STATE SUPER
SAS Trustee Corporation

APR
2015

SSS/PSS

UPDATE YOUR DETAILS COMPETITION

WIN one of twenty **$50** Coles Myer Gift Cards.

See page 3

SuperViews

ALSO INSIDE...

State Super update

The Superannuation Guarantee increase and your SANCS benefit

On 19 December 2014, the NSW Government proclaimed the State Authorities Non-contributory Superannuation Amendment Act 2013 and related Regulations which provide for an additional State Authorities Non-contributory Superannuation (SANCS) benefit of 0.25% p.a. of salary from 1 July 2013, increasing to 0.5% p.a. of salary from 1 July 2014, to relevant employees who are active members* of the State Authorities Superannuation Scheme, Police Superannuation Scheme, and State Superannuation Scheme.

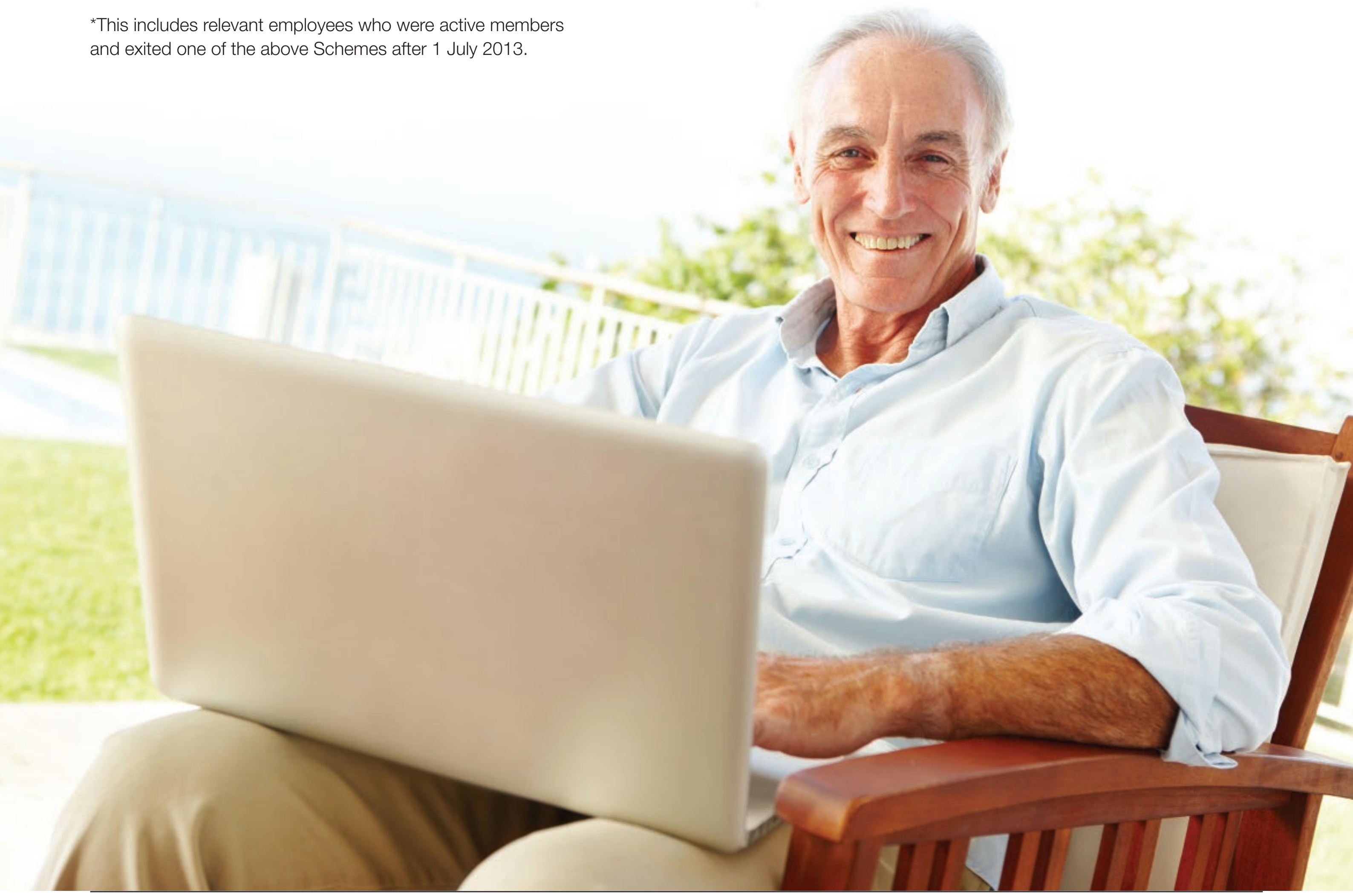
The additional benefit, plus any accrued interest owing due to the late payment of the benefit, will be paid retrospectively to all eligible employees.

