

SuperViews

From the office of the
Employee Representative
SAS Trustee
Corporation Board



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Volatile start to 2008

2008's off to a bad start with big declines in sharemarkets across the globe.

After 12 days of falls in January, the Australian sharemarket recorded its biggest one-day decline in more than 18 years, falling 7.2%. Two days later it bounced back 4.1%.

The market's been trending down since and it's likely these extreme falls and rises (volatility) will continue for some time.

For the three months to February 2008, the STC Growth Strategy was down -6.8%, giving an annual rate to the end of February 2008 of -0.6%.

You should remember that investment performance directly affects only SASS members' Personal Account balances and any members' Co-contribution account. Members of SSS and PSS are largely unaffected, apart from resignation benefits and deferred benefits if they're cashed before the normal retirement age.

The defined benefits provided in SASS, SSS, PSS and SANCS are not affected by investment performance as detailed in the 2007 Report to Members.

Continued on page 2

STC appoints Chairman

Dr Don Russell has been appointed Chairman of the Board of STC - the Trustee of the State Super schemes - for five years.

Dr Russell's extensive experience is both deep and broad ranging from global investment strategist; Australia's Ambassador to the US; Principal Adviser to former Prime Minister Paul Keating; and Assistant Secretary Commonwealth Treasury.

Dr Russell is currently the Global Investment Strategist at BNY Mellon Asset Management Australia.

Prior to joining Mellon, Dr Russell was Executive Director with WestLB Mellon Asset Management (Australia). Dr Russell joined WestLB in 2001. WestLB Mellon Asset Management is a global asset management company jointly owned by WestLB AG, a German bank, and Bank of New York Mellon Corporation.

Between 1997 and 2000 Dr Russell was in New York with Sanford C. Bernstein, a US money management and research company. Between 1985 and 1993 and again in 1996 he was Principal Adviser to the Hon Paul Keating both during his time as Treasurer and Prime Minister. Between 1993 and 1995 he served as Australia's Ambassador to the US

Continued on page 2

| Volatile start to 2008

from page 1

If as a SASS member the current market conditions are making you nervous or your circumstances have changed, it may be prudent to obtain some professional financial planning advice to make sure your investment strategy continues to meet your individual needs.

In last year's Autumn edition of SuperViews, we explored the issues SASS members should consider when choosing or changing their investment strategy. That article is even more relevant today and is available for download from our website or from Customer Service.

The Investment Report on the back page outlines some of the reasons why the markets are so jittery and what steps STC has taken to partially dilute any future losses.

Members should bear in mind that the Growth Strategy has returned almost 60% over the last four years. Taking into account the recent downturns in sharemarkets, the Growth Strategy has averaged 11.5%pa over the last five years.

| STC appoints Chairman

from page 1

in Washington. Dr Russell also worked for the Commonwealth Treasury joining as a cadet and was at various times a consultant to the World Bank, Bankers Trust, Westpac Bank and Counsellor in the Australian delegation to the OECD in Paris.

Dr Russell has a PhD from the London School of Economics, a MEd from ANU and a BEc (Hons) from Flinders University. Dr Russell also holds the Chartered Financial Analyst designation (CFA).

| It's not too late to start salary sacrificing

You can talk to your employer at any time about making salary sacrifice contributions. With their approval, you can switch to salary sacrifice contributions at any time of the year.

More than half of SSS member contributions are now being made by salary sacrifice and more than a third of SASS members' contributions.

Members who haven't considered all the issues of making salary sacrifice contributions should look at some of the potential advantages:

- an increase in take-home pay for the same net super contribution you currently make via after-tax contributions
- an opportunity to become eligible to receive some - or more - Co-contributions from the Commonwealth Government.

Our website has a ready-reckoner calculator that lets you work out how much extra take-home pay you could expect from salary sacrificing and your level of Co-contributions (if eligible).

Our website also has the Fact Sheets containing information you need to consider. We recommend you obtain professional financial planning advice to determine your best course of action.

| TFNs still outstanding

There are 741 members who have still not provided their valid TFN to Pillar, our administrator.

These members have been sent several letters regarding the provision of their TFN and I would urge them to consider the issue fully. Following the last letter, more than 400 members supplied their TFN.

Without a TFN, it's expected these members will:

- pay extra contributions tax (up to 46.5% instead of 15%)
- have Commonwealth Government Co-contributions withheld from payment into their account
- pay extra benefits tax (up to 46.5% if aged less than age 60)

Those remaining members who wish to provide their TFN can download the TFN Collection Form from our website or call Customer Service and follow the TFN prompts.

I recommend you discuss the effects of not supplying your TFN with your financial planner or accountant.

| What's a paper loss?

If your home or a parcel of shares goes up in value then you have made a paper profit. So while you've made a profit on paper, you haven't actually made any money until you sell that asset and receive the proceeds (profit).

Similarly, when the value of an asset goes down, you haven't actually lost any money unless you sell at the lower price in which case you crystallise the paper loss into an actual loss.

