OCTOBER 2022

STATE SUPER
SAS Trustee Corporation

Keeping members super informed

superVIEWS

SSS/PSS
State Superannuation Scheme/ Police Superannuation Scheme

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State Super update

Keeping you informed on the latest news and updates at State Super

Inaugural Member Meeting 2022 – register now

All members are invited to attend our online Member Meeting 2022. Hear from our Chair, Chief Executive Officer and other executives of State Super who will update you on our investment performance, objectives and the outlook for the year ahead. You will also have an opportunity to submit questions in advance about the operation of the Fund.

Date: Tuesday 13 December 2022

Time: 10.30am – 12.00pm.

How to register

- If you've already provided your email address, you'll automatically receive an invitation with the link to register.
- If you haven't previously provided us with your email, visit membermeeting.statesuper.registerevents.com.au

Registrations close 30 November 2022.

Annual Member Satisfaction Survey coming soon

Our annual Member Satisfaction Survey is coming up and we will be contacting members by phone in the coming weeks to have their say.

Thanks to everyone who participated and provided feedback in our last survey, which again gave us very positive results in all areas of service delivery when compared to the broader superannuation industry.

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 to continue to identify ways to improve the services we provide to you.

Get in touch

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

Secure Member login now with 2 factor authentication

Did you know you can keep track of your State Super benefits online via the secure member login on our website.

And this year we've introduced enhanced security features which means that every time you log in:

- A unique PIN number will be sent to your mobile phone or email address (we will use the details that are currently on file).
- You will need to enter the PIN number which will then be validated.

For members who do not have either a mobile number or email address on file, you will need to update your member details in order to use the new security features.

Registering for online access enables you to:

- update or change your contact details
- view and download your last annual statement
- request an online benefit estimate.

To register, simply go to **statesuper.nsw.gov.au** and click on the Member Login link (top right corner) and complete the new user registration details.

If you have already registered but need to reset a forgotten password, simply click on the Member Login link and select "Forgotten your password?" where you can re-enter your details securely and request a new password to be sent via post or email.

Additional Employer Contribution (AEC) update

With the Superannuation Guarantee rate increasing by 0.5% on 1 July 2021 and then by a further 0.5% on 1 July 2022, the AEC rate has also increased by these amounts, to 1.0% from 1 July 2021 and to 1.5% from 1 July 2022.

State Super has worked with the fund administrator and employers to update systems and processes to enable the Additional Employer Contribution (AEC) amounts to now be paid and allocated to accounts.

As the necessary system and process changes were not in place when the initial AEC rate increase took place on 1 July 2021, backdated adjustments have been made. These adjustments include the calculation of the monthly AEC contribution amounts that were payable from 1 July 2021 plus investment earnings. Contributions from 1 July 2022 have been made by employers at the new rate of 1.5%.

What is the SANCS Additional Employer Contributions (AEC) Account?

As a member of the State Authorities Superannuation Scheme (SASS), you may also be entitled to receive additional employer contributions that will be paid into your SANCS AEC account. Unlike the defined benefit portion of the SANCS benefit (the basic benefit), the SANCS AEC account provides an accumulation style superannuation benefit, the value of which is determined by contributions made by your employer and investment earnings achieved by the Fund. You cannot make contributions to the SANCS AEC account, as only contributions made by your employer can be credited to the account.