> We will continue to keep members informed of progress...

State Super is working with our administrator and the Government to develop and implement the system and process changes required to facilitate the necessary benefit adjustments to the relevant employees' accounts.

We will continue to keep members informed of progress in this matter via the 'Latest News' section of the State Super website at **www.statesuper.nsw.gov.au.**

*This includes relevant employees who were active members and exited one of the above Schemes after 1 July 2013.



UPDATE AND WIN!

Complete the *contact details form* provided and return it to us in the reply paid envelope by 1 June 2015 for your **chance to win one of twenty $50 Gift Cards** for Coles Myer.

The prize draw will take place on 15 June 2015. Winners will be notified by 30 June 2015.

Investment market overview

A modest domestic outlook

The predominant domestic economic issue in the latter half of 2014 was the long expected slide in commodity prices and especially iron ores. China's prolific steel export industry has been impacted by a marked drop in export demand, which in turn has affected Australia's export income. As Australia's largest export commodity, this fall was always expected to flow on to the economy, despite the muting effect of a weaker Australian dollar.

The currency is normally closely linked to such commodity price movements and while there has been some delayed reaction, the Australian Dollar began to weaken in January.

The resource price slumps and low inflation rate is expected to dampen within Australia, at least for the first half of 2015, but strong housing investment, export volume growth and lower interest rates should support the growth outlook.

The outlook for share market growth is modest given recent strong gains around the world. Interest rates have been reduced given the softer inflation and growth outlook and will be sensitive to the level of the dollar and employment conditions.

> ...strong housing investment, export volume growth and lower interest rates should support the growth outlook.

The United States rolls on

The US seems to be poised to build on the encouraging signs of late 2014. The Federal Reserve is upbeat about growth prospects for the economy, despite the continuing instability in Europe and Japan. Lower oil prices are helping to support domestic demand and a shrinking trade deficit should support a moderate growth outlook.

Growth slowing in China

Chinese growth was constrained in 2014 and is expected to be even lower at just below 7% for the year ahead. The managed slowdown of the economy and a reorientation toward consumption and away from the domestic real estate sector market is a positive move, although the subdued growth figure may have some dampening effects on the rest of Asia.

European troubles persist

Europe continues to struggle to emerge from the levels of sovereign indebtedness flowing from the Global Financial Crisis. Despite some tentative signs of recovery in the third quarter of 2014, financial markets were hit by concerns flowing from the lack of monetary stimulus needed to kick start growth.

A persistent mix of low consumer demand, high debt and high unemployment, together with stagnant inflation, interest rates and growth has placed pressure on monetary authorities to progress the quantitative easing program to help stimulate growth.

> ...positive global growth should help to support market performance.

What does it all mean for investors in 2015?

The subdued economic outlook across the globe and the specific export related drag on growth in Australia means the year ahead will see a more challenging investment environment with potential for greater volatility. There will be sensitivity to the possibility of an interest rate rise in the US and how this will impact extended valuation levels across many markets. In the shorter term, continued 'stimulatory' monetary policy and moderately positive global growth should help to support market performance.

How much is enough $$$?

Will you have enough money to live the retirement you want?

Most of us think of retirement as the time we finally get to do 'everything we've always wanted'. Many people get more involved in their communities, while others spend more time with family and of course, a lot of us travel. Regardless of the activities we engage in or when we retire, the main concern for most is how to make our retirement savings last so that life after retirement continues to be a smooth ride without the burden of financial worry.

To help you create and maintain the retirement lifestyle you want, it's important to consider…

1

How much will it cost to maintain your desired lifestyle in retirement?

According to the latest ASFA Retirement Standard[1] Survey, a couple who hopes to live comfortably in retirement would need an income of just over $58,300 a year and a single person will require a little over $42,600. And that assumes you own your own home.

