SEPTEMBER 2020

STATE SUPER
SAS Trustee Corporation
100 Years

Keeping members super informed

# pensionVIEWS

## State Super Pension members

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# State Super update

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

### Our centenary year comes to a close

On 1 July 2019 we commemorated our 100-year anniversary with a staff celebration and re-enactment of a 1919 board meeting. State Super (then known as the State Provident Fund Management Board) was launched at that board meeting at a momentous time in history, with the end of the Great War and the introduction of social programs for returning veterans.

Throughout the last 12 months we met with some of our centenarians, State Super members who were celebrating turning 100, and we showcased the stories of their amazing (and long!) lives in SuperViews, on our website and LinkedIn. Every member turning 100 throughout the year received a bouquet of flowers from us on their birthday. Some told us they enjoyed this gesture as much as the letter they received from the Queen.

Our 100-year birthday celebration culminated in a reception at the Mitchell Galleries at the State Library of New South Wales. Business partners, members, staff and media attended the event, including one very special guest member, Dr Elizabeth (Betty) Hall, one of our centenarians.

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*CEO John Livanas greets 100-year old member Dr Betty Hall*

NSW Treasurer, the Hon. Dominic Perrottet, was guest speaker. He spoke warmly of the history of State Super and the lessons that can be learned about the very nature of public service, and the peace of mind that comes from a secure future.

To learn more about the history of State Super visit our website to view a detailed historical timeline and short video at **www.statesuper.nsw.gov.au/about-us/our-history**

### State Super Academic Scholarships awarded

Another milestone during our anniversary year was the announcement of an important new initiative, the State Super Academic Scholarship. The aim of the program is to foster research in several priority areas to improve future retirement incomes.

> *We're pleased to confirm that two scholarships have now been awarded by the review panel to an Honours student from Macquarie University and a Masters student from the University of NSW.*

More information will be published on their research progress in the coming months.

## Responsible Investing offers super returns

At State Super, we focus on investing with you over the long-term of your retirement and we consider a range of risks that may impact your returns. One category of these risks is commonly referred to as ESG (environmental, social and governance).

In 2019, the Trustee Board approved a new Responsible Investment Policy which ensures we are able to continue effectively integrating ESG factors in the changing environment. Some of the ways we have integrated ESG risks include:

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- **Climate scenario modelling:** Scenario modelling is one way State Super can better understand the potential impact of, and prepare for, climate change. With the help of our advisors, State Super assessed the potential impact of climate change using different potential circumstances. These findings were reflected in the annual investment strategy review.
- **Physical climate risk assessment**: We also commissioned research on the physical risks of climate change. This assessment is based on the assets location and looked at the vulnerability of physical assets to risks such as floods, heat waves and cyclones. We initially undertook research in 2019 to identify potential vulnerabilities to State Super's unlisted property and infrastructure assets and extended this in 2020 to include an assessment of the vulnerability of the physical assets within State Super's listed equities portfolio. We plan to use these results to inform future investment and asset management decisions.
- **Carbon footprint analysis:** State Super implemented analysis to measure and monitor the carbon footprint of its listed equities portfolios for DC (Defined Contributions) Options. This will form part of the ongoing management of ESG risk.
- **Voting:** Voting is another way State Super communicates with the companies we invest in. For DC Options, we transitioned to internal voting by State Super, with voting based on the ACSI (Australian Council of Superannuation Investors) guidelines. Voting for Trustee Selection has been delegated to TCorp. The first combined voting activities report was published on the website on 20 July 2020 enabling members to see how we apply our voting principles.

## Annual Member Satisfaction Survey – have your say

**Our annual Member Satisfaction Survey is coming up and we will be contacting members by phone in November 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 research has become an integral part of our future planning and will continue to identify ways to improve the services we provide to you.

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

# Mid-year investment overview

## Gaining perspective on a volatile year

**The last 12 months have seen an almost unprecedented level of volatility. The first half of the financial year brought strong share markets, but that rapidly changed with the arrival of the Covid-19 virus. By mid-March, markets had suffered their sharpest fall in history. This sparked economic stimulus of unprecedented speed and magnitude by Governments globally, and together with central banks maintaining historically low interest rates, this drove an equally quick market recovery. By the end of the financial year markets were roughly back to where they were six months prior.**

Thanks to State Super's down-side risk minimising strategies, our members have been well protected from the initial financial shock of the pandemic. In fact, we were one of the best performing super funds in the March quarter.

