OCTOBER 2021

STATE SUPER
SAS Trustee Corporation

Keeping members super informed

superVIEWS

SSS/PSS
State Superannuation Scheme/ Police Superannuation Scheme

In this issue......

also inside...

State Super update

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

Healthcare members share their views

State Super has now completed two Member Advisory Forums and the feedback to date from members has been extremely positive. Late last year we spoke with members from the Department of Education and this year we hosted a group from the Healthcare professions.

CEO John Livanas said about the Forums, "This is a tremendous opportunity to hear directly from public sector employees. Bringing our members together with their peers, for an animated discussion about superannuation related issues. As each person shared, others contributed their thoughts, or asked questions. Members were also able to ask me their own questions directly during the Q&A. We've learned a great deal and will continue to bring members together before consolidating and sharing the results."

> *It's an event that brings like-minded people together; workers from the same industry who had never met before, who were able to enjoy a robust conversation and express their own opinions.*

Nada Siratkov, General Manager, Member Engagement added, "We've realised that this Forum is more than a vehicle for seeking member views. It's an event that brings like-minded people together; workers from the same industry who had never met before, who were able to enjoy a robust conversation and express their own opinions. It is a success for our members and for State Super."

Both Forums were virtual events and demonstrated State Super's commitment to connect with members. The event provides members with a platform to discuss two important superannuation related topics; 1. The impact of public sector super on career and retirement and 2. Responsible investment.

Some key insights include –

- Superannuation did not play a role in choosing their career path or deciding to enter the public service but once members became aware of the benefits of their scheme and began taking a deeper interest in superannuation more generally, they were incentivised to remain in the public service.
- They believe there is value in younger people engaging early with super instead of it becoming a focus later in one's career.
- Forum attendees who were eligible for a pension believe their defined benefit pension provides comfort in times of uncertainty, and they have been able to reliably plan and adjust their lifestyle accordingly.
- Members told us that it is vital to receive accurate information at crucial junctures, like at the start of your career as well as when transitioning into retirement.
- Our members told us that super funds should take a more strategic approach to future-proofing our economy, such as investing in our national research and development sector and investing in Australian companies.
- Members say there is a need to balance returns with social, environmental, and national sustainability. They know that some of these investments are long-term and this focus should include engagement with younger fund members to help them make the best decisions for their future.

There are likely to be further Forums in 2022, followed by the completion of a White Paper that summarises all member discussion themes that will be published on our website.

If you are interested in participating in a future Member Advisory Forum, email your full name, and current or previous job title to info@statesuper.nsw.gov.au and we will respond with the event details. Places are limited, so be sure to contact us as soon as possible.

Protecting yourself against scams

At State Super, we take the protection of our member's personal and financial information very seriously, and you can play a key part by keeping your account information safe and secure.

Personal and financial details

Have you been contacted and asked for your bank account details so that a payment of a benefit or payment of a pension can be processed? If so, you may have been targeted by scammers.

To ensure you are speaking to a State Super customer service team member be aware that;

- We will always advise you that the call is being recorded for training and coaching purposes
- We willingly provide our names and where we are calling from
- If we're unable to get in touch, we will leave a telephone number (which you can verify by checking the State Super "Contact us" website page) and a reference number for you to quote when you call us back

The basic guideline is, if in any doubt, refuse to provide personal details over the phone or via email or simply disconnect the call/do not reply to the suspicious email. You can always request something in writing or contact us via the details on the website www.statesuper.nsw.gov.au/help-centre/contact-us

Scammers can also try to obtain information via email/SMS or provide you with genuine looking documentation. If you receive an unexpected message that asks you to click a link, **DO NOT click on the link.** Always sign into your financial accounts by typing the address directly into your browser.

If you have already passed on personal information, either over the phone or via email, that has you concerned, please get in touch so we can place additional security measures on your account.

SCAM Alert: Self-Managed Super Fund rollovers

Be wary if you are cold called or emailed to set-up a self-managed superannuation fund (SMSF), particularly with the promises of high returns. The scheme can include being asked to transfer funds to a new SMSF, but instead the rollover is transferred to bank accounts controlled by scammers.

