STATE SUPER
SAS Trustee Corporation

SuperViews

winter 2006

From the office of the
Employee Representative
SAS Trustee
Corporation Board

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DEATH BENEFITS

Introduction

Whilst nobody likes to contemplate the possibility of their own death, it is comforting to know that the financial burden of our families may be lessened somewhat by the benefits payable from our superannuation schemes.

In this article we focus on the benefits payable on the death of a member of the State Superannuation Scheme (SSS) and the State Authorities Superannuation Scheme (SASS). Primarily, we will address the benefits payable when a member dies while working for a scheme employer. We will discuss briefly the circumstances in which a death benefit may be payable where a member dies after leaving public sector employment.

Further information on these benefits is contained in the relevant Fact Sheet on the web at *www.statesuper.nsw.gov.au*. Your Annual Benefit Statement provides more detailed information about your death benefit. Alternatively, Customer Service is available to assist you:

SASS 1300 1300 95	**SSS 1300 1300 96**

Who is the death benefit paid to?

For both SSS and SASS, the benefit will be paid to an *eligible spouse* or *de facto partner* of the deceased. An eligible spouse or de facto partner is:

(a) the widow or widower of the deceased; or

(b) a person with whom the deceased, at the time of death, had a de facto relationship within the meaning of the *Property (Relationships) Act 1984*.
A de facto partner may be a person of either:

- the opposite sex; or
- if the deceased dies on or after 19 January 2001, the same sex.

(Note: Where claims are made by more than one eligible person the Trustee may decide that a spouse or de facto partner's benefit will be shared and the way in which that will be done.)

What happens if the deceased does not have a spouse or de facto partner?

Where the deceased is not survived by a spouse or de facto partner, the benefit will normally be paid to the legal personal representatives of the deceased's estate.

What happens if the deceased is separated from their spouse at date of death?

Unless the deceased is divorced at the date of death, their ex-spouse may still be classified as an eligible spouse entitled to the payment of the death benefit.

Does the Trustee accept beneficiary nominations?

No. The scheme legislation does not allow a member to nominate a beneficiary for the death benefit.

However, in circumstances where the benefit is paid to a member's estate, the executor must distribute the benefit in the manner specified in the Will. If you want your superannuation benefit to be treated differently to the other assets of your estate, you will need to refer to the benefit specifically. We recommend that you seek professional advice before drawing up a Will.

What benefit is payable on death in service?

SASS Members

- Where a SASS member dies **before attaining age 58 years**, the benefit will comprise:

  (a) the balance in the member's Personal Account;

  (b) the employer-financed benefit of 2.5% of the higher of final salary or final average salary* for each accrued benefit point; and

  (c) if the member is covered for an Additional Benefit, the Additional Benefit of 4% of final salary for each prospective benefit point to age 58. (Further details about Additional Benefit Cover can be found in *SASS Fact Sheet 4 – Optional Additional Benefit Cover*, which is available on the web or from Customer Service.)

  * the average of the salaries for superannuation purposes, paid at date of death and the two preceding Annual Review Days (31 December)

- Where a SASS member dies **after age 58 years**, the employer-financed benefit, in (b), is based on final average salary only and the Additional Benefit, in (c), is not payable.

Note: Whilst the SASS death benefit is normally a lump sum, pension options may be available in certain cases where a deceased member retained pension rights on transfer from a predecessor scheme. Please contact Customer Service for further information.

SSS Members

- Where there is an ***eligible spouse*** or ***de facto partner*** a pension benefit equal to two-thirds of the pension the deceased member would have been entitled to receive on normal (age) retirement, is payable. The pension benefit is based on the member's salary and unit entitlement at date of death. *(This pension is adjusted annually in line with movements in the Consumer Price (All Groups Index) for Sydney. A phasing-in formula applies in the first year after a pension begins.)*
- If the member is not survived by any person eligible for a pension, the benefit is a lump sum equal to the withdrawal benefit that would have been payable on resignation from employment.
- A pension may also be payable for eligible children of the deceased member in certain circumstances. (See *SSS Fact Sheet 12 – Child Pension.)*

SASS and SSS Members

In addition to the benefits outlined previously, a lump sum benefit equal to the sum of:

- the *Basic Benefit* of up to 3% of either final salary (if aged less than 55 at date of death) or final average salary (if aged 55 or over at date of death) for each year of service after 1 April 1988; and
- the balance (if any) in the Commonwealth Government Co-contribution Account.

