STATE SUPER
SAS Trustee Corporation

APR 2015

SASS

UPDATE YOUR DETAILS COMPETITION

WIN one of twenty **$50** Coles Myer Gift Cards.

See page 3

SuperViews

ALSO INSIDE...

State Super update

The Superannuation Guarantee increase and your SANCS benefit

On 19 December 2014, the NSW Government proclaimed the State Authorities Non-contributory Superannuation Amendment Act 2013 and related Regulations which provide for an additional State Authorities Non-contributory Superannuation (SANCS) benefit of 0.25% p.a. of salary from 1 July 2013, increasing to 0.5% p.a. of salary from 1 July 2014, to relevant employees who are active members* of the State Authorities Superannuation Scheme, Police Superannuation Scheme, and State Superannuation Scheme.

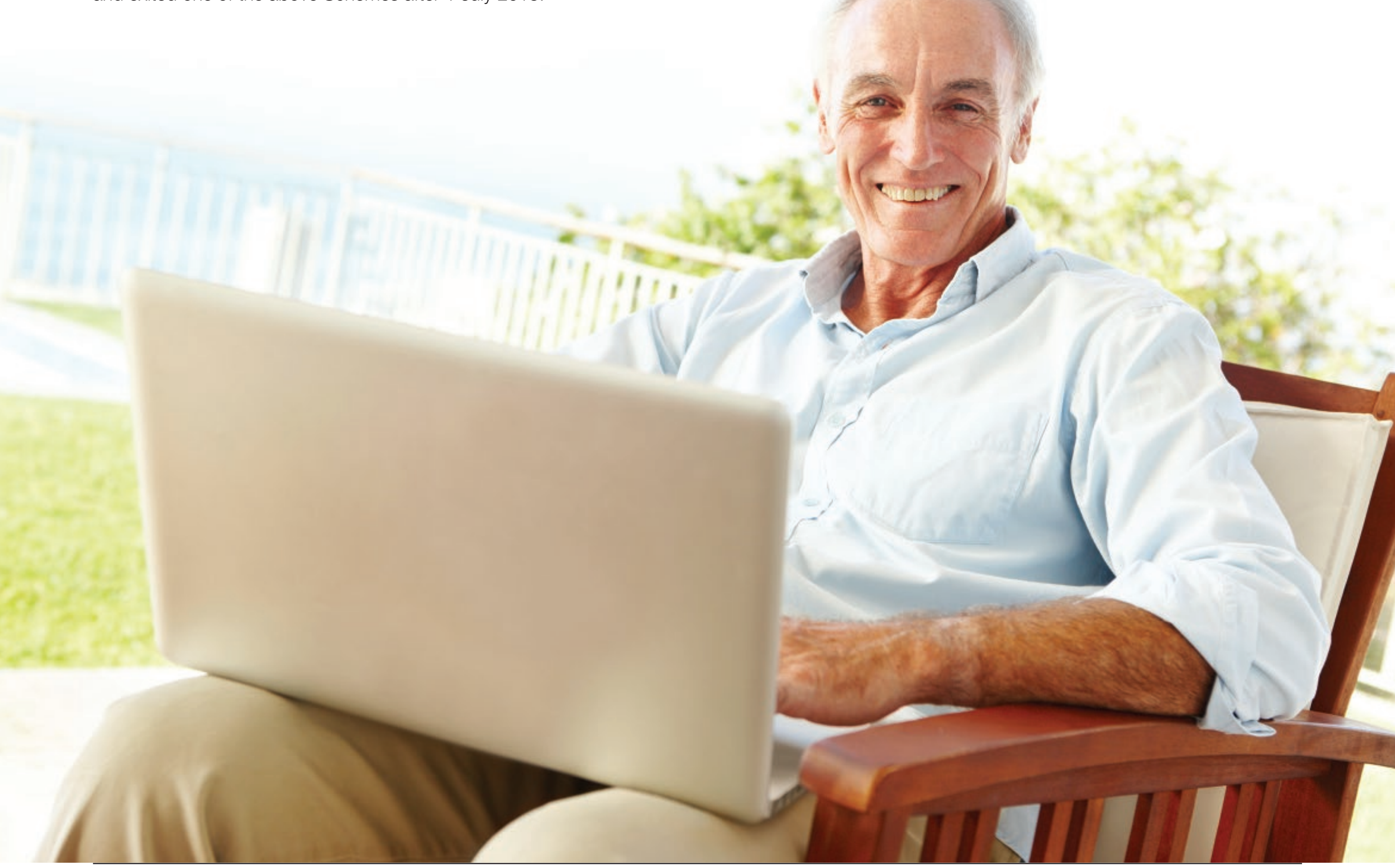
The additional benefit, plus any accrued interest owing due to the late payment of the benefit, will be paid retrospectively to all eligible employees.

