

SuperViews

From the office of the
Employee Representative
SAS Trustee
Corporation Board



Ron Davis
Full-time Employee Representative

PO Box N259
Grosvenor Place
NSW 1220

It's benefit statement time, have you checked your statement?

Introduction

You receive your annual superannuation benefit statement around October each year. It's tempting just to glance at it and not look at the detail, but a little time taken to check your statement now may result in many thousands of dollars extra when you exit your scheme. Often members wait until they are ready to retire before they try to understand their scheme benefits, but then it may be too late. If you had understood the rules of your scheme earlier, you may have been able to obtain a higher benefit. This edition of *SuperViews* gives a general overview of some key issues and ways to attract the highest benefit possible, if you act early.

Which scheme are you in?

You may think of yourself as belonging to *State Super*. However State Super is the general name used to cover all the schemes run by the SAS Trustee Corporation (STC). These schemes are:

- **State Superannuation Scheme**
(SSS — your annual statement is brown)
- **State Authorities Superannuation Scheme**
(SASS — your annual statement is green) and
- **Police Superannuation Scheme (PSS** — your annual statement is dark blue).
- There are also people in the NSW Public Sector who are members of **First State Super (FSS)** whose trustee is the FSS Trustee Corporation (FTC) — their annual statement is mid-blue.

It is important that you know which scheme you are a member of so your questions can be answered correctly, and you can maximise your benefit. Each scheme has very different rules.

SASS

I don't understand my points — what do I need to know to maximise my benefit entitlement?

SASS has a flexible contribution system which lets you select a personal contribution rate from 1% to 9% of your salary each year. However, if your contribution rate is less than an average of 6% for each year of your membership, you will not have accrued your maximum available employer financed benefits. You could be missing out on many thousands of dollars in employer contributions towards your SASS benefit.

If you are working full-time, each 1% that you contribute each year from your salary up to an average of 6% for each year of membership entitles you to 1 benefit point which represents 2.5% (for some members 3%) of your final average salary at retirement up to a maximum of **180 points**. In addition to this employer financed benefit you will get back your own contributions with interest.

The first paragraph of your annual statement shows you how many **maximum available benefit points** (employer) and how many **contributed benefit points** (yours) are available to you at the end of the statement period. If your statement shows that you have contributed for fewer than the maximum available employer points, then you could miss out on benefits that your employer would otherwise have paid you at retirement. You can make up for some if not all of these points by contributing 7%, 8% or 9% of your annual salary. The higher your contribution rate the faster you will catch up. If you are behind don't leave it too late to catch up! The fastest you can catch up is by paying 9% which will close the gap between your contributed and maximum available points at 3 points per year. If you have already reached 180 maximum available points the full percentage you are contributing will close the gap. The very most that the employer will pay is based on **180 points** — an average of 6 points per year over 30 years.

To change your contribution rate simply complete the form which is included with your statement each year. You should circle the rate you wish to contribute from 1st April the following year, and return the completed form to Pillar Administration, the scheme administrator by 31 December.

There are some members who were transferred to SASS from earlier schemes who may always have contributed 6% of their salary yet will have fewer contributed points than the maximum available points (180). This is because the previous scheme paid a lower benefit than SASS. When these members were transferred to SASS they were allotted extra employer points for which they could contribute so that the benefit they could receive (if they contributed for these points) would be the same as if they had always been a member of SASS. Even if you have always contributed 6% of your salary, check your statement to see if you have more available employer points you can contribute for.

Have you applied for the Additional Benefit Cover?

On death or invalidity SASS members are always entitled to the benefit they have accrued up to that date but they may also be entitled to an extra benefit called the *Additional Benefit Cover*. Some people will have joined SASS without applying for this valuable benefit cover. To check whether you have applied for *Additional Benefit Cover*, look at your statement beneath the details of your personal account where it says *Additional Benefit Classification*. If you have not applied for this benefit the words *Not Assessed* will be shown on your statement.

The *Additional Benefit Cover*, is designed to cover you for the difference between:

- The benefit you have accrued up to the date of your total and permanent invalidity or death, and
- The benefit that might have been accrued if you had been able to keep contributing at the same average rate you have been contributing to date, until the minimum retirement age, including an allowance for contributions you would have made yourself.

