

SuperViews

From the office of the
Employee Representative
SAS Trustee
Corporation Board



Ron Davis
Full-time Employee Representative

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Members are sometimes confused as to who is looking after their interests and ask me to explain the State Super structure. State Super in fact is a trading name only. I have devoted this issue of SuperViews to how State Super manages and administers your money. In simple terms State Super comprises a board of Trustees and has a full time executive staff to conduct the day to day activities of the trustee's business.

The SAS Trustee Corporation (STC), formerly known as the State Authorities Superannuation Board, is the Trustee of the STC schemes.

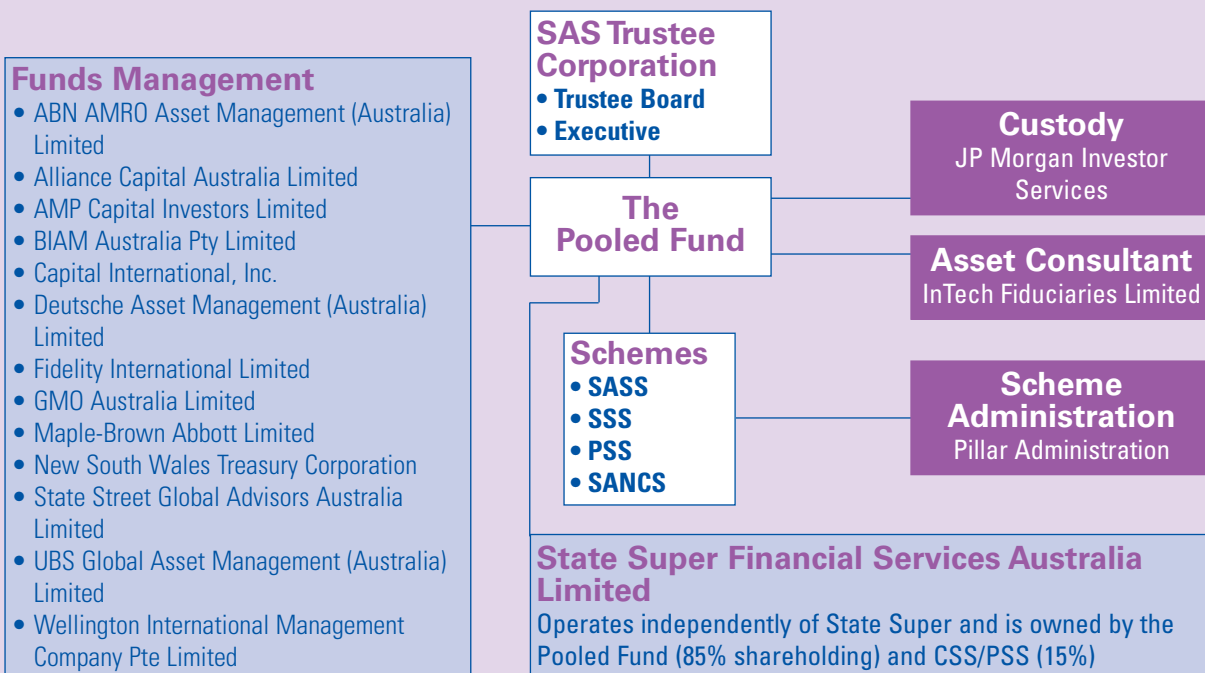
The principal functions of STC, as specified in the *Superannuation Administration Act 1996*, are:

- a) to administer the STC schemes, and
- b) to invest and manage the STC funds, and

- c) to provide for the custody of the assets and securities of the STC schemes, and
- d) to ensure that benefits payable to the persons entitled to receive benefits under the STC schemes are paid in accordance with the Acts under which the schemes are established or constituted, and
- e) to determine disputes under those Acts

In order to fulfill its obligations and principal functions, STC outsources the day to day operations of administration, investment and custodianship of the schemes. Contractual arrangements exist between STC and each of its outsourced service providers and those arrangements specify the duties and obligations of the particular service providers. The following chart shows diagrammatically the relationships between STC and its service providers.