## A different kind of crash

There are some significant differences between this pandemic related crash and the previous two crashes of 2001 and 2008. In terms of economic contractions, the current crisis is far greater in depth than the previous two, but paradoxically share markets have rebounded much more quickly this time.

This recovery can largely be attributed to the unprecedented speed and magnitude of stimulus measures implemented by governments and central banks, the gradual economic reopening and initial improvements in infection and death rates following a global 'lockdown', and the enormous focus on developing a vaccine. This saw a significant recovery in global shares and commodity prices between March and June. The US share market led the way on this front recovering most of its losses, whilst the Australian market finished further behind its financial year starting point.

> *"We were one of the best performing super funds in the March quarter."*

This market resilience, however, may belie the significant ongoing challenges to economic growth, employment and business conditions. The extraordinary stimulus measures and wage support programs may be merely delaying the inevitable impacts on some businesses, that may not be able to recover or survive once the support programs taper off.

The Reserve Bank of Australia has cautioned that the uncertainty surrounding the impact of the virus may continue to be a drag on the economy for some time, as households and businesses exercise caution, lower their consumption and postpone their investment plans. Company profits and dividends on the whole will almost certainly be impacted and industries most acutely affected, such as transport, hospitality, entertainment and construction, may suffer an extended period of stagnation. The crisis may also accelerate structural changes to some sectors. For example, the surge in online shopping may eventuate in permanent changes to the shopping habits of many consumers, which will pose a major challenge for many retailers.

## What is the expected outlook?

In terms of investment markets, short-term volatility is expected to continue.

There are significant headwinds for the global economy, most notably recovery in employment, business conditions, and economic activity, complicated by the risk of 'second waves' as economies try to gradually re-open. Rising geopolitical tensions, an uncertain US presidential election in November, and very high levels of debt are further hurdles. On the other hand, continued Government and Central Bank support, strong earnings growth for technology and other sectors positively impacted by the work-from-home regime, and a potential positive surprise on the vaccine front may continue to buoy markets.

Forecasting the economic outlook is therefore challenging. According to tentative Reserve Bank forecasts, GDP growth in Australia will likely end up around –5% for the 2020 calendar year with a return to positive growth by the end of 2021, but this forecast is heavily conditional upon how the pandemic tracks over the months to come.

## State Super weathers the storm well

**Our funds have benefited from an ongoing strategy known as "tail risk hedging", which is implemented to protect against extreme market movements. State Super CEO, John Livanas, gave this insight into how this works in practice.**

*CEO John Livanas*

John Livanas explained that "Traditionally, fund managers rely primarily on diversification strategies and active management as ways of managing risk. While we do employ those practices, we complement them with tail risk hedging to bolster our funds' resilience against sudden catastrophic market downturns. This strategy results in some marginal cost to performance during normal conditions, but we firmly believe the added protection it gives to our members is well worth it. Our performance during this current crisis has certainly vindicated this approach".

Another key factor in State Super's ability to respond well to the pandemic is our emphasis on maintaining strong liquidity levels, as John explains. "Our fund has a relatively high proportion of older members with comparatively large balances. We know that as these members start retiring there will be significant withdrawals to be paid out. With that in mind, a core feature of our investment policy is to maintain substantial liquidity so that we are well positioned to meet our obligations.

With many of our members closing in on retirement age it is also important that we maintain a defensive skew on our investment strategy, so that market volatility does not negatively impact a member's withdrawal at the time of their retirement. The combination of this defensive emphasis, with our robust liquidity and our tail risk hedging strategy means that our members can be very confident in our ability to weather the current storm".

