Understanding the SASS super scheme – report based on a presentation by Lucky Bardis, StatePlus to the Principal Futures Reference Group 23/3/18

Notes taken by Cassy Norris (Reference Group Leader), which have been subsequently confirmed as accurate as at the date of the presentation by Lucky Bardis (StatePlus)

DISCLAIMER *– Please note:*

- *The matters reported on here are a discussion summary only, are subject to change, and are general in nature only.*
- *Accurate and specific information is best obtained by contacting State Super.*
- *For further information, please book a session with a State Super officer or contact Lucky Bardis, Employee Relations Manager, StatePlus – Ph. +61 2 9278 9629, Mob. 0409 322 373 or email* lucky.bardis@stateplus.com.au

A quick clarification of super schemes and terminology

- *State Super* (otherwise known as the SAS Trustee Corporation or STC) is the NSW Government body responsible for managing and acting as the trustee for the State Authorities Superannuation Scheme (SASS) and State Superannuation Scheme (SSS).
- *StatePlus* is a financial planning service owned by First State Super (FSS). StatePlus began its life as 'State Super Financial Services' but changed its name in 2016 when ownership of the company passed from the SAS Trustee Corporation to First State Super. StatePlus specialises in providing financial advice and investment services to current and former public servants and their families.
- *First State Super* is an industry superannuation scheme very popular with current and recently retired principals. First State Super followed on after the closure of the State Superannuation Scheme.

Preparing for retirement

There are two major aspects to retirement:

- Working with guaranteed income – including consideration of these factors: structure, community, purpose, self-esteem, income.
- Coping with the early retirement stage – often characterised by emotions including loneliness, boredom, abandonment and regret.

Planning is important. We all need to retire to something! You need to design and structure your future.

Key considerations

Be aware of the impact of your financial situation on age pension and Centrelink entitlements.
You should also consider the issue of potential fringe benefits associated with being able to obtain a health care card or concession card.

Consider the likely impacts of deteriorating health as you age. You will have increased expenditure on doctors and medicines, as well as the cost of such medical issues as hip replacements, hearing aids etc. Consider also your partner's plans and any impacts these will have on your combined plans and finances.

Your planning checklist should include:

- Calculating your income needs

- Remember that super earnings and drawings down are tax-free.

- Setting your financial goals
- Superannuation and other assets – including tax issues
  - Tax can have a significant impact if you pass away and have funds in superannuation.
  - If your beneficiaries are non-dependents they will pay tax up to 47%.
  - If they are dependents they pay no tax.
  - How do you structure things so that your beneficiaries are dependents legally?
- Wills and Enduring Power of Attorney
  - One third of all estates in NSW go to court.
  - Having an enduring power of attorney and an up-to-date will is critical.
- Access to your money
  - As SASS members we will all get a lump sum. What should you do with it?
  - Setting it up as an allocated pension or rolling other funds into it deletes the tax option.
  - There are many ways to do this.
  - Working part time also has an impact.
- Protecting your wealth

Transition to retirement and how it works

This is not applicable to SASS members but it may apply to a partner.
Any money in non-SASS super can be converted into a tax-free 'transition to retirement' income stream while you are still working.
You can also salary sacrifice funds into this at the same time.

Contributions to super are now limited to a $25,000 cap.
Don't forget that employer contributions are counted as well.

If you are now in SASS, when you retire from DoE you can leave your SASS entitlement with them for six months. DoE will roll it over into First State Super after that.

(Discussion then followed about the large number of women who were never told about the impact of leaving SSS and being forced to move on to SASS. The notion of a class action was discussed, but this already has been tried, with legislation enacted against this sort of action.

Managing the future to achieve your financial goals

You have a range of options when you receive your lump sum. You can:
- Put it all in cash, e.g. cash management accounts and term deposits – a very conservative strategy with 2% average return at the moment
- Invest in shares, including growth assets like international shares that could give a 7-8% average return at the moment
- Spread your funds around all forms of investment – and possibly earn more (or less) depending on your willingness to take on extra risk associated with the various types of investment.

