STATE SUPER
SAS Trustee Corporation

2012

Pension NEWSLETTER

Inflation, indexation and your pension

Important information for your beneficiaries

Are you eligible for a part pension from Centrelink?

Message from the
Chief Executive Officer

I am pleased to present the first edition of State Super's annual *Pension Newsletter*. This newsletter has been developed to assist members to stay informed about their pension entitlements and scheme rules.

This edition features information about indexation and how it is calculated and applied to your pension. It also contains important information about the eligibility rules for reversionary pensions in each of the schemes. I encourage you to read this article and to contact Customer Service or State Super Financial Services (SSFS) if you need further information or advice about your scheme's reversionary pension entitlements.

Also included in this edition on page 16 is an update regarding progress on university superannuation liabilities.

Enhancement to online services

Over the next 12 months, State Super will be improving the website to provide more information and online services for pension members and their families.

State Super will keep members up-to-date about the enhancements via the State Super website, **www.statesuper.nsw.gov.au**

We appreciate your feedback and suggestions

I hope you find this newsletter a useful addition to the information which State Super provides to pension members.

Your feedback is important to us and we value any comments you have about State Super's services. If you have any suggestions about topics and articles of interest for next year's *Pension Newsletter*, or have any other queries, please email State Super at enquiries@stc.nsw.gov.au or call **1300 652 113**.

John Livanas
Chief Executive Officer,
SAS Trustee Corporation

Inflation, indexation and your pension

Indexation is an important feature of State Super pensions because it ensures that your pension increases in line with the inflation rate, therefore protecting your lifestyle.

Your pension is adjusted each year in accordance with the percentage movement in the Consumer Price Index (All Groups Index for Sydney) from June quarter to June quarter.

The CPI number is determined using Australian Bureau of Statistics (ABS) calculations which measure the price of a basket of goods and services – including rent and mortgage costs, food, fuel, public transport, etc. It therefore measures the real price increases faced by people paying for everyday goods and services.

The CPI indexation percentage is calculated using the following formula:

$$= \frac{(\text{June 2012 CPI}) - (\text{June 2011 CPI})}{(\text{June 2011 CPI})} \times 100$$

$$= \frac{179.9 - 177.6}{177.6} \times 100$$

$= 1.3\%$

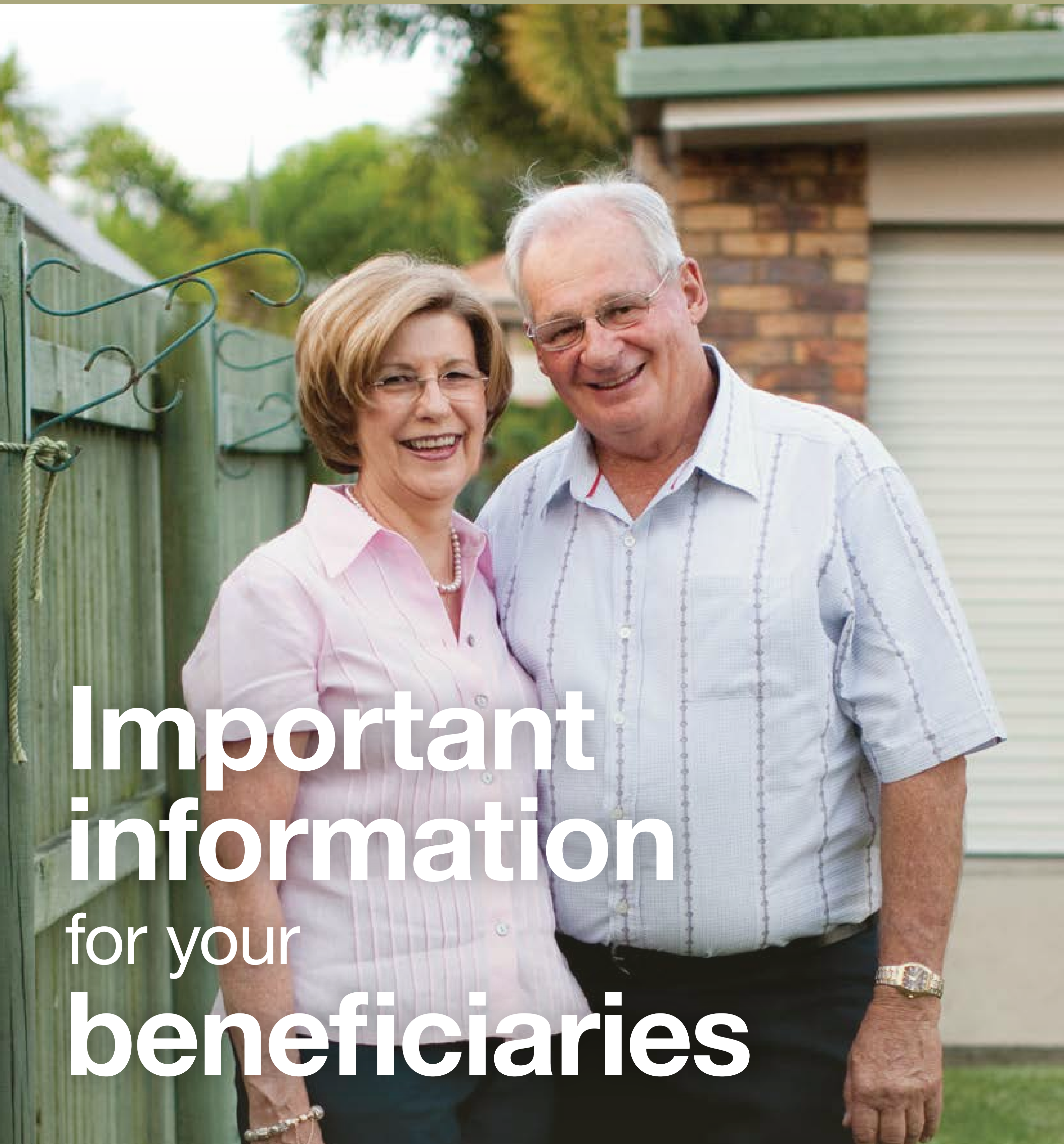
The CPI change is a percentage which is rounded to the nearest tenth of one percent.

