STATE SUPER
SAS Trustee Corporation

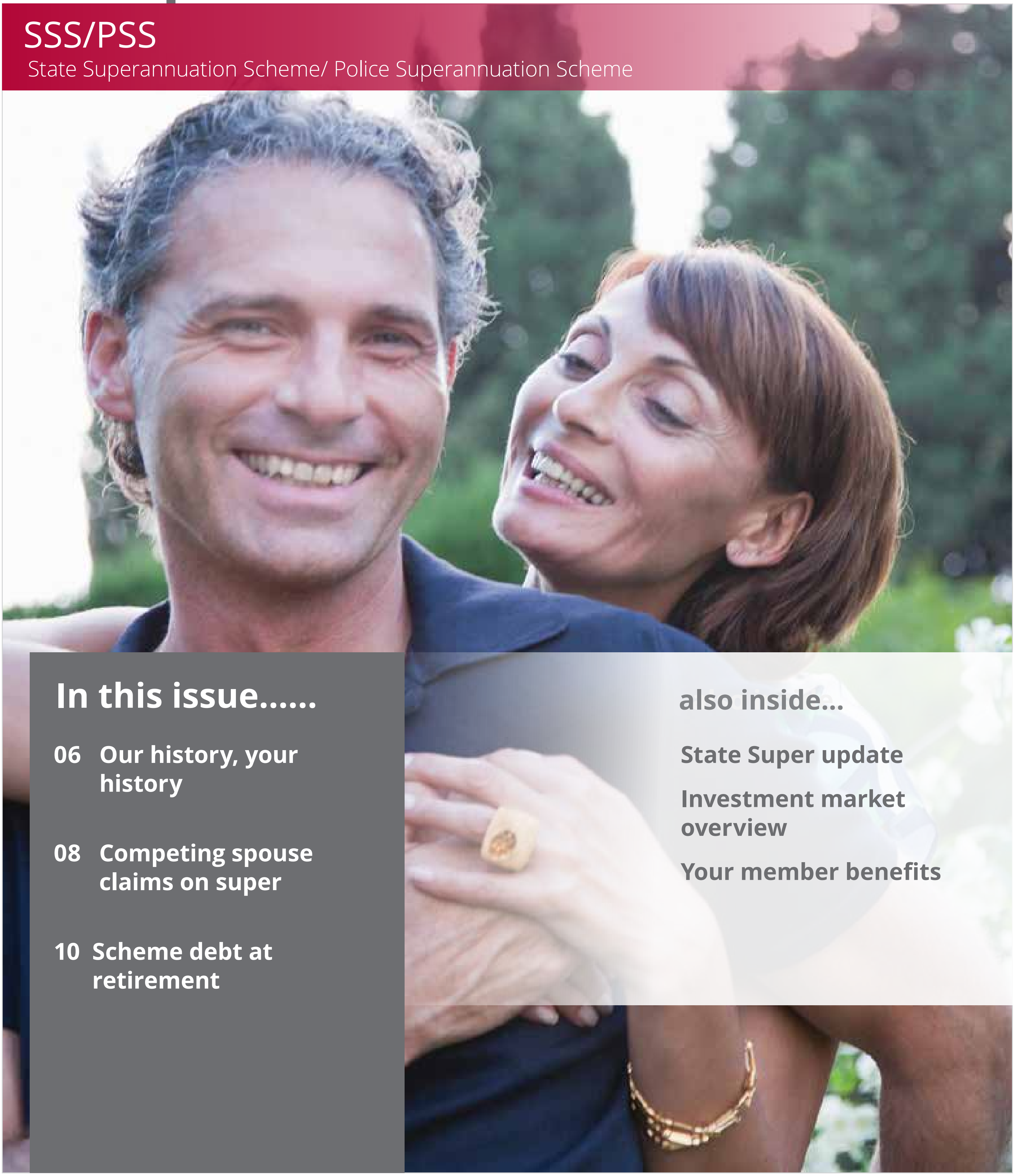
APRIL 2018

superVIEWS

Keeping members super informed

SSS/PSS

State Superannuation Scheme/ Police Superannuation Scheme



In this issue......

also inside...

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 130 096 (SSS)

1300 130 097 (PSS)

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 130 096 (SSS), 1300 130 097 (PSS).

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."

Ask an Expert: Scheme normal retirement age of 55?

I'm a 55 year old SSS member, female and elected a retirement age of 55 when I joined however I've been told that I can't retire until I'm 57. I'd like to understand what my options are in deciding when I can access my benefit and when I can retire?

It's understandable that these rules can be confusing as they are specific to your scheme and permit you to access your SSS benefit from age 55 if you cease work with your SSS employer. But there are also the Commonwealth Superannuation Rules to adhere to which determine when and how your benefit can be paid to you.