The State Super Organisation Structure At 31 March 2004



| The current trustees of STC are:

Chair Person – Michael Cole

Employee Representatives:

Ron Davis (Full-time Board Member)
Rod Harty (Police Association)
Maree O'Halloran (NSW Teachers Federation)
Nick Lewocki (Rail Tram and Bus Union)

Employer Representatives:

Ian Blair (Company Director)
Ouma Sananikone (Consultant and Company Director)
Michael Lambert (Company Director)
Paul Scully (Consultant and Company Director)

The STC Board also has a number of committees to provide assistance to the Board.

The present committee structure is as follows:

Actuarial Committee
Administration Committee
Audit and Compliance Committee
Disputes Committee
Investment Committee
Police Superannuation Advisory Committee
Remuneration Committee

| The Executive SAS Trustee Corporation

Don McLean is the Chief Executive Officer of STC and was appointed in January 2003. He reports to the Board and exercises the day-to-day management of the Trustee Corporation. This includes monitoring the performance of funds management, custody and administration service providers, and managing the executive team of superannuation specialists. Don's focus is to ensure that the Board receives expert professional advice on which to make its decisions.

The Executive comprises a team of experienced professionals spanning a range of disciplines which supports the SAS Trustee Corporation and the Board on a wide range of matters including investment management, scheme administration, superannuation policy, disputes, actuarial, legal and communications issues.

| Pillar Administration (the administrator)

Pillar Administration is a state owned corporation and provides a comprehensive superannuation administration service to State Super. It employs some 400 staff to handle a range of administrative services such as:

- collecting and processing member and employer contributions
- maintaining member, accounting and other fund records
- processing claims and paying benefits including pensions

- answering enquiries through a member contact centre
- providing 24 hour-a-day information on member accounts through the fund's web site
- issuing member statements and literature
- assisting employers with their roles
- keeping the trustee informed of details on administration activities and performance
- interacting with the custodian, investment managers and other providers, and
- providing other corporate services

Pillar uses the latest technology to provide the necessary systems infrastructure to ensure that an efficient and effective service is provided to members and employers of all the schemes it administers. This technology includes:

- a robust member record keeping and accounting platform
- contact centre technology including interactive voice response systems
- document workflow and imaging (all paper records are scanned and saved to member files)
- e-commerce facilities to help employers send contributions
- internet facilities open to members every day, 24 hours a day
- on-line access to scheme rules and trust deeds

Pillar also provides a member interview service from its offices at 83 Clarence Street, Sydney, as well as at Parramatta, Newcastle, Wollongong and Port Macquarie on selected days. The structure within Pillar is designed to cater for the individual and often unique needs of the State Super schemes it administers. It has specialists across each scheme so that members can be assured of a quality service and response to their particular issue.

| State Super Financial Services Australia Limited (SSFS)

State Super Financial Services Australia Limited (SSFS) is a private company owned by the SAS Trustee Corporation, the Public Sector Superannuation Scheme (PSS) and the Commonwealth Public Sector Superannuation Scheme (CSS). The Company was established in 1990 and operates independently from its shareholders. It provides a range of financial planning and investment services to New South Wales public sector employees and their families. It now provides these services to Commonwealth public sector employees and families following PSS and CSS becoming a joint 15% shareholder of SSFS in 2002.

| Fund Managers

The Board with the assistance of the asset consultant, InTech, has appointed a number of specialist fund managers. Managers are selected for their expertise in relevant asset classes and can be changed from time to time. The present fund managers are those set out as follows:

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www.statesuper.nsw.gov.au

The asset class they each manage for State Super is indicated in brackets after their name.

ABN AMRO Asset Management (Australia) Limited (International Shares)

ABN AMRO Asset Management (Australia) Limited is part of ABN AMRO Bank which is among the largest financial institutions in the world. ABN AMRO Asset Management is headquartered in Amsterdam, and represented in 30 countries around the world. It has a history of managing funds since 1933 and is one of the world's leading asset managers with A\$272 billion assets under management worldwide as at 31 December 2003.

