

Super Views

From the office of the
Employee Representative
SAS Trustee
Corporation Board



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How your super performed in 2007/08

In this issue we focus on the investment performance of the Pooled Fund over the last year to 30 June 2008.

You'll receive further information in the Report to Members which will be sent to you in October along with your Benefit Statement.

How did the investment markets perform in 2007/2008?

In summary, not very well. However, it is important to remember that investment markets are volatile (meaning that returns vary from year to year) and operate in cycles.

In the last few years to 2007, returns have been relatively high but in other years like 2007/2008 returns have been low or even negative.

As superannuation is a long term investment it is important to view returns over longer time periods.

Why would State Super's performance be affected by the recent market behaviour?

The 2007/2008 year was difficult for the market and for any Australian superannuation fund (including State Super's Growth Strategy) with a bias to growth assets. Growth assets include shares and property, which performed poorly in 2007/2008. We generally maintain a bias to growth assets because history shows that they generally return more over the long term than defensive assets.

However, you shouldn't only focus on this year's returns. The table below shows asset class returns over various periods.

Continued on page 2

Legislative update:

New time limit for disputes

A two-year time limit now applies for members to dispute a decision made by STC and/or its authorised delegate (eg Pillar, the schemes' administrator).

Members who are dissatisfied with a decision relating to a benefit entitlement such as a decision by Pillar to refuse a claim for a disability benefit, can dispute that decision directly with STC, the schemes' Trustee.

Members disputing a decision must now notify STC within two years of receiving the original decision from Pillar.

Further details are on the website in All Schemes Fact Sheet 7: *Complaints, Disputes, Appeals and Freedom of Information (FOI)*.

Last chance to supply your Tax File Number

I'm appealing to the remaining members who are yet to provide a valid Tax File Number (TFN) to Pillar, our administrator, to consider supplying it.

Under new rules applying to superannuation contributions, employer contributions (including salary sacrifice contributions) will soon be hit with an additional 31.5% tax where a member's valid TFN is not recorded.

I'd urge those members who haven't supplied a valid TFN to discuss the consequences with a financial planner or accountant.

To provide your TFN, simply complete the TFN Collection Form on our website or call Customer Service and a copy will be sent to you.

How your super performed in 2007/08

from page 1

For all asset classes (except Australian Listed Property) the average annual returns are positive over the longer term periods of 3 years and 5 years.

Asset Class	1 year returns (% pa)	3 year returns (% pa)	5 year returns (% pa)
Australian shares	-13.4	11.4	16.2
International shares (unhedged)	-21.3	0.6	4.0
International shares (hedged)	-15.7	5.6	9.2
Australian listed property	-36.3	-1.8	5.5
Australian Fixed Interest	4.4	3.9	4.4
International Fixed Interest (hedged)	8.9	5.0	6.0
Cash	7.3	6.5	6.1

Returns quoted are before allowance for tax and fees and are taken from commonly reported indices.

How is State Super money invested?

There are four investment strategies in the Pooled Fund – Growth, Balanced, Conservative Growth and Cash. Details of the asset classes and weightings in each strategy will be provided in the 2007/2008 Report to Members and can be found in the Investment section of the State Super website.

Investment Choice is only available to SASS members (with the Growth Strategy as the default strategy where members do not make an investment choice). For other members, all member and employer contributions are invested in the Growth Strategy to provide the defined benefit specified by the scheme rules. The defined benefit is not affected by investment results.

How did State Super perform in 2007/2008?

The Growth Strategy accounts for 99.4% of funds under management for the Pooled Fund. For the 2007/2008 year, the declared rate is negative 7.2% (the third time a negative return has occurred in 20 years.)

The declared rates for all strategies are as follows:

Growth: -7.2%
Balanced: -3.2%
Conservative Growth: 0.7%
Cash: 6.1%

As mentioned above, though, as superannuation is a long term investment, you need to view this year's returns in the context of performance over a longer time horizon.

The table below shows the short term and compound State Super member returns:

DECLARED RATES

Year Ended 30 June	Growth % pa	Balanced % pa	Conservative Growth % pa	Cash % pa
2003	-1.7	These strategies were introduced in December 2003. Therefore there are no crediting rates for the full year ended 30 June 2004 or earlier.		
2004	13.5			
2005	13.0	11.6	9.3	4.9
2006	15.8	11.4	8.1	4.9
2007	14.9	11.6	8.9	5.4
2008	-7.2	-3.2	0.7	6.1
Compound rate:				
Over 2 years	3.2	3.9	4.7	5.7
Over 3 years	7.3	6.4	5.8	5.5
Over 4 years	8.7	7.7	6.7	5.3
Over 5 years	9.6	These strategies were introduced in December 2003. Therefore there are no crediting rates for 5 or 10 year periods		
Over 10 years	6.6			

Note: The figures above are after allowance for tax and investment management expenses. Past returns are no guarantee of future returns. The value of Personal Account balances, Commonwealth Government Co-contributions accounts and deferred benefits are not guaranteed and can go up or down with investment gains or losses. SASS members are encouraged to seek professional financial advice to help them select an investment strategy that best suits their personal circumstances.

