APRIL 2023

STATE SUPER
SAS Trustee Corporation

Keeping members super informed

superVIEWS

SASS Deferred

State Authorities Superannuation Scheme

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

Annual Member Meeting proves a popular and informative event

State Super's Charles Wu, Nada Siratkov, Nicholas Johnson and John Livanas, with our MC Simon Guttmann

We appreciated all the State Super members who attended our inaugural online Member Meeting on 13 December 2022, and we were delighted with the overwhelming response to the invitation which resulted in over 800 registrations within a few days.

State Super Chairperson, Nicholas Johnson, Chief Executive Officer, John Livanas, Chief Investment Officer, Charles Wu and Chief Experience Officer, Nada Siratkov provided detailed presentations to members on our investment performance, objectives and the outlook for the year ahead during the 90-minute meeting.

A range of questions to the panel had been submitted ahead of the meeting, as well as many more which members had the opportunity to submit live during the event. Our executive team were able to provide thoughtful and honest answers to some of the complex issues raised by our members. Some questions that were not answered due to time constraints have now been addressed in a "Q&A" published on our website.

A post-event survey showed that most members felt attending was worthwhile with 84% of survey respondents saying they would be either "very likely" or "likely" to attend again next year.

"Enjoyed the meeting - clear information from all presenters and it gave me a good insight into the priorities, strategies and perspective of those managing the funds. Thanks!" said one member.

And another *"It is the first time that I have had the opportunity to understand the depth and value of my super fund"*.

Other attendees said –

"I joined State Super as a first-year out teacher in 1970. I often wondered how things worked, what happened with the money, and what the people were like who handled this aspect of my finances. I found this session answered a lot of those questions..."

"I think the State Super Meeting was outstanding. I learnt so much about how your amazing team work so hard to invest in assets that will benefit the members. I was very impressed with how all of your team are so committed to doing their very best for the members".

"I joined State Super as a first-year out teacher in 1970. I often wondered how things worked, what happened with the money, and what the people were like who handled this aspect of my finances. I found this session answered a lot of those questions..."

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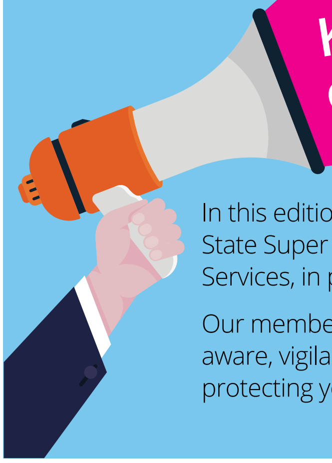
said they would be either **"very likely"** or **"likely"** to attend again next year.

Look out for your invitation to the State Super 2023 Annual Member Meeting later this year. If you've already provided us with your email address, you'll automatically receive an invitation with the link to register. If you haven't previously provided us with your email, get in touch with our Customer Service team at enquiries@stc.nsw.gov.au or call 1300 130 094.

Read the minutes, Q&A or view the video of our event at www.statesuper.nsw.gov.au/news-and-publications/news/annual-member-meeting

"It is the first time that I have had the opportunity to understand the depth and value of my super fund"



Keep informed of the latest scams

In this edition we outline the safeguards we use, both at State Super and at our administrator Mercer Administration Services, in protecting your data (read more on Page 6).

Our members can play their part as well. Simply staying aware, vigilant and well-informed goes a long way towards protecting yourself.

For the latest reliable information about identity fraud and scams visit:

ASIC's MoneySmart website moneysmart.gov.au/banking/banking-and-credit-scams

ACCC's Scamwatch website scamwatch.gov.au

Enhanced security online

Last year we introduced enhanced security features for the online access to your account, which means that every time you log in:

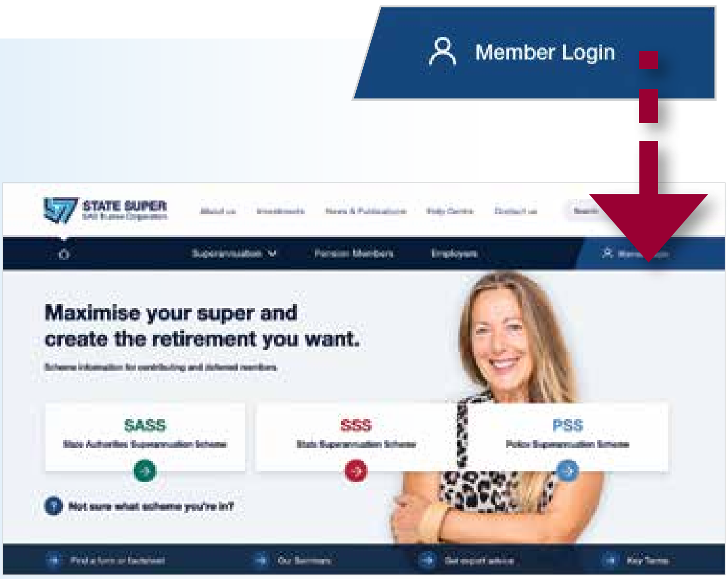
- A unique PIN number will be sent to your mobile phone or email address (we will use the details that are currently on file).
- You will need to enter the PIN number which will then be validated.

For members who do not have either a mobile number or email address on file, you will need to update your member details in order to use the new security features.

Why register for online access?

- update or change your contact details
- view and download your last annual statement
- access an online benefit estimate (SASS members)
- request an online benefit estimate (SSS and PSS members)

To register, simply go to **www.statesuper.nsw.gov.au** and click on the **Member Login** link (top right corner) and complete the new user registration details.



Investment market overview

Inflation challenges dominate

Having essentially ridden out the impacts of the pandemic, the global economy in 2022 was gripped by the new challenge posed by rising inflation. This breakout was fuelled by supply chain interruptions, inflated commodity prices, spiking energy costs, tight labour markets and wage rise pressures.

In OECD countries, inflation peaked in October 2022 at 10.7% before starting to moderate. In response to this inflationary surge, central banks have assessed that there was no choice but to consistently edge policy rates upwards. The consensus now is that rates have either reached their peak or are close to it, depending on the country you are in. In Australia, for example, we are behind the curve, so rates may take a little longer before starting any descent.

While rate rises are primarily intended to bring inflation under control, they also inevitably constrain economic growth. This has been reflected in a slowdown in housing demand, consumer spending and business investment. The Chinese economy has also been grappling with growth-sapping COVID-19 outbreaks over the last year, which have had a flow-on effect on its dependent trading partners, such as Australia. These lockdowns are now being lifted, which should see things turn around before too long.

Weakening growth and the tightening monetary policy have been a drag on equity markets too and 2022 saw falls across the board from the peaks of late 2021.

The road to recovery

To some extent, monetary policy is a blunt instrument and there is typically a lag before rate rises have the desired effect of constraining demand and easing inflationary pressure. However, we are now seeing monetary restrictions starting to bite and while there may still be some further increases to come in some countries, the expectation is that the pace and magnitude of rate rises have started to moderate.

To further ease upward pressure on inflation, some governments are acting to lower energy prices. Supply chains being restored to more normal conditions are also playing a role in taking the heat out of the inflation surge.

Domestically, one of the key downsides to the rate hikes is the mortgage stress they create as repayment hikes take an increasingly larger chunk of household budgets. This is especially the case for those who were on fixed rates but are now faced with sharp repayment hikes as their fixed rate terms reach maturity. A continued fall in residential values will make this a double whammy for many. It's painful medicine, but it will serve to further dampen demand and help ease inflation.

The Australian market could fare better than most given our projected growth being better than many other developed economies.

On the economic growth front, any reduction in rates will take time before there is a flow through to economic activity and we can expect GDP numbers will likely remain sub-par this year and in 2024. In its February Statement on Monetary Policy the RBA projected growth in Australia in 2023 to reach 1.5%, while the IMF are predicting global growth to reach 2.9%.

What does this mean for investment markets?

Despite inflation casting a shadow over the world economy, 2023 started positively on share markets, with considerable gains on Australian and US indices. While 'one swallow doesn't make a summer', improving inflation and the fears of recession subsiding will serve to balance the investment outlook. Along the way, however, there may well be greater than normal volatility thanks to factors such as the Ukraine-Russia conflict, the political dramas in the US over the raising of the debt ceiling, geopolitical risks between US and China and the balancing act that central banks must perform in managing rate reductions.

