

SuperViews

From the office of the
Employee Representative
SAS Trustee
Corporation Board



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KEEPING YOUR SUPER FOR YOUR RETIREMENT

I have received a number of inquiries from members about when they can access their superannuation benefit and why they have a "preserved component". This article is intended to help with your understanding of when your superannuation benefit can be paid from your scheme and how the Commonwealth Government's preservation standards affect its payment. The article focuses on the State Superannuation Scheme (SSS) and the State Authorities Superannuation Scheme (SASS).

The Commonwealth Government's preservation requirements set out when the preserved part of a superannuation benefit is able to be accessed. However, it is important to note that these are the minimum requirements. The rules of individual funds dictate how much and when benefits are payable also. These rules may impose restrictions on access to benefits over and above the Commonwealth requirements. In determining whether access to benefits is available it is important to consider both the Fund rules and the Commonwealth requirements together.

Generally, under the Commonwealth Government's preservation requirements, the preserved part of your superannuation benefit can be paid if any of the following occurs:

- you have reached your preservation age and have permanently retired from the workforce;
- you have reached age 60 and have ceased current employment;
- you have reached age 65, even if you continue to work;
- you die;
- you retire on medical grounds and you have certification from two legally qualified medical practitioners that you are unlikely to ever be employed in a capacity for which you are reasonably qualified because of education, training or experience; or
- STC approves payment of some or all of your benefit on the basis of financial hardship or compassionate grounds. (These are subject to strict guidelines set down by the Commonwealth Government.)
- from 1 July 2005, you have reached your preservation age and take your benefit in the form of a non-commutable income stream, even if you continue to work. (Current scheme rules do not permit this.)

When was preservation introduced?

The Basic Benefit was introduced for members of SSS and SASS for service commencing from 1 April 1988 and has always been subject to the Commonwealth Government's preservation standards. However, from 1 July 1999, preservation requirements were extended to apply to SSS and SASS contributory benefits. Commonwealth Government co-contributions available for financial years commencing 1 July 2003 are also required to be preserved.

How much of my benefit is preserved?

Your annual benefit statement details the preservation components of your current benefits and may include:

- a preserved amount;
- a Restricted Non-Preserved (RNP) amount; and
- an Unrestricted Non-Preserved (UNP) amount.

The *preserved* amount is:

- the amount of your benefit entitlement at date of payment (including your Basic Benefit and any Commonwealth Government co-contributions) less
- the SSS or SASS contributory benefit amount you could have received immediately if you had ceased employment on 1 July 1999. (This is your *RNP* amount of your benefit and for most members is their retrenchment benefit entitlement on 1 July 1999. This amount remains fixed and is able to be accessed, under Commonwealth requirements, on leaving employment with your current employer.)
- A *UNP* amount is not subject to any preservation restrictions and generally results from an earlier cessation of employment. You will only have a *UNP* amount if you are a deferred benefit member.

2

When can my benefit be paid?

The type of superannuation benefit you are entitled to from SSS or SASS is dependent on you satisfying the scheme rules for payment of your benefits, the age at which you apply for your benefit and the reason you terminated service with your Scheme employer.

In particular, the scheme rules set the ages at which early retirement and normal retirement benefits (both referred to as "retirement benefits") are available to you. Your scheme normal retirement age is shown on your annual statement. The earliest ages at which retirement benefits become payable are as follows:

Scheme	Earliest Retirement Age
State Superannuation Scheme (SSS)	55 years
State Authorities Super Scheme (SASS)	58 years for most members (55 for some transferees from other schemes)

It is important to note that while payment of your benefit may be allowed under the scheme rules, access to the preserved part of the benefit is also dependent on whether you have reached your *Preservation Age* under Commonwealth Government preservation requirements (see Table below) or have satisfied one of the other conditions mentioned on page one.

Member's Date of Birth	Preservation Age
Before 1 July 1960	55 years
Between 1 July 1960 and 30 June 1961	56 years
Between 1 July 1961 and 30 June 1962	57 years
Between 1 July 1962 and 30 June 1963	58 years
Between 1 July 1963 and 30 June 1964	59 years
After 30 June 1964	60 years

Visit us on the web at:

www.statesuper.nsw.gov.au

or phone Customer Service:

SASS 1300 1300 95; **SSS** 1300 1300 96; **PSS** 1300 1300 97

What does this mean?

