



STATE SUPER
SAS Trustee Corporation



2017-2018

Report to **Members**



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SAS Trustee Corporation

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SASS at a glance

Contributors at 30 June 2017	23,394
Plus transfers	9
Less exits	2,365
Contributors at 30 June 2018	21,038
Deferred benefit members at 30 June 2018	9,606
Pension members at 30 June 2018	4,479
Member contributions	Members elect to contribute between 1% and 9% of their salary. 74% of member contributions were received via salary sacrifice.
Type of benefits	<p>Retirement/withdrawal benefit – a lump-sum benefit based on average contribution rate, final average salary and years of membership. The benefit includes member contributions and investment earnings less fees and insurance premiums (where applicable).</p> <p>Pensions – some members of superseded schemes also have a pension option.</p> <p>Additional benefit cover – optional cover provides a benefit payable on top of the standard benefits available to contributors where retirement is due to total and permanent invalidity or death before the contributor reaches the statutory retirement age.</p>
Membership	SASS commenced 1 April 1988 and was closed to new members 1 9 December 1992.
Legislation	SASS was established under the <i>State Authorities Superannuation Act 1987</i> .
Scheme eligibility	New employees in the NSW public sector were eligible to join the scheme and members of the Public Authorities Superannuation Scheme (PASS) were transferred to SASS from 1 April 1988. By 1990, a number of other public sector superannuation schemes were closed and members of these schemes were transferred to SASS. These schemes included, among others, the State Public Services Superannuation Fund (SPSSF), the Transport Gratuity Scheme and the Government Railways Superannuation Fund.
<p>SANCS – In addition to the SASS benefits outlined above, all members receive the SANCS lump-sum basic benefit. The benefit is 100% employer-funded and, depending on the reason for exiting employment, accrues at the rate of up to 3% of either final or final average salary for each year of service from 1 April 1988 (or employment commencement date if later). SANCS was closed to new members in 1992. A members' SANCS benefit also consists of any applicable Additional Employer Contribution, Commonwealth Government Co-contribution and Low-Income Superannuation (LISC) amounts. The <i>State Authorities Non-contributory Superannuation Act 1987</i> is the establishing legislation.</p>	
<p>SASS is administered by the SAS Trustee Corporation (STC) under the <i>Superannuation Administration Act 1996</i>. As Trustee, STC holds all Fund assets in trust in the Pooled Fund.</p>	

SSS and PSS at a glance

	SSS	PSS
Contributors at 30 June 2017	4,219	1,043
Less exits	1,139	130
Contributors at 30 June 2018	3,080	913
Deferred benefit members at 30 June 2018	1,412	93
Pension members at 30 June 2018	55,403	6,610
Member contributions	Members generally contribute towards individual pension units on a rate-for-age basis. 81% of member contributions were received via salary sacrifice.	Members contribute 6% of their salary. 69% of member contributions were received via salary sacrifice.
Type of benefits	Mainly pension benefits, with a lump-sum commutation option.	Mainly pension benefits, with a lump-sum commutation option.
Membership	SSS commenced 1 July 1919 and was closed to new members 1 July 1985.	PSS commenced 1 February 1907 and was closed to new members 1 April 1988.
Legislation	SSS was established under the <i>Superannuation Act (NSW) 1916</i> (Superannuation Act).	PSS was established under the <i>Police Regulation (Superannuation) Act 1906</i> .
Scheme eligibility	Salaried employees of the NSW public service, including teachers and a number of statutory authorities scheduled in the Superannuation Act were eligible to join SSS.	Members of the NSW Police Service employed prior to 1 April 1988.

SANCS – In addition to the SSS and PSS benefits outlined above, all members receive the SANCS lump-sum basic benefit. The SANCS benefit is 100% employer-funded and, depending on the reason for exiting employment, accrues at a rate of up to 3% of either final or final average salary for each year of service from 1 April 1988 (or employment commencement date, if later). A members' SANCS benefit also consists of any applicable Additional Employer Contribution, Commonwealth Government Co-contribution and Low-Income Superannuation (LISC) amounts. SANCS is governed by the *State Authorities Non-contributory Superannuation Act 1987* and was closed to new members in 1992.