The Australian market could fare better than most given our projected growth being better than many other developed economies. We also stand to benefit from the anticipated 5% lift in Chinese GDP for the year, which will help support healthy prices on our export commodities.

Meeting the challenge of online security

The advent of the internet in the early 80's and of eCommerce in the mid 90's ushered in a fundamental change to the way business and government interact with consumers. Within a few short decades there has been an exponential growth in the volume of transactions performed and data exchanged online. This new digital world has provided a host of advantages, but along with that has come a growing threat of cyber-crime.

According to the latest figures from the Australian Bureau of Statistics, 2.1 million Australians (11 per cent) experienced one or more types of personal fraud in 2020-21 and the latest 'Targeting Scams' report from the Australian Competition and Consumer Commission reports that Australians lost more than $2 billion to scams in 2021.

No-one is immune to the cyber-security threat

The growing threat of online security breaches has been put in the spotlight recently through high-profile cyber-attacks on two respected Australian institutions: Optus and Medibank. These cases demonstrate how even the most sophisticated and substantial organisations can fall victim to cyber-crime and how the most innocuous of vulnerabilities can be maliciously exploited.

In the case of Optus, they were sent reeling by a breach that resulted in 11 million customers having their personal information stolen. This included names, dates of birth, phone numbers, email addresses, home addresses, license numbers, passport numbers and Medicare numbers.

The alleged hacker claims that they accessed an unauthenticated "Application Programming Interface (API) endpoint". In lay-person's terms, this means they had located an obscure back door to a database that did not need any log in to gain access. This seemingly trivial oversight had significant consequences. The identity of the hacker has never been discovered, although one person who had managed to access some of the stolen data and had tried to extort Optus with a ransom demand has now been convicted.

In the case of Medibank, the data breach affected 9.7 million of the health insurer's customers and included the theft of their names, contact details, Medicare numbers, age and passport numbers. A small proportion of those customers also had details of their health claims and medical procedures stolen. The breach was traced back to a Russian ransomware group that had managed to steal the internal credentials of a person within Medibank who had privileged access to the company's data.

The hackers tried to extort Medibank by threatening to release the information of high profile customers, such as media personalities and politicians. Medibank chose not to negotiate or comply with the hacker's demands, based on professional advice that paying any ransom was unlikely to result in stolen information being returned.

The reality of such examples is that once the data has been stolen and is in the public domain, there is no way to effectively recover it. This means that malicious parties can use the stolen data to target those customers with "phishing" attacks that attempt to trick them into providing banking details, passwords or other critical information including ransom demands. The key defence against this is largely in the hands of the customer who needs to remain vigilant about suspicious emails or text messages. Such communications will often ask the user to click on a link or urgently make a bogus payment.

How State Super works to protect you

While both the Optus and Medibank cases gained notoriety, they are by no means isolated incidents. Many other organisations and individuals are subject to similar attacks and at State Super we are acutely aware that we too could one day be a target. With that in mind, we have developed strategies to mitigate these threats.

The premise of our approach is to never be complacent about the risk of cyber-attack. We know that cyber-criminals are constantly evolving their methods and in response we need to be proactive and resourceful to repel them. To that end we will remain at the very frontier of technological advancements in data protection to maintain integrity of our information technology systems including our service provider, Mercer Administration Services. Beyond just a technical response, however, we know that successful security requires a steely resolve in our culture and management practices.

Our strategy for protecting your personal information involves an integrated set of administrative, physical and technical safeguards and these are regularly reviewed and upgraded, so that we maintain best practices in data security.

We are also committed to supporting and complying with the NSW Government's mandatory data breach requirements.

Being proactive about protecting yourself

In partnership with what we do to safeguard your data, you can also take many simple steps to secure your privacy online. Fundamental to this is to ensure that you don't divulge your online password or PIN to anyone, keep your access codes and passwords secure and notify us immediately if you believe that your access codes, password or PIN including personal identifiable information have been compromised.

Being vigilant about suspicious activity or communications is also vital for protecting your identity and your financial information. If something seems suspicious there is a good chance that it is! When you receive communications from us, we will **never ask you to provide financial information such as a demand for an urgent payment or credit card information.**

If you do receive an urgent message requesting payment, the best course of action is to contact us with a screenshot or copy of the message received. **It is vitally important that you don't click any links or download any attachments that may be included in the communication.**

Genuine messages from us that request your personal information will usually be related to an interaction you've had with our Helpline team or after filling in an enquiry or application form. Our communications will always specify that they have come from State Super.

