STATE SUPER
SAS Trustee Corporation

APRIL 2018

superVIEWS

Keeping members super informed

SASS
State Authorities Superannuation Scheme

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State Super update

Keeping you informed on latest news and updates to State Super

Super Health Checks in regional NSW

We recognise that not all members are able to easily get to our seminars. To help provide members more accessibility we've recently introduced a new service called ***"Super Health Checks"*** in regional New South Wales after a successful pilot in the Tamworth area.

Members will be invited to meet with a qualified financial planner from StatePlus for a one-on-one personalised meeting, at no cost or obligation. It's designed to help members understand their scheme entitlements and choices prior to and leading into retirement. To help you get the most out of your meeting, the StatePlus financial planner will also bring a copy of your annual statement to the appointment.

We have recently run this new service in Wagga Wagga and they will be coming soon to Port Macquarie, Orange, Gosford and Canberra. To register for your Super Health Check call **StatePlus** on **1800 620 305**.

Member Interviews at Barangaroo

The new Mercer Australia premises at Barangaroo is the location for State Super's Member Interview Service. Our interview service provides members access to meet face to face with customer service staff. Interviews are available at Barangaroo and at selected StatePlus office locations. Call these numbers to make an appointment.

Sydney	1300 130 095
Parramatta/Newcastle/Wollongong	1800 620 305

Update your contact details

Do we have your current contact details including email?

So we can communicate important information regarding your benefit and keep you abreast of any changes that could affect you, it is important that we have your current contact details.

Many of our members now also prefer to receive information about upcoming seminars and other information via email. Please make sure we have your up-to-date email address, so we can keep in touch.

How to update your contact details:

- Complete STC Form 207 (available on our website) and mail it to us
- Log in to your online member account via our website
- Call State Super Customer Service on 1300 130 095.

Have we got your Tax File Number?

Make sure you have provided us with your Tax File Number (TFN) to ensure you are not paying more tax than you should. Did you know that tax on concessional contributions is generally 15% but if a fund does not have the TFN of a member, then an additional tax of 32% may be payable? For more information about your TFN contact the **ATO Superannuation Infoline on 13 10 20** or refer to STC Form 204 *Tax File Number Collection* available at our website

Investment market overview

2017 steadier than expected

With global growth over 3.5% for 2017, the world economy delivered brighter than expected results. Inflation generally remained sluggish and commodity prices rose on the back of positive global demand.

The persistently low interest rates that have become a fixture in economies around the world for some years now, generally continued to be the case during 2017. While rates did edge up in the US through the year, these rises were modest and the predominant theme remains stimulatory.

On the political front, the expected flashpoints, such as Trump's isolationist agenda and fears surrounding Brexit, turned out to have a much less dramatic influence than some may have warned.

How have markets performed?

The combination of steady global growth, low inflation and generally accommodative monetary policy has stimulated markets, which have delivered pleasing returns. Sharemarkets have generally performed well and volatility has generally been kept in check, aided by robust earnings and a swell in market confidence.

Asian markets, such as China, Japan and South Korea were bullish, emerging markets provided some shining lights and Uncle Sam posted solid gains. In Australia share movements were also positive, but to a lesser degree than other markets.

The buoyant share market story contrasted with the bond market, which continued to struggle.

> "The age profile of our membership is such that they typically do not have the luxury of 20 years to recover if there's a significant downturn in markets."

So what does the new year hold?

Expectations are that 2018 will continue in a positive direction, but with some cautionary considerations.

Global growth will likely hover in the mid 3% range, supported by drivers such as tax cuts in the US, continuing strong company profits, constrained inflation and continued ease of credit.

In China the recent five-yearly party congress may result in some reforms emerging during the coming year, which may have a potentially dampening effect on growth, but this is by no means a given.

In the US there may still be some political fallout from the Russian investigation and a power shift is expected in the upcoming congressional elections. Interest rates should continue to edge up too.

Domestic dynamics

Australia's housing market may see a slight contraction, consumer spending and confidence still have some hurdles to overcome and inflation and wage growth will most likely remain sluggish. On the positive side, non-mining investment and exports should drive growth and interest rate rises will be modest if they happen at all.

What can State Super members expect?

2018 will likely continue the bullish market, but as the recent dramatic market corrections around the globe have shown, greater volatility may be a feature.

