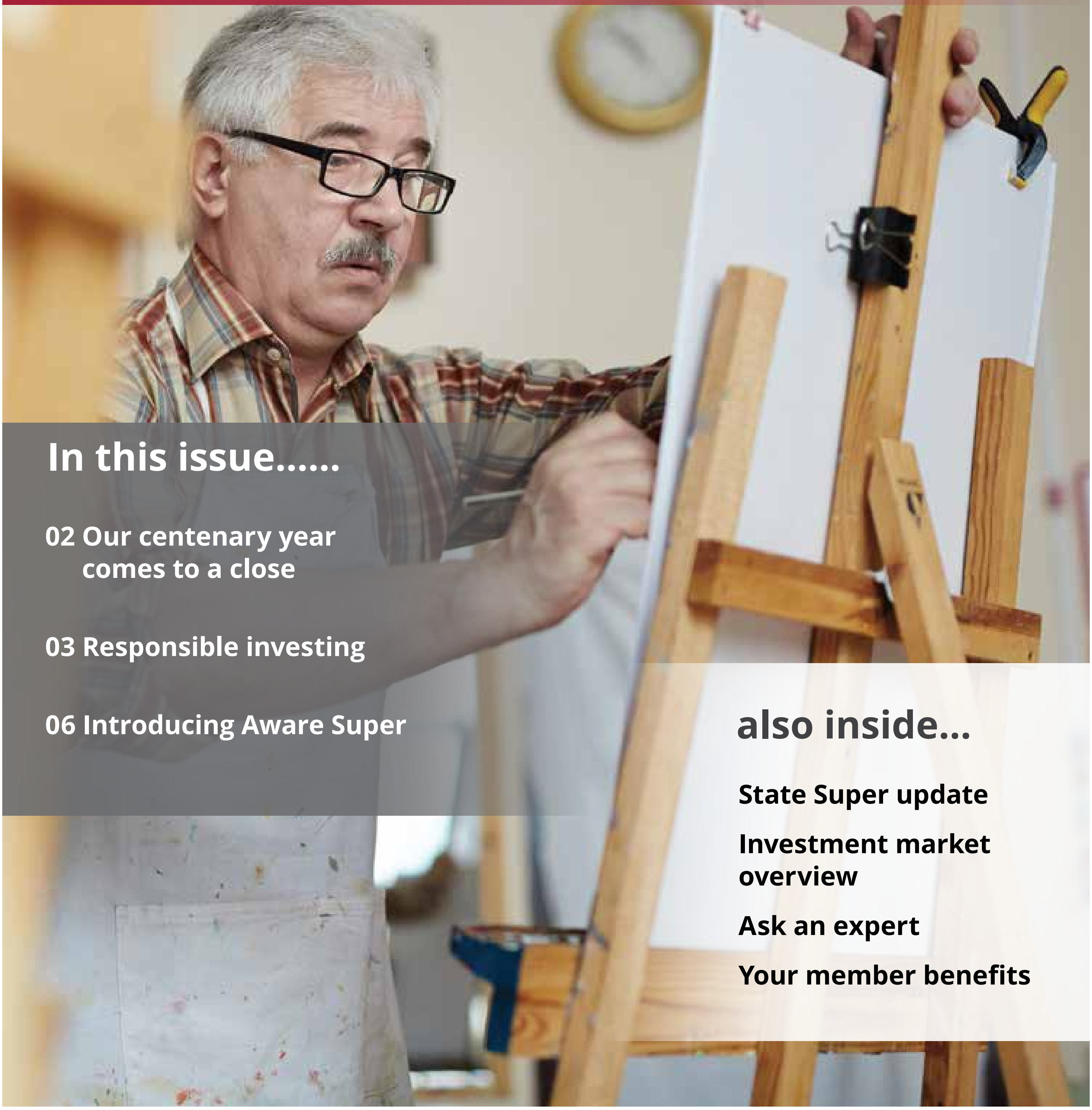
OCTOBER 2020

STATE SUPER
SAS Trustee Corporation
100 Years

Keeping members super informed

superVIEWS

SSS/PSS
State Superannuation Scheme/ Police Superannuation Scheme



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State Super update

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

Our centenary year comes to a close

On 1 July 2019 we commemorated our 100-year anniversary with a staff celebration and re-enactment of a 1919 board meeting. State Super (then known as the State Provident Fund Management Board) was launched at that board meeting at a momentous time in history, with the end of the Great War and the introduction of social programs for returning veterans.