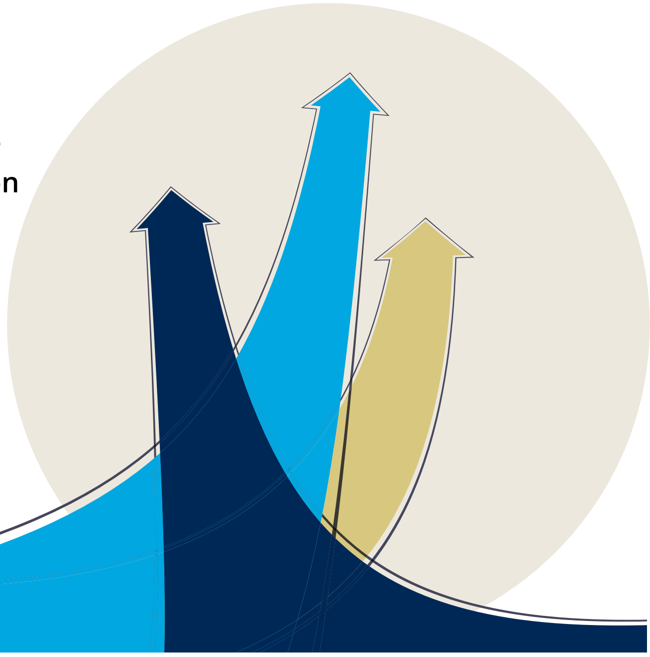
Below is the schedule of AEC increases:

EFFECTIVE 1 JULY:	General - Superannuation Guarantee (SG) increased to:	State Super members – Additional Employer Contribution (AEC) increased to:
2021	10.0%	1.0%
2022	10.5%	1.5%
2023	11.0%	2.0%
2024	11.5%	2.5%
2025	12.0%	3.0%

Investment market overview

Inflation in the spotlight

After two decades of relatively low inflation in many world economies, a marked upswing has been recorded over the last 12 months. The US recorded a 9.1% increase in inflation over the year to June 2022 and over the same period the UK recorded 9.4%, the Euro Area 8.6%, South Korea 6%, India 7%, and Canada 8.1%. Australia was at the lower end of that spectrum with an increase of 6.1%, but significant pressures still threaten to push our rate higher over the remainder of the year.



Inflationary forces are likely to persist, at least over the near term, due to a combination of factors. These include energy and food price increases triggered by supply restrictions and the Russia/Ukraine war, COVID-19 lockdowns in China that have caused production slowdowns, strengthening post-COVID-19 demand levels that are outstripping supply chain capacity and labour market shortages that are putting upward pressure on wages.

In an effort to curb this inflation surge, central banks around the globe have intervened assertively by tightening monetary policy. Governments have also curtailed the levels of fiscal stimulus that were implemented to support economic activity during the pandemic. Australia's Reserve Bank has been behind the curve in raising rates compared to other economies but has flagged their resolve to put the reins on inflation with continued rate increases over the remainder of the year.

These tightening conditions have also had an impact on economic growth with many world economies seeing a significant weakening in GDP over the course of 2022.

The lower growth combined with the emergence of inflation, and the interest rate hikes that have been implemented to contain it, have served to fuel fears for both equity and bond market investors with recession also now a distinct possibility in some economies. This has triggered some substantial dips in market indices. For example, in equity markets for the year to date as at 2 August, the S&P500 was down by 14.71%, Japan's Nikkei 225 fell by 5.32%, China's CSI 300 dropped by 17.3% and the ASX 200 Index contracted by 8.09%. Bond indices have experienced similar falls over the same period, with the US S&P 500 Bond Index down by 11.05%, the S&P/ASX Australian Government Bond Index dropping 8.11% and the S&P Eurozone Sovereign Bond Index falling by 7.82%.

Some challenging times lie ahead

Central banks have clearly signalled that putting a lid on inflation is a key priority, even if this risks a dip into recession in the process. Against a background of benign inflation over recent decades, it is proving difficult for forecasters to predict how inflation will track for the remainder of this year and into next year. Inflation may have yet to peak and the upside potential for inflation may require a few rate rises to bring it into check.

On the fiscal front, the stimulus measures across advanced economies will continue to be wound back, but macroeconomic policy will still be geared to support growth. The notable exception to this is China, where the recent lockdowns will see levels of stimulus support continuing for some time yet to counteract weaker levels of consumer spending and manufacturing output.

Geopolitical conflict will continue to disrupt economic relationships as major economies including the US, the UK, the European Union, and Japan pursue bans on crude oil and coal imports from Russia. To mitigate the supply consequences of this action, several nations are releasing oil from their strategic reserves.