You will notice from the two previous tables that your Preservation Age and your earliest Scheme Retirement Age may differ.

If your Preservation Age is **higher** than your earliest scheme Retirement Age, you must wait until you reach your Preservation Age before you can receive full payment of your **retirement** benefit. The amount of your benefit able to be accessed by you immediately on reaching your earliest Scheme Retirement Age will be limited to the RNP amount and the UNP amount (if any).

If your Preservation Age **is less than** your earliest Scheme Retirement Age you will not be able to access the scheme retirement benefit on reaching your Preservation Age. Retirement benefits only apply once you reach the earliest Scheme Retirement Age. Of course, you can access a lesser withdrawal benefit on ceasing employment after reaching Preservation Age. However, you should seriously consider the effect on future possible benefits and it is recommended that you obtain financial advice before you decide to access any benefits prior to the earliest Scheme Retirement Age.

Do the preservation standards affect my benefit entitlement?

The Scheme rules determine your full benefit entitlements. The Commonwealth preservation standards do not affect the amount of those full benefit entitlements, only when you can receive payment of the preserved amount of your benefit.

For example if you are under age 60, you must have ceased employment and permanently retired from the workforce before your preserved benefit can be paid.

Further information about the benefit entitlement and options for your scheme may be found in your Annual Benefit Statement, on the State Super website www.statesuper.nsw.gov.au or from Customer Service.

What happens to my preserved benefit?

Different arrangements exist for both SSS and SASS.

SSS

If your benefit is a SSS retirement pension, and a portion of the pension must be preserved, you have two options.

You may elect to:

- i. take the entire pension immediately and forfeit your right to ever commute the preserved part of your pension, or
- ii. take the non-preserved part of your pension immediately. In this case the preserved amount of the pension is paid each fortnight into a separate accumulation account within SSS. This accumulation is adjusted for investment earnings and management charges. The amount of the fortnightly preserved pension is adjusted annually in line with the CPI. Once you meet one of the Commonwealth Government's conditions for the release of the preserved benefit (e.g. cessation of employment on attaining age 60 years), the future pension payments become payable directly to you. The accumulated pension to date is payable to you as a lump sum.

SASS

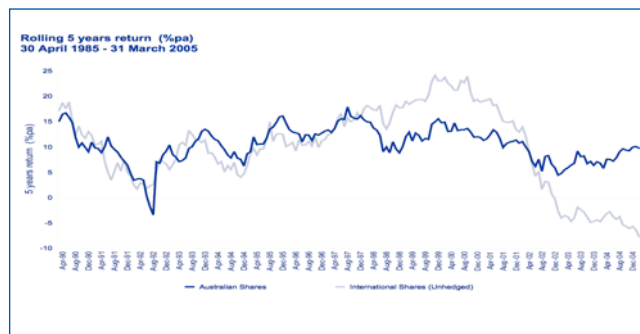
If you access the non preserved part of a benefit, the preserved portion of your benefit cannot remain in SASS. Rather, it must be rolled over to another superannuation facility. At the time of payment of the non preserved part of your benefit, you will need to provide instructions as to where you wish the preserved part of your benefit to be rolled over. In the absence of any instructions, your preserved amount will be rolled over to First State Super. The benefit will be able to be accessed when you meet one of the Commonwealth Government's conditions for the release of the preserved benefit.

Investment Update – March 2005

During the March quarter the investment returns for the 4 investment options were close, ranging between 1.0% - 1.3%, but the spread between returns for the 1 year ended 31 March 2005 was significant as growth assets performed strongly over this period. This enabled the Growth strategy to generate a return of 13.3% for the year, which far exceeded the return of 4.8% from the Cash strategy.

The strong performances of the diversified investment options were underpinned by strong performance in the Australian share market, which was the best performing asset class both during the quarter and the year ended March 2005. During the quarter, the sector returned 2.7% and during the year the return was in excess of 25%, due to continued growth in China's demand for resources, which made the earnings profile of Australia's resource related stocks look very attractive. By contrast global share markets made only marginal gains during the quarter and the return for the year was 8.8%. There was concern amongst investors that oil prices would have a negative impact on inflation and economic activity.