## Member investment choice strategies to 30 June 2020

| | 1 year | 2 year | 3 year | 5 year | 10 year |
|---|---|---|---|---|---|
| **Growth** | 1.5% | 4.5% | 6.1% | 6.4% | 8.0% |
| **Balanced** | 2.7% | 4.4% | 5.1% | 5.5% | 7.1% |
| **Conservative** | 3.0% | 3.9% | 4.2% | 4.3% | 5.7% |
| **Cash** | 0.9% | 1.4% | 1.5% | 1.7% | 2.5% |

### 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.**

# Introducing Aware Super - continuing an historic partnership

**At State Super one of our five Member Beliefs is to *help members maximise their benefit*. For 30 years, as a member of State Super, you and your family have been able to access a range of services with a professional financial planner from StatePlus, who are experts in your scheme.**

In 2016, StatePlus was sold by State Super to First State Super, one of Australia's largest profit-to-member superannuation funds and one of the country's leading financial advice businesses, with over 200 financial planners, located across Australia. The combined group manages over $125 billion in retirement savings and the historical connection has meant that our investment beliefs are very closely aligned. They have helped thousands of people just like you to achieve their lifestyle goals, now and throughout retirement.

This heritage drives their culture of fairness, integrity and openness. As our trusted partner they act in the best interests of members to help maximise their State Super benefits, provide specialist retirement advice and implementation solutions.

## Aware Super - a new name for First State Super and StatePlus

First State Super and StatePlus are changing their brand to **Aware Super**. They believe a single brand that's relevant across Australia, delivers the best value to their members and financial planning clients. They aim for one recognisable brand that is more cost-effective to build and support over time.

The name **Aware Super** was delivered following consultation with groups of members and financial planning clients including SASS, SSS, PSS and Pension members.

**Aware Super** believes their new name and branding reflects who they are as an organisation, and how they can support and empower their members and clients to succeed by driving better retirement and financial outcomes.

## Why do we partner with Aware Super financial planners?

**Aware Super** financial planners[1] are specialists in public sector schemes, which are some of the most complex superannuation schemes. Their financial planning team has the knowledge and expertise to advise you on your scheme and has been providing advice to members for nearly 30 years.

They will take the time to get to know you and help you understand your scheme choices, maximise your benefits and save tax, and implement a strategy to help you achieve your short, medium and long-term goals.

The financial planning team at **Aware Super** is committed to helping SASS, SSS, PSS and Pension members and their families, to make informed decisions to maximise their retirement benefit, save tax and plan for a fulfilling retirement.

## Our shared history

## What does this mean for you?

If you are an existing client of StatePlus, there will be no disruption to the relationship you have with your financial planner or any change to how you will continue to deal with them following the brand change to **Aware Super**. Your investments won't change, and you will be able to do everything you do now.

The financial planning team at **Aware Super** will continue to service you and your family with over the phone advice, educational seminars and webinars, such as *Retirement Planning* and *Make the most of your super*, and face-to-face meetings.

> *Aware Super believes... they can support and empower their members and clients to succeed by driving better retirement and financial outcomes.*

**Talk to the financial planners at Aware Super. The first advice appointment remains free of cost or obligation. Simply call 1800 620 305 to arrange an appointment.**

[1] Financial planning services are provided by Aware Financial Services Australia Limited, ABN 86 003 742 756 AFSL No. 238430.

# Coping with COVID-19 challenges

The pandemic has produced unprecedented pressures on many aspects of our lives. Everything from normal daily activities right up to mental health and financial security have been put under stress and this can be particularly challenging for retirees, who generally fall into the most vulnerable category.

So where can you turn to for information, support and assistance? Thankfully, there is plenty on offer and much of it targeted toward older Australians. To help you navigate where to go we have put together a summary of the services on offer and how to get in touch.

## Support for retirees managing their investment savings

As you would be well aware, managing your retirement savings and investments is critical to income security during retirement. The extreme volatility in investment markets caused by COVID-19 may well cause some angst over your future finances, but there are some useful measures in place that may help.

The Federal Government is offering two specific measures aimed at retirees. The first of these is a temporary 50% reduction in minimum superannuation drawdown requirements for account-based pensions. This helps retirees avoid the need to sell off investment assets while values are depressed or volatile. These reduced drawdown rates will apply for 2019-20 and 2020-21 financial years.

