs to advise all employers and monitor monthly.

100% The Board is required to ensure a funding level of at least 100%. Less than 100% is considered an "unsatisfactory financial position" and action is required with the aim to restore to 110% within a reasonable amount of time.

97% The Board's shortfall limit is 97%. If this limit is breached, a restoration plan needs to be put in place to reach 100% within three years.

These funding targets have been set based on the advice of the Board's Actuary.

The Board is preparing a Surplus Distribution Policy that will be available to all members soon.

Changes to Insurance

The Superannuation Board believes that the insurance cover you have in the Fund provides a valuable safeguard for both you and your family in the event of your death or disability.

Recent changes to your insurance cover include the following:

- The total and permanent disability (TPD) definition has been improved by being more inclusive if you were unemployed up to 16 months prior to disability or if you were working less than 15 hours per week.
- The Cognitive Loss and Activities of Daily Living TPD definition has been replaced with a Mental Illness specific and Activities of Daily Work TPD definition.
- The exclusion that prevented a person from claiming on their income protection cover if they were employed in an excluded occupation has been removed.
- The premium rates for both Group Life Insurance and Group Income Protection will be changing effective from 1 July 2024.

The Superannuation Board strongly encourages all members to read Significant Event Notice: Changes to Your Insurance, and to contact the Superannuation Office if more information is required.

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