The European Union is also planning to shed its dependence on Russian gas and is actively looking for alternative sources to ensure its energy security. Agriculture is another major casualty of the war with a large slice of global wheat supply normally coming from the two protagonists.

All these challenges are serving to dampen projections for GDP growth and the initial expectations at the start of 2022 are now being revised down by many countries for the remainder of this year and the next. The OECD are now projecting global growth to slow down to around 3% with a similar expectation for next year.

The Australian economy has some bright spots with unemployment now down below 4%, buoyant commodity prices and healthy levels of household savings, but this hasn't inoculated us from also having to revise our growth expectations. In its July statement on economic outlook the new Labor government moderated real GDP forecasts to 3.75% for 2021/22 and 3% for 2022/2023.

Another hot topic domestically is the decline in real wages over recent years. The inflation breakout has brought this issue into sharp focus and the pressure is growing from unions and employees for wage increases to alleviate cost of living pressures. The tight labour market will add further impetus to this campaign.

MEMBER INVESTMENT CHOICE STRATEGIES TO 30 JUNE 2022

	1 year	2 year	3 year	5 year	10 year
Growth	-1.7%	6.0%	4.5%	6.1%	8.3%
Balanced	-0.9%	3.9%	3.5%	4.6%	6.8%
Conservative	1.1%	3.3%	3.2%	3.9%	5.2%
Cash	0.1%	0.1%	0.4%	0.9%	1.7%

DEFINED BENEFIT STRATEGIES TO 30 JUNE 2022

	1 year	2 year	3 year	5 year	10 year
Trustee Selection	-0.6%	6.0%	4.4%	6.0%	8.3%
University Cash	0.1%	0.1%	0.3%	0.9%	N/A

Important: Past performance is not a reliable indicator of future performance.

The crediting rates shown have been rounded to one decimal point and are shown as an annual rate. Actual crediting rates are declared monthly to four decimal places. The annual rate is the compounded monthly rates.