> We will continue to keep members informed of progress...

State Super is working with our administrator and the Government to develop and implement the system and process changes required to facilitate the necessary benefit adjustments to the relevant employees' accounts.

We will continue to keep members informed of progress in this matter via the 'Latest News' section of the State Super website at **www.statesuper.nsw.gov.au**.

*This includes relevant employees who were active members and exited one of the above Schemes after 1 July 2013.



UPDATE AND WIN!

Complete the *contact details form* provided and return it to us in the reply paid envelope by 1 June 2015 for your **chance to win one of twenty $50 Gift Cards** for Coles Myer.

The prize draw will take place on 15 June 2015. Winners will be notified by 30 June 2015.

Investment market overview

A modest domestic outlook

The predominant domestic economic issue in the latter half of 2014 was the long expected slide in commodity prices and especially iron ores. China's prolific steel export industry has been impacted by a marked drop in export demand, which in turn has affected Australia's export income. As Australia's largest export commodity, this fall was always expected to flow on to the economy, despite the muting effect of a weaker Australian dollar.

The currency is normally closely linked to such commodity price movements and while there has been some delayed reaction, the Australian Dollar began to weaken in January.

The resource price slumps and low inflation rate is expected to dampen within Australia, at least for the first half of 2015, but strong housing investment, export volume growth and lower interest rates should support the growth outlook.

The outlook for share market growth is modest given recent strong gains around the world. Interest rates have been reduced given the softer inflation and growth outlook and will be sensitive to the level of the dollar and employment conditions.

> ...strong housing investment, export volume growth and lower interest rates should support the growth outlook.

The United States rolls on

The US seems to be poised to build on the encouraging signs of late 2014. The Federal Reserve is upbeat about growth prospects for the economy, despite the continuing instability in Europe and Japan. Lower oil prices are helping to support domestic demand and a shrinking trade deficit should support a moderate growth outlook.

Growth slowing in China

Chinese growth was constrained in 2014 and is expected to be even lower at just below 7% for the year ahead. The managed slowdown of the economy and a reorientation toward consumption and away from the domestic real estate sector market is a positive move, although the subdued growth figure may have some dampening effects on the rest of Asia.

European troubles persist

Europe continues to struggle to emerge from the levels of sovereign indebtedness flowing from the Global Financial Crisis. Despite some tentative signs of recovery in the third quarter of 2014, financial markets were hit by concerns flowing from the lack of monetary stimulus needed to kick start growth.

A persistent mix of low consumer demand, high debt and high unemployment, together with stagnant inflation, interest rates and growth has placed pressure on monetary authorities to progress the quantitative easing program to help stimulate growth.

> ...positive global growth should help to support market performance.

What does it all mean for investors in 2015?

The subdued economic outlook across the globe and the specific export related drag on growth in Australia means the year ahead will see a more challenging investment environment with potential for greater volatility. There will be sensitivity to the possibility of an interest rate rise in the US and how this will impact extended valuation levels across many markets. In the shorter term, continued 'stimulatory' monetary policy and moderately positive global growth should help to support market performance.

Save on tax...

Salary sacrifice your SASS personal contributions

We often hear members say *“you can’t salary sacrifice to SASS”* which was correct once upon a time – but not anymore!

Where did this misconception come from?

Before 1 April 2007, it was true that SASS members couldn’t salary sacrifice their personal contributions (i.e. they had to pay their contributions from their after-tax income).

There is also a lot of confusion about the difference between salary sacrificing and making additional contributions (top-up). Salary sacrificing your super contributions, whether to SASS or another complying superannuation fund, simply means you choose to have those contributions deducted from your income before income tax is calculated and deducted.

> Top-up contributions... are the contributions you can make in addition to your personal contributions to SASS.

Your SASS personal contributions (i.e. the 1-9% of your salary you elect to contribute to SASS) can be salary sacrificed regardless of the rate you have elected. Top-up contributions on the other hand, are the contributions you can make in addition to your SASS personal contributions. These cannot be salary sacrificed into your SASS account.

SASS can only accept your compulsory personal contributions between 1% and 9% of your salary.

How does salary sacrificing lead to paying less tax?

The easiest way to explain this is to look at the example overleaf which shows how your income after-tax and superannuation (take-home income) is calculated depending on whether you make your SASS contributions before or after tax has been deducted.

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Save on tax...

