



STATE SUPER  
SAS Trustee Corporation

annual report 2008  
2009

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## Report to the Minister

October 2009

The Hon Eric Roozendaal, MLC  
Treasurer  
Level 36 Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Dear Minister

We have pleasure in submitting to you for presentation to Parliament the annual report of the SAS Trustee Corporation, covering the period 1 July 2008 to 30 June 2009.

The annual report contains the report for the SAS Trustee Corporation, the SAS Trustee Corporation Division of the Government Service of NSW and the Pooled Fund. These have been prepared in accordance with the provisions of the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983*, associated regulations and Treasurer's Directions.

We look forward to working with you during the coming year and wish to note our appreciation for the support and interest that you have shown in our activities.

Yours sincerely



**Don Russell**  
Chairperson  
SAS Trustee Corporation



**Ian Blair**  
Board Member and Chairperson of the  
Risk, Audit and Compliance Committee  
SAS Trustee Corporation

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## Charter

SAS Trustee Corporation is a body corporate constituted by the *Superannuation Administration Act 1996*.

It is trustee of the STC Schemes which are:

- the State Authorities Superannuation Scheme (SASS),
- the State Superannuation Scheme (SSS),
- the Police Superannuation Scheme (PSS), and
- the State Authorities Non-contributory Superannuation Scheme (SANCS).

Its principal functions are to:

- administer the STC Schemes,
- invest and manage the Fund of the STC Schemes,
- provide for the custody of the assets and securities of the STC Schemes,
- ensure Scheme benefits are properly paid, and
- determine disputes under the Schemes.

## Mission

STC's mission is to:

- support the future well-being of current STC scheme members and pensioners by the delivery of up to date superannuation benefits and high quality service;
- engage stakeholders in productive dialogue; and
- provide optimal investment returns to employers and members.

**This Annual Report is available on our website, [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)**

### Glossary:

**Executive** means the executive staff of the SAS Trustee Corporation.

**Pooled Fund** or **Fund** means the Pooled Fund of the STC Schemes.

**STC** means SAS Trustee Corporation.

**Trustee Board** means the Board of the SAS Trustee Corporation, appointed under the *Superannuation Administration Act 1996* and comprising an independent chairperson, four employee representatives and four employer representatives.

## Chairperson's report

Last year was simply shocking. The failure of Lehman Brothers in September 2008 coming on top of all the other events of the global credit crisis pushed the world banking system perilously close to collapse. This triggered further market turbulence and a precipitous decline in economic activity in many countries. Governments responded with an unprecedented range of measures designed to stimulate demand and safeguard the banking and financial system and we are beginning to see tentative signs of recovery.

The encouraging news is that market sentiment has improved and we have seen something of a rebound in the valuations of a number of assets. This of course is welcome but markets remain volatile.

The Pooled Fund earning rate for the year to 30 June 2009 was -10.4%<sup>1</sup> which represented another negative year, but like last year, performance was much better than the -13.3% median return of similar super funds.<sup>2</sup>

State Super members continue to do better than most because the State Super schemes primarily provide defined benefits which are immune to investment market fluctuations.

As you would expect, the Trustee Board has not been sitting on its hands. We have redoubled our efforts reviewing how we have the fund invested. We have also conducted a major review, from the ground up, of the risks that State Super carries both on the investment and operational sides.

The outlook remains very uncertain but the Board is comfortable that we have struck the right balance between the need to be cautious while still providing scope for members to benefit as markets recover.

In all of this, we have been assisted by our new CEO Chris Durack who was appointed in February of this year. I would like to welcome Chris and hope that over time all members become familiar with the work that he and his team does for State Super.

As well as taking considerable time examining the asset allocation of the fund and reviewing risk management, State Super has also been busy looking at how we provide advice to members and the range of services and choices on offer.

We have conducted a survey of members and I would like to thank all those who participated. Initiatives such as concurrent investment choice and on-line benefit quotes are already in progress and more is in store.

State Super has done relatively well but there is no disguising the fact that these are difficult times. I would like to say that we are working to strengthen the organisation so that it can provide better services and wider choices to members and I hope that I will be in a position to report better news next year.



**Don Russell**  
Chairperson  
September 2009

<sup>1</sup>The investment return is -10.4%. The declared rate is -10.3% after taking into account administrative factors such as cash in bank.

<sup>2</sup>Intech Median Fund performance 2008-09.

## Board members' profiles

**Don Russell** (Chairperson) is currently the Global Investment Strategist at BNY Mellon Asset Management Australia. Prior to joining BNY Mellon, Dr Russell was Executive Director with WestLB Mellon Asset Management (Australia), which he joined in 2001. 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 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, and also holds the Chartered Financial Analyst designation (CFA).

**Ian Blair** (Employer Representative) is a chartered accountant and a company director. In 1997, Mr Blair completed a long career with accounting firm Deloitte Touche Tohmatsu, including a term as Chief Executive Officer of that firm. He is Chairman of funds manager IOOF Holdings Ltd and is Chairman of Bisley & Company Pty Ltd, a company involved in International trading of industrial products. Mr Blair is a board member and chairman of the Board Audit Committee of Capral Limited, a company involved in manufacturing and marketing of semi-fabricated aluminium projects. He was formerly a board member of the Sisters of Charity Health Service Ltd and Melbourne Business School Ltd.

**Ron Davis** (Employee Representative) is the full-time employee representative on the Trustee Board, a position he has held since 1 January 2002. Mr Davis was previously a Valuation Manager with the State Valuation Office. He is a Central Councillor with the Public Service Association and immediate past president of the Professional Officers' Association. He also represents members as a delegate to the Unions NSW Public Sector Employees' Superannuation Committee. Mr Davis is a member of the Australian Institute of Superannuation Trustees, a Fellow of the Association of Superannuation Funds of Australia (ASFA) and a member of ASFA's NSW Division Executive Committee. He is also a Director of State Super Financial Services Australia Limited and chairperson of the Police Superannuation Advisory Committee.

**Anne De Salis** (Employer Representative) is on the boards of the NSW TAFE Commission, the Superannuation Funds Management Corporation of South Australia and Members Equity Bank. Ms De Salis has a diverse career spanning the public and private sectors, which includes more than 10 years experience as a non-executive director. In the private sector, she worked in senior executive/director positions with AMP Limited and MBF Australia Limited. Prior to this, she enjoyed several years as Senior Adviser to the then Prime Minister, the Rt. Hon. Paul Keating. She joined the Keating office from the Commonwealth Treasury, where she worked as an economic adviser in Canberra.

**Rod Harty** (Employee Representative) is an Advocate and Industrial Officer for the Police Association of NSW and a consultant to the Police Federation of Australia. Mr Harty also represents Police as a delegate to the Unions NSW Public Sector Employees' Superannuation Committee. He has post-graduate qualifications in Workplace Relations and Labor Law and has a broad public sector background in human resource management and business services.

## Board members' profiles continued

**Michael Lambert** (Employer Representative) is a consultant to the global investment bank, Royal Bank of Scotland. Previous to that, Mr Lambert was the Secretary of the New South Wales Treasury and held various other senior positions. He has extensive experience and expertise in financial analysis and advising governments and clients on financial and strategic issues. In addition, he is also a non-executive Director of Energy Australia, Queensland Racing, the Sax Institute, Racing Information Services Australia and Asylum Seekers Centre of NSW. Mr Lambert has a Bachelor of Economics (Honours) and Master of Economics from Sydney University.

**Nick Lewocki** (Employee Representative) is Secretary of the Rail, Tram and Bus Union. Mr Lewocki spent his early career with the NSW Railways department before being elected to a full-time union official's position in 1979. From 1990, he worked with Unions NSW for 6 years as an Industrial Officer responsible for a range of industries. He is a Director of the NSW Trades Hall Association and the Transport and Logistic Centre Pty Ltd. As Secretary of the Union, he has overall responsibility for industrial agreements and their certification before the industrial tribunals which affect over 15,000 members.

**Maree O'Halloran** (Employee Representative) is the Director of the Welfare Rights Centre. Ms O'Halloran also practices as a solicitor at the Centre which specialises in Social Security law and provides free legal assistance. Ms O'Halloran was the President of the NSW Teachers Federation from 2002 to October 2008 and was appointed to the Trustee Board on 1 September 2002. Her union experience includes numerous roles in the Teachers Federation as well as being an Executive member of Unions NSW. Her teaching career spans city and country schools as well as TAFE and Corrective Services. She has previously been a board member of the following entities: Federation Law, Teachers Federation Health, FedSuper and the Blue Mountains Community Legal Centre. Ms O'Halloran is also a contributing author of an HSC Legal Studies textbook.

**Paul Scully** (Employer Representative) is Managing Director of Decision Horizons, a consulting enterprise through which he offers his services based on 30 years of experience in financial services and investment management. Mr Scully is an actuary by training and was, until July 2003, Chief Executive Officer for the Asia Pacific region of ING Investment Management and a member of its global board. He has also held executive positions in life insurance and retail funds management. He now maintains a portfolio of non-executive directorships and consulting assignments.

## Executive management team

### **Chris Durack – Chief Executive Officer**

Mr Durack joined STC in February 2009. As Chief Executive, his main focus is to ensure that the Trustee Board receives expert professional advice on which to make its decisions. This includes monitoring the performance of funds management, custody and administration service providers and managing a team of superannuation policy, legal and communication specialists. Mr Durack has a strong investment background and has held senior asset consulting roles and senior executive roles in funds management organisations.

### **Lyn Collingridge – General Counsel and Company Secretary**

Ms Collingridge joined STC in October 1998 as General Counsel and Company Secretary. Having worked in the superannuation industry since 1989, she is a superannuation lawyer with extensive experience in both the public sector and private practice. She is responsible for providing the Trustee Board and the Executive with legal services and oversees the compliance and secretariat services. Ms Collingridge was the Acting Chief Executive Officer from 1 January 2008 until 8 February 2009.

### **Martin Drew – Chief Investment Officer**

Mr Drew manages STC's investment team that monitors all aspects of the investment management and performance of the Pooled Fund. This includes liaison with investment service providers, such as the asset consultant, investment managers and the custodian. Mr Drew has a diverse career both in the public and private sectors spanning over 10 years.

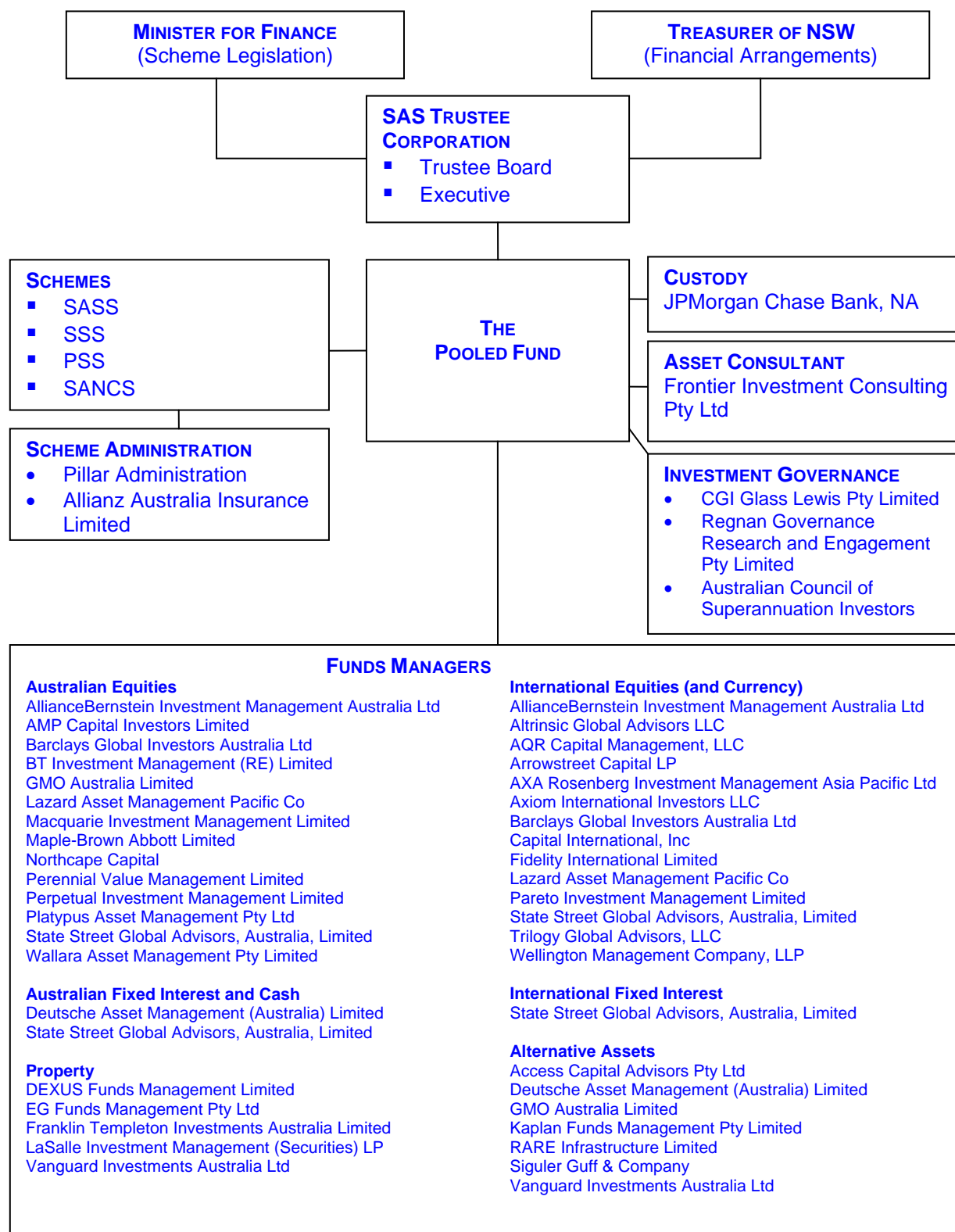
### **Karen Faulconbridge – General Manager, Member Services**

Ms Faulconbridge joined STC in March 2000 as Manager, Policy Advice. She took on the broader role of Operations Manager in July 2004 following a restructure of the Executive. Prior to her appointment to STC, she worked in the superannuation industry in the private and public sector for over 17 years. She is responsible for the management of operational areas, including administration and member communication.

### **Andrew Grice – General Manager, Finance**

Mr Grice is responsible for the accounting, actuarial and taxation functions within STC. He is a chartered accountant and has more than 10 years of superannuation work experience. Prior to joining STC, Mr Grice was an external auditor involved in the audit of several large entities, including superannuation funds.

# Organisational structure as at 30 June 2009





# Review of 2008-09

## 1. FUND SIZE

Net Asset Value	
Year end	\$b
30 June 2007	38.587
30 June 2008	34.214
30 June 2009	28.848

In the 2007 financial year, the Pooled Fund grew strongly as a result of significant transfers from the GGLMF and strong investment results. In the 2008 financial year, investment returns were poor, due mainly to world financial market reaction to the US sub-prime mortgage market collapse which resulted in a negative return for the Fund. The financial crisis continued to deepen in the first three quarters of the 2009 financial year resulting in continued volatility and negative returns. While investment returns improved in the final quarter of the 2009 financial year, the Pooled Fund recorded a negative return for the year overall. In addition to movements from investment returns, changes in the Net Asset Value reflect net outflows from contributions and benefit payments.

## 2. INVESTMENT OVERVIEW

### (a) Investment Returns

The returns based on declared rates for periods ending 30 June 2009 are below, together with earlier years. Median manager results are also shown.

Year End	Strategy			
	Growth %	Median %	Balanced* %	Median %
2005	13.0	13.3	11.6	11.4
2006	15.8	15.0	11.4	11.5
2007	14.9	15.5	11.6	12.2
2008	-7.2	-7.7	-3.2	-4.9
2009	-10.3	-13.3	-4.2	-8.2

### Compound returns

Years	Growth %	Median %	Balanced* %	Median %
2	-8.8	-10.7	-3.7	-7.2
3	-1.5	-3.0	1.2	-1.3
4	2.6	1.4	3.6	1.6
5	4.6	3.5	5.2	3.5
10	4.6	4.6	n/a	n/a

\*The Balanced Strategy was introduced in December 2003. Consequently, there are no declared returns for the 10 year period.

## Declared returns to 30 June 2009

Year End	Strategy		
	Conservative Growth** %	Median %	Cash** %
2005	9.3	9.3	4.9
2006	8.1	8.2	4.9
2007	8.9	9.1	5.4
2008	0.7	-0.9	6.1
2009	0.6	-3.0	4.7

### Compound returns

Years	Conservative Growth** %	Median %	Cash** %
2	0.6	-2.3	5.4
3	3.3	1.2	5.4
4	4.5	3.0	5.3
5	5.4	4.1	5.2
10	n/a	n/a	n/a

Note: All of the figures above are after allowance for tax and investment management expenses. Past returns are no guarantee of future returns.

\*\*The Conservative Growth and Cash strategies were introduced in December 2003. Consequently, there are no declared returns for the 10 year period.

Over the past two years, the asset allocation of the Pooled Fund has been altered to improve its defensive characteristics. This has been achieved by increasing the diversification of the assets, including a focus on unlisted assets such as infrastructure as well as a prudent balance between listed equity and sovereign fixed interest. This structure has enabled the Pooled Fund to perform better than most of its peers during the recent periods of extreme market volatility.

## Review of 2008-09 continued

### (b) Investment Objectives

For each of the available investment strategies, the following objectives are expressed as a margin above the rate of increase in the Consumer Price Index (CPI):

Strategy	Objective
	To exceed CPI plus
Growth	4.5% over 10 year periods
Balanced	3.0% over 7 year periods
Conservative Growth	2.0% over 4 year periods
Cash	1.5% over 3 year periods

In each case, the measured return is the declared rate of return after tax and after fees.

The Balanced Strategy has only been in existence for 5 years. Consequently, it is not yet able to be measured against its long term objective of 7 years.

The table below shows the returns for the Growth, Conservative Growth and Cash Strategies relative to their long term investment objectives as well as the performance to date for the Balanced Strategy.

#### Declared returns for the period ending 30 June 2009 against Objectives

Strategy	Period	Declared Return %pa	Objective %pa*
Growth	10 years	4.6	7.7
Balanced	5 years	5.2	5.9
Conservative Growth	4 years	4.5	5.0
Cash	3 years	5.4	5.4

\*CPI measured to 30 June 2009.

While the Cash strategy has performed in line with its long term objective, the negative returns, particularly from equity markets have meant that the Conservative Growth, Balanced and Growth Strategies have not met their long term objectives.

### (c) Asset Allocation

Set out below is the Strategic Asset Allocation as a percentage of Growth Assets and Defensive Assets for each investment strategy:

#### Strategic asset allocation for Investment Strategies for 2009/10

Strategy	Growth Assets %	Defensive Assets %
Growth	75.0%	25.0%
Balanced	50.0%	50.0%
Conservative Growth	29.0%	71.0%
Cash	0.0%	100.0%

The above proportions allocated to each strategy remain within a margin of plus or minus 5% of the percentages shown.

However, the allocations that make up these broader categories may change. The Fund's asset allocations are reviewed formally at least once a year and are constantly monitored throughout the year. The actual allocation at the end of the last two financial years is shown in the tables below.

#### Asset allocation as at 30 June

Sector	Growth		Balanced	
	2009 %	2008 %	2009 %	2008 %
Australian Shares	32.3	31.6	25.0	23.1
International Shares	26.1	25.3	18.3	17.0
Property	9.7	10.9	5.2	6.8
Alternative Assets*	12.8	11.2	4.7	3.6
Australian Fixed Interest	6.3	7.5	17.9	19.1
International Fixed Interest	4.7	7.5	9.8	19.1
Cash	8.1	6.0	19.1	11.3
	100.0	100.0	100.0	100.0

\*N.B. The Alternative Assets category comprises allocations to assets with growth and defensive characteristics.

## Review of 2008-09 continued

### Asset allocation as at 30 June

Sector	Conservative		Cash	
	Growth			
	2009 %	2008 %	2009 %	2008 %
Australian Shares	13.9	12.8		
International Shares	9.1	8.7		
Property	5.3	6.8		
Alternative Assets*	2.5	1.9		
Australian Fixed Interest	19.1	19.8		
International Fixed Interest	15.0	19.6		
Cash	35.1	30.4	100.0	100.0
	100.0	100.0	100.0	100.0

\***N.B.** The Alternative Assets category comprises allocations to assets with growth and defensive characteristics.

#### (d) Investment Expenses

Investment Management Expenses include fund management fees, asset consulting fees, custodial fees and the costs of managing the investment portfolio. These expenses are deducted from investment earnings before the declared rates are determined. The table below shows the level of investment expenses for the 2009 financial year.

Strategy	Investment expenses as % of Average Total Assets for year end 30 June 2009
Growth	0.33
Balanced	0.24
Conservative Growth	0.19
Cash	0.03

#### (e) Asset Consultant

The Trustee Board's investment consultant, Frontier Investment Consulting Pty Ltd, advises the Board on strategic asset allocation and fund manager selection.

#### (f) Investment Managers

All of the Pooled Fund's assets are managed by external fund managers who are appointed by the Trustee Board after receiving advice from the asset consultant. The performance of the various fund managers is monitored throughout the year and managers may be added or replaced.

The Fund's investment managers as at 30 June 2009 are set out on page 7 of this Report.

In the 2008 financial year, the Trustee Board resolved to terminate the appointment of New South Wales Treasury Corporation in respect of its Australian equities and international equities mandates which were managed as trusts. Subsequently, on the advice of its asset consultant, STC appointed some of the trusts' underlying managers and the transition from the New South Wales Treasury Corporation to the new managers was completed in the September quarter of 2008.

#### (g) Investment Policies

##### (i) Investment Reserves

The Trustee Board has determined that investment earnings will not be placed in an investment reserve. Consequently, all available investment earnings or losses, after providing for tax and investment expenses, are distributed to employers and members, based on a declared rate which is determined monthly.

Members exiting the Pooled Fund Schemes receive a daily interim rate applicable since the last monthly rate was determined.

## Review of 2008-09 continued

### (ii) Derivatives

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing the investment portfolio. During the year to 30 June 2009, the managers made limited use of derivatives, except for the passive rebalancing program which makes extensive use of index futures.

### (iii) Currency Hedging

STC's policies in regard to currency hedging as at 30 June 2009 are set out in the following table.

#### **Hedging policy**

International fixed interest	100% hedged into Australian dollars.
International equities	Specialist currency managers have been engaged to manage the currency exposure of international equities. During the year ended 30 June 2009, the level of hedging was able to vary from 0% up to 74.4%.
Other international assets and securities	100% hedged into Australian dollars.

### (iv) Master Custodian

The Trustee Board has appointed JPMorgan Chase Bank, NA, as master custodian to hold the Pooled Fund's assets. The master custodian also values the Fund daily and monitors each investment manager's daily activity to ensure compliance with their investment mandate.

### (v) Passive Rebalancing

The Pooled Fund passively rebalances the tradeable asset classes in the portfolio in a disciplined manner. Each day, after the portfolio is valued, the index manager, State Street Global Advisers, Australia, Limited reviews the asset allocation for each strategy. If a sector has deviated outside a set range relative to the target allocation, the manager reallocates funds between sectors to return allocations within the agreed range. This rebalancing process may involve the use of derivatives.

### (vi) Large Investments

During the year, there was no individual investment directly held by the Pooled Fund that exceeded 5% of the Fund's total investments.

## 3. ADMINISTRATION

### (a) Administration Services

During the year, the number of member telephone calls remained high, though lower than the levels experienced in 2007 and 2008 when the Better Super tax changes and scheme initiatives such as salary sacrifice were introduced. The number of calls from members concerning the poor investment returns during the year have been low.

During the 2008/09 financial year, major administration projects absorbed significant time and resources within both the STC Executive and the administrator, Pillar Administration.

## Review of 2008-09 continued

These were:

- *Implementation of Family Law Regulations:* In December 2008, the Scheme legislation was amended to provide for the immediate splitting of a member's benefit where a Family Court Order requires a portion of the member's benefit to be paid to their ex-spouse.
- *SASS Concurrent Investment Choice:* The STC Board approved the introduction of concurrent investment choice for SASS members. Implementation requires significant changes to the SASS computer system and all investment communication material.

### (b) Administration Expenses

STC administration expenses were well controlled for the year. Total administration expenses were \$34.1 million.

## 4. SCHEME MEMBERSHIP

The STC schemes are all closed to new members and total membership numbers are declining as shown in the table below.

Scheme Category	As at 30 June 2004	As at 30 June 2009	% Movement in 5 years
<b>Active members</b>			
SSS	31,151	19,938	(36%)
SASS	64,968	46,914	(28%)
PSS	4,143	2,357	(43%)
<b>Total</b>	<b>100,262</b>	<b>69,209</b>	<b>(31%)</b>
<b>Deferred members</b>			
SSS	4,638	3,575	(23%)
SASS	12,080	11,171	(8%)
PSS	202	170	(16%)
<b>Total</b>	<b>16,920</b>	<b>14,916</b>	<b>(12%)</b>
<b>Pensioners</b>			
SSS	36,872	44,501	21%
SASS	5,312	4,062	(24%)
PSS	5,096	6,347	25%
<b>Total</b>	<b>47,280</b>	<b>54,910</b>	<b>16%</b>
<b>TOTAL</b>	<b>164,462</b>	<b>139,035</b>	<b>(15%)</b>

Over the last five years, active membership has fallen by 31,053 (or 31%). Over the next five years, it is anticipated that active membership will continue to decline by about 6,000 per annum. Conversely, pensioner numbers are increasing primarily as a result of members in SSS reaching retirement age and taking a pension. Pensioner numbers are projected to peak at around 58,000 in approximately ten years. According to the 2006 STC Triennial review, while the total number of members in the STC schemes is declining, total annual lump sums payments from the Pooled Fund are not expected to peak until around 2017 and are expected to remain above \$1.5 billion per annum until 2027.

## 5. MEMBER SERVICES

### (a) Member Contacts

STC continues to provide a range of services to enable members to obtain information on the Schemes or their personal benefit entitlements.

The trends in members' use of these services are set out in the table below.

