



Member newsletter



Fire & Emergency Services
Superannuation Fund

Investment market report to 28 February 2021

The rollout of COVID-19 vaccination programs in the advanced economies has seen infection rates decline, and the global growth outlook improve markedly. Australia's vaccination program has commenced, and it is expected that the population will be fully vaccinated by the end of 2021.

The Australian share market delivered another positive month with February 2021 up 1.5% as investors remained comfortable in risk assets, even though the month ended with some media and market noise around bond yields.

The Australian share market returned 3.2% for the quarter.

Major world share markets enjoyed a positive February across the board, with International shares returning 1.5% for the month and 1.6% for the quarter.

Australian Government bonds experienced heightened volatility in February, culminating in a sharp rise in yields, a steepening of yield curves and the most negative absolute return month (-3.6%) in history. The Australian bond sector was down 4.3% for the quarter.

The Australian listed property trust sector was again among the poorer performing sectors as bond yields continued to rise. The sector decreased 2.6% for the month and was down 6.2% for the quarter.

The Reserve Bank of Australia (RBA) left its official cash rate unchanged at 0.10%.

Member investment choice returns

The crediting rates for the various options to **28 February 2021** are as follows:

Option	3m	6m	1yr	3yr
Australian Shares	3.86%	12.35%	7.53%	6.41%
Cash	0.02%	0.07%	0.32%	0.98%
Fixed Interest	-1.87%	-0.76%	-0.55%	2.89%
Growth	0.38%	3.34%	1.98%	5.19%
International Shares	-1.05%	0.41%	2.09%	7.96%
Moderate	-0.13%	2.13%	1.31%	3.92%
Smoothed	0.38%	3.34%	5.91%	6.72%

The median balanced¹ superannuation fund returned 6.17% in the one year and 6.28% in the three years to 28 February 2021.

¹: A diversified fund option with a growth assets ratio between 60% and 76%. Based on the SuperRatings Balanced Fund Crediting Rate Survey as at 28 February 2021.

Investment objectives

Following a recent review of the member investment choice options by the Fund’s asset consultant, the Superannuation Board has amended the investment objective of the following member investment choice options as per the table right.

Option	Previous Investment Objective	New Investment Objective
Smoothed/Growth	To earn at least CPI+4%pa over rolling 10-year periods (net of tax and fees).	To earn at least CPI+3% pa over rolling 10-year periods (net of tax and fees).
Australian Shares	To earn at least the benchmark return for Australian shares over rolling 12-month periods (net of tax and fees).	To earn at least the benchmark return for Australian shares over rolling 10-year periods (net of tax and fees).
International Shares	To earn at least the benchmark return for International shares over rolling 12-month periods (net of tax and fees).	To earn at least the benchmark return for International shares over rolling 10-year periods (net of tax and fees).
Fixed Interest	To earn at least the benchmark return over rolling 12-month periods (net of tax and fees).	To earn at least the benchmark return over rolling 10-year periods (net of tax and fees).

There has been no change to the investment objective of the Cash and Moderate option.

Defined Benefit Investigation

As advised, the Superannuation Board commissioned an independent investigation to be conducted by the actuarial division of PricewaterhouseCoopers (PWC) in regards to comparing the Defined Benefit formula to an Accumulation Account.

The final report has been provided to all members.

[Click here to see the video presentation.](#)

Portability

We have had some active members (current DFES employees) enquire about rolling over their accumulation account to another superannuation fund. Active members may roll-over part of their accumulation account to another superannuation fund but the roll-over amount must be at least \$2,000, the member must leave at least \$6,000 in their accumulation account and that such a request can only be made once every twelve months.

Politically Exposed Persons

Under anti-money laundering and counter terrorism financing laws, any member who is a Politically Exposed Person (PEP) must let us know their status. This is because PEPs are at higher risk of corruption and coercion due to their access to public money so these preventative measures have been put in place.

A PEP is someone who holds a prominent public position or function, such as Head of State, senior government official, High Court of Australia judge, high-ranking member of the armed forces or the Chair or CEO of an organisation that influences state or federal organisations. The relatives and close associates of a PEP are also considered to be PEPs.

