STATE SUPER
SAS Trustee Corporation

SuperViews

OCT 2014

SSS/PSS

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Your Annual Statement explained

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What's **new...**

In case you missed the recent announcements on our website, here are some updates from us.

Funds management update

In March 2014, the NSW Government announced its intent to amalgamate the funds management activities of the state's financial assets within NSW Treasury Corporation (TCorp).

State Super (STC), in collaboration with TCorp and the Safety, Return to Work and Support division (SRWSD) have embarked on the Amalgamation Project to assess how funds management activities of the state's financial assets might be consolidated within TCorp. For STC, this relates to funds management of assets underpinning the defined benefit component of the SASS, SSS, PSS and SANCS schemes (except those relating to universities).

The STC Board will assess a proposal by TCorp to provide certain investment related services in relation to the assets underpinning the defined benefit components of the SASS, SSS, PSS and SANCS schemes. The assessment will be conducted using specific criteria to ensure that STC continues to comply with relevant legislation and is able to meet its statutory and general law obligations, including the duty to perform its powers and duties in the best interests of the beneficiaries of the schemes.

It is anticipated that in order to continue to meet its regulatory and fiduciary obligations, STC will retain responsibility for investment governance including setting investment objectives and strategy, risk management, asset allocation and the appointment, oversight and performance monitoring of third party investment managers such as TCorp.

Managing university superannuation assets

Defined benefit assets of the SASS, SSS and SANCS schemes relating to the universities will continue to be managed by STC so as to ensure that the investment strategies for each university meets the specific liabilities and funding arrangements required at an individual level.

STC understands that a Memorandum of Understanding (MOU) between the Commonwealth and State Governments regarding the funding of university superannuation is to be signed. We expect that this will lead to the Governments funding the university liabilities on a pay as you go basis, once a reserve hits one year.

In anticipation of this MOU, STC has transitioned university assets from the current long-term, growth focussed strategy into two newly formulated strategies that meet the specific needs of these reserves. Initially, university funds will be invested in a diversified option with a three-year return objective to ensure both the liquidity and return requirements of universities' reserves are addressed. Once the reserve for an individual university reaches an amount equivalent to one year of expected cash flow for that university, the related assets will be transitioned to the new cash option to ensure the assets are sufficiently liquid to facilitate benefit payments to members.

Investment review changes

STC undertook its annual review of the investment strategy for the Pooled Fund in June 2014 and made the following changes effective 1 July 2014.

Change to the return objective for the Cash Strategy

STC has revised the return objective for the Cash Strategy, from CPI+0.75% p.a. over rolling three-year periods to CPI+0.25% p.a. over rolling three-year periods. This change reflects official cash rates being in line with expected inflation levels, and STC's view that the expected return for the asset class and therefore the Cash Strategy is expected to be lower than historically experienced.

Strategic asset allocation changes

STC has also marginally decreased the strategic asset allocation to Australian equities in favour of International equities across the Growth, Balanced and Conservative Strategies. In addition, this year's review also resulted in a shift away from other alternatives and towards Australian fixed interest. These asset allocation changes have been introduced to enhance and protect the strategies and do not adversely affect the risk and return profiles (Standard Risk Measures) of each of the strategies over their respective time horizons.

Keep an eye out for further updates on these and other STC announcements in the latest news section on our website **www.statesuper.nsw.gov.au/news-and-publications/latest-news**

Are you salary **sacrificing?**

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 tax is deducted.

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

Is salary sacrifice right for you?

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, having regard to your own objectives, financial situation or needs.*

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

After-tax contribution	
Gross salary	$65,000
Less income tax**	$12,672
Net salary	$52,328
Less super contributions	$3,900
Net salary after-tax & super deductions	$48,428

Before-tax contribution	
Gross salary	$65,000
Less salary sacrifice contributions (3,900 ÷ 0.85)	$4,588
Adjusted gross salary	$60,412
Less income tax**	$11,180
Net salary after-tax & super deductions	$49,232

Salary sacrificing = $804 increase in annual after-tax salary

Based on a member who earns $65,000 p.a. The amount of net contributions credited to the members' personal account is the same in both scenarios.

**Excludes Medicare Levy

Investment market overview 2013–14

The global economy

There has been steady improvement in the global economy this year, with economic activity strengthening, asset prices generally increasing and growth moving in a slow but more stable upward trajectory. The major developed economies have shown progressive improvement while for some emerging markets macro-economic challenges persisted as they were buffeted by volatile capital flows in the middle of the financial year.