The strong performance of the Australian share market relative to global markets has persisted for a number of years. The chart below shows the 5 year average annual return rolled monthly over the past 20 years.



The investment returns from the defensive asset classes, Australian and international bonds plus cash, ranged between 4.8% for Australian bonds to 7.2% for international bonds (100% hedged) for the year ended March 2005. The return for unhedged international bonds was 4.0% over the same period, so the hedging of the international bond portfolio added significant value. Without the hedging component, the two bond sectors generated returns below the cash return of 5.6%, which was largely due to the fear of rising inflation among bond investors, who positioned themselves for further increases in interest rates.

Net Investment Returns/Strategy	3 Months %	1 Year %	3 Years % per annum	5 Years % per annum
Growth	1.3	13.3	4.9	4.2
Balanced	1.1	10.7	N/A	N/A
Conservative Growth	1.0	8.1	N/A	N/A
Cash	1.1	4.8	N/A	N/A

Past performance is no guarantee of future performance. The Trustee does not guarantee the performance of any product.

Asset Sector Index Returns (before allowance for tax and fees)

	3 Months %	1 Year %	3 Years % per annum	5 Years % per annum
Australian Shares (ASX 200)	2.7	25.6	10.9	9.7
International Shares (unhedged)	0.2	8.8	-6.2	-7.7
Listed Property Trusts	-3.2	19.8	15.8	15.5
Australian Fixed Interest	0.0	4.8	6.3	6.6
International Fixed Interest (hedged)	1.6	7.2	8.9	8.3
Cash	1.3	5.6	5.2	5.3

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4



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BUDGETING – Taking control of your financial future

Learning to budget can be one way that you can take control of your financial future.

To get started, you need to track your spending for a set period. It can be quite an eye opener to see exactly how much you do spend on items such as take away food, a cappuccino in the morning, magazines, etc.

You can take the first step in gaining control of your budget by downloading our budget planner from www.ssfs.com.au. Now all you have to do is enter the details of what you spend. The results may surprise you.

Once you have tracked your spending for a few months, take the time to review where your money is going. You may decide to change your priorities, or to perhaps start a savings program to achieve a goal such as a holiday, a new car or to pay off the mortgage more quickly. Another option to consider is to set aside some extra savings for your retirement.

Savings in superannuation attracts a number of tax advantages with the added bonus of helping you secure your financial future. One word of warning though, it is important that you understand that superannuation is a long-term investment. Generally, once you make a superannuation contribution, the money will not be available to you until you reach your prescribed retirement age and retire.

There are a number of ways to save within the superannuation system that can enhance your long term financial future. Three of the most popular are:

- salary sacrifice;
- spouse contributions; and
- the government's co-contributions.

Briefly, salary sacrifice is a way of saving with pre-tax dollars. You arrange for your employer to make a superannuation contribution from your pre-tax wages. Spouse contributions allow you to make a superannuation contribution on behalf of your spouse, which could attract a tax rebate. An excellent way to find out more about your super scheme and the savings options you have available to you, is to either attend a State Super pre retirement seminar or talk to a State Super customer service officer.

The government's co-contribution scheme provides a government incentive for lower income workers to contribute to superannuation. For example, if you earn up to \$28,000 per year and you make a \$1,000 personal contribution to superannuation, the government will give you a \$1,500 top-up contribution as a reward. To find out details of how these various arrangements work, visit the Australian Taxation Office website at www.ato.gov.au.

If you are only a year or so away from retirement, seeing a financial planner may be a good idea. A professional financial planner can help you to review your budget and retirement savings. It may be that there are some strategies you can use in the lead up to retirement that will help you secure your financial future.

Do you need to talk to a financial planner about your retirement plans?

State Super Financial Services is one of Australia's leading retirement planning organisations with more than \$4.8 billion in funds under advice and more than 34,000 clients (as at April 05). Our services are exclusive to current and former public sector employees and their families.

If you are approaching retirement and would like to find out how we can help you plan your financial future, call **1800 620 305** or visit our website at **www.ssfs.com.au**

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