If you are younger than the minimum retirement age and your annual benefit statement says *Not Assessed* you may wish to apply for the *Additional Benefit Cover*. Simply complete the confidential *Application for Additional Benefit Cover* form (SASS 431) — available from customer service — and return it to the scheme administrator. If your application for this cover is accepted, a levy will be deducted from your personal account each month; you do not need to find additional money to pay for this benefit cover. The levy paid by you goes into a pool to meet 25% of the cost of this benefit — your employer pays the rest!

SSS

Why do I owe contributions if I retire at or after age 60 (age 55 for women who elected to contribute to retire at age 55)?

On normal retirement, most SSS members have an outstanding balance of personal contributions to be paid. Normal retirement is age 60, or 55 for women who elected to make higher contributions for retirement at this age.

- The contributions you make are used to buy units of fortnightly pension. Each unit that is fully paid will attract pension of \$5.50 per fortnight (less an adjustment for the 15% employer contributions tax) and costs around \$500 (members who joined before July 1963 pay less). The cost of the units you begin contributing for more than 5 years before your *normal retirement*, is spread over every pay from the time you first start contributing for them until your 60th (or 55th) birthday, when they are fully paid.
- Rather than be required to pay off the full cost of units you take less than 5 years before *normal retirement* by the time you reach *normal retirement*, which would result in a significant financial burden, the cost of these units is spread over a 5 year instalment period. Therefore, at age 60 you will have paid for three-fifths of the cost of a unit taken at age 57 and still have two-fifths of its cost owing.
- In addition, your last day of service is in effect an *annual review day* and your unit entitlement will be recalculated on this date. If you have had a pay rise since your last *annual review day* then this will result in an entitlement to new units which are available at their full cost.
- Also, if you have previously abandoned (chosen not to contribute for) any units, at *normal retirement* you may also choose to pay for these units and have their full value included in the value of your benefit — otherwise, a reduced benefit is payable on these units.

These amounts are referred to as *outstanding contributions* and, along with any contribution arrears that may have arisen from a period of LWOP or any other reason, must be paid within 1 month after your last day of service. *Outstanding contributions* are not payable on *early voluntary retirement*.

If you are within 5 years of *normal retirement* age your statement will show the cost of any *outstanding contributions* the administrator is aware of at the end of the statement period. This amount will increase as you receive

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pay increases and attract new units. The final cost of your *outstanding contributions* will not be known until you reach your retirement date and your final salary is known.

You can meet this cost:

- from your *Basic Benefit*,
- by commuting (exchanging) part or all of your pension for a lump sum and asking that part of the lump sum benefit be used to pay these *outstanding contributions*, or
- by choosing to pay these *outstanding contributions* directly to SSS from non superannuation moneys.

Resignation — can you retain your membership in SSS and SASS?

A break in employment of over 3 months will cause your future membership rights in these schemes to be cancelled. So, if you are changing to another NSW Public Sector job, do so with a break in employment of no more than 3 months so that you can elect to keep your SSS or SASS membership. If you do take a break in employment of less than 3 months, you **must** apply for continuity of your current membership within 3 months of returning to work and arrange to pay outstanding arrears of contributions for the time you have not been employed.

SASS, SSS & PSS

If you resign from your NSW Public Sector job, you can defer your benefit thereby attracting a higher benefit at retirement.

If you resign from your employment before retirement age you may choose between two benefits.

- You may elect to take a *withdrawal benefit* which is payable from the scheme at the time you resign which does not include the full employer benefit, or
- you may elect to defer your accrued entitlements in the scheme until retirement age, when a higher benefit (which includes the employer benefit) is payable.

Deferred benefits are paid earlier if you die or suffer total and permanent disability. If you voluntarily defer your benefit in the scheme you still keep the option to take the original cash withdrawal benefit, plus interest, at any time, subject to the Commonwealth government's preservation rules.

Check your deferred benefit on your statement!

Both the withdrawal benefit and the deferred benefit are listed on the front page of your annual benefit statement

under *Resignation*. Check your statement to see the value of your deferred benefit.

