OCTOBER 2023

SuperVIEWS

SASS
State Authority
Superannuation Scheme

Keeping members super informed

also inside...

STATE SUPER
SAS Trustee Corporation

STATE SUPER UPDATE

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

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.

8.1 for Telephone service

Get in touch

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

STATE SUPER
SAS Trustee Corporation

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.

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

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.

> continued overleaf

STATE SUPER UPDATE

ADVISORY FORUMS PROVIDE VALUABLE INSIGHTS - CONTINUED

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

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

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."

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**

ARE YOU WANTING TO RECEIVE YOUR STATE SUPER BENEFIT SOON?

You can choose to receive all of your benefit after you reach age 58, providing you resign from the NSW Public sector and meet a Commonwealth condition of release. You can -

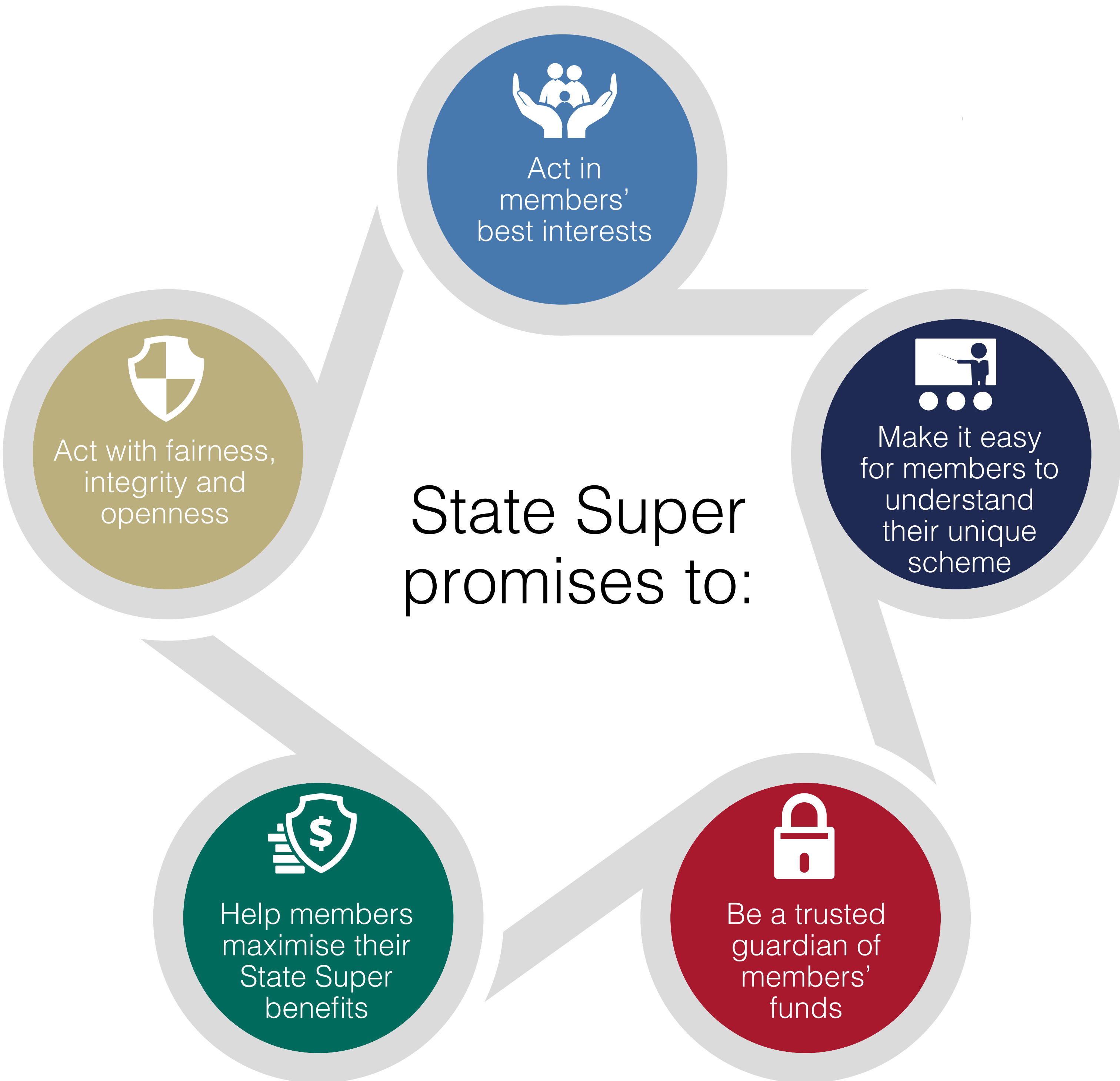
- receive some or all of your benefit in cash (where eligible) and roll over any balance to another approved superannuation fund.
- roll over all of your benefit to another approved superannuation fund until you reach age 60, at which time the entire benefit becomes tax-free.

