STATE SUPER
SAS Trustee Corporation

OCTOBER 2018

superVIEWS

Keeping members super informed

SSS/PSS

State Superannuation Scheme/ Police Superannuation Scheme

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State Super update

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

New! Have you had a Super Health Check?

We're always looking for ways to improve our members' understanding of their scheme and how they can maximise their retirement benefits. So we recently introduced our *"Super Health Check"* service in select locations across regional NSW.

This personalised appointment service provides advice on your super, scheme entitlements and choices prior to and leading up to retirement – all conducted by a qualified StatePlus financial planner.

If the service is being offered in your region, State Super will send you a personal invitation to book an appointment. The Super Health check is at no cost or obligation. This one-to-one consultation is a convenient alternative to travelling to attend a State Super seminar in a major centre. You can even bring along a spouse, partner or other family member if you wish.

Super Health Checks are proving popular amongst our members. 74% of members we surveyed, who had recently attended a Super Health check, scored their experience an overall 10 out of 10! Most felt that the service was convenient, that the information was clear and relevant, and advice was personalised to their situation. They even had the opportunity to discuss some additional topics with the planner – such as their spouse's super, salary plans and retirement options.

At your appointment you will receive information on:

- Your scheme entitlements and choices at retirement
- How your choices regarding your personal contributions impact your benefit amount
- Understanding your annual statement

To help you get the most out of your meeting, the StatePlus financial planner will also bring a copy of your annual statement to the appointment to identify scheme topics most relevant to you.

To date, we've provided this service in Tamworth, Wagga Wagga, Port Macquarie and Orange and conducted over 200 appointments. Coming next will be Gosford, Ballina and Canberra.

So register today for your one-on-one Super Health Check appointment, by calling StatePlus on **1800 620 305**.

Visit our Interview Service at Clarence Street Sydney

State Super's free Interview Service is available to all current and deferred benefit members as well as pension members.

Interview Services are available <u>by appointment only</u> 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

SSS – 1300 130 096

PSS – 1300 130 097

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**

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.

The ups and downs of investing in property

Everyone has a dream for their retirement. For some it's relaxing on holidays, for others it's enjoying time with family, and for some it's that desire to realise the dream to own an investment property.

If investing in property is something you've always dreamt of, deciding what to do with your retirement savings is critical to ensuring that dream becomes reality. While taking your benefit as a lump sum sounds appealing, you're making a commitment to manage this money yourself. After all, the aim of any investment is to make money, but every investment has costs and it can be an expensive mistake not to fully understand these before you get started.

Invest for the right reasons

How effectively you manage your investment will determine whether it helps you reach your financial goals. Owning an investment property can be a strategy to increase wealth and secure a financial future.

However, if you need to access your money, it takes time and costs money to sell a property, and it usually can't be divided – you can't really sell one bedroom of a three-bedroom house. Selling in a hurry may also mean compromising on price, not allowing you to make the most of your asset. So property is generally suitable for those with a longer-term investment horizon, where it forms part of a balanced portfolio of assets.

Don't let the following influence your decision

1. You want to pay less tax.
2. You think you just missed out on the latest property boom.
3. You're trying to time the market.
4. You want to make a quick return on your investment.
5. You see the rent as a guaranteed income stream.

A smart investment decision

People often assume that, because they have experience in the property market as a homeowner, it will be the same as an investor. Although the fundamentals of choosing a quality home in a solid state of repair and good area still apply, buying to invest requires additional research.

Here are a few things to consider:

1. **Understand the market and the dynamics where you are buying** – what type of properties are in demand?
2. **Income vs growth objectives** – look at both expected rental returns and the potential for capital growth.
3. **Get your finances in order** – will you have a mortgage, and can you benefit from negative gearing?
4. **Choose the right property at the right price** – don't overcapitalise.
5. **Location, location, location** – consider proximity to public transport, schools, cafes.
6. **Know likely sources of tenants in an area** – students, tradespeople, families, young professionals.
7. **Don't overlook cheap strata levies** – low levies could mean poorly-maintained facilities, or finding money for a major expenditure you haven't budgeted for.
8. **Tenancy** – consider the implications if the property is untenanted for any length of time
9. **Make sure emotion doesn't get in the way** – this isn't your home, it's a financial decision.

Balancing the cost of investment

As a landlord, you might be surprised how many costs are your responsibility. While most people understand the upfront costs of purchasing property, there are several ongoing and maintenance costs too.

Upfront

- Stamp duty
- Legal costs
- Lender's mortgage insurance (where applicable)

Ongoing

Likely ongoing costs include:

- Real estate agent costs
- Advertising costs and letting fees
- Insurance
- Maintenance and repairs
- Council rates and strata levies

You should take these into account when calculating the return you expect to receive. If the rent doesn't cover your living costs after you've deducted all your expenses, you will have to cover the shortfall – a risk that increases if you have a long period with no tenants.

Despite the costs, there can be some tax benefits to this type of investment. Tax matters are complex, and your tax situation depends on your personal circumstances, so it's a good idea to seek professional advice before making investment decisions on property.

Borrowing to invest

Rather than using all your lump sum to invest in property, you might also borrow money (gearing) through a mortgage to help fund the purchase. Although gearing can increase investment returns it can also magnify losses, so it isn't for those without a tolerance for risk.

