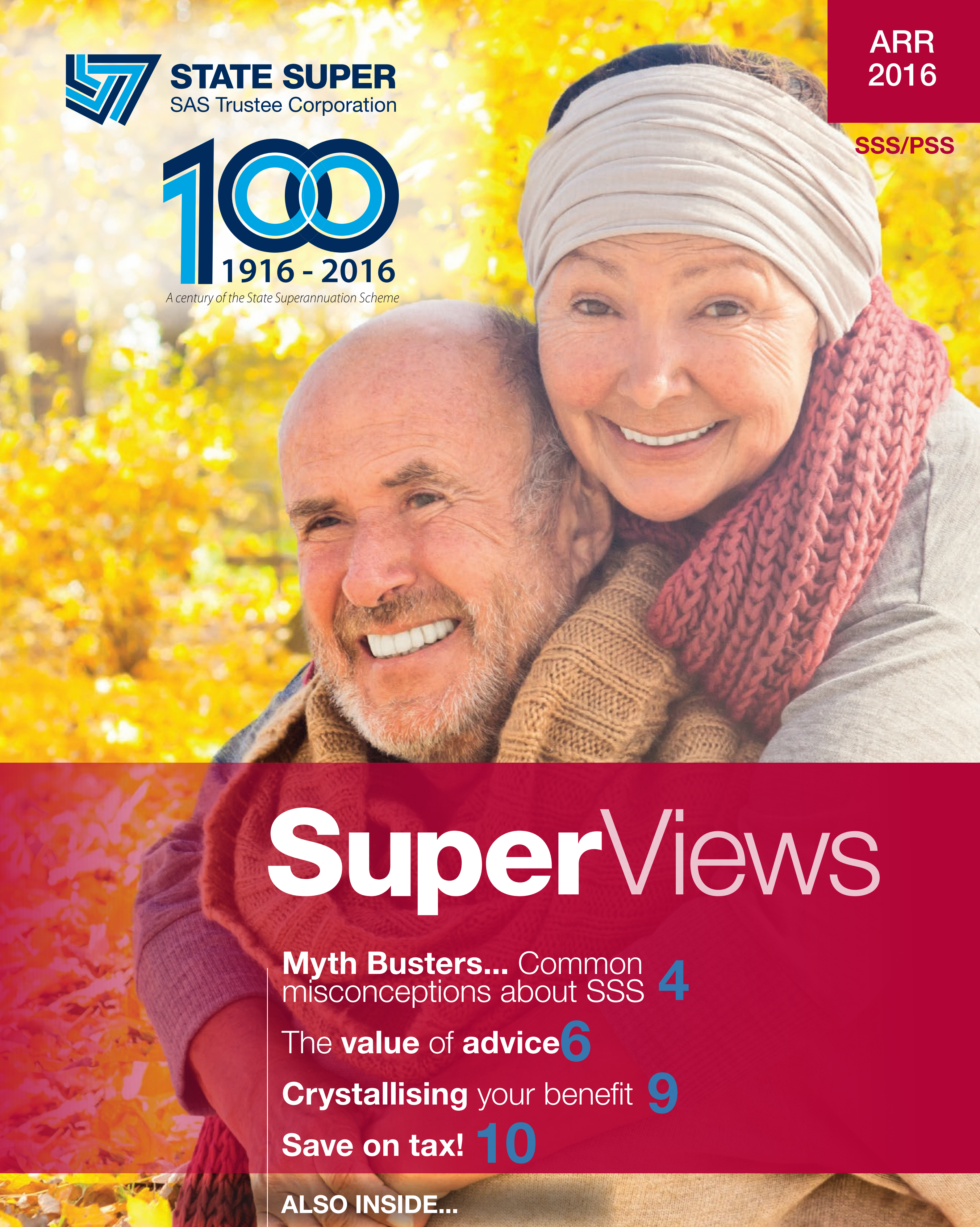

STATE SUPER
SAS Trustee Corporation

100
1916 - 2016
A century of the State Superannuation Scheme

ARR 2016

SSS/PSS

SuperViews

ALSO INSIDE...

