STATE SUPER
SAS Trustee Corporation

# SuperViews

December 2007

From the office of the
Employee Representative
SAS Trustee
Corporation Board

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Over the years, tens of thousands of members have benefited from attending SSS and SASS pre-retirement seminars. The feedback from seminar attendees indicates members gain valuable knowledge of the intricacies of their scheme and how to get the most out of it. We've included next year's schedule to make it easy for you to book ahead.

I hope you and your loved ones have a safe and happy holiday season. And all the very best for 2008.

## Book in for a pre-retirement seminar

We invite members aged 52 years to attend our pre-retirement seminars as these members need to be aware of the options and entitlements available in their superannuation scheme.

Our seminar program involves visiting all major country centres at least once every three years with more regular visits to regional centres. Each month we run separate seminars for SSS and SASS in Sydney. Last year we ran more than 70 seminars across the State with 6,732 members attending.

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## SSS members take to salary sacrifice

More than 48% of members' compulsory personal contributions to SSS are now being made via salary sacrifice.

That's a 60% increase in the amount of salary sacrifice contributions to SSS reported in the last issue of SuperViews.

It's not too late to consider switching to salary sacrifice contributions. You can ask your employer about salary sacrificing and with their approval, switch to salary sacrifice at any time of the year.

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## Book in for a pre-retirement seminar

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The seminar is conducted over four hours and takes an in-depth look at specific scheme rules as well as a financial planning segment from State Super Financial Services Australia Limited (SSFS).

The seminar educates and informs members about how they can maximise their employer-financed benefits in preparation for retirement.

The scheme-specific presentation covers the following issues:

- scheme design and entitlements
- contribution rates and how to maximise employer-financed benefits
- scheme terminology – final and final average salary, benefit points etc.
- 15% concessional contribution tax
- the Basic Benefit
- pension and lump sum taxation
- superannuation surcharge tax
- preservation rules – when you can get your benefit
- topping up – spouse contributions, salary sacrifice and co-contributions.

The financial planning segment covers:

- your lifestyle needs – budgets, wills, insurance etc.
- superannuation after work – maximising your options
- money to live on – income streams, social security
- managing risk
- changing needs
- SSFS services – the financial planning cycle.

Members are encouraged to ask questions during the presentations. Presenters are available to answer questions during breaks and at the conclusion of the seminar.

| In addition to monthly Sydney CBD seminars, next year we'll be conducting seminars in the following suburbs: | |
|---|---|
| **Campbelltown** | Jul, Nov |
| **Castle Hill** | May |
| **Fairfield** | Aug |
| **Hornsby** | Feb |
| **Liverpool** | Mar |
| **Parramatta** | Oct |
| **Penrith** | Nov |
| **Richmond** | Mar |
| **St Mary's** | Aug |
| **West Ryde** | Feb |

| Regionally, we'll be appearing in: | |
|---|---|
| **Newcastle** | Jan, Mar, Sep |
| **Wollongong** | Jan, May |
| **Albury** | Aug |
| **Coffs Harbour** | Oct |
| **Ballina** | Jun |
| **Gosford** | Jul |
| **Goulburn** | Nov |
| **Maitland** | Apr |
| **Orange** | Sep |
| **Tamworth** | Apr |
| **Taree** | Oct |
| **Ulladulla** | Feb |
| **Young** | Nov |

If you would like to book for a seminar please e-mail stcseminars@statesuper.nsw.gov.au It's important you advise in your e-mail which scheme you're in when making a booking.

## SSS members take to salary sacrifice

*from page 1*

Detailed Fact Sheets are on our website explaining how salary sacrifice works and how it may be of benefit to you. You should also try the SSS salary sacrifice calculator on the website which shows you how salary sacrificing your compulsory personal contributions to SSS may result in you having more take-home pay while your SSS account is credited with the same net amount of contributions.

We recommend you obtain professional financial advice to determine what's best for you.

### SASS contributions on the rise too!

There's been a 7% increase in salary sacrifice contributions to SASS with more than 32% of compulsory personal contributions now being made via salary sacrifice.

With their employer's approval, SASS members can switch to salary sacrifice contributions at any time.

Our website features Fact Sheets and the SASS salary sacrifice calculator which shows you how salary sacrificing affects your personal circumstances.

We recommend you obtain professional financial advice to help you with your decision.

### Have you sent your TFN to Pillar?

In the last SuperViews we reported that 30% of members complied with a letter they received asking them to supply their Tax File Number (TFN) to Pillar, our administrator.

I'm pleased to report that 37% of those members have now supplied their TFN to Pillar.

However that still leaves a number of members who haven't supplied their TFN and who remain exposed to significant penalties under the Commonwealth Government's TFN regime.

Superannuation fund members who have not provided a valid TFN to their fund are expected to be penalised by:

- an additional 31.5% tax on employer contributions (this includes salary sacrifice contributions)
- preventing eligible members from receiving any Commonwealth Government Co-contributions
- taxing benefits paid before age 60 at a higher rate

To provide your TFN, simply download the TFN Collection Form from our website or call Customer Service and follow the TFN prompts.

If you think you have a valid reason for not supplying your TFN to Pillar, I would urge you to discuss that reason with your accountant or qualified financial planner.