Contact Customer Service for an estimate of how much your benefit is worth today and to check if you meet the requirements. Then simply complete SASS Form 412: ***Application for payment of a SASS benefit*** and send it to Mercer (contact information can be found on the form). Proof of identity documents or electronic verification may be required.

For more information refer to SASS Fact Sheet 5: ***Retirement Benefit.***

STATE SUPER
SAS Trustee Corporation

Our Member Beliefs



We listen, learn and grow with you.

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 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.

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.

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.

Member investment choice strategies to 30 June 2023

	1 year	2 year	3 year	5 year	10 year
Growth	9.9%	4.0%	7.3%	6.2%	7.7%
Balanced	8.0%	3.5%	5.3%	4.9%	6.3%
Conservative	6.1%	3.6%	4.2%	4.1%	4.9%
Cash	2.7%	1.4%	1.0%	1.1%	1.6%

Defined benefit strategies to 30 June 2023

	1 year	2 year	3 year	5 year	10 year
Trustee Selection	8.8%	4.0%	6.9%	6.1%	7.5%
University Cash	2.5%	1.3%	0.9%	1.0%	N/A

Important: Past performance is not a reliable indicator of future performance.
The crediting rates shown have been rounded to one decimal point and are shown as an annual rate. Actual crediting rates are declared monthly to four decimal places. The annual rate is the compounded monthly rates.

INVESTMENT IN DECARBONISATION A KEY PILLAR OF NET-ZERO STRATEGY

When State Super announced its net-zero strategy in December 2021, a key pillar of the strategy was investment in companies specifically positioned to benefit from decarbonisation-related spending globally over the coming decades.

A small, diversified portfolio of Global Decarbonisation Enabling (GDE) companies aims to increase members' potential investment returns in a world of increasing carbon prices and decarbonisation activity. Though economic uncertainties have been growing in the form of rising inflation, interest rates and the drawn-out war in Ukraine, the decarbonisation investment theme has remained surprisingly steady in its progress.

Over the last few years, there has been a steady increase in country net-zero targets and efforts by companies globally aiming to reduce their future carbon emission-related costs. Nations have begun to compete for dominance in a 'green and sustainable economy' future, as the United States and Europe have been launching competing policies to attract international 'green' investment. Over the past two years, the price of carbon emissions has increased by almost 100% in Europe and over 70% in the United States[1].

State Super expects GDE companies share prices to generally benefit from this activity over the long term.

State Super expects GDE companies share prices to generally benefit from this activity over the long term. The GDE portfolio allocation is positioned for a long lasting, global investment trend: over $120 trillion US dollars[2] is expected to be spent on decarbonisation until 2050, but it may surprise you that only a relatively small proportion of companies worldwide are in the business of selling real-world decarbonisation solutions to benefit from this trend!

GDE companies are those able to capture spending on decarbonisation solutions by corporates, households and governments. While challenges in renewable energy investment are often discussed, the range of GDE opportunities is much broader than that – it's not just about how societies generate power for daily life, but also how society grows our food, makes things, transports things and heats or cools indoor environments to be comfortable.

1 World Bank Carbon Pricing Dashboard
2 International Energy Agency (2021), McKinsey (2021)

In May, the Board approved an increased investment to the GDE portfolio. Two examples of GDE companies are Purecycle Technologies and Ansys.

Purecycle Technologies has developed a new plastic recycling process that uses less energy to recycle waste than creating a new plastic product. This helps well-known companies such as Nestle and Proctor & Gamble in meeting both their cost and environmental targets by using cheaper and less energy intensive recycled plastic in all their packaging. This includes packaging for food & beverages and other consumer goods we see and use every day. It also has potential everywhere you see plastics, such as electronic goods and home furnishings.