> The key challenge facing policy makers continues to be the sustaining of confidence levels to ensure the global recovery builds momentum.

US recovery continues

Off the back of strong performance in the June 2013 quarter, economic growth in the US has continued to improve, despite some patchy economic data and the impact of severe weather in March 2014. The 12 month period to 30 June 2014 finished strongly with 76% of S&P 500 companies exceeding analyst's profit expectations. The tapering of the quantitative easing program is well progressed and the Federal Reserve has indicated that rapid interest rate hikes will be unlikely. This, together with positive expectations in housing, employment and household wealth should build confidence and help support economic growth.

Consolidation in China

The spike in growth in the second half of 2013 has cooled slightly, due to policy measures put in place to slow credit growth and increase the cost of capital. The challenge now is to limit the negative impact this could have on growth, especially exports and the expansion of infrastructure while avoiding introducing additional risk in an already risky Chinese real estate market.

Europe struggles on

The troubled Eurozone has finally seen some improvement over the last 12 months. There is still a long way to go, with issues such as low inflation continuing to cause concern, but steps are being taken to improve the situation. The financial year ended with a slight increase in GDP in the June quarter and even the stressed Mediterranean economies have registered positive growth, albeit very modest. The challenge that now faces parts of Europe is that of deflationary pressures and political unrest, with the Ukraine economy expected to contract by 5% by the end of 2014 and the Russian economy expected to grow by just 0.5%.

Impacts on the Australian market

The predominantly positive global backdrop has been of some benefit to Australia, as we look to transition the economy away from resource investment to resource exports and toward other sectors, such as agriculture and services. When coupled with positive outcomes in advanced economies, our relationship with China has helped counter domestic weakness in business and consumer confidence resulting in a moderately healthy growth rate.

The Australian Dollar's persistently high exchange rate has not helped our terms of trade, but the Reserve Bank has sustained a low interest rate environment since the last reduction in August 2013, which has also helped support domestic activity and growth.

How have financial markets performed?

World share markets experienced another year of double-digit returns, with developed economies leading the race. The Australian share market followed this trend with the ASX 200 growing in value by 12.3% over the financial year.

Fixed income market returns also improved globally, with non-government bonds producing higher returns than government bonds. However, the Australian fixed interest market did not perform as strongly as those overseas.

State Super's performance

State Super was well positioned to benefit from the lift in global share markets that flowed from improved investor confidence.