What benefit is payable when a deferred Member dies?

If a member deferred their benefit on ceasing employment instead of taking the immediate lump sum withdrawal benefit, the death benefit is:

- for SASS, the lump sum that would have been paid to the deceased member at scheme retirement age;
- for SSS, if there is an eligible spouse or de facto partner, two-thirds of the pension that the deceased member would have been entitled to receive at the scheme's normal retirement age. *(Where a pension entitlement does not exist, a lump sum equal to the withdrawal benefit is payable.)*

(Note: The Basic Benefit and balance in the Commonwealth Government Co-contribution Account will also be payable if the member did not take these benefits when the scheme benefit was deferred.)

Is there any benefit payable when a pensioner dies?

This depends on whether the pensioner had an eligible spouse or de facto partner at date of death. Generally the person must have been the member's spouse or de facto partner at the time the member's pension commenced and at the time the pensioner died.

The following exceptions apply to the requirement that the relationship existed or marriage took place prior to the member's pension commencing:

- where there is a child born of the relationship who was wholly or substantially dependent on the deceased at any time, or an unborn child of the deceased who was conceived before and born alive after the pensioner's death. (For the full pension entitlement to exist the relationship must have existed for at least 3 years before the pensioner's death. A same sex partner is not eligible for a benefit in these circumstances.);
- where the deceased was an invalidity pensioner, the applicant for the benefit must have been the pensioner's spouse or de facto partner before the pensioner reached the normal retirement age and for at least 3 years prior to the pensioner's death.

What benefit is payable when a pensioner dies?

SSS

On death of a SSS pensioner, an eligible spouse or de facto partner is entitled to a pension of two-thirds of the full pension payable at the pensioner's date of death. (In some circumstances children's pensions may be payable.)

(Note: SSS has a guaranteed minimum benefit equal to the lump sum withdrawal benefit payable on resignation. This is shown as the Immediate Lump Sum on your Annual Benefit Statement. All lump sum and pension payments made to you and other beneficiaries are measured against this amount. This measurement occurs when all benefit entitlements from the scheme are exhausted.)

SASS

In certain limited circumstances, a pension benefit may be payable to the eligible spouse or de facto partner of a person who was receiving a pension from SASS at date of death. Some SASS members have retained a right to a pension following transfer from an earlier closed scheme. Please contact Customer Service if you want further information.

Is there a death benefit payable if the SSS pension is commuted?

If the person has an eligible spouse or de facto partner at the date of death, the pension outlined previously is payable even if the person commuted all or part of their SSS pension entitlement.

Is tax payable on a death benefit?

At date of writing, the tax rules are as follows:

- Generally, a death benefit paid as a lump sum to a dependant is not subject to Commonwealth income tax.
- A dependant for this purpose is defined in the Income Tax Assessment Act and includes:
  - any spouse or former spouse of the member (including a de facto partner of the opposite sex);
  - any child aged less than 18 years, of the member; and
  - any person with whom the member had an interdependency relationship.

  The tax legislation defines an *interdependency relationship* as a relationship between two persons, whether or not they are related where:
  - they have a close personal relationship;
  - they live together;
  - one or each of them provides the other with financial support; and
  - one or each of them provides the other with domestic support and personal care of a type and quality normally provided in a close personal relationship.

  In the situation where all of the above criteria are not met due to the fact that either person has a physical, intellectual or psychiatric disability, an interdependency relationship will still exist as long as the two persons have a close personal relationship.