	30 June 2007	30 June 2008	30 June 2009
Telephone calls	141,532	142,448	127,235
Personal interviews	4,157	3,729	3,077
Seminar attendance	6,651	6,173	5,066
Correspondence			
- postal	4,967	5,595	4,881
- email	8,094	8,125	8,598

Telephone call volumes remain high even though total membership numbers continue to fall. Email correspondence is the preferred means of written communication, with a 5.8% increase in the year to 30 June 2009. In contrast, postal correspondence has reduced by 12.8% over the same period. This trend was supported by the Member survey which found that 76% of respondents would like to receive formal scheme information via email.

## Review of 2008-09 continued

### (b) SASS Member Investment Choice

Since December 2003, active and deferred SASS members have been able to choose from a range of four investment strategies for the accumulation part of their benefit. The table below illustrates the take up of these strategies.

	Account Balances	
	30 June 2008 \$m	30 June 2009 \$m
Growth	5,400	4,557
Balanced	97	100
Conservative Growth	47	75
Cash	71	274
<b>Total</b>	<b>5,615</b>	<b>5,006</b>

Overall, a small minority of SASS members have switched out of the Growth strategy (default strategy), with only 9% of total available funds invested in the other strategies.

Although volatile market conditions have persisted over the 2008-09 financial year, the level of switching has remained relatively low, albeit with a higher trend allocation to the Cash option.

The STC Board has approved further enhancements to the Member Investment Choice program through the planned introduction of concurrent choice for members. This will enable members to choose multiple options for their available funds rather than being restricted to choosing a single option at any one time for their entire balance. This initiative is scheduled to be implemented in early 2010.

### (c) Commonwealth Co-contributions

Eligible members of STC Schemes with taxable incomes of less than \$60,342 qualified for a Commonwealth Government Co-contribution payment in the 2009 financial year. Overall, around 18% of contributing members have received a Co-contribution payment.

### (d) Salary Sacrifice Contributions

The average member contributions made by salary sacrifice as at 30 June 2009, with a breakdown for each scheme, is shown in the following table.

#### Percentage of total contributions paid via Salary Sacrifice as at 30 June 2009

SASS	SSS	PSS
44.7%	67.8%	43.0%

### (e) Financial Planning Advice

During the year, STC maintained its 77.5% shareholding in State Super Financial Services Australia Limited (SSFS), which provides financial planning advice to members of the STC Schemes and their relatives.

STC is currently examining the advice model offered to its members. This examination has been underway for some time and has highlighted that the services currently offered may not meet all requirements of the entire STC member base. Accordingly, STC may consider introducing additional services and upgraded access to information to provide STC members with greater choice and access to meet their needs.

## 6. PERSONNEL CHANGES

At 30 June 2009, STC employed 22 staff. There was very low turnover with only one departure and two new employees over the financial year.

Over the financial year, the search process for the role of STC CEO was finalised with the appointment of Mr Chris Durack in February 2009.

STC continues its staff training program, which is aimed at ensuring that relevant staff maintain up to date knowledge on superannuation issues and maintain competency levels to at least ASIC's RG 146 requirements.

During the year, STC staff were again offered the opportunity to have influenza immunizations and 14 staff accepted.

## Review of 2008-09 continued

### 7. STC'S OBJECTIVES AND ACHIEVEMENTS FOR 2008-09

The objectives for the 2008-09 year are set out below along with a summary of actions taken in pursuing these objectives.

- (a) *Achieve the long term "investment return objectives" of the Pooled Fund within an appropriate risk profile.*

The return objective of the Pooled Fund Growth Strategy is to achieve a return, after tax and fees, which exceeds the increase in the Consumer Price Index plus 4.5% per annum over ten year periods. For the ten year period ending 30 June 2009, the return achieved was 4.6% per annum which fell short of its target of 7.7% per annum. The underperformance was due to extremely volatile market conditions which have persisted over the most recent two year period as a result of the global financial crisis.

During the year, STC implemented a number of investment initiatives, including:

- The commencement of a strategy to invest in global credit and inflation linked securities;
- Continued development and diversification of unlisted asset exposure; and
- An increased focus on identifying relative value opportunities in markets on a medium term outlook basis.

STC has continued to increase the diversification in the Pooled Fund, both in asset sectors and management styles with the objective of improving the overall risk/return characteristics of portfolios.

- (b) *Provide efficient management of outsourced contracts.*

In order to efficiently manage its outsourced contracts, STC maintains strong working relationships with its key service providers namely its administrator, Pillar Administration, its master custodian, JPMorgan Chase, its Actuary, Mercer, its Asset Consultant, Frontier and its investment managers.

Over the past year, STC and the Administrator have worked closely on a number of key initiatives including the planned introduction of concurrent investment choice for SASS members, the implementation of the NSW Family Law Regulations, as well as the automation of key administrative processes.

STC continues to work with the master custodian and investment managers to ensure service standards are delivered in line with updated requirements.

- (c) *Provide relevant quality services to members on a cost effective basis.*

STC provides the following services to members:

- Access to information on their benefit entitlements via:
  - annual statements;
  - a website, providing both general information on the Schemes and secure access to a member's details;
  - seminars targeted at members approaching retirement. These are run in both metropolitan and regional centres and have been very well attended;
  - personal interviews;
  - Fact Sheets on the Schemes' Rules. These are available on the website or alternatively from Customer Service;
  - SuperViews, which is a quarterly newsletter distributed to employers and unions;
  - information in selected union publications.
- Web based Salary Sacrifice calculators.
- Access to Pillar Contact Centre.



## Review of 2008-09 continued

During the year, the continued high level of calls to the telephone contact centre and attendances at STC's pre-retirement seminars reflected a continued upward trend in interest in superannuation issues among STC's membership.

STC also conducted a survey of its membership over the financial year to give members the opportunity to provide feedback to the Trustee on:

- the services and information that they value;
- their perception of their scheme;
- their requirements for advice services.

A total of 2,096 members participated in the online survey and 319 members responded in the telephone survey.

The main findings were:

Service	% of respondents who used service
Website	65%
Call Centre	38%
Personal Interview	23%
Written letter	11%
E-mail member services	24%

- Overall satisfaction with member services is high:
  - 94% of SSS respondents were satisfied
  - 90% of SASS respondents were satisfied
  - 91% of PSS respondents were satisfied.
- 98% of SASS members and 96% of SSS members rated their attendance at a State Super Retirement Preparation Seminar as valuable.
- 78% of respondents access the internet daily.
- 39% of respondents always go to the State Super website first for information.
- 76% of respondents would like to receive formal scheme information via email.

- 43% had sought financial planning advice in the last two years.
- 90% of respondents planned to retire in the next 10 years.

*(d) Maintain strong working relationships with key stakeholders.*

STC continues to work with both Treasury and Department of Premier and Cabinet on key superannuation issues, as well as other legislative changes. STC also continues to maintain close working relationships with its key service providers.

*(e) Operate in accordance with "good practice" governance principles.*

Although the STC Schemes are technically "exempt" from Commonwealth superannuation regulatory requirements, STC endeavours to comply with appropriate Commonwealth legislation and implements and observes rigorous governance and compliance procedures. STC carries out regular reviews of its various policies and plans. During the year, STC conducted a full risk review resulting in a substantial upgrade of its Risk Management Statement and Plan.



# Corporate Governance

## Compliance Framework

STC's formal compliance framework has been in operation since late 2005 and the Plans and Policies are documented. The Trustee Board receives ongoing reporting and actively participates in the monitoring process to ensure the adequacy of the Plans and Policies.

Plans and Policies are reviewed on a two year rolling basis or sooner if required by legislation.

STC's compliance requirements include:

- Policies and Plans that are required by NSW legislation for public sector agencies to develop and maintain;
- Plans and Statements that comply with APRA and ASIC requirements for regulated and licensed superannuation trustees. STC conforms with the spirit of the Commonwealth regime to ensure best practice;
- A comprehensive compliance checklist that identifies all STC's legislative (both Commonwealth and NSW) and contractual obligations is completed quarterly and annually and the results are reported to STC's Risk, Audit and Compliance Committee;
- Formal annual verification is obtained from STC's outsourced service providers confirming that they have complied with their contractual and legislative obligations during the year in relation to their services to STC;
- Periodic audits of a number of STC's Plans and Policies are undertaken to ensure compliance with best practice measures.

During the year, the Executive undertook an extensive review of its risk management framework. The revised risk management documentation has been approved by the Trustee.

## Prudential Governance

STC Schemes are exempt public sector superannuation schemes under the Commonwealth *Superannuation Industry (Supervision) Act 1993* (SIS). The SIS legislation treats exempt public sector superannuation schemes as complying funds for concessional taxation and superannuation guarantee purposes.

In May 1996, the NSW Premier and the Commonwealth Treasurer signed a Heads of Government Agreement under which the New South Wales Government undertakes to ensure that STC Schemes conform with the principles of the Commonwealth Government's Retirement Incomes Policy relating to preservation, vesting, reporting to members, and adequate protection of members' benefits.

The *Superannuation Administration Act 1996* enables the New South Wales Government to prudentially monitor and audit the STC Schemes and Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Retirement Incomes Policy.

## Investment Governance

The Trustee Board has formally adopted a Proxy Voting Policy in relation to its Australian shareholdings. This policy acknowledges that, in view of the limitation of STC's investment powers contained in the *Superannuation Administration Act 1996*, STC must delegate the voting function to its active Australian equities managers. Under the policy, managers are required to:

- vote on resolutions at all meetings;
- lodge a copy of their voting policy with STC at least annually;
- report quarterly to STC on how they voted;
- where required, explain the reasons for the way they voted; and
- consult with STC when a potentially sensitive or controversial issue arises.

## 5 years at a glance – to 30 June

<b>Member statistics</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Active Members — SASS	60,776	57,168	53,776	50,194	46,914
Active Members — SSS	28,593	26,614	24,419	22,033	19,938
Active Members — PSS	3,706	3,280	2,923	2,597	2,357
<b>Total active members</b>	<b>93,075</b>	<b>87,062</b>	<b>81,118</b>	<b>74,824</b>	<b>69,209</b>
Pensioners — SASS	5,012	4,569	4,381	4,233	4,062
Pensioners — SSS	38,548	39,795	41,151	42,596	44,501
Pensioners — PSS	5,377	5,697	5,880	5,994	6,347
<b>Total pensioners</b>	<b>48,937</b>	<b>50,061</b>	<b>51,412</b>	<b>52,823</b>	<b>54,910</b>
Deferred Benefits — SASS	11,843	11,809	11,549	11,311	11,171
Deferred Benefits — SSS	4,539	4,347	4,161	3,831	3,575
Deferred Benefits — PSS	192	179	174	170	170
<b>Total deferred benefits</b>	<b>16,574</b>	<b>16,335</b>	<b>15,884</b>	<b>15,312</b>	<b>14,916</b>
<b>Gender ratios – active members</b>					
Females — SASS	53%	52%	52%	52%	52%
Males — SASS	47%	48%	48%	48%	48%
Females — SSS	33%	33%	33%	34%	34%
Males — SSS	67%	67%	67%	66%	66%
Females — PSS	11%	11%	11%	11%	12%
Males — PSS	89%	89%	89%	89%	88%
<b>Contributions — \$M</b>					
Employer contributions	332	274	262	229	174
Employee contributions	494	507	516	564	546
Crown Contribution	-	-	7,176	902	978
<b>Total contributions</b>	<b>826</b>	<b>781</b>	<b>7,954</b>	<b>1,695</b>	<b>1,698</b>
<b>Benefits Paid - \$M</b>	<b>2,398</b>	<b>2,458</b>	<b>2,759</b>	<b>3,075</b>	<b>3,021</b>
<b>Net Contributions - \$M</b>	<b>-1,572</b>	<b>-1,677</b>	<b>5,195</b>	<b>-1,380</b>	<b>-1,323</b>
<b>Investment Revenue - \$M</b>	<b>3,354</b>	<b>4,372</b>	<b>4,941</b>	<b>-3,062</b>	<b>-4,129</b>
<b>Assets/Liabilities — \$M</b>					
Accrued Benefits — SASS	10,566	11,600	12,705	12,334	11,719
Net assets to pay benefits	6,105	8,590	9,282	8,590	7,854
Over/under funding	-4,461	-3,010	-3,423	-3,744	-3,865
Accrued Benefits — SSS	26,203	26,143	27,384	28,157	27,875
Net assets to pay benefits	18,409	17,881	24,031	20,975	17,214
Over/under funding	-7,794	-8,262	-3,353	-7,182	-10,661
Accrued Benefits — PSS	5,065	5,673	5,807	6,038	6,158
Net assets to pay benefits	1,020	963	4,107	3,463	2,750
Over/under funding	-4,045	-4,710	-1,700	-2,575	-3,408
Accrued Benefits — SANCS	2,231	2,354	2,531	2,564	2,483
Net assets to pay benefits	366	1,144	1,168	1,186	1,030
Over/under funding	-1,865	-1,210	-1,363	-1,378	-1,453
<b>Total Accrued Benefits \$M</b>	<b>44,065</b>	<b>45,770</b>	<b>48,427</b>	<b>49,093</b>	<b>48,235</b>
<b>Total Net assets to pay benefits</b>	<b>25,900</b>	<b>28,578</b>	<b>38,588</b>	<b>34,214</b>	<b>28,848</b>
<b>Total Over/under funding</b>	<b>-18,165</b>	<b>-17,192</b>	<b>-9,839</b>	<b>-14,879</b>	<b>-19,387</b>
<b>Total Investments - \$M</b>	<b>25,980</b>	<b>28,699</b>	<b>38,938</b>	<b>34,364</b>	<b>29,109</b>
<b>Net Returns – 1 year</b>	<b>13.0%</b>	<b>15.8%</b>	<b>14.9%</b>	<b>-7.2%</b>	<b>-10.3</b>



## **PART B**

### **SAS Trustee Corporation Statutory Information**

## SAS Trustee Corporation Statutory Information

The following information is provided in accordance with the *Annual Reports (Statutory Bodies) Regulation 2005*.

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**Note: The SAS Trustee Corporation has been granted an exemption by the New South Wales Treasury Corporation from including an outline budget for the following year.**

## Trustee Board membership and frequency of meetings

The Trustee Board consists of a chairperson, four employer representatives and four employee representatives (nominated by the Unions NSW). All Board members are appointed by the Minister on a part-time basis except for one employee representative who is full-time.

Trustee Board membership and the current term of appointment for each member are listed in the table below.

	Appointed	Termination date
<b>Chairperson</b>		
Dr D Russell	1 Jan 2008	31 Dec 2012
<b>Employer Representatives</b>		
Mr I Blair	1 Sep 1998	31 May 2010
Mr P Scully	1 Feb 2004	31 Jan 2010
Mr M Lambert	1 Feb 2004	31 Jan 2010
Ms A De Salis	1 Feb 2006	31 Jan 2012
<b>Employee Representatives</b>		
Mr R Davis	1 Jul 1996	31 Dec 2009
Mr R Harty	1 Jan 2002	31 Aug 2010
Ms M O'Halloran	1 Sep 2002	31 Aug 2010
Mr N Lewocki	1 Sep 1998	31 Aug 2010

The Trustee Board generally meets on a monthly basis. Nine meetings were held during the period from 1 July 2008 to 30 June 2009. In early 2009, the Board dispensed with having separate Investment Committee meetings and now deals with investment business items as part of the Board meeting agenda.

In line with the requirements of the *Annual Reports (Statutory Bodies) Act 1984*, Board meeting attendance during the reporting year is notified as follows:

	Meetings attended	Possible attendance*
<b>Chairperson</b>		
Dr D Russell	9	9
<b>Employer Representatives</b>		
Mr I Blair	8	9
Mr P Scully	8	9
Mr M Lambert	7	9
Ms A De Salis	9	9

	Meetings attended	Possible attendance*
<b>Employee Representatives</b>		
Mr R Davis	9	9
Mr R Harty	9	9
Ms M O'Halloran	8	9
Mr N Lewocki	8	9

\*Includes a Board planning meeting.

## Trustee Board Committees

The Committees and details of their functions and membership at 30 June 2009 are outlined below:

### Actuarial Committee

#### Members

Messrs Scully (chairperson), Davis, Harty and Lambert; Dr Russell is an ex officio member; also attended by members of the Executive and the Scheme Actuary.

#### Role

- To issue tasks and projects to the Scheme Actuary and monitor their progress;
- to monitor the progress of the triennial review of the Pooled Fund;
- to conduct a tender, select and appoint a Scheme Actuary (when necessary);
- to monitor the performance of the Scheme Actuary against their contractual requirements;
- to monitor the compliance of the administrator in relation to actuarial requirements;
- to monitor any asset/liability matching issues that might affect the Fund's investment strategies; and
- to identify any special projects that may require actuarial investigation and direct those projects as required.

## Trustee Board Committees continued

### Risk, Audit and Compliance Committee

#### Members

Messrs Blair (chairperson) and Davis, Mses De Salis and O'Halloran; Dr Russell is an ex officio member; also attended by members of the Executive, the Audit Office of New South Wales and Pillar Administration.

#### Role

- To monitor and recommend ways of improving the effectiveness of STC's risk management and compliance system and ensure this is well documented;
- to assist the Board in promoting a culture of compliance within STC;
- to determine the timetable for the completion of the annual statutory accounts of STC and the Pooled Fund;
- to review and report on the annual statutory accounts and management accounts;
- to ensure that the external auditor is invited to attend each meeting and has the opportunity to address the Committee in camera;
- to review the fees, effectiveness and independence of the external auditor and investigate any disputes between STC management and the external auditor;
- to review and report on the scope of the audit functions performed for the Administrator and Custodian;
- to review industry accounting changes;
- to monitor and report annually on internal management processes of STC and service providers, statutory compliance issues, third party contractual compliance issues, 'best practice' standards as determined by the relevant industry bodies and the risk management policies and processes of STC; and
- to oversee the Anti-Money Laundering and Counter-Terrorism Financing Program.

### Disputes Committee

#### Members

Messrs Lewocki (chairperson), Davis and Blair and Ms De Salis; Dr Russell is an ex officio member; also attended by members of the Executive and invited visitors.

#### Role

- To consider and make recommendations on disputes received from persons under section 67 of the *Superannuation Administration Act 1996* (the Act);
- to monitor and authorise settlement of appeals under s85 of the Act and report to the Trustee Board; and
- to monitor death and disability benefit decisions made by the administrator; and appoint and review medical consultants.

### Member Services Committee

#### Members

Messrs Harty (chairperson), Davis, Scully and Lambert; Dr Russell is an ex officio member; also attended by members of the Executive and invited visitors.

#### Role

- To review and monitor the performance of the Administrators (Pillar Administration and Allianz), including benchmarking,
- to review and make recommendations to the Board on administration contractual issues, such as Key Performance Indicators, contract amendments, other administration issues affecting the fund, and STC Schemes' Policies, and
- to review and monitor the performance of providers of advice services to STC scheme members.

# Trustee Board

## Committees continued

### Investment Committee\*

#### Members

Dr Russell (chairperson), Messrs Blair, Davis, Harty, Lambert, Lewocki and Scully, and Ms De Salis and O'Halloran; also attended by members of the Executive and investment advisers and invited managers.

#### Role

- To review investment portfolio objectives and strategies of the Pooled Fund, the asset allocation for each investment strategy and to appoint, review the performance of and terminate the Fund's asset consultant, investment managers and custodian (as necessary); and
- to review the Fund's investment portfolio results, monitor the reporting arrangements of investment managers and monitor and deal with breaches of investment mandates; and monitor investment governance issues.

*\*The Investment Committee was discontinued in March 2009 at which time the functions of the Committee were absorbed by the Trustee Board.*

### Remuneration Committee

#### Members

Dr Russell (chairperson), Messrs Blair and Harty (also attended by invitation by the Chief Executive Officer of STC).

#### Role

- To review the salary structure of the Executive of STC;
- to determine the salary structure of the contract staff and the Chief Executive having regard to appropriate benchmarks; and
- to review the performance of the Chief Executive Officer.

### Statutory Committee — Police Superannuation Advisory Committee

The Committee is a statutory committee established under Part 2H of the *Police Regulation (Superannuation) Act 1906* to exercise certain powers delegated by the Trustee Board.

#### Members

Ms O'Halloran as nominee of STC.

Other members are the chairperson appointed by the Minister, three nominees of the Police Association of New South Wales, a nominee of the Commissioned Officers' Branch of the Police Association of New South Wales, a nominee of WorkCover NSW and a nominee of the Minister for Police.

#### Functions

- To determine entitlement to medical discharge for members of the NSW Police Force, and entitlement to 'hurt on duty' pension increases and other benefits under the Police Superannuation Scheme and
- to advise STC on such matters relating to the *Police Regulation (Superannuation) Act 1906*.

## Trustee Board member attendance at STC Committee meetings

	Meetings Attended	Possible Attendance
<b>Actuarial Committee</b>		
P Scully ( <i>Chair</i> )	4	4
R Davis	3	4
M Lambert	3	4
R Harty	4	4

### Risk, Audit and Compliance Committee

I Blair ( <i>Chair</i> )	4	4
R Davis	4	4
M O'Halloran	3	4
A De Salis	4	4
D Russell*	1	1
M Lambert*	1	1

\*Attended for special agenda item in May 2009

### Disputes Committee

N Lewocki ( <i>Chair</i> )	7	7
R Davis	7	7
A De Salis	7	7
I Blair	3	4
P Scully*	3	3

\*Deputy for Ms De Salis and Mr Blair

### Member Services Committee

R Harty ( <i>Chair</i> )	4	4
R Davis	4	4
M Lambert	4	4
P Scully	4	4
A De Salis*	1	1

\*Attended as a non member

### Investment Committee (1 Jul 08 – 28 Feb 09)

D Russell ( <i>Chair</i> )	4	4
I Blair	4	4
R Davis	4	4
A De Salis	4	4
R Harty	4	4
M Lambert	4	4
N Lewocki	3	4
M O'Halloran	3	4
P Scully	3	4

	Meetings Attended	Possible Attendance
<b>Remuneration Committee</b>		
D Russell ( <i>Chair</i> )	4	4
I Blair	4	4
R Harty	4	4
<b>Police Superannuation Advisory Committee</b>		
R Davis ( <i>Chair</i> )	12	12
M O'Halloran	3	4
R Harty*	8	8

\*Deputy for Ms O'Halloran

## Codes of conduct

The *Codes of Conduct and Ethics* for the Board members and Executive (the Codes) are periodically reviewed against policies and guidelines released by the NSW Government and various industry bodies.

The Codes of Conduct and Ethics were amended in March 2009 in order to comply with the introduction of NSW Government Lobbyist Code of Conduct. The Codes are available on the State Super website at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au).

## Overseas visits

Between the 12<sup>th</sup> and 14<sup>th</sup> of November 2008, four Board members and three Executive Staff attended the Association of Superannuation Funds of Australia Limited conference in Auckland, New Zealand.



## Human resource management

Following the proclamation of the *Public Sector Employment Legislation Amendment Act 2006 (NSW)*, all executive staff are employed by the SAS Trustee Corporation Division of the Government Service of NSW.

The administration of payroll and human resource services are provided by Pillar Administration. The table below shows the STC Executive, male, female and total staff numbers by salary band at 30 June 2009.

Salary Range	Men	Women	Total staff
< \$30,146	0	0	0
\$30,146 - \$39,592	0	0	0
\$39,593 - \$44,264	0	0	0
\$44,265 - \$56,012	0	1	1
\$56,013 - \$72,434	0	3	3
\$72,435 - \$90,543	2	3	5
> \$90,543 (non SES)	7	6	13
<b>Totals</b>	<b>9</b> 41%	<b>13</b> 59%	<b>22</b>

### **Senior Executive Service (SES)**

STC employed one SES officer, the Acting CEO, Ms Lyn Collingridge, at Grade 5 level during the period of 1 January 2008 to 8 February 2009.

During the year, the staff of the Executive achieved a number of significant goals agreed at the start of the year with the Trustee Board. These are detailed in the "Review of 2008-09" section within this Report.

### **Salary movement**

Salaries for contract staff are reviewed annually as part of a formal performance appraisal system. Award staff are covered under the *Crown Employees (Public Sector — Salaries June 2002) Award*. Salary movement for all staff during the year was in line with NSW Government salaries policy.

### **Industrial relations**

The Public Service Association of New South Wales provided industrial coverage for staff of the Executive. No time was lost during 2008-09 through industrial action.

### **Training and development**

The Trustee recognises the need for the ongoing development of staff and has developed a training program to enable all appropriate staff to meet ASIC's RG 146 training requirements. In addition, staff may attend training designed by external providers and they keep up-to-date with changes in the superannuation industry by attending seminars, short courses and conferences.

### **Occupational health and safety**

During the reporting period, the STC had one work related injury and did not have any illnesses, or prosecutions under the *Occupational Health and Safety Act 2000*.

# Equal Employment Opportunity (EEO) policy

STC is an equal opportunity employer that has integrated EEO practices into all areas of the workplace, thereby creating an environment where staff are valued and have the opportunity to contribute and develop. The merit principle is applied to all recruitment, selection, promotion, training and other employment related opportunities. EEO data is requested from all STC staff on commencement of employment.

**Table A: Trends in the Representation of EEO Groups<sup>1</sup>**

EEO GROUP	Bench mark or target	2006-09 % of total staff <sup>2</sup>			
		06	07	08	09
Women	50%	62	59	57	57
Aboriginal people and Torres Strait Islanders	2%	0	0	0	0
People whose first language was not English	19%	24	26	22	23
People with a disability	12%	0	0	0	0
People with a disability requiring work related adjustment	7%	0	0	0	0

**Table B: Trends in the Distribution of EEO groups**

EEO GROUP	Bench mark or target	2006-09 Distribution Index <sup>3</sup>			
		06	07	08	09
Women	100%	N/A	N/A	N/A	N/A
Aboriginal people and Torres Strait Islanders	100%	N/A	N/A	N/A	N/A
People whose first language was not English	100%	N/A	N/A	N/A	N/A
People with a disability	100%	N/A	N/A	N/A	N/A
People with a disability requiring work related adjustment	100%	N/A	N/A	N/A	N/A

## Notes for Tables A and B

1. Staff numbers as at 30 June 2009.
2. Excludes casual employees.
3. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by Employment Equity Diversity Branch, Department of Premier and Cabinet. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

## Action plan for women

The NSW Government has initiated an action plan for women focussing on:

- reducing violence against women;
- promoting equitable and safe workplaces for women;
- maximising interests of women in economic reforms;
- promoting the position of women in society;
- promoting access to and successful outcomes for women in education and training; and
- improving health and quality of life for women in NSW.

