STATE SUPER
SAS Trustee Corporation

OCTOBER 2017

superVIEWS

Keeping members super informed

SASS
State Authorities Superannuation Scheme

In this issue......

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State Super update

Keeping you informed on latest news and updates to State Super

Welcome to State Super's new administrator

The sale and name change of Pillar Administration to Mercer Administration Services is now complete. After many years of providing administration services to our schemes the revamped team will continue the great work in providing services to our members.

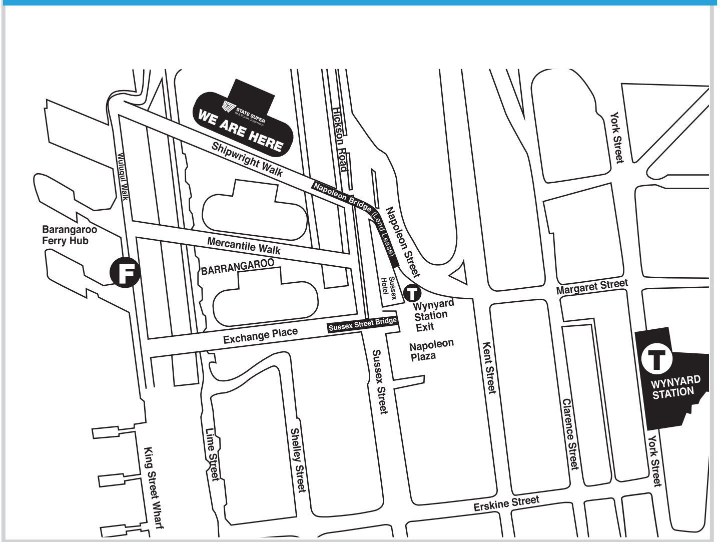
Member Interviews new location

The new Mercer Australia premises are in Sydney's Barangaroo precinct and will be the new location for State Super's Member Interview Service from September 2017, continuing the existing services where members can meet face to face with customer service staff. It's a 6-minute walk from Wynyard Station – just follow the signs to Exit 4 and take the Wynyard Walk tunnel.

Interviews are available here and at selected StatePlus locations. Call these numbers to make an appointment:

- Sydney **02 9238 5540** or
- Parramatta/Newcastle/Wollongong **1800 620 305**.

State Super (Mercer Administration) is located at One International Towers, 100 Barangaroo Avenue Sydney



Key Service Provider updates

We pride ourselves on ensuring all organisations we partner with are selected to provide superior services to our members and all our business partners.

As previously advised, JP Morgan have been selected as preferred custodian of the combined investment funds of three NSW Government agencies – including SAS Trustee Corporation (State Super). This is a continuation of a project aimed to create efficiencies and reduce costs by bringing together the investment assets of NSW under one master investment manager (TCorp).

PricewaterhouseCoopers (PwC) was appointed as our new actuary from 1 August 2017 with a five-year contract. PwC is an active participant in the superannuation industry and a leading advisor to industry, public sector and corporate funds in Australia.

Check your email inbox for new Seminar Invitations

Over 40% of members surveyed last year told us they would welcome receiving information via email. So, we have recently introduced email communication to members to inform them of relevant educational seminars.

State Super's seminar program is a useful way of helping members optimise their super and plan for a successful retirement. Member feedback is that the seminars deliver the right balance of scheme information and general financial planning information.

Look for your invitation to coming events in your inbox – or get in touch to provide us with your up-to-date email address by calling 1300 130 095.

Keep an eye on the news!

These and other State Super updates and announcements are provided to members as they become available via the State Super website. Visit the Latest News section at www.statesuper.nsw.gov.au

Investment market overview 2017

Global GDP on the way up

Global GDP growth seems to be on a positive trajectory, albeit quite modest and still short of historical averages. The OECD projection for world growth in 2017 sits at 3.5%, which is up from 2016's 3.0% and this rate is expected to be a touch higher next year. The spectrum of projected growth for 2017 across the globe has some predictable regional variations, with India leading the charge at 7.3% and China at 6.6%, while the US is at 2.1%, the Eurozone 1.8%, the UK 1.6% and Japan at 1.4%.

The commensurate pickup in global trade features a lift in Chinese manufacturing and infrastructure investment and steel production in China has driven demand for iron ore and coking coal. This bodes well for our mining exporters, who have also profited from some buoyancy in commodity prices over the last year.