Throughout the last 12 months we met with some of our centenarians, State Super members who were celebrating turning 100, and we showcased the stories of their amazing (and long!) lives in SuperViews, on our website and LinkedIn. Every member turning 100 throughout the year received a bouquet of flowers from us on their birthday. Some told us they enjoyed this gesture as much as the letter they received from the Queen.

Our 100-year birthday celebration culminated in a reception at the Mitchell Galleries at the State Library of New South Wales. Business partners, members, staff and media attended the event, including one very special guest member, Dr Elizabeth (Betty) Hall, one of our centenarians.

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CEO John Livanas greets 100-year old member Dr Betty Hall

NSW Treasurer, the Hon. Dominic Perrottet, was guest speaker. He spoke warmly of the history of State Super and the lessons that can be learned about the very nature of public service, and the peace of mind that comes from a secure future.

To learn more about the history of State Super visit our website to view a detailed historical timeline and short video at **www.statesuper.nsw.gov.au/about-us/our-history**

State Super Academic Scholarships awarded

Another milestone during our anniversary year was the announcement of an important new initiative, the State Super Academic Scholarship. The aim of the program is to foster research in several priority areas to improve future retirement incomes.

> *We're pleased to confirm that two scholarships have now been awarded by the review panel to an Honours student from Macquarie University and a Masters student from the University of NSW.*

More information will be published on their research progress in the coming months.

Responsible Investing offers super returns

At State Super, we focus on investing with you over the long-term of your retirement and we consider a range of risks that may impact your returns. One category of these risks is commonly referred to as ESG (environmental, social and governance).

In 2019, the Trustee Board approved a new Responsible Investment Policy which ensures we are able to continue effectively integrating ESG factors in the changing environment. Some of the ways we have integrated ESG risks include:

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- **Climate scenario modelling:** Scenario modelling is one way State Super can better understand the potential impact of, and prepare for, climate change. With the help of our advisors, State Super assessed the potential impact of climate change using different potential circumstances. These findings were reflected in the annual investment strategy review.
- **Physical climate risk assessment**: We also commissioned research on the physical risks of climate change. This assessment is based on the assets location and looked at the vulnerability of physical assets to risks such as floods, heat waves and cyclones. We initially undertook research in 2019 to identify potential vulnerabilities to State Super's unlisted property and infrastructure assets and extended this in 2020 to include an assessment of the vulnerability of the physical assets within State Super's listed equities portfolio. We plan to use these results to inform future investment and asset management decisions.
- **Carbon footprint analysis:** State Super implemented analysis to measure and monitor the carbon footprint of its listed equities portfolios for DC (Defined Contributions) Options. This will form part of the ongoing management of ESG risk.
- **Voting:** Voting is another way State Super communicates with the companies we invest in. For DC Options, we transitioned to internal voting by State Super, with voting based on the ACSI (Australian Council of Superannuation Investors) guidelines. Voting for Trustee Selection has been delegated to TCorp. The first combined voting activities report was published on the website on 20 July 2020 enabling members to see how we apply our voting principles.

Annual Member Satisfaction Survey – have your say

Our annual Member Satisfaction Survey is coming up and we will be contacting members by phone in November to have their say.

Thanks to everyone who participated and provided feedback in our last survey, which again gave us very positive results in all areas of service delivery when compared to the broader superannuation industry.

This research has become an integral part of our future planning and will continue to identify ways to improve the services we provide to you.

We also welcome your feedback at any time via our online form at **www.statesuper.nsw.gov.au/help-centre/contact-us**

Mid-year investment overview

Gaining perspective on a volatile year

The last 12 months have seen an almost unprecedented level of volatility. The first half of the financial year brought strong share markets, but that rapidly changed with the arrival of the Covid-19 virus. By mid-March, markets had suffered their sharpest fall in history. This sparked economic stimulus of unprecedented speed and magnitude by Governments globally, and together with central banks maintaining historically low interest rates, this drove an equally quick market recovery. By the end of the financial year markets were roughly back to where they were six months prior.

Thanks to State Super's down-side risk minimising strategies, our members have been well protected from the initial financial shock of the pandemic. In fact, we were one of the best performing super funds in the March quarter.

A different kind of crash

There are some significant differences between this pandemic related crash and the previous two crashes of 2001 and 2008. In terms of economic contractions, the current crisis is far greater in depth than the previous two, but paradoxically share markets have rebounded much more quickly this time.

