STATE SUPER
SAS Trustee Corporation

2018

Pension NEWSLETTER

Keeping members super informed

In this issue......

also inside...

State Super update

Investment market overview

Ask an expert

Your member benefits

State Super update

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

Visit our Interview Service at Clarence Street Sydney

State Super's free Interview Service is available to all members, including pension members.

Interview Services are available by appointment only from 9.00am to 5.00pm on Fridays.

It has been recently relocated to the Trustee's office, centrally located at **83 Clarence Street** in the city. Customer service staff can meet with you face-to-face to assist with general advice about your scheme, superannuation information, even assist with completing administrative forms or other paperwork.

Need help with English? For members who need help with English, Customer Service can arrange for information to be translated through the Government Interpreter Service.

Call us to make an appointment at Clarence Street and at selected StatePlus locations (Parramatta, Newcastle and Wollongong).

Sydney/Parramatta/Newcastle/ Wollongong

1300 652 113

If you don't have time to visit, information is 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. For copies, visit **www.statesuper.nsw.gov.au**

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:

- Complete STC Form 207 (available on our website) and mail it to us
- Log in to your online member account via our website
- Call State Super Customer Service on 1300 652 113.

Investment market overview

The positive trend in global growth has continued into the first half of this year, although this has tapered slightly in the second quarter.

Recent fiscal stimulus via tax relief in the USA has helped propel markets along, but there are some challenges to be negotiated in the second half of the year, with uncertainty associated with a trade war, the spectre of US inflation creeping up and political turmoil in Europe.

Meanwhile in our own backyard, the effects of the moderation in residential property prices in the major capitals may pose some challenges for the domestic economy while allowing domestic home buyers to breathe a sigh of relief.

Global growth expectations

While global growth may have crested earlier in the year, the fundamentals are still sufficiently positive to maintain reasonably strong GDP and profit growth going forward. The usual tell tales of a downturn do not seem to be present, with inflation still relatively under control, wage pressures only at moderate levels and encouraging jobs growth.

Importantly, although monetary policy settings around the world are tightening, fiscal policies around the world are loosening. As US rates creep up, we are also expecting a policy tightening stance in Europe and China.

US Federal Reserve being tested

The US markets have been setting the lead for the world in recent times, but there are challenges emerging in managing inflationary pressures, fuelled by low unemployment and rising wages. This inflationary pressure is offset by the rapid changes in technology advancement, such as AI and machine learning. This combination presents a test for the Federal Reserve to get its monetary settings right and the pattern of inching up interest rates will likely continue, as they seek to manage the upcoming phase.

Are trade war concerns justified?

A lot of the focus of economic commentary in recent months has been dominated by the threats of a trade war, instigated by Trump as part of his America first manifesto. Fears of an escalating trade war and the debilitating effect this could have on global growth have been brewing. However, it is important not to get ahead of ourselves. We should carefully assess the situation as the scenarios unfold.

China watch

As always, Australia's economic fortunes have a significant dependence on China. Thankfully, conditions there remain reasonably positive, with growth tracking at a robust level similar to recent years and commodity prices remaining stable. The trade war potential and growth in debt are among the key risks.

Eurozone holding its own

Economic growth and profits are still on the positive side as Europe continues its recovery. The accommodative finance conditions will continue to underpin this trajectory, but the shadow of stagnation in Brexit negotiations and the lurch to the far right in Italy are sobering reminders of significant political risks that the region must navigate.

"Share markets globally have on the whole been buoyant, which has supported returns for diversified investors and has provided a healthy margin over inflation."

How will markets fare?

Share markets globally have on the whole been buoyant, which has supported returns for diversified investors and has provided a healthy margin over inflation. Cash and bonds on the other hand have remained stagnant. Economic drivers, such as easy money, encouraging GDP numbers and reasonable share valuations would seem to support a continuation of healthy market returns in the near term, but perhaps slightly more subdued than the previous six months. Possible drags include US rate movements, deteriorations in the tariff situation and political uncertainties.