Despite all of this moderately positive news, global wage growth remains weak and while headline employment indicators are improving, labour markets are still lethargic.

Are global interest rates ready to head north?

Central banks around the world have been providing low interest economic stimulus for some time, but there are now some real signs that a tentative tightening may be on the way. Several central bankers from major western economies have hinted that gradual rate rises are on the horizon, as deflationary risks seem to have subsided and economic growth is on the up. Having said that, inflationary pressures are still weak, so any monetary tightening is likely to be very modest, if and when it does occur.

“Emerging market economies have bounced back from their late 2016 drops, reflecting renewed confidence stemming from the improving global economic outlook.”

Positive signs in the domestic economy

The RBA reports that domestic growth is expected to edge up to just under 3% by early 2018. Positive indications continue in relation to non-mining sector growth, which indicates that the adjustment to greater diversity in the economy is advancing, although increases in non-mining business investment have been patchy.

On the property front, the strength in residential investment is likely to remain high, thanks to continuing low interest rates and plenty of construction activity. That said, housing is likely to have less of an impact on growth going forward.

Employment growth has picked up in the first half of the year, but low wage growth has put some uncertainty around the pace of consumption growth, especially when household debt remains at such high levels. The expectation is that consumption growth will pick up in tandem with income growth in the period ahead.

How will markets be impacted?

The generally bullish share markets worldwide are not likely to be threatened by any potential interest rate rises, thanks to healthier company profits and the generally positive moves in the key OECD economic indicators, such as employment and global trade. The main source of volatility has been market reactions to various political risks and events, but these reactions have been relatively small and markets have demonstrated resilience.

In the US, the market anticipation of corporate tax reform, deregulation and infrastructure spending, coupled with low interest rates, has propelled equity markets.

Emerging market economies have bounced back from their late 2016 drops, reflecting renewed confidence stemming from the improving global economic outlook. The fading spectre of US trade protectionism has also helped their cause.

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Investment market overview 2017

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Australian equity prices have largely followed global developments in recent months with healthy increases since the start of the year. This was supported by a positive reaction to domestic company profit results and the trend appears set to continue into the year ahead, despite the potential obstacles such as the new banking sector taxes and challenging consumer environment. Key fundamentals, such as strong corporate earnings and balance sheets, low interest rates and high dividend yields will underpin positive expectations.

> "The Trustee Selection and diversified member investment choice strategies all produced strong investment returns and exceeded their benchmark return during the year."

State Super's investment performance

The Trustee Selection and diversified member investment choice strategies all produced strong investment returns and exceeded their benchmark return during the year.

Financial markets broadly performed strongly over the 2017 financial year despite significant geopolitical uncertainty. The 2017 financial year saw both Australian and international equities perform strongly, with the ASX 300 returning close to 14% and global developed market equities and emerging markets equities returning circa 15% and 20% respectively. Infrastructure, property and other unlisted assets also continued to perform strongly as investor appetite for these types of assets showed no sign of abating. Conversely, it was a year where both Australian and international bonds did poorly as central banks began to slowly increase interest rates from historically low levels (higher interest rates result in lower bond prices). Australian government bond yields rose from below 2.0% to 2.6% while US bond yields went from below 1.5% to end the financial year at 2.3%. The return from Cash continued to be anaemic, returning 1.9% for the 2017 financial year compared to 2.3% for the 2016 financial year.

The Trustee Selection and diversified member investment choice strategies continued to benefit from an active tilting process during the year, which allowed a significant over-weight position to be maintained to equities to capture the strength of the market, whilst protecting against significant market falls. This was an important feature, particularly as all the strategies had negative cash-flow.

The declared returns for the four member investment choice strategies as at 30 June 2017 over one, three, five and ten years are as follows:

Member investment choice strategies to 30 June 2017

	1yr	2yr	3yr	5yr	10yr
Growth	9.0%	7.0%	8.0%	10.7%	5.1%
Balanced	6.9%	6.1%	7.0%	9.0%	5.5%
Conservative	4.4%	4.5%	5.3%	6.6%	5.2%
Cash	1.9%	2.0%	2.1%	2.4%	3.5%

Important:

Past performance is not a reliable indicator of future performance. The crediting rates shown above 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

Reading your Annual Statement

2 years ago, we introduced the new Annual Statement design to make understanding your benefits even easier. The explanatory notes included provide further information to help you understand your statement. Here's a few important sections to look for:

Your membership details

This is where you'll find a summary of all your membership details in one snapshot – eligible retirement age, current contribution rate, salary, whether you have a pension option, are contributing via salary sacrifice and more.

