

SuperViews

From the Office of Beryl Ashe, Employee Representative –
SAS and FSS Trustee Corporation Boards



SUMMER 2000

MAXIMISING your SSS Benefit

The State Super Scheme (SSS) is a pension scheme, closed to new members in 1985. The following information is general in nature and individuals should check with the administrator on 1300 130 096 on their specific circumstances.

Retirement Ages: SSS female members on joining the fund were able to elect to retire at age 55 or 60. R55 members pay much higher contributions than R60 members in order to retire earlier. Check your annual statement to see if you have an R55 or R60 retirement age. For those women who did not so elect, and for all male members, age 60 is the normal retirement age. An early

voluntary retirement (EVR) benefit becomes available to R60 members at age 55. *Note: On 1.7.99 new Federal preservation rules came into force. When you retire may now be different from when you can collect all of your super. Know your "cashable amount" and your preservation age.*

Units: There are different types of units. The higher your "superable salary" the more units you receive. You must buy all units until you are contributing at least 6% of salary, after which you can "abandon" those units you may not be able to afford at the time. You can pick up these units again later if you wish at annual

reviews. *Note: Have you checked your superable salary level lately?*

Reserve Units: If you have Reserve Units it may be better for you to retain these until termination of employment, rather than "appropriate" or substitute them for other units. The value to you of these units would have increased over time (contributions plus interest at fund earning rate).

Abandoned Units: On reaching normal retirement age, the option exists for you to pay for some, or all abandoned units as you choose.

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NEWS UPDATE

APOLOGY TO FIRST STATE MEMBERS:

Annual Statements scheduled for mailing in Aug/Sept were delayed due to computer problems experienced by our administrator.

FIRST STATE SUPER

Changes to Default Strategy! As from 1st November 2000 the default strategy for FSS members has changed. For those members who have not chosen which investment option they want their money invested in, the Trustee

"defaulted" the member, by age, into an investment product for them. Only three of the five investment products were used for default purposes, ie, Cash and High Growth were excluded. From 1.11.00 only two investment products will be used for default purposes. They are Diversified and Balanced. *Note: It is important that members understand their investment options and choose which product they prefer, based on growing their money at the fastest rate possible, or being a little bit more conservative closer to retirement. Have you made an*

investment choice? Do you know where your money is invested?

SAME SEX PARTNERS

The NSW Government has tabled a same sex partners Bill in Parliament which will, if enacted, extend the definition of "spouse" in SSS, SASS and PSS to include same sex partners. This will enable same sex partners to be treated under the schemes in the same way as partners of the opposite sex. Steps are being taken to allow members who accepted the Conversion Offer the opportunity of reviewing that decision in light of the new legislation.

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The more units you have, the higher the pension paid. Any abandoned units remaining are “reduced value” units and are paid out at a lower value. *Note: Abandoned units later picked up by members must be held for 2½ years before the full value is included in the calculation of your benefit in the event of invalidity, death and some cases of early voluntary retirement.*

Instalment Units: Any new units that you get within 5 years of retirement are paid for on an instalment basis, ie at a special lower rate, with the balance being paid from your benefit on retirement. This is done because of the high costs of these units for a member. As a result most members will have an outstanding debt to pay on normal retirement.

EVR and Discounted Benefits: Your benefit is maximised at your normal retirement age. If you retire early your benefit will be discounted on a sliding scale over that 5 year period, ie your units attract different values from age 55 to full value at age 60.

Reduction in Salary – Over 55: If you experience a single salary reduction of 20% or more after reaching age 55 you can protect your SSS benefit by crystallising (deferring) your benefit until retirement age is reached. An election to do this must be done within 2 months of the salary reduction with certification by your employer. You then have the opportunity to join SASS for the remainder of your service and if this application is not made within the time limits you would automatically become a member of FSS.

Reduction in Salary – General: Your end benefit is based on your final salary. Your unit entitlement, also based on salary, will drop if

your salary is reduced. Even if you have been contributing towards a higher number of units, your benefit on retirement or death will be based on the new (lower) number of units.

Note: If your salary reduction is due to ill health or other such reasons, you can make an application to the trustee for your benefit to be calculated at the higher salary level.

Tax Issues: Since 1988 employer contributions have been taxed at 15%. However, tax concessions available on scheme benefits, especially pensions, ensure that retirees and other beneficiaries (eg. spouses), are not disadvantaged.

Calculations of your benefit on retirement:

Your benefit may be affected by the following:

- 15% tax on the employer share of your benefit;
- any surcharge tax owing;
- payment for any abandoned units as you choose;
- outstanding amount of any instalment units;
- any new units you choose to pay for which became available since your last annual review.

