

# Member Outcomes Assessment



Fire & Emergency Services  
Superannuation Fund

Annual determination  
2022 – 2023 financial year

The Fire and Emergency Services Superannuation Board's (the Board) strategic vision is to help members of the Fire and Emergency Services Superannuation Fund (FES Super) achieve financial security in retirement. Driven by this vision and its "members first" culture, the Board's strategy is to effectively manage FES Super's investments and provide value-for-money insurance cover, products and services.

Each year, the Board is required to assess FES Super's performance in promoting the financial interests of members based on various assessment and comparison factors.

For 2022 – 2023, the Board determined that FES Super does promote the financial interests of members and is expected to continue to do so in the future.

This report provides Accumulation and Pension Members with information about how FES Super performed and how that performance compared to similar products across the superannuation industry during the 2022 – 2023 financial year. While the majority of this report does not specifically apply to Defined Benefit Members, information has been included that they may find useful.

In conducting its assessment, the Board focused on the following four key areas, each having a number of outcomes the Board aims to achieve for members:

- 1) Investment strategy and level of risk and return;
- 2) Fees and costs that affect member returns;
- 3) Insurance strategy and premiums; and
- 4) Options, benefits, facilities and overall size and scale.

## Key

Pass ●

On Watch ●

Fail ●

## Determination Summary

Key Area	Outcome	
APRA's Performance Test	The Smoothed and Moderate investment options passed the Your Future, Your Super Performance Test.	●
Investment Strategy, Returns and Risk	Just over 84% of all Accumulation balances are invested in the Smoothed Investment Option. The returns for the Smoothed Option exceeded its returns set by the investment objective. All other investment options that have operated for the length of their investment objective also exceeded their objective returns.	●
	The returns for the Moderate option exceeded the median return of other similar investment options while the remaining investment options returned less than the median of other similar products.	●
	The level of investment risk for most investment options fell within the range set by the Board.	
	For Defined Benefit members, the Vested Benefit Index was above 100% at 30 June 2023 and FES Super was assessed by its Actuary as being in a satisfactory financial position.	●

<sup>1</sup> A Member Outcomes Assessment is not required for Defined Benefit products.

<sup>2</sup> Reviewed by the SuperRatings Fund Crediting Rate Survey.



Key Area	Outcome	
Fees and Costs	<p>Just over 84% of all Accumulation balances are invested in the Smoothed Investment Option. Administration and investment fees for Accumulation and Pension members were less than the median of peer group of funds for most members invested in the Smoothed investment option.</p> <p>The investment fees for the Moderate and Cash Options and for the Pension members invested in the Australian Shares option were less than the median of a peer group of superannuation funds. The investment fees for the other single-asset options were generally higher than the median of a peer group of superannuation funds.</p>	<p>●</p> <p>●</p>
Insurance Strategy and premiums	Default insurance cover for Accumulation members was less than 1% of estimated average salary for males and females aged 25, 35, 45 and 55 years of age.	●
Options, benefits and facilities	<p>FES Super aims to ensure products and services comply with legislation while striving to meet the needs of members now and in the future. Widespread benchmarking was undertaken to establish that the “extras” that FES Super provides are cost-effective and on a par with peer funds.</p> <p>Mixed results were achieved for our annual member satisfaction measure with 91% of Pension and Retained members reporting they are extremely or fairly satisfied with FES Super while only 54% of Active members reported being extremely or fairly satisfied with FES Super.</p>	<p>●</p> <p>●</p>
Scale	Based on its size and consideration of scale measures, FES Super’s scale does not disadvantage the financial interests of members.	●

## Comparison, Performance and Ratings in more detail

### APRA Performance Test

The Board is pleased to report that the FES Super Smoothed and Moderate options received a PASS result in the Australian Prudential Regulation Authority (APRA) performance test. Note that the performance test currently focuses on diversified options. Single asset options may be added in the future.

APRA’s Performance Test assessment is based on two components:

- An investment return component which assesses the Board’s implementation of the strategy of the investment option by assessing the net investment return against a tailored benchmark; and
- An administration fees component which compares the latest year of administration fees and costs charged to an industry benchmark.

An investment option fails the Performance Test if its assessment metric is below a threshold of minus 0.50% per annum.