A 'comfortable' retirement lifestyle is defined in the survey as being able to get involved in a broad range of retirement activities and maintain a good standard of living through the purchase of household goods, health insurance, a reasonable car and holiday travel etc.

continued on page 6

1 **The ASFA (Association of Superannuation Funds of Australia) Retirement Standard** benchmarks the annual budget needed by Australians to fund either a comfortable or modest standard of living in the post-work years. It is updated quarterly to reflect inflation, and provides detailed budgets of what singles and couples would need to spend to support their chosen lifestyle. ASFA Retirement Standard figures are as at December 2014.

How much is enough? - continued

continued from page 5

2

Review your contribution strategy

Are you on track to maximise the amount of super available to you when you retire?

Once you have determined how much you need to save for your retirement, it's time to look at how you get there.

For SSS members:

Making additional contributions to another complying superannuation fund will provide you with more super at retirement. However, to maximise your SSS employer benefit, if you have previously chosen to abandon units, you should consider picking up these abandoned units in order to maximise your final pension benefit.

For PSS members:

You contribute a flat 6% of your salary and your maximum PSS pension is achieved by reaching 30 years of service and age 60. However, you can make additional contributions to another complying superannuation fund to boost your retirement savings.

Remember that when making extra contributions to super, there are limits on how much you can contribute before you pay extra tax. So check your contributions regularly to make sure you aren't going to exceed the caps.

3

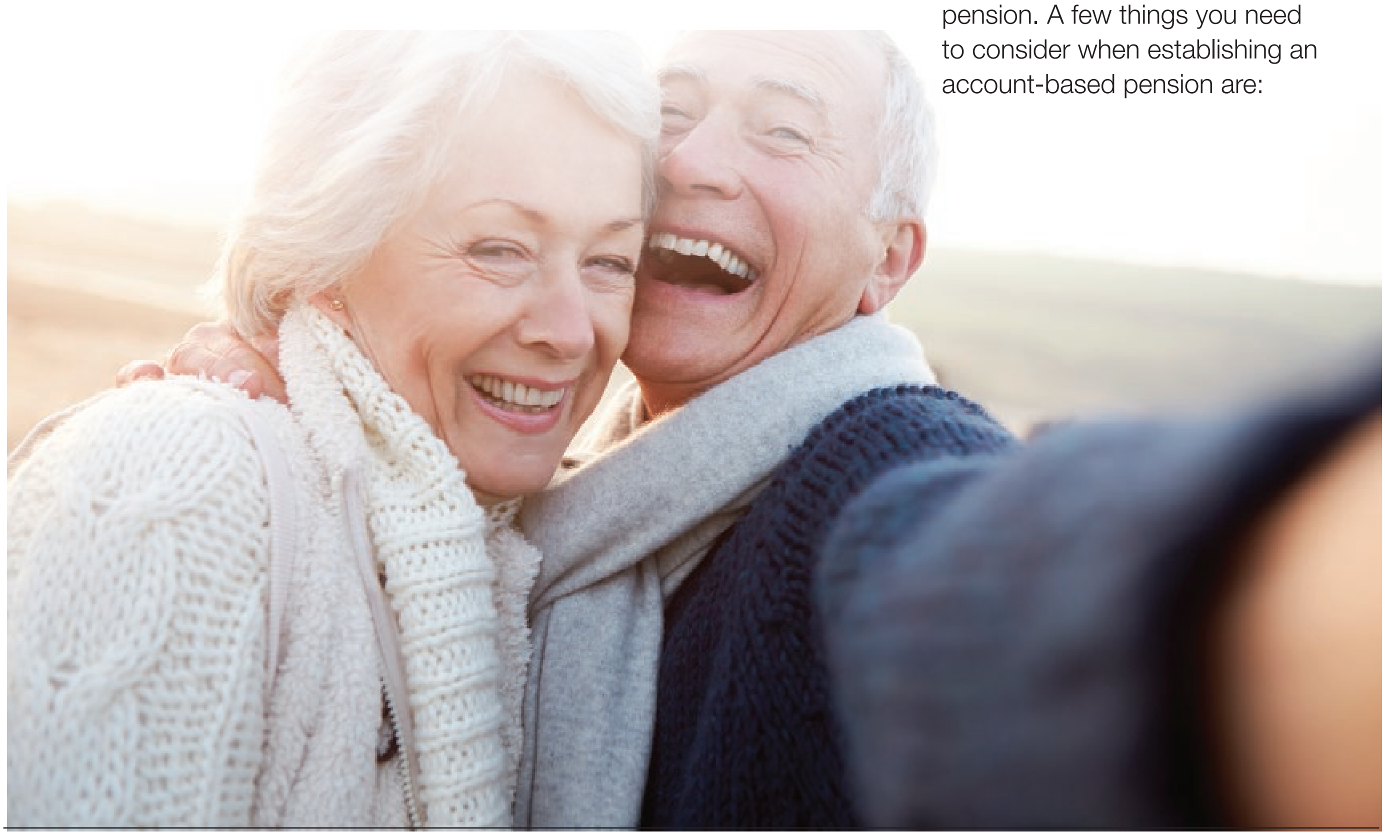
What other sources of retirement income are available?