# Investment Update

October 2007

## The Investment Environment

Almost every day the financial media has a headline about the US sub-prime mortgage debacle which created heavy turbulence in financial markets last July and August.

What happened was that mortgage defaults in the US increased as the supply of new houses exceeded demand putting downward pressure on house prices when a rising number of adjustable rate mortgages were coming up for renewal. As a result, marginal homeowners were squeezed out of the market.

The sub-prime market makes up less than 5% of the total US mortgage market but has affected global financial markets far beyond its physical size. An extended period of bad mortgage underwriting practices and bad rating agency practices contributed to the problem but the most damaging factor has been excessive leverage. Mortgage providers and other financial institutions have typically packaged these mortgages and used them as collateral to raise funds for further investments in the same instruments.

This strategy was partially made possible by what is known as the “carry trade”. Various market participants borrowed large amounts of Japanese yen at a cost of 1% and invested these funds in higher yielding securities around the world picking up any interest rate differential and exchange rate changes.

Increases in the value of the Japanese yen during the first half of 2007 reduced the liquidity available from the “carry trade” putting pressure on existing arrangements. The pressure became too much in July and August, triggering the global re-pricing of risk that continues today.

Often risk gets re-priced quickly but in this case it has not been possible to quantify the extent of the problem and the impact it may have on the US economy and the flow-on effect to the rest of the world. It’s not unusual for global equity markets to fall by 3% in a day followed by an increase of a similar magnitude a couple of days later as sentiment swings between fear and optimism.

## STC’s Investment Options:

STC’s investment options do not have any direct exposure to the US sub-prime mortgage market. Its allocation to fixed income is invested in sovereign government bonds, which have benefited from the uncertainty. It has a small investment in a multi-strategy hedge fund and the potential exposure within that fund would be below 0.1% of STC’s portfolio. The total portfolio is diversified across many types of assets - listed and unlisted - and that is really the best defence in a period of heightened volatility.

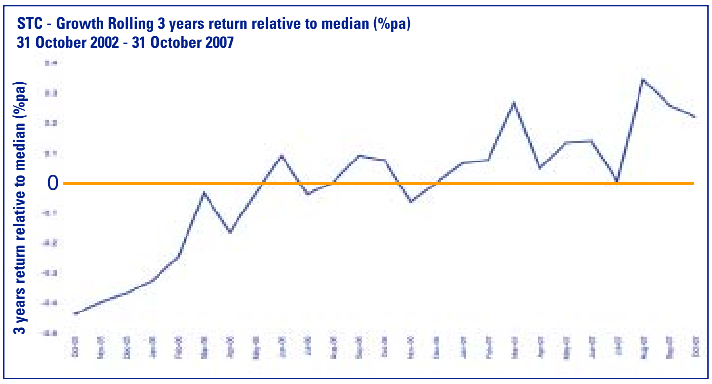
Despite the volatility in financial markets, STC’s investment options continue to generate strong real returns for members.

Periods ended October 2007

| Crediting Rates/ Strategy | 3 Months % | 6 Months % | 1 Year % | 3 Years % pa | 5 Years % pa |
|---|---|---|---|---|---|
| Growth | 4.5 | 5.0 | 13.3 | 14.6 | 12.4 |
| Balanced | 3.6 | 4.0 | 10.5 | 11.4 | N/A |
| Conservative Growth | 2.7 | 3.3 | 8.2 | 8.7 | N/A |
| Cash | 1.4 | 2.8 | 5.5 | 5.2 | N/A |
| CPI | | | 1.9 | 2.9 | 2.7 |

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

Compared to a universe consisting of 67 growth products provided by other superannuation funds, the Growth strategy exceeds median performance for the 3 years ending October 2007. The zero line represents the median manager.




STC - Growth Rolling 3 years return relative to median (%pa)
31 October 2002 - 31 October 2007

STC’s investment options have benefited from their allocation to Australian equities, the best performing asset class over the past 1, 3 and 5 years to October 2007. The Australian equity market has been underpinned by the materials and energy sectors as companies benefit from the strong demand for commodities from China.

International equities did not fare as well as the local market. This was partly a reflection of underlying fundamentals as global investors worried about the potential impact of the problems in the sub-prime mortgage segment, but also reflected the strength in the Australian dollar.

The difference between hedged and unhedged international equity returns has been significant over the past year. An unhedged international equity index portfolio would have generated a negative return of 0.2 %, whereas a fully hedged international equity index portfolio would have returned 14.1 %.

12 month returns from Australian and international fixed income were moderate and below the returns from cash.

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

| To 31 October 2007 | 3 Months % | 1 Year % | 3 Years % per annum | 5 Years % per annum |
|---|---|---|---|---|
| Australian Shares (ASX 200) | 11.3 | 30.3 | 26.5 | 22.3 |
| International Shares (unhedged) | -0.6 | -0.2 | 9.7 | 6.4 |
| International Shares (hedged) | 4.9 | 14.1 | 16.1 | 15.0 |
| Listed Property Trusts | 10.3 | 18.4 | 19.7 | 18.6 |
| Australian Fixed Interest | 0.8 | 3.6 | 4.4 | 4.9 |
| International Fixed Interest (hedged) | 2.9 | 5.5 | 6.0 | 6.5 |
| Cash | 1.7 | 6.6 | 6.1 | 5.7 |

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