STC recognises these considerations in its corporate planning and policy development and supports these initiatives.

STC appreciates the importance of women in the workforce and the increasingly crucial role superannuation plays for women both during their working lives and in retirement.

Other parts of this Annual Report show the number of women and levels of representation on the Trustee Board and on the Executive staff. The figures reflect the high recognition by STC to the valuable contributions that are made by women in the field of superannuation.

The Executive recruitment program ensures women applying for a position at STC are considered on merit for senior positions for which they are qualified.

## Ethnic Affairs Priorities Statement

STC is committed to the principles outlined in the *Community Relations Commission and Principles of Multiculturalism Act 2000 (NSW)* and ensures that delivery of services by the Trustee to members of the STC Schemes responds to the culturally and linguistically diverse groups of members and their special needs.

STC has developed an *Ethnic Affairs Priorities Statement* for the purpose of addressing the needs of the Schemes' culturally diverse membership and aims to improve STC's management and delivery of services.

An ongoing strategy is to arrange, at a member's request, for any Scheme communication material to be translated by accredited interpreters into languages other than English at no cost to members. Interpreter services may also be provided for members for whom English is not their first language. During the year, STC had no requests for any of the member communication materials to be translated to another language. With respect to interpreter services, the Administrator received a number of requests over the course of the year from members requiring interpreters while on a phone call and also during member interviews.

To ensure members are provided with an opportunity to access the services offered by STC, consideration is given to a member's location within the state when developing a communication strategy for the coming year. Member education seminars are conducted in Sydney as well as other areas outside the metropolitan region. The Trustee aims to reach a wider range of members by adopting this strategy as it is recognised that not all members have the ability to travel in order to receive these services.

In addition, STC promotes the employment of culturally and linguistically diverse people in the office of the Executive. All employees are made aware, on appointment, of STC's commitment to the Ethnic Affairs Priority Statement. The Staff Code of Conduct and Ethics, signed annually by all employees, reinforces this commitment.

## Disability plan

STC has developed a *Disability Plan* as part of a whole-of-government disability framework. The administrator of the STC Schemes, Pillar Administration, also has a *Disability Plan* which covers the Fund's members.

STC ensures that clients with disabilities can access facilities, including requiring the Fund's property manager to pursue building access for people with disabilities. STC also ensures that people with disabilities are considered for employment with the Executive and are given training and development opportunities to suit their needs.

STC last revised its *Disability Plan* in January 2007 taking into consideration the guidelines issued by the NSW Ageing and Disability Department to update the Plan in line with current standards. Another review of the Plan is scheduled to be conducted in late 2009.

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## Freedom of information

All enquiries and requests under the *Freedom of Information Act 1989* (the Act) for the period 1 July 2008 to 30 June 2009 were handled on behalf of STC by the scheme administrator, Pillar Administration (Pillar). Statistical information for FOI requests is contained in Pillar's annual report.

In accordance with section 14(1)(a) of the Act, an up to date *Statement of Affairs* is published as at 30 June 2009 as part of this Annual Report.

In accordance with s14(1)(b) of the Act, a *Summary of Affairs* was published in the Gazette in December 2008 and June 2009 and is published as part of this Annual Report.

The Summary and Statement are also available on the STC website at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au).

## Privacy and use of member information

As a NSW Government body, STC must comply with relevant legislation, including the *Privacy and Personal Information Protection Act 1998* (the Privacy Act) and the *Health Records and Information Privacy Act 2002* (HRIP Act).

STC has developed a *Privacy Management Plan* (Plan) and, with the assistance of the scheme administrators, has implemented the policies and procedures set out in the Plan. A Privacy Statement is available to members which explains how STC deals with members' personal and health information collected and used in the course of administering the Schemes.

The Privacy Statement details the action to be taken to ensure compliance with the requirements of the Privacy and HRIP Acts and is available both on request and on the State Super website at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)

During the year, STC reviewed its Privacy Management Plan and revised the Privacy Statement. Another review of the Plan is scheduled during late 2009.

During the year, the Administrator received two privacy complaints. The affected members were sent an apology letter and no further action was required.

## Consumer response — disputes and appeals

The superannuation schemes administered by the STC provide a two stage system of review of any decision made by the delegate of STC that is not in favour of the member. Firstly, determination of a dispute by a committee of STC (the STC Disputes Committee) and, secondly, appeal to the Industrial Court of NSW.

At 30 June 2008, 23 disputes were current. During the year ending 30 June 2009, the

Trustee Corporation received 46 new disputes and 56 disputes were concluded (including disputes carried over from the previous year).

Of those disputes:

- 19 were determined in favour of the disputant;
- 14 were determined against the disputant; and
- 23 were withdrawn.

At the end of the reporting year, 13 disputes were current.

Appeals to the Industrial Court from the STC Disputes Committee determinations resulted as follows:

- 4 were decided in favour of the appellant;
- 6 were decided against the appellant;
- 1 was settled; and
- 2 were withdrawn or discontinued.

At the end of the reporting year, 6 appeals remained to be concluded.

The Police Superannuation Scheme provides for appeals in respect of hurt on duty related matters to the District Court of NSW from decisions of:

- the Police Superannuation Advisory Committee (PSAC), as delegate of the Trustee Corporation on entitlements to pension increases; and
- Allianz Insurance Australia Limited, as delegate of the Trustee Corporation on entitlements to lump sum payments for duty related permanent impairments.

During the financial year 2008-09, these appeals resulted as follows:

	PSAC	Allianz
Decided against the appellant	12	0
Decided in favour of the appellant	5	2
Withdrawn or discontinued	6	3
Settled	28	16
Outstanding at the end of the reporting year	36	18

## Risk management and insurance

### **Risk, Audit and Compliance Committee**

STC's Risk, Audit and Compliance Committee comprises members of the Trustee Board and its meetings are also attended by representatives of the NSW Audit Office and the primary scheme administrator, Pillar Administration.

The primary objective of the Risk, Audit and Compliance Committee is to advise and assist the Trustee Board on matters relating to auditing, risk management and compliance issues, taking into account best practice principles. In particular, the Committee assists with:

- monitoring and recommending ways of improving the effectiveness of STC's risk management and compliance systems;
- ensuring that STC's risk management and compliance system is adequately documented and that documentation is reviewed and updated as necessary to reflect changes in regulatory requirements;
- the Board in promoting a culture of compliance within STC;
- the annual statutory accounts, including determining the timeframe for completion of the accounts to meet regulatory requirements;
- monitoring STC management accounts against budget and reporting to the Trustee Board;
- the external auditor functions, including the review of fees, effectiveness and independence of the external auditor;
- the functions performed by the internal auditor for the administrator and custodian and the relevant internal audit reports;
- industry accounting changes;
- the internal processes of the Executive and the service providers;
- statutory, third party and contract compliance; and

- the overseeing of the Anti-Money Laundering and Counter-Terrorism Financing Program.

The Risk, Audit and Compliance Committee oversees and appraises the audits conducted by the administrator's internal auditor and the external auditor and serves as an independent and objective party to review the financial information presented by management to members, regulators and the NSW Government. The Risk, Audit and Compliance Committee also provides the external auditor with the opportunity to address the Committee without any other attendees being present.

Following a review of the Trustee's risk management framework in early 2009, the name of the Committee (formerly the Audit and Compliance Committee) was changed to include "Risk" to reflect the importance placed by the Board on risk management. The charter of the Committee is also being amended to better reflect the higher profile of risk management.

### **Insurance**

During the financial year 2008-09, insurance for STC was continued with the NSW Self Insurance Corporation (SI Corp), which covers all the NSW Government's insurable risks. SI Corp provides unlimited cover for the following classes of risk:

- workers' compensation;
- property (full replacement, new for old, including consequential loss);
- liability (including, but not limited to, professional indemnity, directors' and officers' liability); and
- miscellaneous (e.g. personal accident and protection for overseas travel).

## Statement of Affairs of the SAS Trustee Corporation pursuant to section 14(1)(a) and (3) of the Freedom of Information Act 1989 at 30 June 2009

Under the *Freedom of Information Act 1989 (NSW)*, each New South Wales Government department or agency is required to publish an annual Statement of Affairs. The Statement describes the structure and functions of the agency and lists the categories of documents held by the agency. The following information satisfies the legislative requirements of the Act.

### Structure and functions

SAS Trustee Corporation (STC) is the trustee of the NSW public sector superannuation schemes listed below. The structure of the Trustee Board and its Executive and the principal functions of STC are set out in STC's Annual Report.

### Effect of functions on members of the public

The functions of STC affect only those members of the public who are NSW public sector employees and who are members of at least one of the following STC superannuation schemes:

- State Superannuation Scheme,
- State Authorities Superannuation Scheme,
- State Authorities Non-contributory Superannuation Scheme, and
- Police Superannuation Scheme.

### Public participation in policy and exercise of functions

Public sector employees who are members of a superannuation scheme mentioned above can participate in the policy and exercise of functions of STC through their member representatives on the Trustee Board.

In keeping with the principles of good corporate governance, and because of the complexity of the statutory and regulatory environment in which STC operates, a number of Trustee Board committees assist STC in the performance of its functions. These committees are identified in STC's Annual Report, together with details of their membership and role.

STC and its Executive also consult with the Department of Premier and Cabinet and NSW Treasury in the formulation and development of scheme policy.

### Policy documents held

The following documents are available for inspection for a fee of \$30:

- *Policy Register* for each of the STC schemes — these contain guidelines for implementing the rules contained in the scheme legislation;
- *STC Ethnic Affairs Priority Statement* — this shows how STC addresses the needs of a culturally and linguistically diverse society;
- *STC Disability Action Plan* — this outlines how STC addresses the needs of disabled staff members as well as members of the public who have recourse to its services; and
- *STC Equal Employment Opportunity Management Plan* — this outlines how STC addresses EEO employment guidelines as applied in the STC workplace.

The following documents are available upon request or through the State Super website at no cost:

- *Codes of Conduct* for the Board and the Executive — these contain a description of the principles of conduct under which Trustee Board members and Executive staff must conduct themselves in the performance of their functions; and
- *STC Privacy Statement* — the Statement outlines procedures STC has in place to ensure compliance with the *Privacy and Personal Information Protection Act 1998 (NSW)* and the *Health Records Information Privacy Act 2002 (NSW)*.

### Arrangements and procedures for access to documents or amendment of member records

STC has outsourced the function of providing access to documents and amending member records to the primary scheme administrator, Pillar Administration.

Member records are held on behalf of STC by the scheme administrators, Pillar Administration and Allianz Australian Insurance Limited, and contain information about individual scheme members required for the administration of the superannuation schemes. The information relates to personal details, employment history, contributions and benefits paid to a member or other person in respect of a member and general correspondence about the superannuation entitlements. Member records are held on computer and microfiche.



## Statement of Affairs continued

A scheme member may contact the Freedom of Information Co-ordinator if they wish to view or correct any personal information about them held by a scheme administrator. Requests to amend personal information may directly affect contributions or benefits payable under the scheme, therefore the scheme administrator may require proof of the amended information.

By law, applications must be processed within 21 days. This time limit may be extended in special circumstances, for example, if there is a need to consult a third party. If this is the case, the applicant will be advised in writing.

An application fee of \$30 will apply for inspection of documents and access to personal records. A 50% reduction may apply if the applicant can demonstrate financial hardship. The Freedom of Information Co-ordinator can advise the correct fee in any particular case. Amendment of records is done free of charge.

In addition to the application fee, an applicant seeking access to personal documents is given the first 20 hours processing time free. However, if the application is not for personal documents or if it exceeds the first 20 hours, an hourly charge of \$30 may apply. Again, a 50% reduction may apply in certain cases of hardship.

When processing an application, every effort will be made to minimise the cost to the applicant. Where appropriate, the applicant will be contacted to discuss options for limiting the cost of processing.

### Freedom of Information contact

Requests under the *Freedom of Information Act 1989* for inspection of policy documents held by STC and access to member records can be made to:

The Freedom of Information Co-ordinator  
SAS Trustee Corporation  
PO Box 1229  
Wollongong NSW 2500

Telephone: (02) 4298 6478  
Facsimile: (02) 4298 6467

Applications and inquiries can be made between 10.00am and 4.00pm Monday to Friday.

## Summary of Affairs of the SAS Trustee Corporation pursuant to Section 14(1)(b) & (3) of the Freedom of Information Act 1989 at 30 June 2009

### Section 1: Policy Documents

SAS Trustee Corporation (STC) is the trustee of the New South Wales public sector closed defined benefit superannuation schemes.

Policy documents in respect of STC that are available for inspection are:

- *State Superannuation Scheme policy register,*
- *State Authorities Superannuation Scheme policy register,*
- *State Authorities Non-contributory Superannuation Scheme policy register,*
- *Police Superannuation Scheme policy register,*
- *STC Board Code of Conduct and Ethics,*
- *STC Executive Code of Conduct and Ethics,*
- *STC Privacy Statement,*
- *Ethnic Affairs Priority Statement,*
- *Disability Action Plan, and*
- *Equal Employment Opportunity Management Plan.*

### Section 2: Statement of Affairs

The most recent *Statement of Affairs* for STC is published annually in STC's Annual Report. The Statement is available on the website at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au). A copy of the *Statement of Affairs* can also be obtained (free of charge) by contacting the Freedom of Information Co-ordinator.

### Section 3: Freedom of Information Contact Point

Requests under the *Freedom of Information Act 1989* for inspection of policy documents held by STC and requests by members to access member records should be made to:

The Freedom of Information Co-ordinator  
SAS Trustee Corporation  
PO Box 1229  
Wollongong NSW 2500

Telephone: (02) 4298 6478  
Facsimile: (02) 4298 6467

Applications and inquiries can be made between 10.00am and 4.00pm Monday to Friday.

## Waste reduction and purchasing policy

STC has developed and implemented a *Waste Reduction and Purchasing Policy Plan* in accordance with the *Waste Avoidance and Resource Recovery Act 2001*.

The plan focuses on reducing the generation of waste, resource recovery and the use of recycled material. Significant savings have been made in the minimisation of waste paper products by such measures as double sided printing and copying of all board and committee papers and internal documents. As printers in the office are replaced, they are replaced with those that have a capacity for double sided printing.

When a survey of past annual report recipients was carried out, it determined that more than one-third of all those surveyed would prefer to view the annual report over the web rather than receive a paper copy in the mail. As a consequence, STC has significantly reduced the print run of this document over the past few years.

STC has had in place for some time a waste paper recycling scheme whereby all waste paper is sent for recycling. All staff are made aware of this scheme and fully participate in it. All printer and photocopier toner cartridges are also recycled, i.e. recycled cartridges are purchased and used cartridges are sent back for recycling.

As a result of the Government 'Red Tape Review', STC maintains and implements a current WRAPP Plan and reports once every three years on WRAPP progress in its annual report.

## Annual report production details

100 copies of this publication have been printed at an estimated maximum cost of \$3,500. This cost includes artwork and print production costs. This publication is available on the State Super website at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au) (see under *Publications*).

## Payments to consultants

### Fees exceeding \$30,000

Area	Consultant	Total Cost
<u>STC</u>		
Legal	PricewaterhouseCoopers	\$ 38,500
Legal	KPMG	\$ 46,109
Operations	Deloitte Actuaries	\$160,000
		<hr/> \$244,609
<u>Pooled Fund</u>		
Investments	Gresham Advisory Partner Ltd	\$89,528

### Fees less than \$30,000

Area	Consultant	Total Cost
		Nil



## Account payment performance

### Accounts paid on time within each quarter

Quarter	Total accounts paid on time			Total amount paid \$
	Target %	Actual %	\$	
Sep 2008	100%	100%	\$8,513,055.00	\$8,513,055.00
Dec 2008	100%	100%	\$8,386,808.00	\$8,386,808.00
Mar 2009	100%	100%	\$8,326,113.00	\$8,326,113.00
Jun 2009	100%	100%	\$9,274,859.00	\$9,274,859.00
<b>Total</b>				<b>\$34,500,835.00</b>

## Property transactions

### Properties acquired during the year for investment portfolio purposes

Details	Vendor	Settlement Date	Purchase Price
1/48 Kirkwood Rd, Tweed Heads	W.J. & B Lovering	29 August 2008	\$356,000
<b>TOTAL</b>			<b>\$356,000</b>

### Properties sold during the year for investment portfolio purposes

Details	Purchaser	Settlement Date	Purchase Price
Floor Space Ratio	DEXUS Funds Management Ltd (Bent St Trust)	2 October, 2008	\$476,400
Lot 2, Kildo Cres, Glendenning	Borger Crane Hire & Rigging Services Pty Limited	24 October, 2008	\$3,796,450
<b>TOTAL</b>			<b>\$4,272,850</b>

## 2008-09 Scheme legislation changes

### Schemes:

SASS — State Authorities Superannuation Scheme

SSS — State Superannuation Scheme

PSS — Police Superannuation Scheme

SANCS — State Authorities Non-contributory Superannuation Scheme

### Notes:

- 1) where there are multiple new or amended provisions, the section(s) listed is the major or 'primary' provision affected;
- 2) legislation (chiefly Orders and Regulations) that amends the various schedules listing participating Scheme employers are not shown in this schedule; nor are any minor technical changes made by way of statute law revision.

Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section	Description
10.12.08	All STC schemes	<i>Superannuation Administration Act 1996</i>	<i>Superannuation Administration Amendment (Chief Executive) Act 2008</i>	50, 74	<p><b>Employment of STC CEO</b> The amendments provide for the employment of the Chief Executive Officer of the SAS Trustee Corporation (STC) by the STC Board on terms and conditions determined by the Board with the concurrence of the Minister.</p> <p>Before these amendments, the STC CEO held a statutory office within the Chief Executive Service under the <i>Public Sector Employment and Management Act 2002</i> and was appointed by the Minister.</p>
19.12.08	SANCS	<i>State Authorities Non-contributory Superannuation Act 1987</i>	<i>Statute Law (Miscellaneous Provisions) Act (No 2) 2008</i>	27AJ	<p><b>Family Law</b> The amendments enable STC to transfer the superannuation entitlement of a spouse under the Commonwealth <i>Family Law Act 1975</i> to the First State Superannuation Fund if the spouse fails to provide payment details within the required period.</p>
	SASS	<i>State Authorities Superannuation Act 1987</i>		45I	
	SSS	<i>Superannuation Act 1916</i>		61WB	This default arrangement is consistent with other circumstances where a payment is not immediately payable to the spouse.
	PSS	<i>Police Regulation (Superannuation) Act 1906</i>		14P	

## 2008-09 Scheme legislation changes continued

Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section	Description
19.12.08	SANCS	<i>State Authorities Non-contributory Superannuation Regulation 2008</i>	<i>State Authorities Non-contributory Superannuation Amendment (Family Law) Regulation 2008</i>	Part 3A	<b>Family Law</b> The Regulations for each scheme were amended to provide for the following matters relating to Family Law superannuation payments to spouses of contributors or former contributors to STC schemes: <ul style="list-style-type: none"> <li>(a) the manner in which the superannuation interest of a contributor is to be valued for family law purposes,</li> <li>(b) the notification of contributors and non-contributor spouses of family law superannuation entitlements resulting from agreements or orders under Commonwealth family law,</li> <li>(c) the nomination by non-contributor spouses as to where family law superannuation entitlements are to be paid,</li> <li>(d) the reduction of benefits payable to contributors whose non-contributor spouses have received family law superannuation entitlements, and</li> <li>(e) the commutation of pensions payable to former contributors for the purposes of the payment to non-contributor spouses of family law superannuation entitlements.</li> </ul>
	SASS	<i>State Authorities Superannuation Regulation 2008</i>	<i>State Authorities Superannuation Amendment (Family Law) Regulation 2008</i>	Part 3A	
	SSS	<i>Superannuation Regulation 2008</i>	<i>Superannuation Amendment (Family Law) Regulation 2008</i>	Part 2A	
	PSS	<i>Police Superannuation Regulation 2008</i>	<i>Police Superannuation Amendment (Family Law) Regulation 2008</i>	Part 3A	

# Publications produced

at 30 June 2009

## **SASS Scheme Fact Sheets**

1. Overview
2. Contributions
3. Benefit Points System
4. Optional Additional Benefit Cover
5. Retirement Benefit
6. Salary for Superannuation Purposes
7. Invalidity Retirement Benefit
8. Death Benefit
9. Retrenchment Benefit
10. Resignation (Withdrawal) Benefit
13. Optional Deferred Benefit
15. Choosing an investment strategy
16. SASS Concessional Contributions Cap

## **SSS Scheme Fact Sheets**

1. Salary for Superannuation Purposes
2. Unit Entitlement
3. Contributions
4. Part Time Employment and Part Time Leave Without Pay
6. Break in Employment
7. Normal Retirement Benefit
8. Early Voluntary Retirement Benefit
9. Invalidity Retirement Benefit
10. Death of a Scheme Member before Retirement
11. Death of a Scheme Member after Retirement
12. Child Pensions
13. CPI Adjustment of your Pension
14. Exchanging your pension for a Lump Sum
15. Resignation (Withdrawal) Benefit
16. Retrenchment Benefit
17. Optional Deferred Benefit
20. Contributions and Benefits up to age 70
22. Contributions Arrears
23. SSS Concessional Contributions Cap

## **PSS Scheme Fact Sheets**

1. Overview
2. Contributions and Superable Salary
3. Benefits on Normal Retirement
4. Benefits on Early Voluntary Retirement
5. Invalidity Retirement (Medical Discharge)
6. Death Benefit
7. Resignation/Dismissal Benefit and Voluntary Benefit Deferral
8. 2006 Amendments to PSS Legislation
10. Complaints, Disputes and Freedom of Information
11. Medical discharge benefit for members of the Police Force
12. Medical discharge benefit for a former member of the Police Force
13. Partial commutation (redemption) of Hurt on Duty (HOD) invalidity pension under s.10C
14. Increase for a Hurt on Duty pension
15. Pre 21 November 1979 benefits arising from work related injuries
16. PSS Concessional Contributions Cap
17. Benefit for permanent impairment resulting from HOD injury (s.12D)
19. Benefit for medical and related expenses resulting from HOD injury (s.12D)
20. Review of PSS HOD pensions

## Publications continued

### All Schemes Fact Sheets

1. Information about the Commonwealth Contributions Surcharge
2. Early release of superannuation benefits on grounds of severe financial hardship
3. Taxation
4. When can I be paid my superannuation benefits?
5. Retiring or resigning? What you need to know for payment of your benefit
6. Early release of superannuation benefits on compassionate grounds
7. Complaints, Disputes, Appeals and Freedom of Information (FOI)
8. Calculation of superable salary oncost liability and membership options for members of the Chief and Senior Executive Service (SES)
9. Freedom of Information and Privacy
10. Basic Benefit
11. Reasonable Benefit Limits (RBLs)
12. Payment of Surcharge Assessments received after being paid a benefit or pension commencement
13. Information about the Commonwealth Government's Superannuation Co-contributions
16. Retirement Planning

### Flyers

Information About Exit Statements  
Superannuation Contacts  
SASS Salary Sacrifice  
SSS Salary Sacrifice  
PSS Salary Sacrifice

### Other Communications

Report to Members  
Annual Report  
*SuperViews* newsletters  
Quarterly Investment updates  
Code of Conduct and Ethics for Staff of the Executive of the SAS Trustee Corporation  
Code of Conduct and Ethics for the members of the Board of the SAS Trustee Corporation  
Privacy Statement  
Freedom of Information - Summary of Affairs  
Freedom of Information - Statement of Affairs  
SASS Employer Easy Reference Guide  
SSS Employer Easy Reference Guide  
PSS Employer Easy Reference Guide



## **PART C**

### **Triennial Actuarial Valuation**

**The triennial actuarial valuation of the Pooled Fund and each of the individual Schemes at 30 June 2006 was carried out by Martin Stevenson, FIA, FIAA of Mercer Human Resource Consulting Pty Ltd. A summary of this valuation as provided by Martin Stevenson follows:**

# Triennial Actuarial Valuation

## Introduction

As requested by the SAS Trustee Corporation (the Corporation) I have carried out an actuarial valuation of the following Schemes as at 30 June 2006 in accordance with the relevant legislation governing each of the Schemes:

- the State Authorities Superannuation Scheme (SASS)
- the State Authorities Non-Contributory Superannuation Scheme (SANCS)
- the State Superannuation Scheme (SSS)
- the Police Superannuation Scheme (PSS).

The previous actuarial investigation of SASS, SANCS, SSS and PSS was carried out by myself as at 30 June 2003 and the results were set out in a report dated December 2003.

This report conforms to the requirements of Professional Standard 400 of the Institute of Actuaries of Australia.

For funding purposes and in accordance with legislation distinctions are made between groups of employers as set out in the following table.

Scheme	Employers
SASS	Employers are separated into Parts 1 and 3 in accordance with legislation. Part 1 includes the Crown and other employers, Part 3 includes Hospitals and other bodies.
SANCS	Employers are subdivided in the same manner as SASS above.
SSS	Employers under SSS are essentially equivalent to Part 1 employers under SASS.
PSS	No subdivision necessary.

The General Government Liability Management Fund (GGLMF) was established with effect from 10 July 2002. The GGLMF accepts monies paid by the Crown Entity and these monies were transferred to the Pooled Fund during the financial year 2006/2007. We have presented results both with and without the value of the GGLMF as at 30 June 2006 being included as an asset of the Pooled Fund.

The **number of contributors** in each of the Schemes at the current and previous investigation dates is set out below:

Contributors	SASS	SANCS	SSS	PSS	Total
30 June 2006	56,986	86,875	26,616	3,297	173,774
30 June 2003	68,272	106,263	33,536	4,489	212,560

Pensioners	SASS	SANCS	SSS	PSS	Total
30 June 2006	4,653	n/a	39,754	5,697	50,104
30 June 2003	5,617	n/a	35,354	4,877	45,848

The **Pooled Fund assets** at 30 June 2006 totalled \$28,578.1 million compared to \$22,305.5 million at the last valuation. The assets were allocated to each Scheme as follows:

Assets (\$millions)	SASS	SANCS	SSS	PSS	Total
30 June 2006	8,590	1,145	17,881	962	28,578
30 June 2003	5,278	471	15,431	1,126	22,306

## Triennial Actuarial Valuation cont.

The **Employer Reserves** as at 30 June 2006 in respect of each Scheme are as follows:

<b>\$millions</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>	<b>PSS</b>	<b>Total</b>
Assets	8,590	1,145	17,881	962	28,578
Less,					
➤ Member Reserves	5,511	261	4,970	407	11,149
➤ Death/ Disability Reserves	20	-	-	-	20
Adjustments	-	21	-	-	21
Employer Reserve	3,059	863	12,911	555	17,388

The adjustments noted above represent differences between the employer records (which are required for subdivision by Scheme, Part and employer) and the accounts.