While we don't see this volatility as signalling the return of a bear market, it does have ramifications for the way State Super will manage its asset allocation and strategy in the near term. State Super Chief Investment Officer, Richard Hedley, explains how this will play out in our funds. "Our robust annual and quarterly review process informs the fund's target returns and sets a basis for its portfolios. We've taken the view, on advice from our asset consultant but also consistent with a lot of funds in the market, that return expectations are likely to be lower than they've been historically," he said. "We wanted to be very clear with members what return they should reasonably expect.

"The age profile of our membership is such that they typically do not have the luxury of 20 years to recover if there's a significant downturn in markets. We therefore will take action on our mix of assets to help smooth returns and insulate members from potential downturns."

What to do with your super when you retire

The decision you make about how to invest your super when you retire can have a big impact on your quality of life. While withdrawing a lump sum is a tempting proposition, there are other options well worth considering.

After spending a lifetime in a career, the prospect of no longer receiving a salary when you retire can be confronting. On the other hand, receiving a lump sum of potentially many hundreds of thousands of dollars can be exhilarating.

Most SASS members will have to exit the scheme at retirement, but a small number of members will have a lifetime pension option so check your statement to see if this applies to you.

What you do with your retirement savings is one of the biggest financial decisions you'll ever make. While you may be eligible for an Age Pension from the government, your superannuation could also be a major source of income for the rest of your life.

So, how should you manage it?

Have your benefit paid to you or roll it over in super and set up a regular income?

There are two main options open to you: Keep your benefit within the super system and pay yourself a regular income by transferring it into an account-based pension or annuity or have your benefit paid to you and invest it elsewhere. Let's look at these options.

Option 1 – Set up an account-based pension

If the effort and responsibility involved in managing your life savings outside super or through a self-managed super fund doesn't appeal, you might prefer to continue to receive a regular income as you have throughout your working life. In this case, an account-based pension is an option that may best suit you.

When you retire, you simply roll over your benefit to another super fund and arrange with them to start an account-based pension, you choose how you'd like it to be invested and it starts paying you a regular income at a frequency you choose. Under age 65, an account-based pension has to pay at least 4% of your account balance per year, so if you had $400,000 invested, you'd receive a minimum of $16,000 per year. Between age 65-74 the minimum payment is 5% per year and it increases further as you get older.

Option 2 – Having your benefit paid to you

The obvious appeal of this is that you get a large sum of money all at once. You may use it to pay off the mortgage or an investment property, invest it in a term deposit or spend it on that much anticipated new kitchen or holiday.

Once you take it though, you're 100% responsible for managing the money that has to last you for 20-30 years, depending on when you retire, so you need to be confident in your ability to invest well, have a disciplined approach to spending, generate a regular cash flow to live on and manage your investment.

"After spending a lifetime in a career, the prospect of no longer receiving a salary when you retire can be confronting."

What to consider

You need to assess which of these approaches will best suit your lifestyle and your financial aspirations in retirement.

The account-based pension

While an account-based pension doesn't offer the same flexibility as cash, it's a simple and effective way to ensure that you receive a regular income throughout your retirement. Your money stays inside the super system, and in an account-based pension, earnings are 100% tax-free. Once you turn 60, the pension payments are tax-free.

From preservation age (recorded on your statement) you can also withdraw additional money from an account-based pension, as and when you need it, to fund those one off large expenses. In addition, once you turn 60 these withdrawals are tax-free, so it really gives you the best of both worlds. You can also choose to invest in a range of stable and growth investments, so it continues to generate income.

An annuity is similar to an account-based pension in that it pays a regular income. There are two types: one pays a guaranteed income until you die, the other until the end of a set period (term). The big difference with the annuity is that there are restrictions on being able to withdraw a lump sum, if at all in some cases. So, if you want to withdraw money for a holiday, a new car or perhaps a medical procedure, you may not be able to.

Having your benefit paid to you

Having your benefit paid to you gives you total control over your money and the flexibility to invest it however you choose, so it requires good self-discipline and knowledge of risks. For instance, if you buy an investment property, you'd want to be confident that you could always find a tenant and that the rental income (after expenses such as ongoing and irregular maintenance costs and agent fees) will be enough to live on. You also won't be able to access your capital without selling the property or taking on a mortgage.

Also, once you take your money out of the super system, any earnings become taxable, so you need to be conscious of how much tax you may be up for.

> "When making a critical financial decision like this, there's no substitute for professional advice."

Before deciding, get some advice

This doesn't have to be a black-and-white decision: you can always take some of your super as a lump sum and put the rest into an account-based pension or annuity. Or if you're not ready to make a decision you can defer your benefit within the SASS scheme or roll over to another super fund until you've made a decision. The important thing to remember is, once you take your money out of super, there will likely be restrictions on putting it back in.