Your pension adjustment is paid on the first pension pay day in October each year, so this year, the pay day falls on 4 October.

The full percentage increase for the 12 months is applied to pensions that were in payment for the whole of the financial year preceding the October adjustment.

If your pension commenced during the financial year preceding an October payment, your pension will be adjusted proportionately, in line with the number of full quarters paid. The following table explains this in detail.

If your pension commenced on or between these dates	You would receive this % of the full CPI increase	So, your CPI increase this year is
Prior to 2 July 2011	100%	1.3%
2 July 2011 – 1 October 2011	75%	1.0%
2 October 2011 – 1 January 2012	50%	0.7%
2 January 2012 – 1 April 2012	25%	0.3%
2 April 2012 – 30 June 2012	No increase	No increase



Important information for your beneficiaries

It's important to remember that in certain circumstances, a pension can be paid to a member's spouse or de facto partner after they die. We examine how these rules apply to pension members so that their beneficiaries receive what they're entitled to.

Spouse and de facto partner benefits

Upon a pension member's death, the member's spouse or de facto partner may be eligible for a pension (referred to in this article as a reversionary pension).

A spouse is the widow or widower of the deceased member. A de facto partner is a person (whether of the same or opposite sex):

- who lived with the deceased member in a relationship as a couple, or
- with whom the member was in a relationship that had been registered under a state or territory law.

Generally, the spouse or de facto partner of a deceased pension member will qualify for a reversionary pension only if they were the member's spouse or de facto partner before the member retired, and remained so until the member's death. There are two exceptions to this rule:

(i) where a child of the relationship is wholly or substantially dependent on the pension member, or was born after the death of the member, or

(ii) where the member was receiving an invalidity pension and the relationship commenced before the member's normal retirement age and at least three years before the member's death.

The spouse or de facto partner of a State Superannuation Scheme (SSS) member who had commuted their entire pension to a lump sum may be eligible for a reversionary pension.

The spouse or de facto partner of a Police Superannuation Scheme (PSS) member is not eligible for a reversionary pension where the PSS member had commuted their entire pension to a lump sum, or where the former member's death is a result of being hurt on duty, and the spouse or de facto partner chooses to be paid a lump sum gratuity instead of the pension.

A pension may be payable to the spouse or de facto partner of a State Authorities Superannuation Scheme (SASS) pension member who was a former member of the Local Government Pension Fund, Provident Fund, Insurance Fund, Benefits Fund or Railways Superannuation Account (Ten and a Penny Scheme). A pension may also be payable to a SASS pension member's spouse or de facto partner where the pension member was a former member of the NSW Retirement Fund or the Transport Retirement Fund and elected for reversionary pension at the time they commenced their pension.