For many people, super is the main source of funds when they retire. While this can be an important source of income it doesn't have to be the only one. Your retirement income can be made up from a combination of sources.

SOURCES OF INCOME

Your SSS or PSS fortnightly pension – will provide a steady flow of income, but will this be enough to meet your financial needs in retirement?

Other superannuation money – can be used to commence an account-based pension/allocated pension. A few things you need to consider when establishing an account-based pension are:



- how much you will withdraw as a lump sum,
- how much you will regularly draw down (your pension), and
- how your account balance will be invested.

The Age Pension, **or social security** – the current Age Pension age is 65, however it is increasing to age 67 with a proposal for it to increase further to age 70 over time.

The Age Pension can help supplement your account-based pension and act as a safety net. To qualify, you must meet age requirements and satisfy means tests (based on your level of income and assets) which determine the amount of pension you are entitled to. There are also different rates of Age Pension depending on whether you are single or part of a couple. Even if you're only entitled to $1 of the Age Pension, the additional benefits, such as discounts on medicines as well as concessions on utility rates and public transport fares can supplement your income by reducing your expenses.

Other income sources – could include investment earnings outside your super, home equity release, an inheritance or part-time work.

4

Make sure you're invested appropriately

Younger investors generally have more tolerance for a higher percentage of their investment portfolio being allocated to growth assets that have higher volatility associated with them because of the potential they provide for maximising returns. On the other hand, people preparing for retirement generally prefer to invest in less volatile assets in order to protect their portfolio. At this stage in an investor's life, price fluctuations and returns matter a lot more, because individuals must meet their lifestyle expenses from their investments, which may require drawing down on their capital base. Any investment losses that occur reduce the size of their portfolio.

State Super Financial Services (SSFS) specialises in managing money for retirement, which is very different from investing during your working life. The aim is to generate a 'real' return, with a focus on the security of income in retirement. This also takes into account the negative effect inflation has on buying power. Inflation is still one of the key reasons people run out of money in retirement, so keeping some growth assets in your portfolio may help to protect against this.

All investments carry a degree of risk. What's most important is that you understand how your money is invested and can live with the associated risks. It's best to speak with your financial planner to address your retirement needs.

5

Good advice can make all the difference

Five years before and after retirement is a time when sound financial advice can make a big difference to how much you will have to spend after you retire. Poor financial decisions during this period can have far-reaching consequences. For older investors, there may not be sufficient time to 'recover' losses as they are in the draw down rather than accumulation phase of their superannuation life cycle.

A financial planner can help tailor your financial strategy to balance your lifestyle needs with your income availability. Everyone's needs are different, so seeking professional financial advice as early as possible is crucial.

Need advice?

State Services Financial Services provides a wide range of financial planning advice to current and former public sector employees and their families.

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

How does your salary affect your retirement benefit?

State Superannuation Scheme (SSS)

When you start receiving your SSS pension, the amount paid to you will vary depending on the type and number of units you purchased during your time as a SSS member.

You are entitled to one unit of pension for each $260 p.a. of superable salary plus additional units to account for inflation, which are adjusted on a yearly basis (approximately 30 units). When you apply for your benefit, each fully paid unit entitles you to receive $5.50 of fortnightly pension, less 15% contributions tax on most employer contributions for service from 1 July 1988.