This is worth bearing in mind if you're considering switching out of the Growth Strategy into the Cash Strategy.

We recommend you get professional financial planning advice to determine your best course of action.

Keep track of your benefits on the web at:

www.statesuper.nsw.gov.au

Register as a user and view the updated 'Member Services' area

- Use the Salary Sacrifice calculators to work out what's best for you
- SASS members – check your benefit points and contribution rate
- SSS, PSS and Deferred SSS and PSS – request a quote or benefit estimate
- See the salary used to calculate your benefit estimate
- Look up your last Benefit Statement
- Download Fact Sheets, SuperViews newsletters, forms and the latest investment information

2008 has started poorly from an investment perspective. Listed shares and property trusts have been sold heavily over the past three months as investors worry the US housing and credit crises will result in an economic recession.

The rapid advancement of China, India and Asia more broadly, which were a big part of world growth in 2007 and carried several equity markets to record highs including the Australian market, have recently been ignored as fear has become the dominant sentiment. There is a high degree of uncertainty surrounding the US crises because the extent of the problems seems to run deeper and have multiplied since surfacing in mid-2007.

In an attempt to avoid a recession, the Bush Administration and the US Federal Reserve implemented significant stimulatory measures. It's too early to say whether these actions will prove successful but they're steps in the right direction.

Because information will become available in a fragmented fashion, we can expect sentiment to gyrate between fear and optimism with investment markets likely to remain highly volatile. In this type of investment environment, it is best to maintain a long-term strategic focus and invest accordingly.

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

To 29/2/ 2008	3 Months %	1 Year %	3 Years % per annum	5 Years % per annum
Australian Shares (S&P/ASX 200)	-13.9	-0.7	14.8	19.7
International Shares (unhedged)	-14.3	-16.6	3.2	6.2
International Shares (hedged)	-10.6	-6.4	7.3	13.0
Listed Property Trusts	-23.7	-26.3	4.8	10.7
Australian Fixed Interest	0.4	2.4	4.4	4.3
International Fixed Interest (hedged)	3.3	9.1	6.9	6.7
Cash	1.8	6.8	6.3	5.9

STC's Investment Performance:

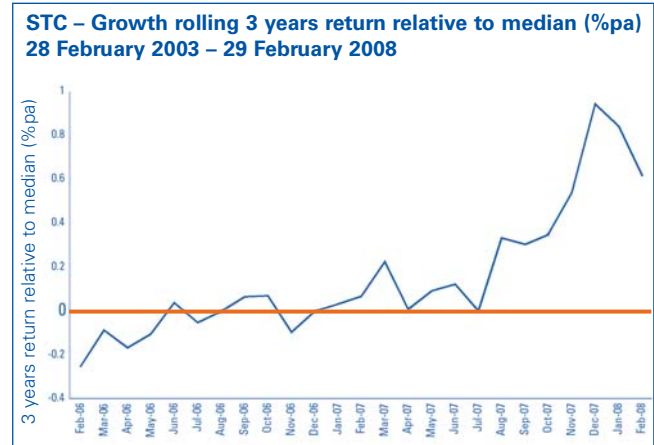
After four years of exceptional returns from the Australian sharemarket - and to a lesser extent global sharemarkets - STC's Investment Committee formed a view that while the bull market may not have run its full course, it was time to take a more defensive approach with the Growth Strategy.

As a consequence, there has been a move into more stable income-producing assets such as infrastructure in accordance with the Growth Strategy's Strategic Asset Allocation.

Additionally, some investment managers with a record of managing shares well during tougher times have been appointed.

These initiatives have helped to reduce the impact of recent market volatility.

STC's Growth Strategy has performed well in the Intech Super Growth Survey which represents 68 other superannuation growth products. The graph below shows STC's Growth Strategy over three-year rolling periods has been outperforming the median manager represented by the zero line.



While it's disappointing to record a negative return, State Super has a well-diversified portfolio designed to achieve its long-term return objectives. The return objectives for the four strategies are:

Growth – To exceed the CPI plus 4.5%pa. over rolling 10 year periods.

Balanced – To exceed the CPI plus 3.0%pa. over rolling 7 year periods.

Conservative Growth – To exceed the CPI plus 2.0%pa. over rolling 4 year periods.

Cash – To exceed the CPI plus 1.5%pa. over rolling 3 year periods.

Despite the recent difficult market conditions, the average annual return for the 3 years ended February 2008 for STC's Growth Strategy was 9.6 %, which is above the long-term return expectations for a growth fund of 7-8 %pa.

Periods ended February 2008

Crediting Rates/Strategy	3 Months %	6 Months %	1 Year %	3 Years % pa	5 Years % pa
Growth	-6.8	-5.6	-0.6	9.6	11.5
Balanced	-4.3	-2.9	1.1	8.1	N/A
Conservative Growth	-1.7	-0.3	3.0	7.0	N/A
Cash	1.4	2.9	5.7	5.3	N/A
CPI (to Dec -07)	0.9	1.7	3.0	3.0	2.8

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

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