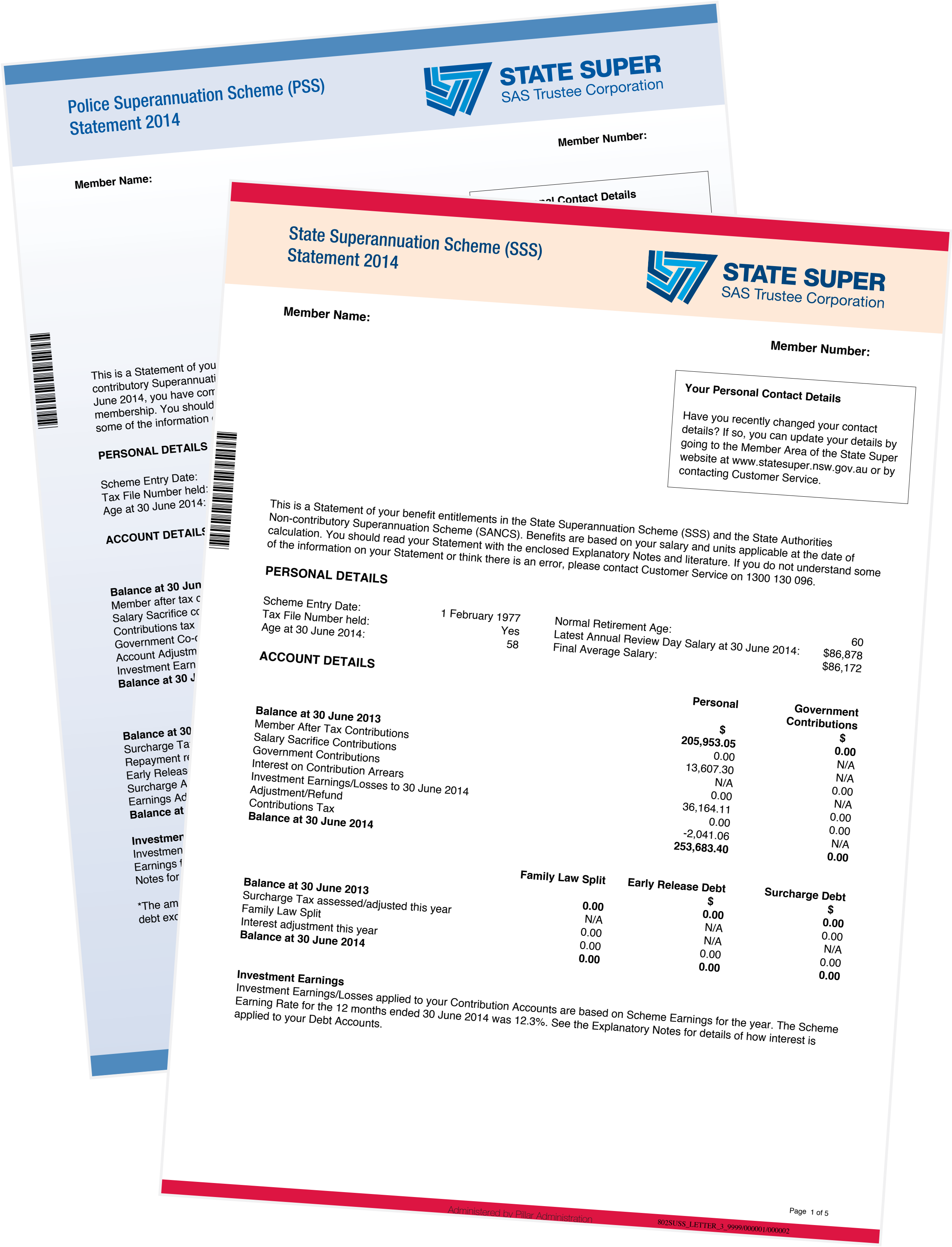
As the year progressed, a number of changes were made to the portfolio composition to improve the blend of managers and strategy diversification. The Fund benefited from the improved returns flowing from its holdings in property and infrastructure and increased holdings of cash when the markets corrected in the last quarter of the year.

The Fund also moved from a position of being relatively fully hedged on the Australian Dollar throughout the year to unhedged in the last quarter, through the active currency overlays program in place.

This added to returns as the Dollar weakened against global currencies in the early part of 2013–14. The hedging level was progressively increased in the second half of the financial year.

> For the 12 month period to 30 June 2014, the declared returns for the Growth Strategy were 12.3%.

It's **Annual Statement** time again…



State Superannuation Scheme (SSS)
Statement 2014

STATE SUPER
SAS Trustee Corporation

Member Name:

Member Number:

Your Personal Contact Details

Have you recently changed your contact details? If so, you can update your details by going to the Member Area of the State Super website at www.statesuper.nsw.gov.au or by contacting Customer Service.

This is a Statement of your benefit entitlements in the State Superannuation Scheme (SSS) and the State Authorities Non-contributory Superannuation Scheme (SANCS). Benefits are based on your salary and units applicable at the date of calculation. You should read your Statement with the enclosed Explanatory Notes and literature. If you do not understand some of the information on your Statement or think there is an error, please contact Customer Service on 1300 130 096.

PERSONAL DETAILS

Scheme Entry Date:	1 February 1977	Normal Retirement Age:	60
Tax File Number held:	Yes	Latest Annual Review Day Salary at 30 June 2014:	$86,878
Age at 30 June 2014:	58	Final Average Salary:	$86,172

ACCOUNT DETAILS

	Personal $	Government Contributions $
Balance at 30 June 2013	**205,953.05**	**0.00**
Member After Tax Contributions	0.00	N/A
Salary Sacrifice Contributions	13,607.30	N/A
Government Contributions	N/A	0.00
Interest on Contribution Arrears	0.00	N/A
Investment Earnings/Losses to 30 June 2014	36,164.11	0.00
Adjustment/Refund	0.00	0.00
Contributions Tax	-2,041.06	N/A
Balance at 30 June 2014	**253,683.40**	**0.00**

	Family Law Split	Early Release Debt $	Surcharge Debt $
Balance at 30 June 2013	**0.00**	**0.00**	**0.00**
Surcharge Tax assessed/adjusted this year	N/A	N/A	0.00
Family Law Split	0.00	N/A	N/A
Interest adjustment this year	0.00	0.00	0.00
Balance at 30 June 2014	**0.00**	**0.00**	**0.00**

Investment Earnings
Investment Earnings/Losses applied to your Contribution Accounts are based on Scheme Earnings for the year. The Scheme Earning Rate for the 12 months ended 30 June 2014 was 12.3%. See the Explanatory Notes for details of how interest is applied to your Debt Accounts.