Alliance Capital Australia Limited (Australian Shares)

Alliance Capital Management L.P. (Alliance Capital) is one of the world's largest investment management firms managing approximately A\$637 billion. In February 2001, Alliance Capital formed a jointly owned company with AXA Asia Pacific Holdings, creating Alliance Capital Management Australia Limited and Alliance Capital Management New Zealand Limited. As at 31 December 2003, the local operations managed approximately A\$30 billion.

AMP Capital Investors Limited (Australian Shares)

AMP Capital Investors Limited is one of Australia and New Zealand's leading specialist investment managers with funds invested in excess of A\$66 billion in shares, bonds, property, infrastructure and private equity.

BIAM Australia Pty Limited (International Shares)

BIAM Australia Pty Limited is a Bank of Ireland Asset Management Limited (BIAM) Group Company, which itself is a part of the Bank of Ireland Group headquartered in Dublin. BIAM was established in 1966 and as at 31 December 2003 managed A\$90 billion on behalf of their global clients. BIAM Australia was established in 1996.

Capital International, Inc. (International Shares)

Capital International, Inc. is a subsidiary of The Capital Group Companies headquartered in Los Angeles. The organisation is privately owned by approximately 300 senior investment professionals and its sole focus has been global investment management for over 70 years. Capital International and its institutional affiliates together manage more than A\$370 billion (institutional clients only).

Deutsche Asset Management (Australia) Limited (Australian Shares, Private Capital and Property)

Deutsche Asset Management is a key business unit of Deutsche Bank AG. It is one of the world's largest fund managers, with clients based in more than 60 countries. Globally, Deutsche Asset Management is responsible for managing around A\$950 billion. In Australia, Deutsche Asset Management (Australia) Limited managed around A\$27.5 billion on behalf of Australian based clients as at 31 December 2003.

Fidelity International Limited (International Shares)

Fidelity Investments was established in Boston, in 1946. Fidelity is an affiliation of two separate companies, FMR

Corp. in the United States and Fidelity International Limited, in Bermuda. Fidelity has grown to become the world's largest independent funds management organisation with over A\$1.5 trillion under management as at 31 December 2003.

GMO Australia Limited (Australian Shares)

Grantham, Mayo, van Otterloo & Co, LLC (GMO), is an independent U.S. investment management firm based in Boston, with offices in London, San Francisco, Singapore, Sydney and Zurich. Established in 1977, GMO is owned by its staff. Funds under management as at 31 December 2003 amounted to more than A\$71 billion worldwide. Australian shares are managed from the Sydney office, GMO Australia Limited, which was established in 1995.

Maple-Brown Abbott Limited (Australian Shares)

Maple-Brown Abbott Limited is an Australian investment management company specialising in managing wholesale funds. The company was established in 1984 and is privately owned by directors and staff. Funds under management as at 31 December 2003 totaled A\$17.8 billion.

New South Wales Treasury Corporation (TCorp) (Australian Shares)

The New South Wales Treasury Corporation (TCorp) is the central financing authority for the New South Wales public sector, whose principal objective is to provide financial services for the benefit of the State. TCorp's investment facilities have been set up to provide competitive returns for New South Wales public sector organisations.

State Street Global Advisors, Australia, Limited (Cash, Australian and International Fixed Interest and Australian and International Shares – indexed)

State Street Global Advisors (SSgA), is a wholly owned subsidiary of State Street Corporation from Boston, which can trace its heritage back to 1792. SSgA was established in 1978 to provide innovative, quantitatively driven investment management services to institutional investors. Today, SSgA manages more than A\$1,300 billion in assets globally. SSgA Australia Limited has managed money for Australian clients since 1986 and managed A\$42.8 billion as at 31 December 2003.