This recovery can largely be attributed to the unprecedented speed and magnitude of stimulus measures implemented by governments and central banks, the gradual economic reopening and initial improvements in infection and death rates following a global 'lockdown', and the enormous focus on developing a vaccine. This saw a significant recovery in global shares and commodity prices between March and June. The US share market led the way on this front recovering most of its losses, whilst the Australian market finished further behind its financial year starting point.

> *"We were one of the best performing super funds in the March quarter."*

This market resilience, however, may belie the significant ongoing challenges to economic growth, employment and business conditions. The extraordinary stimulus measures and wage support programs may be merely delaying the inevitable impacts on some businesses, that may not be able to recover or survive once the support programs taper off.

The Reserve Bank of Australia has cautioned that the uncertainty surrounding the impact of the virus may continue to be a drag on the economy for some time, as households and businesses exercise caution, lower their consumption and postpone their investment plans. Company profits and dividends on the whole will almost certainly be impacted and industries most acutely affected, such as transport, hospitality, entertainment and construction, may suffer an extended period of stagnation. The crisis may also accelerate structural changes to some sectors. For example, the surge in online shopping may eventuate in permanent changes to the shopping habits of many consumers, which will pose a major challenge for many retailers.

What is the expected outlook?

In terms of investment markets, short-term volatility is expected to continue.

There are significant headwinds for the global economy, most notably recovery in employment, business conditions, and economic activity, complicated by the risk of 'second waves' as economies try to gradually re-open. Rising geopolitical tensions, an uncertain US presidential election in November, and very high levels of debt are further hurdles. On the other hand, continued Government and Central Bank support, strong earnings growth for technology and other sectors positively impacted by the work-from-home regime, and a potential positive surprise on the vaccine front may continue to buoy markets.

Forecasting the economic outlook is therefore challenging. According to tentative Reserve Bank forecasts, GDP growth in Australia will likely end up around –5% for the 2020 calendar year with a return to positive growth by the end of 2021, but this forecast is heavily conditional upon how the pandemic tracks over the months to come.

State Super weathers the storm well

Our funds have benefited from an ongoing strategy known as "tail risk hedging", which is implemented to protect against extreme market movements. State Super CEO, John Livanas, gave this insight into how this works in practice.

CEO John Livanas

John Livanas explained that "Traditionally, fund managers rely primarily on diversification strategies and active management as ways of managing risk. While we do employ those practices, we complement them with tail risk hedging to bolster our funds' resilience against sudden catastrophic market downturns. This strategy results in some marginal cost to performance during normal conditions, but we firmly believe the added protection it gives to our members is well worth it. Our performance during this current crisis has certainly vindicated this approach".

Another key factor in State Super's ability to respond well to the pandemic is our emphasis on maintaining strong liquidity levels, as John explains. "Our fund has a relatively high proportion of older members with comparatively large balances. We know that as these members start retiring there will be significant withdrawals to be paid out. With that in mind, a core feature of our investment policy is to maintain substantial liquidity so that we are well positioned to meet our obligations.

With many of our members closing in on retirement age it is also important that we maintain a defensive skew on our investment strategy, so that market volatility does not negatively impact a member's withdrawal at the time of their retirement. The combination of this defensive emphasis, with our robust liquidity and our tail risk hedging strategy means that our members can be very confident in our ability to weather the current storm".

Defined benefit strategies to 30 June 2020

	1 year	2 year	3 year	5 year	10 year
Trustee Selection*	1.3%	4.9%	6.0%	6.2%	8.0%
University Conservative Diversified**	0.3%	2.2%	2.5%	2.8%	N/A
University Cash**	0.8%	1.3%	1.4%	1.6%	N/A

Important: Past performance is not a reliable indicator of future performance.

The crediting rates shown have been rounded to one decimal point and are shown as an annual rate. Actual crediting rates are declared monthly to four decimal places.

*Prior to February 2015 the current Trustee Selection and Growth Strategies were combined as one Growth Strategy. All historical reporting for both the Trustee Selection and Growth Strategies use pre-February 2015 Growth Strategy returns.

**The University Conservative Diversified and University Cash Strategies were introduced in October 2014 and reporting commenced at this time.

Introducing Aware Super - continuing an historic partnership

At State Super one of our five Member Beliefs is to *help members maximise their benefit*. For 30 years, as a member of State Super, you and your family have been able to access a range of services with a professional financial planner from StatePlus, who are experts in your scheme.