As at 30 June 2006, the assets of the GGLMF amounted to \$6,729 million.

For all Schemes the key **long term economic assumptions** are as follows:

<b>Long-term assumptions</b>	<b>This valuation % per annum</b>	<b>Last valuation % per annum</b>
Rate of investment return	7.7% for current pensioners, 7.0% other members	7.0%
Rate of general salary escalation	4.0%	4.0%
Rate of increase in CPI	2.5%	2.5%

The rate of investment return assumption is higher for current pensioners because no tax is payable in respect of assets backing Current Pension Liabilities. The investment return assumption has been increased from 7.0% at the previous valuation to a weighted average long term rate of 7.3% per annum. In the intervaluation period a very comprehensive investigation was carried out in respect of the likely tax payable by the Pooled Fund, and a reduction in the rate of tax was anticipated. This change in the expected rate of tax accounts for the increase in the rate of investment return assumption.

No special short term assumptions have been adopted with the long term assumptions applying over all time periods.

A comprehensive analysis was carried out in respect of all demographic assumptions used in the investigations of the Pooled Fund Schemes. The analysis related mainly to the three years 1 July 2002 to 30 June 2005.

This analysis led to changes in relation to the rates of resignation, preservation, mortality, disability, retirement and early retirement and proportions choosing lump sums or pensions on retirement.

Changes in pensioner mortality and deferral of retirement have offset the effect of increased disability rates in respect of the PSS and the assumed rate of people taking pensions with the result that the demographic basis changes have produced only a marginal strengthening of the basis and hence a small source of deficiency to the Schemes overall.



## Triennial Actuarial Valuation cont.

### Results

When the GGLMF is taken into account, the unfunded liability for the Pooled Fund has reduced from \$15,006.6m to \$10,435.7m over the three years to 30 June 2006. Excluding the GGLMF, the unfunded liability is \$17,164.7m as at 30 June 2006.

The unfunded liabilities of each of the Schemes or sub-divisions within schemes are as follows:

\$millions	SASS	SANCS	SSS	PSS	Total before GGLMF	GGLMF	Total
Employer Accrued Benefits							
➤ Contributors	5,888.2	2,094.6	6,487.9	1,846.7	16,317.4	-	16,317.4
➤ Deferreds	-		830.6	20.4	851.0	-	851.0
➤ Pensioners	258.8		13,744.2	3,380.5	17,383.5	-	17,383.5
Total Employer Accrued Liability	6,147.0	2,094.6	21,062.7	5,247.6	34,551.9	-	34,551.9
Less, Employer Reserve Account	3,059.0	862.7	12,910.6	554.9	17,387.2	6,729.0	24,116.2
Employer Unfunded Liability	3,088.0	1,231.9	8,152.1	4,692.7	17,164.7	(6,729.0)	10,435.7
Unfunded Liability at 30 June 2003	3,621.9	1,450.7	8,099.4	3,489.0	16,661.0	(1,654.4)	15,006.6

The employer unfunded liabilities shown above have not been grossed up for contributions tax.

Employer contributions towards meeting unfunded liabilities must be grossed up to allow for tax on contributions. Wherever employer contribution rates have been calculated in this report, the contribution rates have been grossed up accordingly.

## Triennial Actuarial Valuation cont.

If the current balance in the GGLMF is allocated to each section of the Fund in proportion to current unfunded liability and allowing for future tax on employer contributions the theoretical required contribution rates (over the expected working life-time of contributors) are:

		Contribution rate required	As % members' salaries
<b>SASS</b>	Part 1	2.58 times contributor contributions	14.5%
<b>SASS</b>	Part 3	3.88 times contributor contributions	24.1%
<b>SANCS</b>	Part 1	4.8% of members' salaries	4.8%
<b>SANCS</b>	Part 3	4.0% of members' salaries	4.0%
<b>SSS</b>		4.8 times members' contributions	65.8%
<b>PSS</b>		251% of members' salaries	251%

Sensitivity runs were carried out, and the results are set out in the following table:

Basis	Unfunded liability under varying assumptions (\$million)					Total
	SASS	SANCS	SSS	PSS	GGLMF	
Standard	3,088.0	1,231.9	8,152.1	4,692.7	(6,729.0)	10,435.7
Investment return plus 1%	2,627.9	1,083.3	5,416.5	4,132.7	(6,729.0)	6,531.4
Investment return minus 1%	3,622.4	1,401.3	11,531.0	5,478.0	(6,729.0)	15,303.7
Salary increases plus 1%	3,564.2	1,402.3	8,604.6	4,851.2	(6,729.0)	11,693.3
Salary increases minus 1%	2,666.0	1,079.9	7,733.5	4,593.4	(6,729.0)	9,343.8
CPI increases plus 1%	3,146.6	1,231.9	11,090.3	5,157.8	(6,729.0)	13,897.6
CPI increases minus 1%	3,038.0	1,231.9	5,687.0	4,347.0	(6,729.0)	7,574.8

The above table demonstrates that the rate of investment return has the major impact on the financial condition of the Pooled Fund.

## Triennial Actuarial Valuation cont.

### Major items contributing to current results

The major items of surplus and deficiency which have affected the Schemes over the period since the last actuarial investigation are as follows:

Item	Comment	Amount of deficiency / (surplus) \$ billion
Unfunded liability as at 1 July 2003 (before GGLMF)		16.7
Investment Earnings	Investment Earnings of the Pooled Fund were significantly higher than assumed and this resulted in an item of surplus.	-5.1
Contributions	Contributions to the Crown funded employer reserves were less than the accruals over the period resulting in a deficiency.	1.6
Change of actuarial basis	The overall impact of the changes in the valuation basis was an item of surplus.	-1.2
Impact of disability experience in PSS	The impact of the higher actual than expected disabilities in the PSS was an item of deficiency.	0.2
Other exits	Generally fewer other exits was a further item of deficiency.	0.1
Salary Increases	Higher than expected salary increases led to a deficiency.	1.2
CPI Increases	Lower than anticipated CPI increases led to a surplus.	-0.1
Interest on the previous Unfunded Liability.	Interest on the previous unfunded liability at 1 July 2003 resulted in a deficiency.	3.7
Other		0.1
Unfunded liability as at 30 June 2006 before GGLMF		17.2
Effect of GGLMF	The GGLMF balance.	-6.7
Unfunded liability as at 30 June 2006 after GGLMF		10.4

The major items of surplus were investment earnings being higher than anticipated, and the change in the actuarial basis while interest on the opening unfunded liability and higher than anticipated salary increases were the major items of deficiency. The effect of lower contributions than benefit accruals continued to be off-set by contributions to the GGLMF.



**MA Stevenson**  
Fellow of the Institute of Actuaries of Australia



**PART D**

**Financial Statements  
of the  
SAS Trustee Corporation**



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### SAS Trustee Corporation

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the SAS Trustee Corporation (STC), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes for both the STC and the consolidated entity. The consolidated entity comprises the STC and the entities it controlled at the year's end or from time to time during the financial year.

#### Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the STC and the consolidated entity as at 30 June 2009, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005

My opinion should be read in conjunction with the rest of this report.

#### Board's Responsibility for the Financial Report

The Board of STC is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of STC, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the STC or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat  
Auditor-General

30 September 2009  
SYDNEY

**SAS TRUSTEE CORPORATION**

**ABN 29 239 066 746**

**Statement by Members of the Trustee Board**

for the year ended 30 June 2009

Pursuant to the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we declare on behalf of the Board that in our opinion:

1. the financial statements present a true and fair view of the financial position of the SAS Trustee Corporation at 30 June 2009 and transactions for the year then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions.

Further, we are not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 30<sup>th</sup> day of September 2009.



**Don Russell**  
*Chairperson*  
*SAS Trustee Corporation*



**Ian Blair**  
*Board Member and Chairperson of the*  
*Risk, Audit and Compliance Committee*  
*SAS Trustee Corporation*

## SAS TRUSTEE CORPORATION

### Income Statement

for the year ended 30 June 2009

	NOTE	<b>Economic Entity 2009 \$'000</b>	Economic Entity 2008 \$'000	<b>Statutory Corporation 2009 \$'000</b>	Statutory Corporation 2008 \$'000
Revenue from Continuing Operations	3	<b>35,091</b>	33,778	<b>34,340</b>	33,109
Expenses from Continuing Operations	3	<b>(34,072)</b>	(33,601)	<b>(34,340)</b>	(33,109)
<b>Result for the year</b>		<b>1,019</b>	177	-	-

*The accompanying notes form an integral part of the above Income Statement.*



## SAS TRUSTEE CORPORATION

### Balance Sheet as at 30 June 2009

	NOTE	<b>Economic Entity 2009 \$'000</b>	Economic Entity 2008 \$'000	<b>Statutory Corporation 2009 \$'000</b>	Statutory Corporation 2008 \$'000
<b>Current Assets</b>					
Cash and cash equivalents	12(a)	2,322	2,537	2,322	2,537
Receivables	4	3,140	1,811	3,140	1,559
Other Current Assets		66	38	66	38
<b>Total Current Assets</b>		<b>5,528</b>	4,386	<b>5,528</b>	4,134
<b>Total Assets</b>		<b>5,528</b>	4,386	<b>5,528</b>	4,134
<b>Current Liabilities</b>					
Payables	5	4,097	3,679	5,528	4,134
Provisions	6	890	293	-	-
<b>Total Current Liabilities</b>		<b>4,987</b>	3,972	<b>5,528</b>	4,134
<b>Non-Current Liabilities</b>					
Provisions	6	541	414	-	-
<b>Total Non-current Liabilities</b>		<b>541</b>	414	-	-
<b>Total Liabilities</b>		<b>5,528</b>	4,386	<b>5,528</b>	4,134
<b>Net Assets</b>		-	-	-	-
<b>Total Equity</b>	7	-	-	-	-

*The accompanying notes form an integral part of the above Balance Sheet.*

**SAS TRUSTEE CORPORATION**

**Cash Flow Statement**

for the year ended 30 June 2009

NOTE	<b>Economic Entity 2009 \$'000</b>	Economic Entity 2008 \$'000	<b>Statutory Corporation 2009 \$'000</b>	Statutory Corporation 2008 \$'000
<b>Cash Flows from Operating Activities</b>				
	<b>33,397</b>	34,781	<b>32,647</b>	34,112
	<b>119</b>	196	<b>119</b>	196
	<b>(33,731)</b>	(34,026)	<b>(32,981)</b>	(33,357)
12(b)	<b>(215)</b>	951	<b>(215)</b>	951
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>				
	<b>(215)</b>	951	<b>(215)</b>	951
Cash & Cash Equivalents at the Beginning of the Financial Year				
	<b>2,537</b>	1,586	<b>2,537</b>	1,586
<b>Cash &amp; Cash Equivalents at the End of the Financial Year</b>				
12(a)	<b>2,322</b>	2,537	<b>2,322</b>	2,537

*The accompanying notes form an integral part of the above Cash Flow Statement.*

## SAS TRUSTEE CORPORATION

### Statement of Recognised Income and Expense for the year ended 30 June 2009

NOTE	<b>Economic Entity 2009 \$'000</b>	Economic Entity 2008 \$'000	<b>Statutory Corporation 2009 \$'000</b>	Statutory Corporation 2008 \$'000
Superannuation actuarial gains/(losses)	<b>(1,019)</b>	(177)	-	-
Net income recognised directly in Equity	<b>(1,019)</b>	(177)	-	-
Result for the year	<b>1,019</b>	177	-	-
<b>Total recognised income and expense</b>	<b>-</b>	-	-	-
 <b>Effect of change in accounting policies -</b>				
Result as reported in the 2008 financial report		-		-
Change in accounting policy	2(j)	177		-
Restated result		177		-

*The accompanying notes form an integral part of the above Statement of Recognised Income and Expense.*

## SAS TRUSTEE CORPORATION

### Notes to the financial statements

for the year ended 30 June 2009

#### 1. OPERATIONS

Under the terms of the *Superannuation Administration Act 1996* (the Act), the SAS Trustee Corporation (STC) acts as trustee and holds in trust all assets of the SAS Trustee Corporation Pooled Fund ("the Pooled Fund"). STC is economically dependent on the Pooled Fund.

STC is, for the purpose of any Acts, a statutory body. It is domiciled in NSW Australia. Its registered address is Level 17, 83 Clarence Street, Sydney, NSW, 2000.

Scheme administration services for the Pooled Fund are carried out by the Superannuation Administration Corporation trading as Pillar Administration (Pillar). Pillar charges fees for the services it provides.

Investment custodial activities for the Pooled Fund are performed by JPMorgan Chase Bank NA.

The Pooled Fund is a separate reporting entity for accounting and taxation purposes.

The Economic Entity comprises –

- The SAS Trustee Corporation Division of the Government Service of NSW, as the controlled entity ("the STC Division"), and
- STC as the parent entity of the STC Division (referred to as the "Statutory Corporation" in the above statements).

The principles of consolidation of these entities are described at note 2(b) below.

#### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### a) Statement of Compliance

The financial statements form a general purpose financial report and are prepared in accordance with –

- the *Public Finance and Audit Act 1983*
- the *Public Finance and Audit Regulation 2005*
- the Treasurer's Directions
- applicable Australian Accounting Standards including Australian Accounting Interpretations.

The financial statements comply with Australian Standards, including Australian Accounting Interpretations. Both the Economic Entity and the Parent Entity are not-for-profit entities.

The financial statements have been prepared on an historical cost basis using the accrual method of accounting and do not reflect the changing money values of assets. Interest and fee income is accounted for on an accrual basis.

The accounting policies adopted in preparing the financial statements have been consistently applied during the year, unless otherwise stated.

All amounts are expressed in Australian dollars.

The financial statements were authorised for issue by the Trustee Board on 30 September 2009.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements

for the year ended 30 June 2009

## 2. STATEMENT OF ACCOUNTING POLICIES (Continued)

### b) Principles of Consolidation

The consolidated financial report incorporates the assets and liabilities of the Statutory Corporation and its controlled entity, the STC Division, as at 30 June and the results of the Statutory Corporation and its controlled entity for the year then ended. The Statutory Corporation and its controlled entity is referred to in this financial report as the "Economic Entity". The effects of all transactions within the Economic Entity are eliminated in full. There are no outside equity interests.

The accounting policies adopted in preparing the financial reports are consistently applied.

The STC Division also prepares a separate financial report. This financial report is audited by the Auditor-General of NSW.

### c) Administration Expenses and Revenue

All costs relating to scheme administration and executive management of the Pooled Fund are incurred by the Statutory Corporation and comprise the direct expenses of the Statutory Corporation and administration fees from Pillar.

Under the terms of the Act, the Statutory Corporation must recover the costs it incurs from the Pooled Fund. Consequently it recognises an amount equal to the costs incurred at the time the services are delivered.

Lease expenses are recognised on a straight line basis over the lease term, including incentives and contingent rentals.

### d) Employee Benefits

#### *Wages, salaries and annual leave*

The provision for employee benefits relating to wages, salaries and annual leave represents the amount which the Economic Entity has a present obligation to pay resulting from employees' services provided up to the balance date. These provisions are expected to be settled within 12 months and are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Such measurement provides a reliable estimate of the liability.

#### *Long service leave*

The liability for employee benefits relating to long service leave is measured at their discounted value using the risk free rate mandated by NSW Treasury. Such measurement provides a reliable estimate of the liability.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements

for the year ended 30 June 2009

## 2. STATEMENT OF ACCOUNTING POLICIES (Continued)

### d) Employee Benefits (Continued)

#### *Superannuation*

Any unfunded superannuation liability is recognised as a liability in the Balance Sheet and amounts representing pre-paid superannuation contributions are recognised as an asset. The Economic Entity is meeting in full the total superannuation liabilities for its employees. The contributions made to superannuation funds are charged against the operating result. Any actuarial gains and losses are recognised immediately in the Statement of Recognised Income and Expense in the year in which the gain or loss occurs.

### e) Roundings

All values reported in the financial statements have been rounded to the nearest thousand dollars, except where otherwise stated.

### f) Cash Flows

Under current funding arrangements all cash payments to external parties with the exception of investment management and custody fees incurred on behalf of the Statutory Corporation are transacted through the Statutory Corporation's bank account and recovered from the Pooled Fund. Investment management and custody fees are disbursed directly by the Custodian from the Fund's pool of assets.

All transactions of the STC Division are conducted through the Statutory Corporation's bank account.

### g) Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities. These include cash at bank, receivables and payables. All classes of instruments are initially recorded at cost and are subsequently carried at amortised cost. Such measurement provides a reliable estimate of liability. Any impairment loss occurring on financial instruments is treated as an expense in the period in which it occurs.

### h) Accounting standards applicable issued but not yet effective

AASB 3 – *Business Combinations* as issued in March 2008 will be implemented for the year ended 30 June 2010. No material change to these financial statements is anticipated.

AASB 101 – *Presentation of Financial Statements* as issued in September 2007 will be implemented for the year ended 30 June 2010. No material change to these financial statements is anticipated.

AASB 127 – *Consolidated and Separate Financial Statements* as issued in March 2008 will be implemented for the year ended 30 June 2010. No material change to these financial statements is anticipated.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements

for the year ended 30 June 2009

#### 2. STATEMENT OF ACCOUNTING POLICIES (Continued)

##### i) Comparative Figures

Where there have been changes in presentation in the current financial year, the comparative figures for the previous year have been adjusted to conform to these changes.

##### j) Change in Accounting Policy

In accordance with NSW Treasury policy, both the Economic Entity and the Parent Entity have changed their policy on the recognition of superannuation actuarial gains and losses. Such actuarial gains and losses are now recognised outside the annual result in the Statement of Recognised Income and Expense. Previously, actuarial gains and losses were recognised through profit or loss. Both options are permissible under AASB 119 – *Employee Benefits*.

The change in policy was made by NSW Treasury on the basis that recognition of actuarial gains and losses in the Statement of Recognised Income provides reliable and more relevant information as it better reflects the nature of actuarial gains and losses. This is because actuarial gains/losses are re-measurements based on assumptions that do not necessarily reflect the ultimate cost of providing superannuation.

In respect of the Economic Entity the change in accounting policy reduces expenses for 2008-09 by \$1,019,000 to \$34,072,000 (2008: by \$177,000 to \$33,601,000), by excluding from the result the superannuation actuarial loss line item. This item is now recognised in the Statement of Recognised Income and Expense rather than the Income Statement.

In respect of the Parent Entity, the change has no effect as it is still paying to STC Division the total costs of employment services received.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2009

#### 3. RESULT

	<b>Economic Entity 2009 \$'000</b>	Economic Entity 2008 \$'000	<b>Statutory Corporation 2009 \$'000</b>	Statutory Corporation 2008 \$'000
The result includes the following items of revenue and expense:				
Management Fees	34,822	33,411	34,071	32,742
Interest Income	119	196	119	196
Other Income	150	171	150	171
<b>Total Revenue</b>	<b>35,091</b>	33,778	<b>34,340</b>	33,109
<b>Trustee Expenses</b>				
Board Member Fees	595	579	595	579
Other Administration Expenses	117	35	117	35
<b>Total Trustee Expenses</b>	<b>712</b>	614	<b>712</b>	614
<b>Executive Expenses</b>				
Employee Related Expenses	2,605	2,416	-	-
Superannuation	331	256	-	-
Personnel Services Expenses	-	-	3,204	2,180
Accommodation	372	352	372	352
Other Administration Expenses	331	316	331	316
<b>Total Executive Expenses</b>	<b>3,639</b>	3,340	<b>3,907</b>	2,848
<b>Fund Expenses</b>				
Fees for Services	2,285	2,112	2,285	2,112
Other Administration Expenses	462	323	462	323
Pillar Administration Fees	26,974	27,212	26,974	27,212
<b>Total Fund Expenses</b>	<b>29,721</b>	29,647	<b>29,721</b>	29,647
<b>Total Administration Expenses</b>	<b>34,072</b>	33,601	<b>34,340</b>	33,109
<b>Result</b>	<b>1,019</b>	177	-	-

Contained within other Administration Expenses are fees paid to consultants of \$244,609 (2008: \$76,670) and audit fees of \$12,100 (2008: \$13,530) for the Statutory Corporation and \$3,300 (2008: \$3,300) for the STC Division.



## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2009

#### 3. RESULT (Continued)

Lease payments made during the year comprised –

	<b>Economic Entity 2009 \$'000</b>	Economic Entity 2008 \$'000	<b>Statutory Corporation 2009 \$'000</b>	Statutory Corporation 2008 \$'000
Minimum lease payments	<b>308</b>	278	<b>308</b>	278
Contingent rentals	-	-	-	-
	<b>308</b>	278	<b>308</b>	278

The Statutory Corporation uses operating leases to provide its office space and a motor vehicle. Contingent rentals and the existence of renewal options are applicable only to office space. Contingent rentals have been included to the extent the amounts are calculable.

#### 4. RECEIVABLES

	<b>Economic Entity 2009 \$'000</b>	Economic Entity 2008 \$'000	<b>Statutory Corporation 2009 \$'000</b>	Statutory Corporation 2008 \$'000
<b>Current</b>				
Amounts Receivable – Pooled Fund	<b>2,567</b>	859	<b>2,567</b>	859
Other Receivables	<b>573</b>	700	<b>573</b>	700
Superannuation (refer Note 10)	-	252	-	-
	<b>3,140</b>	1,811	<b>3,140</b>	1,559

#### 5. PAYABLES

	<b>Economic Entity 2009 \$'000</b>	Economic Entity 2008 \$'000	<b>Statutory Corporation 2009 \$'000</b>	Statutory Corporation 2008 \$'000
<b>Current</b>				
Amount Payable – Pillar (Administration Fees)	<b>2,466</b>	2,361	<b>2,466</b>	2,361
Other Payables	<b>1,631</b>	1,318	<b>1,631</b>	1,318
Amounts Payable – STC Division	-	-	<b>1,431</b>	455
	<b>4,097</b>	3,679	<b>5,528</b>	4,134

All payables are within agreed trading terms.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2009

#### 6. PROVISIONS

	<b>Economic Entity 2009 \$'000</b>	Economic Entity 2008 \$'000	<b>Statutory Corporation 2009 \$'000</b>	Statutory Corporation 2008 \$'000
<b>Current</b>				
Employee Benefits	218	293	-	-
Superannuation (refer Note 10)	672	-	-	-
	<b>890</b>	293	-	-
<b>Non-current</b>				
Employee Benefits	541	414	-	-
	<b>541</b>	414	-	-

#### 7. MOVEMENT IN EQUITY

	<b>Economic Entity 2009 \$'000</b>	Economic Entity 2008 \$'000	<b>Statutory Corporation 2009 \$'000</b>	Statutory Corporation 2008 \$'000
<b>Opening Balance</b>	-	-	-	-
Operating Result for Year	1,019	177	-	-
Superannuation actuarial gains/(losses)	(1,019)	(177)	-	-
Closing Balance	-	-	-	-

## SAS TRUSTEE CORPORATION

### Notes to the financial statements

for the year ended 30 June 2009

#### 8. FINANCIAL RISKS

##### *Market Risk*

Market risk is the risk that changes in factors such as interest rates will affect revenue or the value of financial instruments. Market risk is accepted on financial instruments. As STC's governing legislation requires it to recover all its costs from the Pooled Fund, a change in market prices will have no effect on STC's result or net assets.

##### *Credit Risk*

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause STC to experience a financial loss. In respect of STC's cash holdings, all are lodged with one of Australia's largest trading banks. In respect of STC's receivables, its only counterparty is the Pooled Fund. The Pooled Fund is obliged by its governing legislation to fund STC. STC is exposed to minimal credit risk. STC's maximum credit risk exposure is the balance of the cash and receivables.

##### *Liquidity Risk*

Liquidity risk is the risk that financial obligations cannot be met as they fall due. As noted under the section *Credit Risk* above, the Pooled Fund is obliged by its governing legislation to fund STC. STC recovers its costs monthly from the Pooled Fund. Consequently STC is exposed to negligible liquidity risk.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2009

#### 9. EXECUTIVES' REMUNERATION

	<b>Economic Entity 2009 \$'000</b>	Economic Entity 2008 \$'000	<b>Statutory Corporation 2009 \$'000</b>	Statutory Corporation 2008 \$'000
Income received or due and receivable by executive officers of the Statutory Corporation whose income is \$100,000 or more	<b>1,922</b>	1,866	-	-
<hr/>				
The number of executive officers whose income is \$100,000 or more are shown below in their relevant income bands:	<b>Economic Entity 2009 Number</b>	Economic Entity 2008 Number	<b>Statutory Corporation 2009 Number</b>	Statutory Corporation 2008 Number
Remuneration (including superannuation contributions) of:				
\$100,000 - \$109,999	1	1	-	-
\$110,000 - \$119,999	-	1	-	-
\$120,000 - \$129,999	1	1	-	-
\$130,000 - \$139,999	1	1	-	-
\$140,000 - \$149,999	1	1	-	-
\$150,000 - \$159,999	1	-	-	-
\$160,000 - \$169,999	1	1	-	-
\$170,000 - \$179,999	1	1	-	-
\$180,000 - \$189,999	2	1	-	-
\$210,000 - \$219,999	-	1	-	-
\$220,000 - \$229,999	-	1	-	-
\$230,000 - \$239,999	1	-	-	-
\$290,000 - \$299,999	1	1	-	-
	<b>11</b>	11	-	-

## SAS TRUSTEE CORPORATION

### Notes to the financial statements

for the year ended 30 June 2009

#### 10. SUPERANNUATION

The Economic Entity participates in the following closed defined benefit superannuation schemes for some of its staff –

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

The following information has been prepared by the scheme actuary.

