



Firesuper Supernews

January 2016 No. 111

The Trustees welcome you to the latest edition of the Fire Service Superannuation Scheme's Supernews, in which you'll find the latest news and information about your Scheme and superannuation in general.



FINANCIAL MARKETS CONDUCT ACT

As mentioned in the annual report, we intend to transition the Scheme to the Financial Markets Conduct Act (FMC Act) regime by 30 September this year. The FMC Act replaces most of New Zealand's existing financial markets conduct law and will come into full effect on 1 December 2016. Its aim is to help provide investors with an environment in which they can make informed, confident decisions about New Zealand investment products.

It should be pointed out that the move to meet FMC Act requirements will not affect your membership of the Scheme or your benefits in any way. Much of what is occurring is more administrative and 'behind-the-scenes' in nature, although one obvious change will be the replacement of the Scheme's investment statement with a more user-friendly product disclosure statement.

We have already made a fair amount of progress towards meeting the requirements of the new legislation, including the appointment of Tim McGuinness as the Scheme's licensed independent trustee. We are also well under way in amending the Scheme's trust deed, and the statement of investment policy and objectives, which sets out the Scheme's investment governance and management framework and strategies.

We will continue keeping you up-to-date with progress as we move towards the September deadline. The Financial Markets Authority's website, fma.govt.nz can also provide you with plenty of information about the FMC Act.



FINANCIAL MARKET PERFORMANCE

A tough September quarter...

Global markets displayed real signs of uncertainty in the September quarter, with investors particularly concerned about impending headwinds facing the world economy.

The slowdown in the Chinese economy continued to keep pressure on commodity prices, leading to a knock-on effect for global trading activity. This, together with growing uncertainty about US interest rate increases, caused a spike in market volatility during the quarter.

Global share markets provided their worst performance in nearly four years, falling 10%. New Zealand shares also lost ground, but to a much lesser extent than their offshore counterparts, with the local market protected by support for income-earning shares.

...followed by a very strong rebound in October

A change of month was enough to create a change of heart among investors. After the sharp losses on global share markets in the September quarter, developed markets regained almost 8% during October; even emerging markets made solid ground, while, locally, New Zealand shares were up 7% in a broad-based recovery.

Despite ongoing concerns, markets were helped along by the likes of the European Central Bank, which indicated it may extend its economic stimulus programme, including further interest rate reductions. Better-than-expected earnings reports out of the US also boosted investor confidence.

...and into November -

After a strong rebound in October, markets turned in a mixed performance for November. While markets looked past the terrorist attack in Paris and geopolitical concerns, investors signalled concern over global growth.

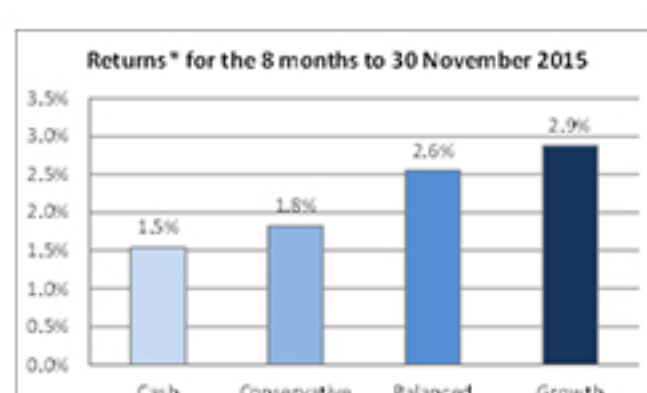
SCHEME EARNING RATES

Relative to the strong returns seen in recent years, these are somewhat modest, although clearly still in positive territory. Share markets (the domestic market being a notable exception) lost ground over the period. However, a significant fall in the 'kiwi' offered a boost to the performance of global assets in NZ dollar terms. Fixed interest markets also provided some relief (with the domestic market again performing relatively well).

For detailed information about the Scheme's investment performance, see the quarterly investment update and Russell Investments quarterly investment report, both of which are available on our website,

www.firesuper.co.nz/investmentperformance.

Earning rates for the eight months to 30 November 2015 are shown in the chart below:



*Returns shown are after tax and all administration and investment expenses.

LEAVING YOUR SAVINGS IN THE SCHEME WHEN YOU RETIRE

Did you know that you don't have to withdraw your retirement accumulation when you retire?

The Scheme rules allow you to leave your retirement accumulation in the Scheme and make up to four withdrawals a year free of charge.

If you choose this option, you need to let the Trustees know within one month of the date you leave service.

Other conditions apply. For further information refer to the Scheme's investment statement.

PLANNING FOR YOUR RETIREMENT – HOW MUCH WILL BE ENOUGH?

There can be a wide gap between what you actually need and what you would like to have to enjoy your retirement years.

You may be content with a 'no-frills' lifestyle, which costs less by providing a more basic standard of living that doesn't allow for many, if any, luxuries. On the other hand, maybe you want the 'choice' of a better (though by no means extravagant) level of retirement. This means having enough income to allow you to include some luxuries, such as a higher level of medical insurance, a better-quality car or being able to help towards your grandchildren's education costs.

There could also be a point in between no frills and choice that you are comfortable with. Even when classifying the essentials, such as food, electricity and transport, there is scope for you to decide how much you want to spend over and above what is considered necessary in each of these categories.

A major influence on having the ability to select between no frills and choice is how far you are from retirement. If you are in your 30s or 40s, for example, you have a much longer savings timeframe, perhaps up to 30 years. However, the ability to put more aside for those extras may be more difficult if you are already in your 50s.

With so many variables, it is difficult to work out the difference between the costs of the two retirement lifestyle options. However, as an indication, a recent survey* of retirement expenditure (based on a one-person household in a metropolitan area) indicated that, on average, a no-frills lifestyle would cost around \$490 a week, compared with \$754 for a choices lifestyle. The survey also suggests

that only no-frills retirees living in major cities could manage on New Zealand Superannuation by itself.

Even once you have worked out what sort of lifestyle you want, establishing the actual 'running' costs can also be a challenge. You could seek the guidance of an authorised financial adviser, while the Sorted website, sorted.org.nz/calculators, has a number of very useful calculators to help you establish what your retirement is actually going to cost you.

Sorted includes a planner that allows you to work out how much income you'll need and what you must do, savings-wise, to get there. It allows for inflation, including calculating how much your current superannuation and other savings will be worth when you retire.

A useful tip: Identify something you'd particularly like to do after you retire – perhaps a special overseas trip or some house alterations. Work out what you think it will cost (no need to be too precise) and set a separate savings goal to ensure you can afford to pay for it when the time comes.

No matter what your age, it is worth weighing up sooner rather than later what is likely to be necessary to you in retirement and what is seen as nice to have, but can be classed as optional.

*NZ Retirement Expenditure Guidelines 2015, produced for Workplace Savings NZ by the Fin-Ed Centre.



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