**Investment Strategy, Returns And Risk**

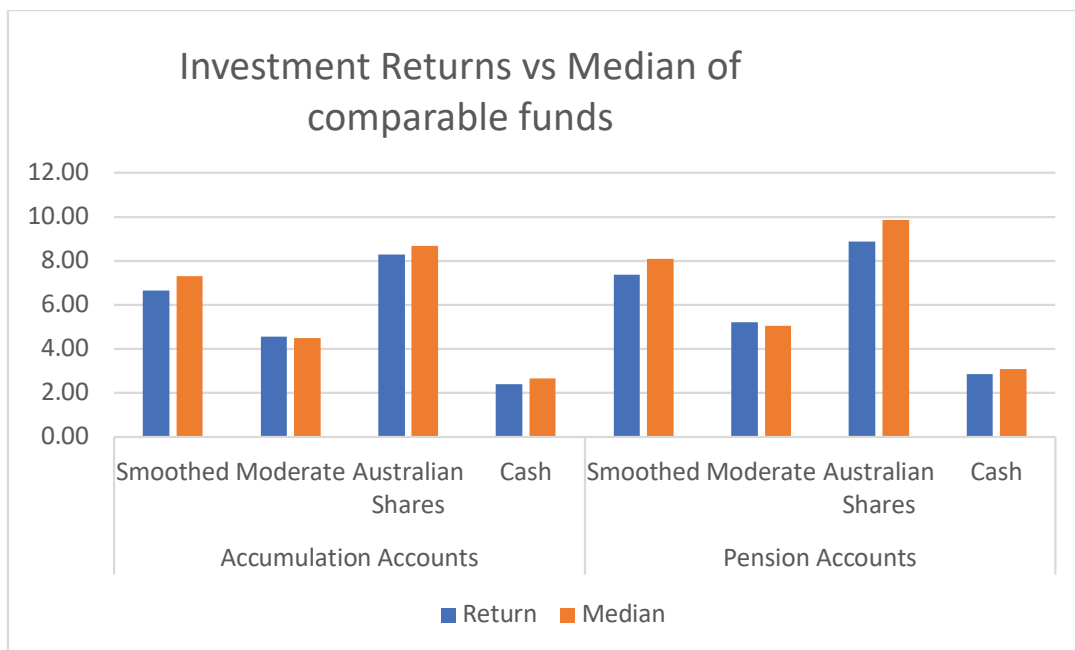
In all areas of investment strategy, the Board’s risk appetite is for sufficient, but not excessive, levels of risk to achieve the desired investment objective.

The investment objective for each investment option is shown below:

INVESTMENT OPTION	OBJECTIVE (net of tax and fees)	PERIOD OF OBJECTIVE MEASURE
Smoothed	CPI + 3%	10 years
Moderate	CPI + 2%	10 years
Australian Shares	ASX/S&P 300 Accumulation Index	10 years
International Shares	MSCI All Country World Index (unhedged)	10 years
Fixed Interest	Bloomberg Ausbond Composite Bond Index (All Maturities)	10 years
Cash	Bloomberg Ausbond Bank Bill Index	1 year

Note: the objectives for the Pension investment options are net of fees only.

The returns achieved by each investment option that has operated for the time set in their objective compared to similar options in the SuperRatings Fund Crediting Rate Survey<sup>3</sup> are shown below:



<sup>3</sup> SuperRatings specialise in ratings and research for the superannuation industry and compare funds across a range of qualitative and quantitative factors.

# Member Outcomes Assessment

## Annual determination

### 2022 – 2023 financial year

...continued



Fire & Emergency Services  
Superannuation Fund

The Board continuously reviews its investment strategy with a view to identifying opportunities to improve performance. In 2016, after reviewing results at that time, and in a bid to improve performance, the Board implemented wholesale changes to FES Super's investment strategy by moving to a sector specialist approach. The results shown above cover rolling ten-year periods, other than Cash which is measured over one-year periods, and therefore include returns before, during and after 2016. Over the long term, the Board expects the impact of the sector specialist approach implemented since 2016 to improve our returns when compared to other superannuation funds.

The International Shares and Fixed Interest options commenced on 1 January 2016 and have not yet been in place for the length of time that covers their investment objectives. However, on an indicative basis, the returns are exceeding or are close to meeting the median achieved by comparable superannuation funds.

The Board continues to closely monitor the performance of all its investment managers and may make changes to the structure of any option as required.

FES Super uses the Standard Risk Measure which is used by most superannuation funds to help members compare investment options that are expected to deliver a similar number of negative annual returns over any 20-year period.