State Super update

SANCS Additional Employer Contribution (AEC)

In December 2014, new laws came into effect that provided for an additional superannuation benefit (SANCS AEC) for eligible NSW Public Sector employees in the SASS, SSS and PSS superannuation schemes. The new laws also backdated the effective date for this entitlement to 1 July 2013.

How much is the SANCS AEC?

The SANCS AEC commenced at 0.25% of salary from 1 July 2013 and was subsequently increased to 0.5% of salary from 1 July 2014.

Who is eligible?

Most public sector employees subject to the NSW public sector wages policy, which limits increases in employee related costs to 2.5% per annum, are eligible for the SANCS AEC.

Who isn't eligible?

There are certain categories of members who are not eligible for the SANCS AEC, including public sector employees who received any increase in remuneration that was subject to the 2.5% cap under an award or other industrial instrument that did not factor in superannuation guarantee rate increases. These members will become eligible when that award or industrial instrument expires.

How and when will the SANCS AEC amount appear in my account?

The required system and process developments necessary to administer this benefit are nearing completion and are expected to be operational by the end of April 2016. State Super will collect these amounts (including backdated payments) from employers and allocate them to a newly created accumulation style account which forms part of the member's overall SANCS account. The SANCS AEC amount (including interest) will be listed separately on all future annual statements and benefit estimates requested after 1 May 2016.

Members who have deferred their benefit since 1 July 2013 will have the outstanding SANCS AEC amount (including interest) credited to their deferred account.

Any eligible member who exited their Scheme since 1 July 2013 will receive their AEC benefit. Most of these members will receive a cheque for the accumulated benefit, but some members whose AEC benefit must be preserved in the superannuation system will be able to elect to have the amount rolled over into another superannuation fund of their choice. Exited members will receive further information in the coming weeks.

For further details, visit our website and download STC Fact Sheet 20: *SANCS additional employer contribution (AEC) benefit.*

Introducing event based advice through StatePlus

A trip to your local shopping centre quickly demonstrates how much choice we have as consumers. While this can be overwhelming, there are also huge benefits. Importantly, we don't have to accept a 'one size fits all' offer any more. StatePlus believe you should have the same flexibility when you get financial advice, so they have introduced Event Advice.

Event Advice allows you to access expert help for one-off issues without committing to an ongoing relationship with a financial planner.

Event Advice is designed to be there when you need it most, like when something happens that you didn't see coming or perhaps couldn't plan for, such as inheriting money or being made redundant. Or you may simply want a comprehensive financial plan to set you on your way to preparing for retirement.

Event Advice may suit you if:

- you need professional help with a one-off matter
- you are comfortable managing your own finances but need expert help with certain matters, such as setting up an account-based pension or transition to retirement strategy
- you need help with a relatively straightforward matter that doesn't require an ongoing relationship with a financial planner.

Whenever you work with a StatePlus financial planner, your options and any costs involved are clearly explained to you, there will be no surprises when it comes to what you pay.

- Your first appointment with a planner is without cost or obligation
- The cost of the Event Advice will be outlined clearly in your first meeting
- You will not be charged any fees until you have provided your explicit agreement to finalise the advice.

To book an obligation free appointment, call **1800 620 305** or visit **www.stateplus.com.au**.

For more information on the relationship between State Super and StatePlus, refer to the back page of this Newsletter.

Happy **100th Birthday**

1 July 2016 marks 100 years since the State Superannuation Scheme (SSS) was established by the NSW Government.

The Australian landscape has changed dramatically over the last 100 years, and so has SSS. However, one thing remains the same – we are still happily servicing our members through their working lives and retirement.

1916 - 2016

A century of the State Superannuation Scheme

Thank you for your feedback

We would like to say thank you to all our members who provided feedback as a part of our 2015 annual member satisfaction survey which was conducted in November last year.

We received very positive results in all areas of service delivery and when compared to the broader superannuation industry, our results sit well above the industry standard.

The comments, insights and ideas we receive from our members have become an integral part of our future planning and help us continue to identify ways to improve the services we provide to you.

Myth busters… Common misconceptions about SSS

1 **Myth:** Once my benefit is maximised, there is no further benefit of working past my normal retirement age.