If you have been contacted by any person or company encouraging you to open an SMSF always undertake your own independent enquiries via the Australian Securities and Investment Commission (ASIC) asic.gov.au/

Or, to learn more about how to spot the latest superannuation scams and where to report them, visit the ASIC moneysmart government website moneysmart.gov.au/how-super-works/superannuation-scams

> *Always sign into your financial accounts by typing the address directly into your browser.*

Annual Member Satisfaction Survey - have your say

Our annual Member Satisfaction Survey is coming up and we will be contacting members by phone in the coming months 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/helpcentre/contact-us

Investment market overview

A tumultuous time

The first half of the year was an eventful period as the impacts of COVID-19 continued to dominate headlines and reverberate throughout the world economy. While vaccine uptake has calmed the threat in many areas, outbreak spikes and the rise of new strains have hampered the efforts of health authorities and limited the ability for economic activity to return to normal.

Fiscal stimulus has been employed to varying degrees across the globe with positive effects in terms of facilitating an economic bounce back. Political dynamics have been volatile, with prime examples being the Capitol riots in the USA and the continued tension between China and major western economies, including our own

Despite the challenges over the last six months, international institutions are upgrading their growth expectations with the IMF projecting 6 percent growth in 2021 – a dramatic shift from a contraction of -3.3 percent in 2020.

Markets forging ahead

Markets so far this year have continued their random activity amidst the pandemic chaos and fears of economic calamity. The S&P 500 index, for example, finished the first half of 2021 up by 14.4 percent, while the ASX200 rose by over 11 percent for the same period.

We saw markets quick to rebound even in the early gloomy stages of the pandemic last year and their ability to look beyond negative economic news has persisted through 2021. This optimism has been reinforced by positive company profit growth, fiscal stimulus measures and continuation of accommodative monetary policy from central banks. Whether this trend continues will in part be influenced by perceptions of markets being over-valued, the inevitable withdrawal of fiscal stimulus and the potential for a rise in bond yields.

Listed property has also recovered well from the crash of 2020, while unlisted property has remained relatively stable during the entire pandemic period, despite the pressures being felt in the office and retail sectors.

Global recovery exceeds expectations

Vaccine roll out has been the central focus in underpinning economic recovery so far and this will continue to be the case for the remainder of the year. Developed countries have largely seen good vaccination rates, although there are some notable exceptions including Japan and Australia. Developing economies in regions such as Africa and South America, however, are running behind with their programs and several are experiencing major infection spikes which will ultimately hamper the recovery process.

On the political front, Joe Biden's election has provided a more predictable and stable policy footing, although his administration faces significant hurdles in calming political and trade disputes with China. Biden's ramping up of fiscal stimulus has been a major factor in making US recovery more rapid than expected and the benefits of this have a direct growth impact across the globe.

Monetary policy across most central banks has remained accommodative to support economic activity, although there are some rumblings over the prospects for rising inflation and volatility in bond yields. The US in particular has seen some inflation spikes recently, although this could be largely specific to pandemic related causes. Such rises are less evident in other economies. The US Federal Reserve has indicated the potential for rate rises earlier than previously forecast, though committees within the Reserve show a dispersion of views on the path of these rate projections.

Any tightening of monetary policy is more likely to be gradual and may not start occurring until 2023 in the US and Australia and may be even further away in Europe and East Asian economies such as China and Japan.

International trade has shown pleasing recovery on the back of increasing demand. Exporting giants, such as China and other East Asian economies are benefiting from this and, in turn, this is stoking demand for commodities

that input into their manufacturing. This is resulting in healthy prices for commodities including oil and iron ore.

Australia bouncing back

Australian economic activity and GDP has bounced back from the pandemic more strongly than initially predicted and this has led to future expectations being revised upwards by the Reserve Bank. GDP growth is now forecast to be 4.75 percent over 2021 and 3.5 per cent over 2022. A lot of this recovery is due to businesses responding to pandemic related tax incentives on machinery and equipment investment, as well as higher commodity prices and persistently low interest rates.

Employment rates are recovering almost to pre-pandemic levels, although wages growth is still in the doldrums. A key factor in how well recovery will proceed from here is the propensity for spending. Household wealth has been increased strongly on the back of housing price increases and a marked increase in savings in recent times, but this now needs to translate into increased spending in order to fuel more positive economic outcomes.