In 2016, StatePlus was sold by State Super to First State Super, one of Australia's largest profit-to-member superannuation funds and one of the country's leading financial advice businesses, with over 200 financial planners, located across Australia. The combined group manages over $125 billion in retirement savings and the historical connection has meant that our investment beliefs are very closely aligned. They have helped thousands of people just like you to achieve their lifestyle goals, now and throughout retirement.

This heritage drives their culture of fairness, integrity and openness. As our trusted partner they act in the best interests of members to help maximise their State Super benefits, provide specialist retirement advice and implementation solutions.

Aware Super - a new name for First State Super and StatePlus

First State Super and StatePlus are changing their brand to **Aware Super**. They believe a single brand that's relevant across Australia, delivers the best value to their members and financial planning clients. They aim for one recognisable brand that is more cost-effective to build and support over time.

The name **Aware Super** was delivered following consultation with groups of members and financial planning clients including SASS, SSS, PSS and Pension members.

Aware Super believes their new name and branding reflects who they are as an organisation, and how they can support and empower their members and clients to succeed by driving better retirement and financial outcomes.

Why do we partner with Aware Super financial planners?

Aware Super financial planners[1] are specialists in public sector schemes, which are some of the most complex superannuation schemes. Their financial planning team has the knowledge and expertise to advise you on your scheme and has been providing advice to members for nearly 30 years.

They will take the time to get to know you and help you understand your scheme choices, maximise your benefits and save tax, and implement a strategy to help you achieve your short, medium and long-term goals.

The financial planning team at **Aware Super** is committed to helping SASS, SSS, PSS and Pension members and their families, to make informed decisions to maximise their retirement benefit, save tax and plan for a fulfilling retirement.

Our shared history

What does this mean for you?

If you are an existing client of StatePlus, there will be no disruption to the relationship you have with your financial planner or any change to how you will continue to deal with them following the brand change to **Aware Super**. Your investments won't change, and you will be able to do everything you do now.

The financial planning team at **Aware Super** will continue to service you and your family with over the phone advice, educational seminars and webinars, such as *Retirement Planning* and *Make the most of your super*, and face-to-face meetings.

> *Aware Super believes... they can support and empower their members and clients to succeed by driving better retirement and financial outcomes.*

Talk to the financial planners at Aware Super. The first advice appointment remains free of cost or obligation. Simply call 1800 620 305 to arrange an appointment.

Ask an Expert

Q: There's a rumour that my current employer will be privatised. I'd like to understand if I can remain as a contributing member of SSS if:

1. **I choose to work for this new private sector employer;**
2. **I am successful in applying for another position within NSW Public Sector.**

1 Choosing to continue working for the now privatised employer:

> *"...any changes to remuneration structure that impact superable salary, may also impact the employer financed benefit and basic benefit paid to you at retirement."*

Some employees of public sector organisations that have been privatised are still able to remain as a contributing member of SSS, but it depends on a number of factors.

If your workplace is privatised, then you will need to be proactive in making inquiries with your employer before the privatisation is finalised, to understand the specific terms that will impact you and your super.

In general, you will be able to continue as a contributing member of SSS if your new employer is listed within the schemes governing legislation, the Superannuation Act 1916. This detail will generally be included in the legal agreement that defines the terms of the privatisation. Also note that any changes to remuneration structure that impact superable salary, may also impact the pension and basic benefit paid to you at retirement.

If your new employer is not listed within the Act, and you take up the offer of employment, then you can no longer continue as a contributing member.