BUSTED

Once you reach your SSS normal retirement age (maturity age), you are entitled to start receiving your pension, but only if you cease your SSS employment. If you continue to work, you are in effect, working for the difference between the salary you are earning (after income tax and super contributions have been deducted) and the amount of your pension. This may mean the net difference is very little.

Nevertheless, if you choose to continue working, you will still be entitled to take up any new units offered to you if you have an increase in salary which of course will increase the pension you will be entitled to when you leave the workforce. You will also continue to accrue the basic benefit and employment benefits such as leave entitlements, including long service leave.

Once you reach age 65, you are able to access your SSS benefit while you are still working without having to retire or resign.

For more information, go to **www.statesuper.nsw.gov.au/sss** and download a copy of the following Fact Sheets:

STC Fact Sheet 4: *When can I be paid my superannuation benefits?*

STC Fact Sheet 3: *Taxation*

SSS Fact Sheet 7a: *Normal retirement benefit*

SSS Fact Sheet 7b: *Normal retirement benefit for female members born after 1 July 1960 who elected to retire at age 55.*

2 **Myth:** My State Super contributions do not count towards the concessional contributions cap.

BUSTED

Your State Super contributions do count towards the Commonwealth Government's concessional contributions cap.

The concessional contributions cap is a limit on contributions made to superannuation from your before-tax salary such as salary sacrifice contributions. Each year, State Super reports to the Australian Taxation Office (ATO) a notional (estimated) value of contributions made by your employer to fund your SSS benefit entitlement. This is added to your salary sacrifice contributions to calculate the amount of your concessional contributions within SSS. If the amount of your SSS concessional contributions exceed the cap they are capped and reported at the maximum limit, which is currently $35,000 if you are turning 50 years or older in 2015–16, or $30,000 if you are under 50 years of age in 2015–16.

It's important to note that any other employer contributions, including salary sacrifice contributions made on your behalf to another superannuation fund will be added to your SSS concessional amount to determine whether you have exceeded the concessional contributions limit.

There is also a contribution limit for contributions made to your superannuation fund after tax which is $180,000 for 2015–16 or $540,000 over a three year period. There is no cap protection in place for after-tax contributions.

For more information, refer to SSS Fact Sheet 23: *SSS Concessional contributions cap.*

UNCOVER THE FACTS

3

Myth: Long service leave has to be taken at full pay or it will affect my benefit.

BUSTED

Long service leave can be taken at double pay, full pay or half pay. Whichever way it is taken it is always treated as if it has been taken at the full pay rate, therefore, if leave is taken at half pay, the full-time salary is still reported for superannuation purposes.

This means that your benefit will not be reduced if you take your long service leave at half pay. However, you are still required to make full-time contributions which will be deducted from your part-time salary.

4

Myth: If I don't have any scheme eligible dependents and die soon after receiving my SSS pension there is no money for my estate.

BUSTED

There is always a guaranteed amount that will be paid from the Fund. This amount is called the guaranteed minimum benefit and is made up of:

All of your contributions, plus investments earnings.

+

2.5% of the balance of your contributions plus investment earnings for each year of membership (the amount is limited to the maximum lump sum you could have exchanged your pension for at retirement).

−

Any lump sum and pension payments you have received.

=

Guaranteed minimum benefit.

The **Value** of **advice**

With sound financial advice, you can feel confident about your future

People approach financial planners for advice at many stages in their life – getting married, having a family, planning a career change, or receiving an inheritance. Planning for retirement is another key milestone in your life when it's important to speak to a professional about making the most of your savings, investments and your other retirement goals.

Financial advice: what are the benefits?

So how does advice from a financial planner make a positive difference to your future lifestyle? Research[1] shows that people who get financial advice (when compared with those who don't):

- feel more confident about meeting their retirement goals
- have a better standard of living in retirement
- make more personal super contributions
- are less likely to depend on the Age Pension for their income
- are significantly more confident in their ability to manage higher levels of investment risk.

Feel more confident

Many people worry about having enough money for retirement, particularly when markets are volatile. A good financial planner will guide and educate you so that you understand how your money is being invested. They provide advice on how to manage investment risk, regularly review your investments and give you peace of mind that you're on track to meet your goals.