Included in the calculations would be your 3% basic benefit (which can be used to offset in part or in whole the debts above), your paid up units and the employer funded portion of your benefit.

Important Issues to Note:

The surcharge tax (if applicable), as calculated at that point in time, must be paid before a benefit can be paid to you. The scheme is required to collect this tax. *Note that a further surcharge tax liability could still be accruing to you and because of timing it may be payable after retirement. This is a matter between you and the ATO who will advise you of any debt.*

Retrospective Pay Increases: If you exit employment prior to a retrospective pay increase being awarded to which you are entitled, you may become eligible for new units. In the case of normal retirement, you can choose to pay the full cost of these and collect the full value, or receive them as reduced value units. You will need to ensure that your past employer advises the administrator of your new exit salary.

Working Past Retirement Age: The scheme was designed for employees to retire from work at normal retirement age, and the benefit is maximised at that point. Federal legislation now permits members to work up to age 70 (minimum of 10 hours per week) and remain in their super scheme. After age 65, a member can exit SSS and collect or defer their benefit, and continue to work. If this occurs, the member is entitled to join FSS and the employer contributes 8% of salary to their account.

Note: It is essential that any SSS member considering working past normal retirement age seeks advice on the effect this would have on their benefit, so that the advantages of working can be considered against any reduction of their benefit which may occur.

FACT Sheets on all of the above issues can be obtained from:

SSS	1300 130 096
SASS	1300 130 095
PSS	1300 130 097
FSS	1300 650 873

DUE TO POPULAR DEMAND

the following information is repeated

Salary Sacrifice/Packaging

Arrangements should now be in place in most work places.

Remember it is essential that:

- ▶ Industrial awards are amended to include these arrangements.
- ▶ Members seek advice from consultants on their own arrangements. (Find out if your employer has engaged a consultant with a good software program).
- ▶ Members take into consideration that marginal tax rates changed from 1.7.00 which may affect the savings able to be made.

For all public sector employees, other than teachers, 30% is the maximum salary which can be sacrificed, and can be used for contributions to superannuation only. For teachers, the maximum is 50% and they are able to package a broader range of items.

FSS members can salary sacrifice into their own FSS accounts. SSS, SASS and PSS members cannot sacrifice into their accounts but can open a FSS account for this purpose. FSS has low fees and charges. Remember to read up on the investment choices available and select one which suits your savings horizon.

What is salary sacrifice? If you earn gross \$40,000 per annum you are taxed on that amount. If you salary sacrifice, say \$2,000 per annum, this is deducted off your gross salary figure and you are then taxed on \$38,000. For all other purposes, \$40,000 is the figure used for your salary eg annual leave.

Your adviser will walk you through any other tax issues arising, eg fringe benefit tax or surcharge tax, which may apply to some members.

A COMPARISON OF PERSONAL INCOME TAX RATES

Current Rate				New Rates from 1 July 2000			
Up	to			Up	to		
		\$5,400	0%			\$6,000	0%
\$5,401	to	\$20,700	20%	\$6,001	to	\$20,000	17%
\$20,701	to	\$38,000	34%	\$20,001	to	\$50,000	30%
\$38,001	to	\$50,000	43%	\$50,001	to	\$60,000	42%
Over \$50,000			47%	Over \$60,000			47%

Changes to Marginal Tax Rates. The above chart sets out the changes which occurred from 1.7.00.

Preservation Age Rules. Introduced by the Federal Government as from 1.7.99. As the Federal Government could not change the retirement ages within schemes, it changed the age at which you could collect your super monies. This is to try to ensure that super monies are used for retirement purposes and not frittered away before then.

Preservation Ages are:

DATE OF BIRTH	PRESERVATION AGE
PRE 1 July 1960	55 years
1.7.60 – 30.6.61	56 years
1.7.61 – 30.6.62	57 years
1.7.62 – 30.6.63	58 years
1.7.63 – 30.6.64	59 years
AFTER 1 July 1964	60 years

“Cashable Amount”. To introduce the new preservation ages, the Federal Government had to allow members the right to any super monies they may have been able to withdraw (or cash out) under the old rules. Therefore calculations were made for each member to determine what their “cashable” amount was, as at the 30th June 1999. This amount is able to be taken when exiting, with the old rules applying, and any monies contributed from 1.7.00 are

held until the members new preservation age.

Superable Salary. It is extremely important that members know what their superable salary is. This simply means the salary level which is used to calculate your super contributions and benefits. The higher the salary, the higher your super contributions and benefits.