When making a critical financial decision like this, there's no substitute for professional advice. A financial planner can help you work out the approach that's best suited for the retirement lifestyle you have in mind. They can also help you choose a super fund and account-based pension with the features that are right for you.

Our history, your history

We are proud of the important role we play in our member's lives and the long-term relationship we have with you as our member. Equally, we are proud of our long history and the foresight of the NSW Government, way back in 1906, to look after our public-sector employees.

Each of the schemes within State Super are unique and they all contribute to the history of superannuation in NSW. We wanted to take this opportunity to share some of the milestones and highlights of State Super's long history.

Although you will identify with your scheme, there are other schemes that make up State Super.

State Super is the Trustee of:

- **State Authorities Superannuation Scheme (SASS)**
- **State Superannuation Scheme (SSS)**
- **Police Superannuation Scheme (PSS)**

State Super also manages the State Authorities Non-contributory Superannuation Scheme (SANCS), which provides additional benefits to members of SASS, SSS and PSS.

Throughout the years, we have been here to serve our members and be the guardian of their financial future. What remains today for State Super is our long-held commitment to support members.

The history of the schemes is woven into the broader history of superannuation in Australia.

1906

The NSW Government led the way in introducing the first age pension in Australia in 1900 and shortly after in 1906 our first scheme was introduced by the NSW Government, the Police Superannuation Scheme (PSS).

1912

The NSW Government began discussions on providing superannuation benefits for Public Service employees. The first scheme was the Government Railways Account known as the "Ten and a Penny" scheme. It was intended to supplement the age pension. This scheme was later rolled into SASS – the State Authorities Superannuation Scheme - and represents a milestone in the government of the day's view to look after the public service employees in retirement.

1919

The State Superannuation Scheme (SSS) was established by the NSW Government, under the Superannuation Act 1916 (NSW). Salaried employees of the NSW public service and teaching service, and a number of statutory authorities were eligible to join. This is the second scheme State Super is responsible for managing.

1928

Superannuation benefits were introduced for public sector wages staff, the Local Government Insurance Fund for men and the Local Government Provident Fund for women. These funds were also later transferred into the third scheme, SASS.

1948

Partial commutation of the SSS pensions was allowed where a super income stream could be converted into a lump sum, an important change to the way members could access their retirement benefits.

1969

The New South Wales Government recognised the retirement benefits of public sector employees in the local government and other authorities sectors, including public hospitals, needed to be improved. New schemes were brought in with a higher benefit.

1977

The Local Government Pensions Fund is introduced to provide for local government wages staff, including hospital staff.

1985

The Public Authorities Superannuation Scheme (PASS) was created and other state funds were merged into PASS. PASS members are later transferred to SASS.

The SSS Scheme was closed to new members.

1988

The third scheme State Super manages, the State Authorities Superannuation Scheme (SASS) was opened and for the first time all NSW new public servants had access to one scheme.

The State Authorities Non-contributory Superannuation Scheme (SANCS) was also established to ensure that members received the benefit of a 3% productivity increase, paid in lieu of a salary increase. State Super manages the SANCS scheme; it provides employer-funded lump sum benefits in addition to the main benefit scheme.

PSS was closed to new members.

The State Super Trustee Board was established for all four defined benefit schemes – PSS, SSS, SASS and SANCS. This is the start of State Super as a Trustee entity.

1990

Recognising scheme members needed personal financial advice, State Super became the first superannuation fund to set up its own financial planning service, State Super Financial Services (SSFS) with 15 employees.

1992

The Introduction of compulsory superannuation led to structural changes in public service superannuation and First State Super (FSS) was established. At this time, FSS operated under the State Super Trustee Board.

SASS was closed to new members.

1996

Public sector super was restructured by the Superannuation Administration Act and the board was replaced with two trustees– the SAS Trustee Corporation (State Super) and the FSS Trustee Corporation.

2006

First State Super became a public offer fund, open to anyone.

2016

State Super sells its financial planning business, now called StatePlus, to First State Super.

Today, State Super remains one of Australia's largest superannuation schemes, with over 100,000 members and approximately $42 billion in assets (as at 30 June 2017).

Beware of competing spouse claims on your super death benefit

It's natural for us to assume that when we pass away the ongoing benefits of our super will be passed on to those we intended it to go to or who most need and deserve it. While this may sound straightforward on the surface, the reality is that in some cases it can be a minefield. For example, what would happen if there has been a family breakdown and there is a new partner on the scene? Things can very easily get a lot more complicated and uncertain, especially if a married couple has separated but not divorced.