For 2022-2023 FES Super achieved the following:

	ACCUMULATION, RETAINED + SPOUSE AND PENSION	
	Number of expected negative annual returns in the past 20-year period	Outcome
<b>Smoothed</b>	No more than three (after smoothing)	<b>Three</b>
<b>Moderate</b>	No more than three	<b>Four</b>
<b>Australian Shares</b>	No more than six	<b>Six<sup>1</sup></b>
<b>International Shares</b>	No more than six	<b>One<sup>2</sup></b>
<b>Fixed Interest</b>	No more than four	<b>One<sup>2</sup></b>
<b>Cash</b>	To preserve capital every year	<b>Nil</b>

<sup>1</sup> Since Feb 2005

<sup>2</sup> Since Jan 2016

The Moderate option slightly exceeded the expected number of negative annual returns over the past 20 years. Factors that contributed to these results include the economic environment post September '11 and the Iraq War, the Global Financial Crisis and the more recent COVID-19 pandemic.

The Board continues to monitor the risk objectives for all options and make changes as required.

#### Vested Benefit Index (VBI)

The Vested Benefit Index is a critical measure for ensuring FES Super's stability and ability to fulfill its promises to retirees.

Vested benefits are the benefits payable if all Defined Benefit Members resigned, or, if eligible, retired at the same time. A VBI of 100% or more indicates that FES Super is in a satisfactory financial position and can pay benefits as, and when, they fall due.

Based on actuarial advice, FES Super's VBI at 30 June 2023 was 122%. Further, the actuary expects that, based on accepted assumptions for assets, contributions and investment earnings, FES Super is likely to continue to be able to pay benefits as, and when, they fall due. The actuarial review is conducted each year.

The Board is comfortable with the excess returns built up in the Defined Benefit fund due to favourable investment returns and considers it a buffer for future periods of adverse returns.



## Fees and costs that affect member returns

### Administration fees and costs

FES Super's administration fees and costs were below the median across three of four cohorts when compared to a set of 8 peer funds selected based on a mix of size (i.e. number of members and funds under management), occupation industry and legal structure (i.e. being a fund that is open to everyone or a public sector fund governed by both State and Federal legislation). These comparisons were prepared for both Accumulation and Pension accounts on account balances of \$50,000 and \$250,000

FUND	ACCUMULATION ACCOUNTS				PENSION ACCOUNTS			
	Administration cost per \$50,000	Rank	Administration cost per \$250,000	Rank	Administration cost per \$50,000	Rank	Administration cost per \$250,000	Rank
<b>FES Super</b>	<b>\$100</b>	<b>2</b>	<b>\$500</b>	<b>6</b>	<b>\$50</b>	<b>1</b>	<b>\$250</b>	<b>1</b>
Fund 2	\$146	6	\$466	5	\$60	2	\$300	2
Fund 3	\$102	3	\$302	2	\$102	3	\$302	3
Fund 4	\$152	7	\$552	7	\$152	6	\$552	5
Fund 5	\$162	8	\$602	8	\$201	8	\$601	6
Fund 6	\$127	5	\$427	4	\$167	7	\$627	7
Fund 7	\$50	1	\$250	1	\$300	9	\$1,500	9
Fund 8	\$112	4	\$312	3	\$112	4	\$312	4
Fund 9	\$238	9	\$878	9	\$135	5	\$675	8
<b>Median</b>	<b>\$137</b>		<b>\$447</b>		<b>\$144</b>		<b>\$577</b>	

FES Super charges fees on a cost-recovery basis meaning that the fee charged is based on the actual costs of providing the products and services.

### Investment Fees and Costs

The investment fees and costs for the Accumulation and Pension accounts invested in the Smoothed, Moderate and Cash options and for Pension accounts invested in the Australian Shares option were below the median of peer funds.

The investment fees and costs were above the median of peer funds for all other options.



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## Insurance strategy and premiums

The Board recognises that it is important for members to have appropriate insurance cover for a fair premium that does not inappropriately erode their account balance.

FES Super's philosophy for insurance for its Accumulation Members is based on offering simple (including administration), easy to understand insurance cover that complies with the Fire and Emergency Services Superannuation Act 1985 and meets members' demands.

Eligible members automatically receive Death, Total and Permanent Disability and Income Protection insurance cover to protect them if something unfortunate were to happen, such as serious illness, death or a disability that prevents them working either permanently or for a short time. The amount of cover members receive depends on their age and changes as they get older.