Beyond Paid Work
Our pensioners share their insights

Earlier this year we conducted a survey to help us better understand more about life after paid work from our pension members. We were thrilled and grateful that nearly 3000 members gave their valuable contributions and insights.

The survey provided an opportunity for our retired members to provide feedback about their experience in retirement, including whether their expectations were being met, commentary on what they would change and advice for future generations.

We used this research to inform a report we have written, *Beyond Paid Work*. The report uncovered that most of our retired members are content and happy, with the benefit of a regular pension immeasurable. Further, a significant 82% of pensioners reported positive feelings about their life in retirement.

The report lifts the lid on what life is really like for our members after paid work; that it is nuanced, with the needs and circumstances of retirees changing throughout their 20 plus years in retirement.

Commenting on the findings State Super CEO John Livanas said, "The good news is the majority of members feel content (59%), relaxed (53%) and happy (52%) about their retirement. Additionally, they are much less likely to feel sad (3%), and feelings of disappointment are equally rare (5%)."

Digging deeper, the key driver of the positive feelings towards retirement was that members had finally found the 'time to do the things they wanted to do' (61%).

These positive emotions are magnified for those more experienced in retirement.

"Our research found that our members become progressively more content throughout their retirement years. Feelings of contentment gradually increase from 42% for those under the age of 60 to an overwhelming 74% for members aged over 80 years", Mr Livanas said.

Content retirees over the age of 80 enjoy a slower pace of life (58%), spend more time with family and friends (36%) and have time for their hobbies (27%).

The strong emotional connection to time and contentment is present regardless of income level prior to retirement. Those who earned less than $59,000 per annum were more likely to feel content, when compared to members on higher salaries prior to retirement (63% versus the average of 59%).

> "We know the important roles our members played in our community when in the paid workforce. Keeping us safe, teaching our children, caring for people in hospitals, among many other important public sector roles."

The research also revealed the word retirement no longer reflected the experiences of members today.

“Only 3% of members feel that retirement is an accurate word for life beyond paid work. In contrast, over 50% felt either ‘The Next Act’, ‘Age of Experience’ or ‘The Golden Age’ were better brands”.

The survey, one of the largest ever conducted with retirees, also revealed the change in priorities from the ten years leading up to retirement and priorities once in retirement.

“Unsurprisingly, careers and financial aspects are replaced with relationships, spending time with loved ones and giving back to the community,” Mr Livanas said.

Other findings included:

- More men ranked relationships as the most important value in retirement (25%) compared to women (14%).
- One in five (21%) respondents were either going to enter the workforce again or were seriously considering it.
- Respondents who were earning more than $100,000 before retirement were most likely to think they will go back into paid employment (41%).
- 30% of retirees said giving back to the community was an important factor in retirement

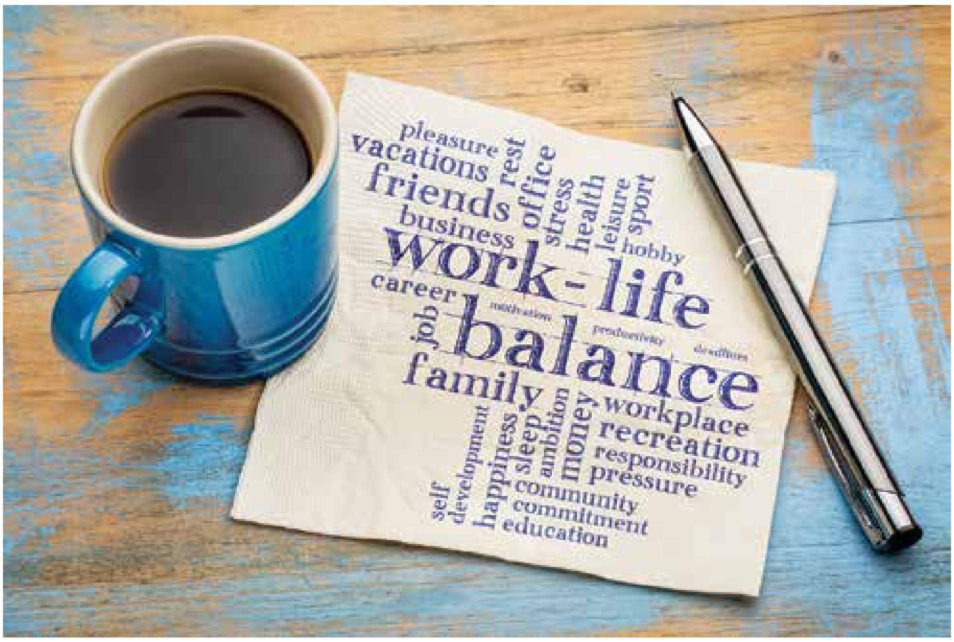
“We conducted the survey and produced *Beyond Paid Work* to better understand our members. We know the important roles our members played in our community when in the paid workforce. Keeping us safe, teaching our children, caring for people in hospitals, among many other important public sector roles. We are grateful for those who shared their thoughts and we look forward to learning more from more of our members” said Mr Livanas.