There are three categories of PEP:

- 1) Domestic PEP – those with a prominent position in any Australian government body;
- 2) Foreign PEP – those with a prominent position in a non-Australian government body; and
- 3) International organisation PEP – those with a prominent position in an international organisation.

What happens if someone is a PEP?

Any member who indicates to us that they are a PEP will be checked against Government lists to ensure there is no issue. If a PEP check raises any concerns, we will contact the member directly.

Please advise us immediately if you are a PEP.

Salary Sacrifice contribution limits

Most members must contribute a proportion of their salary into their super. Typically, these contributions are made after you have paid income tax, which can be up to 47% of your salary.

Salary sacrificing allows you to make super contributions before income tax is paid – which may save you from paying high rates of tax.

If your marginal tax rate is more than 15%, you could benefit by salary sacrificing your super. The higher your marginal income tax rate, the more you could save.

The table (right) details the maximum voluntary salary sacrifice contribution rate you can contribute to remain under the \$25,000 annual cap (based on June 2020 salaries, you are a defined benefit member and you have no other superannuation being paid by another employer).

As an example, a Senior Firefighter salary sacrificing 7.353% (i.e. 6.25% net after the 15% contribution tax) towards their defined benefit can contribute an extra 11.5% to superannuation without exceeding the \$25,000 concessional contribution cap.

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	12.5%	10.5%
Senior Firefighter	11.5%	9.5%
Station Officer	8.5%	6.5%
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	13.5%	11.5%
GOSAC Level 3, 1st year	20.0%	18.0%
GOSAC Level 4, 1st year	17.0%	15.0%
GOSAC Level 5, 1st year	14.5%	12.5%
GOSAC Level 6, 1st year	11.0%	9.0%
GOSAC Level 7, 1st year	8.5%	6.5%

Catch Up Salary Sacrifice Contributions

Members can make catch up concessional (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 must have not used all their \$25,000 annual concessional contributions cap in the previous year.

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 2019-20 was the first year in which a member could make catch up contributions.



Vale David Barker

The Board and staff wish to extend their condolences to Maureen and family on the passing of David Barker on 21 January 2021.

David first started serving as a firefighter on 21 July 1967 and retired on 30 May 1996.

David was a member elected Board Member on the Superannuation Board from 3 November 1986 to 18 August 2004. The fact that David was elected and re-elected for six consecutive terms is in itself a compelling indication of the extremely high regard and trust the membership had for him. David's work as a Board Member certainly vindicated the members' confidence in their elected member.

At all times David's efforts were unwavering in the direction of improving and keeping safe the viability of the Fund for the benefit of all members.

David will be missed.

Board Member Position

An election will be conducted shortly for a position on the Superannuation Board. The Superannuation Board encourages all interested members to nominate for the Board Member position that will be for a three-year term.

Board Members are responsible for making sure the Fund is operated in line with the rules set out in the Fire and Emergency Services Superannuation Act 1985 and Fire and Emergency Services (Superannuation Fund) Regulations 1986. In practical terms a Board Member must be law:

- act in the best interests of all members and beneficiaries;
- invest the assets of the Fund appropriately;
- ensure benefits are paid correctly and on time;
- ensure the Fund has adequate financial backing; and
- exercise care, skill and diligence in decision making.



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 Australian Federal Government passed the Putting Members' Interests First legislation, which took effect on 1 April 2020. This legislation is designed to protect members' super savings from unnecessary erosion by insurance premiums. If you are a member who recently joined the Fund as an Accumulation member, currently

have a low balance or are under the age of 25, you may be impacted by these changes. **Note: Defined Benefit members are not affected by this legislation change.**

- The Superannuation Board re-negotiated the premiums for Death and Total and Permanent Disablement insurance cover and the premiums and waiting periods for Income Protection insurance cover. Some other changes to insurance conditions and definitions were also made.

Members who resigned or retired before 1 April 2020 or who turned 65 years of age before 1 April 2020 are not affected by the above changes.

The Superannuation Board strongly encourages all members to read the Significant Event Notice: Changes to Your Insurance. [Click here to view the document.](#)

For more information on any of the above articles, please contact the Superannuation Office.



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