Commonwealth Superannuation Rules

The Commonwealth rules require you to meet a Condition of Release which is based on your age and your intention to retire.

Your Commonwealth preservation age may be different to other members. Given that you have been told you can't access your benefit until 57, using the "Preservation age" table as a reference, your birthday is likely to fall between 1 July 1961 and 30 June 1962.

Preservation age

Date of birth	Preservation Age	Year reached
Before 1 July 1960	55	2014/2015 or after
1 July 1960 to 30 June 1961	56	2016/2017
1 July 1961 to 30 June 1962	57	2018/2019
1 July 1962 to 30 June 1963	58	2020/2021
1 July 1963 to 30 June 1964	59	2022/2023
After 1 July 1964	60	2024/2025

At a high level these are the main Conditions of Release:

Before your preservation age, unrestricted access is generally limited to the non-preserved portion of your benefit. There are some exceptions on permanent invalidity and hardship grounds.

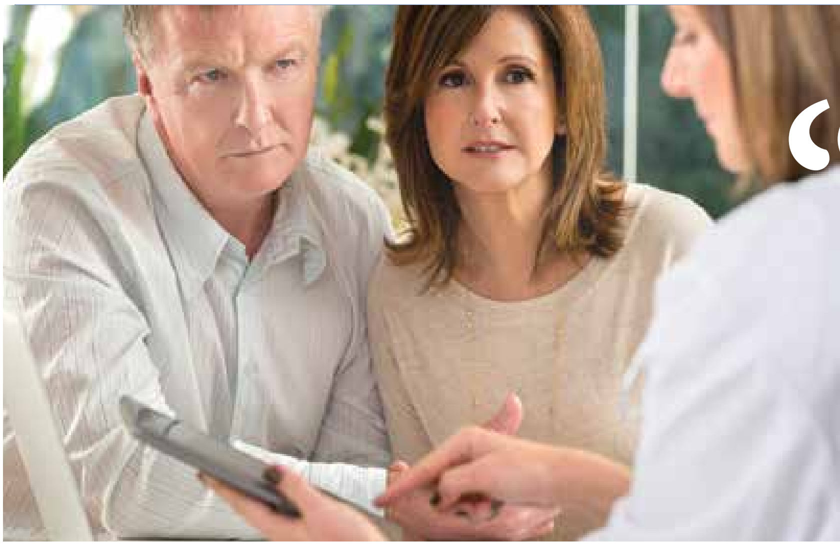
Between your preservation age and before age 60 you can have unrestricted access to your benefit at the time of leaving your employment provided you intend to retire and cease employment altogether.

From the age of 60 and before age 65 unrestricted access is allowed at the point you terminate an employment arrangement, even if you intend to continue working.

After age 65 you can access all of your benefit even if you continue working with the same employer.

Your options at age 55

If your preservation age is older than age 55 or in other words you were born after 1 July 1960, and you want to have your benefit paid to you, restrictions apply and you will need to choose between the following two options:



> "It's understandable that these rules can be confusing as they are specific to your scheme and permit you to access your SSS benefit from age 55 if you cease work with your SSS employer"

Option 1 – If you want to receive all your benefit now

Restrictions apply to the preserved* portion which can only be paid to you as a pension.

Electing this option effectively requires you to relinquish the right to ever exchange the preserved portion for a lump sum. It will also relinquish any entitlement of your spouse to convert all or part of any reversionary pension to a lump sum. This applies unless you die within 20 years of commencing the pension or before your life expectancy, whichever is earlier.

Option 2 – If you're happy to receive part of your benefit now and wait until later for the rest

Under this option, the non-preserved portion* is paid to you as a pension with your normal rights to commute to a lump sum, however the preserved portion of your benefit remains within SSS and accumulates as a Superannuation lump sum. This lump sum can be paid to you when you have met a Condition of Release under the Commonwealth rules, at which time future pension payments calculated based on your preserved component will also start being paid to you.

The benefit of this option is that you don't relinquish any rights to convert all or part of your pension to a lump sum within the allowable timeframes and your spouse also retains their lump sum rights on any reversionary pension.

*The preserved and non- preserved portions of your SSS benefit is included on the SSS benefit estimate which is available on request from State Super Customer Service by calling 1300 130 096 or via your online login at www.statesuper.nsw.gov.au/sss.

SANCS (Including Basic Benefit)

It's important to note that you can only access your SANCS benefit as a lump sum when you meet a Condition of Release.

What happens if you delay leaving your employer

Regardless of the restrictions outlined above, if you delay leaving your SSS employer past your scheme normal retirement age you will forfeit pension payments and any lump sum may also reduce between age 55 and 60.