If you would like to read the report, please visit our website: **www.statesuper.com.au**

Figure 1: Values of retirees pre-retirement and in present day

	10 years before retirement	Present day
1	Having enough money to live and provide for my family	Looking after my health and wellbeing
2	My career	My relationship
3	My relationship	Spending my time with family and friends
4	Looking after my health and wellbeing	Having enough money to live and provide for my family
5	Having enough savings in retirement	Going on regular holidays
6	Spending time with family and friends	Having enough savings
7	Paying off my debts	Being able to provide for my family and loved ones
8	Going on regular holidays	Giving something back to the community
9	Having an active and full social life	Having an active and full social life
10	Giving something back to the community	Hobbies

“30% of retirees said giving back to the community was an important factor in retirement.”



A new model for independent aged care

The retirement landscape has seen some dramatic changes over the last 40 years. People are generally living longer, thanks to improvements in healthy lifestyle awareness and advancements in medical technologies. At the same time, the proportion of the population that are in the retired age group is growing and placing a greater cost pressure on the federal budget bottom line.

The evolution of superannuation and the emphasis on self-funded retirement over recent decades are also helping to change expectations and realities about how active and enjoyable retirement can be.

A change of thinking

The growth in the retired population is also putting pressure on an already strained aged care sector and this has prompted a re-think in the community and for policymakers on how society deals with this issue. There is no escaping the reality that we are all aging and our health and physical abilities will inevitably gradually deteriorate. A new paradigm is now emerging that is intended to better manage this reality and to maximise the levels of independence, while minimising the cost to the community and the individual.

The key objective in this new paradigm is the concept of assisting people to "age in place". This simply means providing services to enable a person to comfortably and confidently remain in their own home, rather than having to move to a care facility when physical limitations start to occur.

A big step forward

The concept of aging in place has recently taken a big step forward with the advent of a new federal government approach, known as "Consumer Directed Care". As the name suggests, Consumer Directed Care is designed to give greater autonomy and flexibility to individuals by allowing them to nominate the in-home services they require to help them remain independent in their own home.

> "The key objective in this new paradigm is the concept of assisting people to "age in place"."

What services may be needed?

The services required to allow a person to remain in their own home as long as possible can vary greatly and will depend on an individual's specific circumstances. External support services are available for a variety of tasks that a person is no longer able to do themselves. This can include:

- **Support services –** help with washing and ironing, house cleaning, gardening, basic home maintenance, home modifications and transport
- **Personal care –** such as help with showering or bathing, dressing and mobility.
- **Nursing, allied health and other clinical services.**
- **Care coordination and case management** - help for you to get what you need.

Consumer Directed Care seeks to give the individual as much discretion as possible about which services are employed for their situation. It also gives them freedom to select which service provider they will use and when they want the service provided.

How care can be accessed

The process for obtaining care services through the new Consumer Directed Care system firstly involves an assessment to determine the level of needs and whether the individual is eligible for financial support for the costs.

If an assessment results in a person needing care to stay in their home, the level of financial support that the government provides will depend on the level of incapacity. This is graded into four-levels of "care packages":

- Basic care needs
- Low-level care needs
- Intermediate care needs
- High-level care needs

The assessment will also take into account any existing support being provided from your partner, family and other community services.