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Contributions made after-tax	
Gross salary	$85,000
Less income tax	**$19,397**
Less Medicare levy	**$1,700**
Salary after tax	$63,903
Less super contributions	$5,100
Net salary after-tax* & super deductions	**$58,803**

Contributions made before-tax	
Gross salary	$85,000
Less salary sacrifice contributions (5,100 ÷ 0.85)	$6,000
Salary after super	$79,000
Less income tax	**$17,222**
Less Medicare levy	**$1,580**
Net salary after-tax* & super deductions	**$60,198**

*Including the 2% Medicare levy

Because your contributions are made prior to income tax being deducted your contributions need to be increased by 15% (the concessional tax rate that applies to the money paid into super). This is instead of being taxed at your marginal tax rate.

In this example, in a year salary sacrificing means:

– $2,295 **less** tax

+ $1,395 **more take home** pay

Go to **www.statesuper.nsw.gov.au/sass** and download a copy of STC Fact Sheet 3: *Taxation*

Contact **Customer Service** on **1300 130 095**.

Ask an expert:

Can salary sacrifice affect my concessional contributions cap?

Yes. All salary sacrifice contributions count towards your concessional contributions cap.

Concessional contributions include:

- employer's super contributions, such as the notional taxed contributions (NTCs) for members of defined benefit funds and compulsory Superannuation Guarantee (SG) contributions for members of accumulation funds
- insurance premiums paid (through super) by your employer
- eligible personal (self-employed) contributions for which you claim a tax deduction.

> ...you only pay 15% contributions tax, instead of the higher income tax in excess of $18,200.

They are called 'concessional' contributions because when you make contributions to superannuation from your before-tax income you only pay 15% contributions tax, instead of the higher marginal income tax rate that you would otherwise pay. The example on the adjacent page shows how salary sacrificing to boost your super, rather than receiving it as part of your taxable salary, can provide a tax advantage.

What are the caps and how do they work within SASS?

If you are under 50 years of age on 30 June 2015, your concessional contributions cap is $30,000 p.a.

If you are 50 years of age or over on 30 June 2015, your concessional contributions cap is $35,000 p.a.

These limits apply to the total amount you contribute; it's not an individual cap for each fund you are a member of.

There are however special conditions that apply to defined benefit funds such as SASS, whereby a member whose concessional contributions in SASS are above their cap receive special dispensation allowing their contributions to be treated as if they are within the cap. Please note, that the special dispensation may be lost if you have increased your contribution rate in the past 9 years or do so in the future.

> If you are unsure about the amount of concessional contributions you're making you should seek advice.

You should seek professional financial advice if you are unsure about the amount of concessional contributions you're making.
A financial planner can help you avoid incurring unexpected expenses such as additional tax and interest charges by exceeding your cap.

The Ask an expert column is provided by State Super Financial Services. For more information, call **1800 620 305** or visit **www.ssfs.com.au**.

When can you access your retirement benefit?

The difference between your Commonwealth preservation age and your State Super scheme's earliest retirement age.

Commonwealth preservation age. The age you must reach before you can access your superannuation benefit. It is determined by the Commonwealth Government and depends on when you were born.

Scheme earliest retirement age. The age at which you are entitled to withdraw your State Super retirement benefit as determined by the scheme rules and legislation. Your scheme earliest retirement age is shown on your annual statement and will be either 55 or 58 years of age.

> Your preservation age is determined by the Commonwealth Government and depends on when you were born.

What if your scheme age is earlier than your preservation age?

The SASS retirement age was established under the scheme rules and legislation. If you leave your public sector employment and cease contributing to SASS before you reach age 60, even if you have reached your SASS 'retirement' age of 58, you may not be able to withdraw all of your SASS benefit until you meet a Commonwealth condition of release.

If you cease being a SASS contributor before reaching your preservation age of 60 (even if you are permanently retired), your benefit that is preserved (generally the majority of your benefit) will need to stay within the superannuation environment.

However, regardless of your age, you are able to access any benefits that are classified as restricted non-preserved (generally a smaller portion of your benefit) when you cease being a contributory member of SASS.

More information

Go to **www.statesuper.nsw.gov.au/sass** and download a copy of STC Fact Sheet 4: *When can I be paid my superannuation benefits?*

Contact **Customer Service** on **1300 130 095**.

Date of birth	Preservation age	Your preservation age reached
Before 1 July 1960	55 years	30 June 2015 or earlier
Between 1 July 1960 and 30 June 1961	56 years	Between 1 July 2016 and 30 June 2017
Between 1 July 1961 and 30 June 1962	57 years	Between 1 July 2018 and 30 June 2019
Between 1 July 1962 and 30 June 1963	58 years	Between1 July 2020 and 30 June 2021
Between 1 July 1963 and 30 June 1964	59 years	Between 1 July 2022 and 30 June 2023
After 30 June 1964	60 years	1 July 2024 or later

Final Average Salary 101

Why is your Final Average Salary (FAS) so important?