> *Retirees who are looking to renovate their homes may also qualify for the HomeBuilder grant.*

To illustrate how this will work, let's look at the example of John, who is 66 years old with an account-based pension valued at $200,000 on 1 July 2020. Normally John would be required to draw down 5% of his account balance for the 2020-21 financial year, which would amount to $10,000 by 30 June 2021. Under the new temporary arrangement John will be allowed to reduce that draw down to $5,000, thereby preserving more of his investment.

The second measure is a reduction in deeming rates for those receiving the Age Pension. The upper deeming rate is now 2.25% instead of 3% and the lower deeming rate is 0.25% instead of 1%. These reductions mean that less investment income will be assessed under the income test, which may result in an increase in your social security entitlements.

As an example, retirees Jenny and Bruce have $550,000 worth of financial assets. They hold $300,000 in a superannuation account from which they earned 5% last year and $130,000 in a term deposit which earned 1.5%. The balance of their money is held in a transaction account earning negligible interest.

Under the previous deeming rates, Jenny and Bruce would have had their Age Pension reduced by $65 each per fortnight after the income test is applied. Under the new deeming rates, this reduction would only be around $32 each per fortnight.

Retirees who are looking to renovate their homes may also qualify for the HomeBuilder grant, which the government has implemented to stimulate the construction industry during the pandemic. Eligible owner-occupiers may apply for a grant of $25,000 to help fund substantial renovations to their home. Importantly, the building contract must be signed between 4 June and 31 December 2020, with construction commencing within three months of signing.

More information on all of these financial assistance measures can be found at **treasury.gov.au/coronavirus/households.**

## Healthcare information and assistance

***"Stay COVID free, do the three"*** is now a familiar catchcry to promote the key elements of washing hands, keeping distance in public places and downloading the COVIDSafe smartphone app. The Department of Health has a series of short online videos available to help explain more on these practices and other important health information at **www.health.gov.au/resources/collections/covidsafe-app-campaign-resources#videos**

For the latest advice about preventing the spread you can go to **www.health.gov.au/news/health-alerts**

You can also contact your local state and territory health department. A full list of contacts can be found at **health.gov.au/state-territory-contacts**

One of the more controversial health strategies has been the introduction of the **COVIDSafe app**. This uses Bluetooth technology to securely and anonymously store information of other app users you come in contact with on your phone. If someone you have been near in the past 21 days later tests positive for Coronavirus, health workers can contact you quickly and let you know what steps you will need to take. To find out more visit **www.health.gov.au/resources/apps-and-tools/covidsafe-app#**

Mask wearing has also provoked increasing discussion in the community. The general health advice is that if you are in a region where community transmission is occurring and you are in situations where physical distancing is difficult to maintain, such as shopping or on public transport, wearing a mask will reduce the chance of passing the virus on to others. This is particularly relevant for seniors.

For more detailed advice that is specifically relevant to older Australians you can visit the **Health Direct** website. This has advice on accessing telehealth services, home delivery of medicines, information on how home care packages may be affected, vaccinations and rules around contact with family and friends. Access this site at **www.healthdirect.gov.au/coronavirus-covid-19-information-for-older-australians-faqs**

An **Older Persons COVID-19 Support Line** is also available to provide information and support to senior Australians, their families and carers. This can be accessed Monday to Friday, except public holidays, from 8.30am to 6pm on **1800 171 866**, or for more information visit **www.health.gov.au/contacts/older-persons-covid-19-support-line**

For those who require aged care services, the **My Aged Care** site now has specific COVID-19 related information at **www.myagedcare.gov.au/covid-19-information-support#** This site provides valuable advice on accessing services and support, such as phone shopping. For those who are isolated, in crisis, or unable to get help from friends or family, you can call their hotline **1800 200 422** to access an emergency Standard Supply Pack of basic food supplies and household items. This hotline can also provide referral to a local aged care service provider for short-term services without requiring an aged care assessment.

## Social connection and mental health

Given that a third of all senior Australians live alone, the pandemic has the potential for severe impacts on their mental wellbeing. There are some excellent resources and services available if you or anyone you know is struggling with loneliness, social isolation or anxiety.