Other "red flags" to be aware of are:

- An unnecessary sense of urgency to share personal information outside of a pending application that you have made;
- Requests to wire transfer money or send gift cards as payment;
- Emails or text messages that contain grammatical errors or poor punctuation;
- Requests for you to share your access details; and
- Communications that come from an email address that is not affiliated with State Super.

If you are ever unsure about the validity of a message, contact us on 1300 130 094 from 8.30am – 5.30pm Monday to Friday (AEST).

Further steps you can take to avoid exposure to malicious attacks include:

- Maintaining a strong password using multiple characters including a mix of numbers, lowercase, uppercase letters and special characters;
- Don't incorporate publicly available information about yourself into your passwords, as this could make it easier for scammers to guess your password;
- Access your account using a secure internet connection, and avoid using free public Wi-Fi networks;
- Use different passwords for other products and services and regularly update them;
- Protect your phone or tablet device with a passcode;
- Make sure your contact details are up to date with us so we have the right details to get in touch with you if we spot anything suspicious;
- Secure your home's letterbox to prevent mail from being stolen;
- De-identifying or shredding documents that contain personal information before discarding them;
- Being wary of cold callers that are seeking information about your personal, banking or other financial information, especially your online access details;
- Avoid sharing personal information on social media; and
- If you do provide access details to someone who you believe is suspicious, log into your account and update your password and then notify us immediately.

You can rest assured that at State Super we take cyber-security very seriously and that we work tirelessly to manage potential risks.

Top tips for working out how much you'll need in retirement

A special report from Aware Super

Trying to work out just how much is enough super for your retirement can be an obstacle to getting your retirement planning started. There are a range of factors to consider such as where you live, when you'll retire and what other income may be available to you (including the Age Pension). Your health and lifestyle will also be a big consideration.

At Aware Super we encourage clients to think in terms of how much you'll be spending instead of how much you'll need in savings. Once you understand how much you want to spend, you can start to plan for the retirement income you'll need.

In this article we take a look at different methods of calculating retirement income needs, plus we discuss additional sources of income in retirement other than your SASS deferred benefit and super.

How much income will you need in retirement?

There isn't one simple equation for calculating your income needs in retirement. Different retirement experts have developed various methods of working out how much income you'll need in retirement including:

- Income replacement ratio
- ASFA retirement standard
- The 4% rule

While this isn't an exhaustive list, exploring different ways of approaching retirement income can help you start your own retirement planning.

Income replacement ratio

The good news is you're likely to need less money in retirement than you need now. For most people, having around 70% of their current take-home pay is the amount of money they need in retirement to maintain their lifestyle.

You can expect to need less income in retirement for a few reasons:

- You won't be saving money for retirement
- You won't need to pay tax on most sources of income
- You're less likely to have debts to repay or costs associated with raising a family
- You may have paid off your own home
- You may be eligible for various discounts, which can reduce day-to-day costs such as public transport

The Aware Super Explorer calculator can show you how much your SASS deferred benefit and super may be worth as an annual income. Visit aware.com.au/explorer.

Get clear on your current spending

Depending on how closely you keep track of your finances, you may already have a very accurate idea of what you earn and spend every month. But if you're less than clear on money coming in and going out, start by calculating your net income for the year – the money you have in your pocket to spend, after tax. You'll find this on your tax return.

From this amount you can take away funds you've put towards savings, debts and super contributions. This will provide you with a total for all your expenses, both the essentials like household bills, groceries, insurance and running a car, and extras like holidays and new household appliances.

The ASFA standard

The ASFA Retirement Standard has been developed to outline the annual budget needed for Australians to fund a standard of living in their post-work years. First launched in 2004, the ASFA Retirement Standard can be useful to validate some of your spending assumptions. It's worth keeping in mind that your own retirement spending needs will be unique to you and your family.

The ASFA retirement standard regularly publishes budgets for a modest and comfortable retirement lifestyle. Both budgets assume that the retirees own their own home outright and are relatively healthy.