For the assessment of the default insurance cover that FES Super offers Accumulation Members, as at 30 June 2023, the Board considered whether the premiums inappropriately eroded retirement benefits.

In all cases, the annual premiums for default insurance cover for eligible females and males aged 25, 35, 45 and 55 were well below 1% of average salaries for each age group.

While these results are encouraging, it is important to bear in mind the higher cost of providing insurance for Defined Benefit Members who are firefighters, reflecting that a significant proportion of overall membership is considered to have high risk occupations for insurance purposes. Indeed, some of these members would find it difficult to obtain disability (total and permanent disablement and income protection) insurance outside of FES Super at reasonable rates, or at all. That said, the Board continues to review the insurance arrangements including the level of insurance cover offered to members to ensure that it is appropriate for their needs and that it represents good value.

Defined Benefit members should note that Death, Total and Permanent Disablement and Income Protection cover is automatically provided when they join FES Super and that the cost of Death and Total and Permanent Disablement cover is included in the formula used to calculate benefits.



## Options, benefits, facilities and overall size and scale

The options, benefits and facilities assessment considered whether FES Super's overall product and service offering is appropriate for all members. For this assessment, the Board considered feedback from members in the Annual Member Survey and the options, benefits and facilities offered by comparable funds.

Member satisfaction is an important measure in evaluating the Board's performance in achieving its outcomes. With the internal sourcing of member services and administration, this measure enables the Board to ensure the high level of service provided to members is maintained.

The Board has conducted Annual Member Surveys since 2013 (except 2015). In 2023, 350 (or 21%) Active members (members for whom a contribution is made) and 252 (or 41%) Retained and Pension members (members who were either drawing a FES Super pension or who were no longer having employer contributions paid into their FES Super account and who have provided an email address) responded to the survey. The survey is conducted each May-June and all members are strongly encouraged to participate and provide their feedback on a range of issues relating to their membership of FES Super.

Overall member satisfaction with the products and services provided by the Board was at 54% for Active members (target 60%) and 91% (target 80%) for Pension and Retained members for the 2022 – 2023 financial year. The different target levels recognise the requirement for Active members to be FES Super members while Pension and Retained members can transfer their superannuation to a different fund if they wish.

The decrease in member satisfaction for Active Defined Benefit members was predominantly due to the structure of member entitlements for Firefighters. In responding to this feedback, the Board understands that the United Professional Firefighters Union of Western Australia (UPFUWA) has been in discussions with the Department of Fire and Emergency Services (DFES) and the State Government on this matter. The Board is also 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 FES Super 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.

FES Super provides a range of benefits and services including online retirement quotes, binding beneficiary death benefit nominations, retirement seminars, general advice over the phone and face-to-face meetings. Generally, these additional benefits and services were similar to those provided by a peer group of superannuation funds.

### **Overall size and scale**

FES Super has implemented, monitors and makes changes as required to the products offered to members that are specific to the characteristics of its members and comply with relevant Western Australian legislation. The products offered to members are competitive in terms of investments, fees and insurance against other comparable products. In addition, the outcomes focussing on options, benefits and facilities generally demonstrates that members are satisfied that FES Super meets their needs after considering costs and their experience when interacting with FES Super is positive.

With \$903m in funds under management and 2,535 members and considering the results of the objectives and outcomes described above, FES Super has sufficient scale such that members are not disadvantaged.



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## Determination

The Fire and Emergency Services Superannuation Board has determined that:

- The options, benefits and facilities offered are appropriate for our members;
- The investment strategy, including the level of investment risk and return target, is appropriate for our members;
- The insurance strategy is appropriate for our members;
- The insurance premiums charged do not inappropriately erode the retirement incomes of our members;
- The financial interests of our members are being promoted by the Board;
- The scale of the Fire and Emergency Services Superannuation Fund does not disadvantage our members;
- The choice product's operating costs are not inappropriately affecting the financial interests of our members; and
- The basis for the setting of fees is appropriate for our members.

A handwritten signature in black ink, appearing to read 'Boyd Winton', with a long horizontal flourish extending to the right.

Boyd Winton  
Chair

A handwritten signature in black ink, appearing to read 'Adrian Rutter', with a vertical flourish extending upwards.

Adrian Rutter  
Fund Secretary

March 2024