



# Firesuper Supernews

October 2018 No. 117

Welcome to the October edition of the Fire Service Superannuation Scheme's newsletter, *Supernews*.

In this edition you'll find an overview of the investment markets, Scheme returns, announcement of a new Trustee Director, insights from a retirement study conducted by Massey University, notice of new Scheme documents available to you, information about changing contribution rates, the benefits of becoming a Deferred Member when you leave FENZ, likely changes to KiwiSaver, and a feature on technology giants commonly referred to as 'FANGs'.



If there are any topics you would like covered in future editions, or if you have any questions about anything featured in this newsletter, please call the Scheme helpline on **0800 MY SUPER (0800 69 78737)**.

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## INVESTMENT MARKET PERFORMANCE

*Market update for the April to August 2018 period.*

Global share markets recovered from the losses incurred in February to register record highs in August. Market sentiment improved, in part, from a round of positive US earnings results, including major technology firms such as Netflix, Facebook, Amazon and Google parent, Alphabet. Improving US jobs data and stronger commodity prices were also welcomed by financial markets. However, the Trump administration's announcement that it was imposing tariffs on Chinese exports, and those of other countries, increased market volatility which led to smaller companies outperforming larger companies as investors preferred companies with less dependence on global trade.

Returns from global fixed interest investments have been relatively flat since March. Longer-term government bond yields were mixed with the US 10-year Treasury yields rising in line with an improving growth outlook and the decision by the US Federal Reserve (the Fed) to accelerate its rate hike agenda. Over the course of 2018 we have seen the Fed raise rates while indicating that more rises are possible.

The Reserve Bank of New Zealand's new governor, Adrian Orr, reiterated the view that monetary policy would remain accommodative in the near-term; though he clearly signalled a willingness for the next move in interest rates to be determined by the relative strength of key economic data. The New Zealand official cash rate has remained unchanged since February 2017, at 1.75%.

All the scheme's options have performed according to expectations. Despite the share markets ups and downs, the Growth option has performed the best this year given its higher allocation to shares. The Conservative option has been relatively flat as income assets (e.g. global fixed interest) have been challenged by rising global interest rates – particularly in the US. As interest rates rise, the value of the existing fixed interest securities often declines since they were issued at the previously lower interest rate.

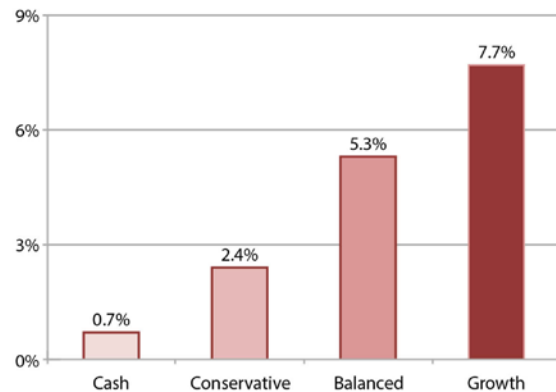
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## SCHEME EARNING RATES

The chart to the right shows the earnings rate for each investment option for the Scheme year-to-date (April 2018 to August 2018). Returns have been very strong, particularly for the Balanced and Growth options, which benefitted from the higher allocation to global and Australasian equities. Given these year-to-date returns, the investments options are well positioned relative to the investment expectations.

Please note that the returns shown are after tax and all administration and investment expenses. These returns are also indicative only and actual full year returns you receive may differ from those shown as timing and amounts of your contributions may impact on your actual returns. Past performance should not be relied on as an indicator of future returns.

Cumulative year-to-date returns from 1 April 2018, displayed by investment option per month, are available for [download from the scheme website](#) (click on the “Your Returns” tile on the Home Page).



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## WELCOME ANGELA, A NEW DIRECTOR OF THE SCHEME

Angela Hauk-Willis was appointed to the Board of Directors of FireSuper Trustee Limited on 1 August 2018, and replaces Angela Foulkes.

Angela has been a Board member of the New Zealand Fire Service Commission and subsequently of Fire and Emergency New Zealand from 2011 to 2018, and brings a wide range of experience in the establishment, operation and governance of superannuation schemes. Angela is a former Deputy Secretary at the Treasury.



# NEW DOCUMENTS AVAILABLE ONLINE

A new **Product Disclose Statement (PDS)** was released on 28 September 2018. This document gives you important information about the investment options available to you, and details on the risk and fees associated with each option. The latest PDS is available on the Scheme website, and also on Disclose at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) (click on 'Scheme Offers', enter 'New Zealand Fire Superannuation Scheme', and click on the 'Documents' tab).

The four latest **Fund Updates** were made publicly available in June this year, which report on the risks, performance, fees, and fund-specific investment information to help you make informed investment decisions.

Additionally, the **2018 Annual Report** was also distributed to all members in June this year. We ask that you keep your personal contact details updated, especially your email address, to ensure successful delivery of future scheme correspondence. Logon to the Scheme website at [www.firesuper.superfacts.co.nz](http://www.firesuper.superfacts.co.nz), select "Personal Details" and follow the instructions to update your communication preferences.

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## REVIEWED YOUR ACCOUNT RECENTLY?

Although saving for your retirement is usually a long-term undertaking, it shouldn't be a set-and-forget process. Reviewing your Scheme membership on a regular basis is very important to ensuring you're in an option that best suits your personal risk tolerance and financial goals. Taking a moment each year when the annual report is released is a popular time for members to review their investments and ensure they're in one that matches their needs. You can view your account information online by logging into the website by [clicking here](#).