SSS and PSS are administered by the SAS Trustee Corporation (STC) under the *Superannuation Administration Act 1996*. As Trustee, STC holds all Fund assets in trust in the Pooled Fund.

Chairperson's report



This has been another successful year for State Super both in relation to performance and member services. Going from an active 2016-17 period of restructuring, negotiating new contracts with material outsourced service providers, State Super has settled into its new structure and our employees have responded with a very high employee engagement score of 77%.

The Trustee remains optimistic that we will meet our long-term investment return targets. Achieving this goal will be greatly helped by our new relationship with TCorp which acts as our prime financial adviser. The Trustee has delegated to TCorp high levels of authority over the day to day investment decisions in relation to the Trustee Selection strategy and associated transaction execution processes.

Investment performance

The positive trend in global growth has continued into the first half of 2018, although this has tapered more recently. Share markets globally have, on the whole, performed well which has supported returns. The outlook remains positive, whilst in Australia the effects of the moderation in residential property prices could pose some domestic challenges for the economy.

Financial markets performed strongly over the 2017-18 financial year despite the ongoing geopolitical uncertainty.

The Trustee was pleased with the overall return of 8.22% (9.22%)¹ which remained significantly above the target return of CPI +4.0% for the Trustee Selection investment strategy. The Member Investment Choice strategies performed significantly above their various target return benchmarks with the Growth option achieving a 9.43% return.

Environmental Social and Governance (ESG) Considerations

State Super has been an advocate of utilising ESG considerations in investments for some time. We consider that we are 'universal owners' of many organisations. By this we mean that State Super is likely to be a continual significant shareholder of many of Australia's largest organisations. As such we consider that it is appropriate to engage positively with these organisations, including through voting the fund's shares.

As a foundation member of the Australian Council of Superannuation Investors, State Super supports a body that actively engages with many of Australia's largest companies, and as a member of the Principles of Responsible Investing (PRI), and the Investor Group on Climate Change, the fund continues to support sustainable investments for the long-term.

State Super adopted the AIST Governance Code initiative, reflecting State Super's alignment with best practice.

Member engagement

Servicing our members is one of our most important objectives. Once again State Super has delivered quality services to our members; with our satisfaction score outperforming our peer group. Our overall member research results were maintained at a rating of 8.0 out of a possible 10.

This year State Super commissioned a large-scale qualitative survey, completed by 3000 pension members to better understand their attitudes and needs in retirement and to gain insights into how we can continue to support them through an improved relationship. This work was undertaken as part of a broader stakeholder program, highlighting the significant relationship State Super maintains with its members for a long time into the future as we continue to service over 66,000 pension members.

We are continuing to focus on member education and alternative service offerings that members can access as well as our regular newsletters, educational seminars and a concerted effort to improve website content and navigation.

The excellent member services and fund performance have benefited both the members of State Super and the various participating NSW State Government institutions.

¹ After adjustment for exempt current pension income tax.



Key Service provider updates

The re-appointment of J.P. Morgan as Custodian culminated in the signing of a Master Custody Agreement (MCA) between TCorp (on behalf of State Super and other NSW State entities) and JP Morgan, effective 28 September 2017. This year we changed our Actuary with the appointment of PwC.

With our careful oversight of Mercer, the upgrade to the Acurity administration platform was successful with no disruption to members or service delivery.

In May 2018 TCorp announced an organisational restructure of its investments division. The change is part of TCorp's development of their Investment Management Governance Model and aims to enhance TCorp's investment capability and achieve higher sustainable investment returns for its clients.

Board changes

This year also marked the end of Karen Moses' term as an Employer Representative in March 2018. I thank Karen for her valued contribution to the Board.