*Reconciliation of the present value of the defined benefit obligation:*

#### Economic Entity

As at 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	859	184	4,059
Current service cost	32	10	30
Interest cost	53	11	260
Contributions by fund participants	18	-	24
Actuarial (gains)/losses	(105)	-	878
Benefits paid	(239)	(39)	(325)
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of partly funded defined benefit obligation at end of year</i>	618	166	4,926

## SAS TRUSTEE CORPORATION

### Notes to the financial statements

for the year ended 30 June 2009

#### 10. SUPERANNUATION (Continued)

*Reconciliation of the present value of the defined benefit obligation (Continued):*

##### Economic Entity

As at 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	818	248	4,966
Current service cost	30	13	11
Interest cost	49	15	310
Contributions by fund participants	16	-	49
Actuarial (gains)/losses	(9)	(50)	(959)
Benefits paid	(45)	(42)	(318)
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of partly funded defined benefit obligation at end of year</i>	859	184	4,059

## SAS TRUSTEE CORPORATION

### Notes to the financial statements

for the year ended 30 June 2009

#### 10. SUPERANNUATION (Continued)

*Reconciliation of the fair value of fund assets:*

##### Economic Entity

As at 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Fair value of fund assets at beginning of the year</i>	1,114	340	4,726
Expected return on fund assets	87	26	377
Actuarial gains/(losses)	(243)	(56)	(771)
Employer contributions	-	-	-
Contributions by fund participants	17	-	24
Benefits paid	(239)	(39)	(325)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	<b>736</b>	<b>271</b>	<b>4,031</b>

##### Economic Entity

As at 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Fair value of fund assets at beginning of the year</i>	959	256	5,958
Expected return on fund assets	72	19	461
Actuarial gains/(losses)	(119)	(47)	(1,067)
Employer contributions	231	154	(357)
Contributions by fund participants	16	-	49
Benefits paid	(45)	(42)	(318)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	<b>1,114</b>	<b>340</b>	<b>4,726</b>

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2009

#### 10. SUPERANNUATION (Continued)

*Reconciliation of the assets and liabilities recognised in the Balance Sheet.*

##### Economic Entity

As at 30 June 2009

	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of funded defined benefit obligations at end of the year	618	166	4,926
Fair value of fund assets at end of the year	(736)	(271)	(4,031)
<i>Subtotal</i>	<b>(118)</b>	<b>(105)</b>	<b>895</b>
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	-	-	-
<i>Net liability/(asset) recognised in Balance Sheet at end of the year</i>	<b>(118)</b>	<b>(105)</b>	<b>895</b>

##### Economic Entity

As at 30 June 2008

	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Present value of funded defined benefit obligations at end of the year	859	184	4,059
Fair value of fund assets at end of the year	(1,114)	(340)	(4,726)
<i>Subtotal</i>	<b>(255)</b>	<b>(156)</b>	<b>(667)</b>
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	195	119	511
<i>Net liability/(asset) recognised in Balance Sheet at end of the year</i>	<b>(60)</b>	<b>(37)</b>	<b>(156)</b>



**SAS TRUSTEE CORPORATION**

**Notes to the financial statements**  
for the year ended 30 June 2009

**10. SUPERANNUATION (Continued)**

*Components recognised in Income Statement:*

<b>Economic Entity</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 30 June 2009</b>			
Current Service Cost	32	10	29
Interest cost	53	11	260
Expected return on fund assets (net of expenses)	(87)	(27)	(376)
Past service cost	-	-	-
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	<b>(2)</b>	<b>(6)</b>	<b>(87)</b>

<b>Economic Entity</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 30 June 2008</b>			
Current Service Cost	31	13	12
Interest cost	49	14	310
Expected return on fund assets (net of expenses)	(72)	(19)	(462)
Past service cost	-	-	-
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	<b>8</b>	<b>8</b>	<b>(140)</b>

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2009

#### 10. SUPERANNUATION (Continued)

*Amounts recognised in the Statement of Recognised Income and Expense:*

Economic Entity	SASS \$'000	SANCS \$'000	SSS \$'000
<b>As at 30 June 2009</b>			
Actuarial (gains)/losses	138	57	1,649
Adjustment for limit on net asset	(195)	(119)	(511)
<b>Economic Entity</b>	SASS \$'000	SANCS \$'000	SSS \$'000
<b>As at 30 June 2008</b>			
Actuarial (gains)/losses	109	(3)	108
Adjustment for limit on net asset	88	113	(239)

*Cumulative amount of the actuarial gains and losses recognised in the Statement of Recognised Income and Expense:*

Economic Entity	SASS \$'000	SANCS \$'000	SSS \$'000
<b>As at 30 June 2009</b>	137	58	(59)
As at 30 June 2008	(1)	1	(1,708)
As at 30 June 2007	(110)	4	(1,816)
As at 30 June 2006	(69)	(23)	312
<b>Statutory Corporation</b>	SASS \$'000	SANCS \$'000	SSS \$'000
<b>As at 30 June 2009</b>	(47)	(17)	203
As at 30 June 2008	(47)	(17)	203
As at 30 June 2007	(47)	(17)	203
As at 30 June 2006	(47)	(17)	203
As at 30 June 2005	2	(1)	424

## SAS TRUSTEE CORPORATION

### Notes to the financial statements

for the year ended 30 June 2009

#### 10. SUPERANNUATION (Continued)

*The percentage of fund assets invested in each asset class at the balance sheet date:*

<b>Economic Entity</b>	<b>2009</b>	<b>2008</b>
Australian equities	<b>32%</b>	32%
Overseas equities	<b>26%</b>	25%
Australian fixed interest securities	<b>6%</b>	7%
Overseas fixed interest securities	<b>5%</b>	8%
Property	<b>10%</b>	11%
Cash	<b>8%</b>	6%
Other	<b>13%</b>	11%

*Expected rate of return on assets:*

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment taxes and investment fees.

*Actual return on fund assets:*

#### **Economic Entity**

<b>As at 30 June 2009</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Actual return on fund assets	<b>(91)</b>	<b>(30)</b>	<b>(460)</b>

#### **Economic Entity**

<b>As at 30 June 2008</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Actual return on fund assets	<b>(84)</b>	<b>(28)</b>	<b>(358)</b>

## SAS TRUSTEE CORPORATION

### Notes to the financial statements

for the year ended 30 June 2009

#### 10. SUPERANNUATION (Continued)

*Valuation method and principal actuarial assumptions at the balance sheet date:*

(a) *Valuation Method*

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) *Economic Assumptions*

	<u>2009</u>	<u>2008</u>
Salary increase rate	3.5%	3.5%
Rate of CPI increase	2.5%	2.5%
Expected rate of return on assets backing current pension liabilities	8.3%	8.3%
Expected rate of return on assets backing other liabilities	7.3%	7.3%
Discount rate	5.6%	6.5%

(c) *Demographic Assumptions*

Demographic assumptions reflect those adopted by the Scheme actuary in his triennial review of the schemes.

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2009

#### 10. SUPERANNUATION (Continued)

*Historical Information:*

##### Economic Entity

As at 30 June 2009

	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	618	166	4,926
Fair value of fund assets	(736)	(271)	(4,031)
(Surplus)/Deficit in fund	(118)	(105)	895
Experience adjustments – fund liabilities	(105)	-	878
Experience adjustments – fund assets	243	56	771

As at 30 June 2008

	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	859	184	4,059
Fair value of fund assets	(1,114)	(340)	(4,726)
(Surplus)/Deficit in fund	(255)	(156)	(667)
Experience adjustments – fund liabilities	(10)	(50)	(959)
Experience adjustments – fund assets	119	47	1,067

As at 30 June 2007

	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	818	248	4,966
Fair value of fund assets	(959)	(256)	(5,958)
(Surplus)/Deficit in fund	(141)	(8)	(992)
Experience adjustments – fund liabilities	44	46	(854)
Experience adjustments – fund assets	(85)	(19)	(650)

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2009

#### 10. SUPERANNUATION (Continued)

*Historical Information (Continued):*

##### Economic Entity

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	720	231	5,077
Fair value of fund assets	(801)	(258)	(4,458)
(Surplus)/Deficit in fund	(81)	(27)	619
Experience adjustments – fund liabilities	5	(5)	(46)
Experience adjustments – fund assets	(74)	(18)	(266)

##### Statutory Corporation

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	-	-	-
Fair value of fund assets	-	-	-
(Surplus)/Deficit in fund	-	-	-
Experience adjustments – fund liabilities	4	(4)	(33)
Experience adjustments – fund assets	(53)	(12)	(189)

##### Economic Entity

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	426	265	3,700
Fair value of fund assets	(417)	(264)	(2,727)
(Surplus)/Deficit in fund	9	1	973

##### Statutory Corporation

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	426	265	3,700
Fair value of fund assets	(417)	(264)	(2,727)
(Surplus)/Deficit in fund	9	1	973

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2009

#### 10. SUPERANNUATION (Continued)

*Expected contributions:*

##### Economic Entity

	SASS \$'000	SANCS \$'000	SSS \$'000
<b>Expected contributions for year to 30 June 2009</b>	-	-	-
Expected contributions for year to 30 June 2008	-	-	-

*Funding arrangements for employer contributions – surplus/deficit:*

The following is a summary of the 30 June financial position of the schemes calculated in accordance with AAS25 – *Financial Reporting by Superannuation Plans*.

##### Economic Entity

	SASS \$'000	SANCS \$'000	SSS \$'000
<b>30 June 2009</b>			
Accrued benefits	590	155	3,643
Net market value of fund assets	(736)	(271)	(4,031)
<i>Net (surplus)/deficit</i>	(146)	(116)	(388)

##### Economic Entity

	SASS \$'000	SANCS \$'000	SSS \$'000
<b>30 June 2008</b>			
Accrued benefits	857	184	3,668
Net market value of fund assets	(1,114)	(340)	(4,726)
<i>Net (surplus)/deficit</i>	(257)	(156)	(1,058)

**SAS TRUSTEE CORPORATION**

**Notes to the financial statements**  
for the year ended 30 June 2009

**10. SUPERANNUATION (Continued)**

*Funding arrangements for employer contributions – Recommended contribution rates:*

**Economic Entity**

As at 30 June 2009

<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
Multiple of member contributions	% member salaries	Multiple of member contributions
-	-	-

**Economic Entity**

As at 30 June 2008

SASS	SANCS	SSS
Multiple of member contributions	% member salaries	Multiple of member contributions
-	-	-

*Funding arrangements for employer contributions – Funding Method:*

The method used to determine employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.



## SAS TRUSTEE CORPORATION

### Notes to the financial statements

for the year ended 30 June 2009

#### 10. SUPERANNUATION (Continued)

*Funding arrangements for employer contributions – Economic Assumptions:*

Weighted average assumptions –

	<b>2009 and following</b>
Expected rate of return on fund assets backing current pension liabilities	<b>8.3%</b>
Expected rate of return on fund assets backing other liabilities	<b>7.3%</b>
Expected salary increase rate	<b>4.0%</b>
Expected rate of CPI increase	<b>2.5%</b>

*Funding arrangements for employer contributions – Nature of asset/liability:*

If a surplus exists in the Economic Entity's interest in the fund, the Economic Entity may be able to take advantage of it in the form of a reduction in required contribution rate. The Statutory Corporation in its capacity as the schemes' trustee and NSW Treasury must approve such a reduction.

If a deficiency exists the Economic Entity is responsible for any difference between its share of scheme assets and the defined benefit obligation.

#### 11. TRUSTEE BOARD RELATED PARTY INFORMATION

##### a) Board Members and Remuneration Received or Due and Receivable by the following:

	<b>2009</b>	2008
	<b>\$</b>	\$
Mr I Blair	<b>48,985</b>	48,985
Mr M Cole (term expired 30 September 2007)	-	19,473
Mr R Davis	<b>148,827</b>	143,103
Ms A De Salis	<b>46,717</b>	46,717
Mr R Harty	<b>46,717</b>	43,317
Mr M Lambert	<b>42,183</b>	42,183
Mr N Lewocki	<b>46,717</b>	46,717
Ms M O'Halloran (resigned 31 August 2009)	<b>46,717</b>	46,717
Dr D Russell (term commenced 1 January 2008)	<b>77,891</b>	38,946
Mr P Scully	<b>46,717</b>	46,717
	<b>551,471</b>	522,875

The names of the Trustee Board Members of STC in office during the year ended 30 June and up to the date of signing these accounts, are as follows:

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2009

#### 11. TRUSTEE BOARD RELATED PARTY INFORMATION (Continued)

**b) Transactions entered into during the year with Board Members and their Related Entities:**

	2009 \$'000	2008 \$'000
Fees paid to the Statutory Corporation by State Super Financial Services Australia Limited (SSFSAL), a company in which Mr R Davis is a director, on normal commercial terms and conditions.	55	53
Rental payments and outgoings received by the Pooled Fund from SSFSAL, a company in which Mr R Davis is a director, on normal commercial terms and conditions.	1,060	1,020

- c)** On 17 March 2006 the NSW Government created the SAS Trustee Corporation Division of the Government Service of NSW. This entity is a special purpose entity providing personnel services to the Statutory Corporation. Its activities are conducted on behalf of the Statutory Corporation according to the Statutory Corporation's specific business needs. Day to day control of this entity is vested in the CEO of the Statutory Corporation.

#### 12. CASH FLOW INFORMATION

**a) Reconciliation of Cash**

	Economic Entity 2009 \$'000	Economic Entity 2008 \$'000	Statutory Corporation 2009 \$'000	Statutory Corporation 2008 \$'000
<b>Cash and Cash Equivalents</b>	<b>2,322</b>	2,537	<b>2,322</b>	2,537

Cash flows reflect cash movements resulting from transactions with suppliers and employees including Pillar and the Pooled Fund. Under current funding arrangements all cash payments to external parties on behalf of Economic Entity are recovered from the Pooled Fund.

The Economic Entity's cash at bank attracts a floating interest rate which is subject to change at the discretion of the bank. At 30 June 2009 the rate was 2.00% (2008: 7.15%).

**SAS TRUSTEE CORPORATION**

**Notes to the financial statements**  
for the year ended 30 June 2009

**12. CASH FLOW INFORMATION (Continued)**

**b) Reconciliation of Net Result to Net Cash Used in Operating Activities**

	<b>Economic Entity 2009 \$'000 Inflows/ (Outflows)</b>	Economic Entity 2008 \$'000 Inflows/ (Outflows)	<b>Statutory Corporation 2009 \$'000 Inflows/ (Outflows)</b>	Statutory Corporation 2008 \$'000 Inflows/ (Outflows)
<b>Result</b>	-	-	-	-
<b>Changes in Assets and Liabilities:</b>				
<u>(Increase)/Decrease in Assets</u>				
Prepayments	<b>(28)</b>	5	<b>(28)</b>	5
Receivables -				
Pooled Fund	<b>(1,708)</b>	1,483	<b>(1,708)</b>	1,483
Other	<b>379</b>	(255)	<b>127</b>	(282)
<u>Increase/(Decrease) in Liabilities</u>				
Payables -				
Pillar	<b>105</b>	59	<b>105</b>	59
Other	<b>313</b>	(229)	<b>1,289</b>	(314)
Provisions	<b>724</b>	(112)	-	-
<b>Net Cash From/(Used) in Operating Activities</b>	<b>(215)</b>	951	<b>(215)</b>	951

## SAS TRUSTEE CORPORATION

### Notes to the financial statements for the year ended 30 June 2009

#### 13. COMMITMENTS FOR EXPENDITURE

	<b>Economic Entity 2009 \$'000</b>	Economic Entity 2008 \$'000	<b>Statutory Corporation 2009 \$'000</b>	Statutory Corporation 2008 \$'000
--	--	--------------------------------------	--	--

##### Lease Commitments

Commitments in relation to non-cancellable operating leases contracted for at balance date but not provided for in the accounts, including goods and services tax:

Payable not later than 1 year	320	302	320	302
Payable later than 1 year and not later than 5 years	819	958	819	958
Payable greater than 5 years	-	-	-	-
	<b>1,139</b>	1,260	<b>1,139</b>	1,260

##### Administration Expenses

Commitments in relation to fixed administration fees for the Pooled Fund payable to Pillar included in the services contract dated 1 October 2005 but not provided for in the accounts, including goods and services tax:

Payable not later than 1 year	8,298	8,298	8,298	8,298
Payable later than 1 year and not later than 5 years	2,075	10,372	2,075	10,372
	<b>10,373</b>	18,670	<b>10,373</b>	18,670

The terms of the contract allow for the fixed costs to be adjusted annually in line with an index stated in the contract.

The administration expenses noted above qualify for a reduced input tax credit of 75% of the goods and services tax included therein.

#### 14. CONTINGENT LIABILITIES

Broadly, two classes of contingent liabilities potentially exist in relation to either the Trustee in its capacity as Trustee of the Pooled Fund, or the Fund itself:

- (i) Legal Costs and additional benefit amounts in relation to member benefit entitlement disputes, notified, but not resolved.
- (ii) Legal Costs and damages arising from claims relating to the ownership and operation of physical assets.

In both cases it is impractical to estimate the financial effect or the amount of any possible recovery from third parties relating to these contingent liabilities. The Trustee is indemnified out of the assets of the Fund.

**End of Audited Financial Report**





**PART D**

**Financial Statements  
of the  
SAS Trustee Corporation Division  
of the Government Service of NSW**



GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### SAS Trustee Corporation Division of the Government Service of NSW

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the SAS Trustee Corporation Division of the Government Service of NSW (the STC Division), which comprises the balance sheet as at 30 June 2009, the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the STC Division as at 30 June 2009, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

#### The Chief Executive Officer of the STC Division Responsibility for the Financial Report

The Chief Executive Officer of the STC Division is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the STC Division's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the STC Division's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

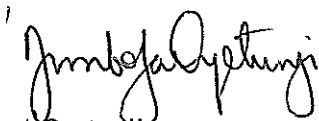
My opinion does *not* provide assurance:

- about the future viability of the STC Division,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



A Oyetunji  
Director, Financial Audit Services

30 September 2009  
SYDNEY



**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**ABN 31 683 571 255**

**Statement by Chief Executive Officer**

for the year ended 30 June 2009

Pursuant to the *Public Finance and Audit Act 1983* I declare that in my opinion:

1. the financial statements present a true and fair view of the financial position of the SAS Trustee Corporation Division of the Government Service of NSW at 30 June 2009 and transactions for the period then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions.

Further, I am not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 24<sup>th</sup> day of September 2009.



**Chris Durack**  
*Chief Executive Officer*

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Income Statement**

for the year ended 30 June 2009

	NOTE	<b>2009</b>	2008
		<b>\$'000</b>	\$'000
<b>Revenue from Continuing Operations</b>			
Personnel Services		<u>3,955</u>	2,850
<b>Expenses from Continuing Operations</b>			
Salaries		<b>2,003</b>	2,004
Defined contribution superannuation		<b>426</b>	352
Defined benefit superannuation		<b>(95)</b>	(96)
Annual and long service leave		<b>218</b>	186
Other payroll related		<b>384</b>	227
<b>Total Expenses</b>		<u><b>2,936</b></u>	<u>2,673</u>
<b>Operating Result for the Year</b>	2	<u><b>1,019</b></u>	<u>177</u>

*The accompanying notes form an integral part of the above Income Statement.*

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Balance Sheet**  
as at 30 June 2009

	NOTE	<b>2009</b> <b>\$'000</b>	2008 \$'000
<b>Current Assets</b>			
Receivables	3	<b>1,431</b>	708
Total Current Assets		<b>1,431</b>	708
<b>Total Assets</b>			
		<b>1,431</b>	708
<b>Current Liabilities</b>			
Provisions	4	<b>890</b>	294
Total Current Liabilities		<b>890</b>	294
<b>Non-Current Liabilities</b>			
Provisions	4	<b>541</b>	414
Total Non-Current Liabilities		<b>541</b>	414
<b>Total Liabilities</b>			
		<b>1,431</b>	708
<b>Net Assets</b>			
		<b>-</b>	-
<b>Total Equity</b>			
	5	<b>-</b>	-

*The accompanying notes form an integral part of the above Balance Sheet.*

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Cash Flow Statement**

for the year ended 30 June 2009

		<b>2009</b>	2008
		<b>\$'000</b>	\$'000
	NOTE	<b>Inflows/ (Outflows)</b>	Inflows/ (Outflows)
		<hr/>	<hr/>
<b>Cash Flows from Operating Activities</b>			
Receipts		<b>3,955</b>	2,850
Interest Received		-	-
Payments to Suppliers and Employees		<b>(3,955)</b>	(2,850)
Net Operating Cash Flows	9(b)	<hr/>	<hr/>
		-	-
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>			
		-	-
Cash & Cash Equivalents at the Beginning of the Financial Year		-	-
<b>Cash &amp; Cash Equivalents at the End of the Financial Year</b>	9(a)	<hr/>	<hr/>
		-	-

*The accompanying notes form an integral part of the above Cash Flow Statement.*

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Statement of Recognised Income and Expense**  
for the year ended 30 June 2009

	NOTE	<b>2009</b>	2008
		<b>\$'000</b>	\$'000
Superannuation actuarial gains/(losses)	8	<u>(1,019)</u>	(177)
Net income recognised directly in Equity		<u>(1,019)</u>	(177)
Result for the year		<b>1,019</b>	177
<b>Total recognised income and expense</b>		<u>-</u>	<u>-</u>

**Effect of change in accounting policies**

Result as reported in the 2008 financial report			-
Change in accounting policy	1(l)		<u>177</u>
Restated result			<u>177</u>

*The accompanying notes form an integral part of the above Statement of Recognised Income and Expense.*

## SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

### Notes to the financial statements

for the year ended 30 June 2009

#### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Reporting entity

The SAS Trustee Corporation Division of the Government Service of NSW ("the STC Division") is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the *Public Sector Employment and Management Act 2002*. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in NSW Australia and its office is at Level 17, 83 Clarence Street, Sydney.

The objective of the STC Division is to provide personnel services to the SAS Trustee Corporation (STC) and the SAS Trustee Corporation Pooled Fund.

The financial report was authorised for issue by the Chief Executive Officer of STC on 24 September 2009. The report will not be amended and reissued as it has been audited.

##### B. Basis for preparation

This is a general purpose financial report in accordance with the requirements of Australian Accounting Standards including Australian Accounting Interpretations, the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations. However, certain provisions are measured at fair value (see note 1 G).

The accrual basis of accounting has been adopted in the preparation of the financial report, except for cash flow information.

Management's judgements, key assumptions and estimates are disclosed in the relevant notes to the financial report.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

##### C. Comparative information

Where there have been changes in presentation in the current financial year, the comparative figures for the previous year have been adjusted to conform to these changes.

## SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

### Notes to the financial statements

for the year ended 30 June 2009

#### 1. STATEMENT OF ACCOUNTING POLICIES (Continued)

##### D. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

##### E. Receivables

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for doubtful debts. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial. An invoiced receivable is due for settlement within thirty days of invoicing.

If there is objective evidence at period end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for doubtful debts and the resulting loss is recognised in the income statement. Receivables are monitored during the period and bad debts written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the income statement.

##### F. Payables

Payables include accrued wages, salaries and related on costs (such as payroll tax, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

A short-term payable with no stated interest rate is measured at historical cost as the effect of discounting is immaterial.

##### G. Employee benefit provisions and expenses

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement.

Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.

Superannuation and leave liabilities are recognised as expenses and provision when the obligations arise, which is usually through the rendering of service by employees.

## SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

### Notes to the financial statements

for the year ended 30 June 2009

#### 1. STATEMENT OF ACCOUNTING POLICIES (Continued)

##### G. Employee benefit provision and expenses (Continued)

Superannuation and long service leave provisions are actuarially assessed prior to each reporting date and are measured at the present value of expected future payments.

All other employee benefit liabilities (i.e. for benefits falling due wholly within twelve months after reporting date) are assessed by management and are measured at the undiscounted amount of expected future payments.

The amount recognised for superannuation and long service leave provisions is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly.

The amount recognised in the income statement for superannuation and long service leave is the net total of current service cost, interest cost and the expected return on plan assets. Actuarial gains or losses are recognised in the Statement of Recognised Income in the year they occur.

##### H. Accounting standards applicable but not yet effective

AASB 101 – *Presentation of Financial Statements* as issued in September 2007 will be implemented for the year ended 30 June 2010. No material change to these financial statements is anticipated.

##### I. Change in accounting policy

In accordance with NSW Treasury policy, the STC Division has changed its policy on the recognition of superannuation actuarial gains and losses. Such actuarial gains and losses are now recognised outside the annual result in the Statement of Recognised Income and Expense. Previously, actuarial gains and losses were recognised through profit or loss. Both options are permissible under AASB 119 – *Employee Benefits*.

The change in policy was made by NSW Treasury on the basis that recognition of actuarial gains and losses in the Statement of Recognised Income provides reliable and more relevant information as it better reflects the nature of actuarial gains and losses. This is because actuarial gains/losses are re-measurements based on assumptions that do not necessarily reflect the ultimate cost of providing superannuation.

The change in accounting policy reduces expenses for 2008-09 by \$1,019,000 to \$2,936,000 (2008: by \$177,000 to \$2,673,000), by excluding from the result the superannuation actuarial loss line item. This item is now recognised in the Statement of Recognised Income and Expense rather than the Income Statement.



## SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

### Notes to the financial statements

for the year ended 30 June 2009

#### 2. RESULT

The STC Division did not make any payments to consultants in the year ended 30 June 2009 or the year ended 30 June 2008.

The audit fee for the entity of \$3,300 (2008: \$3,300) is met by STC. The auditor provided no other services other than the audit of this financial report.

#### 3. RECEIVABLES

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
<b>Current</b>		
Amounts Receivable – STC	<b>1,431</b>	455
Superannuation (refer Note 8)	-	253
	<b>1,431</b>	708

#### 4. PROVISIONS

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
<b>Current</b>		
Employee Benefits	<b>218</b>	294
Superannuation (refer Note 8)	<b>672</b>	-
	<b>890</b>	294
<b>Non-current</b>		
Employee Benefits	<b>541</b>	414
	<b>541</b>	414

## SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

### Notes to the financial statements

for the year ended 30 June 2009

#### 5. MOVEMENT IN EQUITY

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
Opening Balance	-	-
Operating Result for the Year	<b>1,019</b>	177
Superannuation actuarial gains/(losses)	<b>(1,019)</b>	(177)
Closing Balance	-	-

#### 6. FINANCIAL RISKS

##### *Credit Risk*

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause the STC Division to experience a financial loss. In respect of the STC Division's financial assets, its only counterparty is its parent entity, STC. As STC makes good its obligations to the STC Division on demand, the STC Division is exposed to minimal credit risk. The STC Division's maximum credit risk exposure is the balance of the receivable from STC.

