OCTOBER 2023

PensionVIEWS

Keeping members super informed

STATE SUPER
SAS Trustee Corporation

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

STATE SUPER UPDATE

STATE SUPER
SAS Trustee Corporation

Are you satisfied with our service?

Our research company Woolcott will be contacting members by phone in the coming weeks to conduct our annual Member Satisfaction Survey.

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.

In last year's survey members rated us highest for Telephone Service (8.1), Interview Service (7.9), Financial Planning (7.8) and Seminars (7.6) out of 10.

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

ANNUAL MEMBER MEETING 2023 – COMING SOON

Following the success of our inaugural Annual Member Meeting last year, which received over 800 registrations within a few days, we are again calling for members to come together at an online event in December.

State Super Chairperson, Nicholas Johnson, Chief Executive Officer, John Livanas, Chief Investment Officer, Charles Wu and Chief Experience Officer, Nada Siratkov will provide detailed presentations to members on our investment performance, objectives and the outlook for the year ahead during the 90-minute meeting. You will also have an opportunity to submit questions in advance about the operation of the Fund.

Last year's post-event survey showed most attendees felt the meeting was worthwhile with 84% saying they would be either "very likely" or "likely" to attend again next year.

> **"Enjoyed the meeting - clear information from all presenters and it gave me a good insight into the priorities, strategies and perspective of those managing the funds. Thanks!" said one member.**

Others added…

> **"It is the first time that I have had the opportunity to understand the depth and value of my Super Fund".**
>
> **"I joined State Super as a first-year out teacher in 1970. I often wondered how things worked, what happened with the money, and what the people were like who handled this aspect of my finances. I found this session answered a lot of those questions…"**

Date: Wednesday 6 December 2023

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 https://membermeeting.statesuper.registerevents.com.au

REGISTRATIONS CLOSE

22 November 2023

STATE SUPER UPDATE

MEMBER ADVISORY FORUMS PROVIDE VALUABLE INSIGHTS

Next year will see our Member Advisory Forums kick off once again, providing like-minded groups of members a place to discuss the big picture issues facing public sector workers.

The forums are usually grouped around past or current professions – Teachers, Nurses, Transport - and aim to provide a platform for collaborative discussion with members on a range of issues.

We recently published a white paper, based on previous member advisory forum findings, which pointed to the balancing act that superannuation funds need to perform to meet the needs of members.

State Super fund members expect their superannuation fund to make socially responsibly investment choices without sacrificing retirement incomes. Members flagged several characteristics of responsible investment, including considering the impacts on people, society and the environment.

Responsible investment considerations cited by members included:

- **Environmental sustainability,** such as climate change, renewables and balancing the needs of future generations.
- **Improved social outcomes,** such as aged care, affordable and social housing, and childcare.
- **Support for Australian industries,** such as local start-ups to futureproof the Australian economy.
- **Good corporate practices,** such as avoiding modern slavery in any part of the supply chain.

But fund members said responsible investment should not come at the cost of generating good returns and ensuring investment decisions support the best outcomes for retirees.

John Livanas, CEO of State Super, said the findings would help inform the fund's investment strategy. "We hear the message loud and clear from our members: they want us to undertake responsible investment without sacrificing retirement incomes," Mr Livanas said.

"While some other consistent themes emerged, the forums also highlighted the diversity of needs, circumstances and personal preferences of our members. The importance of the provision of quality information and the need for ongoing engagement were reiterated time and again.

"We thank our members for their robust engagement and for their frank feedback."

> **"We hear the message loud and clear from our members: they want us to undertake responsible investment without sacrificing retirement incomes."**

If you would like to participate, please check your inbox for email invitations to future forums.

Or for more information on the findings outlined in the member advisory forum white paper visit https://www.statesuper.nsw.gov.au/news-and-publications/news/balance-social-responsibility-and-retirement-incomes

aware super

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Call Aware Super on 1800 620 305 to find out more

INVESTMENT MARKET OVERVIEW

A winding road to recovery

The battle to contain inflation across the globe is slowly being won and conditions for economic growth are showing some bright spots, but there are no quick fixes and progress looks like it will remain patchy over the remainder of this year and into 2024.