I would like to welcome Carol Austin to the State Super Board. Carol was appointed as an Employer Representative in June 2018 and brings with her over 30 years' experience in the finance industry.

In closing, I would like to thank my fellow Directors, State Super CEO John Livanas, his leadership team and the State Super staff for their dedication. On a final note, 2019 will mark State Super's 100th year since it began on 1st July 1919.

Nicholas Johnson
Chairperson
October 2018

CEO's report



For 2017-18 State Super has continued to meet the funds' investment return objectives, delivering strong absolute returns across options and time periods, in accordance with our objectives. This has resulted in increased financial benefits to members and reduced net liabilities for our employer sponsors.

Our investments

A significant proportion of our contributing members will retire over the next 10 years, given that our schemes closed between 1985 and 1992. This presents a challenge for State Super as it manages seven investment options, all with negative cashflows and shortening duration. Over the next 10 years, our portfolios will be challenged with multiple requirements which includes the need to achieve strong investment returns while managing a steepening redemptions profile and liquidity challenges for the DC funds, as well as managing to a shortening duration to 2030 when the DB needs to be fully funded. It is critical that State Super manages the portfolios to reduce impacts of falling investment returns.

State Super has delivered returns in the top two quartiles across all metrics, and we have achieved our objectives with significantly lower risk and in spite of significant cash outflows. This was also after costs of the sophisticated derivatives hedging programs to help manage the investment risks were taken into account.

The Trustee Selection and Member Investment Choice strategies (excluding cash) continued to benefit from an active tilting process during the year, to capture the strength of the market whilst protecting against significant market falls.

Our members

Our independent annual member satisfaction research, which measures our services to members across all our service offering including contact centre, financial planning and seminars has once again shown that for 2017, member satisfaction scores exceeded peer groups and the national average, with overall member satisfaction score rated at 8.0.

This year we changed the default strategy for our deferred member group at the point when they reach age 60 to the balanced option. This applies to SASS

members who have left the public sector, but can no longer contribute to SASS and yet have to leave their super in the fund in accordance with the scheme rules. Their benefit is subject to market movements, which is not necessarily the best outcome for members as they age – they have less time to recover from a market loss.

We are continuing our development of new and more enhanced services to members that will better meet their needs going into retirement. For example, our super health check member offering trial has been a huge success and is being rolled out across NSW. Additionally, improved online campaign capabilities are showing promising results with an increased uptake in online registration for seminars.

Our improvements to deliver more targeted campaigns has resulted in an increase in member response and participation. At this time when more members are seeking help before they retire, it is our duty to ensure that we manage our external service providers to deliver to State Supers' member expectations.

We continue to work with Treasury to assist in the amendment of the State Super Scheme legislation to make it more contemporary and to respond to the Commonwealth superannuation changes that could impact some of our members.

Our people and our capabilities

Governance framework

A recent Board and governance review provided a positive report. We have started implementing a greater rigour in our internal documentation and communication within a formally accepted delegation framework. These changes enable the Board to focus on governance matters while confident that the responsibilities and reporting of the organisation are clearly delineated.

Heads of Government Agreement

Under the Heads of Government Agreement (HOGA), State Super is required to comply with the



Commonwealth's retirement incomes policy to the best of our endeavours. We review our conformance annually and have confidence that State Super continues to meet this requirement. During 2017-18 we will again conduct a comprehensive review of our internal operations to ensure we maintain the highest standards of compliance with HOGA.

Positive stakeholder relationships

Our enhanced engagement framework has been a very positive outcome in developing the relationships with our key stakeholders which include NSW Treasury, the various employers contributing to the funds, and the NSW Auditor General to name a few.

We have taken the step of engaging more closely with our largest cohort of members – our pensioners which has resulted in an extraordinary participation rate. Given that we will continue to serve and manage this large group for a long time to come it has been great to gain insights into how we can better serve them in their retirement. .