Administered by Pillar Administration

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What your statement is telling you about your retirement

Normal retirement age

Normal retirement age: The normal retirement age is 60, however a pension is payable at a reduced rate if you retire between the ages of 55 and 60 and have contributed to the scheme for more than 10 years consecutively for SSS members and 20 years of equivalent full-time service for PSS members.

For female SSS members: Upon joining you were given the option to elect to receive your full pension at a normal retirement age of 55.

Before & after-tax contributions

Member after-tax contributions: These are called non-concessional contributions and are paid from your salary after PAYG tax has been deducted. You are not taxed any further on these contributions once they reach the scheme or when they are paid to you from the scheme.

Salary sacrifice contributions: These are called concessional contributions and are paid from your salary before PAYG tax has been deducted. Such contributions are subject to contributions tax. Depending on your individual circumstances, you may receive more take-home pay if you make your contributions via salary sacrifice. You should seek professional financial advice to help you decide whether salary sacrifice is right for you. For more information, see the 'Are you salary sacrificing' article on page 3.

Your salary

Annual review day salary: Your employer is required to report to Pillar Administration the (annual) superable salary being paid to you on a specific day during the year. This day is known as your annual review day. For SSS members, if your birthday occurs from 1 January to 30 June, your annual review day is 28 July. If your birthday occurs from 1 July to 31 December, your annual review day is 9 February. For PSS members, your review date is 30 June. Your employer is also required to report the superable salary figure payable to you on the last day of your employment. In most cases, it is this salary that determines the benefit paid to you. Any retrospective salary increase paid after your exit from employment must also be reported, so that benefits and contributions are correctly assessed.

Final average salary: The average of the salaries paid at your exit date and the two preceding annual review days (for SSS members) or as at 31 December in each of the two preceding years (for PSS members). This is generally only used for the calculation of your basic benefit.

Early release debt

Early release debt: If you have applied and been granted early release of your benefit on the basis of financial hardship or on compassionate grounds, the early release amount paid will accumulate in a debt account and interest at the Fund earning rate will be applied. The balance of this debt account is then deducted from your full benefit entitlement when it is either deferred or paid to you. If your benefit is already deferred, it will be reduced at the time the payment is made.

Surcharge debt

Surcharge debt: If applicable to you, this is the balance of your Commonwealth Contributions Surcharge tax debt which has been adjusted at 30 June 2014 to include interest applied at the Commonwealth 10-year bond rate.

For SSS members only

Immediate lump sum

Under 55: In the event of your resignation, dismissal, discharge or retirement before age 55, your benefit is a choice between an immediate lump sum and the deferred benefit.

Over 55: In the event of retirement, resignation, dismissal, or discharge on or after reaching age 55, as an alternative to receiving a pension or commuted lump sum, an election can be made to receive the immediate lump sum. The immediate lump sum in general terms consists of a refund of personal contributions, interest, plus an additional amount which is 1/40th of the contributions and interest for each year of scheme membership. Spouse and children's benefits are forfeited if this benefit is elected.

Deferred benefit

Deferred benefit: A member may choose, as an alternative to receiving the immediate lump sum, to defer their entitlement in the scheme and have it paid later as a pension after meeting a condition of release. This deferred pension benefit is calculated at exit and consists of an employee-contributed part and an employer-financed part. The employer-financed part is subject to an annual cost of living adjustment whilst deferred. Spouse and children's benefits may also be payable.

More Information

For full details, refer to the explanatory notes attached to your Annual Statement.

The Road to Retirement

SSS/PSS

It's important to get a good picture of where you are along the road to retirement and where you want to be so you can set clear goals which should enable you to live the kind of life you want when you finally reach Retirement Street.

What's your next destination?