For more information, please refer to SSS Fact Sheet 11 *Death of a scheme member after retirement*, SASS Fact Sheet 8 *Death Benefits* or PSS Fact Sheet 6 *Death Benefits*, which are available on the State Super website, **www.statesuper.nsw.gov.au**. Alternatively, you can contact Customer Service on **1300 652 113.**

Documentation

On receipt of an application for a spouse or de facto partner benefit, State Super will request documents proving the relationship existed at the time the member retired and continued until the member's death.

Where the pension member was married at the time of the member's death, the essential documents required will be a certified copy of the marriage certificate and proof of identity documents for the spouse.

The de facto partner of a pension member who was not married at the time of death will generally be required to complete a statutory declaration and provide additional supporting documentation (such as statutory declarations from family and non-family members) proving the existence of the relationship at the time of the member's retirement, and its continuation until the member's death. Proof of identity documents for the de facto partner will also be required.

Amount of reversionary pension payable

The amount of pension payable to an eligible spouse or de facto partner depends on the rules of the scheme:

- For SSS members, the reversionary pension is two-thirds of the pension benefits the SSS pension member was receiving at the time of death (or, would have been receiving if the member had not commuted some or all of their pension benefit).

- For PSS members, the reversionary pension is 62.5% of the pension benefits the PSS pension member was receiving at the time of death or, where the death is a result of being hurt on duty, 55% of the former member's salary at retirement, if this is a higher amount.
- For SASS members, the reversionary pension is 62.5% of the pension benefits the member was receiving at the time of death. This applies to former members of the Local Government Pension Fund, Provident Fund, Insurance Fund or Benefits Fund, as well as to former members of the NSW Retirement Fund or the Transport Retirement Fund who elected for a reversionary pension at the time they commenced their pension. A small pension is payable to an eligible spouse of a pension member of the Railway Superannuation Account (Ten and a Penny Scheme).

Where more than one person applies for a reversionary pension following the death of a member, State Super will determine the distribution of the benefit among the applicants.

A reversionary pension is payable for the spouse or de facto partner's lifetime and is indexed to the CPI on an annual basis (for more information on indexation, see the article on page 3 of this newsletter).

Commutation of pensions to a lump sum

PSS and SASS reversionary pensions cannot be commuted to a lump sum; that is, the income from the pension is not able to be exchanged for a lump sum.

A SSS reversionary pension can be commuted to a lump sum, provided that the spouse or de facto partner makes the commutation election within the times allowed by the scheme legislation. Only one commutation election may be made in respect of a SSS reversionary pension.

The time periods allowed for the commutation of a SSS reversionary pension are:

- where the spouse or de facto partner is 55 years of age or older – within six months of the date of death of the pension member, or
- where the spouse or de facto partner is less than 55 years of age – within six months of the date of attaining age 55, or
- where a reversionary pension commenced before age 60 and the spouse or de facto partner has not previously made a commutation election – within six months of the date of attaining age 60.

Important note: If a spouse or de facto partner becomes entitled to a SSS reversionary pension after age 60, and does not apply for a commutation within six months of the date of death of the pension member, there is no further opportunity to commute the reversionary pension.

Children's benefits

Where a SSS pension member or reversionary pension member dies and is survived by an eligible child, the child may be entitled to a children's pension if they are:

- under the age of 18, or
- under the age of 25 and in full-time education at an educational institution recognised by the Trustee.

Where a PSS 'hurt on duty' pension member dies and is survived by an eligible child, a child's pension may be payable until the child reaches 18 years of age or, if the child continues to be a full-time student, until that child reaches the age of 21.

SSS and PSS children's pensions are indexed on an annual basis.

Children's pensions may also be payable from the Local Government Pension Fund, Provident Fund, Insurance Fund and Benefits Fund. For information on these entitlements, please contact Customer Service on **1300 652 113**.

For further information on the detailed eligibility rules, the amounts payable and the indexation arrangements for children's pensions, please refer to SSS Fact Sheet 12 *Child Pensions* or PSS Fact Sheet 6 *Death Benefits*, which are available on the State Super website, **www.statesuper.nsw.gov.au**

Benefits paid to an estate

If the total of the payments made to a SSS member and their beneficiaries is less than the withdrawal benefit payable when the person ceased to be a contributor, the balance of the withdrawal benefit is paid to the deceased member's estate.

For more detailed information, please refer to SSS Fact Sheet 11 *Death of a scheme member after retirement*, which is available on the State Super website, or contact Customer Service on **1300 652 113**.

