Member newsletter

Fire & Emergency Services
Superannuation Fund

Investment market report March 2022 quarter

- The Australian Share market (top 300 stocks) rose 2.1%
- The International Share market was down 8.6% in Australian Dollars
- The Australian Dollar appreciated against the US Dollar to just over 75c

The Australian share market rose 2.1% over the quarter. The March quarter saw more rotation towards sectors that benefit in rising inflation environments, and are beneficiaries of rising interest rates, with the Energy sector the best performer (+28%). The March quarter witnessed some extraordinary movements across the commodities complex. We may be entering a resources super-cycle that is driven by long thematics around decarbonisation, energy transition and technology driven changes.

In Australia dollar terms, global equities fell sharply in the quarter as interest rate and inflation fears were compounded by Russia's invasion of Ukraine. US stocks fell as Russia invaded Ukraine in late February, prompting the US and many other nations, especially in Europe, to respond with broad and damaging economic sanctions targeting a number of key Russian individuals and institutions. Equities were also hurt by elevated inflation, exacerbated by a sharp increase in commodity prices, as well as the onset of Federal Reserve interest rate increases and expectations for the Fed to pursue an aggressive pace of monetary tightening.

The Reserve Bank of Australia maintained the current target cash rate at 0.10% per annum. The Australian Dollar appreciated against the US Dollar by 3.0%

Member investment choice returns

The crediting rates for the various options to **31 March 2022** are as follows (net of tax and all fees):

Option	3m	6m	1yr	3yr
Australian Shares	1.66%	4.27%	15.75%	10.80%
Cash	0.03%	0.06%	0.09%	0.47%
Fixed Interest	-2.75%	-3.40%	-2.29%	0.68%
Growth	-2.31%	-0.67%	6.83%	5.93%
International Shares	-8.42%	-6.46%	4.24%	6.93%
Moderate	-2.32%	-1.24%	4.11%	4.06%
Smoothed	-2.31%	-0.67%	6.83%	7.28%

Growth option

The Superannuation Board constantly monitors the investment choice options in the Fund with a view to improving performance and streamlining processes.

Following its latest review, the Superannuation Board has decided to close the Growth Option from 30 June 2022. All members invested in the Growth Option as at 30 June 2022 will have their investment reallocated and invested in the Smoothed Option on 1 July 2022.

The Superannuation Board strongly encourages all members to read the linked **Significant Event Notice: Closing the Growth Investment Choice Option** or contact the Superannuation Office if more information is required.

2022 Budget

The 2022 Budget only includes one widely applicable change to superannuation - an extension of pension minimum drawdown relief.

The Budget includes a further 12-month extension of the COVID-19 temporary relief under which the minimum superannuation pension drawdown rates have been halved for the three years to 30 June 2022.

As part of its response to the coronavirus pandemic in early 2020, the Government reduced the superannuation minimum drawdown rates by 50% for the 2019-20 and 2020-21 income years. Last year the Government extended the reduction to 2021-22 and it has now undertaken to provide a further 12 months extension, until 30 June 2023.

The minimum drawdown requirements determine the minimum amount of a pension that a retiree has to draw from their superannuation in order to qualify for tax concessions. The Budget papers indicate that the extension recognises the continuing volatility of financial markets and will allow retirees to avoid selling assets in order to satisfy the minimum drawdown requirement.

New website

The Fund has launched a new website. The main goal in launching the new website is to provide our members with a more user-friendly experience. The website features a refreshed look, improved navigation and a handful of features which will make the overall experience more impactful on desktop, mobile and tablet devices.

If you have any suggestions or feedback, feel free to contact the Superannuation Office.

30 June 2022 checklist

The year is flying by and before you know it, it will be tax time again. Many members ask us 'is there anything I can do with my super to reduce my tax?'

Superannuation is designed to help you save for retirement, but if you play your cards right you may find contributing to super can help you right now.

Salary Sacrificing

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. Refer to the "Increase in the Contribution Caps' article.

Increase in the contribution caps

Concessional Contributions

From 1 July 2021, the annual cap for concessional (before tax) contributions into your super account has risen to $27,500. This cap is applied per person, not per super fund. This means if you have more than one super fund, all concessional contributions made to all of your super 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 2019-20 was the first year in which a member could make catch up contributions.

The following table details the maximum voluntary salary sacrifice contribution rate you 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):

Non-concessional Contributions

All personal after tax contributions are referred to as non-concessional contributions. A non-concessional contribution cap of $110,000 per financial year applies to members under the age of 75.

Members under age 67 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 $330,000 over a three year period.

Defined Benefit Accrual Rate	18.0%	21.5%
Defined Benefit Contribution Rate (after tax)	**6.25%**	**9.75%**
3rd Class Firefighter	17.0%	15.0%
1st Class Firefighter	14.0%	12.0%
Senior Firefighter	13.0%	11.0%
Station Officer	10.0%	8.0%
Area Officer	8.5%	6.5%
District Officer	7.5%	5.5%
Communications Systems Officer Level 2	18.0%	16.0%
Communications Systems Officer Level 4	15.0%	13.0%
GOSAC Level 3, 1st year	23.0%	21.0%
GOSAC Level 4, 1st year	19.5%	17.5%
GOSAC Level 5, 1st year	17.0%	15.0%
GOSAC Level 6, 1st year	13.0%	11.5%
GOSAC Level 7, 1st year	10.0%	8.0%

Certified identification requirements

The Fund has relaxed the rules in regards to providing certified identification. For all first-time payments to a bank account, you are required to provide a certified copy of your identification. For all subsequent payments to the same bank account, you will NOT be required to provide certified identification.

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.