Putting it all together

In addition to the above discussion, there are potentially different tax rates that will apply to your benefit before the age of 60 which can make decisions about retirement complex. It is very important to have an expert who can guide you through these decisions. We recommend discussing the details of your personal situation and plans with a qualified financial planner that understands all the rules of SSS and who can help you make decisions that are right for you.

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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 and Jane's story

Brian married Jane in 1992. He worked as a fireman and they had three children. After some unfortunately traumatic experiences at work, Brian was declared medically unfit to perform his job and by 2001 he ended up with an invalidity pension being paid from his State Super scheme. His medical condition led to some erratic behaviour and ultimately resulted in a marriage breakdown. In 2009 he left the family home and moved into the home of Denise, a long-time female friend and it soon became evident that Brian and Denise were in a relationship. In 2010 Brian suffered a heart attack and when he was hospitalised Denise was recorded as being the next of kin.

Several years later Brian applied to State Super to commute his pension to a lump sum. Brian stated that he intended to use the money to pay out debts and support his three children. Just before the commuted lump sum was paid, however, Brian suffered another heart attack and died. This meant that the death benefit was payable to his surviving spouse and/or de facto partner.

Both Jane and Denise made submissions to the trustee to claim the death benefit. State Super was left with the task of determining how the death benefit should be paid. After taking into account the relevant factors ultimately the death benefit pension was wholly paid to Jane.

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 130 096 (SSS)

1300 130 097 (PSS)

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.

Ask an expert: Scheme debt at retirement?

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I'm planning to retire and have been told I will have a scheme debt to pay at retirement. Is this correct? If so, what options will I have to pay this debt?

All members exiting SSS on or after normal retirement age will have a debt, known as an outstanding contribution, to pay.

About the scheme debt

This debt comes about because there is a unique treatment of new units you are allocated in the 5 years before your normal retirement age, and any units that are allocated to you after your normal retirement age.

Your personal contribution to these units becomes payable on a pro rata basis. So at whatever point you decide to retire after reaching your normal retirement age, you will have an outstanding debt which is your remaining personal contribution.

The Scheme was specifically designed in this way so that the contributions close to retirement did not become unaffordable.

At retirement you will also have the option to contribute to any units you have abandoned and you can contribute to any new units you became eligible for since your last salary review. Electing to contribute to these units will also contribute to the debt you'll need to pay at retirement.

How to pay the scheme debt

Scheme debt is paid as an after-tax contribution and can be paid in any combination of the following:

- ➔ A personal cheque sent to us at PO Box 1229, Wollongong, NSW 2500
- ➔ Exchanging a portion of the non-preserved portion of your pension for a lump sum and using it to pay the debt. Complete these details on SSS Form 512: *Application for Payment or Deferral of SSS Benefits*.
- ➔ If you have met a Condition of Release, having your SANCS benefit paid to you and using the money to pay the debt. Complete these details on SSS Form 512: *Application for Payment or Deferral of SSS Benefits.*

Important Note:

The Commonwealth's taxation laws were amended from 1 July 2017 to impose tighter restrictions on the amount of non-concessional contributions that an individual can make to a superannuation fund. From that date, any non-concessional contributions made into superannuation where the total superannuation balance exceeds $1.6 million will attract a penalty tax if not removed. SSS members whose balance is $1.6 million or greater are likely to exceed the non-concessional contributions cap when paying their outstanding debt at retirement. The repayment of the debt will be deemed a non-concessional contribution and the member will incur an additional tax penalty. Members should consider seeking financial advice when assessing their options

> "Electing to contribute to these units will also contribute to the debt you'll need to pay at retirement."

Retirement is exciting – but planning for it is not easy.
Let our experts guide you.

Preparing for retirement is exciting – but it can be complicated. Understanding your scheme rules and taking advantage of opportunities can make a big difference to your retirement. That's why getting the right advice now could make a big difference to the lifestyle you have in retirement.

At StatePlus, we are experts in SSS and know the ins and outs of planning for a successful retirement. With over 26 years of experience helping hard working public sector Australians just like you navigate their superannuation, we'll help you understand your options to ensure you meet your retirement goals.

From planning the best time to retire, to your ideal retirement lifestyle, and making the most of your SSS benefit, we've got you covered.

To ensure you are getting the most out of your SSS, book into a free seminar today.
Visit **stateplus.com.au** or call **1800 841 633**.

StatePlus

Formerly State Super Financial Services

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

SSS: 1300 130 096
PSS: 1300 130 097

State Super, PO Box 1229
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www.statesuper.nsw.gov.au

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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