Some personal, practical tips

Have sensible discussions with your family

While discussing these matters with family members may be difficult, it is important that your family understands your financial situation, including your pension payments and any debts and obligations, so that they can make informed decisions after your death.

Let your family members know what they need to do

It's also important your spouse, de facto partner or other family members know to contact State Super in the event of your death – this will prevent overpayments as well as speed up any reversionary pension payments or other benefits that may be payable to family members. As already noted, if a SSS reversionary pension is payable, your spouse or de facto partner will need to be aware of the time limits for commuting the pension to a lump sum.

Speak to a financial adviser if you require assistance

A State Super Financial Services (SSFS) financial adviser can assist you and your family with information and advice about your scheme's reversionary pension entitlements. To speak to a SSFS financial adviser, simply call **1800 620 305**.

Documentation checklist

To simplify and streamline the process for determining reversionary pension entitlements, it is important that all relevant documentation is available to State Super:

- Are the Marriage Certificate and proof of identity documents secure and easily accessible?
- Have certified copies of these documents been made?

Are you eligible **for a part pension** from Centrelink?

A part pension from Centrelink can be a handy boost in retirement. Not only do you receive the extra income, but even a very small amount may entitle you to the Pensioner's Concession Card and the many benefits it provides, including lower bus and train fares, cheaper prescription medicines, lower water, power and property rates – and much more.

As there may be State Super members who are eligible for the pension but are unaware that they can receive it, let's examine the Centrelink eligibility rules and how they are applied.

Your eligibility

Centrelink uses two tests — the Assets Test and the Income Test — to assess eligibility for the Age Pension. You may qualify for a part pension if your assets and income are below these limits and provided that you also meet a range of other eligibility requirements, including age and residential status.

While pensions are tax exempt for those members over 60, they do count towards the Centrelink Income Test for pensions and allowances. The proportion of a State Super pension counted for the Age Pension Income Test is your total pension, minus the tax-free component. This amount is outlined in the letter advising your annual CPI indexation and online via the secure Pension Member's Area on the State Super website, **www.statesuper.nsw.gov.au**.

To assess your pension entitlement you must look at both the Income and Assets tests – whichever test results in the lower rate (sometimes leaving the applicant ineligible for the pension) is the test that Centrelink will apply.

Income Test for the Age Pension

The income you can earn from employment or other sources before it affects your Age Pension is shown below.

Family situation	Amount you can earn (per fortnight) and still receive a full pension	Amount you can earn (per fortnight) and still receive a part pension
Single	up to $152	less than $1,663
Couple (combined)	up to $268	less than $2,546
Illness separated (couple combined)	up to $268	less than $3,290

Source: www.humanservices.gov.au (as at 1 August 2012)

Assets Test for the Age Pension

The following table outlines the assets you can possess before you become ineligible for a part Age Pension.

For part pension, assets must be less than		
Family situation	**For homeowners**	**For non-homeowners**
Single	$696,250	$835,750
Couple (combined)	$1,032,500	$1,172,000
Illness separated (couple combined)	$1,280,500	$1,420,000
One partner eligible (combined assets)	$1,032,500	$1,172,000

Source: www.humanservices.gov.au (as at 1 August 2012)

> “a home-owning couple with more than a million dollars in assets might be eligible for a part pension.”

What does this mean for you?

As outlined in the tables, a home-owning couple with more than a million dollars in assets might be eligible for a part pension. So might a single pensioner with an income of $1,500 per fortnight. There are other factors which also determine your eligibility, including your age and residential status, so it's important that you examine all of the conditions of eligibility.

To determine your eligibility for the Age Pension, contact Centrelink on 132 300 or visit **www.humanservices.gov.au**. A State Super Financial Services (SSFS) financial adviser can also assist you in determining your eligibility for the Age Pension. To speak to a SSFS financial adviser about your situation, please call **1800 620 305**.

The article on this page has been written by State Super Financial Services (SSFS).

STATE SUPER Financial Services AUSTRALIA

Your financial planners

Your money — working smarter and harder

Have you ever considered whether you're making the most of the other assets you may have — in addition to your SASS, SSS or PSS pension — such as savings or perhaps an inheritance, or whether your money could be working harder for you?

It's worth remembering many of us will be retired for more than 25 years, and how you structure your investments will play a significant role in the lifestyle you'll enjoy throughout your retirement. That's why it's so important you make sure you're taking advantage of strategies which could grow your savings over the long term, as well as providing you with opportunities to top up your income through access to Centrelink benefits and tax optimisation.