UBS Global Asset Management (Australia) Limited (Australian Shares)

UBS Global Asset Management is a business group of UBS and worldwide has invested assets of A\$638 billion (as at 30 September 2003). In Australia, UBS Global Asset Management (Australia) Limited has been in operation since 1985. At 30 September 2003 they managed A\$20.7 billion on behalf of Australian based clients.

Wellington International Management Company Pte Limited (International Shares)

Wellington is an independent, privately owned investment management firm based in Boston that currently has approximately A\$537 billion in assets under management. The firm was established in 1928 and manages assets across all asset classes for clients in 39 countries.

Double digit returns for the past twelve months....

As can be seen from the quarterly performance numbers, it has been a good year in investment markets. The Pooled Fund's growth option returned 2.5% for the March quarter 2004, which translated into crediting rates of 14.1% for the year ended 31 March 2004. Despite the strong performance over the past year, the growth option's returns for 3 and 5 years, which were 1.3% and 3.8% respectively, are still heavily influenced by the sharp decline in share markets around the world following the end of the tech bubble.

Crediting Rates	June Quarter 2003 %	Sept Quarter 2003 %	Dec Quarter 2003 %	March Quarter 2004 %
Pooled Fund (Growth)	4.7	2.9	3.2	2.5

Looking back over the past twelve months, markets were highly uncertain a year ago, immediately prior to the outbreak of hostilities in Iraq, but since then there has been a very robust recovery. The Australian share market has done particularly well returning 23.4% for the year ended March 2004, and finished the quarter close to its all time high. The strength in the Australian market was due to a number of supportive factors. The domestic economy was doing well, there were growing signs of a synchronised global upturn and China was growing very rapidly. China's actual and projected demand for raw materials gave a special boost to commodity producing countries like Australia, where resource and energy stocks account for around 15% of the market.

The strength in the Australian share market was achieved despite the Australian dollar increasing by around 25% against the US dollar over the year, which affects companies, that derive their earnings in US dollars. The strength in the Australian dollar also affects unhedged international investments, as the value of these decline. During the year ended March 2004, the Pooled Fund's investments in the international bond sector were 100% hedged and in the international share sector were 25% hedged. With the benefit of hindsight, this would have been the year to be 100% hedged in international equities, but because it is notoriously difficult to pick currency

movements, it has been decided to maintain a passive hedge, the level of which is determined in conjunction with the Board's asset consultant.

It would be nice if the various investment options returned 2.5% a quarter on a consistent basis, but unfortunately that is not how investment markets work. At the moment they are expecting that US interest rates will start to rise, perhaps sooner rather than later, because of the strength in the underlying economic indicators. There are different scenarios for how this will impact markets, but generally rumours tend to have a greater impact than the actual event itself, so the sooner the timing becomes clear the better.

Member crediting rates for periods ending 31 March 2004

Rates are determined **after** allowance for tax and fees.

	3 Months %	1 Year %	3 Years % per annum	5 Years % per annum
Growth	2.5	14.1	1.3	3.8
Balanced	2.6			
Conservative Growth	2.2			
Cash	1.1			

Past performance is no guarantee of future performance. The Trustee does not guarantee the performance of any product.

Asset Sector Index Returns (before allowance for tax and fees)

Australian Shares	4.7	23.4	6.8	6.7
International Shares (unhedged)	1.2	13.7	-12.9	-4.8
Listed Property Trusts	6.7	13.9	14.9	11.6
Australian Fixed Interest	2.0	4.2	5.5	6.0
International Fixed Interest (hedged)	3.0	6.4	8.0	7.3
Cash	1.4	5.1	4.9	5.3

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Disclaimer: Reasonable care has been taken in producing the information in this newsletter, which gives a general interpretation of the issues. Relevant information is subject to the Acts that govern the Schemes mentioned in the newsletter and those Acts will prevail to the extent of any conflict.



STATE SUPER
SAS Trustee Corporation

None of the SAS Trustee Corporation (STC) Board members or officers warrant the accuracy, reliability or completeness of the information in the newsletter and all of them exclude liability for any decision taken on the basis of information shown or omitted from the newsletter.