How is your deferred benefit calculated?

SASS — As a SASS member exiting before retirement age you are likely to increase your benefit by deferring (ie. not claiming) your benefit until retirement age (generally age 58) is reached. Deferred benefits include your:

- personal account,
- the employer financed benefit, and
- the Basic Benefit (as calculated at date of exit of employment).

Deferred benefits accrue interest, currently at the earning rate of the Pooled Fund. When investment choice becomes available for SASS members you will be able to choose an investment strategy for your deferred benefit.

SSS — A notional pension is calculated at the time you resign which represents the value of your contributions and the employer benefit accumulated at the time of your resignation. The employer component of the notional pension is indexed to the Consumer Price Index (CPI) until you elect to receive it either as an indexed pension or you elect to commute (exchange) all or some of it for a lump sum at normal retirement age. The benefit may be taken earlier at a lower rate, under the provisions of *early voluntary retirement*.

SSS deferred benefits still carry an entitlement to spouse benefits and children's pensions if you die.

PSS — The deferred benefit is calculated as a lump sum at the date of your resignation and this amount is adjusted for CPI until the date it is paid at or after age 55.

Check your statement and learn about your scheme

Every year when you receive your statement take time to check it and read the explanatory notes. If you have access to the internet, print off fact sheets to learn more about your scheme. The time you spend actively understanding the rules of your scheme now may result in additional money when you exit the scheme.

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| The June quarter 2003 to the rescue!

2002-03 was a year where the negative dominated the positive in investment news. The year started with a poor reporting season in the US, which set the tone for other markets. For the September 2002 quarter, the average growth fund generated a negative 5.5% return. Returns improved in the December quarter 2002, but March 2003 was another negative quarter as the looming conflict against Iraq weighed on investment markets. By early April 2003 the year-to-date returns were not encouraging, but the conflict in Iraq was officially over, analysts saw signs of improvement in the US economy due to strong fiscal and monetary stimulus, and equity markets around the world benefited from this change in sentiment. Risk was rewarded. Most investment options provided healthy returns, which resulted in a tremendous improvement in returns for the full year ended 30 June 2003.

	Sep Quarter 2002 %	Dec Quarter 2002 %	Mar Quarter 2003 %	June Quarter 2003 %
Pooled Fund	-5.7	2.6	-2.9	4.6

The return for the 12 months ended 30 June 2003 for the Pooled Fund was a negative 1.7%. It was disappointing to deliver a negative return, but it has limited or no impact on the benefits of most members within the Fund, because the benefits are either defined or partly defined.

Although the absolute returns were weak, the relative performance of the Pooled Fund was second quartile for the year ended 30 June 2003 if compared to the median growth manager in the InTech* performance survey.

However, the fluctuations in returns may be of concern to those members whose benefits have been deferred and

accrue earnings in the Pooled Fund. Investment choice will become available to these members later in 2003, but it is important that members not be influenced by the daily volatility in markets and seek professional advice before deciding to change their investment strategy as and when choice becomes available.

Net investment returns for periods ending June 2003				
	3 Months %	1 Year %	3 Years % per annum	5 Years % per annum
Pooled Fund	4.6	-1.7	-1.4	3.7
Median Manager — InTech* Surveys				
Growth	4.5	-2.1	-0.1	4.0
Asset Sector Index Returns				
Australian Shares	5.9	-1.7	0.7	6.4
International Shares (unhedged)	5.5	-18.5	-16.3	-4.7
Listed Property Trusts	3.2	12.1	13.6	11.4
Australian Fixed Interest	2.2	9.8	7.8	6.6
International Fixed Interest (hedged)	2.4	12.2	9.6	7.8
Cash	1.2	5.0	5.2	5.3

Investment returns in the Pooled Fund are not guaranteed by the Trustees of the Fund or the NSW Government. Past performance is not an indication of future performance.

**InTech is an asset consulting firm which publishes surveys of the investment performance of superannuation fund managers.*

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Nothing in the newsletter is to be regarded as personal advice. Members should seek professional advice before making decisions which may affect their future.

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09/03

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