Outlook for markets

While there are potential negative influences on market performance and the environment is still a volatile one, the general outlook is for markets to maintain constructive outcomes over the near-term.

Buoyant business conditions and positive sentiment surrounding domestic and global recovery will help underpin the trend. Countering these factors is the prospect of inflation hikes and the potential for stocks to become over-valued, but on balance the expectations are upbeat.

This bodes well for State Super members, who have already experienced a pleasing improvement in returns over the last 12 months. We will continue to skilfully manage our funds to maximise outcomes for members, while retaining sophisticated and prudent risk management strategies.

Member investment choice strategies to 30 June 2021

	1 year	2 year	3 year	5 year	10 year
Growth	14.3%	7.7%	7.7%	8.3%	8.6%
Balanced	8.9%	5.8%	5.8%	6.2%	7.2%
Conservative	5.6%	4.3%	4.4%	4.5%	5.6%
Cash	0.1%	0.5%	1.0%	1.3%	2.1%

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.

Taking advantage of changes to super laws to maximise your retirement savings

On 1 July the Federal government increased several superannuation limits to enable people to put more money into super. We summarise these changes and explain how you can take advantage of them to maximise your retirement savings.

Limit for pre-tax contributions raised to $27,500

The maximum pre-tax contribution (the 'concessional cap') has increased from $25,000 to $27,500. This is the maximum amount you and your employer can put into super in a year from your pre-tax income, while paying only 15% tax. Any amounts you contribute above $27,500 are taxed at your marginal tax rate.

Why this matters

Depending on your income, you're likely to be paying more than 15% income tax. The more you can put into super within that $27,500 limit, the less tax you'll pay. If you are maximising your contributions to the scheme, you can still make use of any remaining balance of the cap by making additional salary sacrifice contributions or personal deductible contributions to another Super fund.

What's included?

Pre-tax contributions include:

- super guarantee contributions (SGC) from your employer
- personal deductible contributions
- any salary sacrifice contributions you make
- notional employer contributions to defined benefit schemes including SSS or PSS
- in some cases, employer-sponsored insurance cover paid for through super contributions.

It's important to note that a special rule applies to members of SSS and PSS that means that if you and your employers contributions to the scheme take you over the cap, they are always deemed to be within the cap.

Carrying forward unused caps

If you didn't reach your concessional cap from the last financial year and or previous years since 2018/19, you can carry this forward to increase your cap for this year. This applies if you had a Total Super Balance (TSB) of less than $500,000.

For members of defined benefit Superannuation Schemes, such as SSS and PSS, the Accumulation Phase Value (APV) will be used by the ATO to calculate your TSB. The APV reported to the ATO as at 30 June 2021 is the maximum lump sum that can be taken as at 30 June 2021 in your annual statement.

For example, let's say you have a super balance of $280,000 and you and your employer contributed $20,000 last year. You'd have $5,000 of the 'unused' cap to add to this year's cap, so you could put up to $32,500 into super this year while paying only 15% tax ($27,500 + $5,000 = $32,500).

Limit for after-tax contributions raised to $110,000

The other way to add more money to your Super is through 'non-concessional contributions' also referred to as 'after tax contributions'. If you are not salary sacrificing your contributions to SSS or PSS then your personal contributions

will be made as non- concessional contributions. This year the limit for these has increased from $100,000 to $110,000.

You can only make non-concessional contributions if:

- you had less than $1,700,000 in super on 30 June 2021 (up from $1,600,000 last year)
- you're under 75, and
- if you're 67 or older (up from 65 last year), you will need to pass the work test which means you worked at least 40 hours within a 30-day period at some point during the financial year, or meet the work test exemption.

Why this matters

If you have money outside of Super such as proceeds of the sale of an investment property, an inheritance or a maturing term deposit, you can use the non-concessional contribution limits to contribute this into the concessionally taxed Super environment. You won't be able to do this into your defined benefit scheme, you'll need to open an account with another Super fund and make the contributions there.

Bringing forward future caps

You can also bring forward up to three years' worth of future non-concessional caps (i.e. $330,000). This enables you to put a significant lump sum into super in one year (for instance, if you sold an investment property).

This applies if:

- you're under 67 for at least one day of this financial year, and
- you had less than $1,480,000 in super on 30 June 2021.