Your retirement benefit

Your total benefit will be projected at retirement ages 58 and 70, so you can see how much you are entitled to at either age.*

Your investment choice

A snapshot of how your benefit is invested and what investment choice changes you have made throughout the year. As you head towards retirement you may want to consider adjusting your investment strategy to ensure it is right of you.

Look out for these symbols on your statement

If you see this symbol on your statement, it is highlighting **must know** information.

Important!

This symbol shows you where to find **more information** on a topic.

Need help understanding your annual statement?

You can contact the State Super Customer Service Team on **1300 130 095** if you need assistance locating particular information or if you don't understand some of the information contained in either your annual statement or the explanatory notes.

* The projection of your benefit is an estimate. It is not a guarantee of the amount you will receive. The actual amount you recieve at retirement may be more or less than quoted.

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. Make sure we have your up-to-date email address so we can keep in touch online.

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.

Highlights from the 1 July super changes

On 1 July 2017 a number of changes to the superannuation laws came into effect. The main changes consisted of:

- a new lower cap on concessional contributions of $25,000 per year
- a $1.6 million cap on the total amount you can transfer into a pension
- a limit of $100,000 per year in non-concessional contributions if your total super balance is below $1.6 million.

In this article we look at how these changes might affect members of government employee defined-benefit schemes.

Question 1 – $1.6m total super balance

I have a SASS benefit of $1.6 million. I've heard there is a total super balance cap, how will that affect me?

The new total super balance rule affects the amount of non-concessional contributions you can make in a year (contributions you make from your after-tax salary). Once your total superannuation balance reaches $1.6 million (as at 30 June of the preceding financial year) you won't be eligible to make non-concessional contributions without exceeding your non-concessional contributions cap.

If your balance is under the $1.6 million cap as at 30 June, the limit on the amount of non-concessional contributions you can make in the following year is $100,000. If you're under 65 at the start of the financial year, the non-concessional contribution rules allow you to bring forward the next two years of non-concessional contribution caps so you can contribute a total of $300,000 after-tax. If you want to use the full bring-forward provisions, your total super balance must be under $1.4 million as at the end of the preceding financial year otherwise restrictions apply.

Your total super balance doesn't affect the amount of concessional contributions you can make though (those paid directly from your gross salary before tax and the notional amount counted for your employer contributions), but you are subject to the reduced $25,000 cap. Some SASS members have a special protection which means that although total concessional contributions in SASS may exceed the $25,000 cap, their SASS benefit contributions are deemed to be within it.

If you have SASS special protection, then even if total concessional contributions going into SASS are more than the cap, the most the fund will report to the ATO is $25,000. However, please be aware that you could still exceed the cap if you have concessional contributions made into another super fund. To find out whether you have this protection, check your most recent statement under 'Your membership details – Contribution cap protection', or call 1300 130 095.

Question 2 – $1.6m transfer balance cap

I'm close to retirement, I have a total superannuation balance, including my SASS benefit, totalling more than $1.6 million. How will the transfer balance cap changes affect me?

When you transfer your super into a tax-free pension, you pay 0% tax on any amount you subsequently earn from that investment. The transfer balance cap was designed to limit this generous concession by restricting the amount you can transfer into tax-free pensions.

This means that when you retire, the maximum you'll be allowed to transfer into a tax-free pension is $1.6 million. If you transfer more than that amount, the ATO will require that you withdraw it from the tax-free environment and invest it elsewhere. Exceptions may apply to defined benefit pensions.

This cap applies to the total amount of your superannuation that has been transferred to income stream accounts, so if you have more than $1.6 million in super, we recommend consulting a financial planner to work out how to maximise your tax effectiveness when you retire. This could mean leaving the excess in a superannuation accumulation account, or investing it outside super entirely.

Question 3 – 1 July Super Changes

I'm 54, I'm not planning to retire for a few years. I'm an active SASS member contributing at 6% by salary sacrifice. I earn a salary of $95,000 a year, and I have a current SASS benefit valued at $400,000. I'm also adding another $5,000 in salary sacrifice contributions to a First State Super account with a balance of $100,000. How would the 1 July superannuation changes affect me?

The new concessional cap

One of the main changes on 1 July 2017 was that the concessional contributions cap was reduced to $25,000 for everyone. It was previously $30,000 for people under 50 and $35,000 for those aged 50 or more.