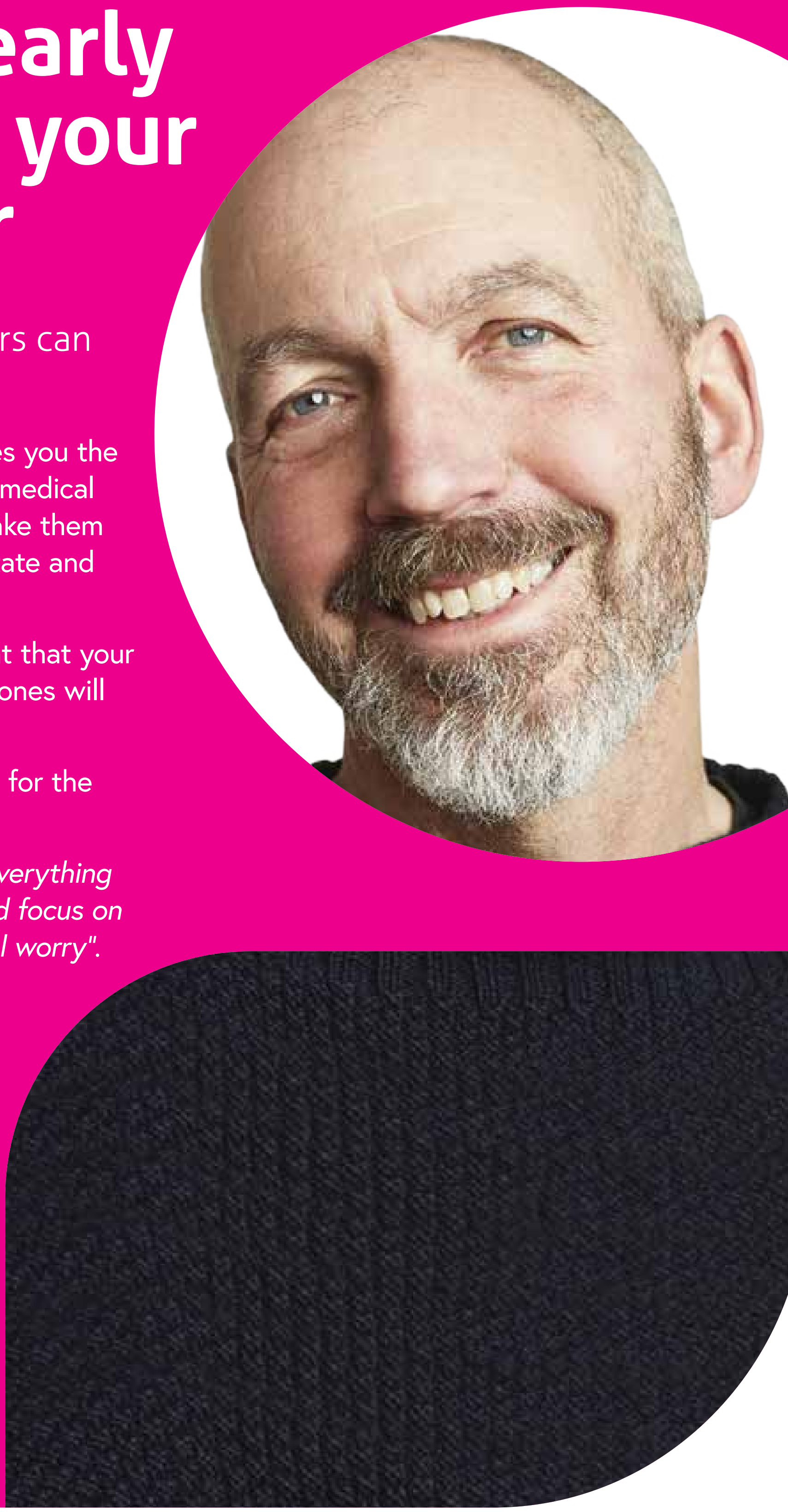
Outlook for markets

Continued market corrections and volatility will likely continue over the course of 2022, as market sentiment will be sensitive to each piece of emerging economic and geopolitical news – particularly on inflation, growth and the possibility of recession.

In the face of this short term uncertainty, it is important to keep a sense of perspective about medium and long term outcomes. If we 'zoom out' to look at growth trends in major indices over the last decade, the recent dips in markets are not nearly as significant as they might first seem. The table below showing State Super's fund returns over the medium and long term lends credence to this reality. Looking forward to 2023 and beyond, markets still hold upside potential for those who are patient. Short term economic shakeups need to always be viewed in the context of longer term investment market trends.

The Australian economy has some bright spots with unemployment now down below 4%, buoyant commodity prices and healthy levels of household savings.

It's never too early (or late) to get your affairs in order



Losing capacity to manage your affairs can leave you vulnerable.

Getting support with your estate planning gives you the opportunity to decide who will make financial, medical and personal decisions if you can no longer make them yourself, as well as who will look after your estate and receive your assets when you die.

With a good estate plan, you can feel confident that your wishes will be carried out and that your loved ones will be looked after.

Estate Planning is an essential part of planning for the future and it's never too early to get started.

"Working with a lawyer at Aware Super, I got everything in place to reflect my wishes. This meant I could focus on the health challenges I faced without additional worry".

Kay, Aware Super member

Our estate planning lawyers will take the time to understand your needs and tailor an affordable estate plan to help you achieve the outcomes you want.