Annual inflation across OECD countries for 2022 ended up at 9.4% but this had dropped to 6.5% by May 2023. The projected outlook is for the year-on-year rate to be 6.6% by the end of the year and 4.3% for 2024. Major contributing factors in this gradual reduction include tighter monetary policy settings by central banks starting to bite, energy and food prices easing off and the freeing up of global supply chains as COVID-19 impositions fade into history.

On the economic growth front, the OECD's global GDP rate projections for 2023 and 2024

In Europe the markets have generally seen pleasing results with the German DAX, the French CAC 40 and Spain's IBEX 35 all putting in sound growth over the first half of the year

Interest rates dominate domestic news

The Reserve Bank of Australia has maintained a hard line on the interest rate front, with consistent increases being implemented over the last 12 months and a pause in the August meeting to leave the cash rate at 4.1%. While inflation appears to have turned the corner and is heading downward after its peak at around 7%, the RBA is keeping its cards close to its chest and is reserving the right to pull the interest rate lever yet again if the economic indicators warrant further anti-inflationary action.

Other notable features in the Australian economy include the strong growth in employment, subdued consumption and a much lower household savings ratio, which has fallen dramatically from its high point during the pandemic. The post-COVID-19 boom in dwelling construction is now tapering off, as a consequence of high construction costs and housing price declines over the last year or so. In the export arena, resources are expected to continue to improve and the services sector is also looking stronger; with migration, tourists and overseas students returning to Australia after significant dips during the pandemic.

remain stubbornly low at 2.7% and 2.9% respectively, although these forecasts are slightly higher than what was being predicted earlier in the year. When we drill down to growth in different countries, the expectations vary. The US, the Eurozone, Japan, South Korea and Australia can expect some sluggish GDP numbers, (and possibly even some brief recession), before things improve, while some Asian countries such as India, Indonesia and China are expected to fair better.

How have investment markets reacted?

The year started with guarded optimism surrounding world markets, but with the expectation of greater than average volatility. This was largely due to the post-pandemic resurgence in markets being weighed down by the uncertainties of inflation and interest rates, the prospect of some economies falling into recession and the upheavals flowing from the Ukraine conflict and collapse of several US regional banks. This volatile environment has resulted in a mixed bag of results from major world indices.

The leading light has been the S&P 500; the flagship index in the USA. For the first half of 2023 it was running just short of 20% growth and there are expectations that this run still has scope to continue, with inflation numbers falling faster than forecast by the Federal Reserve and a robust employment market. A significant factor in this surge was the enthusiasm surrounding the tech sector due to pioneering developments such as AI.

Downside influences on the US market still exist, however, in the form of a lag in the negative impacts of earlier aggressive interest rate rises. This will still have the potential to put the US economy into recession and cause markets to reassess expectations and this may temper results going forward.

In China, the Shanghai Composite index has had a bumpy ride in 2023, with some sharp rises in the first half of the year being wiped off by mid-year. Other Asian indices have fared much better, such as the Nikkei in Japan and Sensex in India which have seen considerable growth over the first half of the year.

In Europe the markets have generally seen pleasing results with the German DAX, the French CAC 40 and Spain's IBEX 35 all putting in sound growth over the first half of the year, but the FTSE index in the UK has been struggling to break even.