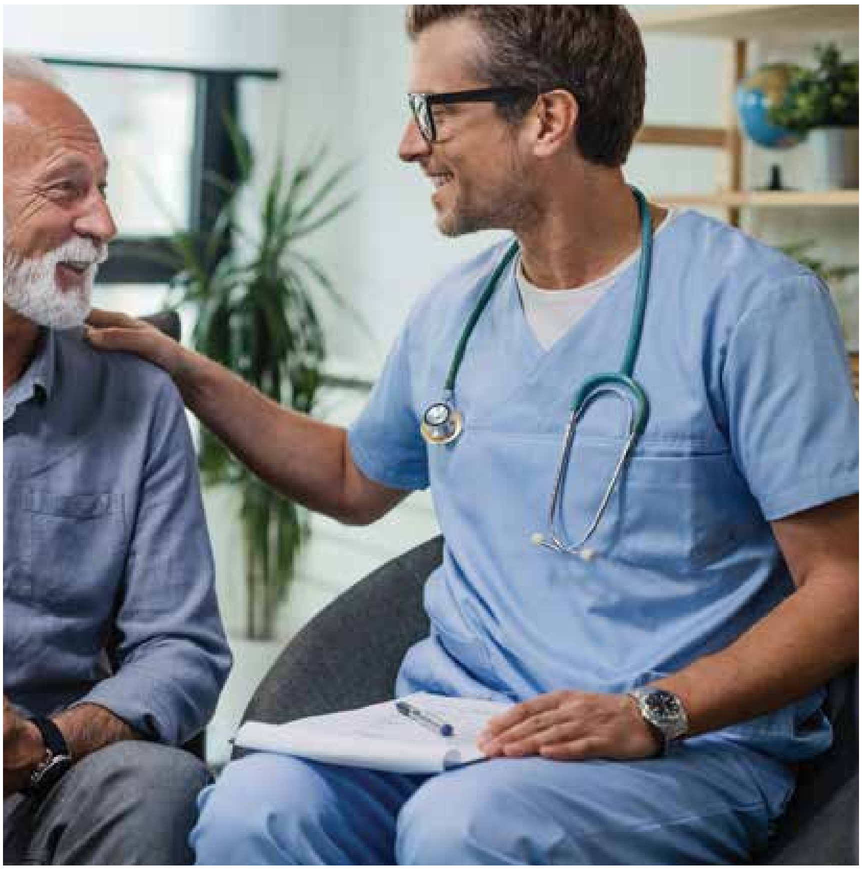
If your new employer is not listed within the Act, and you take up the offer of employment, then you can no longer continue as a contributing member. In this situation your employer will instruct State Super that you have resigned from your public sector employer, but again that will be determined by the specific terms of the privatisation. If the reason for ceasing to be a contributing member is resignation, then the following will apply:

Up to age 54, you will have the choice to either:

a. take a withdrawal benefit and rollover a lump sum from your SSS benefit to another superannuation fund. By taking the withdrawal benefit you forgo any pension benefit (including reversionary pension for an eligible spouse upon your death). In most cases, the value of a deferred benefit is greater than that of a withdrawal benefit, so it is important to make an informed decision.

b. defer your benefit within SSS, which retains your pension option. You and your new employer will not be able to make further contributions to SSS. You will need to open an account with another super fund and direct your new employer to pay your Super Guarantee (SG) contributions to that account.

From age 55 you would be eligible, subject to certain criteria, to commence all or part of your SSS pension.



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Starting a new role in the public sector:

If you take up a role with a new employer within the NSW public sector, then subject to meeting certain criteria, you can continue as a contributing member of SSS.

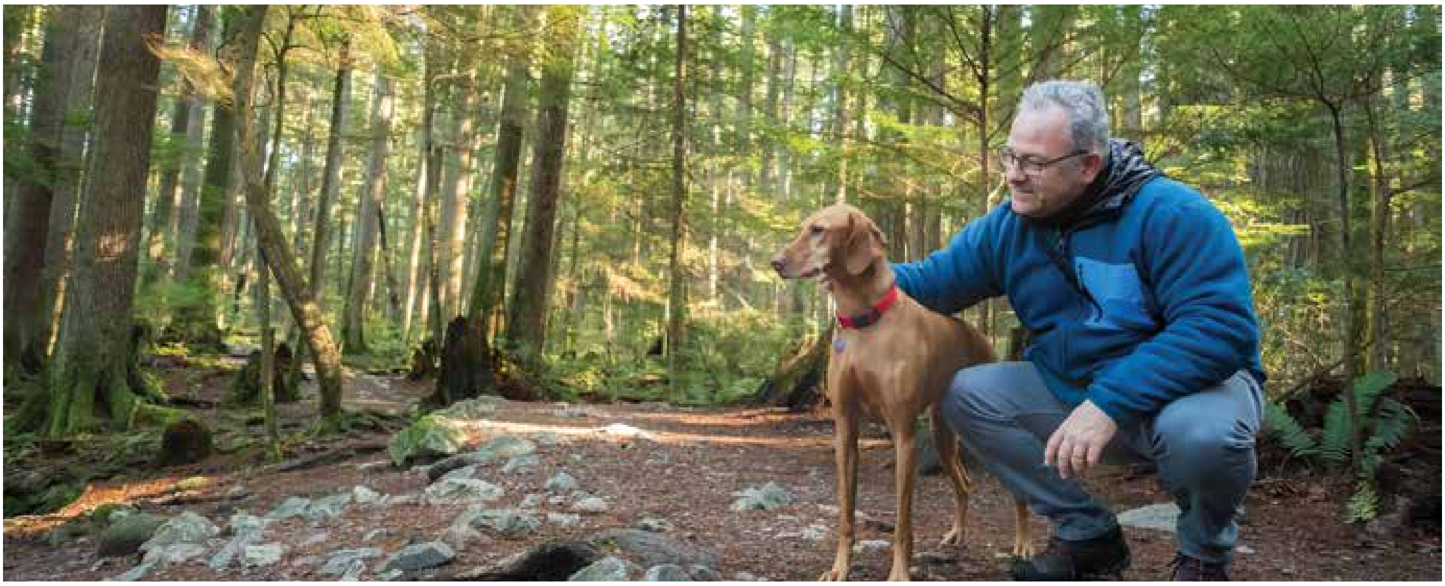
To be eligible for continuity you will need to commence the new employment within 3 months of leaving your previous employment.