Boost your retirement savings

It makes sense that people who are knowledgeable about, and engaged with their finances are more likely to make additional contributions to their super. Research[1] shows that just over 48% of investors who received financial advice topped up their super, compared to over 32% of pre-retirees who did not receive advice. A financial planner understands the strategies available to help you boost your super and can advise you on which strategies are right for you and your circumstances. This gives you more opportunity to maximise your retirement savings.

Meet your retirement goals

With the majority of Australians taking a low-risk approach to investing for retirement, it's common for people to choose investments that may not generate enough income to fund the lifestyle they're looking forward to. By seeking financial advice, you can balance short-term risk against long-term growth and improve your chances of having a stable income to take care of all your needs while you're retired.

> *'Advisers play a critical role in building investor confidence and empowering more informed investment decisions, enabling investors to achieve an optimal balance between risk and return.'*[1]

[1]Australian Retirement Vision Survey, Rice Warner, August 2015

Many people worry about having enough money for retirement, particularly when markets are volatile

Choosing the right financial planner for you

The benefits of financial advice are clear. But how do you go about finding the right planner to help you?

Tips on choosing a financial planner

- **Check their qualifications and work with a professional** – for example, a Certified Financial Planner professional will have met rigorous competency, ethical and professional practice standards. Some planners are limited by their qualifications and can only advise you in certain areas of financial planning.
- **Check if the planner is a member of a professional body** – professional bodies such as the Financial Planning Association of Australia have a code of ethics and professional conduct that ensures the planner delivers skilled, ethical and effective financial advice that supports you in fulfilling your retirement and other life goals.
- **Work with a planner who has clients with similar needs to you** – if a planner has experience in helping people like you, they are more likely to have the knowledge and expertise you're looking for.
- **Make sure you're comfortable with them** – the right planner for you will explain things in a way that's clear and straightforward. It's important that you feel comfortable with your planner and can easily understand the advice they give you.

The StatePlus difference: specialists in advice for retirees

StatePlus was established by State Super to provide professional financial advice to public sector employees and their families. StatePlus combine their public sector expertise with more than 25 years of experience in planning for retirement. StatePlus financial planners are trustworthy, experienced, among the most qualified in the country and have a genuine desire to make a positive impact on your life.

> StatePlus offer the services and investments you need to successfully plan for retirement and manage your future. You've worked hard to earn your money and StatePlus will work hard to help you have the retirement you deserve.

To book an obligation free appointment, call **1800 620 305** or visit **www.stateplus.com.au**.

For more information on the relationship between State Super and StatePlus, refer to the back page of this Newsletter.

This article has been provided by StatePlus.

Our name has changed.
Our renowned retirement planning expertise for SSS and PSS members hasn't.

StatePlus is the new name for State Super Financial Services. With 25 years of experience and over 60,000 clients, we've provided financial advice to thousands of current and former public sector employees. Our name has changed, but our expertise in helping SSS and PSS members achieve their retirement goals hasn't.

For more information call **1800 620 305** or visit **stateplus.com.au**

StatePlus

StatePlus is the new trading name for State Super Financial Services Australia Limited, holder of Australian Financial Services Licence 238430, ABN 86 003 742 756.

Crystallising your SSS benefit

For many, the last few years before retirement can be a time to slow down and ease into a more relaxed lifestyle at home and at work. This may mean moving into a position that holds less responsibility, which generally also means a reduction in salary. This change may be right for you but, before you make any decisions about taking a lower paid role you should seek advice to determine what impact it will have on your retirement benefit and whether you can crystallise your retirement benefit.

What is Crystallisation?

Crystallisation allows members who are 55 years of age or older and who experience a single reduction in their salary of 20% or more to defer their benefit based on their higher salary while continuing to work for their current employer.

While you continue to work and receive the new lower salary, your employer is still required to make superannuation contributions on your behalf. These cannot however be made to the crystallised account as it is now deferred within the Fund. Instead you can elect to join the State Authorities Super Scheme (SASS) where your benefits will begin to accrue based on your new lower salary amount (this includes the basic benefit). Alternatively, you can have superannuation guarantee contributions made to another complying superannuation fund.