Ansys is an engineering software design company that helps large companies to design products that reduce the use of resources and improve energy efficiency. In an age of more powerful computers, it is essential to design complex things on computers first before building and testing physical prototypes. Even in industries that are difficult to decarbonise such as aviation transport, General Electric works with Ansys to improve their jet engine and power system efficiencies.

With our specialist investment managers, we are continuing to research attractive decarbonisation opportunities to improve your returns while contributing towards a more sustainable economy.

In May, the Board approved an increased investment to the GDE portfolio.

RECESSION PROOFING YOUR RETIREMENT PLAN

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 retiring 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.

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.

HOW THIS CAN AFFECT YOUR RETIREMENT PLANNING

Diversification is the golden rule of investing and it’s especially relevant when there is a higher chance of a market slump. Making sure your portfolio has a mix of asset classes and is spread across different sectors within those asset classes, can help protect investment returns overall, as falls in one class are often offset by rises in another. 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 can also help if you can delay withdrawing from your super to allow time for the portfolio to recover from any negative effects. Selling assets at a low price can have a major impact on the long-term value of your retirement savings – you’ll be locking in the losses. So, if you do need to start drawing an income, consider moving only a small portion into cash, which tends to be a more stable investment.

Also think about whether full retirement is the best option for you at this stage. It may pay to plan to keep your job for the next few years and look at options such as long-service leave, going part-time or consulting. Many people find the transition from a full-time job into full-time retirement hard. If you make the change at a time when your spending may be limited by current economic conditions, it might be more worrying than relaxing.

The good news is that when asset prices fall, your investment dollars buy more. So, while it may feel alarming, a recession is a great time to boost your savings and be in a better position for when the market recovers. Revisit your current budget to work out if you can put more towards your retirement savings – you’ll be rewarded in the long run.

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.

ASK AN EXPERT

QUESTION.

Q1: I'm 66 and still a contributing member of SASS, what are my options?

From age 65 you have met a condition of release under the Commonwealth Superannuation Rules which means you have more options for your SASS benefit. What's right for you will depend on your personal situation.

While you continue working for your SASS employer, you can continue as a contributing member of SASS until you reach age 70. So, if you haven't yet accrued the maximum 180 points, or you are expecting a significant salary increase over the next few years, this may be the best option for you to maximise your money in super.

If you have already accrued 180 points and you are not expecting any significant salary increase, it could be worthwhile considering your options to cease as a contributing member. Your employer will then be required under the Superannuation Guarantee rules to commence contributing 11% (Financial year 2023 - 2024) of your earnings to super. You won't be able to have these paid to your SASS account, you will need to open an account with another super fund and instruct your employer to make the contributions to that fund.

To cease as a contributing member means that you will need to make some decisions about your SASS benefit. You have the choice of:

- deferring your benefit within SASS. At the point of deferral, it will no longer be a defined benefit, and your entire SASS benefit is subject to investment returns and fees.

  You will be responsible for choosing the investment strategy for your personal account and your employer financed benefit, and investment returns will depend on the performance of the underlying assets. If you do not choose an investment strategy, the Trustee will invest your account in the default strategy. From age 60 this is the Balanced strategy. Your State Authorities Non-Contributory Scheme account will be invested in the Trustee Selection option. More information about these investment options is available at www.statesuper.nsw.gov.au/investments/strategies.

  Your benefit can remain deferred provided you remain employed for at least 10 hours a week up until age 70 and from age 70 at least 30 hours a week.

- Rolling it over to another superannuation fund and leave it in the accumulation phase.
- Rolling over your benefit into the retirement phase of super by commencing an account-based pension with another super fund such as Aware Super. There is a generous cap of $1.9m that can be rolled over into this tax effective phase of superannuation.

  In this phase investment earnings within your account are not taxed. This account is intended to be a source of income through retirement so the government does require you to draw out a minimum amount of income each year from your account, which is also not subject to personal income tax. You also have the flexibility to make other lump sum withdrawals, all free of tax from age 60.

- You could cash out your benefit to pay out debt or invest it outside the superannuation system.

aware super

Super helpful advice for your retirement

No matter what your retirement and financial goals are, a little help now can make a big difference to your future.

We've been providing comprehensive financial planning services to State Super members, public sector employees and their families for over 30 years.

Scan here or visit
retire.aware.com.au/statesuper

Call Aware Super on 1800 620 305 to book an appointment

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ASK AN EXPERT

QUESTION.