Once the cost of contributions reaches 6% of salary, you may elect to ‘abandon’ any new units you become eligible for. An abandoned unit is worth $3.30, less 15% contributions tax and you can elect to contribute for a previously abandoned unit at any future annual adjustment day. If you do so however, these units will not attract a benefit on death or invalidity at the higher $5.50 value, until you have contributed for them for two and a half years. Abandoned units can be ‘purchased’ at normal retirement and included at their full $5.50 value, by paying the full cost for each abandoned unit.

You are notified of how many new units you are entitled to in your Annual Review Day notice, using the superable salary information supplied to State Super by your employer.

Final salary

Your SSS retirement benefit is calculated using your final salary, which is the superable salary, attributed to your position on the last day you work. Your final salary only has to be in payment for one day.

What is your superable salary?

Your superable salary comprises of your annual base salary or wages and includes workers compensation payments if applicable and in most cases excludes overtime and leave loading. It may also include allowances that are paid while you are on leave or that are included in the value of termination pay, such as an allowance for additional qualifications.

What affects your superable salary?

Purchasing leave: This arrangement with your employer will reduce your salary by the number of days of leave that are purchased (10 or 20 days). Your superable salary, and hence your unit and pension entitlement will reduce.

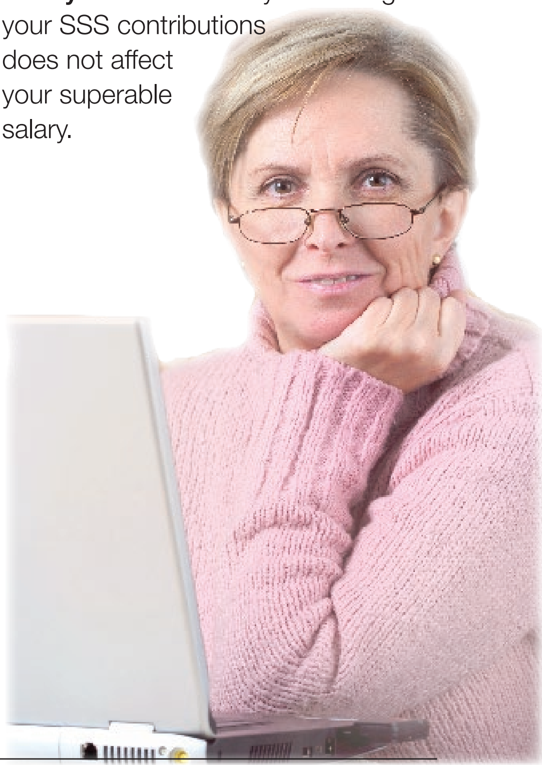
Shift loading: If you work a minimum of 105 shifts per year, you are eligible to have an ‘allowance’ added to your base salary. The amount counted towards your superable salary depends on the number and duration of shifts worked.

Acting in higher duties: If you receive a higher duties allowance for a continuous period of more than 12 months, the allowance should be included (whilst it is in payment) in the salary reported by your employer.

What doesn’t affect your superable salary?

Long service leave (LSL): LSL does not generally impact your superable or final salary, regardless of whether it is taken as half, single or double pay. If you are on LSL you are expected to continue to pay your normal contributions, even if LSL is taken at half pay. However, your salary may be impacted if you had shift penalties applied to your salary prior to commencing LSL and you retire before returning to work.

Salary sacrifice: Salary sacrificing your SSS contributions does not affect your superable salary.



Police Superannuation Scheme (PSS)

The PSS benefit payable at retirement is based on your attributed salary of office at the time you exit the scheme.

The benefit can be taken as an indexed fortnightly pension, lump sum or combination of both. The amount of the benefit you receive will depend on your length of service and the ‘salary of office’ at retirement. In addition, the basic benefit is payable from the State Authorities Non-contributory Superannuation Scheme (SANCS) and is based on final average salary (FAS) which is the average of the salary at exit from employment and the previous two salaries reported on 31st December. The basic benefit is 3% of FAS for each year of service counted on a daily basis from 1 April 1988.

> The amount of the benefit you receive will depend on your length of service and the ‘salary of office’ at retirement

What is ‘Salary of Office’?