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## CHANGING YOUR CONTRIBUTIONS

If you wish to change your regular or voluntary contribution rate for any reason, please contact the Scheme Secretary at [nzfire.super@mercero.com](mailto:nzfire.super@mercero.com) to request prior Trustee approval to do so. Once given, the approval is passed to Payroll to action your requested change.

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# LEAVING SERVICE. STAYING IN THE SCHEME.

If you leave Fire and Emergency New Zealand (FENZ), you have the choice to stay in the Scheme by becoming a Deferred Member.

As a Deferred Member, you choose to delay receiving your full benefit payout and instead keep your funds invested with leading investment managers and enjoy lower administration charges compared to many retail schemes. You also continue to receive 24/7 access to your investments, and the Scheme's secure website to easily view your account information, update your details, and make changes to your investment options.

Deferred Members may make four lump sum withdrawals a year free of charge and also have the option to make regular monthly withdrawals.

To become a Deferred Member, complete the FS9 Cessation Advice form when you are leaving FENZ and submit it within one month of the date you leave. More information about the application process is available on the 'Deferred Member Fact Sheet' on the [Scheme website](#) (visit the 'Documents and forms' page), or call the Helpline on **0800 MY SUPER (0800 69 78737)**.

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## MASSEY RETIREMENT STUDY

Many retirees now top up New Zealand Superannuation to maintain the lifestyle they want. The gap between how much pensioners receive and how much they spend had widened significantly and many are working beyond the age of 65 to pay for the shortfall, according to the latest Retirement Expenditure Guidelines\* produced by the Westpac Massey Financial Education and Research Centre.

The two levels of expenditure are split into 'No Frills' and 'Choices'. The 'No Frills' guidelines reflect a basic standard of living that includes few, if any, luxuries. The 'Choices' guidelines represent a more comfortable standard of living, which includes some luxuries or treats.

### So how much should you expect to spend in retirement?

	One person households		Two-person households	
Weekly NZ Super rates	\$390.20		\$600.30	
Total Weekly Expenditure	Metro	Provincial	Metro	Provincial
No Frills budget	\$590.44	\$561.04	\$872.22	\$621.48
Choices budget	\$1,175.17	\$824.16	\$1,399.72	\$1104.78

The Massey report represents actual levels of expenditure by retired households, and not the recommended levels of expenditure. To understand how much you may need in retirement, you can use Sorted's retirement planner at [sorted.org.nz/tools/retirement-planner](https://sorted.org.nz/tools/retirement-planner).

\*The full Retirement Expenditure Guidelines report is available on [Massey University's website by clicking here](#).

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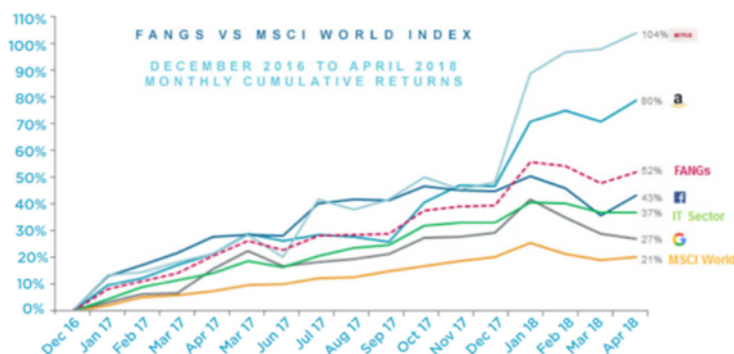
# CHANGES TO KIWISAVER

A number of changes are proposed to improve the effectiveness of KiwiSaver by helping New Zealanders save for their retirement and making funds more accessible. The proposed amendments give effect to the following changes to the KiwiSaver Act 2006 by:

1. **Introducing additional 6% and 10% KiwiSaver contribution rates (1 April 2019)** to give members more flexibility to self-select a contribution rate that better aligns with their particular circumstances. At present, an employee can choose to contribute 3%, 4%, or 8% of their gross salary and wages to their KiwiSaver account.
  2. **Reducing the maximum contributions holiday period (1 April 2019)** from five years to one year, while permitting existing contribution holidays to continue until they expire.
  3. **Changing the name from “contributions holiday” to “savings suspension” (1 April 2019)** and replacing all references within the Act.
  4. **Allowing over 65 year olds to opt-in to KiwiSaver (1 July 2019).** Currently, over 65 year olds cannot join KiwiSaver, so this law change will give over 65 year olds the ability to join.
  5. **Removing the lock-in period (1 July 2019).** The “lock-in period” only affects members who join KiwiSaver after the age of 60, and therefore have not been a KiwiSaver member for five years when they reach the NZ Superannuation qualification age (65 years old). This law change will permit KiwiSaver members to withdraw their funds when they reach Superannuation age, regardless of how long they have been a KiwiSaver member.
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## THE FANGs

Over the last few years, many global investors have been closely following the outstanding performance of the world's technology companies. Standing out among these have been the 'FANGs' – Facebook, Amazon, Netflix and Google.



The FANGs have provided their shareholders with spectacular returns. As you will see in the following chart, over the period December 2016 to April 2018 the FANGs (collectively) have clearly outperformed other technology stocks, as well as the broader-based MSCI World Index.

As a member of the Scheme you currently have some exposure to these companies.

To find out more about anything mentioned in this newsletter please either call us on **0800 MY SUPER (0800 69 78737)**, email [nzfire.super@mercer.com](mailto:nzfire.super@mercer.com), or visit the Scheme website by [clicking here](#).



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