Operating model and workforce

Over the last few years, our strategy has called for an increase in the proportion of services outsourced by State Super.

At the end of 2016-17, the outsourced costs to run the fund has increased slightly to 95% of our overall costs. The proportion may grow over the next five years.

On this basis, we need a small but highly skilled and experienced team of professionals to provide the direction, oversight and execution of strategies. We need to maintain our intellectual property and a high level of experience and skills to ensure that the Trustee obligations to members continue to be met.

Key supplier projects and updates

PwC appointed the Scheme Actuary

Following a Tender Process, PwC was appointed as the Fund Actuary and is responsible for the funds triennial review.

Mercer Stage 1 system transition

A Systems Transition Committee was established to oversee Phase 1 and Phase 2 of Mercer's systems transition. State Super is reliant on Mercer to manage the transition and the Systems Transition Committee has been established to provide a further layer of governance. The oversight has supported Mercer implementing a successful Phase 1 transition. Phase 2 is currently planned for initiation over the next 12 months.

Deloitte appointed to support internal audit capability

Following an extensive review of the requirements for a provider to support State Super's internal audit capability, Deloitte has been appointed.

I want to take this opportunity to thank my Chair Nicholas Johnson and all the Directors for their support and all the staff of State Super who worked hard to deliver on our Corporate plan.

John Livanas

Chief Executive Officer
October 2018

Chairperson



Nicholas Johnson
Chairperson
Appointed June 2015

Your Trustee Board

Trustee Board members are appointed by the Treasurer of NSW and comprises:

- an independent Chairperson
- four employer representatives
- four employee representatives nominated by Unions NSW.

Professional indemnity insurance is in place for the Trustee Board and each Board member.

Employer representatives



Carol Austin
Board Member
Appointed June 2018



Swati Dave
Board Member
Appointed May 2016



Claire Keating
Board Member
Appointed November 2016



Roslyn Ramwell
Board Member
Appointed June 2015

Employee representatives



Catherine Bolger
Professionals Australia
Appointed September 2015



Alex Claassens
NSW Rail, Tram and
Bus Union
Appointed November 2012;
reappointed November 2016



George Maniatis
NSW Fire Brigade
Employees' Union
Appointed September 2015



Tony O'Grady
NSW Nurses and
Midwives' Association (Retired)
Appointed June 2013;
reappointed September 2017

Thank you

State Super would like to take this opportunity to thank the following former Board member for her valuable contribution during her term:

Karen Moses

(former Employer Representative)

Appointed March 2012,
reappointed March 2016;
resigned 26 March 2018.

Function & role of State Super & the Board

State Super

The principal functions of State Super as set out in s. 50(1) of the *Superannuation Administration Act* (SA Act) are to:

- administer the State Super schemes
- invest and manage the Pooled Fund
- provide for the custody of the assets and securities of the State Super schemes
- ensure that benefits payable to persons entitled to receive benefits under the State Super schemes are paid in accordance with the Acts under which the schemes are constituted
- determine disputes under those Acts
- exercise such other functions regarding the State Super schemes and the Pooled Fund as the Minister may, from time to time, approve by order in writing.





Function & role of **State Super & the Board** – continued

The Board

Under s. 69(5) of the SA Act, the State Super Board (Trustee Board) manages and controls the affairs of State Super. The role of the Trustee Board extends to strategy, corporate governance, risk management, policy making and monitoring. Accordingly, the Board is responsible for:

- monitoring the State Super schemes and the Pooled Fund, including its control and accountability systems
- appointing and removing the Chief Executive
- providing input to, and final approval of, the long-term strategy for the State Super schemes and annual Corporate and Business Plan
- approving and monitoring the annual budget and any extraordinary expenditure
- approving and monitoring State Super's risk management, compliance and control systems and policies
- approving and monitoring policies and procedures for the management of the Fund, including:
 - business plans, policies and processes for the proper direction, control and performance measurement of the Fund
 - standards to assess the performance of the Fund's operations
- setting the objectives, strategies and risk approval for investments, approving major investment decisions and monitoring and assessing investment performance
- approving and monitoring State Super's governance procedures for the Trustee Board and the staff of State Super, including work, health and safety, and the Code of Conduct and Ethics
- monitoring the performance of the Pooled Fund, the Trustee Board, State Super management and service providers.