! Important!

If you move from full-time to part-time employment or reduce the number of hours you work, your full-time equivalent salary (not the salary you actually receive) has to reduce by at least 20%.

Why crystallise your retirement benefit?

Your final salary is used to calculate your retirement benefit, which means the salary you receive at the time you apply for your benefit influences the amount you receive. If you take a lower paid role before you retire, and you don't crystallise your benefit, your benefit will be calculated based on the lower salary amount, and will therefore reduce your retirement benefit amount. The case study below shows what sort of impact this can have on your fortnightly pension and basic benefit.

How to apply and when

To crystallise your SSS benefit you will need to complete and sign STC Form 240: *Election to crystallise your benefit* and **return it to State Super within two months of your salary reduction**.

Go to **www.statesuper.nsw.gov.au/sss** and download a copy of STC Fact Sheet 14: *Crystallising your benefit after age 55.*

Contact Customer Service on **1300 130 095**.

Crystallisation is not available for PSS members

Case study

Lynette is a 59 year old SSS member who has elected to retire at age 60.

Lynette has transferred to a new position within her department. Lynette's salary has reduced from $83,000 p.a. to $66,000 p.a.

As Lynette's salary has decreased by more than 20% she has the option to elect to have her benefit crystallised.

Lynette's crystallised salary is $83,000.

Lynette's crystallised benefit at age 60

Lynette's deferred pension benefit of $1,600 per fortnight along with her Basic Benefit of $59,000 is placed in a deferred benefit account. Lynette has elected for her employer to pay her future superannuation contributions into a SASS account.

Lynette's benefit at age 60 without crystallisation

Lynette's Normal Retirement Pension is $1,400 per fortnight and the Basic Benefit is $57,000.

Do you **want to save on tax?**

Why not salary sacrifice the personal contributions you make.

As a member of SSS or PSS, your compulsory personal contributions can be made from your before-tax salary, after-tax salary or a combination of both.

The before-tax option is called salary sacrifice and is an arrangement between you and your employer to have your superannuation contributions deducted from your salary before any tax is deducted.

How does salary sacrificing lead to paying less tax?

The easiest way to explain this is to look at an example like the one below which shows how your income after tax and superannuation contributions (your take-home income) is calculated depending on whether you make your SSS or PSS contributions before or after tax has been deducted.

Depending on your individual circumstances, you may receive more take-home pay if you make your contributions via salary sacrifice. However, before making a decision, you should consider seeking professional financial advice to help you decide whether salary sacrifice is right for you*.

Important!

SSS can only accept personal contributions for those units you're eligible to contribute towards.

After-tax contribution	
Gross salary	$95,000
Less income tax	$23,097
Less Medicare levy	$1,900
Salary after tax	$70,003
Less super contributions	$5,700
Net salary after tax & super deductions	**$64,303**

Salary sacrifice (before-tax contribution)	
Gross salary	$95,000
Less salary sacrifice contributions (5,700 ÷ 0.85)**	$6,706
Salary after super	$88,294
Less income tax	$20,615
Less Medicare levy	$1,766
Net salary after tax & super deductions	**$65,913**

In this example a year of salary sacrificing means:

$2,616 less tax and

$1,610 more take-home pay

*Please note the full STC disclaimer on page 12 of this newsletter.

**Actual contributions credited to your account are still only $5,700 because contributions that are made prior to income tax being deducted are taxed at 15% (the concessional tax rate that applies to salary sacrifice contributions), which in this case amounts to $1,006. This is instead of being taxed at your marginal tax rate.

Go to the 'Forms and Fact Sheets' section of your scheme site at **www.statesuper.nsw.gov.au** and download a copy of the following Fact Sheets:

STC Fact Sheet 3: *Taxation*

SSS Fact Sheet 24: *Salary sacrifice your compulsory personal contributions to SSS*

PSS Fact Sheet 18: *Salary sacrifice your compulsory personal contributions to PSS.*

Investment market overview

The Australian economy and share market

Continued woes in commodity prices and persisting growth challenges in China certainly put a drag on the Australian economy during 2015. However, countering these obstacles was the weak Australian dollar which helped keep our exports and international tourism competitive, as well as continuing low interest rates and some improvement in employment, consumer confidence and construction which are helping the economy to transition away from the non-mining sector.