Competing claims for super death benefits are a lot more common than you may think, so it's important you know the rules that apply to the State Super schemes and if necessary take action to make sure that the death benefit is paid to the person you want it paid to.

So, what are the rules regarding competing claims for death benefits?

In the State Super schemes, when a member (which can include someone receiving a scheme pension) dies, the general rule provided by the governing legislation of the schemes is that the death benefit is payable to their surviving marital spouse or de facto partner. However, if a scheme member is married but then separates but does not divorce their legal spouse and then forms a de facto relationship, there can be two eligible claimants for the death benefit. Both surviving parties may feel they have a legitimate claim, but the outcome is by no means clear cut and requires significant investigation by the trustee and legal interpretation to come to a conclusion, which can often result in disputes.

The scheme legislation provides that, where a death benefit would be payable to more than one person because the deceased member left more than one spouse or de facto partner, it is up to the trustee to determine how the death benefit is to be paid. The State Super Board has enacted a Scheme Policy to set out guidelines for use in determining how to pay a death benefit where there are competing claims. This Policy states:

"Where there is more than one claim for a [spouse or de facto partner] benefit following the death of a member, STC must determine the [spouse or de facto partner] to whom the benefit should be paid and, if more than one, the proportion of the benefit to be paid to each". The Policy goes on to state that *"STC should assess the legitimate expectations of the claimants to be provided financial support as a consequence of the member's death and, as part of this assessment take into account relevant factors."*

These factors include:

- The financial circumstances and needs of the claimants and the degree of financial dependence on the member at the time of their death.
- The period of each relationship.
- The will of the deceased member.
- If applicable, any family law property settlement information.
- Correspondence from the member or other documentation indicating the circumstances of the relationships and the deceased's intentions.

"Competing claims for super death benefits are a lot more common than you may think, so it's important you know the rules that apply to the State Super schemes and if necessary take action to make sure that the death benefit is paid to the person you want it paid to."

A will alone is not enough

One vital aspect that all scheme members should be aware of is that your will does not determine the payment of a scheme death benefit, although it can be a relevant factor when the trustee is considering competing claims. Even where there is a competing claim, the trustee must assess all the circumstances of each individual case, not just the terms of the will. The circumstances can be quite murky, often are contested, and the trustee may have to deal with submissions by competing parties that tell completely different stories of the relationships in question.

To illustrate the potential vagaries, let's looks at a real-life case (with the names changed) that State Super had to manage.

Brian's story

Brian married Jane in 1992 at which time he was working as a fireman. Together they had three children. In 2009, whilst still in employment, Brian separated from Jane and left the family home to move into the home of Sally, a long-time female friend. It soon became evident that Brian and Sally were in a relationship. Unfortunately, In 2014 Brian suffered a heart attack and passed away. Sally was recorded as his de facto partner on the death certificate.

Although at the time Brian was in a committed relationship with Sally he had not divorced Jane or formally finalised his superannuation split through the Family Court. Both Jane and Sally made submissions to the trustee to claim the death benefit from SASS. State Super was left with the task of determining how the death benefit should be paid. After taking into account the relevant factors, State Super decided to split the SASS death benefit between Jane and Sally.

Don't leave things to chance

The example above highlights the dangers of not clearly defining and documenting your situation and your wishes if you were to suddenly pass away. The fact that you live with a partner may not be sufficient to sustain that partner's competing claim for payment of a scheme super benefit upon your death, if a previous marriage has not been legally dissolved by divorce and there has been no formal family law settlement or agreement on financial arrangements with your separated spouse. State Super may be in the unenviable position of having to sift through whatever evidence is available to make its decision about payment of the death benefit. If the available evidence doesn't support your new partner's claim, they may miss out on being paid part or all of the death benefit entitlement.

De facto relationships

If you want your de facto partner to receive your scheme death benefit, there are steps you can take that can help. Documentary evidence of your intentions and of the establishment of the relationship can be crucial both in proving, after your death, the existence of the de facto relationship and, if there are competing claims for the death benefit, for convincing the trustee to pay the death benefit to the de facto partner. Separation from an estranged marital spouse is a factor the trustee will take into account, but unless a previous marriage is legally dissolved by divorce, then a separated spouse may be able to make a claim for the death benefit.

Take action before it's too late

If you are unsure of the rules in relation to STC scheme death benefits, please contact **Customer Service** on **1300 130 095.**

However, please note that neither State Super nor its administrator Mercer can provide you with legal or personal financial advice and we recommend that you seek legal and/or professional financial advice about your particular circumstances and about any action you may want to take.