State Super committees

A number of Board Committees assist with the performance of State Super's functions and monitor the compliance of external service providers against their contractual requirements. The Committees and their membership at 30 June 2018 are listed below.

Investment Committee

Mr N Johnson (Chairperson)
Ms R Ramwell
Ms S Dave
Mr G Pavlievet (specialist expert to the Investment Committee)

Risk, Audit and Compliance Committee

Ms C Keating (Chairperson)
Mr T O'Grady
Ms C Bolger

Member Services Committee

Mr A Claassens (Chairperson)
Mr T O'Grady
Mr G Maniatis
Ms S Dave

Human Resources and Nominations Committee

Mr A Claassens (Chairperson)
Ms C Bolger
Mr G Maniatis
Mr N Johnson

Police Superannuation Advisory Committee

Ms R Ramwell (Chairperson)

The Police Superannuation Advisory Committee (PSAC) comprises a Chairperson appointed by the Minister, three nominees of the Police Association of New South Wales and one nominee each from the Commissioned Officers' Branch of the Public Service Association of New South Wales, State Insurance Regulatory Authority, the Minister for Police and State Super. The State Super nominee is a member of the State Super Executive.

The PSAC determines entitlements to medical discharge for members of the NSW Police Force, to 'Hurt on Duty' pension increases and other benefits under the Police Superannuation Scheme, and advises State Super on administrative matters of the *Police Regulation (Superannuation) Act 1906* that are referred to it by the Trustee Board.

For more information about each of the Trustee Board Committees, refer to State Super's Annual Report to Parliament, available on the State Super website at www.statesuper.nsw.gov.au.



Investment performance

The Trustee Selection and all diversified investment option strategies have delivered returns above their long-term performance objectives.

The Trustee continues to focus on liability management, in particular the actuarial funding ratio for the defined benefit assets and liabilities, given the current legislative target to achieve full funding by 2030.

2018 was a positive year for equity markets with Australian Equities returning 13.2% which was broadly in line with overseas markets. However, beneath the positive headline figure, market volatility has been increasing due to heightened global geopolitical tensions, particularly between US and China. Nevertheless, market valuations remain supportive in Australia, largely attributable to a weak currency against the US Dollar, as well as patience displayed by the Reserve Bank of Australia (RBA) in prolonging its first interest rate hike.

Apart from equity markets, the portfolio also benefited from a diversified exposure to other asset classes such as Property and Infrastructure which generated strong returns of around 14% each whilst the defensive fixed income sectors generated low single digit returns.

Risk management and wealth protection is an important consideration during portfolio construction given the heightened risk facing markets. The portfolio has a number of features designed to mitigate equity market falls including the use of a downside protection overlay and targeting a level of defensive foreign currency exposure.



Year ending	Crediting rate to members (%p.a.)						
	Growth Strategy	Balanced Strategy	Conservative Strategy	Cash Strategy	Trustee Selection	University Diversified Conservative	University Cash
30 June 2018	9.4	6.9	5.0	1.7	8.2	3.3	1.6
30 June 2017	9.0	6.9	4.4	1.9	9.5	4.4	1.6
30 June 2016	5.0	5.3	4.6	2.0	3.6	1.9	2.0
30 June 2015	10.2	8.9	6.9	2.4	11.1	4.2	1.6
30 June 2014	12.3	10.7	8.1	2.5	12.3	n/a	n/a

Average annual compound rate (% p.a.)