If you have deferred your benefit within SSS, then you will not have the opportunity to apply for continuity of membership.

Either way, it is wise to seek advice from a financial planner experienced in the SSS scheme, as they can provide advice tailored to your personal situation and support you to make informed decisions.

Go to retire.aware.com.au/statesuper or call 1800 620 305 to speak to a financial planner from Aware Super(previously known as StatePlus).

Ask an Expert



Q: I'm 58, a contributing member of SSS and I don't have a spouse. I understand that I cannot nominate a beneficiary. Can you please explain what would happen with my benefit if I were to pass away?

The SSS scheme legislation defines that an eligible spouse or de-facto partner* will be entitled to the death benefit. If a claim is made by more than one one eligible person, the Trustee will determine the appropriate distribution. In your situation, where there is no eligible spouse or de-facto partner*, and there were no eligible children^ able to receive a pension benefit, a lump sum death benefit would generally be paid to the legal personal representative/s of your estate.

The lump sum benefit payable to the estate is the 'withdrawal'** benefit which is based on the length of SSS membership and your personal contributions (including earnings) plus the basic benefit and other entitlements.

If there were an eligible spouse or de facto partner*, a reversionary pension is payable equal to two-thirds of the pension that the deceased member would have been eligible to receive at scheme normal age retirement. This is based on the salary and unit entitlement of the member at their date of death. They would also be entitled to a lump sum basic benefit and any other entitlements. The eligible spouse or de-facto partner* will have the option to convert the pension to a lump sum within specific timeframes.

Although most of us avoid thinking about it, it's important that the scheme can contact your spouse, family member or executor in the event of your death. You can add their contact details to your account by contacting State Super Customer Service. It is preferable that this be provided in writing and the document will be added to your member record.

* An eligible spouse or de facto partner is: a) the widow or widower of the contributor, or b) a person in a registered relationship or interstate registered relationship with the deceased within the meaning of the Relationship Register Act 2010, or c) a person who was in a de facto relationship - within the meaning of the Interpretation Act 1987 - with the deceased at the time of the deceased's death. A de facto partner may be a person of either the opposite sex, or if the deceased dies on or after 19 January 2001, the same sex.

** refer to Fact Sheet 15 Resignation (withdrawal) benefit on the State Super website - statesuper.nsw.gov.au.

^ A pension may also be payable for eligible children of a deceased contributor and for children of an eligible spouse or de facto partner in certain circumstances.

Our Member Beliefs

State Super promises to:

Act in members' best interests

Act with fairness, integrity and openness

Make it easy for members to understand their unique scheme

Help members maximise their State Super benefits

Be a trusted guardian of members' funds

We listen, learn and grow with you.

STATE SUPER
SAS Trustee Corporation
100 Years

Your member benefits

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 (previously known as StatePlus). 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 one-hour sessions and will help you to:

- learn about what you need to do now to maximise your super
- determine when is the right time to retire
- understand 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 www.statesuper.nsw.gov.au/help-centre/seminars 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 on Fridays.

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 advice about your scheme, superannuation information, 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 -

SSS - 1300 130 096

PSS - 1300 130 097

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

There is also a myriad 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 www.statesuper.nsw.gov.au/help-centre/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

SSS: 1300 130 096

PSS: 1300 130 097

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