If you have more than $1,480,000 in super, your bring-forward amount will depend on your super balance, but will be between zero and $220,000.

Again, for SSS and PSS members, the APV discussed above is used in determining the value towards this limit.

Tax benefits to non-dependents

If any non-dependent beneficiaries receive some or all of your super benefit if you die, non-concessional amounts won't be taxed when they receive the payment.

Super Guarantee Contributions increased to 10%

The previous requirement for employers to pay 9.5% of salary as Super Guarantee Contributions has increased to 10%.

As your employer is making contributions to SSS or PSS, they are not required to make Super Guarantee contributions for you. However, State Super is currently in discussions with NSW Treasury regarding an adjustment to the Additional Employer Contribution (AEC) following this increase. The AEC was first introduced for eligible members in 2013 following the increase of the Superannuation Guarantee from 9% to 9.25%. In 2014, the AEC was further increased to 0.5% following the SG increase from 9.25% to 9.5%.

Check the State Super website for a further update once details are confirmed in the coming months.

Continued overleaf

Taking advantage of changes to super laws to maximise your retirement savings

Continued from page 7

Limit on the amount in retirement phase of Super

The limit you can roll over to the 'retirement income phase' of Super is called the Transfer Balance Cap and from this year the general cap increased from $1,600,000 to $1,700,000.

To calculate the value your SSS or PSS defined benefit indexed pension that will count toward the cap you multiply the annual pension amount by 16. As an example, a member that will receive a $60,000 annual lifetime indexed pension will have $960,000 (16 x $60,000) count toward their personal Transfer balance cap.

If you have other money in the accumulation phase of Super, and room left within your personal Transfer Balance cap, then you can make use of these limits by rolling over your account to the retirement income phase for example and commencing a retirement income stream. The balance rolled over will also count toward the cap.

Why this matters

The retirement income phase of Super has no tax on any earnings within the account unlike the accumulation phase of Super where earnings within the Super fund are taxed at a maximum of 15%.

Members with Super accounts already transferred to the retirement income phase.

If you've already started an income stream since 1 July 2017, your cap will be somewhere between $1,600,000 and $1,700,000. The ATO can tell you what your personal cap is.