Are other superannuation funds posting similar returns?

Yes, other superannuation funds have been experiencing similar challenges to State Super.

The table below shows the average investment return that the Growth Strategy has achieved compared to the average return of a wide selection of other superannuation funds.

This illustrates that the Pooled Fund Growth Strategy compares favourably with many other superannuation funds.

	12 months to 30 June 2008
Growth Strategy return**	-7.3%
InTech Average return*	-8.3%

**The investment return is -7.3%. The declared rate is -7.2% after taking into account administrative factors such as cash at bank.

*The InTech Growth survey covers a wide selection of Australian superannuation funds.

How is my benefit affected?

Some members have a Co-contribution account (which is an accumulation account invested in SANCS). The Co-contribution account is invested in the Growth Strategy.

For SSS and PSS members, your scheme benefits (other than the cash resignation benefit) are not affected by investment returns as they are defined benefits under the scheme rules.

If you are an active SASS member, in addition to your employer-financed defined benefit, you receive an accumulation benefit of your compulsory personal contributions plus investment gains or losses at the declared rate based on your chosen investment strategy (Personal Account balance.)

Visit us on the web at:

www.statesuper.nsw.gov.au

or phone Customer Service:

SASS 1300 1300 95; SSS 1300 1300 96; PSS 1300 1300 97

If you are a deferred SASS member, your entire benefit is an accumulation benefit and is directly affected by fluctuations in investment returns and therefore dependent on your chosen investment strategy.

I am a member of SASS and am concerned about how the markets are performing. Is there anything I should be doing?

Active Member

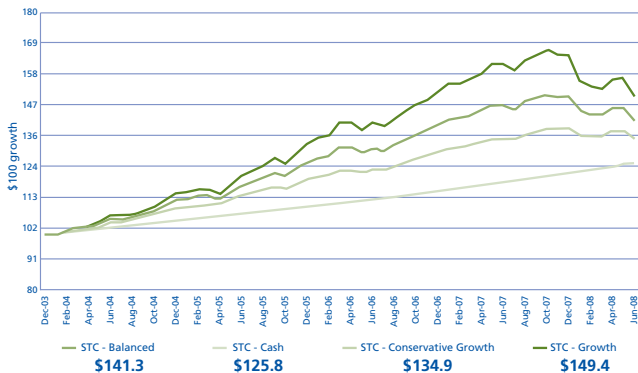
While you may notice a reduction in your Personal Account balance when you receive your 2008 Annual Statement in October, you need to also consider how much it may have increased over the longer term. Remember that this represents about one third of your benefit and that your defined employer-financed benefit (about two thirds) is protected from downturns in investment returns.

Deferred Member

While you may notice a reduction in your benefit when you receive your 2008 Annual Statement in October, you should consider how much it may have increased over the longer term.

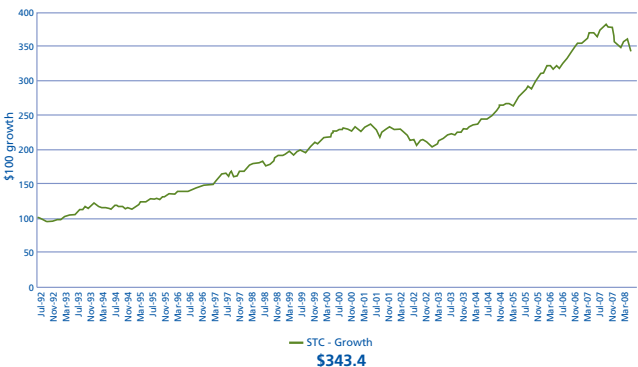
If you look at the graph below, you will see how \$100 invested in the various Pooled Fund investment strategies has increased since investment choice was introduced for SASS members on 31 December 2003.

Value of \$100 Invested
31 December 2003 to 30 June 2008



The following graph shows the movement in a \$100 investment in the Growth Strategy from 31 July 1992 (around the time SASS closed to new members) to 30 June 2008.

STC - Growth Value of \$100 invested
31 July 1992 to 30 June 2008



If you are still concerned about the potential impact of the markets on your superannuation benefit, we recommend that you seek professional financial advice.

Should I alter my SASS contribution?

When investment returns are disappointing, it is tempting to consider lowering your contribution rate. Before considering this action, please think carefully and make sure you obtain professional financial advice.

As a member of SASS every time you contribute 1% of your annual salary for one year, your employer provides a further 2.5% (or in some cases 3%) of your Final Average Salary at retirement.

If you reduce your contribution rate below an average of 6% each year, you will not only reduce your savings in your Personal Account, but you will also reduce your entitlement to benefits paid by your employer.

Again, we recommend you obtain professional financial advice to ensure that you maximise your benefit entitlements in SASS.

What is expected in the markets in 2008/2009?

The new financial year has started poorly and no one can predict the future.

However, investment markets are cyclical in nature – poor returns in some years are often offset by positive returns in future years. Remember over a 20 year period, the Growth Strategy return has been negative 3 times.