A modest retirement lifestyle is considered better than the Age Pension, but still only allows for the basics. A comfortable retirement lifestyle enables an older, healthy retiree to be involved in a broad range of leisure and recreational activities and to have a good standard of living through the purchase of things such as household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and domestic (and occasionally international) holiday travel.

As at September 2022 the budgets are as follows. How does this compare to 70% of your current take-home pay?

Comfortable lifestyle (p. a.)	
Couple	Single
$68,014	**$48,266**
Modest lifestyle (p. a.)	
Couple	Single
$44,034	**$30,582**

You can find the most current information at **superannuation.asn.au/resources/retirement-standard**

Turning your SASS benefit into retirement income

For members with a lump sum retirement benefit, converting your super into a steady income when you retire is easy with account-based pension. This is a retirement account for your super, and whilst it isn't available within SASS, you can roll your benefit over to another super fund that offers this type of account. Staying in super for retirement keeps your savings invested in the market. This can boost your retirement income and help protect against the effects of inflation.

By staying in super for retirement you also continue to benefit from the tax-friendly super environment in retirement.

The 4% rule

Instead of looking at how much you'll need to spend, this method uses the amount you have saved/invested at retirement as the basis for your 'safe' withdrawal rate. The 4% rule originated when US financial adviser Bill Bengen conducted a study to understand how much his clients could take out of their portfolios without running out of money[1].

According to the 4% rule, retirees can assume their money will last for 30 years if they take 4% of their initial portfolio value in the first year of retirement and then adjust the 4% withdrawal amount each year to account for inflation.

It's important to keep in mind that the 4% rule isn't perfect, and it isn't for everyone. According to Morningstar, dynamic withdrawal strategies may help retirees consume their portfolios more efficiently, factoring in both portfolio performance and spending[2].

Know where your income will come from in retirement

In addition to your SASS deferred benefit and super you may have other sources of income available to you.

- **Other assets and investments** – you may have other investments outside of super – such as a share portfolio or a managed fund – you can rely on for income in retirement. You may have cash savings that you want to invest. If you downsize your home, you can potentially access further funds.
- **Centrelink benefits** – 60% of Australians over the age of 65 get extra income from the Age Pension[3].
- **Part-time work** – part-time work can be a good way to top up your income, particularly in the early stages of retirement, and help your savings last longer.

Everyone has different needs, expectations, and plans for their retirement, and these will all have an impact on how much you'll spend over time.

Seeking advice from a specialist in the SASS scheme can help you navigate important retirement decisions and get the best outcome – both now and in the future. **Aware Super financial planners are specialists in the SASS scheme. Call us on 1800 620 305 to book your appointment today**.

1 Morningstar, Withdrawal rates: making your retirement savings last, 2022

2 Morningstar, State of retirement income 2022, December 2022

3 Australian Institute of Health and Welfare, March 2021 – Age Pension figures https://www.aihw.gov.au/reports/australias-welfare/age-pension

Ask an Expert

Q1: My scheme's earliest retirement age is 58 but I note on my statement that my Commonwealth Preservation Age is 60. When can I retire and cash out my super?

At any time you can cash out the unrestricted non-preserved component of your benefit and roll the balance of your account to another super fund. However, the preserved component will need to stay in the super system until you meet a condition of release[1] under the Commonwealth rules, which in your case would be from age 60, either retiring permanently or just leaving an employment arrangement regardless of your future work intentions.

It's important to note that if you want to cash out part of your SASS benefit at retirement, you'll need to roll the balance over to another super fund. You won't be able to remain as a member of SASS.

As you have reached your earliest retirement age within the scheme, there is no difference in the benefit you will receive if you roll it over or continue as a deferred member.

Of course, there is a lot more to the retirement decision than the age you can access your money, you should also consider:

1. Defining your income needs to determine whether retirement is affordable
2. Exploring the sources of income that will be available to you
3. Structuring your investments in retirement to be tax effective
4. The level of risk and diversification that will be appropriate for your retirement savings
5. Your lifestyle and whether you are ready to leave the structure, sense of purpose and community that work provides.