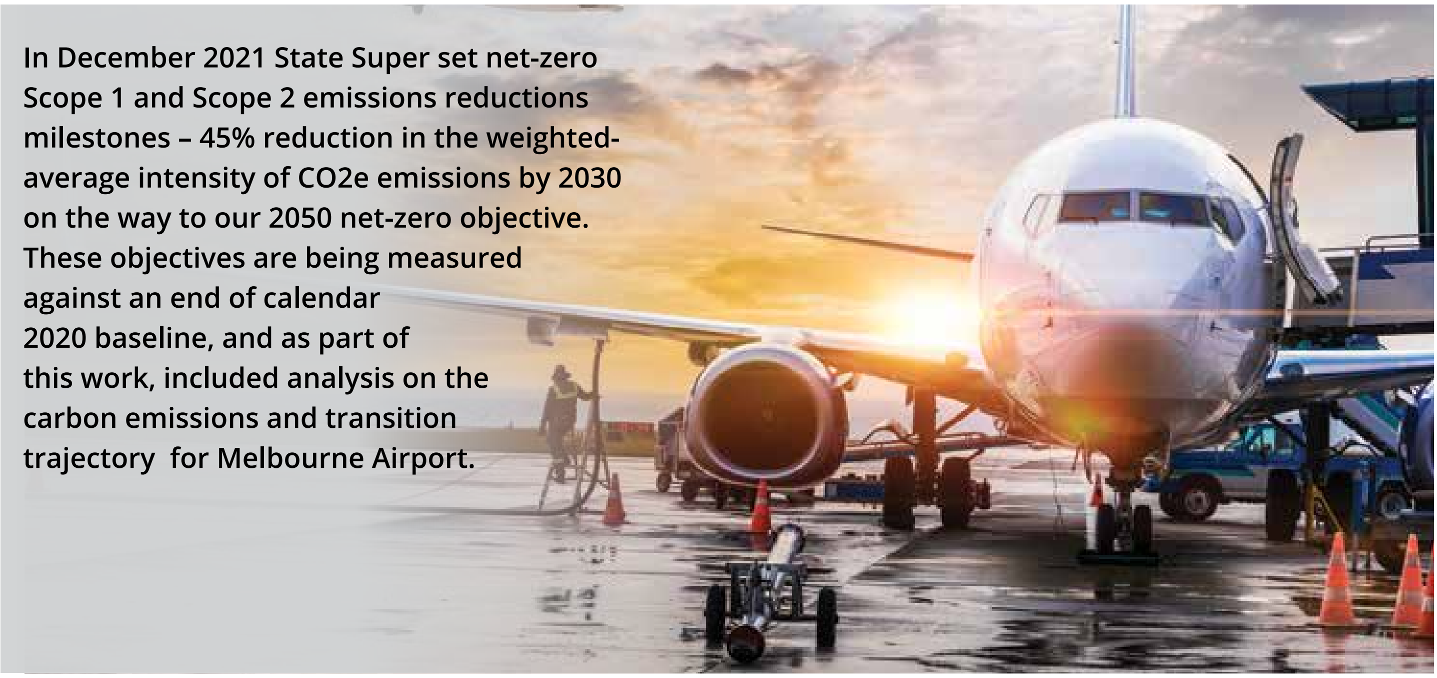
Book an appointment today

Scan the QR code or book online at aware.com.au/estatebooking

1300 650 873 | retire.aware.com.au/statesuper

aware SUPER

Melbourne Airport - helping us deliver on our Net-Zero promise



In December 2021 State Super set net-zero Scope 1 and Scope 2 emissions reductions milestones – 45% reduction in the weighted-average intensity of CO_2e emissions by 2030 on the way to our 2050 net-zero objective. These objectives are being measured against an end of calendar 2020 baseline, and as part of this work, included analysis on the carbon emissions and transition trajectory for Melbourne Airport.

Melbourne Airport, one of Australia's busiest airports is part owned by State Super on behalf of our members and is situated on the land of the Wurundjeri Woi-wurrung First Nations people and Traditional Owners. In January 2022, Melbourne Airport committed to accelerate its net-zero scope 1 and scope 2 emissions reduction plan, by committing to be carbon neutral by 2025.

To support their net-zero ambition, the airport will rely on a recently commissioned 12-megawatt solar farm which is able to power up to 20 per cent of the Airports energy needs, or enough to power the four terminals.