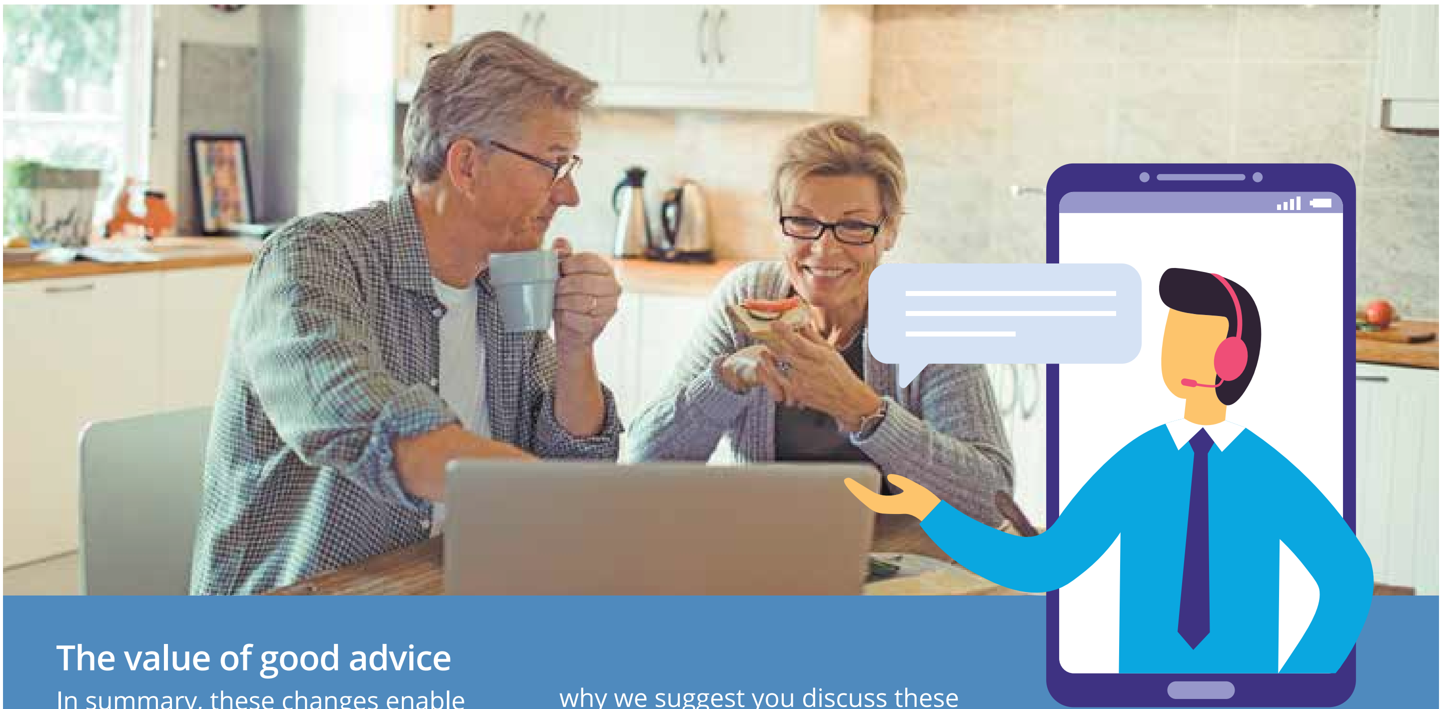
Proposal to remove the work test

Under the current rules, if you are between the ages of 67 and 74, you can only make after-tax (non-concessional) contributions or salary sacrifice contributions if:

- you pass a work test or
- you have less than $300,000 in super at 30 June and passed a work test in the previous financial year (you can do this once only).

To pass a work test you must work at least 40 hours within a 30-day period at some point during the financial year.

The Federal government is proposing to remove this work test requirement from 1 July 2022. If this happens, you'll be able to contribute to your pension within the standard after-tax cap rules that apply before age 75, without needing to pass a work test.



The value of good advice

In summary, these changes enable you to put more into super and get better tax concessions in retirement.

We realise that understanding the significance of these changes to your personal situation isn't easy. This is why we suggest you discuss these changes with your **Aware Super financial planner**. Your planner is an expert in retirement and can help you take full advantage of the revised limits so you can maximise your retirement income.

Call **1800 620 305** to speak to a financial planner from Aware Super (previously known as StatePlus).

Ask an Expert

Q: I'm a SSS member with a scheme normal retirement age of 60. I have 12 weeks long service leave accrued. Am I better off to take the leave at half or full pay or should I take it as a lump sum at retirement? How will it impact my retirement benefit?

It's important to weigh up the pros and cons of taking long service leave or cashing it out at retirement. The right decision will depend on your specific circumstances.

Long service leave can be taken at double pay, single pay or half pay. Whichever way it is taken it is treated for superannuation purposes as if it had been taken at the single pay rate. Therefore, if you take long service leave at half pay, contributions remain payable at the full-time rate for the whole leave period and you continue to accrue full entitlements within the scheme.

You need to consider whether taking the leave and prolonging employment will help you and your employer continue paying off units or even to receive more units. Every unit that has been fully paid by both you and your employer is worth $5.50* per fortnight as a lifetime indexed pension in retirement. Whilst you are on leave, you also continue to be entitled to the basic benefit which is 3% of your final average salary at retirement for every year of service post 1 April 1988.

Another thing to consider is whether taking long service leave in the lead up to retirement will impact your Superable salary. Your employer reports your Superable salary to State Super on the last day of your employment. This salary is used to recalculate your unit entitlement which will determine your fortnightly pension. The last three salaries reported to State Super before and at retirement are used in the calculation of your basic benefit.

For some members, taking long service leave and prolonging employment may mean you get the benefit of a pay increase. For other members who work shifts, taking long service leave may mean you are not working the same number of shifts, and losing the shift loading. Shifts that you would have worked during your leave can be taken into account, but only where a shift allowance or an equivalent allowance or loading is paid during the period on leave. If this doesn't apply to you, you need to work the required number of shifts to maintain the shift loading, it's not pro-rata for the period you are on leave.

By taking long service leave you may be forfeiting a pension entitlement. If taking your long service leave prolongs your employment beyond your normal retirement age you will forfeit your entitlement to the SSS pension for that period. Many members find that there may not be a significant difference between their net salary and their net pension, but the cashflow implications of the decision need to be considered.