The challenge for the Trustee (STC) is to remain disciplined and to continue to invest in keeping with its long-term investment objectives. In doing so, STC, with the assistance of its asset consultant closely monitors the global and domestic investment markets and reviews the investment strategy on an ongoing basis.

The performance of fund managers is also monitored throughout the year and managers may be added or replaced.

How can I find out more about the Pooled Fund investments?

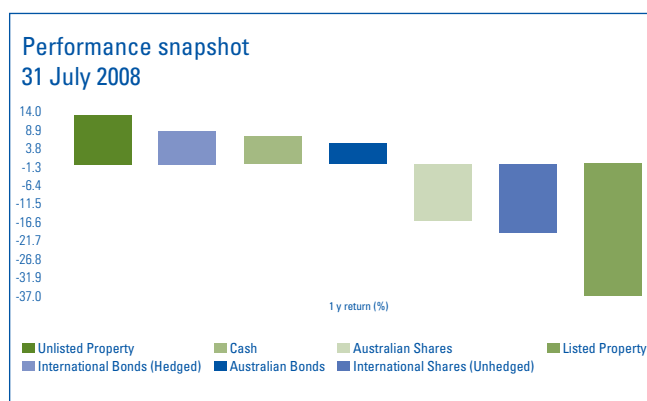
Further details will be provided in the 2007/2008 Report to Members, which will be sent to you with your 2008 Annual Statement during October 2008.

It has been a year since the US housing and credit crises began. The investment environment remains challenging as investors focus on the likely severity of a global economic slowdown. While the US economy grew by more than 3.3 % over the past 12 months, it is anticipated it will slow rapidly over the next few quarters as the impact of falling house prices and high oil prices continue to weaken consumer demand.

This uncertain global economic outlook combined with rising cost pressures have impacted on company earnings resulting in a high level of share market volatility here and overseas. For example, we've seen the share price of BHP fall by more than 5% in a day only to increase by 4% a few days later without the company releasing any news to the market.

During the year the trend in equity market returns has been sharply down but diversified portfolios with exposure to direct property, bonds and cash have achieved some protection.

Asset Class Returns for the year ended 31 July 2008



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

To 31/7/ 2008	1 Month %	1 Year %	3 Years % per annum	5 Years % per annum
Australian Shares (S&P/ASX 200)	-4.6	-15.6	8.7	14.4
International Shares (unhedged)	-0.3	-18.9	-0.8	2.8
International Shares (hedged)	-1.7	-14.5	3.7	8.2
Listed Property Trusts	-5.0	-36.5	-4.2	4.4
Australian Fixed Interest	1.8	5.6	4.4	4.9
International Fixed Interest (hedged)	1.6	9.0	5.7	6.7
Cash	0.7	7.5	6.6	6.1

STC's Investment Performance:

The new financial year started with a return for the month of July 2008 of negative 1% for the Growth Strategy, negative 0.4 % for Balanced, 0.2 % for Conservative Growth and 0.6 % for Cash.

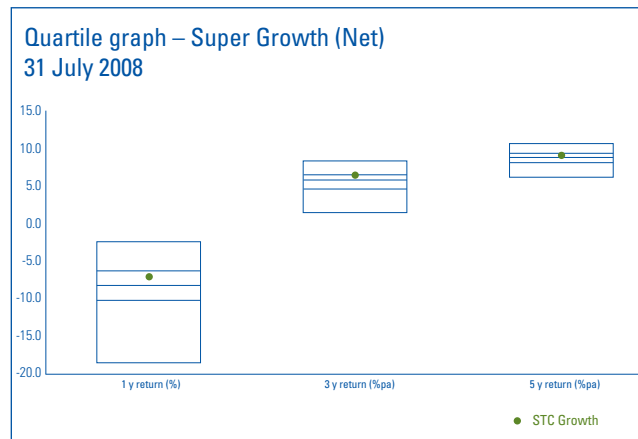
Periods ended July 2008

Crediting Rates/Strategy	3 Months %	6 Months %	1 Year %	3 Years % pa	5 Years % pa
Growth	-4.8	-4.7	-6.9	6.3	9.0
Balanced	-3.1	-2.6	-2.9	5.8	N/A
Conservative Growth	-1.1	-0.3	1.0	5.6	N/A
Cash	1.7	3.3	6.2	5.5	N/A
CPI (to June-08)	1.5	2.8	4.5	3.5	3.1

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

Diversified investment returns are poor for the 12 months ended July 2008. And yet, if the Cash Strategy had been available over the last five years, it's net average return each year would have been about 5.2 %. By comparison, the Growth Strategy has generated an average annual net return of 9.0 % over the same period, which includes the negative return of the past year.

It has been a challenging investment environment for all superannuation funds with STC navigating the turbulence relatively well. The Growth Strategy outperformed the median manager in the Intech Super Growth Survey over 1, 3 and 5 years ending July 2008. At the time of writing, 49 out of 68 funds had reported returns for the survey.



The green dots in the chart above show the performance of the STC Growth Strategy and its quartile ranking relative to other managers in the Intech Super Growth Survey. For example, the left hand column above shows one year returns with the STC Growth Strategy (the green dot) in the second quartile.

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