##### *Liquidity Risk*

Liquidity risk is the risk that the STC Division will not be able to meet its financial obligations as they fall due. As stated at Note 9 the STC Division does not have a bank account. All transactions are transacted through the bank account of STC. STC has a legislative right to recover all costs from the SAS Trustee Corporation Pooled Fund and does so monthly. Consequently the STC Division is exposed to negligible liquidity risk.

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Notes to the financial statements**

for the year ended 30 June 2009

**7. EXECUTIVES' REMUNERATION**

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
Income received or due and receivable during the period 1 July to 30 June by executive officers of the STC Division whose income is \$100,000 or more.	<b>1,922</b>	1,866

The number of executive officers whose income is \$100,000 or more are shown below in their relevant income bands:

	<b>2009</b>	2008
	<b>Number</b>	Number

Remuneration (including superannuation contributions) of:

\$100,000 - \$109,999	<b>1</b>	1
\$110,000 - \$119,999	-	1
\$120,000 - \$129,999	<b>1</b>	1
\$130,000 - \$139,999	<b>1</b>	1
\$140,000 - \$149,999	<b>1</b>	1
\$150,000 - \$159,999	<b>1</b>	-
\$160,000 - \$169,999	<b>1</b>	1
\$170,000 - \$179,999	<b>1</b>	1
\$180,000 - \$189,999	<b>2</b>	1
\$210,000 - \$219,999	-	1
\$220,000 - \$229,999	-	1
\$230,000 - \$239,999	<b>1</b>	-
\$290,000 - \$299,999	<b>1</b>	1
	<b>11</b>	11

## SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

### Notes to the financial statements

for the year ended 30 June 2009

#### 8. SUPERANNUATION

The STC Division participates in the following closed defined benefit superannuation schemes for some of its staff –

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS).

The following information has been prepared by the scheme actuary.

*Reconciliation of the present value of the defined benefit obligation:*

<b>As at 30 June 2009</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	<b>859</b>	<b>184</b>	<b>4,059</b>
Current service cost	<b>32</b>	<b>10</b>	<b>30</b>
Interest cost	<b>53</b>	<b>11</b>	<b>260</b>
Contributions by fund participants	<b>18</b>	<b>-</b>	<b>24</b>
Actuarial (gains)/losses	<b>(105)</b>	<b>-</b>	<b>878</b>
Benefits paid	<b>(239)</b>	<b>(39)</b>	<b>(325)</b>
Past service cost	<b>-</b>	<b>-</b>	<b>-</b>
Curtailments	<b>-</b>	<b>-</b>	<b>-</b>
Settlements	<b>-</b>	<b>-</b>	<b>-</b>
Exchange rate changes	<b>-</b>	<b>-</b>	<b>-</b>
<i>Present value of partly funded defined benefit obligation at end of year</i>	<b>618</b>	<b>166</b>	<b>4,926</b>
<b>As at 30 June 2008</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	<b>818</b>	<b>248</b>	<b>4,966</b>
Current service cost	<b>30</b>	<b>13</b>	<b>11</b>
Interest cost	<b>49</b>	<b>15</b>	<b>310</b>
Contributions by fund participants	<b>16</b>	<b>-</b>	<b>49</b>
Actuarial (gains)/losses	<b>(9)</b>	<b>(50)</b>	<b>(959)</b>
Benefits paid	<b>(45)</b>	<b>(42)</b>	<b>(318)</b>
Past service cost	<b>-</b>	<b>-</b>	<b>-</b>
Curtailments	<b>-</b>	<b>-</b>	<b>-</b>
Settlements	<b>-</b>	<b>-</b>	<b>-</b>
Exchange rate changes	<b>-</b>	<b>-</b>	<b>-</b>
<i>Present value of partly funded defined benefit obligation at end of year</i>	<b>859</b>	<b>184</b>	<b>4,059</b>

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Notes to the financial statements**  
for the year ended 30 June 2009

**8. SUPERANNUATION (Continued)**

*Reconciliation of the fair value of fund assets:*

<b>As at 30 June 2009</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Fair value of fund assets at beginning of the year</i>	1,114	340	4,726
Expected return on fund assets	87	26	377
Actuarial gains/(losses)	(243)	(56)	(771)
Employer contributions	-	-	-
Contributions by fund participants	17	-	24
Benefits paid	(239)	(39)	(325)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	<b>736</b>	<b>271</b>	<b>4,031</b>

<b>As at 30 June 2008</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Fair value of fund assets at beginning of the year</i>	959	256	5,958
Expected return on fund assets	72	19	461
Actuarial gains/(losses)	(119)	(47)	(1,067)
Employer contributions	231	154	(357)
Contributions by fund participants	16	-	49
Benefits paid	(45)	(42)	(318)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	<b>1,114</b>	<b>340</b>	<b>4,726</b>

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Notes to the financial statements**  
for the year ended 30 June 2009

**8. SUPERANNUATION (Continued)**

*Reconciliation of the assets and liabilities recognised in the Balance Sheet.*

<b>As at 30 June 2009</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of funded defined benefit obligations at end of the year	618	166	4,926
Fair value of fund assets at end of the year	(736)	(271)	(4,031)
<i>Subtotal</i>	(118)	(105)	895
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	-	-	-
<i>Net liability/(asset) recognised in Balance Sheet at end of the year</i>	<b>(118)</b>	<b>(105)</b>	<b>895</b>
<b>As at 30 June 2008</b>	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of funded defined benefit obligations at end of the year	859	184	4,059
Fair value of fund assets at end of the year	(1,114)	(340)	(4,726)
<i>Subtotal</i>	(255)	(156)	(667)
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	195	119	511
<i>Net liability/(asset) recognised in Balance Sheet at end of the year</i>	<b>(60)</b>	<b>(37)</b>	<b>(156)</b>

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Notes to the financial statements**  
for the year ended 30 June 2009

**8. SUPERANNUATION (Continued)**

*Components recognised in Income Statement:*

<b>As at 30 June 2009</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Current Service Cost	32	10	29
Interest cost	53	11	260
Expected return on fund assets (net of expenses)	(87)	(27)	(376)
Past service cost	-	-	-
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	(2)	(6)	(87)
<b>As at 30 June 2008</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Current Service Cost	31	13	12
Interest cost	49	14	310
Expected return on fund assets (net of expenses)	(72)	(19)	(462)
Past service cost	-	-	-
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	8	8	(140)

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Notes to the financial statements**

for the year ended 30 June 2009

**8. SUPERANNUATION (Continued)**

*Amounts recognised in the Statement of Recognised Income and Expense:*

<b>As at 30 June 2009</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Actuarial (gains)/losses	<b>138</b>	<b>57</b>	<b>1,649</b>
Adjustment for limit on net asset	<b>(195)</b>	<b>(119)</b>	<b>(511)</b>

<b>As at 30 June 2008</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Actuarial (gains)/losses	109	(3)	108
Adjustment for limit on net asset	88	113	(239)

*Cumulative amount of the actuarial gains and losses recognised in the Statement of Recognised Income and Expense:*

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>As at 30 June 2009</b>	<b>186</b>	<b>74</b>	<b>162</b>
As at 30 June 2008	48	17	(1,487)
As at 30 June 2007	(61)	20	(1,595)
As at 30 June 2006	(20)	(7)	(91)

*The percentage of fund assets invested in each asset class at the balance sheet date:*

	<b>2009</b>	<b>2008</b>
Australian equities	<b>32%</b>	32%
Overseas equities	<b>26%</b>	25%
Australian fixed interest securities	<b>6%</b>	7%
Overseas fixed interest securities	<b>5%</b>	8%
Property	<b>10%</b>	11%
Cash	<b>8%</b>	6%
Other	<b>13%</b>	11%

*Expected rate of return on assets:*

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment taxes and investment fees.



**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Notes to the financial statements**  
for the year ended 30 June 2009

**8. SUPERANNUATION (Continued)**

*Actual return on fund assets:*

<b>As at 30 June 2009</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Actual return on fund assets	<b>(91)</b>	<b>(30)</b>	<b>(460)</b>
<b>As at 30 June 2008</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Actual return on fund assets	<b>(84)</b>	<b>(28)</b>	<b>(358)</b>

*Valuation method and principal actuarial assumptions at the balance sheet date:*

*(a) Valuation Method*

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

*(b) Economic Assumptions*

	<b><u>2009</u></b>	<b><u>2008</u></b>
Salary increase rate	<b>3.5%</b>	3.5%
Rate of CPI increase	<b>2.5%</b>	2.5%
Expected rate of return on assets backing current pension liabilities	<b>8.3%</b>	8.3%
Expected rate of return on assets backing other liabilities	<b>7.3%</b>	7.3%
Discount rate	<b>5.6%</b>	6.5%

*(c) Demographic Assumptions*

Demographic assumptions reflect those adopted by the scheme actuary in his triennial review of the schemes.

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Notes to the financial statements**  
for the year ended 30 June 2009

**8. SUPERANNUATION (Continued)**

*Historical Information:*

**As at 30 June 2009**

	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of defined benefit obligation	618	166	4,926
Fair value of fund assets	(736)	(271)	(4,031)
(Surplus)/Deficit in fund	<b>(118)</b>	<b>(105)</b>	<b>895</b>
Experience adjustments – fund liabilities	(105)	-	878
Experience adjustments – fund assets	243	56	771

As at 30 June 2008

	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Present value of defined benefit obligation	859	184	4,059
Fair value of fund assets	(1,114)	(340)	(4,726)
(Surplus)/Deficit in fund	(255)	(156)	(667)
Experience adjustments – fund liabilities	(10)	(50)	(959)
Experience adjustments – fund assets	119	47	1,067

As at 30 June 2007

	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Present value of defined benefit obligation	818	248	4,966
Fair value of fund assets	(959)	(256)	(5,958)
(Surplus)/Deficit in fund	(141)	(8)	(992)
Experience adjustments – fund liabilities	44	46	(854)
Experience adjustments – fund assets	(85)	(19)	(650)

As at 30 June 2006

	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Present value of defined benefit obligation	720	231	5,077
Fair value of fund assets	(801)	(258)	(4,458)
(Surplus)/Deficit in fund	(81)	(27)	619
Experience adjustments – fund liabilities	1	(2)	(13)
Experience adjustments – fund assets	(22)	(5)	(77)

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Notes to the financial statements**  
for the year ended 30 June 2009

**8. SUPERANNUATION (Continued)**

*Expected contributions:*

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>Expected contributions for year to 30 June 2009</b>	-	-	-
Expected contributions for year to 30 June 2008	-	-	-

*Funding arrangements for employer contributions – surplus/deficit:*

The following is a summary of the 30 June financial position of the schemes calculated in accordance with AAS25- *Financial Reporting by Superannuation Plans*.

<b>30 June 2009</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Accrued benefits	590	155	3,643
Net market value of fund assets	(736)	(271)	(4,031)
<i>Net (surplus)/deficit</i>	<b>(146)</b>	<b>(116)</b>	<b>(388)</b>

<b>30 June 2008</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Accrued benefits	857	184	3,668
Net market value of fund assets	(1,114)	(340)	(4,726)
<i>Net (surplus)/deficit</i>	<b>(257)</b>	<b>(156)</b>	<b>(1,058)</b>

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Notes to the financial statements**

for the year ended 30 June 2009

**8. SUPERANNUATION (Continued)**

*Funding arrangements for employer contributions – Recommended contribution rates:*

As at 30 June 2009	SASS	SANCS	SSS
	Multiple of member contributions	% member salaries	Multiple of member contributions
	-	-	-
As at 30 June 2008	SASS	SANCS	SSS
	Multiple of member contributions	% member salaries	Multiple of member contributions
	-	-	-

*Funding arrangements for employer contributions – Funding Method:*

The method used to determine employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

*Funding arrangements for employer contributions – Economic Assumptions:*

Weighted average assumptions –

	<b>2009 and following</b>
Expected rate of return on fund assets backing current pension liabilities	<b>8.3%</b>
Expected rate of return on fund assets backing other liabilities	<b>7.3%</b>
Expected salary increase rate	<b>4.0%</b>
Expected rate of CPI increase	<b>2.5%</b>

*Funding arrangements for employer contributions – Nature of asset/liability:*

If a surplus exists in the STC Division's interest in the fund, the STC Division may be able to take advantage of it in the form of a reduction in required contribution rate. STC in its capacity as the schemes' trustee and NSW Treasury must approve such a reduction.

If a deficiency exists the STC Division is responsible for any difference between its share of scheme assets and the defined benefit obligation.

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Notes to the financial statements**  
for the year ended 30 June 2009

**9. CASH FLOW INFORMATION**

**a) Reconciliation of Cash**

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
Cash at Bank	<u>-</u>	<u>-</u>

The STC Division does not have a bank account. All transactions are transacted through the bank account of STC.

The STC Division does not have any credit standby arrangements or loan facilities.

**b) Reconciliation of Net Result to Net Cash Used in Operating Activities**

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
	<b>Inflows/ (Outflows)</b>	Inflows/ (Outflows)
<b>Net Result</b>	<u>-</u>	<u>-</u>
<b>Changes in Assets and Liabilities</b>		
(Increase)/Decrease in Assets		
Receivables	723	111
Increase/(Decrease) in Liabilities		
Provisions	(723)	(111)
<b>Net Cash From/(Used) in Operating Activities</b>	<u>-</u>	<u>-</u>

**SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW**

**Notes to the financial statements**  
for the year ended 30 June 2009

**10. COMMITMENTS FOR EXPENDITURE**

There are no commitments for expenditure at 30 June 2009 or at 30 June 2008.

**11. CONTINGENT LIABILITIES**

There are no contingent liabilities at 30 June 2009 or at 30 June 2008.

**End of Audited Financial Report**





**PART D**

**Financial Statements  
of the  
SAS Trustee Corporation  
Pooled Fund**

**The accounts of the Pooled Fund's Controlled Entities have been separately  
tabled in the NSW Parliament and may be obtained on request from STC.  
See outside back cover for contact details.**





GPO BOX 12  
Sydney NSW 2001

## INDEPENDENT AUDITOR'S REPORT

### SAS Trustee Corporation - Pooled Fund

To the Treasurer

I have audited the accompanying financial report of the SAS Trustee Corporation - Pooled Fund (the Fund), which comprises the statement of net assets as at 30 June 2009, and the statement of changes in net assets for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the statement of net assets as at 30 June 2009, and its statement of changes in net assets for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

My opinion should be read in conjunction with the rest of this report.

#### The Trustees' Responsibility for the Financial Report

The members of the Board of the SAS Trustee Corporation, as trustee of the Fund, are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Fund's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee Board, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Fund,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

### Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



Peter Achterstraat  
Auditor-General

30 September 2009  
SYDNEY

**SAS TRUSTEE CORPORATION POOLED FUND**

**ABN 29 239 066 746**

**Statement by Members of the Trustee Board**  
for the year ended 30 June 2009

Pursuant to the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we declare on behalf of the Board that in our opinion:

1. the financial statements present a true and fair view of the financial position of the Pooled Fund at 30 June 2009 and transactions for the year then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's directions.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 30<sup>th</sup> day of September 2009.



**Don Russell**  
*Chairperson*  
*SAS Trustee Corporation*



**Ian Blair**  
*Board Member and Chairperson of the*  
*Risk, Audit and Compliance Committee*  
*SAS Trustee Corporation*

**SAS TRUSTEE CORPORATION POOLED FUND**

**Statement of Changes in Net Assets**  
for the year ended 30 June 2009

	Note	2009 \$'m	2008 \$'m
<b>Net Assets Available to Pay Benefits at Beginning of Financial Year</b>		<b>34,213.8</b>	38,587.0
<b>Contribution Revenue</b>			
Employer Contributions		1,152.2	1,130.9
Salary Sacrifice Member Contributions		288.5	227.1
Member Contributions		257.1	337.0
	3	<b>1,697.8</b>	1,695.0
<b>Transfers</b>			
Scheme Mobility Transfer	5	(1.1)	4.3
Refunds to Employers		(0.3)	-
		<b>(1.4)</b>	4.3
<b>Investment Revenue</b>			
Short Term Securities		44.8	31.4
Australian Fixed Interest		138.5	164.4
International Fixed Interest		67.3	89.2
Australian Equities		710.5	853.9
International Equities		302.4	421.1
Property		162.4	177.1
Alternatives		227.5	204.5
		<b>1,653.4</b>	1,941.6
Change in Net Market Value of Investments		<b>(5,782.3)</b>	(5,003.7)
	6	<b>(4,128.9)</b>	(3,062.1)
Investment Expenses		(85.4)	(109.1)
Net Investment Revenue		<b>(4,214.3)</b>	(3,171.2)
Other Revenue		2.3	2.7
<b>Total Revenue</b>		<b>(2,515.6)</b>	(1,469.2)
Benefits Paid	13(b)	<b>(3,020.8)</b>	(3,075.1)
Scheme Administration Expenses	7	(34.1)	(32.7)
Superannuation Contributions Surcharge		4.9	9.9
Other Expenses		(0.3)	(0.9)
<b>Total Expenses</b>		<b>(3,050.3)</b>	(3,098.8)
<b>Change in Net Assets Before Income Tax</b>		<b>(5,565.9)</b>	(4,568.0)
Income Tax Benefit	8(a)	199.8	194.8
<b>Change in Net Assets Available to Pay Benefits After Income Tax</b>		<b>(5,366.1)</b>	(4,373.2)
<b>Net Assets Available to Pay Benefits at End of Financial Year</b>	9	<b>28,847.7</b>	34,213.8

*The accompanying notes form an integral part of the above Statement of Changes in Net Assets*

## SAS TRUSTEE CORPORATION POOLED FUND

### Statement of Net Assets as at 30 June 2009

	Note	2009 \$'m	2008 \$'m
<b>INVESTMENTS</b>			
Short Term Securities		2,550.3	2,475.0
Australian Fixed Interest		2,730.5	3,177.5
International Fixed Interest		2,071.0	2,533.6
Australian Equities		8,433.2	10,835.6
International Equities		6,419.0	7,857.2
Property		2,545.9	3,468.6
Alternatives		3,759.5	4,016.5
		<b>28,509.4</b>	34,364.0
<b>OTHER ASSETS</b>			
Cash and Cash Equivalents		1.3	67.9
Receivables	10	447.7	202.0
Plant and Equipment		0.2	0.2
Current Tax Asset	8(a)	39.6	-
Deferred Tax Asset	8(b)	110.3	-
		<b>599.1</b>	270.1
<b>TOTAL ASSETS</b>		<b>29,108.5</b>	34,634.1
<b>LIABILITIES</b>			
Reserve Units	11	3.2	4.2
Payables	12	257.6	277.7
Current Tax Liability	8(a)	-	66.7
Deferred Tax Liability	8(b)	-	71.7
		<b>260.8</b>	420.3
<b>TOTAL LIABILITIES</b>		<b>260.8</b>	420.3
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	9	<b>28,847.7</b>	34,213.8

*The accompanying notes form an integral part of the above Statement of Net Assets.*

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements

for the year ended 30 June 2009

#### 1. OPERATION OF THE FUND

These financial statements are a general purpose financial report for the SAS Trustee Corporation Pooled Fund (the Fund) reporting entity that consists of the State Authorities Superannuation Scheme (SASS), the State Authorities Non-contributory Superannuation Scheme (SANCS), the State Superannuation Scheme (SSS) and the Police Superannuation Scheme (PSS). These are the superannuation schemes administered by the SAS Trustee Corporation (STC) under the *Superannuation Administration Act 1996* (the Act). STC acts as trustee and holds in trust all assets of the Fund.

The Schemes of the Fund were established under and are governed by various Acts of the New South Wales Parliament. SANCS, SSS and PSS are defined benefit plans, while SASS comprises both of a defined benefit component and a defined contribution component. All Schemes in the Fund are closed to new members. The Fund is domiciled in NSW Australia. Its registered address is Level 17, 83 Clarence Street Sydney, NSW, 2000.

Scheme administration services for the Fund are carried out by the Superannuation Administration Corporation trading as Pillar Administration (Pillar). The Fund's investment custodial activities are performed by JP Morgan Chase Bank, NA. The Fund's administration custody activities (operation and management of the Fund's benefit and contribution bank accounts) are performed by Pillar.

Investment managers of the Fund during the year ended 30 June 2009 are:

- Access Capital Advisers Pty Ltd
- AllianceBernstein Investment Management Australia Ltd
- Altrinsic Global Advisors LLC
- AMP Capital Investors Limited
- AQR Capital Management, LLC
- Arrowstreet Capital LP (via Macquarie Investment Management Limited)
- AXA Rosenberg Investment Management Asia Pacific Ltd
- Axiom International Investors LLC
- Barclays Global Investors Australia Ltd
- BT Investment Management (RE) Limited
- Capital International, Inc
- Citigroup Global Markets Australia Pty Ltd
- DEXUS Funds Management Limited (formerly DB RREEF Funds Management Limited)
- Deutsche Asset Management (Australia) Limited
- EG Funds Management Pty Ltd
- Fidelity International Limited
- Franklin Templeton Investments Australia Limited
- GMO Australia Limited

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements for the year ended 30 June 2009

#### 1. OPERATION OF THE FUND (Continued)

- Goldman Sachs JBWere
- Kaplan Funds Management Pty Limited
- LaSalle Investment Management (via Equity Trustees Limited)
- LaSalle Investment Management (Securities) LP
- Lazard Asset Management Pacific Co
- Macquarie Investment Management Limited
- Maple-Brown Abbott Limited
- New South Wales Treasury Corporation
- Northcape Capital
- Pareto Investment Management Limited
- Perennial Value Management Limited
- Perpetual Investment Management Limited
- Platypus Asset Management Pty Ltd
- RARE Infrastructure Limited
- Siguler Guff & Company
- State Street Global Advisors, Australia, Limited
- Trilogy Global Advisors, LLC (via Orion Asset Management Services Pty Limited)
- Trilogy Global Advisors, LLC
- Vanguard Investments Australia Ltd
- Wallara Asset Management Pty Limited
- Wellington Management Company, LLP

Each manager is required to invest the assets managed by it in accordance with the provisions set out in an Investment Management Agreement either directly with STC, or in the case of a trust, with the trustee of the trust. The investment managers and custodian charge fees for the services provided.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements

for the year ended 30 June 2009

## 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### a) Statement of Compliance

The financial statements form a general purpose financial report and are prepared in accordance with –

- the *Public Finance and Audit Act 1983*
- the *Public Finance and Audit Regulation 2005*
- the Treasurer's Directions
- applicable Australian Accounting Standards and other professional reporting requirements (for example, Australian Accounting Interpretations).

The financial statements have been drawn up in accordance with Australian Accounting Standard AAS 25 – *Financial Reporting by Superannuation Plans* (AAS 25) and relevant legislative requirements.

The financial statements comply with Australian Accounting Standards, including Australian Accounting Interpretations. The Fund is a not-for-profit entity.

The financial statements were authorised for issue by the Trustee Board on 30 September 2009.

The accrual method of accounting is used and the financial statements are also prepared in accordance with the historic cost convention, except for assets stated in Note 2(b).

In accordance with the criteria set out in the Australian Accounting Standard AASB 3 – *Business Combinations* and AASB 127 – *Consolidated and Separate Financial Statements*, the Fund is the parent entity within the economic entity. Entities in the economic entity are shown in Note 15. Consolidated financial statements have not been prepared in accordance with these standards on the grounds that the controlled entities are not material to these financial statements. Investments in subsidiaries are carried at net market value.

All amounts are presented in Australian Dollars unless otherwise stated.

Unless otherwise stated, all accounting policies were also adopted in the corresponding preceding reporting period.

More detailed information on accounting policies for financial instruments is contained at Note 19.

### b) Assets and Liabilities

Assets and liabilities of the Fund are valued at reporting date at net market values. Net market values comprise market values less estimated costs of disposal. Changes in net market values, representing gains or losses, are recognised in the Statement of Changes in Net Assets in the period in which they occur.

The valuation of each class of asset at 30 June is determined as follows:

Short Term Securities:	Market rates (refer note 19 for greater detail).
Fixed Interest:	Relevant fixed interest securities markets.
Equities, Unit Trusts: and Unlisted Assets	Relevant stock exchange official quotation or if unlisted, independent or manager valuation.



## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements

for the year ended 30 June 2009

#### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### b) Assets and Liabilities (Continued)

Property: Current market value determined individually by independent registered valuers on the basis of an exchange between knowledgeable and willing parties in an arm's length transaction.

Plant and Equipment: Valued at net fair values; where assets are not material and for which fair values are not readily available, the assets are shown at their written down values. During the year the fair value of plant and equipment decreased by \$21,447 (2008: increased by \$11,921).

Others: e.g. Sundry Assets and Receivables, where net market values are not applicable, the assets are shown at net fair values. Assets are reviewed annually to ensure they are not recognised at amounts exceeding the value of the economic benefits to be provided by continued use.

The transactions relating to financial instruments are accounted for using trade date accounting.

The Trustees have concluded that the above measurement bases are appropriate. The nature of the assets and liabilities is that measurement amounts may change over time. Particularly for unlisted assets, measurement amounts may be at variance from amounts realised should the assets be disposed of.

Assets and liabilities are recognised when STC becomes party to the instrument's contractual provisions.

Assets are derecognised when the contractual rights to cash flows from the asset expire or are transferred to another party.

Liabilities are derecognised when the contractual obligation relating to the liability is discharged, cancelled or expires.

##### c) Foreign Currency Transactions

Foreign currency transactions during the year are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Resulting exchange differences are recognised in the Statement of Changes in Net Assets in the period in which they arise.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements

for the year ended 30 June 2009

#### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### d) Income Tax

The Fund is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1936*. Accordingly, the concessional tax rate of 15% has been applied.

Income tax on the Change in Net Assets for the year comprises current and deferred tax. Income tax is reflected in the Statement of Changes in Net Assets.