As a first step I would encourage you to register for a pre-retirement webinar which is specifically tailored to SASS deferred members. This will provide you with information to help you navigate your retirement decision and provide support in approaching a financial plan. You could also consider partnering with an Aware Super financial planner who can provide you with advice tailored to you.

Call 1800 620 305 to speak to Aware Super

1 A condition of release which triggers unrestricted access can be met by retiring permanently on or after preservation age, leaving any employer after age 60, reaching age 65, permanent incapacity, suffering a terminal medical condition, or death.

Q2: I'm expecting to sell an investment property when I retire at age 67, can I get any of the proceeds into super?

There may be a couple of ways you can contribute this money into super, but you can't make lump sum contributions to your SASS account, you will need to open an account with another super fund.

If the investment property has never been your family home, and you have a Total Super Balance (TSB)[1] of less than $1.7m then you could make a non-concessional contribution, also known as an after-tax contribution, up to the cap of $110,000 per year[2].

If you make contributions above the annual non-concessional contributions cap you may be eligible to automatically gain access to future year caps.
This is known as the bring-forward arrangement and can be accessed up to 28 days after the end of the month that you turn 75.

The amount of cap you can bring forward will depend on your TSB at the end of the previous financial year:

- Less than $1.48 million you can bring forward 2 years' cap and contribute up to $330,000 in total over 3 years
- More than $1.48 million and less than $1.59 million you can bring forward 1-year annual cap and contribute up to $220,000 in total over 2 years
- More than $1.59 million and less than $1.7 million you can't access the bring forward rule and your annual contribution can be up to $110,000 in a tax year
- If you have already triggered the bring-forward rule you can only contribute the unused balance of that bring forward.

If you are over age 55[3], and if the investment property[4] has been owned for more than 10 years and qualifies for a partial main residence CGT exemption, then it may mean that as a couple you could make a downsizer contribution into super of up to $300,000 each or as a couple up to $600,000 ($300,000 each), even if only one of the spouse's names is on the title. The downsizer contribution can only be made from the sale of one property and must be made within 90 days of receiving the proceeds of sale. Downsizer contributions can be made regardless of your TSB and don't count towards the non-concessional contribution caps.

If you think that you may be eligible to make a downsizer contribution, ensure you contact your super fund and follow their process. It is important to note that a downsizer contribution election form must be received by your super fund **before or at the same time** as your contribution.

1 Total Super Balance is the total amount of superannuation you hold on the 30 June prior to the current financial year (including superannuation income streams).
2 Non concessional contribution cap for the financial year ended 30 June 2023.
3 From 1 January 2023 the eligible age to make a downsizer contribution is 55 years and older with no upper age limit.
4 The property must be located in Australia and is not a caravan, houseboat, or other mobile home.

Your member benefits

STATE SUPER
SAS Trustee Corporation

Sign up for a webinar to learn more about your scheme.

State Super seminars are now online! Join a webinar presented by qualified financial planners from Aware Super. They can help you understand how to maximise your superannuation and plan for the future. Aware Super financial planners are specifically trained in your superannuation scheme.

Our webinar is presented in two 60-minute sessions and will help you to:

- learn more about your scheme – how it works, what your choices are and how to make the most of your available benefits
- understand how and when the decisions you make about your employment and superannuation can affect your retirement benefits
- understand the Centrelink rules and the benefits you could be eligible for
- find out how a financial plan can help you make the most of your super.

Easy-to-follow instructions are provided on how to join and participate online from the comfort of home.

To make a booking to attend one of our webinars, call **1800 620 305** or go to **retire.aware.com.au/find-a-seminar** where you can view dates and times that are convenient for you.

Member interviews - now on Zoom (video call)

Interview Services using the Zoom video call platform are available by appointment from 9.00am to 5.00pm Monday to Friday.

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

Customer service staff can meet with you via a virtual face-to-face video call. They can assist with general information about your scheme, superannuation rules, even completing administrative forms or other paperwork. Easy-to-follow instructions will be supplied to help you join your video interview.

Call to make an appointment -

1300 130 094

Of course, you can contact us by phone for assistance any time during business hours.

There is also a wide range of information 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.

To download a form or fact sheet, go to **statesuper.nsw.gov.au/sass/advice-and-tools/forms-and-factsheets** and search for the name or document number or scroll through your scheme's documents to find what you need.

Contact us

1300 130 094

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