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Super News

For pension members

Proudly serving our members

December 2015

A word from the CEO, Mark Puli



Did you know that ESSSuper members tend to live longer than the general population?

Our members live about five years longer, on average, than other Australians and one in five members can expect to reach 99, for women, or 97 for men.

Many of our members are centenarians. We currently have more than 60 members aged over 100 and a further 40 are getting close at 99.

To live a comfortable long life, having the financial security of a strong, stable super fund is very important. ESSSuper strives to support you, our members.

I hope you enjoy this latest issue of your Super News.

Recognition of our commitment to members

The benefits ESSSuper delivers to our members have been recognised again this year as demonstrated in the number of awards and ratings determined by independent experts along with feedback from you, our members.

These included an important award from Investment Trends which found that our members are the most likely to recommend their super fund to other people. ESSSuper ranked highly on important attributes including delivering good customer service, being easy to deal with, providing

value for money, and, importantly, helping you feel confident about the future.

The likelihood of recommending ESSSuper was also verified by the Net Promoter Score. For the second year we were the top ranked super fund out of 30 super funds who participated in the research.

ESSSuper was also awarded the highly respected Roy Morgan Research 2014 Customer Satisfaction Award for Industry Superfund of the Year.

How you contribute

We are proud to serve our members who contribute to Victoria's communities.

Of course, this contribution doesn't stop when you retire. Many of our members volunteer in a diverse range of ways. One of the most significant contributions many of you make is within your own family, providing childcare to the youngest members.

The important role of grandparents has been recognised in an interesting report by National Seniors Australia's Productive Ageing Centre. While most grandparents said they enjoyed looking after their grandchildren and were happy to contribute and support their own children, the demands of childcare did sometimes come at a price to their own wellbeing and retirement plans. Read more on page 7.

Find out more

Changes to Centrelink pension eligibility which will affect some members are on the way from January, see page 5. It's important reading but the change will not impact your ESSSuper pension.

I wish you and your family a safe and happy festive season.

A handwritten signature in black ink that reads "Mark Puli". The signature is fluid and cursive.

Mark Puli
ESSSuper CEO

Your CPI pension increase for 2015

Twice a year your ESSSuper pension payments are reviewed to make sure your income keeps up with inflation.

As a result of this review, your pension will increase by 0.84% on the pay day of 3 December, effective from 20 November.

Pension payments are reviewed on the first pay day of every June and December.

This increase will be pro-rated for members who commenced a pension during 2015.

How the increase is calculated

The ESSSuper pension adjustment is linked to Australia's Consumer Price Index (CPI). The figures are provided by the Australian Bureau of Statistics (ABS) which measures inflation. The ABS compares any price changes on selected consumer goods and services typically purchased by ordinary Australian households.

A calculation is performed to determine if your pension will rise which is based on the CPI figures released by the ABS. If the new CPI is higher than the previous six monthly figure, your pension will increase.

The adjustments to your pension are made six months retrospectively which means the CPI increase for December 2015 is based on rises in the CPI from January to June 2015.

How CPI is calculated

Your pension will increase by **0.84%** in December 2015. To arrive at that figure, the following calculation was made in accordance with the *State Superannuation Act 1988* by comparing against the previous higher CPI adjustment number:

Jun 2015 CPI	X 100 = CPI change
–	for Jan to June 2015
Dec 2014 CPI	
<hr/>	
Dec 2014 CPI	
<hr/>	
107.50 – 106.60	X 100 = 0.84%
<hr/>	
106.60	
= 0.84% when rounded to two decimal places	

Victorian Electricity Industry pension increases

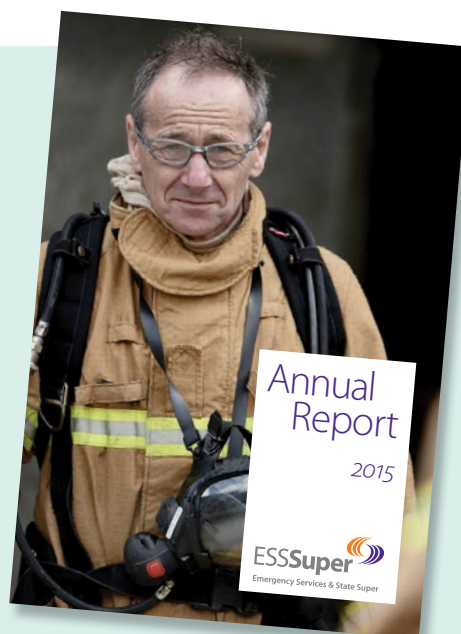
The CPI change also means an increase in the Victorian Electricity Industry (VEI) pension of 1.4%. This is based on the CPI for Melbourne, and will start to be paid on the first pay day in January 2016.