Tax issues are also a consideration, e.g. imputation credits.

Decisions about investment options and your investment strategy come down to your tolerance of risk.

Finding a financial planner to help you in your decision making

Finding a financial planner does require shopping around, including finding a specialist in the SASS super scheme.

StatePlus is owned by First State Super, so the organisation is very focused on ethical practice.

People often voice concerns around lack of transparency re commissions etc. In StatePlus, all advisors are salaried staff. Fees and charges are clear. If work is required, they charge a fee and carefully detail all costs. (Some of the retired principals at the reference group meeting indicated in our discussion that any invoices etc are carefully itemised and expenses are very clear. You only pay for what you use.)

SASS is a conservative fund – it won't be in the top or bottom performers.

Options for your lump sum payment

- Allocated pensions/income streams

In an allocated pension you invest your money in a variety of asset classes, e.g. cash, shares, property etc. These pensions are government regulated, and you can withdraw between 4% and 10% of the total pension balance each year. At any time you can draw out a lump sum. If you pass away, any funds not used will go to your estate. It's like a bank account.

- Annuities

An annuity is like an insurance bond. You give your funds to a financial institution such as AMP or MLC and they guarantee to give you a pension for the rest of your life, based on your life expectancy. If you die early, the insurance company retains your funds. If you live past that date, they have to keep paying you.

Annuities are only partially assessable by Centrelink. Fifteen years ago they were never assessed by Centrelink, but today 50% of an annuity is included in any Centrelink assessment of a pension application.

Consider your financial goals and needs

To get best use of your funds, consider the option of structuring funds for different purposes:

- Short term – cash and government bonds – 3-5 year investments
- Medium – replace car, pay for weddings and similar matters – 3-10 years
- Long term assets – leave them for 10 years.

Contributions

- Concessional contributions

A $25,000 per annum contribution cap exists for everyone.

A lot of SASS people who have reached 180 points preserve their SASS scheme and make the 9% contribution as a salary sacrifice into First State Super.
Your employer is not putting any money in once you have your points.
It then costs you money to be a member of SASS.

- Non-concessional contributions

There is a cap of $100,000 per annum or $300,000 over three years.
You would consider this if you received an inheritance of a substantial amount of money.
Another option is investing in a property. This is better for families if you pass away, because if family members are not dependent, then they may need to pay tax.

From 1 July 2017, the maximum super accumulation account balance for concessional contributions – in order to receive a tax-free pension – is $1.6 mill.

Accessing your Super

Principals need to know that it takes time for your money to come through when you retire.
Many people do not understand all the implications. This understanding is urgently needed.
Arranging a meeting with State Super staff to plan for the future is essential.

The minimum access age for SASS is 55 if you were born before July 1960 – but if you take it before 60 you pay tax on the income.

If a person is over 60, a condition of release is needed, e.g. retirement.
Redundancy is not a condition of release.

The key question is: Have you reached your preservation age, permanently left the workforce, and are not working or intending to work more than 10 hours per week?

Transitioning to retirement

You can draw down tax-free from your non-SASS super stream.
You can also salary sacrifice out of your income at the same time.
However this is not as effective as 12 months ago as earnings are now taxed at 15%.

There are four tests conducted by Centrelink before you can access the age pension, either asa single person or as a couple:

- Age test
- Residency test
- Assets test
- Income test

You need to be able to access $1 of the age pension to get all its related entitlements, e.g. Health Care Card, PBS.

If you are considering retirement you should really be planning your retirement strategy five years out from retirement.

If you wish to reduce the value of your asset level to qualify for a pension, you have to gift assets at least five years prior to retirement for Centrelink consideration.

You can gift up to $30,000 once in your lifetime without affecting your Centrelink access per couple.

Many thanks to Cassy for taking notes during Lucky's presentation to the Reference Group.