The first element of that strategy has been delivered with a rooftop solar system installed in the Melbourne Airport Business Park. It features in excess of 4,000 solar panels spread across approximately 30,000 square metres of roof.

Other steps being taken to reach net zero include energy efficiency, implementation of a green Power Purchase Agreement ('PPA') from 2024 and retention of Large-scale Generation Certificates (LGCs) generated by the on-site solar farm. Melbourne Airport's new solar farm is one of the largest solar installations in the country and is the biggest undertaken by any of Australia's airports.

The airport expects that by 2030, more than 50 per cent of their energy requirements will be met by expanding the on-site solar generation facilities, with the remaining energy requirements procured through dedicated agreements directly linked to high-quality solar and wind farm developments in Victoria.

In addition to Scope 1 and 2 emission reductions targets, the Airport is focussing on developing a strategy for working with their customers to reduce scope 3 emissions. The strategy will see them work closely with airline and ground transport partners, airport tenants and broader supply chains to reduce emissions across the aviation industry supporting the global move towards decarbonisation.

The revised net-zero targets that Melbourne Airport has set, represent some of the most ambitious actions to address climate change by an Australian based airport.

Importantly, Melbourne Airport is working to achieve Level 1 and Level 2 Airport Carbon Accreditation – an independently verified carbon baseline for the airport and a carbon reduction strategy for benchmarking progress against the global aviation industry.

Working with management teams to ensure they are positioned strongly for a lower carbon economy continues to be a focus as we move towards delivering on our net-zero milestones announced in December.

The airport expects that by 2030, more than 50 per cent of their energy requirements will be met by expanding the on-site solar generation facilities.

Important estate planning tips every member should know

Having an estate plan is an essential part of planning for the future. Estate planning is about choosing who will make financial, medical and personal decisions if you can no longer make them yourself, as well as who will look after your estate and receive your assets when you die.

How does estate planning work?

Estate planning involves reviewing your personal, family and financial circumstances, and then documenting your decisions and choices in a legally valid way. The key legal documents you may need to put in place include:

- A will
- Power of attorney
- Enduring guardianship and health directives

Your pension benefit is treated differently than other assets so it's important to make sure you've got the correct documents in place.

What happens to your pension benefit when you die?

Your scheme entitlement is unlike most retail and industry super funds. The same is true when it comes to the rules about how your death benefit is paid. In short, your death benefit will generally be paid to either your 'eligible' spouse or de facto partner. This may include same-sex partners.

Understanding who is entitled to your benefit when you die

It's important to understand who qualifies as your eligible spouse as part of the estate planning process. The legislation defines who is an eligible spouse or de facto partner and the trustee must adhere to the scheme legislation to determine who is entitled to your benefit when you die.

Without adequate planning, things can get complicated. For example, if you have started your SSS pension and since separated from your husband or wife, a new partner may not meet the definition of eligible spouse. And in fact if you were married to your spouse at the time you commenced your pension, and if you are still legally married to that person, they meet the definition for eligible recipient and can apply for the reversionary pension upon your death.

Where claims are made by more than one person, the Trustee will decide the most appropriate distribution of benefits amongst the claimants. The Trustee has a statutory discretion to determine to whom and in what proportion the pension benefit entitlement is payable. The total amount of the pension benefit payable to all eligible applicants shall not exceed the amount of a single pension benefit entitlement.

Why is it important to have a will?

If you don't have either an eligible spouse or de facto partner at the time of death, any death benefit entitlement will normally be paid to the legal personal representative of your estate to be distributed in accordance with your will or if you don't have a will in accordance with the intestacy rules. Unlike other super funds, State Super Scheme legislation does not allow for binding or non-binding nominations of a beneficiary.