A rule of thumb for SSS and SASS members is base salary, plus shift loadings and other allowances (similar to those payable on termination). For SASS and SSS members, workers compensation payments up to the value of their salary are included. Excluded are overtime, bonuses, expense allowances, rent allowances etc. Changes of employment from part-time to full-time or the reverse are also important aspects to watch.

For FSS members the situation is somewhat different. The FSS Act 1992 defines salary for non-executive officers as being salary in respect of ordinary hours of work and earnings consisting of overaward payments, shift loadings and commission. The Superannuation Guarantee (SG) is currently 8% of salary paid by your employer. SG legislation is the domain of the Australian Tax Office who determine what is “salary”. This is done by via Tax Rulings.

For FSS members workers compensation payments are not included.

INVESTMENT NEWS

It has been a long time since one of the State Super Strategies has not generated a return significantly above inflation, but that was the case with the First State Super Cash strategy, which returned 5.3% in the year ending September compared with an inflation rate of 6.1%. The good news is that all the other State Super Strategies generated significant real returns for members during the year.

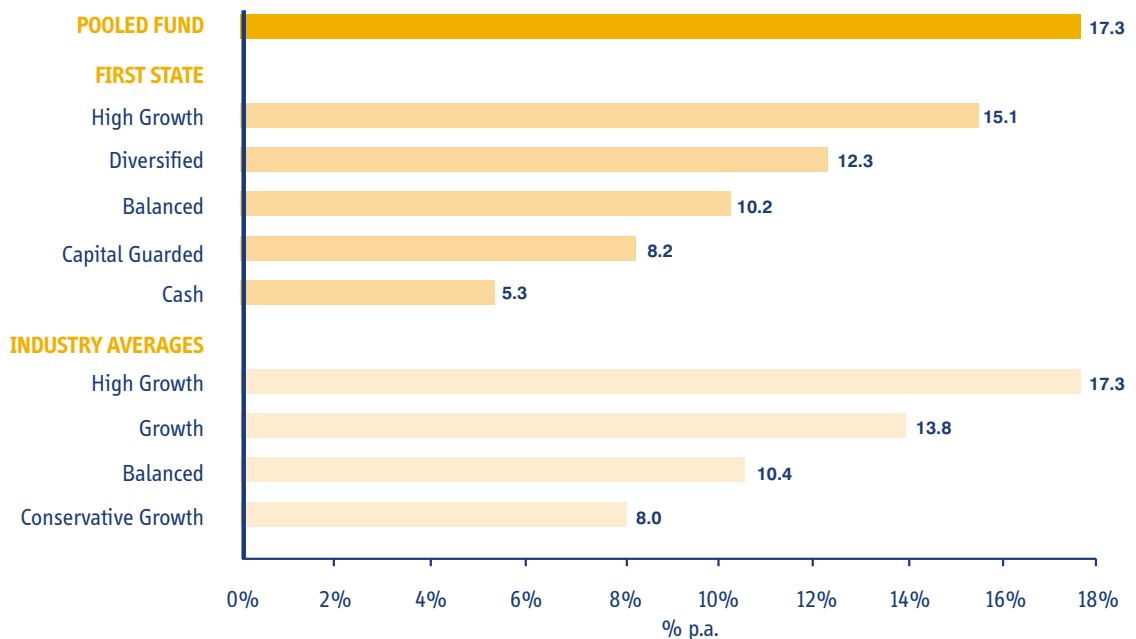
The increase in inflation from 3.2% in the year ending June 2000 to 6.1% at the end of September was largely due to the introduction of GST on 1 July 2000. Higher oil prices, which have seen petrol prices exceeding \$1.00 / litre, and a weak exchange rate have also added to the temporary pressure on inflation.

During the September quarter the A\$ reached new lows against its US counterpart. This would tend to make overseas travel more expensive, but has the advantage of generating good returns from investments in overseas assets. The weakness in the A\$ was such that overseas investments (unhedged) was the best performing asset class during the quarter and the year

ending September, returning 5.3% and 30.4% respectively.

The State Super Strategies have all, except for Cash, benefited from a bias to international assets relative to the relevant average manager for each strategy. Good asset allocation combined with strong sector performances have made the Pooled Fund highly competitive over the last twelve months. Despite good asset allocation, the performances of the First State Super strategies have been below average due primarily to a couple of under-performing equity managers. However, the situation is being closely monitored and improvements have taken place in the six months ending September 2000.

STATE SUPER NET INVESTMENT RETURNS – Year ended 30 September 2000



Disclaimer: The information in this newsletter gives, by necessity, a general interpretation of the issues. Members should always seek advice from the appropriate authority on their individual circumstances before making decisions which may affect their future.