  An interdependency relationship does not exist if one person provides domestic support and personal care to the other person under an employment contract or on behalf of another person or organisation.

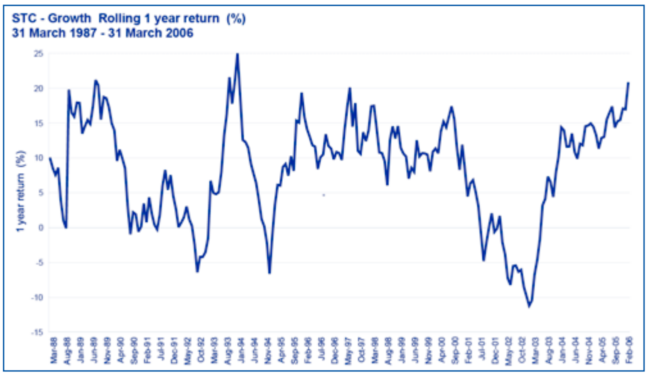
  In determining whether an interdependency relationship exists, matters including, but not limited to, the duration of the relationship, ownership of property and the nature of the relationship, will be taken into account.
- Where a lump sum death benefit is paid to the personal representative of the estate of the deceased, no tax is deducted by the scheme administrator. However, tax may be payable by the estate, if the benefit is paid to a beneficiary of the estate who was not a dependant of the deceased. If the benefit is paid to a dependant of the deceased, the estate does not have to pay tax on the benefit.

The investment performance over the past 12 months has been exceptionally strong with the Growth option returning 20.7% for the year ended March 2006.

Net Investment Returns/Strategy	3 Months %	1 Year %	3 Years % per annum	5 Years % per annum
Growth	6.0	20.7	15.9	7.2
Balanced	4.1	15.4	N/A	N/A
Conservative Growth	2.6	10.9	N/A	N/A
Cash	1.2	4.9	N/A	N/A

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

A return in excess of 20% pa is a rare occurrence, which has only happened 7 times in any twelve months rolling period over the past 19 years, as can be seen from the graph below.



The long-term expected return for a growth fund, with the long-term defined as a period in excess of 10 years, is an average annual return of around CPI + 4.5% , which currently equates to approx. 7.5% pa. Over the past 12 months the Growth option has generated returns well above that level, but that is exactly how markets work. The returns do not come in a nice straight line. The current strong returns are compensating for the very poor returns available between late 2001 and early 2003, and they have helped to boost the average annual return over the past 5 years to 7.2% pa. The recent strong returns have also enabled the Growth option to generate an average annual return of 9% pa over the past 10 years, which is a real return (return above the inflation rate) of 6.5% pa.

The long-term return for the Growth option looks very solid and that is where most of the assets are invested. However, short-term performance comparisons are regularly monitored and it is pleasing to note that the Growth option is doing very well on a relative basis. The return of 20.7% for the year ended March 2006 was significantly better than the 19.3% generated by the median manager in the universe of Growth managers and the Growth option was ranked 19 out of 71 products.

The Balanced and the Conservative Growth options returned 15.4% and 10.9% respectively. For both investment options the performance was slightly below the median manager in their respective risk universe, which was due to a below average weighting to equities.

To 31 March 2006	Growth %	Balanced %	Cons Growth %	Cash %
1 Year	20.7	15.4	10.9	4.9
Median Manager*	19.3	15.5	11.3	

*The Median Manager refers to the median in the relevant Intech performance survey.

The strong investment performance for the year ended March 2006 was largely underpinned by a strong Australian equity market, which returned 30.4% over this period due to the continued strength of commodity prices and therefore resource companies like BHP and RIO. The energy and materials sectors were both up by around 55% over this period, fundamentally supported by strong growth in China.

Global equity markets, which in previous years had lagged the performance of the Australian equity market, performed very well in the year ended March 2006 generating a benchmark return of 28% on an unhedged basis.

In comparison to the returns from the equity markets, the investment returns from the bond sectors were more modest. Australian bonds returned 6.7%, which was better than both international bonds on a hedged basis, which return 4.8% for the year and Cash, which returned 5.7%.