How costs are shared

While the government will pay a substantial subsidy for these care packages, there is also a requirement for the person to make some contribution themselves. This is known as a 'basic daily care fee'.

An income assessment is also made to determine whether the person needs to make additional contributions above the basic daily care fee.

Your care "budget"

Under the Consumer Directed Care approach, the care recipient has a direct say in what services they want brought in and how the subsidies they receive will be budgeted to pay for those services. This will be negotiated with the organisation that is contracted to provide the care and will be documented and budgeted in a personalised care plan.

The emphasis is on involving the person in the process, so that they have a direct say in how the subsidy is used. This consumer involvement extends to the ongoing monitoring of the personalised budget via a monthly income and expense statement.

What if only limited assistance is needed?

If a person only needs temporary or occasional access to support services, then they can apply for a less structured support service via a separate program known as the Commonwealth Home Support Program (CHSP).

Unlike the Consumer Directed Care package, which offers long term ongoing support, the CHSP simply offers a set menu of services which can be accessed on an as needed basis.

Reducing the cost of aged care

One of the key philosophies of Consumer Directed Care is to limit the strain on the public purse by keeping people cared for at home instead of in expensive residential care facilities and nursing homes. The organisations that provide the care services will theoretically need to keep their charges competitive in order to attract consumers. The care recipient will also retain the freedom of choice to change providers if they feel they can get a more cost-efficient arrangement elsewhere, or if they move to another area.

How to find out more

If you want to further investigate how these programs work, who is eligible, how to qualify and what services are available, refer to **www.myagedcare.gov.au** or **homecaretoday.org.au**

> "The growth in the retired population is also putting pressure on an already strained aged care sector."

Ask an expert:

I am receiving a lifetime pension from State Super and am approaching age pension age. How will Centrelink assess my pension and other investments for age pension eligibility?

The first hurdle for assessing your entitlement to an age pension is attaining age pension age. Age pension age is based on your date of birth and included in the table below.

You will not have any entitlement to the age pension until you reach that age.

Age Pension Age - Male and Female Non-Veterans

If your date of birth is on or between:	Then your pension age is:
Before 1 July 1952	65 years
1 July 1952 to 31 December 1953	65 years and 6 months
1 January 1954 to 30 June 1955	66 years
1 July 1955 to 31 December 1956	66 years and 6 months
On or after 1 January 1957	67 years

Source: humanservices.gov.au

If you are a single person, your individual situation will be taken into account by Centrelink. If you are a member of a couple, the combined situation will be considered, regardless of whether only one or both of you are eligible to apply for an age pension.

In assessing your eligibility, Centrelink will apply an Asset Test and an Income Test. The test that results in the lowest amount of age pension will be the age pension you are entitled to. We have only covered the income test in this information however it can be noted that a value is not included for the assets test.

Your SSS pension will count toward the Income Test and is referred to as a taxed defined benefit income stream. It is adjusted for the tax-free component of your pension up to a maximum of 10%*. If the tax-free component has been assessed as less than 10%, then the actual percentage must be used as the deductible amount.

For example, if you receive an annual gross pension from SSS of $50,000 and your tax-free component is 24%, the maximum 10% deductible amount can be applied.

$50,000 (gross pension) less $5,000 (maximum 10% deductible amount) = $45,000 annual gross defined benefit pension to be counted towards the income test.

This will be added to income from all other sources to determine your eligibility under the income test.

It's important to note that in relation to financial assets such as cash, term deposits and account-based pensions to name a few, these are deemed to earn a rate of return regardless of the actual income you earn from these sources. This excludes investment properties where the net rental income is included.

The deeming rates that applied from 1 July 2018.

Single

Financial Asset Value	Deemed income
Up to $51,200	1.75%
Financial assets above $51,200	3.25%

Source: humanservices.gov.au

In applying the income test, a single person with $110,000 (3.25%) in financial assets is deemed to earn $896 (1.75%) per annum on the first $51,200 and $1,911 on the next $58,800. Which gives a total of $2,807 deemed income that will count toward the income test.