Annual Report now online

You can read the ESSSuper Annual Report for 2014/15 online.

Visit www.esssuper.com.au to download your copy and read highlights from the financial year, details of the investment performance of our funds, and recent changes and activities at ESSSuper.

If you don't have online access and would like a free printed copy sent out to you call our Member Service Centre on 1300 655 476.



Your expenses may change as you get older

Working out your retirement budget can be challenging. It's different for everyone.

A good starting point is checking the cost of housing, medical expenses, transport, clothes and leisure. However, what is often overlooked is how these expenses may change as you age.

Your lifestyle in your 60s may be quite different in your 80s or 90s.

Member Education Consultant with ESSSuper, Christian Kueng, says it is very difficult to generalise.

"We see members who can live very comfortably on the age pension while others feel they need much more for a comfortable life.

"How much do you need is the first question a member should consider. It is something everyone needs to work out as an individual or couple when planning their financial future."

To lead a 'comfortable' retirement, the Association of Superannuation Funds of Australia (ASFA) estimates¹ that a couple aged around 65 needs an income of \$58,784 a year and a single person needs \$42,861². If your plans are more 'modest', \$34,051 is the estimated required income for a couple or \$23,662 for a single person.

Changing needs

ASFA found that those income needs reduce as we get older. They estimate that a couple aged around 85 to 90 needs about 10 per cent, or \$5,000 less per year than a 65 year old retiree couple to live a 'comfortable' standard of retirement. The difference is similar for a single person.

ASFA found three main differences between the younger and older age groups – transport, leisure and health costs, as Christian explained.

"The transport difference is because most people in their 90s no longer have their own car but they may need to budget for taxi costs. The leisure cost

change is because older retirees generally aren't travelling overseas and they tend to spend less on other leisure activities.

"However, as people get older the need for major medical procedures is more common and there are often out of pocket costs associated with these including pharmacy expenses."

ASFA's research found that older retirees also tend to spend more on assistance in the home such as cleaning services and meals along with contribution to home and community care services.



How much do you need?

Try out the MoneySmart Budget Planner at www.moneysmart.gov.au

ASFA Retirement Standard Budgets

June quarter 2015

For retirees aged around 65

Comfortable lifestyle: Single	Comfortable lifestyle: Couple
Annual \$42,861	Annual \$58,784

For retirees aged around 85

Comfortable lifestyle: Single	Comfortable lifestyle: Couple
Annual \$38,369	Annual \$53,825

1. The ASFA Retirement Standard is produced and updated each quarter by the Association of Superannuation Funds of Australia (ASFA).
2. The June 2015 figures in each case assume that the retiree(s) own their own home and relate to expenditure by the household. This can be greater than household income after income tax where there is a drawdown on capital over the period of retirement. Single calculations are based on female figures. All calculations are weekly, unless otherwise stated. 'Comfortable' for this estimate assumes you own your own home, you want to be involved in a broad range of leisure and recreational activities and purchase household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and enjoy domestic and occasionally international holiday travel.

Important information

New rules for Centrelink pensions

How your ESSSuper pension affects any Centrelink age pension and entitlements you receive may change from 1 January 2016.

Centrelink is changing the amount of defined benefit income (known as your deductible amount) which is exempt when determining eligibility for an age pension.

From 1 January 2016 an 'income deduction cap' will be introduced.

This will allow a maximum 10% deduction of defined benefit pensions for the purpose of the Centrelink income test with the remaining proportion of a superannuant's defined benefit pension income taken into account for the income test.

As a result, the Centrelink entitlements of some members may change.

Members whose deductible amount is less than 10% will not be affected by these changes.

If you are affected, Centrelink will automatically apply the 10% cap on the deductible amount of your pension, rather than a higher percentage that you may currently have.



Important

- Your ESSSuper pension is not changing as a result of this change.
- Check the deductible amount on your CPI letter accompanying this newsletter.
- Your Centrelink pension, if you receive one, may change from 1 January 2016.
- You don't need to do anything, Centrelink will make any adjustments.
- Contact Centrelink's Older Australians phone line on 13 2300 if you have any questions.
- Go to www.humanservices.gov.au and search 'defined benefit' for more information.

Case studies

These case studies are examples only. We don't know your personal financial circumstances and any other sources of income or assets which may affect your Centrelink entitlements so please consider your own situation first.