Nothing in the newsletter is to be regarded as personal advice. Members should seek professional advice before making decisions which may affect their future.

With respect to material in this newsletter that has been prepared by organisations other than STC, STC does not necessarily agree with the opinions expressed therein, nor take any responsibility for the accuracy or completeness of the information contained in that material.

06/04

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www.statesuper.nsw.gov.au

An Exclusive Service

State Super Financial Services Australia

At a glance

- One of Australia's leading financial planning companies.
- More than \$4 billion under advice and over 31,000 clients as at 31 March 2004.
- 15 offices across New South Wales, the ACT, Melbourne & Brisbane, with planners visiting most regional centres in NSW.
- Principal Member of the Financial Planning Association of Australia.
- More than 80 qualified professional financial planners.
- No cost to meet with a financial planner.
- No entry fees, exit fees or switching fees.
- One competitive management fee.

To make an obligation free
appointment call

1800 620 305

Your Financial Planner

State Super Financial Services Australia was established over 14 years ago to provide quality financial planning and investment management services exclusively for current and former public sector employees and their families.

Now jointly owned by the SAS Trustee Corporation (STC), the PSS Board and CSS Board (trustees for the Commonwealth government super schemes) our services are also available to Commonwealth scheme members and their families.

Our professional services bring together three key elements of long term financial security:

- Financial planning advice;
- Investment management; and
- The opportunity to review your financial needs with your financial planner.

Today with more than \$4 billion under advice, and over 31,000 clients*, we are one of Australia's leading financial planning companies. (*as at 31 March 2004)

A Professional Service

We are committed to providing high quality advice and service to our clients. As a Principal Member of the Financial Planning Association of Australia, the country's peak professional organisation for the financial planning industry, we promote a high standard of ethical and professional behaviour.

Our team of more than 80 financial planners has extensive experience across all facets of the financial planning environment, and are experienced in dealing with complex defined benefit super funds.

The majority of our planners hold Certified Financial Planner (CFP) status, the highest professional designation for professional financial planners.

And, all our planners undertake on-going training to keep up to date with the latest technical and industry developments.

Financial Planning

– The choice is yours

Whether you're thinking of retirement, considering redundancy or interested in building a strong financial future, the key to security is your personal financial plan.

The financial planning process begins with a full assessment of your current financial situation, personal circumstances and your financial goals.

With this information your State Super Financial Services financial planner will assist you in creating a strategy designed to suit your objectives.

This will take into account important factors such as your cash flow, the impact of inflation on your investments and the need to diversify your investments to reduce risk.

Your financial planner will also help you identify and cost your lifestyle needs, such as how much money you need to live on.

And, because these days change is a constant, your financial plan should be reviewed regularly, and be flexible enough to adapt to changing circumstances.

– Can we help you?

It doesn't matter what super scheme you belong to – you can use State Super Financial Services Australia and be assured of a personalised service tailored to suit your individual needs, goals and circumstances.

We have an extensive office network across New South Wales, the ACT, Melbourne and Brisbane and our planners visit most regional centres in NSW, so you can see a planner at a place and time convenient to you.

As well as financial planning advice, State Super Financial Services offers a range of investment products and options to suit clients at all stages of their working and retired life.

There is no cost to meet with a financial planner to discuss your situation and there are no entry, exit, or switching fees for our investment products.

To make an appointment without cost or obligation, call today on

1800 620 305

or visit our website at **www.ssfs.com.au**

This information is of a general nature only, is not comprehensive, and is not specific to your personal circumstances or needs. It is published for your interest. Before making any decisions based on this information you should consider its appropriateness to you. Every effort has been made to ensure the information contained in it is accurate. We strongly recommend that you consult a Financial Planner before taking action based on this information.

State Super Financial Services Australia (SSFS) is a principal member of the Financial Planning Association of Australia. Neither the SAS Trustee Corporation, PSS Board, CSS Board nor the NSW or Commonwealth Governments take any responsibility for the services, or guarantee the performance of any product provided by SSFS.