Here are a few of the important scheme milestones you will pass on your road to retirement.

55

If you have a retirement age of 60, you can elect to receive an early voluntary retirement benefit (if you leave employment) from age 55. This benefit is payable at a reduced rate provided you have been a contributing member of the scheme for 10 consecutive years for SSS members and 20 years of equivalent full-time service for PSS members.

If you are a female SSS member who elected to retire at age 55 on joining, you can now start to receive your pension if you leave employment. All or part of that pension can be converted to a lump sum.

60

You are generally eligible for your retirement benefit from age 60 onwards once you have left employment. You have the option of taking your benefit as an indexed fortnightly pension, exchanging the pension for a lump sum payment (within specified timeframes), or a combination of both.

Access to your full retirement benefit is governed by Commonwealth provisions and your preservation age.

Did you know?

Superannuation benefits are not taxed if you are over age 60 when you receive your benefit.

Once you reach age 65 you can choose to exit from the scheme, even if you are still working.

You can choose to receive the payment of your accrued benefit immediately, or leave it deferred within the scheme (as a lump sum only) and have it paid to you at a later date.

Need advice?

If you're looking for personal advice, an appointment with a financial planner may help you set clear and achievable goals via a financial plan.

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

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

⚠ Important

If you exit the scheme after you turn 65, and are still working with your current employer, they will need to pay Superannuation Guarantee contributions to another fund on your behalf.

From age 70 onwards you can no longer contribute to the scheme.

More info

Customer Service can answer some of the questions you have around your scheme entitlements and eligibility.

Go to **www.statesuper.nsw.gov.au** and visit the Resources section on your scheme site to access fact sheets and our salary sacrifice calculator.

We're here to help

Retirement is exciting for some and scary for others. Being prepared and knowing where your next turn is can help you plan for retirement and maybe even alleviate some of that worry.

Time for a financial **health check?**

Most of us look forward to reviewing our finances as much as a trip to the dentist, but with the new year just around the corner, now is the time to start.

To make it more manageable and less daunting, we've created a handy checklist of some of the most important things you should consider. Take a look through the different topics, you may be pleasantly surprised at how 'on top of your finances' you are.

Review your budget and stick to it!

Do you have a budget that you stick to most of the time or does it tend to fluctuate? Create a realistic budget that includes amounts for special rewards. You're more likely to be successful with a budget plan if you don't make it too ambitious, as temptation is certain to arise at times. Financial discipline requires commitment and a financial planner can provide guidance on how to manage your finances more effectively.

Let your money do the earning

Do you have sufficient funds set aside in case of emergencies? Are they earning a competitive interest rate? Can you easily access the funds when needed?

Boost your super

Are your State Super benefits likely to provide you with sufficient income to meet your needs in retirement? Are you on track to maximise your entitlements? If not contributing a little extra to your super now can have a significant impact in retirement. Salary sacrificing additional contributions can boost your retirement savings and reduce income tax. If you're not sure if your income will be sufficient, if you are maximising your entitlements or if salary sacrifice is right for you consider seeking financial advice.

Get a handle on your debt

Are you in control of your debt? If you use a credit card, do you pay it off every month to avoid costly interest payments? Do you have a mortgage and are you in a position to make more than the minimum repayments? One way to improve your debt situation is to speak to your mortgage lender to see if you can get a discount on the interest rate they charge.

Review your taxes

Are your investments structured to meet your objectives as well as being tax effective? You should investigate tax concessions available in the super environment, as they can be very beneficial.

Do you have an investment strategy?

If you have money invested in the share market, does the chosen investment strategy allow you to sleep at night or do the ups and downs of the markets cause you stress? You should carefully consider whether your investments meet your objectives and tolerance for risk.

Are you covered?

Are you protecting your most important asset – your income earning ability – in case you suffer an injury or illness that prevents you from working? It is also important to have appropriate insurances in place for death, total and permanent disability and trauma.

Are your private health and general insurances such as home and contents and car insurance suitable for your needs? If you have not reviewed your insurances lately, it may be worth seeing if you can get a better deal.