Your nomination options are as follows:

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 expired. 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.

Portability

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

Board member positions

An election will be conducted shortly for two positions on the Superannuation Board. The Superannuation Board encourages all interested members to nominate for the Board Member positions.

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 by 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.

Rule changes from 1 July 2022

Australia's super system always seems to be changing, but this year the changes were more limited than usual.

The reforms that came into place were more tinkering than wholesale change and, in several cases (such as higher age limits for voluntary contributions without a work test), they represent sensible simplifications that should make it easier for everyone to use – and understand – our complex super system.

Many of the changes were originally announced in the May 2021 Federal Budget but took quite a while to make their way through both houses of Parliament. Some only passed in the dying days prior to Parliament rising for the 2022 Federal Election.

Increase in Super Guarantee percentage

From 1 July 2022, the percentage rate for the Super Guarantee (SG) increases from 10% to 10.5%. Employers are required to contribute additional money into their employees' super accounts in line with the higher SG percentage rate.

The SG has been 10% since 1 July 2021 and under the current schedule of legislated increases, the percentage rate will rise again to 11% on 1 July 2023. It will continue rising 0.5% each year until it reaches its final rate of 12% on 1 July 2025.

Removal of the $450 monthly SG threshold

A major change commencing 1 July 2022 is the abolition of the $450 monthly minimum wage threshold to qualify for employer Super Guarantee contributions.

This scrapping of the monthly threshold amount means employers are now required to make super contributions for all their employees (including casual and part-time employees) regardless of how much they earn. The only exceptions are employees aged under 18 and working less than 30 hours per week.

Reduction in eligibility age for downsizer contributions

Following passage of the Treasury Laws Amendment (Enhancing Superannuation Outcomes) Regulations 2022, the eligibility age for making downsizer contributions into super was reduced from 65 years to 60.

From 1 July 2022, more people in their sixties can make contributions (up to $300,000 per person or $600,000 per couple) into their super account using the downsizer measure, provided they meet the eligibility criteria.

Increase in age limit for voluntary super contributions

From 1 July 2022, anyone aged 67 to 74 who wishes to make a non-concessional, voluntary super contribution is no longer required to meet the work test (or work test exemption) to be eligible to make the contribution. The other normal eligibility criteria such as a Total Super Balance of less than $1.7 million and sufficient unused annual non-concessional contributions cap still apply.

The only exception is for people wishing to make a personal contribution into their super account and then claiming a tax deduction for the contribution. This type of personal concessional contribution still requires the contributor to meet the work test (or work test exemption).

Spouse contribution age limit increased

In line with the other increases in the contribution age limits, from 1 July 2022 it is possible to make a contribution into your spouse's super account without you or your spouse needing to meet the requirements of the work test (or work test exemption). The other normal eligibility criteria such as a Total Super Balance of less than $1.7 million and sufficient unused annual non-concessional contributions cap still apply.

Increase in age limit for salary-sacrifice contributions

The age limit for making salary-sacrifice contributions into super without needing to meet the work test has also been increased from age 68 to 74. This means from 1 July 2022 eligible salary-sacrifice arrangements into super are available to anyone aged under 75 without the need to meet a work test. The other normal eligibility criteria such as a Total Super Balance of less than $1.7 million and sufficient unused annual non-concessional contributions cap still apply.

Increase in age limit for bring-forward rule

Older super fund members who want to make a large non-concessional contribution into their super account can now do so from 1 July 2022, after the Treasury Laws Amendment (Enhancing Superannuation Outcomes) Regulations 2022 became law. The reform lifts the cut-off age for using the bring-forward rule to under 75 from under 67 previously.

This means people up to age 74 can use up to three years' worth of their non-concessional (after-tax) contribution caps over a shorter period. Eligibility to use the bring-forward rule will still depend on the contributor's Total Super Balance at 30 June of the previous year and the total of personal contributions over the past two financial years.

Increase in First Home Super Saver Scheme (FHSSS) limit

From 1 July 2022, the maximum amount of eligible contributions that can be released through the First Home Super Scheme (FHSS) increases from $30,000 to $50,000. However, the annual limit for voluntary contributions eligible for the scheme remains at $15,000 per financial year.

Temporary reduction in super pension minimum drawdowns

The government has extended the temporary reduction in the minimum drawdown rates by 50% for account-based pensions and similar products in the 2022–23 income year. The temporary reduction also applied to the 2019–20, 2020–21 and 2021-22 financial years.

Conversion of legacy pension and annuity products

1 July 2022 also marks the start of a two-year non-compulsory conversion period for older market-linked, life-expectancy and lifetime pension and annuity products.

Retirees with products commenced prior to 20 September 2007 are able to exit their legacy product by fully commuting it and transferring the underlying capital (plus reserves) into an accumulation super account. The funds can then be used to start a new retirement product, take a lump sum, or be retained in the accumulation account.

The commuted reserves will not count towards the fund pensioner's concessional contributions cap or trigger excess contributions.

Changes to the Home Equity Access Scheme (HEAS)

Following passage of the Social Services and Other Legislation Amendment (Pension Loans Scheme Enhancements) Act 2022, older Australians who have applied to use the government's HEAS can access lump sum advance payments from 1 July 2022. The maximum advance is capped at 50% of the maximum annual rate of their pension (including pension and energy supplements and rent assistance).

The legislation also introduced a no negative equity guarantee for HEAS participants to ensure participants with an outstanding loan balance on or after 1 July 2022 will not have to repay more than the equity they have in the property used to secure their loan.

For more information on any of these articles, please contact the Superannuation Office on 08 9382 8444 or by email at admin@fessuper.com.au.

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