Making a will can avoid expense and stress in the future

Having a valid and up to date will means less stress for your loved ones. Plus, you have the peace of mind that your wishes will be carried out. A person who dies without a will has died 'intestate'. This means their money and assets will be distributed in accordance with the intestacy rules of the state or territory where they live. In short, decisions about 'who gets what' are determined by what the law says. Administering an intestate estate can be complex, expensive and time consuming and can lead to complications including:

- Your money or assets going to a person you hadn't intended e.g. an estranged spouse or parent
- Delays in getting access to your assets and liabilities
- Complications in locating documentation e.g. getting hold of birth or marriage certificates for someone born overseas
- Dealing with paperwork from numerous government agencies

To be valid, a will must be properly completed, dated, signed and witnessed. Using a DIY will kit can leave you open to the risk that your will is not properly signed and witnessed and therefore invalid. In addition, depending on the words used, it may not effectively reflect your wishes.

A Power of Attorney is as important as a will

While a will ensures your assets are properly distributed after you die, a Power of Attorney ensures that someone you trust will look after your financial affairs whilst you're still alive. When you appoint an Attorney, they are allowed to make financial and legal decisions for you and sign legal documents on your behalf.

Appointing one or more people as Attorney has far-reaching implications so it's important to ensure the person you appoint is willing and capable – and that you seek legal advice before you make the appointment. A Power of Attorney can come in two forms:

- **Enduring Power of Attorney** – someone who can manage your assets when you no longer have the capacity to do so yourself.
- **General Power of Attorney** – for when you still have mental capacity, but you need someone to make financial and legal decisions in your absence. For example, if you go overseas.

How can I make sure my wishes are carried out relating to my health?

Appointing an **Enduring Guardian** is a good way to plan ahead for possible changes in your ability to manage everyday life. You can appoint one or more Enduring Guardians to make decisions about your care, accommodation, and health needs if you ever lose the capacity to make these decisions yourself.

A medical/health care directive sets out your preferences for future health care. It may include instructions about specific medical treatment you consent to or refuse, ensuring that your values and preferences are reflected in any future treatment. In NSW, such a written document is called an Advance Care Directive, but this name can vary between the States and Territories. In NSW, your Enduring Guardian will use your Directive as a guide when deciding on the type of care you would want.

You can choose more than one guardian and attorney, and you can revoke your decision at any time, as long as you have the capacity to do so.

Everyone needs an estate plan

We encourage you to see estate planning as a natural part of the financial planning process. It's an opportunity to give yourself the peace of mind that someone you trust will make decisions in your best interests if you're unable to do so yourself. It's also an opportunity to make sure that the assets you've worked hard for will be distributed as you wish.

Aware Super was the first super fund in Australia with a dedicated legal team that offers an estate planning service. The Aware Super estate planning service is a friendly, convenient and affordable way to make an estate plan.

Ask an Expert

Q1: I am aged 57 (born April 1965) and I have a scheme normal retirement age of 60. I'm considering leaving my SSS employer to take up a role in the private sector. How can I calculate how much of my pension entitlement I'll be giving up by leaving before age 60? I have been told that I could commence my SSS pension.

By leaving the scheme before age 60 you will receive a lesser pension entitlement than you would have received if you had continued working and contributing until age 60. The difference is based on the actual number of units you will have fully paid up at the time you exit, as well as considering the expectation that the pension would be paid longer as it is starting earlier. The easiest way to compare the pension entitlement is to request a pension estimate from State Super Customer Service, one based on leaving the scheme and commencing an early voluntary retirement pension at age 57 and the second based on commencing the pension at normal retirement age.

When your employer confirms your exit date, the scheme will recalculate the units that are fully paid based on all contributions made up to that point. The scheme rules do not permit you to pay for outstanding contribution amounts such as the amount accrued from instalment rate units issued since age 55.

As you are over age 55 but have not yet reached your Commonwealth preservation age, the early voluntary retirement pension can be commenced, and the pension that represents the unrestricted non-preserved component of your benefit paid to you straight away. The preserved component of your pension will still be subject to preservation rules. You can elect to start receiving this pension, but you will give up any ability to convert it to a lump sum in the future (unless you meet a condition of release within 6 months of your pension commencing). This will also apply to any reversionary pension unless you die within 20 years of commencing the pension or your life expectancy, whichever is earlier.