If you continue working beyond your normal retirement age you will still be eligible for any new units offered as a result of pay increases. Once you reach age 65 you can commence your SSS pension even if you are still working but you will have foregone 5 years of pension entitlement

.

> *By taking long service leave you may be forfeiting a pension entitlement.*

Cashing out your Long Service leave entitlement at your normal retirement age can be a good decision. The accrued entitlement for long service leave can be used toward paying off any outstanding contributions or other scheme debts at retirement or adding to your savings outside SSS. If you plan ahead far enough, it may also help you to pay off any recovered abandoned units.

Weighing up the financial impact is only part of the equation. Taking the long service leave might help you to test your planned retirement lifestyle, whilst still having the safety net of being employed. I've provided advice to many SSS members who have found retirement more of an adjustment than they had expected. Using the long service leave can help you decide whether you are ready.

The right answer will be unique to your personal situation. There is no one answer that suits everyone, an Aware Super planner can customise a retirement plan to make the most of your situation. They are highly skilled in your scheme as well as an expert in retirement. They can guide you through this and other important decisions.

* the employer component of $3.30 is subject to contributions tax of a maximum 15%

Ask an Expert

Q: I'm 61 and planning to retire next year. With the property prices booming I'm thinking about downsizing the family home and buying a cheaper property on the South Coast. How much of the proceeds can I contribute to my Super?

There are a couple of ways to contribute wealth unlocked through selling the family home into Super, but you can't make these additional contributions to your SSS/PSS account, you'd need to open an account with another Super fund.

The first way is through a downsizer contribution which is a tax-free one-off contribution to Super of up to $300,000 using the proceeds of the sale of your main residence. Each spouse can make a downsizer contribution, which means up to $600,000 per couple of the sale proceeds can be contributed toward Super provided you both meet the age criteria, which is currently age 65. The age restriction is proposed to be lowered to age 60 from 1 July 2022.

The advantage of this type of contribution is that it does not count towards your annual concessional or non-concessional contributions caps. They also aren't subject to the $1.7 million total super balance restriction or the work test, and there's no requirement to buy another home.

> *Making the decision to downsize the family home should be made as part of a broader and wholistic retirement plan.*

It's important to plan ahead to meet strict criteria. These include but are not limited to; having owned the property that sold for at least 10 years and it needs to have been yours or your spouse's main place of residence at some point in time. The sold property must be in Australia and the downsizer contribution needs to be made within 90 days of settlement. Check with your Super fund to ensure that you complete the right forms before you make the contribution.

If you don't meet the criteria for a downsizer contribution, or you have more of the proceeds to contribute then you can always use your non-concessional contribution limits to make additional tax-free contributions to Super. This limit can be used to contribute any money from outside Super such as the proceeds of an investment property, an inheritance or proceeds from a maturing term deposit. Every individual can contribute $110,000 per year to Super as after-tax contributions provided you have less than $1.7 million across all your Super accounts.

You can also bring forward non-concessional contribution limits from future years and use them in a shorter time period. If you meet all the eligibility criteria*, the bring-forward rules allow you to make non-concessional contributions of up to three times the annual general contributions cap in a single year, that's up to $330,000 in total over the 3 financial years.

Making the decision to downsize the family home should be made as part of a broader and wholistic retirement plan, taking into account your lifestyle change, whether retirement is affordable as well as any impact to future age pension entitlements. It's a good idea to seek guidance and support, and it's certainly an area that an Aware Super financial planner can give you advice on.

* You can access the bring forward rule if your total balance in Super is less than $1.48 million. If you have between $1.48 million and $1.59 million then you can bring forward a maximum of 2 years non-concessional contributions limits of $220,000. If your total balance in Super is more than $1.59 million and less than $1.7 million then you will be limited to $110,000 non-concessional contribution per annum.

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 (previously known as StatePlus). 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 45-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 or you 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 **www.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 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 -

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

Contact us

SSS: 1300 130 096

PSS: 1300 130 097

State Super, PO Box 1229
Wollongong, NSW 2500

www.statesuper.nsw.gov.au

enquiries@stc.nsw.gov.au

SSSPSS 0821