'Concessional' contributions are those paid directly from your gross salary before tax (and the notional amount counted for your employer liability and in some cases emergency services insurance with First State Super). You only pay 15% tax on these contributions. As of 1 July, the maximum amount you can contribute at this tax rate is $25,000. Any amounts above this cap are taxed at your full marginal rate. Concessional contributions also include personal contributions you make to another fund for which you claim a tax deduction.

Do you have SASS special protection?

If you have SASS special protection and SASS is your only fund, even though your contributions may exceed the $25,000 cap, they are still deemed to be within it. This protection doesn't apply to any salary sacrifice contributions you're making to other funds (e.g. First State Super) so you should seek financial advice.

If you've lost this special protection, all the amounts you contribute to SASS or any other fund through employer contributions or salary sacrifice count towards the cap and must not exceed $25,000 to benefit from the concessional tax rate.

To find out whether you have this protection, check your most recent statement under 'Your membership details – Contribution cap protection', or call **1300 130 095**.

Maximising your super within the concessional contribution cap

Your concessional contributions to SASS consist of two elements:

- employer contributions (including the SASS employer-financed benefit and basic benefit)
- any salary sacrifice contributions you make.

Your concessional contributions to SASS are calculated by multiplying your salary by a benefit factor—based on your contribution rate—and then adding any member contributions you salary sacrifice (see table). If you are contributing at 6% or higher the benefit factor is 9.6% (or 12% if you are an ex-State Public Service Superannuation Scheme member), which is a notional amount that represents the contributions your employer is making on your behalf.

You have the opportunity to change your contribution rate once per year, so if you increased it from 6% to 9%, your contribution would look like this:

Employer contribution 9.6% of $95,000 to SASS	$9,120
Salary sacrifice member contributions*	$10,058
Salary sacrifice contributions to First State Super	$5,000
Total	**$24,178**

*Your salary sacrifice contributions (9%) are grossed-up to cover the 15% contributions tax that is paid.

In this example, your contributions would be within the $25,000 cap and you would have little room to increase your salary sacrifice contributions further.

VERY IMPORTANT NOTE: before changing your rate benefit category, check whether this will cancel your SASS special protection.

continued overleaf

Highlights from the 1 July super changes - continued

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Try out the calculator

You can see the effect of adjusting your personal contribution rate by using our online calculator. Go to **www.statesuper.nsw.gov.au** and search for 'sass calculator'.

A note about benefit points

As a SASS member you can accumulate up to an average of 6 accrued benefit points each year (up to a maximum of 180). The total number of points is used to calculate your final benefit when you retire, so the more you have the better. A contribution rate of 6% generates the maximum of 6 points per year, so if you are behind on your points raising it to 9% will allow you to catch up on your benefit points. If you already have a maximum average of 6 benefit points a year, any increase in your contributions are not wasted as they are still added to your personal account.

Super may be a better bet than clearing your mortgage

Paying off your mortgage is usually considered a sound investment strategy, but as a member of SASS, maximising your scheme benefit may be a better approach. This is because the potential benefits from maximising your scheme could be greater than the interest savings you get by reducing your mortgage.

This can be a complex comparison, so we recommend you speak to a financial planner about it before deciding which path to take.

Tax deductible contributions

Recent legislative changes enable a wider range of people to claim their personal super contributions as a tax deduction. Due to the fund's rules, personal super contributions to SASS remain non tax-deductible for these defined benefit members. All members can continue to make salary sacrifice contributions to their SASS scheme

> "...potential benefits from maximising your scheme could be greater than the interest savings you get by reducing your mortgage."

Need advice?

StatePlus, formerly known as 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.stateplus.com.au**

For future updates to the legislative changes to Superannuation, visit the State Super website at **www.statesuper.nsw.gov.au**

We recommend seeking professional financial advice about your options and what impact these measures may have on your retirement.

Estate planning – your questions answered

In this edition of SuperViews, we'll explore two aspects of estate planning that StatePlus financial planners are often asked about. Firstly, we'll look at how your superannuation benefit is paid when you die. And secondly, we'll consider the different powers you can give to others to make decisions for you if you're unable to do so.

Superannuation death benefit

Your superannuation benefit is considered differently to your other assets such as cash in the bank, shares or your home. It's considered to be a 'non-estate asset', so wishes expressed in your Will about how your other assets are paid when you die may not apply to your superannuation assets. It's important to keep this in mind when either writing or reviewing your Will. It's also important that any professional helping you write your Will is aware of any rules that affect how your superannuation will be paid.