Market expectations going forward

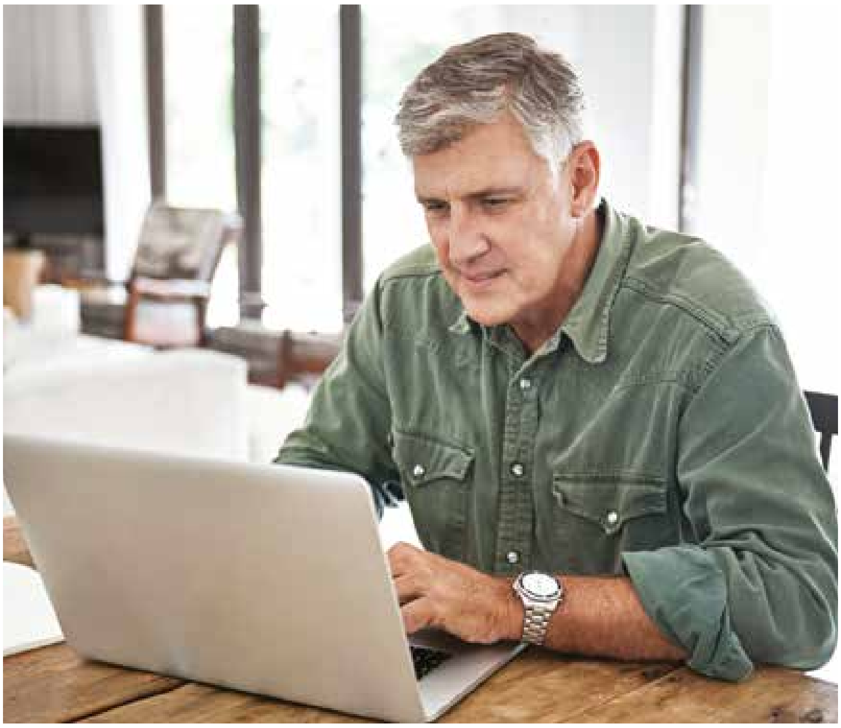
Looking ahead, market expectations remain challenging for the remainder of the year. The risk of recession in the US could weigh heavily on markets, and China's recovery may be hindered without greater stimulus measures. The conservative stance of central banks may result in interest rates remaining higher for longer. Such challenges suggest that we should keep our expectations for markets in check in the short term.

PENSION PAYMENTS TO INCREASE UP TO 6.6%

LEARN MORE ABOUT THE ANNUAL CPI AND WHAT IT MEANS IN RELATION TO YOUR PENSION

Each year in October the amount of your State Super pension is adjusted to reflect the percentage movement in CPI from one June quarter to the next June quarter. This adjustment has most often historically resulted in an increase in your pension, but it can be decreased if the CPI adjustment is negative (however, there is a cap on negative CPI rates so if the negative adjustment is less than 1.1%, the pensions will not be adjusted).

The legislation to index pensions to the CPI was introduced following a period of significant inflation in the 1970s.



The movement in the CPI (All Groups Sydney Index) from 30 June 2022 to 30 June 2023 was 6.6%. **The adjustment rate for State Super pensions is therefore 6.6% for this year.**

State Super pensions will be adjusted from the first pension payday in October 2023, which is on Thursday 5 October this year. Pensions commencing during the first three quarters in the financial year receive a partial CPI adjustment, while no adjustment is made to pensions commencing in the final quarter.

2022 - 2023 CPI HIGHLIGHTS*:

- **Australia recorded an annual rise of 6.0%**
- **Sydney recorded an annual rise of 6.6%**
- **Australia recorded a June quarterly rise of 0.8% (slowest quarterly growth since September 2021)**
- **Annual food inflation of 7.5% including –**
  - ✓ **Dairy (15.2%)**
  - ✓ **Bread and cereal (11.6%)**
  - ✓ **Meat and seafood (3.5 %)**
  - ✓ **Fruit and vegetables (1.6%)**

Rise in national CPI

Annually, the national CPI rose 6.0%, with new dwellings (+7.8%), rents (+6.7%) and domestic holiday travel and accommodation (+13.9%) the most significant contributors.*

This rise in costs is reflected in this year's increase to our State Super pensions, being the largest increase in more than 33 years (in 1990 it was 8.1%).

*Source: Australian Bureau of Statistics

What is the CPI?

Simply defined, the Consumer Price Index (CPI) measures the change in the price of a fixed basket of goods and services purchased regularly by household consumers from one period to another. The Australian Bureau of Statistics (ABS) measures the cost of a set list of items in order to calculate a CPI rate for each of the eight State and Territory Capital Cities. They also calculate a weighted average of the eight Capital Cities, which is generally the CPI that we hear about on the news.

The CPI rate that is used to adjust your State Super pension each year is the All Groups Sydney Index which simply means it is a CPI rate based on Sydney prices and includes all the categories in the standard basket.

What's in a CPI basket?

The 11 categories included in each of the All-Groups Indexes are:

- **Health**
- **Transport**
- **Communication**
- **Recreation and culture**
- **Education**
- **Insurance and financial services**
- **Food and non-alcoholic beverages**
- **Alcohol and tobacco**
- **Clothing and footwear**
- **Housing**
- **Furnishings, household equipment and services**

JOYCE WRIGHT – A COUNTRY GIRL, WELL-TRAVELLED

Our State Super pension members are famously long-lived – in fact we have 115 members aged 100 or older!