Current Tax is the expected tax payable or recoverable on the taxable income for the year using the concessional tax rate of 15% and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax provided uses the tax rate expected to apply when the benefit or liability is realised.

A deferred tax asset is only recognised to the extent it is probable that future taxable surpluses will be available against which the asset can be used.

##### e) Management Expenses

Management expenses charged to the Fund comprise:

**Investment Expenses:** These are charged directly against investment revenue. Performance fees are accrued as earned.

**Scheme Administration Expenses:** The expenses were allocated in accordance with Trustee policy during the year. The basis for the allocation was number of members and the administrative complexity of each individual Scheme.

##### f) Superannuation Contributions Surcharge Tax

The Superannuation Contributions Surcharge tax is levied on surchargeable contributions on the basis of the individual member's adjusted taxable income. Surcharge assessments which are received and paid by the Fund are charged to the relevant members' surcharge debt accounts.

No provision has been made in these financial statements for the amount of the superannuation contributions surcharge tax which may be payable by the Fund under the *Superannuation Contributions Tax (Assessment and Collections) Act 1997* as the assessments received to date are not considered to be indicative of future assessments. The liability shown in the Statement of Net Assets is calculated using assessments received up to 30 June 2009 from the ATO advising of surcharge accrued before abolition of the *Superannuation Contributions Tax (Assessment and Collections) Act 1997*, effective 1 July 2005.

##### g) Rounding

All values reported in the financial statements have been rounded to the nearest million dollars taken to one decimal place, except where otherwise stated.

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### h) Comparative Figures

Where there have been changes in presentation in the current financial year, the comparative figures for the previous year have been adjusted to conform to these changes.

#### i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### **Contributions and Transfers in**

Contributions and transfers in are recognised when control of the asset has been attained and are recorded in the period to which they relate.

##### **Interest Received**

Interest is recognised when control of a right to receive consideration for the provision of, or investment in, assets has been attained.

##### **Dividends**

Dividends are recognised on the ex-date.

#### j) Benefit Payments

Benefit payments are recognised when the payment becomes due under scheme legislation and a benefit application has been received.

#### k) Standards Issued applicable but not yet effective

AASB 3 – *Business Combinations* as issued in March 2008 will be implemented for the year ended 30 June 2010. No material change to these financial statements is anticipated.

AASB 101 – *Presentation of Financial Statements* as issued in September 2007 will be implemented for the year ended 30 June 2010. No material change to these financial statements is anticipated.

AASB 127 – *Consolidated and Separate Financial Statements* as issued in March 2008 will be implemented for the year ended 30 June 2010. No material change to these financial statements is anticipated.

AASB 2009-2 – *Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments* as issued in April 2009 will be implemented for the year ended 30 June 2010. It is expected that application of the standard will result in minor changes in the disclosure of derivative financial liabilities.

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 3. EMPLOYER AND MEMBER CONTRIBUTIONS

	2009				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Employer Contributions	885.5	204.7	61.3	0.7	1,152.2
Salary Sacrifice Contributions	111.3	-	169.9	7.3	288.5
Member Contributions	124.3	6.9	118.3	7.6	257.1
<b>Total Contributions</b>	<b>1,121.1</b>	<b>211.6</b>	<b>349.5</b>	<b>15.6</b>	<b>1,697.8</b>
	2008				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Employer Contributions	714.0	331.7	84.6	0.6	1,130.9
Salary Sacrifice Contributions	90.7	-	133.8	2.7	227.2
Member Contributions	143.5	9.3	171.9	12.2	336.9
<b>Total Contributions</b>	<b>948.2</b>	<b>341.0</b>	<b>390.3</b>	<b>15.5</b>	<b>1,695.0</b>

The payment of all benefits under the Schemes associated with the Fund is provided for by New South Wales Government statute and the liability is funded, as a minimum, as the benefits become payable.

Member and Employer contributions for each of the Schemes are determined on the bases described below. The bases for the current year remain unchanged from the previous year. Member contributions for the SANCS represent the co-contributions received from the Commonwealth Government.

Contributions made by the Crown vary from year to year depending upon government liability management priorities.

The Government's objective is to fully fund its superannuation liabilities by 2030. This objective requires that employer contributions be periodically reassessed to ensure that they remain sufficient to achieve full funding by 2030. STC conducts this periodic reassessment at 30 June and 31 December each year.

#### a) State Authorities Superannuation Schemes (SASS)

##### Member Contributions

Each member elects to contribute between 1% and 9% of salary.

##### Employer Contributions

Under the provisions of the *State Authorities Superannuation Act 1987* employers are grouped into the two categories below and the bases of contribution are as follows:

- Part 1 Consolidated Fund or supported Government employers and self-financing Semi-government and non-government employers are billed monthly and generally contribute at a multiple of the contributions payable by employees. The respective multiples are set by STC, with the concurrence of the NSW Treasurer, at a rate of part fund future liabilities and to fully fund emerging benefits.
- Part 3 Hospitals and associated employers contribute an amount equal to their employees' own contributions. Should any shortfall occur the funding deficit is guaranteed to be met from the Consolidated Fund of the NSW Government.

Contributions made by the Crown vary from year to year depending upon government liability management priorities.

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
for the year ended 30 June 2009

### 3. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

#### b) State Authorities Non-contributory Superannuation Scheme (SANCS)

##### Member Contributions

As the Scheme is 100% employer funded, there are no member contributions. Any member contribution recognised represents co-contributions received from the Commonwealth Government in respect of a member.

##### Employer Contributions

Employers are billed at a percentage of employees' salaries, set for each employer by STC with the concurrence of the NSW Treasurer. The current contribution rates for employers range from 0% to 3%. Some employers also contribute lump sum contributions to meet past service deficiencies. The lump sum contribution amount is set by STC with concurrence of the NSW Treasurer.

Contributions made by the Crown vary from year to year depending upon government liability management priorities.

#### c) State Superannuation Scheme (SSS)

##### Member Contributions

Each member contributes on a rate for age basis for individual pension units which become available with salary increases. Members may elect to abandon units where total contributions payable would exceed 6% of salary.

##### Employer Contributions

Each employer contributes at a rate equal to a multiple of relevant employee contributions. The rate is set by STC with the concurrence of the NSW Treasurer. The multiple of employee contributions is estimated to at least meet the cost of emerging benefits. Some employers also contribute lump sum contributions to meet past service deficiencies. The lump sum contribution amount is set by STC with concurrence of the NSW Treasurer.

Contributions made by the Crown vary from year to year depending upon government liability management priorities.

#### d) Police Superannuation Scheme (PSS)

##### Member Contributions

Members contribute 6% of their salary.

##### Employer Contributions

Employer contributions are made by the Crown and vary from year to year depending upon government liability management priorities.

### 4. SASS – MEMBER INVESTMENT CHOICE

SASS members have the option to choose the investment strategy for his or her member contributions. The option is also offered to SASS members who have deferred their benefits. Any election by a SASS deferred member applies to the member's contributor financed benefit and also to his or her employer financed benefit.

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 5. SCHEME MOBILITY TRANSFER

During the year some members of Fund schemes elected to transfer to the Local Government Superannuation Scheme (LGSS) or to the Energy Industries Superannuation Scheme (EISS) following transfer of their employment to a relevant employer covered by either of those schemes. The total amount transferred out was \$2.7 million (2008: \$1.2 million).

Also, a number of LGSS and/or EISS members who had undergone a change in employment elected to transfer to a Fund scheme. The total amount transferred in was \$1.6 million (2008: \$5.5 million).

The mobility provisions governing these optional, employment-related scheme transfers are contained in the *Superannuation Administration (Local Government Superannuation Scheme Transitional Provisions) Regulations 1997* and the *Superannuation Administration (Electricity Superannuation Scheme) Regulations 1997*.

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 6. INVESTMENT REVENUE

	2009			
	Change in Net Market Value			
	Income	Held at Reporting Date	Realised During the Year	Total
	\$'m	Unrealised Gain/(Loss) \$'m	Gain/(Loss) \$'m	\$'m
Short Term Securities	44.8	(2.9)	77.5	119.4
Australian Fixed Interest	138.5	93.6	59.8	291.9
International Fixed Interest	67.3	143.9	12.4	223.6
Australian Equities	710.5	(1,356.8)	(1,350.7)	(1,997.0)
International Equities	302.4	(928.3)	(857.3)	(1,483.2)
Property	162.4	(557.7)	(444.6)	(839.9)
Alternatives	227.5	(559.9)	(111.3)	(443.7)
<b>Total Investment Revenue</b>	<b>1,653.4</b>	<b>(3,168.1)</b>	<b>(2,614.2)</b>	<b>(4,128.9)</b>

	2008			
	Change in Net Market Value			
	Income	Held at Reporting Date	Realised During the Year	Total
	\$'m	Unrealised Gain/(Loss) \$'m	Gain/(Loss) \$'m	\$'m
Short Term Securities	31.4	9.2	152.9	193.5
Australian Fixed Interest	164.4	(28.6)	(2.9)	132.9
International Fixed Interest	89.2	(57.7)	180.2	211.7
Australian Equities	853.9	(2,356.0)	(326.5)	(1,828.6)
International Equities	421.1	(2,074.4)	(353.7)	(2,007.0)
Property	177.1	(426.0)	95.7	(153.2)
Alternatives	204.5	74.9	109.2	388.6
<b>Total Investment Revenue</b>	<b>1,941.6</b>	<b>(4,858.6)</b>	<b>(145.1)</b>	<b>(3,062.1)</b>

#### Interest Revenue

Within Short Term Securities, Australian Fixed Interest and International Fixed Interest is interest revenue received of \$205.9 million (2008: \$253.5 million).

#### Royalty Revenue

Within Australian Equities is royalty revenue received of \$33.3 million (2008: \$11.5 million).

#### Dividend Revenue

Within Australian Equities and International Equities is dividend revenue of \$946.6 million (2008: \$1,217.7 million).

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 6. INVESTMENT REVENUE (Continued)

#### Property Lease Revenue

The Fund's property portfolio comprises interests in property trusts and several directly owned properties. These properties are leased commercially to various tenants.

The Fund engaged in the following transactions –

	<b>2009</b>	2008
	<b>\$'m</b>	\$'m
Rental income derived	<b>168.9</b>	154.0
Direct property operating expenses	<b>(47.0)</b>	(43.4)
Contractual obligations to renovate properties	<b>(4.0)</b>	(38.0)

The future minimum lease payments receivable by the Fund are –

	<b>2009</b>	2008
	<b>\$'m</b>	\$'m
No later than one year	<b>132.2</b>	116.2
Later than one year but not later than five years	<b>375.3</b>	376.0
Later than five years	<b>98.4</b>	119.4
	<b>605.9</b>	611.6

### 7. SCHEME ADMINISTRATION EXPENSES

Included in Scheme Administration Expenses are the following items:

	<b>2009</b>	2008
	<b>\$'m</b>	\$'m
Audit Fees – The Auditor-General of New South Wales (audit of the financial statements and no other services)	<b>0.4</b>	0.4
Scheme Administration Fees	<b>27.0</b>	27.2
Triennial Actuarial Fees	<b>0.3</b>	-



## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements for the year ended 30 June 2009

#### 8. INCOME TAX

Income tax expenses and assets and liabilities arising from the levying of income tax (including capital gains tax) on the Fund have been determined in accordance with the provisions of Australian Accounting Standard AASB 112 – *Income Taxes*.

<b>a) Income Tax recognised in the Statement of Changes in Net Assets</b>	<b>2009 \$'m</b>	<b>2008 \$'m</b>
<b>Current tax expense/(benefit)</b>		
Provision attributable to current year	(39.6)	66.7
PAYG instalments paid	20.1	-
Adjustments for prior year	0.8	(3.4)
	<b>(18.7)</b>	<b>63.3</b>
<b>Deferred tax expense</b>		
(Decrease)/increase in deferred tax expense	(181.1)	(258.1)
Total income tax benefit in Statement of Changes in Net Assets	<b>(199.8)</b>	<b>(194.8)</b>
<b>Reconciliation between tax (benefit)/expense and pre-tax Change in Net Assets before Tax</b>		
Change in Net Assets before income tax	<b>(5,565.9)</b>	<b>(4,568.0)</b>
Income tax (benefit)/expense using the superannuation fund tax rate of 15%	<b>(834.9)</b>	<b>(685.2)</b>
Increase in tax expense/Decrease in tax benefit due to:		
Non-deductible benefit payments, CGT concession and investment expense	<b>734.1</b>	703.5
Pension related investment losses	<b>186.9</b>	113.9
Decrease in tax expense/Increase in tax benefit due to:		
Tax credits	<b>(206.5)</b>	(243.4)
Notional death and disability insurance premium and anti-detriment	<b>(80.2)</b>	(80.2)
Under/(Over) provision of tax benefit in prior year	<b>0.8</b>	(3.4)
Income tax benefit on Change in Net Assets Before Tax	<b>(199.8)</b>	<b>(194.8)</b>
<b>b) Deferred Tax Asset/(Liability)</b>	<b>2009 \$'m</b>	<b>2008 \$'m</b>
Unrealised Capital Losses/(Gains)	<b>103.4</b>	(107.8)
Dividends Receivable	<b>(3.7)</b>	(5.4)
Interest Receivable	-	(0.2)
Contributions Receivable	<b>(0.9)</b>	(1.3)
Unrealised Gains/(Losses) on Traditional Securities and Foreign Exchange	<b>(8.6)</b>	22.0
Unrealised Franking Credits	<b>20.1</b>	21.0
Deferred Tax Asset/(Liability)	<b>110.3</b>	<b>(71.7)</b>

**SAS TRUSTEE CORPORATION POOLED FUND**

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

**9. NET ASSETS**

	2009				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
<b>Member Reserves (1)</b>					
Balance at Beginning of Financial Year	4,381.5	-	4,442.6	374.2	9,198.3
Increase/(Decrease) in Net Assets	(522.1)	-	(816.0)	(60.0)	(1,398.1)
Balance at End of Financial Year	3,859.4	-	3,626.6	314.2	7,800.2
<b>Employer Reserves (2)</b>					
Balance at Beginning of Financial Year	2,987.0	908.6	16,532.1	3,088.4	23,516.1
Increase/(Decrease) in Net Assets	(120.3)	(131.9)	(2,944.4)	(652.9)	(3,849.5)
Balance at End of Financial Year	2,866.7	776.7	13,587.7	2,435.5	19,666.6
<b>Death or Invalidity Reserves (3)</b>					
Balance at Beginning of Financial Year	3.1	-	-	-	3.1
Increase/(Decrease) in Net Assets	(1.0)	-	-	-	(1.0)
Balance at End of Financial Year	2.1	-	-	-	2.1
<b>Deferred Benefits Reserves (4)</b>					
Balance at Beginning of Financial Year	1,218.6	277.7	-	-	1,496.3
Increase/(Decrease) in Net Assets	(93.1)	(24.4)	-	-	(117.5)
Balance at End of Financial Year	1,125.5	253.3	-	-	1,378.8
<b>Net Assets Available to Pay Benefits</b>	<b>7,853.7</b>	<b>1,030.0</b>	<b>17,214.3</b>	<b>2,749.7</b>	<b>28,847.7</b>
	2008				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
<b>Member Reserves (1)</b>					
Balance at Beginning of Financial Year	4,892.1	-	5,332.5	440.8	10,665.4
Increase/(Decrease) in Net Assets	(510.6)	-	(889.9)	(66.6)	(1,467.1)
Balance at End of Financial Year	4,381.5	-	4,442.6	374.2	9,198.3
<b>Employer Reserves (2)</b>					
Balance at Beginning of Financial Year	3,063.2	864.6	18,698.2	3,665.6	26,291.6
Increase/(Decrease) in Net Assets	(76.2)	44.0	(2,166.1)	(577.2)	(2,775.5)
Balance at End of Financial Year	2,987.0	908.6	16,532.1	3,088.4	23,516.1
<b>Death or Invalidity Reserves (3)</b>					
Balance at Beginning of Financial Year	3.6	-	-	-	3.6
Increase/(Decrease) in Net Assets	(0.5)	-	-	-	(0.5)
Balance at End of Financial Year	3.1	-	-	-	3.1
<b>Deferred Benefits Reserves (4)</b>					
Balance at Beginning of Financial Year	1,323.1	303.3	-	-	1,626.4
Increase/(Decrease) in Net Assets	(104.5)	(25.6)	-	-	(130.1)
Balance at End of Financial Year	1,218.6	277.7	-	-	1,496.3
<b>Net Assets Available to Pay Benefits</b>	<b>8,590.2</b>	<b>1,186.3</b>	<b>20,974.7</b>	<b>3,462.6</b>	<b>34,213.8</b>

**SAS TRUSTEE CORPORATION POOLED FUND**

**Notes to and forming part of the financial statements**

for the year ended 30 June 2009

**9. NET ASSETS (Continued)**

1. The Member Reserve represents members' accounts that comprise the balance of members' contributions and net investment income earned less benefits paid that are attributed to contributor-financed benefits. Only the contributors under the *State Authorities Superannuation Scheme* are required to pay scheme administration fees.
2. The Employer Reserve represents employers' accounts that comprise the balance of employers' contributions and net investment income earned less benefits paid and scheme administration fees. In addition, the employers are also responsible for the tax liabilities levied on the employers' contributions.
3. The Death or Invalidity Reserve represents accumulated funds available to provide death or invalidity cover to members for the months during which they have public sector employment. The reserve balance is the excess of member premiums over benefits paid.
4. The Deferred Benefit Reserve represents member account balances that, on the election of the member or by default, are to remain with the Fund following the member's exit from employment in the public sector. The deferred benefit of SSS and PSS members has been included in the employer reserve of the respective Schemes.

As described at Note 4 SASS and SASS Deferred members are able to elect an investment strategy for his or her member contributed balance and employer financed benefit respectively.

Balances of the SASS Member Reserve and the Deferred Benefit Reserve in the various investment strategies at the reporting date are:

	<b>2009</b>				
	<b>Growth \$'m</b>	<b>Conservative Growth \$'m</b>	<b>Balanced \$'m</b>	<b>Cash \$'m</b>	<b>Total \$'m</b>
SASS Member	3,518.9	55.7	76.0	208.8	3,859.4
Deferred Benefit	1,270.6	18.7	24.1	65.4	1,378.8
	<b>4,789.5</b>	<b>74.4</b>	<b>100.1</b>	<b>274.2</b>	<b>5,238.2</b>

	<b>2008</b>				
	<b>Growth \$'m</b>	<b>Conservative Growth \$'m</b>	<b>Balanced \$'m</b>	<b>Cash \$'m</b>	<b>Total \$'m</b>
SASS Member	4,222.2	36.0	74.5	48.8	4,381.5
Deferred Benefit	1,443.5	9.3	23.1	20.4	1,496.3
	<b>5,665.7</b>	<b>45.3</b>	<b>97.6</b>	<b>69.2</b>	<b>5,877.8</b>

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 10. RECEIVABLES

	2009 \$'m	2008 \$'m
Contributions Receivable	36.7	34.5
Accrued Income	80.1	89.4
Margin Call Deposits	206.4	53.9
Investment Sales	113.9	16.8
Other Receivables	10.6	7.4
	447.7	202.0

Within receivables is an impairment allowance of \$20,056 (2008: \$98,317)

### 11. RESERVE UNITS

Reserve Units are units held by certain SSS members. They represent units purchased in advance with an option to convert to full rate units in SSS at any future date. On conversion they are no longer recognised as a liability but as a part of member reserves.

### 12. PAYABLES

	2009 \$'m	2008 \$'m
Superannuation Benefits	5.1	60.7
Investment Purchases	119.6	29.5
Investment – Other Creditors	38.5	90.3
Provision for Contribution Surcharge	90.1	95.3
Amount Payable – SAS Trustee Corporation	2.6	0.9
Other Payables	1.7	1.0
	257.6	277.7

All payables are within agreed trading terms.

**Movements in the Provision for Contribution Surcharge were as follows –**

	2009 \$'m	2008 \$'m
Opening Balance	95.3	105.6
Add -		
Assessment Received	-	(2.1)
Annual indexation	5.2	4.8
Less -		
Payments made to the Australian Taxation Office	(10.4)	(13.0)
Closing Balance	90.1	95.3

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 13. ACCRUED BENEFITS

#### a) Liability for Accrued Benefits

The amount of accrued benefits has been determined on the basis of the present value of expected future payments which arise from membership of the Fund up to the measurement date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The valuation of accrued benefits was undertaken by the independent Scheme actuary as part of the statutorily required triennial actuarial review undertaken as at 30 June 2006. The financial assumptions applied for the calculations were:

**Accrued  
Benefits  
2006 and  
following years  
% pa.**

#### Valuation Assumptions

Investment Return Rate	
- asset backing current pension liabilities	7.7
- other	7.0
Salary Increase Rate	4.0
CPI Increase Rate	2.5

The review as at 30 June 2006 indicated that the unfunded liability of the Fund was \$17,164.7 million (excluding the GGLMF balance of \$6,729.0 million – paid to the Fund during 2006-07).

In addition to the triennial actuarial review referred to above, the actuary also provides yearly estimates at the reporting date.

	2009			Accrued Benefits \$'m	2008	
	Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m	Accrued Benefits \$'m		Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m
State Authorities Superannuation Scheme	11,718.9	7,853.7	(3,865.2)	12,334.1	8,590.2	(3,743.9)
State Authorities Non- contributory Superannuation Scheme	2,482.9	1,030.0	(1,452.9)	2,563.9	1,186.3	(1,377.6)
State Superannuation Scheme	27,875.3	17,214.3	(10,661.0)	28,157.0	20,974.7	(7,182.3)
Police Superannuation Scheme	6,158.2	2,749.7	(3,408.5)	6,037.7	3,462.6	(2,575.1)
	<b>48,235.3</b>	<b>28,847.7</b>	<b>(19,387.6)</b>	49,092.7	34,213.8	(14,878.9)

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 13. ACCRUED BENEFITS (Continued)

#### a) Liability for Accrued Benefits (Continued)

Benefits are guaranteed by the participating employers and ultimately the Crown. The relevant statutes require that all benefits be paid in full as and when they fall due.

#### b) Movement in the Liability for Accrued Benefits

Accrued benefits increase due to the cost of accruing benefits and the imputed cost of interest, and reduce as benefits are paid, and may vary due to changes in valuation bases and changes in experience from previous assumptions. Based on current estimates, the value of Accrued Benefits will not start to decline until after 2015.

	2009				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Balance at Beginning of Financial Year	12,334.1	2,563.9	28,157.0	6,037.7	49,092.7
Benefits Paid	(845.4)	(221.3)	(1,592.6)	(361.5)	(3,020.8)
	11,488.7	2,342.6	26,564.4	5,676.2	46,071.9
Increase in Accrued Benefits	230.2	140.3	1,310.9	482.0	2,163.4
Balance at End of Financial Year	11,718.9	2,482.9	27,875.3	6,158.2	48,235.3

	2008				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Balance at Beginning of Financial Year	12,704.5	2,531.2	27,383.8	5,806.6	48,426.1
Benefits Paid	(954.8)	(236.5)	(1,515.2)	(368.6)	(3,075.1)
	11,749.7	2,294.7	25,868.6	5,438.0	45,351.0
Increase in Accrued Benefits	584.4	269.2	2,288.4	599.7	3,741.7
Balance at End of Financial Year	12,334.1	2,563.9	28,157.0	6,037.7	49,092.7

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements

for the year ended 30 June 2009

#### 14. VESTED BENEFITS

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership at the reporting date.

	2009			2008		
	Vested Benefits \$'m	Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m	Vested Benefits \$'m	Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m
State Authorities Superannuation Scheme	8,970.1	7,853.7	(1,116.4)	9,415.6	8,590.2	(825.4)
State Authorities Non-contributory Superannuation Scheme	3,088.6	1,030.0	(2,058.6)	3,067.6	1,186.3	(1,881.3)
State Superannuation Scheme	26,224.4	17,214.3	(9,010.1)	25,743.9	20,974.7	(4,769.2)
Police Superannuation Scheme	4,610.5	2,749.7	(1,860.8)	4,446.3	3,462.6	(983.7)
	<b>42,893.6</b>	<b>28,847.7</b>	<b>(14,045.9)</b>	42,673.4	34,213.8	(8,459.6)

Vested benefits exceed net assets at 30 June 2009 and 30 June 2008. STC is working with the NSW Treasury and the Actuary to facilitate the Government's stated objective to fully fund the schemes by 2030.

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 15. CONTROLLED ENTITIES

The entities that comprise the SAS Trustee Corporation Pooled Fund economic entity are the entities as detailed below:

#### Parent Entity

SAS Trustee Corporation Pooled Fund

	Activity	Ownership Interest	
		2009 %	2008 %
<b>Controlled Entities</b>			
State Super Financial Services Australia Limited (SSFSAL) [incorporated in Australia]	Financial planning and funds management	<b>77.4</b>	77.5
The following entities are managed by Deutsche Asset Management (Australia) Limited –			
Valley Commerce Pty Limited [incorporated in Australia]	Dormant	<b>100.0</b>	100.0
Buroba Pty Limited [incorporated in Australia]	Dormant	<b>100.0</b>	100.0
The following entity is managed by Access Capital Advisors Pty Limited –			
Duquesne Utilities Pty Ltd [incorporated in Australia] (wound up during 2008-09)	Dormant	-	100.0

Voting power held in the above entities is the same as the ownership interest.

During the year the Controlled Entities paid dividends and trust distributions to the Parent Entity of \$23.1 million (2008: \$22.4 million).

The controlled entities are all audited by the NSW Auditor-General.

### 16. TRUSTEE BOARD INFORMATION

The Trustee of the Fund is STC. The names of the Board members of STC in office during the year ended 30 June 2009 and up to date of signing these accounts are as follows:

Mr I Blair  
Mr R Davis  
Ms A De Salis  
Mr R Harty  
Mr M Lambert  
M N Lewocki  
Ms M O'Halloran (resigned 31 August 2009)  
Dr D Russell  
Mr P Scully



## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### **16. TRUSTEE BOARD INFORMATION (Continued)**

#### **a) Board Members' Remuneration**

All income received or due and receivable by Board members is disclosed in the financial report of STC.

#### **b) Remuneration received or due and receivable by Board Members and Directors of the Economic Entity from Controlled Entities (refer Note 15 Controlled Entities)**

All income received is disclosed in the financial report of each controlled entity.