Start estate planning

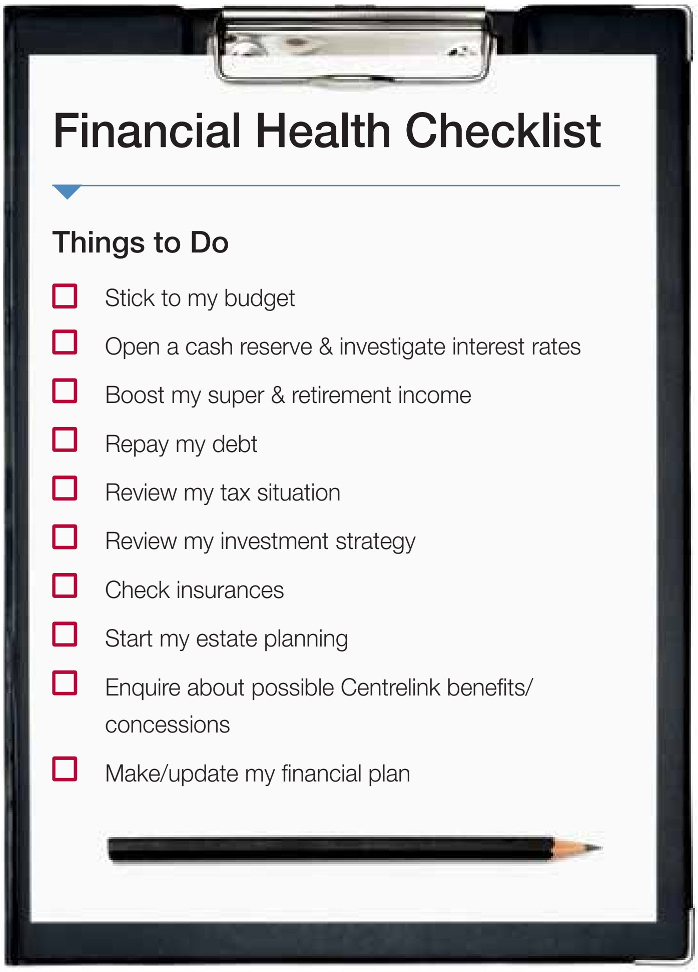
An estate plan includes your Will as well as any other directions on how you want your assets distributed after your death, such as a super death benefit nomination. You should ensure your estate planning preparations are up to date. The vital requirements of a complete estate plan are documents such as an Enduring Power of Attorney and Enduring Guardianship. These documents control how you will be cared for, medically and financially, if due to incapacity you become unable to make your own decisions in the future.

Find out how you could benefit and/or save with Centrelink

If you are on a low income, are you eligible for Centrelink benefits and are your investments structured to maximise any benefits to which you are entitled?

Make a financial plan

Do you have a financial plan in place that you regularly review and track your progress against? If not, then a State Super Financial Services financial planner may be able to help you.



Financial Health Checklist

Things to Do

- ☐ Stick to my budget
- ☐ Open a cash reserve & investigate interest rates
- ☐ Boost my super & retirement income
- ☐ Repay my debt
- ☐ Review my tax situation
- ☐ Review my investment strategy
- ☐ Check insurances
- ☐ Start my estate planning
- ☐ Enquire about possible Centrelink benefits/concessions
- ☐ Make/update my financial plan

NEED ADVICE?

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

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

Member Services update

Making things easier for you

One of our top priorities is member education and our website is one of our greatest tools in making information about your scheme easy for you to access. That's why we've made some improvements to our website.

Take a look at our new forms and fact sheets section

The new section makes finding the forms and fact sheets you need quicker and easier. Simply go to your scheme site via our website at **www.statesuper.com.au** and click on the forms and fact sheets link on the right of the landing page to see how we've improved this section for you.

We appreciate your feedback

So we can continue to improve our website, we would appreciate receiving your comments and suggestions. Please send us your feedback.

Do we have your current contact details?

It is very important that we have your most up-to-date contact details so that we can communicate important information regarding your benefit and keep you abreast of any changes that could affect you.

You can update your contact details via any of the following methods

- Complete STC Form 207: *Update your contact details* (available on our website) and mail it to us
- Log in to your online member account via our website
- Call State Super Customer Service

Read the 2013–14 Report to Members online at www.statesuper.nsw.gov.au – available from 31 October 2014

Contact State Super

Phone
SSS 1300 130 096
PSS 1300 130 097

Mail
State Super, PO Box 1129
Wollongong NSW 2500

Website
www.statesuper.nsw.gov.au

Email
enquiries@statesuper.nsw.gov.au

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