The moderate growth in the economy during 2015 is expected to continue this year. Buoyancy in net exports and household consumption will help mitigate the challenges of continued lethargy in Chinese demand, falling government revenues and the threat of drought later in the year.

Of course markets don't always perform in line with domestic economic conditions. The Australian share market experienced a rollercoaster ride with the benchmark S&P/ASX 200 index climbing from 5,000 points to 6,000 points during the year, before tumbling all the way back to below 5000 points by the end of the year.

Despite the share market being off to a poor start, there is some hope for modest returns in 2016. The key question for the year is, are markets overreacting to the economic indicators, or is the market telling us that the economic indicators are likely to continue to be challenging in the year ahead?

The international scene

The outlook for economic growth in 2016 is generally in line with long term growth averages and may see a marginal improvement from 2015. Within that benign general picture, however, there are still dramatic events expected, competing influences and erratic results across the spectrum of world economies to take into consideration.

Brazil and Russia entered the year continuing their recession of 2015, while the emerging powerhouse of India targets growth in excess of 7%. Between these two extremes there are a range of expected outcomes in other regions, with momentum slowly gathering pace in the U.S., marginal improvements in Europe, continued sluggishness in Japan and question marks still hanging over China. Due to the fall in oil prices, and commodity prices more broadly, there has generally been a significant transfer of wealth from commodity producers to commodity users.

Global highlights

In the U.S., the S&P500 performance was relatively flat across 2015, and economic growth slowed towards the end of the year despite a strong labour market. Perhaps the most closely watched and symbolic signal of recovery was the decision by the Federal Reserve to lift rates in December for the first time in nine years. Business confidence, consumer spending, housing construction and employment are showing improvement but predicted modest growth is hardly likely to see interest rates move up quickly.

Chinese GDP slipped under 7% toward the end of 2015 and the International Monetary Fund (IMF) expects China's growth to slow to 6.3% in 2016. The global hunger for Chinese exports continues to wane as does the frenetic pace of Chinese infrastructure spending. The big question is whether authorities can make strides to refocus the economy around domestic consumption to drive growth. The Chinese market index provided dramatic fluctuations, with 60% growth in the first half of 2015 being wiped out shortly afterwards, before recovering by around 20% towards the end of the year.

Japan's economy has continued its pattern of bouncing from growth to contraction over the last few years, despite dogged attempts to lift spending and confidence through accommodative monetary policy. Japan's reliance on China as its biggest market is not helping its cause.

In Europe, some marginal improvement in conditions is expected with growth of around 1.5% predicted. Major threats to stability this year include the U.K. vote on continued membership of the European Union in late June 2016, the potential re-emergence of the Greek debt crisis later in the year and the continuing refugee crisis. The latter, however, also has a stimulatory effect in the short term, as aid money flows through to consumption.

The investment outlook

All things considered, the world economy could grow in line with its long-term average, but this does not always flow into strong performance on stock markets. Early market jitters could be an over-reaction to perceived economic risks or it could point to substantial underlying problems. It is too early to tell. This makes for another uncertain and potentially volatile year.

Member Services update

Seminars

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

Our seminars will help you to:

- learn about what you need to do now to maximise your super
- understand how and when the decisions you make about your employment and superannuation can affect your SSS retirement benefits
- understand Centrelink rules and the benefits you could be eligible for.

To make a booking to attend one of our seminars, simply visit **www.statesuper.nsw.gov.au/seminarsss**, where you can also view dates and locations for other seminars, or call **1800 620 305**.

Do you need help making decisions about aged care for you or your loved ones?

It can be a complicated, emotional and often stressful decision to make and time isn't always on your side.

In January 2016, StatePlus introduced **a new service** that provides you with the support and guidance you need to make **aged care planning** easier on you and your family.

StatePlus planners can help you deal with the financial complexities of aged care. The new Aged Care service is currently available at the StatePlus Penrith office. To book an obligation free appointment, call StatePlus on **1800 620 305**.

Contact us

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