Missing out on social security benefits?

Understanding the complexity of the social security system is difficult and not helped by the constantly evolving rules and regulations. How you structure your investments will play an important role in determining your eligibility for social security support and associated benefits. You may find that you are in fact eligible for Centrelink but are simply not claiming these benefits. If it has been some time since you've reviewed your potential entitlements, now is the time to do so. Remember, as your circumstances change over time, your social security entitlements may also change.

Paying too much tax?

While no one likes paying tax, when you're retired it's particularly important to minimise the amount of tax you're paying on your investment income. Some traditional income sources, such as term deposits, are generally fully taxable and may not be the most tax effective investment for you.

There are a range of other options you could be considering — if you are under age 65 — which have significant tax advantages including tax-free earnings and a tax-free income after age 60. This has the potential to improve your investment outcomes in retirement.

Know where your opportunities are?

Established over 20 years ago by the Trustees of your super schemes, State Super Financial Services (SSFS) is here to provide you, and your family members, with expert financial planning advice and decision support. By reviewing your situation and investment structure regularly with a SSFS financial planner, you can be confident you're taking advantage of the opportunities which are available to you.

From over the phone advice through to the ability to meet face-to-face with a professional financial planner, SSFS offers a range of services to help ensure you and your loved ones remain on track to achieving the lifestyle you want now and in the future. For assistance or advice, simply give SSFS a call on **1800 620 305** or visit the website at **www.ssfs.com.au**

Lifelong learning

Visit North Sydney's Stanton Library in the middle of the week and you will find the top floor full of (mostly) older Australians avidly soaking up a famous author's introduction of their latest book.

It's a scene likely to be mirrored right across Australia. A report by the Australian Institute of Health and Welfare, *Older Australia at a glance*, pointed out that the library is the second highest ranking 'cultural destination or event' for older Australians.

The question is, why?

Healthy mind, healthy body

Science is increasingly focused on the benefits of mental exercise in warding off diseases of the aged, such as Alzheimer's. Yet it's not just avoiding illness that drives older Australians to libraries – the thirst for knowledge is part of a much bigger trend.

According to Sally Thompson, CEO of Adult Learning Australia, more older Australians are exercising their brains in the pursuit of lifelong learning. "For those in the workforce, it's a way of keeping up with the demands of their job", she says. "For those who are retired or semi-retired, learning is not only mentally stimulating, but a great way to stay active, to keep in touch with current friends and meet new ones."

Fortunately the range of choices for knowledge-hungry older Australians is wide and continues to expand.

While the relative amount is still small, older Australians are enrolling in tertiary institutions in search of the rigour, and recognition, of formal study. A recent Adult Learning Australia conference highlighted the case of an 82 year-old Melbourne woman who had just completed her PhD!

For those who enjoy the intellectual approach to learning, The University of the Third Age offers a wide range of courses, at low cost, and without the drama of exams. There are currently 200 University of the Third Age campuses across Australia – and more than 60,000 members.

To meet seniors' demand for technology education, the Commonwealth Government is funding some 2,000 government-run Broadband for Seniors kiosks across Australia. For those who prefer learning with a more practical bent, many men turn to the Men's Sheds network – currently, there are more than 800 across Australia.

> "A recent Adult Learning Australia conference highlighted the case of an 82 year-old Melbourne woman who had just completed her PhD."

In short, the education options for older Australians are becoming better and more diverse because the demand for ongoing education continues to rise. That's good news for the minds and overall wellbeing of the people who undertake these courses, and also for Australian business and the national economy. A smarter country is a more productive country, and a more productive country is a richer one.

Source: Adult Learning Australia, www.ala.asn.au (Accessed, 1 August 2012); COTA NSW, www.cotansw.com.au; *Older Australia at a glance report* (Fourth edition), Australian Institute of Health and Welfare.

In search of superfoods

Nothing is more important to a comfortable retirement than your health – not even money! We know diet is a key component of good health, so we ask the question, are there certain foods that will give your health a real boost?

Over the past few years a whole range of foods have been promoted as 'superfoods' – foods so chock-full of nutrients that they're worth the extra expense or special trips to the markets. Of course, some so-called superfoods are items we can easily pick up at the local supermarket – blueberries, cinnamon, avocados, oranges, tomatoes, almonds and spinach. Others are more exotic, such as goji berries. Some superfoods, such as garlic and ginger, are traditional foods long-valued in different cultures for their health benefits.