Meet one of our own, who recently celebrated a milestone 100-years in April 2023, and she has the congratulatory letter from King Charles proudly displayed to prove it!

Joyce Wright was born 28th April 1923 in Far North Queensland to Josephine and Charles Wright (a well borer), and they lived on a farm near Mareeba.

“We roamed around the countryside and walked to school. Living in the bush, in the real bush, we were just happy” Joyce reminisces.

Her father died relatively young at aged 45 leaving his wife to raise Joyce and her four other children. Her mother at one point made a living as housekeeper to a wealthy family in the Gulf Country of Queensland where Joyce also stayed and did some of her schooling by correspondence. She even did a short stint at a school in Camooweal but was “volunteered” into the role of kindergarten teacher for a time – her first taste of the career she would pursue.

Winning a scholarship in 1937 she then moved to the big smoke of Brisbane, attending Brisbane State High School and living on her own at the YWCA.

> **“We went everywhere in skis in Sweden, but I don’t think I could ski now!”**

“I was my own boss. I had my own freedom. I had to do my own washing and I had to look after myself and go to school of course. But we were used to that” says Joyce.

After completing college she moved to teaching in Mt Isa where she met her husband, Tom. Marrying at the age of 22 they went on to raise four children - Ian, Margaret, Matthew and Roslyn.

By the early 1950s the family had relocated to Cooma where Joyce’s husband worked on the Snowy Mountain Scheme for a Swedish engineering company. This was followed by an adventurous move to Sweden where they lived for nearly a decade.

“We went everywhere in skis in Sweden, but I don’t think I could ski now!” laughs Joyce.

Her younger children picked up the language quickly and in fact struggled a little on their return to Australia in 1963.

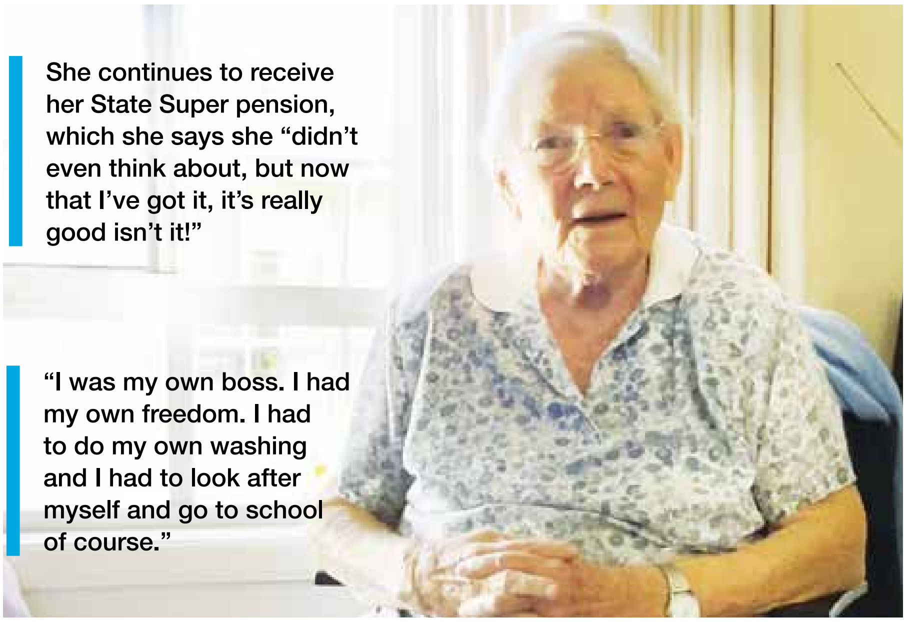
Primary and infants school teaching took up Joyce’s time once again which she continued until her official retirement at 60. She also kept busy with several years of remote area teaching back in outback Queensland.

Joyce seemed to find her true calling in teaching, saying “I just love the kids, that’s all. And just sometimes being one of them!”

The caravanning and cruising lifestyle suited her retirement years, and she travelled frequently, culminating in a 106 day round-the-world voyage.

Today, Joyce is enjoying a quieter life but marked her 100th birthday in style with extended family – including 22 great grandchildren.

She continues to receive her State Super pension, which she says she “didn’t even think about, but now that I’ve got it, it’s really good isn’t it!”