A PSS member’s superable salary is based on their attributed Salary of Office. This is the ordinary annual (base) Salary of Office for the employee’s rank and position. It does not include certain specified allowances such as relieving, expenses, uniform, climatic and shift allowances, or an allowance paid in lieu of overtime. An allowance may however be included if it is prescribed in the Regulations. Allowances for certain academic qualifications are currently included.

What affects your superable salary?

Working part-time: Part-time employment, part-time leave without pay (LWOP) or special LWOP taken on a part-time basis, will affect your superable salary as it will be based on your actual part-time salary. The exception is the first three months of a period of ordinary LWOP where contributions are required to be paid and service is accrued, at the full-time rate.

What does not affect superable salary?

Long service leave: LSL does not impact your superable salary, regardless of whether it is taken as half, single or double pay.

Salary sacrifice: Salary sacrificing your PSS contributions does not affect your superable salary.

Salary reduction: If your salary is reduced, your pension entitlement will also be reduced.

More information

- SSS Fact Sheet 2: *Unit Entitlement*
- PSS Fact Sheet 2: *Contributions and Superable Salary*
- Contact Customer Service.

Need advice?

We recommend seeking professional financial advice about your options and what impact a change to your superable salary can have on your final benefit.

When can you access your retirement benefit?

The difference between your Commonwealth preservation age and your State Super scheme's earliest retirement age.

Commonwealth preservation age. The age you must reach before you can access your superannuation benefit. It is determined by the Commonwealth Government and depends on when you were born.

Normal retirement age. The age you are entitled to apply for your full SSS or PSS pension as determined by the scheme rules and legislation. Your scheme normal retirement age is shown on your annual statement and will be 60 years of age, except in the case of female members within SSS who elected to contribute to have a normal retirement age of 55.

For members with a normal retirement age of 60, an early retirement benefit which is less than the benefit available at age 60 can be taken from age 55.

> Your preservation age is determined by the Commonwealth Government and depends on when you were born.

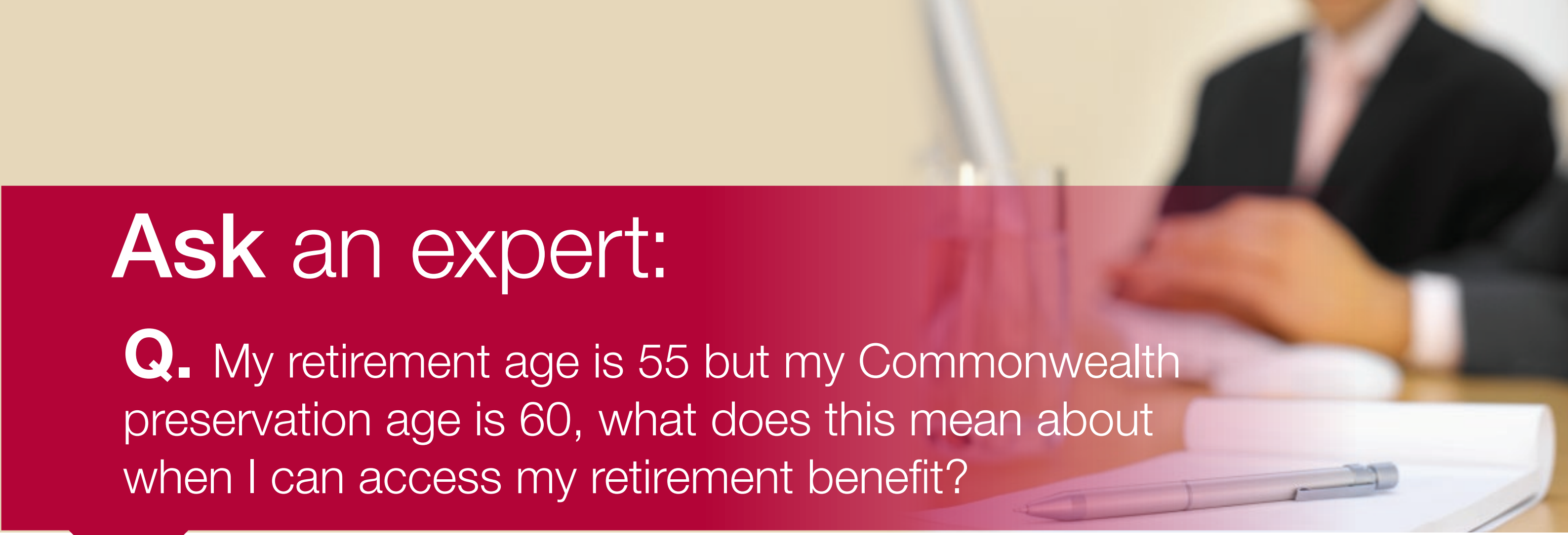
More information

Go to **www.statesuper.nsw.gov.au** and download a copy of:

- STC Fact Sheet 4: *When can I be paid my superannuation benefits?*
- STC Fact Sheet 5: *Retiring or resigning? What you need to know for payment of your benefit*
- SSS Fact Sheet 7b: N*ormal retirement benefit for female members born after July 1960 and who elected to retire at age 55*

Contact **Customer Service** on **1300 130 096** for SSS members, **1300 130 097** for PSS members and **1300 130 094** for Deferred members.

Date of birth	Preservation age	Your preservation age reached
Before 1 July 1960	55 years	30 June 2015 or earlier
Between 1 July 1960 and 30 June 1961	56 years	Between 1 July 2016 and 30 June 2017
Between 1 July 1961 and 30 June 1962	57 years	Between 1 July 2018 and 30 June 2019
Between 1 July 1962 and 30 June 1963	58 years	Between1 July 2020 and 30 June 2021
Between 1 July 1963 and 30 June 1964	59 years	Between 1 July 2022 and 30 June 2023
After 30 June 1964	60 years	1 July 2024 or later



Ask an expert:

Q. My retirement age is 55 but my Commonwealth preservation age is 60, what does this mean about when I can access my retirement benefit?

A. SSS members

What this means is that if you leave your public sector employment and apply to access your retirement benefit before you reach your Commonwealth preservation age, even if you have permanently retired, there are still restrictions on accessing your benefit.

If you commence your pension, the preserved portion (generally the majority) of your pension benefit can only be paid to you if you agree that you will never exchange this portion for a lump sum. If you wish to retain your ability to exchange your pension for a lump sum at age 60, it will need to be retained and accumulate within the scheme until you meet a Commonwealth condition of release.

The unrestricted non-preserved portion (generally a smaller portion) of your total pension is not affected by your preservation age – it can be paid to you immediately, even if you wish to retain the right to exchange it for a lump sum.

However, please note that if you access your benefit before reaching your preservation age, you will pay a higher rate of tax until you reach your preservation age.

These rules can be confusing so it's important you obtain advice prior to retiring, in order to ensure you can continue to meet your cash flow requirements and other needs and objectives upon leaving SSS.

PSS members

The Commonwealth preservation age of 60 has no effect on your ability to commence your pension or take a lump sum. Your benefit can be accessed, without restrictions, once you meet the scheme rules for payment of a benefit, for example, early retirement and ceasing employment after reaching age 55.

Q. As a female SSS member who elected on joining the scheme to pay contributions to retire with my full benefit at age 55, should I apply for my pension as soon as I reach my normal retirement age?

A. The answer to this question will depend on your individual situation, but generally speaking, once a member reaches their normal retirement age (i.e. age 55 in your case), they have effectively maximised their potential benefit at that point and their pension entitlement will only increase if their salary increases. Further, any pension not claimed from your normal retirement age is forfeited.

Whether to apply for your pension as soon as you reach normal retirement age is an important decision, pension payments cannot be backdated. So if you're close to your retirement age or at retirement age, speak to a financial planner to get a better understanding of your options about the value of taking a pension or staying at work.

The Ask an expert column is provided by State Super Financial Services. For more information, call **1800 620 305** or visit **www.ssfs.com.au**.

What's **new?**
Member Services Update

Changes to your annual statements

At State Super we strive to constantly improve communicatons to our members. This year one of our main improvement projects is to reengineer the design and content of the annual statements to make them easier to follow, understand and to highlight the important information to our members.

We anticipate that the new look statement will be launched in time for your 2014-15 statement.

Have you registered for online access?

Keep track of your State Super benefits online via the secure member login area.

The secure member login area provides you with your own personal login and password, which means you're the only one who can access your information.

Registering for online access enables you to:

- update your contact details
- view and download your last annual statement
- request a online benefit estimate.

To register for online access, simply go to **www.statesuper.nsw.gov.au** and click on the Member Login link for your scheme and complete the new user registration details.

Contact us

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