#### **c) Transactions entered into during the year with Board Members and their Related Entities**

All transactions entered into during the year with Board members and their related entities are disclosed in the financial report of STC.

### **17. CONTINGENT LIABILITIES**

In managing the investment portfolio the investment managers enter into various types of investment contracts that can give rise to contingent liabilities. Investment contracts are detailed in Note 19.

Two other classes of contingent liabilities potentially exist in relation to either the Trustee in its capacity as Trustee of the Fund, or the Fund itself:

- (i) Legal Costs in relation to member benefit entitlement disputes, notified, but not resolved.
- (ii) Legal Costs and damages arising from claims relating to the ownership and operation of physical assets.

In both cases it is impractical to estimate the financial effect or the amount of any possible recovery from third parties relating to these contingent liabilities. The Trustee is indemnified out of the assets of the Fund.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements

for the year ended 30 June 2009

#### 18. SECURITIES LENDING PROGRAM

The Fund participates in a Securities Lending Program managed by the custodian. The Fund received \$10.1 million (2008: \$11.5 million) fee income from this program, which adds to the Fund's overall yearly return.

At 30 June 2009, the total value of the loaned securities was \$3.2 billion (2008: \$3.5 billion) while the total value of the collateral was \$3.4 billion (2008: \$4.4 billion). The lent securities represented about 11.1% of the Fund's total investments (2008 about 10.2%), which was within the allowable limit of 25%.

The collateral is invested in a cash fund managed by the custodian. The collateral may only be accessed in the event of default by the borrower of lent securities. The investment guidelines for the cash collateral investment fund were tightened in the light of abnormal cash market conditions that prevailed in the final quarter of 2008.

#### 19. FINANCIAL INSTRUMENTS

The Fund is exposed to a variety of financial risks as a result of its investment activities. These risks include –

- (a) market risk, including –
  - 1. currency risk
  - 2. interest rate risk
  - 3. price risk
- (b) credit risk
- (c) liquidity risk.

The Fund's risk management and investment policies are designed to minimise the potential adverse effects of these risks on the Fund's financial performance.

STC has developed, implemented and maintains a Risk Management Strategy (RMS), Risk Management Plan (RMP) and an anti money laundering and counter terrorism financing program (AML/CTF). The RMS, RMP and AML/CTF identify the policies, procedures, processes and controls that comprise the risk management and control systems. These systems address material risks, both financial and non-financial that could potentially be faced by the Fund.

The Fund's assets are invested in accordance with the Fund's investment strategy. STC regularly reviews the investment strategy to ensure the strategy's continued relevance to the Fund's objectives given prevailing investment markets. An objective of the investment strategy is to avoid undue concentrations of risk. STC ensures that the portfolio is diversified across asset classes, investment managers, countries and asset types.

As required by its governing legislation, the investments of the Fund are managed by specialist fund managers. The activities of the fund managers are governed by investment instructions and investment constraints as set out in documented agreements with the fund managers or, in the case of a unit trust, a trust deed. STC constantly monitors its investment managers to ensure compliance with investment instructions and investment constraints.

For the purpose of this financial report, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps). Such derivative instruments are used for hedging purposes and to efficiently implement asset allocation changes and typically expose the Fund to credit risk and market risk.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements for the year ended 30 June 2009

#### 19. FINANCIAL INSTRUMENTS (Continued)

Accounting policies in respect of the Fund's financial instruments are shown below.

#### Accounting Policies

Recognised instruments	Accounting policies	Terms and conditions
1. Receivables	Receivables include income receivable and unsettled sales of securities. They are carried at nominal amounts.	Sales of securities are made on various terms for different securities and in different countries. Income receivable is also settled on varying terms depending on the security and country.
2. Futures	Futures are stated at market value using the daily closing price.	The futures are share price index futures and fixed interest futures.
3. Unlisted Trusts	The Net Market Value of Unlisted Trusts is determined on the basis of the withdrawal unit prices as advised by the relevant fund manager.	The terms and conditions are set out in the applicable trust constitution.
4. Listed Shares	Listed shares are carried at market value, less an amount for selling costs which would be incurred if the investments were sold. The basis for valuation of listed securities is the last sale price quoted at close of business on the last day of the period on the relevant securities exchange. Certain costs incurred in acquiring the investment, such as brokerage and stamp duty, are capitalised in the cost of the investments. Dividend income is recognised on the ex-date.	N/A
5. Bills of exchange and other discount securities	Carried as net market value using market rates.	Average maturity of 65 days with effective interest rates in the range of 3.02% to 3.19%.
6. Promissory Notes	Carried at net market value.	Average maturity of 29 days with effective interest rates in the range of 3.18% to 3.27%.
7. Mortgages	Mortgages are stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	N/A
8. Bank Deposits	Stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	Bank deposits represent 11AM call deposits and uninvested cash and has no fixed maturity dates. Deposits have effective interest rates in the range of 0.00% to 2.75%.
9. Government Bonds	Carried at net market value based on discounted cash flow.	Government bonds on average mature on 29/03/2018 and have effective interest rates in the range of 3.00% to 5.62%.
10. Semi Government Bonds	Carried at net market value based on discounted cash flow.	Semi Government bonds on average mature on 12/01/2018 and have effective interest rates in the range of 2.95% to 6.58%.

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 19. FINANCIAL INSTRUMENTS (Continued)

#### Accounting Policies (Continued)

Recognised instruments	Accounting policies	Terms and conditions
11. International Bonds	Carried at net market value based on discounted cash flow.	International Bonds on average mature on 07/02/2013 and have effective interest rates in the range of 0.40% to 3.02%.
12. Leasehold Property Investments	Carried at net market value based on discounted cash flow.	Leasehold Property Investments on average mature on 05/12/2013 and have effective interest rates in the range of 5.46% to 5.78%.
13. Direct Property Investments	Reported at net market value based on independent valuations.	N/A
14. Options	Options are stated at market value using the daily closing price.	The options are all Australian Exchange Traded options.
15. Investment Purchases	Liabilities are recognised for amounts to be paid for under investment commitments.	Settlement for securities is made in accordance with investment agreements between counterparties.
16. Foreign exchange forward contracts	Foreign exchange forward contracts are undertaken to hedge against adverse foreign exchange movements. Gains or losses on these contracts are recognised through the statement of changes in net assets.	At balance date the Fund has various forward exchange contracts open in its international portfolios.
17. Payables	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund.	Liabilities are settled on receipt of invoices in accordance with terms thereof.

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### **19. FINANCIAL INSTRUMENTS (Continued)**

#### **a) Market Risk**

Market risk is the risk that changes in factors such as foreign currency exchange rates, interest rates and equity prices will affect the Fund's income or the value of its financial instruments. Market risk comprises currency risk, interest rate risk and price risk. Through its management of market risk STC seeks to manage and control its market risk exposures to within acceptable parameters while optimising risk adjusted returns.

In managing market risk, STC's fund managers trade in derivatives and securities. The fund managers also incur liabilities in the ordinary course of business. All such transactions are within the investment management mandates granted by STC to its managers.

#### **a.1) Currency Risk**

Currency risk is the risk that the net market value of offshore assets and future cash flows derived from existing offshore financial instruments will fluctuate because of changes in foreign exchange rates.

The Fund is exposed to currency risk on financial instruments, receivables and liabilities that are denominated in currencies other than Australian Dollars. The main currencies to which the Fund is exposed are –

- US Dollar (USD)
- Japanese Yen (JPY)
- Euro (EUR)
- Great Britain Pound (GBP)

The Fund's currency risk is managed in accordance with strict parameters as set out in its investment policy. Under the policy, investments in global listed and unlisted infrastructure, global listed and unlisted property and global bonds are all 100% hedged while listed international equities are approximately 30% hedged. The policy has been reviewed but not changed during 2008-09. If a counterparty failed to satisfy its contractual obligation to deliver on a currency hedging contract the Fund would remain exposed to the currency risk being hedged.

The Fund's total net exposure to fluctuations in foreign currency exchange rates as at the financial year end is –

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 19. FINANCIAL INSTRUMENTS (Continued)

#### a) Market Risk (Continued)

##### a.1) Currency Risk (Continued)

**YEAR ENDED 30 JUNE 2009**  
**NET MARKET VALUE 2009**

	USD A\$m	JPY A\$m	EUR A\$m	GBP A\$m	AUD A\$m	Other A\$m	TOTAL A\$m
<b>Financial assets and liabilities at net market value through profit and loss</b>	3,959.1	1,267.0	1,881.0	1,079.0	19,719.1	811.0	28,716.2
Receivables	35.0	5.0	16.0	8.0	170.1	9.0	243.1
Payables	(32.0)	(3.0)	(12.0)	(5.0)	(206.7)	(3.0)	(261.7)
Plant & Equipment	-	-	-	-	0.2	-	0.2
Tax Assets	-	-	-	-	149.9	-	149.9
<b>Net Assets</b>	<b>3,962.1</b>	<b>1,269.0</b>	<b>1,885.0</b>	<b>1,082.0</b>	<b>19,832.6</b>	<b>817.0</b>	<b>28,847.7</b>

**YEAR ENDED 30 JUNE 2008**  
**NET MARKET VALUE 2008**

	USD A\$m	JPY A\$m	EUR A\$m	GBP A\$m	AUD A\$m	Other A\$m	TOTAL A\$m
<b>Financial assets and liabilities at net market value through profit and loss</b>	3,796.0	1,361.0	2,129.0	1,115.0	25,121.9	888.0	34,410.9
Receivables	21.0	3.0	27.0	8.0	159.1	4.0	222.1
Payables	(6.0)	(1.0)	(2.0)	(2.0)	(268.0)	(2.0)	(281.0)
Plant & Equipment	-	-	-	-	0.2	-	0.2
Tax Assets	-	-	-	-	(138.4)	-	(138.4)
Tax Liabilities							
<b>Net Assets</b>	<b>3,811.0</b>	<b>1,363.0</b>	<b>2,154.0</b>	<b>1,121.0</b>	<b>24,874.8</b>	<b>890.0</b>	<b>34,213.8</b>

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 19. FINANCIAL INSTRUMENTS (Continued)

#### a) Market Risk (Continued)

##### a.1) Currency Risk (Continued)

The currency risk disclosure reflects the Fund's assets that are subject to active currency management. These assets comprise both directly held investments and most of the assets held indirectly through unit trusts.

A 15 per cent strengthening of the Australian Dollar against the following currencies at financial year end would have increased (decreased) the Fund's Net Assets and Change in Net Assets by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In practice, STC partially hedges against the adverse effects of currency movements. The analysis is calculated on the same basis for 2009 and 2008 –

All amounts are in Australian Dollars	<b>Net Assets</b> 30-Jun-09 \$'m	<b>Change in Net Assets</b> 30-Jun-09 \$'m
USD	(175)	(175)
JPY	(98)	(98)
EUR	(131)	(131)
GBP	(74)	(74)
Other	(13)	(13)
	<b>(491)</b>	<b>(491)</b>
	Net Assets 30-Jun-08 \$'m	Change in Net Assets 30-Jun-08 \$'m
USD	(139)	(139)
JPY	(88)	(88)
EUR	(117)	(117)
GBP	(63)	(63)
Other	(12)	(12)
	<b>(419)</b>	<b>(419)</b>

A 15 per cent weakening of the Australian Dollar against the above currencies at financial year end would have the equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### **19. FINANCIAL INSTRUMENTS (Continued)**

#### **a) Market Risk (Continued)**

##### **a.2) Interest Rate Risk**

The Fund's investments in debt and short term money market instruments are subject to interest rate risk and the return on these investments will fluctuate in accordance with movements in the interest rates.

The Fund's exposure to interest rate risk, including contractual repricing or maturity dates (whichever dates are earlier) associated with these financial instruments as at 30 June, are shown in the tables below. All other financial assets and liabilities are non-interest bearing.



**SAS TRUSTEE CORPORATION POOLED FUND**

Notes to and forming part of the financial statements  
for the year ended 30 June 2009

**19. FINANCIAL INSTRUMENTS (Continued)**

**a) Market Risk (Continued)**

**a.2) Interest Rate Risk (Continued)**

**YEAR ENDED 30 JUNE 2009 – INTEREST RATE RISK DISCLOSURE**

	Floating Interest	Fixed Interest	Non Interest Bearing	Total (per Statement of Net Assets)
	A\$m	A\$m	A\$m	A\$m
<b>Assets</b>				
Short Term Securities	2,551.6	-	-	2,551.6
Australian Fixed Interest	-	2,730.5	-	2,730.5
International Fixed Interest	-	2,071.0	-	2,071.0
Australian Equities	-	-	8,433.2	8,433.2
International Equities	-	-	6,419.0	6,419.0
Property	-	-	2,545.9	2,545.9
Alternatives	142.7	32.2	3,584.6	3,759.5
Receivables	-	-	447.7	447.7
Plant and Equipment	-	-	0.2	0.2
Current Tax Asset	-	-	39.6	39.6
Deferred Tax Asset	-	-	110.3	110.3
<b>Total Assets</b>	<b>2,694.3</b>	<b>4,833.7</b>	<b>21,580.5</b>	<b>29,108.5</b>
<b>Liabilities</b>				
Reserve Units	-	-	3.2	3.2
Payables	-	-	257.6	257.6
Deferred Tax Liability	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>260.8</b>	<b>260.8</b>
<b>Net Assets</b>	<b>2,694.3</b>	<b>4,833.7</b>	<b>21,319.7</b>	<b>28,847.7</b>

**YEAR ENDED 30 JUNE 2008 – INTEREST RATE RISK DISCLOSURE**

	Floating Interest	Fixed Interest	Non Interest Bearing	Total (per Statement of Net Assets)
	A\$m	A\$m	A\$m	A\$m
<b>Assets</b>				
Short Term Securities	2,542.9	-	-	2,542.9
Australian Fixed Interest	-	3,177.5	-	3,177.5
International Fixed Interest	-	2,533.6	-	2,533.6
Australian Equities	-	-	10,835.6	10,835.6
International Equities	-	-	7,857.2	7,857.2
Property	-	-	3,468.6	3,468.6
Alternatives	192.2	15.3	3,809.0	4,016.5
Receivables	-	-	202.0	202.0
Plant & Equipment	-	-	0.2	0.2
Deferred Tax Asset	-	-	-	-
<b>Total Assets</b>	<b>2,735.1</b>	<b>5,726.4</b>	<b>26,172.6</b>	<b>34,634.1</b>
<b>Liabilities</b>				
Reserve Units	-	-	4.2	4.2
Payables	-	-	277.7	277.7
Current Tax Liability	-	-	66.7	66.7
Deferred Tax Liability	-	-	71.7	71.7
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>420.3</b>	<b>420.3</b>
<b>Net Assets</b>	<b>2,735.1</b>	<b>5,726.4</b>	<b>25,752.3</b>	<b>34,213.8</b>

**SAS TRUSTEE CORPORATION POOLED FUND**

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

**17. FINANCIAL INSTRUMENTS (Continued)**

**a) Market Risk (Continued)**

**a.2) Interest Rate Risk (Continued)**

The effect of a 175 basis point increase in interest rates for variable rate financial assets and liabilities and a 175 basis point increase in interest rates for fixed interest securities is as follows. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is calculated on the same basis for 2009 and 2008 –

All amounts are in Australian Dollars

	<b>Net Assets</b>	<b>Change in</b>
	<b>30-Jun-09</b>	<b>Net Assets</b>
	<b>\$'m</b>	<b>30-Jun-09</b>
		<b>\$'m</b>
Fixed Interest	(420)	(420)
Floating Interest	51	51
	(369)	(369)
	Net Assets	Change in
	30-Jun-08	Net Assets
	\$'m	30-Jun-08
		\$'m
Fixed Interest	(372)	(372)
Floating Interest	51	51
	(321)	(321)

A 175 basis point decrease in interest rates at financial year end would have the equal but opposite effect on the above amounts, assuming all other variables remain constant.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements for the year ended 30 June 2009

#### 19. FINANCIAL INSTRUMENTS (Continued)

##### a) Market Risk (Continued)

##### a.3) Price Risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment and/or its issuer or all factors affecting all instruments traded in the market.

As the majority of the Fund's financial instruments are carried at net market value in the Statement of Net Assets and all changes in net market value are recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect net assets and changes in net assets.

Price risk is mitigated by the Fund having a formal investment strategy which diversifies the Fund's investments across various asset classes and countries.

The following table illustrates the effect from possible changes in price risk that were reasonably possible based on the risk to which the Fund was exposed. The analysis is calculated on the same basis for 2009 and 2008 –

All amounts are in Australian Dollars	Change in Price Risk Variable	Net Assets	Change in Net Assets
		30-Jun-09 \$'m	30-Jun-09 \$'m
	+		
Australia	39%	5,565	5,565
International	39%	2,576	2,576
		<b>8,141</b>	<b>8,141</b>
	Change in Price Risk Variable	Net Assets	Change in Net Assets
	+	30-Jun-08 \$'m	30-Jun-08 \$'m
Australia	39%	6,669	6,669
International	39%	1,928	1,928
		<b>8,597</b>	<b>8,597</b>
All amounts are in Australian Dollars	Change in Price Risk Variable	Net Assets	Change in Net Assets
		30-Jun-09 \$'m	30-Jun-09 \$'m
	-		
Australia	21%	(2,997)	(2,997)
International	21%	(1,387)	(1,387)
		<b>(4,384)</b>	<b>(4,384)</b>
	Change in Price Risk Variable	Net Assets	Change in Net Assets
	-	30-Jun-08 \$'m	30-Jun-08 \$'m
Australia	21%	(3,591)	(3,591)
International	21%	(1,038)	(1,038)
		<b>(4,629)</b>	<b>(4,629)</b>

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements

for the year ended 30 June 2009

#### 19. FINANCIAL INSTRUMENTS (Continued)

##### b) Credit Risk

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause the Fund to incur a financial loss.

The Fund is exposed to credit risk in the following areas –

- the holding of non-equity securities (i.e. short term securities, Australian fixed interest securities, international fixed interest securities and cash)
- contributions receivable
- accrued income
- margin call deposits
- investment sales.

The Fund's maximum exposure to credit risk at balance date in relation to each of the above listed items is the carrying amount of those assets as stated in the Statement of Net Assets.

For short term securities, Australian fixed interest securities, international fixed interest securities and cash, STC controls credit risk by explicitly setting out in its investment instructions the assets that fund managers may invest in. The restrictions are based around rating agency assessments and/or the securities that make up the relevant industry benchmark for the sector being invested in. For forward foreign exchange contracts, investment managers must deal only with counterparties that have greater than nominated rating agency assessment and are also limited to relative dollar limits with any particular counterparty to ensure that credit risk is well diversified.

Credit risk associated with contributions receivable, margin call deposits and investment sales is minimal as all have a short settlement period and –

- for contributions receivable, employer sponsors are compelled by legislation to make the payments with STC following up instances of non or late payment
- for margin call deposits STC transacts only deal with counterparties rated as credit worthy by credit rating agencies
- for investment sales, in line with market practice the Fund's custodian does not release the sold assets until full payment has been received from the purchaser.

STC accepts the credit risk for accrued income.

The Fund does not have significant concentrations of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. No individual investment exceeded five percent of the Fund's net assets during the years ended 30 June 2009 or 30 June 2008. Also, STC ensures that in its hedging activities it diversifies its exposure to individual counterparties.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements for the year ended 30 June 2009

#### 19. FINANCIAL INSTRUMENTS (Continued)

##### c) Liquidity Risk

Liquidity risk is risk that the Fund will not be able to meet its financial obligations as they fall due.

Benefits are guaranteed by the participating employers and ultimately the Crown. The relevant statutes require that all benefits be paid in full when they fall due.

In managing liquidity risk STC continuously monitors forecast and actual cash flows, including amounts required to fund its scheme and investment transactions and amounts expected from the Crown. Forecast Fund cash flows are based around the triennial actuarial assessment of the Fund, adjusted for actual cash flows. STC is able to estimate benefit outflows because most members cannot roll out of the Fund at will, but rather must satisfy a condition of release. The Fund maintains banking facilities adequate to allow the payment of its obligations as they fall due.

The Fund's investment strategy requires that approximately seven percent of assets be maintained as cash. Further, with the exception of alternative investments and unlisted property (approximately 18% of the Fund) all other assets are readily convertible to cash.

With the exception of reserve units the Fund's financial liabilities will all be settled within 12 months of 30 June.

##### d) Net Fair Value Disclosures

The Statement of Net Assets is prepared in accordance with AAS 25 – *Financial Reporting by Superannuation Plans*. All investment assets are valued at net market values at 30 June. All other assets and other liabilities are recorded at historical cost which, in the opinion of the Trustees, approximates their net market value.

The following table states the net market values and fair values of assets and liabilities at 30 June.

#### Disclosure of Financial Assets held at Fair Value Comparable to Net Market Value

Assets	Fair Value 30-Jun-09 \$'m	Net Market Value 30-Jun-09 \$'m	Fair Value 30-Jun-08 \$'m	Net Market Value 30-Jun-08 \$'m
<b>Held for trading</b>				
Derivative Financial Instruments				
Futures and Options	-	-	2	2
Swaps	-	-	-	-
FFX	135	135	35	35
Total held for trading	135	135	37	37
<b>Assets at fair value through profit or loss</b>				
Equities	13,398	13,371	13,414	13,382
Unlisted Unit Trusts	5,917	5,917	10,384	10,353
Short Term Securities	2,218	2,218	2,874	2,874
Fixed Interest Securities	4,812	4,812	4,972	4,972
Direct Property	1,612	1,611	2,198	2,195
Total assets through profit or loss	27,957	27,929	33,842	33,776
<b>Total financial assets held at fair value through profit or loss</b>	<b>28,092</b>	<b>28,064</b>	<b>33,879</b>	<b>33,813</b>

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2009

### 19. FINANCIAL INSTRUMENTS (Continued)

#### d) Net Fair Value Disclosures (Continued)

##### Disclosure of Financial Liabilities held at Fair Value Comparable to Net Market Value

Liabilities	Fair Value 30-Jun-09 \$'m	Net Market Value 30-Jun-09 \$'m	Fair Value 30-Jun-08 \$'m	Net Market Value 30-Jun-08 \$'m
<b>Held for trading</b>				
Derivative Financial Instruments				
Futures and Options	34	34	2	3
Swaps	-	-	-	-
FFX	-	-	31	31
Total held for trading	<b>34</b>	<b>34</b>	33	34
<b>Liabilities at fair value through profit or loss</b>				
Equities	-	-	-	-
Unlisted Unit Trusts	-	-	-	-
Short Term Securities	-	-	-	-
Fixed Interest Securities	-	-	-	-
Direct Property	-	-	-	-
Total liabilities through profit or loss	-	-	-	-
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>34</b>	<b>34</b>	33	34

### 20. EVENT AFTER REPORTING DATE

The Fund's custodian has advised that as at 31 August 2009 the net investment assets of the Fund were \$30,221.4 million. Since 30 June 2009 the Fund's investments have made a return of approximately –

- Growth 6.7%
- Conservative Growth 3.1%
- Balanced 4.9%
- Cash 0.5%

**End of Audited Financial Report**



## Compliance index for disclosure requirements

In accordance with the *Annual Reports (Statutory Bodies) Regulation 2005*, this index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

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# HOW TO CONTACT STATE SUPER



**STATE SUPER**  
SAS Trustee Corporation

ABN: 29 239 066 746



ABN: 80 976 223 967

## CUSTOMER SERVICE

8.30 am to 5.30 pm, Monday to Friday for the cost of a local call (except from a mobile or pay phone)

State Authorities Superannuation Scheme (SASS)	1300 130 095
State Superannuation Scheme (SSS)	1300 130 096
Police Superannuation Scheme (PSS)	1300 130 097
Pensioners	1300 652 113
Deferred Benefits	1300 130 094

## PERSONAL INTERVIEW SERVICE

For an interview appointment in Sydney, call (02) 9238 5540.

You can also arrange interviews at:

Newcastle (telephone: 1800 807 855)

Parramatta (telephone: 1800 626 000)

Port Macquarie (telephone: 1800 676 839)

Wollongong (telephone: 1800 060 166)

## FAX SERVICE

(02) 4253 1688

## INTERNET

[www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)

## EMAIL

[enquiries@stc.nsw.gov.au](mailto:enquiries@stc.nsw.gov.au)

## MAILING ADDRESS

For Customer Service and Pillar Administration:  
PO Box 1229 Wollongong NSW 2500

For SAS Trustee Corporation (the Trustee Board) and the Office of the Full-time Board member:  
PO Box N259, Grosvenor Place NSW 1220

## COMPLAINTS AND DISPUTES

If you have a question about your account or benefits, initially contact Customer Service. If you are dissatisfied with an administrative action, you may lodge a complaint with the scheme administrator (Pillar Administration).

If you feel you have been unfairly treated or are disadvantaged by a decision of the scheme administrator relating to a benefit entitlement, you may lodge a notice of dispute with the Trustee Board. A notice of dispute must be served on STC **within 2 years** after you have been notified in writing of the right to dispute the decision. Send the notice to the **Manager Disputes and Appeals, SAS Trustee Corporation (STC), PO Box N259, Grosvenor Place NSW 1220.**

You may then be requested to clarify certain details relating to your dispute and to provide additional supporting evidence. Your dispute will then be referred to the Trustee's Disputes Committee for consideration.

You will be notified of the outcome of the Disputes Committee review.

If you are dissatisfied with the Trustee Board's review of that decision, you may lodge an appeal with the Industrial Court of NSW within 6 months of being notified of the outcome of the review, or within a further time allowed by the Court.

(The Commonwealth Superannuation Complaints Tribunal does not action STC member complaints.)

This report contains general information. Relevant information is subject to the Acts that govern the Schemes mentioned in this report and those Acts will prevail to the extent of any inconsistency. In preparing the report, SAS Trustee Corporation (STC) has not taken into account your objectives, financial situation or needs and, because of this, you should consider your personal circumstances and possibly seek professional advice before making any decision that affects your future. To the extent permitted by law, STC, its directors and employees do not warrant the accuracy, reliability or completeness of the information and exclude liability for any decision taken on the basis of information contained in or omitted from this report. STC cannot guarantee any particular rate of return and past investment performance is not a reliable guide to future investment performance.