Case 1: Paul – ESSSuper Lifetime pensioner

Now

- Current pension: \$1,200 gross per fortnight.
- Deductible amount: 22.45%.
- Current assessable income for Centrelink purposes from his ESSSuper pension towards the income test: \$931 per fortnight.

From 1 January 2016

- Deductible amount of pension will be capped at a maximum of 10%.
- Deductible amount: 10% = \$120 per fortnight.
- New assessable income for Centrelink purposes from his ESSSuper pension towards the income test: \$1,080 per fortnight.
- If Paul is assessed under the income test his Centrelink age pension entitlement is likely to change.

Case 2: Sue - ESSSuper Lifetime pensioner

Now

- Current pension: \$965 gross per fortnight
- Deductible amount: 8%
- Current assessable income for Centrelink purposes from her ESSSuper pension towards the income test: \$888 per fortnight

From 1 January 2016

No change as Sue's deductible amount of 8% is less than 10% of her pension.

Your super online

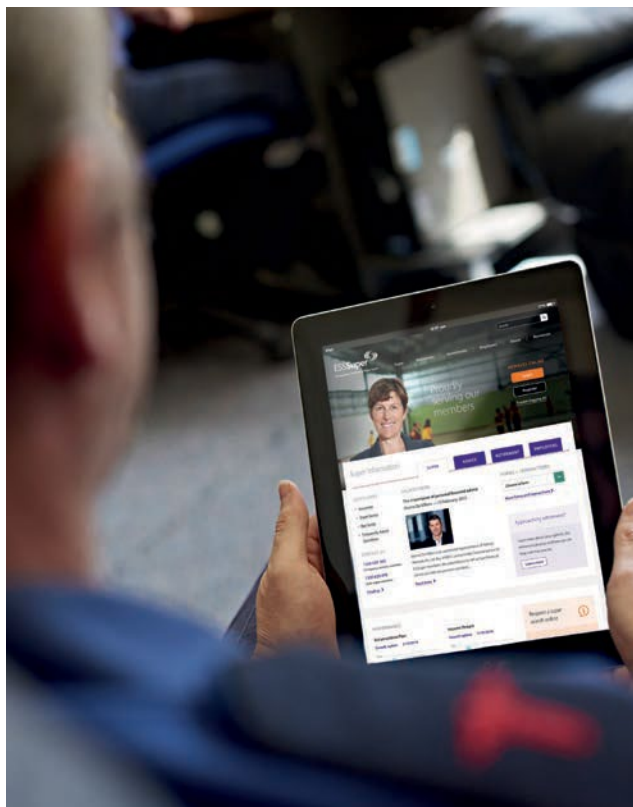
As more of us receive our news and keep in touch with friends electronically, the internet plays an important role in many people's lives.

Not only is it useful for social relationships, many government services are now being accessed online via laptops, tablets and smartphones.

At ESSSuper we've recognised the vital role of our website in keeping you informed about your super.

We listened to your feedback and have upgraded our website. The new design and improved features aims to make it easier for you to find the information you need or access the services you want.

At www.esssuper.com.au you can read all of the latest news about your fund, check on investment performance, book in to an education seminar and learn about many topics ranging from estate planning to how to keep your brain active.



Members Online

Already more than 52,000 members regularly access their super with Members Online and benefit from its many useful features.

Members Online provides secure electronic access to a host of ESSSuper services through most popular devices – computer, tablet or smart phone.

By registering for a secure Members Online account you can see (as applicable to your account):

- current and previous benefit statements
- Statement of Earnings
- CPI letters
- Centrelink schedule
- personal details

Importantly, you can be confident that any information you provide and transactions you make online are secure and private.

Your Centrelink schedule is accessible whenever you need it so you don't need to wait for it to arrive by post.

You can update your details including your address and phone numbers. If you consent to an ATO super search we can help you consolidate any super you have into an ESSSuper fund – all online.*

Members Online is continually being enhanced and you can expect more features to be added through the coming year.

How to go online

- Go to www.esssuper.com.au on your computer, tablet or smartphone
- Follow the prompts to register – you'll just need your member number (from your last statement), date of birth and postcode to get started.
- It's easy!

* You should check any relevant exit fees you may incur, or any insurance arrangements that may be forfeited, or any other effects this transfer may have on your benefits, before rolling your money into our fund.

Balancing the grandparent role

Caring for grandchildren can be rewarding and satisfying as you see young family members grow, develop and respond to your love.

But it can also be tiring and demanding and may impact your own work and retirement plans.

National Seniors Australia's Productive Ageing Centre recently conducted research* into the childcare provided by grandparents and the impact this has on their participation in the workforce.