In the previous issue of SuperViews, it was mentioned that calendar 2005 will be remembered as a good year for investments. Since then investment markets have continued to perform well and if this performance can be sustained during the June quarter 2006, then the financial year 2005/06 will truly be a vintage year. Throughout 2006 you will be kept informed about the major issues influencing investment markets and the way these affect investment performance.

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

To 31 March 2006	3 Months %	1 Year %	3 Years % per annum	5 Years % per annum
Australian Shares (ASX 200)	9.0	30.4	26.4	14.8
International Shares (unhedged)	9.7	28.0	16.6	-1.6
Listed Property Trusts	1.7	18.2	17.3	16.5
Australian Fixed Interest	0.9	6.7	5.2	5.6
International Fixed Interest (hedged)	-0.7	4.8	6.1	7.2
Cash	1.4	5.8	5.5	5.2

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06/06

Planning for Retirement — When should you start?

A happy and secure retirement doesn't just happen. Good planning prior to leaving work, and once you have retired can make a significant difference to the level of satisfaction you have in retirement.

So when should you start planning your retirement? There is no right or wrong answer to this question, however, based on more than 16 years experience, we can suggest a few guideposts for you to consider.

10 years out from retirement

Understand your super fund

This is particularly important if you are, or have been a member of one of the old defined benefit schemes such as SASS or SSS. Take advantage of the resources offered by your Trustee such as websites and information seminars.

Consider your savings options into superannuation

Savings options such as salary sacrifice and spouse contribution splitting may provide you with a tax effective savings regime to accelerate your savings as you approach retirement.

If not super then what?

Paying off your mortgage can help free up money for your retirement. Now may be a good time to review your current mortgage situation. Can you afford to increase your payments? Even a small increase can significantly reduce the total amount of interest you will pay over the lifetime of your loan.

3 to 5 years out from retirement

Start practicing

Start trying out your retirement plans. If they don't work out, you can still revise them. For example, if you are thinking of becoming a grey nomad with a 4WD and caravan, try a few trips now to see if it is all you imagine it to be.

Review your situation

What assets and liabilities will you have when you retire? How much super do you anticipate receiving? How will that superannuation replace your salary? For the minority who have access to a superannuation pension, this might seem to be a simple question, but for those who will be receiving a lump sum, it will be a real issue.

Consider the 4 W's of your retirement?

Where will you live?

What will you do?

Will things change?

What then?

12 to 18 months before you retire

See a financial planner

A financial planner can help you with professional decision support. This means that they can help you explore the options that are available to you, some of which you may not have considered.

Consider your partner's plans

Once you retire, you will be spending an additional 2,000 hours with your partner. It is vital that you include them in your planning. Your financial planner will need to talk to both of you to prepare a plan that truly meets your needs.

Understand the process of leaving work

There may be advantages to leaving work at a specific time. This could relate to taxation, or perhaps how your benefit is calculated. If your benefit is based on final salary, and you know there is a pay rise due, it may be in your interest to plan your retirement around that date.

There are no hard and fast rules about planning for retirement. As we enter the 21st century, many retirees will be retired longer than they have participated in the workforce. Flexibility is the key, as is getting the right professional advice when you need it, both now and in the future.

How Can State Super Financial Services help you?

State Super Financial Services provides a professional quality retirement financial planning service exclusively for current and former public sector employees.

You can use State Super Financial Services and be assured of a personalised service tailored to suit your individual needs, goals and circumstances. Our extensive office network across NSW and the ACT, means you can see a planner at a place and time convenient to you.

There is no cost to meet with a financial planner to discuss your retirement situation and there are no entry, exit, or switching fees for our investment products.

To find out how we can help you plan your retirement, call today on **1800 620 305** or visit our website at **www.ssfs.com.au**.

State Super Financial Services Australia Limited ABN 86 003 742 756 AFS Licence 238430 *(06/06)*