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“I was my own boss. I had my own freedom. I had to do my own washing and I had to look after myself and go to school of course.”

Snapshot of State Super Centenarians

Members 100+ years of age	115
Gender	89 Females (77%) 26 Males (23%)
Type of pension	39 primary pension (33%) 76 spouse pension (67%)
Industry	43% of our centenarians had been employed (or their spouse employed) by the NSW Department of Education
Years in receipt of pension	Average of 26 years
Residence	90% reside in NSW

RECESSION PROOFING YOUR PENSION INCOME

When the economy throws a curveball, how does it impact your retirement plans? In this article we look at what a recession can mean for your finances and how to make smart decisions about your retirement income during a recession.

WHAT DOES IT MEAN TO BE IN A RECESSION?

It is hard to define what a recession actually is. Even the Reserve Bank says the technical definition of a recession – two consecutive quarters of negative GDP growth – can be unreliable. This is because weak, but not negative, GDP growth can still cause hardship.

Many economists believe that we are in a recession when we see sustained weak GDP growth, rising unemployment and low levels of spending by households and businesses, all happening at the same time. At the moment our economy is ticking a couple of those boxes, but not all of them:

- Australian economic growth is expected to be 1.2% this year, which will be the lowest it's been outside a recession for more than 30 years.
- Unemployment is climbing slowly, but the 3.6% rate we're seeing now is almost the lowest it's been in 50 years.

- A series of interest rate hikes from the Reserve Bank suggests they want to see Australians rein in their spending. Inflation is falling, but not as fast as the RBA would like.

Perhaps the best indicator is what the average Australian thinks is happening. The google search for the combined terms 'recession' and 'Australia' is the highest since early 2020, which was the peak of COVID.

WHAT HAPPENS DURING A RECESSION

If a recession does hit, the impacts can be widespread. The factors driving a recession can work together to reduce activity across the whole economy. A fall in consumer confidence can be expected to lead to a drop in spending, especially on non-essential things like eating out or home renovations. This lack of spending translates to less business income; businesses stop hiring or may have to lay off staff. Both the fear and reality of this dampens spending even more.

Banks are less likely to approve loans when things look shaky, which could affect house prices, and they get tough on other types of lending, slowing cash flow even more.

All this can have a negative impact on the share market, with businesses downgrading their profits or shareholders moving into what they see as 'safer' investments.

HOW THIS CAN AFFECT YOUR RETIREMENT INCOME

Your State Super lifetime pension indexed to inflation does provide certainty during challenging economic times, so if this is your main source of income then you are well protected. If you are also relying on income from other sources, such as investments, while it may feel like the right thing to withdraw funds from the riskier assets in your portfolio, such as shares, in favour of conservative assets, you may actually be doing more harm than good. You'll lock in an immediate loss and miss out on better returns when conditions improve. Your best bet is to take the long-term view and stick to the investment strategy you agreed upon with your adviser. Most diversified superannuation funds are designed to withstand volatility and fund managers will be doing their best to limit any impacts from volatile markets.

It's still a good idea to reassess your spending habits and adjust if you need to. Work out how much you need for necessities and see if you can delay the 'nice-to-haves' for when the economy is more stable. Direct any spare cash into an 'emergency bucket' - a separate savings account - which should have enough for you to live on for at least six months, so you won't have to withdraw more from your investments than necessary.

STAYING ALERT ABOUT YOUR FINANCES

It's also important to maintain good security habits during a recession. Economic uncertainty breeds scammers. ASIC say there was a 20% increase in scams during the worst period of COVID[1]. Common strategies scammers use include offering you alternative investments that they say provide higher and safer returns or pretending to be an agency such as a bank to gain access to your details. Never provide personal information to anyone without double-checking they really are who they say they are, and if their offer sounds too good to be true, it probably is.

KEEP CALM AND CARRY ON

Whatever path you decide to take, it's important to be aware of how emotions can impact your decision making. Knee-jerk decisions such as withdrawing funds from high growth assets could end up costing you a lot more than if you had been able to ride out the ups and downs of riskier asset classes.

Talking to an expert can help you stay focused on the long term and help you have a greater sense of control by working through a strategy that will maximise your retirement income. **Aware Super financial planners are specialists in State Super schemes.**

Call **1800 620 305** to book your appointment today.