Change of default investment strategy for SASS deferred members over 60

From February 2018 the default investment strategy for any SASS member who has a deferred benefit changes from the Growth Strategy to the Balanced Strategy once they turn 60, unless the member opts out.

Why is the change being introduced?

Any adverse fluctuation in market performance could have a negative effect on the final balance of members' superannuation benefits. Switching the deferred benefits of members at age 60 may reduce the exposure of those members to any adverse market movements in the period leading up to their retirement.

Members will be notified by letter two months in advance of their 60th birthday that the deferred benefit will be switched to the Balanced Strategy unless they opt-out using the form provided.

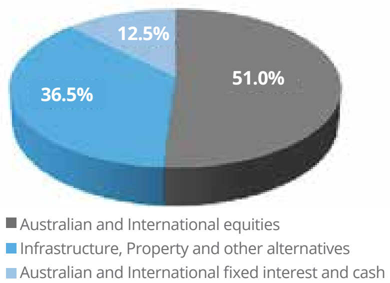
More about the investment strategies

The Growth Strategy is intended for a longer-term investment horizon of seven years or more and for members with a high tolerance for market volatility.

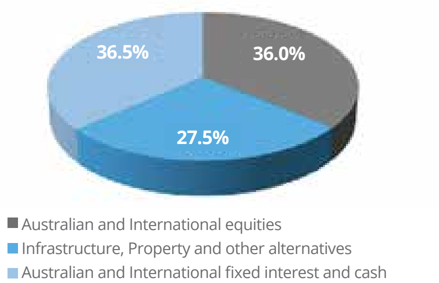
For comparison, the Balanced Strategy is designed for those with a medium-term investment horizon of five to seven years and who have some tolerance for market volatility. It aims to achieve returns that exceed inflation by more than 2.25% over a seven-year period. The risk profile of the Balanced Strategy is medium – with a negative annual return estimated to occur in 2 or 3 years over any 20-year period.

> "...you have investment choice and these choices can significantly influence your investment outcome."

Growth
Strategic Asset Allocation



Balanced
Strategic Asset Allocation



The right investment strategy for you

Whether you're a SASS active or SASS deferred member it's important to understand that there are components of your super where you have investment choice and these choices can significantly influence your investment outcomes.

Your fund offers a variety of investment strategies (Growth, Balanced, Conservative and Cash) giving you the ability to match an investment strategy to suit your time horizon and appetite for risk. And you have the flexibility to spread your super across more than one strategy and switch your mix to suit your changing circumstances.

For more information on how the different strategies compare, please refer to SASS Fact Sheet 15 *Choosing an investment strategy* which is available on the State Super website at **www.statesuper.nsw.gov.au**

Professional Advice

StatePlus was established over 25 years ago to provide our members and their families with access to comprehensive financial planning advice, investment management services and specialised expertise in the State Super schemes. You can contact **StatePlus** on **1800 620 305** or visit **www.stateplus.com.au**

Your member benefits

STATE SUPER
SAS Trustee Corporation

Thank you for your feedback

We would like to thank all our members who provided feedback as part of our 2017 annual member satisfaction survey, which was conducted in November last year. We received very positive results in all areas of service delivery and when compared to the broader superannuation industry, our results sit well above the industry standard. You rated us highest for Financial Planning (8.5), Seminars (8.4) and Telephone Service (8.4). This annual research, together with the comments and insights that we receive from our members, has become an integral part of our future planning and will help us continue to identify ways to improve the services we provide to you.

We welcome your feedback at any time via our online form at **www.statesuper.nsw.gov.au/contact-us**

Contact us

1300 130 095

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enquiries@stc.nsw.gov.au

Sign up for a Seminar

State Super seminars are presented by qualified financial planners from StatePlus on our behalf. They can help you understand how to maximise your superannuation and plan for the future. StatePlus planners are specifically trained in your superannuation scheme.

Our seminars will help you to:

- learn more about your scheme – how it works, what your choices are and how to make the most of your available benefits
- understand how and when the decisions you make about your employment and superannuation can affect your retirement benefits
- understand Centrelink rules and the benefits you could be eligible for
- find out how a financial plan can help you make the most of your super

To make a booking to attend one of our seminars call **1800 620 305** or go to **www.statesuper.nsw.gov.au/seminarsass,** where you can view dates and locations for seminars at a time and place that is convenient for you.

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