Over 3 years	7.8	6.3	4.6	1.9	7.1	3.2	1.7
Over 5 years	9.2	7.7	5.8	2.1	8.9	n/a	n/a
Over 10 years	6.9	6.6	5.7	3.1	6.7	n/a	n/a

Note: The figures above are after allowance for tax and investment management expenses. Past returns are no guarantee of future returns. The value of a SASS member's personal account, Commonwealth Government contribution accounts and deferred benefits are not guaranteed and can fluctuate with investment gains or losses. SASS members should seek professional financial advice to help them select an investment strategy that best suits their personal circumstances. For up-to-date investment returns information, visit the State Super website at www.statesuper.nsw.gov.au.

Investment management

Strategic asset allocation

State Super allocates asset classes into three categories – liquid growth, alternatives and liquid defensive – which reflect their roles within the portfolio.

Category	Asset Class
Liquid growth	Australian equities
	International equities
Alternatives	Property
	Infrastructure
	Other alternatives
Liquid defensive	Australian fixed interest
	International fixed interest
	Cash

Liquid growth Liquid growth is expected to make a large contribution to long-term returns; however, the market is likely to remain highly volatile. The allocation to liquid growth, as well as the allocation between Australian and international equities within this category may be changed from time to time depending on market opportunities.

Alternatives serve a dual purpose. Some of the asset classes in this category are expected to generate returns in line with or higher than the return objective. Other asset classes within the alternatives category are expected to have the dual objective of providing return, and the ability to provide downside protection when markets are turbulent.

Liquid defensive represents asset classes that tend to do well when markets are turbulent. These asset classes provide capital protection when most other strategies are not performing well but are not expected to significantly contribute to the return over the long term.

State Super can dynamically allocate assets between liquid defensive and liquid growth strategies based on changes in the investment environment. The allocation to alternatives, on the other hand, is strategic in nature and generally illiquid, with investments being held over the medium to long term.

State Super reviews the strategic asset allocation of each investment strategy annually in conjunction with its advisers. For the Member Investment Choice and University investment strategies State Super considers quarterly whether any dynamic asset allocation tilts are appropriate given current valuations. For Trustee Selection dynamic asset allocations is undertaken by TCorp.

Downside protection

The Trustee may employ a series of investment strategies to manage downside risk, which could include a combination of derivatives for hedging and exposure management, rotation of assets and managers, centralised risk managed currency overlay, option strategies and manager benchmarking focused on downside risk management.

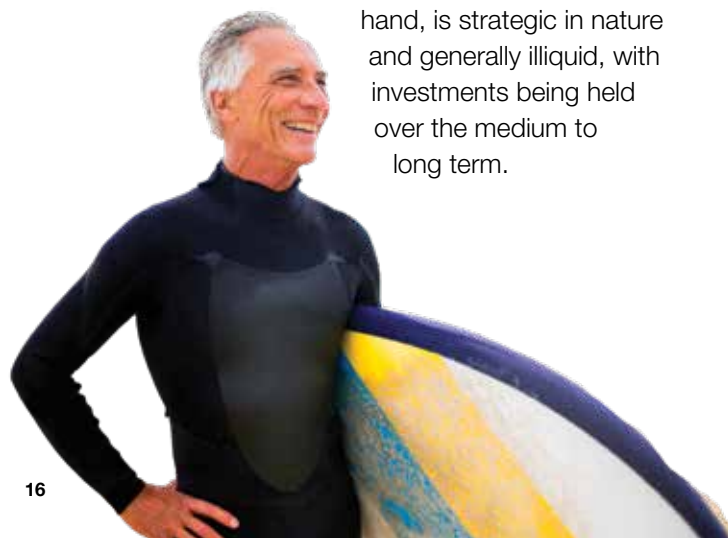
Exposure management

In the case of the Trustee Selection and Growth Strategies, the listed asset classes can be tilted away from their respective asset allocation weights in a disciplined manner. The portfolios are tilted using dynamic asset allocation ranges set for each of the strategies in order to capture upside potential gains and provide a degree of downside protection.