When you exit SASS, your FAS is used to calculate your employer-financed benefits within both SASS and SANCS. If you exit SASS after reaching your early retirement age, your employer-financed benefits are calculated as a multiple of your FAS. If you exit due to retrenchment, invalidity or death before reaching your early retirement age (or age 55 for the SANCS benefit) your employer-financed benefits are based on your FAS or your final salary, whichever is the greater. For this reason it's important that you are aware of how your FAS is calculated, what your superable salary is and the impact your employment patterns and decisions have on your superable salary, FAS and final retirement benefit.

How is your FAS calculated?

Your FAS is the average of your superable salary on the day you retire, and your superable salary on 31 December of the previous two years. These three amounts, added together, divided by three, become your FAS.

For example, if you were to retire on 5 May 2015 then your FAS would be calculated as:

FAS =	$\dfrac{\text{Salary at 5 May 15 + Salary at 31 Dec 14 + Salary at 31 Dec 13}}{3}$
FAS =	$\dfrac{\$78{,}500 + \$77{,}000 + \$75{,}000}{3}$
FAS =	$\dfrac{\$230{,}500}{3}$
FAS =	**$76,833.33**

What is your superable salary?

Your superable salary comprises of your annual base salary or wages and includes workers compensation payments if applicable and in most cases, is independent of allowances such as overtime and leave loading. It may also include allowances that are paid while you are on leave or in the value of termination pay, such as an allowance for additional qualifications.

Your employer is required to report your annual superable salary to State Super as at 31 December each year, as well as at the date of your retirement. Any changes made to the last two advised salaries must also be reported at that time. If you receive a backdated pay increase after you exit the Fund an adjustment will be made to the benefit paid.

What affects your superable salary?

Working part-time: Your equivalent full time salary is always used to calculate FAS, regardless of whether you are working full-time or part-time. However, working part-time will affect your ability to earn benefit points according to your salary ratio.

Purchasing leave: This arrangement with your employer will reduce your superable salary by the value of salary that the number of days of leave purchased represents. Your superable salary, and hence FAS will reduce if purchased leave is taken in the time-frame your FAS is calculated.

Shift loading: If you work a minimum of 105 shifts per year, you are eligible to have a 'loading' added to your base salary. The loading that counts towards your superable salary depends on the number and duration of shifts worked.

Acting in higher duties: If you receive a higher duties allowance for a continuous period of more than 12 months, the allowance should be included in the salary reported by your employer.

Salary reduction: A reduction in any of the three salaries used to calculate your FAS will result in a lower FAS and, therefore a reduced employer-financed benefit. If you are likely to experience a reduction in your salary it is important to seek information from Customer Service on 1300 130 095 about the effect this might have on your benefit.

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Final Average Salary 101

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What doesn't affect your superable salary?

Long service leave (LSL): LSL does not impact your superable salary and hence FAS, regardless of whether it is taken as half pay, single pay or double pay.

Salary sacrifice: Salary sacrificing your SASS contributions does not affect your superable salary. The superable salary reported by your employer is the same regardless of whether your contributions to SASS are salary sacrificed or paid after tax.

Four for five arrangements for relevant Department of Education and Communities employees: Leave taken under these arrangements does not affect your superable salary and FAS.

Did you know?

Staying at work longer may be a consideration if you know you are eligible for a pay rise. You may opt to use LSL (half pay, double pay or normal pay) to reach your salary review date without physically being at work when the pay rise is due.

Need advice?

We recommend seeking professional financial advice about your options and the impact a change in your superable salary can have on your FAS and in turn, your benefit.

How much is enough?

Will you have enough money to live the retirement lifestyle you want?

Most of us think of retirement as the time we finally get to do 'everything we've always wanted'. Many people get more involved in their communities, while others spend more time with family and of course, a lot of us travel. Regardless of the activities we engage in, or when we retire, the main concern for most is, how to make our retirement savings last so that life after retirement continues to be a smooth ride without the burden of financial worry.

To help you create and maintain the retirement lifestyle you want, it's important to consider…

1 How much will it cost to maintain your desired lifestyle in retirement?

According to the latest ASFA Retirement Standard[1] Survey, a couple who hopes to live comfortably in retirement would need an income of just over $58,300 a year and a single person will require a little over $42,600. And that assumes you own your own home. A 'comfortable' retirement lifestyle is defined in the survey as being able to get involved in a broad range of retirement activities and maintain a good standard of living through the purchase of household goods, health insurance, a reasonable car and holiday travel etc.