Couple (combined)

Financial Asset Value	Deemed income
Up to $85,000	1.75%
Financial assets above $85,000	3.25%

Source: humanservices.gov.au

In applying the income test, a couple with combined financial assets of $180,000 is deemed to earn $1,487.50 (1.75%) per annum on the first $85,000 and $3,087.50 (3.25%) on the next $95,000. Which gives a total of $4,575 deemed income that will count toward the income test.

*There is no maximum placed on the deductible amount for a recipient of a Department of Veterans Affairs benefit.

Ask an expert:

Will I be still able to receive a health card if I am receiving a lifetime pension? What benefits do the health cards available provide?

It's a great question, there is often a misconception with members that when they do retire that they need to earn at least $1 of age pension to be entitled to any reduced cost medical benefits. So I'm pleased to note that even if you don't meet the requirements for the age pension, you may still be entitled to the Commonwealth Seniors Health Card.

In general terms there are three types of cards which provide health care concessions. Each has its eligibility requirements. The following table is a general summary and guide.

Card	Eligibility	Asset and income means test	Entitlements
Low income Health Care card (LIHCC)	Low income criteria - in the 8 weeks prior to making their application. Single needs to have earnt less than $552 per week and combined income for a couple of $954. No age criteria.	Income test only, no assets test	LIHCC entitlements include reduced cost medicines under the Pharmaceutical Benefits Scheme (PBS), a bigger refund if you reach the Medicare Safety Net and bulk billing with doctors and other medical practitioners when they have agreed to bulk-bill.
Pensioner Concession Card (PCC)	Automatically issued when receiving particular Centrelink payments (Age pension, Bereavement Allowance, Carer Payment, Disability Support Pension, Carer Payment, and Newstart Allowance or Parenting Payment if single and caring for a dependent child). Veteran with qualifying service, war widow or widower may be eligible at age 60.	Same as Age Pension and other Centrelink entitlements.	Entitlements include reduced cost medicines under the Pharmaceutical Benefits Scheme (PBS), bulk billing with doctors and other medical practitioners (provided they have agreed to bulk-bill), a bigger refund for medical costs if the Medicare Safety Net is reached and help with hearing services. Other benefits available within the PCC include a reduction to train fares, public transport fares, motor vehicle registration, plus, dependant on the state or territory government and local council, most provide a reduction to electricity, gas bills, property rates and water rates.
Commonwealth Seniors Health Card (CSHC)	Age pension age (or age 60 if you are a veteran who has qualifying service, war widow or widower). Eligible to apply if you are not entitled to any Centrelink benefit. A person not eligible for any age pension payment that considers they are eligible for a CSHC will need to apply for one. The card is not issued automatically.	Income test only (specific income test that is different than the age pension income test) $53,799 for a single person $86,076 per year for couples $107,598 per year for couples separated due to ill health or respite care	CSHC holder's entitlements include reduced cost medicines under the Pharmaceutical Benefits Scheme (PBS), bulk billing with doctors and other medical practitioners (where they have agreed to bulk-bill), and a bigger refund for medical costs if the Medicare Safety Net is reached. Additional concessions are provided by state and local government authorities however the relevant department in your state or territory will provide details.

Source: humanservices.gov.au

A person receiving Veterans' Affairs benefits may receive specific health cards (e.g. Gold Card, Orange Card or White Card).

New PAYG withholding obligation for some pensioners

You will have recently received a PAYG payment summary from us which confirms the amount of pension you received in the last financial year and the amount of tax (if any) deducted.

If you turned 60 during the year and received pension payments both before and after turning 60 you will have received two payment summaries.

New tax rules have been introduced that increase the obligations of some superannuation pensioners to report their income to the ATO. Under these rules, members generally have to lodge an income tax return if they are under 60 or if their pension income is higher than the threshold of $100,000.

The pension income received by most members will still be tax free, however, if your pension income exceeds the cap of $100,000 then 50% of the excess amount will be deemed as taxable income.