Q2: I am looking at employment opportunities outside of NSW Public Service. If I resign from my SASS employer, what will happen to my SASS benefit?

When you resign from your SASS employer you will need to make some important decisions about your super.

Whatever you decide, at the point of resignation the defined benefit components of your account which are the employer financed benefit and the basic benefit, will be calculated and you can no longer accrue benefit points. You and future employers will not be able to make further contributions to SASS. If you have not yet reached 180 accrued benefit points, you will be giving up the ability to maximise your employer financed benefit.

If the amount of your total employer financed benefits (including basic benefit and additional employer contribution) calculated on resignation is lower than the superannuation guarantee you would have been entitled to for your years of service, the benefit will be adjusted to that amount.

Importantly, if you are one of the small number of SASS members who have a pension entitlement for your employer financed benefit, resigning before age 60 means that you will lose this entitlement.

Resigning before your scheme earliest retirement age

If you are under the scheme earliest retirement age, which for most members is 58[1], your resignation is treated by the scheme as a resignation benefit. If you had opted into the Additional Benefit Cover within SASS, that cover will cease.

You will have the option to either take a withdrawal benefit and roll your benefit over to another super fund or defer your benefit within the scheme. The calculation for both options will include the value of your personal account and your additional lump sum benefits. However, the calculation of your employer financed benefit will be different depending on the option you choose.

Under a withdrawal benefit, the employer financed benefit is calculated based on 2.5%[2] of your personal account balance x years of service.

If you defer, your employer financed benefit (before tax) is calculated based on your accrued benefit points on your resignation date x 2.5% x final average salary, less a discount factor of 1% per annum for the period between your exit date and your 58th birthday.

In our experience, the withdrawal benefit is usually less than leaving your benefit deferred in SASS until your scheme earliest retirement age, so it's important to obtain a benefit estimate so that you can make an informed decision.

Resigning after your scheme earliest retirement age

If you resign on or after your scheme earliest retirement age, then you are generally eligible for a retirement benefit, which means that there is no difference in the calculation whether you decide to roll it over or defer within SASS.

Upon resignation, your restricted non-preserved amount will become unrestricted non-preserved, and you will be able to cash this amount out and roll the balance of your account over to another super fund. The balance will continue to be subject to the Commonwealth Super preservation rules[3] and can only be cashed out of super if you meet a condition of release.

Deferring your benefit within SASS

If you choose to defer your benefit, you and future employers will not be able to contribute to your account. You will need to open an account with another super fund and instruct your new employer to pay your Super Guaranteed contributions (Currently 11% of salary[4]) to that account.

How financial advice can help

It's important to understand the benefits within SASS you may be giving up and the super entitlements with your new employer, so that you can make an informed decision about the financial impact of your career change. It's certainly something an Aware Super Financial Planner can help you with.

1 Members who were transferred into SASS when their original scheme closed, may be eligible for a retirement benefit on leaving employment from age 55. Your eligible retirement age (55 or 58) is shown on your SASS Annual Statement.

2 The salary percentage is 3% for former members of the State Public Service Superannuation Fund.

3 Commonwealth provisions require part of your superannuation benefit to be preserved (i.e. kept in the superannuation system) until you satisfy a condition of release such as, you cease employment from age 60, you retire from the workforce at or after your preservation age, you reach age 65 even if you continue to work, you suffer from a terminal medical condition, you become permanently incapacitated or die, or you meet the criteria for the benefit to be released on financial hardship or specified compassionate grounds (see STC Fact Sheet 5 "Retiring or Resigning? What you need to know for Payment of your Benefit").

4 Super Guarantee rate current for the 2023/24 financial year.

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 130 095

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/sass/advice-and-tools/forms-and-factsheets** and search for the name or document number or scroll through your scheme's documents to find what you need.

SIGN UP FOR A WEBINAR TO LEARN MORE ABOUT YOUR SCHEME.

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

Our webinar is presented in two 60-minute sessions and will help you to:

- learn more about your scheme – how it works, what your choices are and how to make the most of your available benefits
- understand how and when the decisions you make about your employment and superannuation can affect your retirement benefits
- understand the Centrelink rules and the benefits you could be eligible for
- find out how a financial plan can help you make the most of your super.

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

To make a booking to attend one of our webinars, call **1800 620 305** or go to **retire.aware.com.au/find-a-seminar** where you can view dates and times that are convenient for you.

GET IN TOUCH

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