2 Review your contribution strategy

Are you on track to maximise your employer-financed benefit when you retire?

Once you have determined how much you need to save for your retirement, it's time to look at how you get there.

The maximum employer-financed benefit available to you is based on contributing an average of 6% of your salary, per year of membership. You will maximise your employer-financed benefit once you reach both 180 contributed and maximum benefit points. If you have been contributing at less than this throughout your membership with SASS, you should consider increasing your contributions next year to try and catch up. Even if your employer-financed benefit is already maximised, you can continue to contribute up to 9% to SASS to build your personal account and therefore your retirement outcome.

1 The **ASFA (Association of Superannuation Funds of Australia) Retirement Standard** benchmarks the annual budget needed by Australians to fund either a comfortable or modest standard of living in the post-work years. It is updated quarterly to reflect inflation, and provides detailed budgets of what singles and couples would need to spend to support their chosen lifestyle. ASFA Retirement Standard figures are as at December 2014.

3 What other sources of retirement income are available?

For many people, super is the main source of funds when they retire. While this can be an important source of income, it doesn't have to be the only one. Your retirement income can be made up from a combination of sources.

SOURCES OF INCOME

Your super – can be used to commence an account-based pension. A few things to consider when establishing an account-based pension are:

- how much you will withdraw as a lump sum
- how much you will regularly draw down (your pension), and
- how your account balance will be invested.

The Age Pension, or social security – the current Age Pension age is 65, however it is increasing to 67 with a proposal for it to increase further to 70 over time.

The Age Pension can help to supplement your account-based pension and act as a safety net. To qualify, you must meet the age requirements and satisfy means tests (based on your level of income and assets) which determine the amount of pension you are entitled to. There are also different rates of Age Pension depending on whether you are single or part of a couple. Even if you're only entitled to $1 of the Age Pension, the additional benefits, such as discounts on medicines as well as concessions on utility rates and public transport, can supplement your income by reducing your expenses.

Other income sources – may include investment earnings outside your super, home equity release, an inheritance or part-time work.

4 Make sure you're invested appropriately

Younger investors generally have more tolerance for a higher percentage of their investment portfolio being allocated to growth assets that have higher volatility associated with them because of the potential they provide for maximising returns. On the other hand, people preparing for retirement generally prefer to invest in less volatile assets in order to protect their portfolio. At this stage in an investor's life, price fluctuations and returns matter a lot more, because individuals must meet their lifestyle expenses from their investments, which may require drawing down on their capital base. Any investment losses that occur reduce the size of their portfolio.

State Super Financial Services (SSFS) specialises in managing money for retirement, which is very different from investing during your working life. The aim is to generate a 'real' return, with a focus on the security of income in retirement. This also takes into account the negative effect inflation has on buying power. Inflation is still one of the key reasons people run out of money in retirement, so keeping some growth assets in your portfolio may help to protect against this.

All investments carry a degree of risk. What's most important is that you understand how your money is invested and can live with the associated risks. It's best to speak with your financial planner to address your retirement needs.

5 Good advice can make all the difference

Five years before and after retirement is a time when sound financial advice can make a big difference to how much you will have to spend after you retire. Poor financial decisions during this period can have far-reaching consequences. For older investors, there may not be sufficient time to 'recover' losses as they are in the draw down rather than accumulation phase of their superannuation life cycle.

A financial planner can help tailor your financial strategy to balance your lifestyle needs with your income availability. Everyone's needs are different, so seeking professional financial advice as early as possible is crucial.

Need advice?

State Super Financial Services provides a wide range of financial planning advice to current and former public sector employees and their families.

To book an obligation free appointment, call **1800 620 305** or visit **www.ssfs.com.au**.

For more information on the relationship between the SAS Trustee Corporation (STC) and State Super Financial Services, please refer to the end of this newsletter.

What's **new?** Member Services Update

Changes to your annual statements

At State Super we strive to constantly improve communications to our members. This year one of our main improvement projects is to reengineer the design and content of the annual statements, to make them easier to follow, understand and to highlight the important information to our members.

We anticipate that the new look statement will be launched in time for your 2014-15 statement.

Have you registered for online access?

Keep track of your State Super benefits online via the secure member login area.

The secure member login area provides you with your own personal login and password, which means you're the only one who can access your information.

Registering for online access enables you to:

- update your contact details
- view and download your last annual statement
- access an online benefit quote
- view and update your investment strategy.

To register for online access, simply go to **www.statesuper.nsw.gov.au/sass** and click on the Member Login link for your scheme and complete the new user registration details.

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