[1]https://asic.gov.au/about-asic/news-centre/find-a-media-release/2020-releases/20-147mr-rise-in-investment-scams-during-covid-19-pandemic/

ASK AN EXPERT

QUESTION.

Q1: In addition to my SSS pension I also receive the age pension. I'm thinking of taking up some part time work, how much income can I earn from employment before it impacts on my age pension entitlement?

Under the income test, individual age pensioners can earn up to $204* per fortnight and couples $360* of income from all sources (including deemed income from financial assets) and still be entitled to the full age pension. For every $1 earnt over that amount their pension will reduce by 50 cents up to a disqualifying threshold.

In addition to these thresholds, there is an incentive scheme called the 'Work Bonus' which is aimed at encouraging individuals and couples to keep earning, the first $300 of fortnightly employment income is not counted toward the income test thresholds. This means that a single age pensioner can earn a total of up to $504 a fortnight of income from all sources and still receive the maximum age pension.

Unlike many Centrelink benefits, the 'Work Bonus' applies to individual pensioners and cannot be shared by a pension couple. So a couple can earn up to $300 each ($600 in total) 'Work Bonus' plus $360 in income from other sources before the age pension is impacted.

Employment income can either be through salary and wages or from self-employment, provided it involves active participation which is defined as requiring individual effort, examples include bookkeeping, handy man, or lawn mowing. It does not include passive activities such as managing an investment portfolio or rental properties.

If your work is seasonal or sporadic, any unused portion of the $300 per fortnight 'Work Bonus' will accumulate in an 'income bank' up to a maximum of $7,800[1]. There is no time limit, and any unused amount can be carried forward across multiple years. This should happen automatically if you report your income to Centrelink. A one off $4,000 income bank credit (expires 31 December 2023) is also available to eligible pensioners[2].

Age pension recipients don't need to apply for the 'Work Bonus', however if your income is variable, you will need to keep Centrelink informed, as the 'Work Bonus' can only be applied to employment income that has been reported.

*Rates current on 1 August 2023

1 The $4,000 one off credit increased the maximum balance of the income bank to $11,800 (26 x $300 = $7,800 + $4,000) however that maximum will be returned to $7,800 from 31 December 2023.

2 The $4,000 one off credit is available to eligible pensioners with an income bank immediately before 1 December 2022 (including a zero balance), pensioners not receiving an eligible pension on December 1, 2022 but had been previously and have a "retained income bank balance", or eligible pensioners who started to receive a pension during the one off increase period (1 Dec 2022 to 31 Dec 2023).

QUESTION.

Q2: I heard there are some recent changes to the income test threshold for the Commonwealth Seniors Health Card which may mean that I'm eligible. Can you please explain the eligibility requirements and the benefits to the cardholder.

The Commonwealth Senior's Health Card (CSHC) is a concession card available to older Australians who have reached age pension age and meet an income test threshold, which is higher than the thresholds for the age pension. So even if you don't qualify for the age pension, you may still be eligible for the CSHC. And if you didn't meet the eligible criteria in the past, changes that came into effect in November 2022, may mean that you are now eligible.

The card may provide access to various benefits, including cheaper prescription medicines through the pharmaceuticals benefit scheme, bulk billed doctor visits, ambulance, dental and eye care, and other discounts on essential services such as electricity, gas bills, property and water rates, and public transport.

To be eligible, singles can now be earning up to $90,000, and couples $144,000 (combined) and up to $180,000 for couples separated by illness respite care.

Income is assessed based on adjusted taxable income plus deemed income from certain account based pensions.

Adjusted taxable income includes a number of elements, some of which are taxable income, foreign income, tax-exempt foreign income, total net investment losses, reportable fringe benefits, reportable superannuation contributions and certain tax free pensions or benefits.

Account Based Pensions not subject to deeming are those that benefit from grandfathering provisions, to be eligible for these provisions you must have held both a CSHC and the account based pension continuously since 1 January 2015.

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

YOUR MEMBER BENEFITS

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 - 1300 652 113

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 and search for the name or document number or scroll through your scheme's documents to find what you need.

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 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:

- Call State Super Customer Service on **1300 652 113**.
- Complete STC Form 207 (available on our website) and mail it to us.

GET IN TOUCH

1300 652 113

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STATE SUPER
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SASP 1023