Example	
62 years old and retired	Frances receives defined benefit income that exceeds the $100,000 defined benefit income cap for 2017-18 by $60,000.
In 2017-18, receives $160,000 from a capped defined benefit income stream	Frances will have to lodge a tax return and pay additional tax in 2017-18.
Paid from a funded defined benefit scheme (contains tax free and taxable components)	Frances includes $30,000 (50% of the excess over $100,000) in her tax return and it will be taxed at her marginal rate.

Example from ato.gov.au.

The ATO provides information on their website that assists individuals in working out whether they need to lodge a tax return and we encourage you to read this information. Visit ato.gov.au/shouldilodge

In addition, they publish a helpful "Defined Benefit Income Cap tool" which you can use to see the amounts which will be included in your return. Visit ato.gov.au/Calculators-and-tools/Defined-benefit-income-cap-tool/ or contact the ATO on 13 10 20.

Important terms on your PAYG summary;

Taxable component – This is the total amount of the payment less the tax-free component and is used to calculate the amount of tax withheld from your payments. It needs to be included in your tax return if received when under age 60.

Tax free component – This is the amount of the payment which is tax-free. Tax-free components of super income streams do not need to be included in your tax return if received when under age 60.

Note: Once you turn 60 the taxable component and the tax-free component are added together – and to any other capped defined benefit income streams that you may receive – and the total amount is compared to the $100,000 cap. If the total exceeds the cap, 50% of the excess amount is assessable income. You may need to include this amount in your tax return, but that will depend on your overall income for the year.

It's important to note that if you were over 60 for the full year, your State Super pension income is your only income, no tax was withheld from your pension and you have not exceeded the cap of $100,000 it is likely that you will not be required to lodge an income tax return.

“Are you taking advantage of all your pension entitlements? A StatePlus planner can ensure you don’t miss out.”

It can be difficult to understand just what Centrelink or Department of Veteran Affairs entitlements you are eligible for – especially when the government makes changes.

At StatePlus, our financial planners can work closely with you to ensure you don’t miss out, and you are also taking advantage of any other benefits, like health care and concession cards that you may be entitled to.

At StatePlus, we’ll take the time to help you maximise your retirement savings, so you can enjoy the retirement you’ve earned and continue doing the things you love to do.

Call us on **1800 841 633** today or visit Stateplus.com.au to ensure you get the most of your superannuation.

StatePlus

Formerly State Super Financial Services

StatePlus is the trading name for State Super Financial Services Australia Limited, holder of Australian Financial Services Licence 238430, ABN 86 003 742 756. This information is of a general nature only and is not specific to your objectives, financial situation or needs. Before making any decisions you should consider its appropriateness to you.

Your member benefits

STATE SUPER
SAS Trustee Corporation

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 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/contact-us**

Complaints, Disputes and Appeals

We are committed to ensuring members of our schemes are treated fairly and consistently. We focus on member satisfaction and aim, to the best of our ability, to resolve all complaints to the satisfaction of all parties.

We have also put in place more streamlined processes and procedures to ensure that any complaints or disputes are resolved in a timely and efficient manner.

If you are dissatisfied with an administrative matter you may lodge a **complaint** with Mercer Administration Services. If you are still not satisfied with the resolution of the matter you can complain directly to the Trustee.

If you feel you have been unfairly treated or are disadvantaged by a decision relating to a benefit, you may lodge a notice of **dispute** with the Trustee within 2 years of being notified in writing of the decision.

You may then be asked to clarify certain details or provide additional supporting evidence. Your dispute is then referred to State Super for consideration and determination and you will be notified in writing of the outcome.

If you are dissatisfied with the decision following the dispute process, you may **appeal** to the Supreme Court of NSW within 6 months

To lodge a complaint with Mercer, please contact Customer Service on the phone number shown below.

To lodge a dispute with State Super, please write to:

Disputes Officer

State Super (SAS Trustee Corporation)
PO Box N259,
Grosvener Place NSW 1220.

Contact us

1300 652 113

State Super, PO Box 1229
Wollongong, NSW 2500

www.statesuper.nsw.gov.au

enquiries@stc.nsw.gov.au

SASP 1018