Of the grandparents surveyed, 70 per cent said their childcare responsibilities had altered the way they organised their own work and they regularly helped out when a child was sick or a parent was called into work. This willingness to help means organising their own work can be difficult for many grandparents. One third said childcare commitments had changed the timing of their own retirement. Some said it had a negative impact on their income and many spoke of travel and food expenses they covered.

Caring for grandchildren can affect grandparents' retirement lifestyle plans including where they lived and travel plans. Several people said they had considered moving house, downsizing, having a seachange, or becoming a 'grey nomad' but they didn't feel these were realistic options given their childcare commitments. As a result, they chose to stay in their homes near their children and grandchildren.

The report says choice is very important to grandparents. If they felt constrained in their caregiving responsibilities, they were less likely to enjoy the care and more likely to have difficulty balancing work and care.

Through this report, the National Seniors Australia's Productive Ageing Centre concluded that while the provision of childcare held many benefits and pleasures for grandparents, the costs of care – financial, health and leisure-related – can be significant.



Flynn, 4, is regularly cared for by his grandmother Lorie Brown, an ESSSuper member.

It recommends better recognition of the importance of grandparent childcare in the childcare system, and a redesign of early childhood education and care policies, mature age employment, flexible workplace and retirement income policies based on an understanding of grandparents' experiences and needs.

The report's author suggests these changes would support grandparents to make real choices about work and childcare and mitigate the impact of their childcare provision on their labour market participation, incomes, and retirement incomes.

Key findings

- Around 837,000 children are cared for by their grandparents
- Typical carer: grandmother in her 50s or 60s
- Positives: enjoyable, contribution is appreciated, improved family relationships, stronger bond with grandchildren, keeps them young
- Negatives: lack of choice, long, irregular and non-standard hours, multiple grandchildren and lack of support negatively affect grandparents' wellbeing.

* Grandparent childcare and labour market participation in Australia report, conducted by Myra Hamilton and Bridget Jenkins from the UNSW Social Policy Research Centre for National Seniors Productive Ageing Centre, September 2015. The full report is available at www.nationalseniors.com.au

Retirement is different for singles

Although there are over 1.3 million of them in Australia, there's one group of retirees who are rarely mentioned in all the literature about retirement. They are the single retirees.

Single retirees can be people who have never married, those who are divorced or people whose partner has died.

Nearly all of the retirement literature features attractive couples having a good time with other similar couples. It's as if single retired people don't exist.

The reality is that life for someone who's single and in their 50s, 60s or 70s is different to that of retired couples. They have to manage some quite different issues to those faced by couples. As a starting point, singles may want to consider some of the following.

Financial security

As you only have one income, there isn't the safety net of a second income to fall back on in an emergency. It's important to have appropriate insurance policies to pay the bills if you can't work. It's also desirable to have an emergency bank account with enough in it to pay short term living costs or cover any unexpected disasters. While you're thinking about some nasty "what ifs", it's important to appoint a Power of Attorney in case you are unable to look after your affairs as a result of an illness or disability.

Government payments

Living as a single is not half the cost of living as a couple. Make sure you get all the government concessions you are eligible for, such as the Commonwealth Seniors Health Card, the Pensioner Concession card and the Low Income Health Card. A visit to a Centrelink Financial Information Service Officer before you retire is a good idea.

Do a reality check

Life in retirement is going to be very different to your current lifestyle. You need to consider a lot more than just your finances. One of the benefits of being single is that you don't have to consider a partner's wishes when you're planning your new lifestyle.

This article has been prepared by Paul McKeon the founder of the My Life Change website and the publisher of four books on various lifestyle issues for the over 50s. Check his website www.mylifechange.com.au and his articles relevant to ESSSuper members on www.esssuper.com.au

Paul's book 'How to be Happy, Retired and Single' contains practical advice from more than 20 experts on finance, retirement planning, health, travel, relationships, spirituality, housing and change management.

Baby Boomers Life Change (ABN 87 058 241 133) provide retirement and lifestyle information for ESSSuper members under a fee for service arrangement. However, neither the Board, ESSSuper nor the Victorian Government guarantee or endorse the information, opinions and products promoted by Baby Boomers Life Change.

Award winning funds

For six years in a row, an independent financial services researcher has rated ESSSuper's Accumulation Plan as Platinum (in the top 25% of funds). For seven years in a row, ESSSuper's Income Stream has also been rated Platinum (in the top 25% of its field). Visit www.superratings.com.au to learn more.



Need to contact us?

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