The government's **Friend Line** service provides invaluable assistance for anyone in need of a friendly chat, which is totally anonymous and confidential. Simply call **1800 424 287** or to find out more go to **www.friendline.org.au**

**Be Connected** provides another important service to assist senior Australians with the confidence and skills to use the internet and everyday technology. They have a network of over 3,000 community organisations across Australia who are ready to deliver this assistance. In recognition that online access is of greater importance during the pandemic, the government has recently boosted funding for their work. To find out more go to **beconnected.esafety.gov.au**

**Beyond Blue** is a trusted service dedicated to those who are struggling with anxiety or depression. They now have a Coronavirus Mental Wellbeing Support Service that supplies 24/7 telephone support and online chat service for those feeling worried or struggling to cope during the pandemic. Visit **coronavirus.beyondblue.org.au** or call **1800 512 348** to talk to a trained counsellor.

# Ask an Expert

*Q: I'm a 66-year-old woman and separated from my spouse over five years ago, which was after I had started my SSS pension. I have since been in a de facto relationship for three years. When I die, I would like to have my current partner commence the reversionary pension. How can I ensure that my wishes are followed?*

**In this instance your partner will not meet the requirement to receive your benefit. The Trustee must adhere to the SSS scheme legislation to determine who is entitled to your benefit when you die. This legislation defines who is an eligible spouse or de facto partner.***

> *If you did not have a spouse, and there were no children eligible to receive a pension, there may be a "Guaranteed Minimum Benefit"*

As the relationship with your de-facto partner commenced after you started your pension at retirement, they will not meet the definition unless you have a child together and the child was dependent on you at any time.

As you were married to your spouse at the time you commenced your pension, and if you were still legally married to that person, they meet the definition for eligible recipient and can apply for the reversionary pension upon your death. This will include an option to convert the reversionary pension to a lump sum within specific timeframes.

If you did not have a spouse, and there were no children eligible to receive a pension, there may be a "Guaranteed Minimum Benefit" amount payable to your estate. This is calculated based on the withdrawal benefit at retirement less all payments already made to you from the scheme.

* To satisfy the requirements of being an eligible spouse or de facto partner, the person must have been the pension member's spouse or de facto partner before the pension was commenced, then remained so until the death of the pension member (i.e. remaining legally married albeit separated). A de facto partner may be a person of either the opposite sex or the same sex.

If the deceased was an invalidity pension member, and the spouse or de facto was a spouse or de facto prior to the pension member reaching their normal retirement age, and the relationship existed for at least three years before the pension member's death, that partner is eligible to claim as a reversionary.

# CPI – what does it mean?

**Most of us will have heard the term bandied around in the financial press for many years. We know it has something to do with inflation and how much more things are costing us today compared to a year ago but what does it really mean to you, and more specifically, in relation to your pension?**

## 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 acquired 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 in the media.

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. A list of the 11 categories included in the standard basket is shown opposite.

## So, how does this affect my pension?

Each year in October the amount of your pension is adjusted to reflect the percentage movement in CPI from one June quarter to the next June quarter. This adjustment most often results in an increase in your State Super pension, but your pension can be decreased if the CPI is a negative amount.

Annual adjustments to State Super pensions were introduced in 1974, and under the rules introduced at that time, where a negative CPI is less than -1.0%, the legislation allowed for no adjustment to be made in the current year and the negative CPI percentage to be carried forward to the next year to offset against the following year's CPI rate.

In July 2020 the ABS released the CPI from the June quarter 2019 to June quarter 2020, and for the All Groups Sydney index it was -1.0%. This would have resulted in a reduction to your pension however legislation has recently been amended to increase the -1.0% threshold. **This means that State Super pensions will not be reduced by the negative CPI rate for this year, but will be offset against next year's CPI adjustment.**

This is the first time that the CPI for Sydney has been negative since adjustments to State Super pensions commenced in 1974.

The negative CPI rate for 2020 can be attributed to the economic consequences of the global COVID-19 pandemic, with the fall in the June quarter of 2020 the largest fall in the 72-year history of the CPI.

### What's in a CPI basket?

The 11 categories included in each of the 9 All Groups Indexes are:

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

# 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 on Fridays.**

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 advice about your scheme, superannuation information, 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 myriad 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 [www.statesuper.nsw.gov.au/help-centre/forms-and-factsheets](www.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.

## 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

# Contact us


1300 652 113

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