> "...make sure that the assets you've worked hard for will be distributed as you wish."

How your SASS benefit is paid

SASS is unlike most retail and industry super funds. For example, your benefit is paid according to a defined formula, and the fund rules are largely set out in specific New South Wales legislation. This includes rules about how your death benefit is paid.

In short, your SASS death benefit will generally be paid to either your 'eligible' spouse or de facto partner. This may include same-sex partners. If you don't have either an eligible spouse or de facto partner at the time of death, your benefit will normally be paid to the personal representatives of your estate.

> ! **IMPORTANT NOTE:** SASS Scheme legislation does not allow for binding or non-binding nominations of a beneficiary.

What about other super funds?

Many of our members also have investments in other super funds. These funds may allow you to nominate beneficiaries. The most common nominations you can make are a binding death benefit nomination and a non-binding death benefit nomination.

If a fund allows you to make a binding death benefit nomination, and it is valid upon your death, its trustee must comply with the nomination. In the case of a non-binding nomination, the decision about how your superannuation is paid when you die is made by the fund's trustee. The trustee may use your non-binding nomination or your Will to guide its decision making, but it's not bound by it. This may have unintended consequences, as your benefit may not be paid as you may have wished.

Keeping your nomination up to date

A binding death benefit nomination must be renewed at least every three years. Some funds do however allow

Estate planning – your questions answered - continued

members to make a non-lapsing death benefit nomination. It's important to check with your super fund what death benefit nominations are permitted.

Power of Attorney and Power of Guardianship – deciding who can decide for you

Estate planning includes making plans for someone to look after your affairs if you're unable to do so. In New South Wales, there are three 'powers' that you can 'donate' – a General Power of Attorney, an Enduring Power of Attorney and an Enduring Power of Guardianship.

Power of Attorney

Unlike a Will or death benefit nomination, a Power of Attorney is a signed document that sets out who can manage your assets while you're alive rather than who will receive them when you die. A Power of Attorney allows your attorney to make financial and legal decisions for you. For example, they can sign documents on your behalf or make decisions to buy or sell assets.

A General Power of Attorney might be used in specific circumstances, such as if you're away on holidays and would otherwise be unable to pay bills. It may set specific dates for when it applies, and ceases if you lose the capacity to make decisions for yourself.

An Enduring Power of Attorney may start either at the time you appoint an attorney or later. This might be if or when a doctor considers that you are unable to manage your financial and legal affairs. Therefore, unlike a General Power of Attorney, an Enduring Power of Attorney continues if you lose the capacity to make decisions for yourself.

Enduring Power of Guardianship

An Enduring Power of Guardianship is a signed document that allows your guardian to make personal, lifestyle and medical decisions for you. For example, where you live and what medical treatment you consent to or refuse. A guardian cannot be someone who is involved in your medical treatment in any way.

Choosing a guardian or attorney

The person you appoint must be capable, willing and, most importantly, someone you trust. You may choose the same person to be both your guardian and attorney, you can choose more than one guardian and attorney, and you can revoke a Power of Attorney and Power of Guardianship at any time as long as you have the capacity to do so.

Because of the legal effect of an Enduring Power of Attorney and Enduring Power of Guardianship, it's important to receive advice from a solicitor before signing such a document.

A final word about estate planning

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.


Retire
life
Rich

Your member benefits

Sign up for a Seminar

State Super seminars are presented by qualified financial planners from StatePlus on our behalf, who can help you understand how to maximise your superannuation and plan for your future.

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.

Thanks for your website feedback

Our new look website launched in early 2017, and we would like to thank all the members who provided comments and suggestions via the online survey. This will help us ensure the State Super website continues to develop and meet your needs.

Take some time to look at the online features including:

- **Salary sacrifice calculators** – find out the difference salary sacrificing your contributions can make to the amount of tax you pay and the amount of income you take home.
- **Retirement milestones** – to help you prepare for retirement and access your State Super benefits we've included information on where you're at on your journey. It also guides you to information when unexpected detours (for example redundancy or divorce) occur along the way.
- **Investment Performance** – we've improved how we display investment performance figures so they are easier for you to compare and understand.

All the information that you're used to seeing including fact sheets, forms, information about the financial planning services available to you and the latest news from State Super is available at **www.statesuper.nsw.gov.au**

Contact us

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