But before you pay the extra money for an exotic superfood, or overload your next dinner party menu with these ingredients, here are a couple of things to keep in mind.

Different kinds of superfoods

At the moment there is no agreed medical definition of what a superfood is. Some say it is a food that delivers the maximum amount of nutrient for a relatively low amount of kilojoules. According to this measure, foods such as avocado, rocket, spinach and sweet potato are superfoods – delivering big doses of minerals, fibre, vitamin C and folate.

Others attach the 'superfood' label to foods that seem to have therapeutic effects. For example, it has been suggested that garlic can help reduce cholesterol levels. Similarly, yoghurt is often cited as a dietary addition that aids digestive health.

Are all vegetables superfoods?

It makes perfect sense to seek out foods that make us healthier. However, nutritionists in the United States, Australia and the United Kingdom are now starting to point out some of the downsides of the 'superfood' label.

They point out that there is no real medical or legal definition and that while the 'superfood' label may help sell more berries, the label alone doesn't guarantee a better diet.

According to the British Dietetic Association, some consumers will overload their diet with the superfood of the moment in a fruitless (pardon the pun) attempt to compensate for some other dietary weakness. Eating extra handfuls of almonds is unlikely to offset heavy smoking or drinking!

Nutritionists also point out that the benefits of nutrient intake are not 'linear' – you don't get ten times as much benefit from eating ten oranges than you do from eating one. In fact, food experts say one of the problems of Western diets is the lack of variety. There are some concerns that a focus on superfoods could see people limiting the range of fruit and vegetables in their diets even more than they do now.

"You don't get ten times as much benefit from eating ten oranges than you do from eating one."

Are you what you eat?

So where does this debate leave us? With a common sense approach. There are particular foods that are rich in certain nutrients and that may have health benefits. Although science is still to determine how to quantify the benefits of superfoods, dietary experts seem to suggest that we don't need to focus on one select group of superfoods, instead we simply need to eat more fresh fruit and vegetables – and a wider variety.

Source: *Do superfoods work?* British Dietetics Association, www.bda.uk.com (Accessed, 1 August 2012); *Superfoods: Making each kilojoule count*, Catherine Saxelby, www.foodwatch.com.au (Accessed, 1 August 2012).

University superannuation **liabilities**

Universities in NSW have many current and former employees who are longstanding members of the State Super schemes.

The Trustee is aware that some members have been concerned that the universities need to make additional employer contributions to cover their State Super liabilities. The actuary for the State Super schemes has estimated that, without additional contributions, the separate university employer reserves in the fund are likely to become exhausted over the period from 2015 to 2022.

The Trustee has written to each university to obtain agreement to a funding plan for additional employer contributions from 2013–14 onwards. The funding plans are intended to ensure that each university's reserves in the fund will remain sufficient to meet the entire cost of the State Super benefits payable.

From a practical perspective, the Trustee is aware that the ability of the universities to agree to a funding plan and budget for the additional contributions is substantially dependent on the outcome of negotiations currently underway between the NSW and Commonwealth governments. The purpose of the negotiations is to determine each government's share of the superannuation funding required by the universities.

Both governments have indicated that they are seeking to settle the funding issue as soon as possible. At the time this newsletter was written, the negotiations had not been finalised. As further information becomes available, the Trustee will provide updates on the State Super website, www.statesuper.nsw.gov.au

Do we have your current contact **details?**

State Super has a responsibility to protect the assets held in trust for future beneficiaries. This includes implementing necessary steps to ensure that the personal information we retain for benefit entitlement purposes is accurate and up to date.

It is therefore important that you notify State Super if any of your personal contact details have changed, including your residential address, phone number/s and the name and contact information of your next of kin.

To update your contact details simply:

- complete and return the enclosed form
- update your details online via the secure Pension Member's Area on the State Super website, **www.statesuper.nsw.gov.au**
- call State Super on **1300 652 113**

Contact details

State Super

Telephone: **1300 652 113** (for the cost of a local call, unless calling from a mobile or pay phone) 8.30 am to 5.30 pm, Monday to Friday.

Address: State Super, PO Box 1229, Wollongong NSW 2500

Website: **www.statesuper.nsw.gov.au**

Email: enquiries@stc.nsw.gov.au

State Super Financial Services (SSFS)

Telephone: **1800 620 305** 8.45 am to 5.15 pm, Monday to Friday.

Website: **www.ssfs.com.au**

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