Alternatively, you can choose to have the preserved portion of your pension paid into the additional lump sum entitlement (SANCS account) and remain preserved until you meet a condition of release. This option will mean that you and any reversionary, retain the ability to convert your pension to a lump sum within the scheme's commutation time frames.

It is important to note that regardless of when you commence your pension, the additional lump sum benefit (SANCS) will remain preserved until you meet a condition of release under the Commonwealth preservation rules.

Note that the taxable component of any pension paid to you before age 60 will be subject to personal income tax. From age 60 tax is generally not payable on either your pension or a lump sum cashed out unless the pension is more than $106,250 per annum, in which case 50% of the excess is included as taxable income.

Q2: I am 59 (born June 1963) so I have passed my Commonwealth preservation age of 58. I'm planning to permanently retire soon so I'd like to understand how much tax I'll pay on my SSS pension and my additional lump sum (SANCS) benefit before age 60 compared to after age 60?

The taxable component of your pension paid to you up to age 60 will be added to your taxable income and tax payable at your normal marginal rates less a 15% tax offset*. The tax-free component will not be subject to personal income tax.

Once you reach age 60, the pension entitlement up to $106,250 per annum will not be subject to personal income tax. 50% of your pension over $106,250 will be included as taxable income, and subject to normal personal income tax rates.

For a member receiving a pension of $120,000 per annum, $6,875 will be included as assessable income being 50% of the excess over $106,250.

Regarding tax on any lump sum cashed out of super before age 60, the tax is determined by the proportion of tax free and taxable components of your benefit. As you are over your preservation age, the tax-free component and the first $230,000^ of the taxable component cashed out as a lump sum before age 60 will not attract any personal income tax*. Any taxable component above $230,000 will be subject to 15% lump sum tax plus the 2% Medicare levy. Once you turn 60, there will be no personal income tax to pay on any lumps sum amounts cashed out of super.

^ $230,000 is a lifetime cumulative threshold between preservation age and age 59.

* The taxable amount is still included as assessable income which could result in super concessions, tax offsets and family payments being impacted.

An Aware Super financial planner is an expert in your scheme and can help you maximise your contributions to Super.

Go to retire.aware.com.au/statesuper or call 1800 620 305 to speak to a financial planner from Aware Super.

Your member benefits

STATE SUPER
SAS Trustee Corporation

Sign up for a webinar to learn more about your scheme.

State Super seminars are now online! Join a webinar presented by qualified financial planners from Aware Super. They can help you understand how to maximise your superannuation and plan for the future. Aware Super financial planners are specifically trained in your superannuation scheme.

Our webinar is presented in two 60-minute sessions and 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 the 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

Easy-to-follow instructions are provided on how to join and participate online from the comfort of home.

To make a booking to attend one of our webinars, call **1800 620 305** or go to **statesuper.nsw.gov.au/help-centre/seminars** where you can view dates and times that are convenient for you.

Member interviews - now on Zoom (video call)

Interview Services using the Zoom video call platform are available by appointment from 9.00am to 5.00pm Monday to Friday.

State Super's free Interview Service is available to all current and deferred benefit members as well as pension members.

Customer service staff can meet with you via a virtual face-to-face video call. They can assist with general information about your scheme, superannuation rules, even completing administrative forms or other paperwork. Easy-to-follow instructions will be supplied to help you join your video interview.

Call to make an appointment -

SSS - 1300 130 096

PSS - 1300 130 097

Of course, you can contact us by phone for assistance any time during business hours.

There is also a wide range of information available on our website. Details about the rules, benefit entitlements and membership conditions of each of the State Super schemes are provided in a series of fact sheets.

To download a form or fact sheet, go to **statesuper.nsw.gov.au/help-centre/forms-and-factsheets** and search for the name or document number or scroll through your scheme's documents to find what you need.

Contact us

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