If you're still earning a salaried income, it can be a tax-effective strategy as you can offset any loss against your income. However, gearing in retirement is rarely tax-effective as most retirees' taxable incomes significantly reduce. In fact, many retirees can end up paying no tax if the majority of their savings are invested in an account-based pension.

Carrying debt into retirement needs extra consideration and might not be an appropriate investment strategy for you.

Not the time to sit back and relax

Once you choose to take your benefit from super, it is difficult to reverse that decision. You accept that you will take charge of managing your money and ensure it lasts for 20-30 years (depending on your age when you retire). Not only must you have strategies in place to generate a regular cash flow, and a disciplined approach to spending, you also need to fully understand the tax implications of your decisions.

If you're thinking about investing in property, it may be a good idea to seek financial advice to see if the decision is right for you.

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

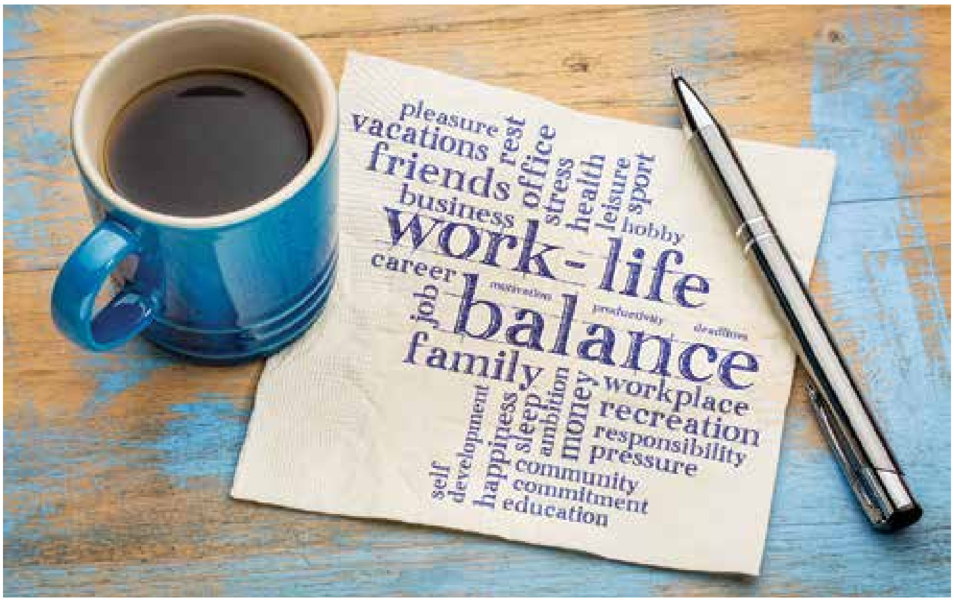
"We conducted the survey and produced *Beyond Paid Work* to better understand our members. We know the important roles our members played in our community when in the paid workforce. Keeping us safe, teaching our children, caring for people in hospitals, among many other important public sector roles. 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.**



Who will your super go to?

It's important to ensure your loved ones are taken care of in the event of your death. You may have a legally binding Will in place, but did you know that your superannuation is held in trust and is not generally covered by your Will? This includes your State Super pension, but unlike some other super funds, it is not as simple as nominating a beneficiary of your choice.

In the case of State Super schemes, the beneficiaries are prescribed under NSW legislation and there is no provision for a member to nominate a beneficiary. Different rules apply so that only certain people will be entitled to claim a benefit in the event of your death.

Your spouse or de facto partner will qualify for a benefit if they were your spouse or de facto partner before you retired and started receiving your State Super pension and remained so until your death.

Your spouse or defacto partner's entitlement to a lifetime reversionary pension is dependent on which scheme you are a member -

For SSS, a reversionary pension is equal to two-thirds of your full pension entitlement at the date of your retirement, plus all CPI adjustments until the date of your death. The pension can be commuted to a lump sum so long as it is done within the timeframes allowed by the scheme legislation.

For PSS, a reversionary pension is equal to 62.5% of your pension entitlement at the date of your death. In other words, the spouse pension entitlement is reduced in proportion to the amount of pension you have commuted.

The reversionary pension cannot be commuted to a lump sum.

Benefits for children

Eligible children may also receive a benefit; generally, a fortnightly pension for each eligible child paid to the surviving parent or legal guardian.

Where a claim is made by more than one eligible person, the Trustee may decide on how and whether a spouse or de facto partner's benefit will be shared.

On the death of a member who is not survived by an eligible spouse or de facto partner, the benefit will normally be paid to the personal representatives (generally the executor) of the deceased's estate.

A relative or representative should contact State Super as soon as possible after the death of a State Super Member. Once we are notified, a letter will be sent detailing the documents required to assess and confirm eligibility. For more information please refer to the fact sheets available on the State Super website at www.statesuper.nsw.gov.au or call the **State Super Customer Service Team** on **1300 130 096 (SSS)** or **1300 130 097 (PSS)**.

Ask an expert:

I'm 58 and a contributing member to SSS. I plan to access most of my benefit as a lifetime pension when I retire at age 60. I'd like you to explain how my SSS pension will impact my entitlement to a Centrelink age pension?

My response applies equally to a deferred member within SSS or a Police Super Scheme member.

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.

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

As you were born after 1 January 1957 your age pension age is 67. So you will not have any entitlement to the age pension until you reach that age.

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.

Continued over >>

Ask an expert: continued

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.

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

> **Age pension age is based on your date of birth.**

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.

Your member benefits

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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

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

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