The Balanced and Conservative Strategies are currently rebalanced back to their respective target allocations monthly. If an asset class has deviated away from the target asset allocation, the manager trades against the Growth Strategy in order to return allocations to the target asset allocation. The exposure management process may involve the use of derivatives.

Divestment of investments in tobacco product manufacturers and controversial weapons manufacturers

In 2012–13, the Trustee Board decided to divest its holdings in tobacco product manufacturers and to exclude investments in manufacturers of controversial weapons, including cluster munitions and chemical and biological weapons. State Super's Environmental, Social and Governance policy was subsequently updated to reflect the decisions. At 30 June 2018, State Super had no exposure to controversial weapons manufacturers or tobacco product manufacturers.



Investment strategies at 30 June 2018

Defined benefit investment strategies

Defined benefit investment strategies are used to invest assets within the State Super Pooled Fund that support employer reserves. Such reserves are held in order to meet the New South Wales Government's obligation to provide defined superannuation benefits.

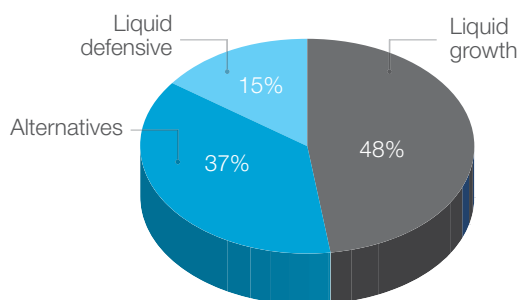
Trustee Selection Strategy

Investment objective: The objective of the Trustee Selection Strategy is to maximise the earnings rate, subject to a greater than 50% probability of exceeding CPI + 4.0% p.a. over rolling 10-year periods.

Risk: High (Standard Risk Measure (SRM) risk band 6: from 4 to less than 6 negative annual returns estimated over any 20-year period).

Net asset value at 30 June 2018: \$34,636 million

Strategic asset allocation at 30 June 2018



Asset allocation as at 30 June 2018

	Strategic %	Actual %
Liquid growth	48.0	48.0
Australian equities	20.5	21.1
International equities	27.5	26.9
Alternatives	37.0	35.5
Infrastructure	10.0	11.2
Property	7.0	6.9
Other alternatives	20	17.4
Liquid defensive	15.0	16.5
Australian fixed interest	5.0	5.6
International fixed interest	0.0	0.0
Other defensive strategies	4.0	4.4
Cash	6.0	6.5
TOTAL	100.0	100.0

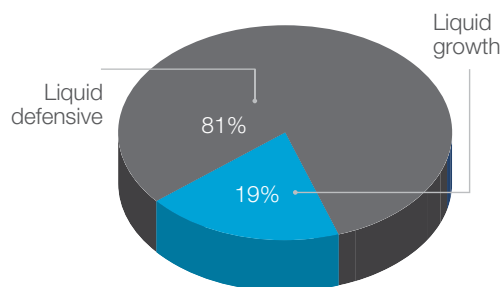
University Diversified Conservative Strategy

Investment objective: The investment objective of the University Diversified Conservative Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 0.5% p.a. over rolling 4-year periods.

Risk: Low to medium (SRM risk band 3: from 1 to less than 2 negative annual returns estimated over any 20-year period).

Net asset value at 30 June 2018: \$249 million

Strategic asset allocation at 30 June 2018



Asset allocation as at 30 June 2018

	Strategic %	Actual %
Liquid growth	19.0	19.9
Australian equities	8.0	8.2
International equities	11.0	11.7
Alternatives	0.0	0.0
Liquid defensive	81.0	80.1
Australian fixed interest	4.0	3.8
International fixed interest	2.0	1.8
Cash	75.0	74.5
TOTAL	100.0	100.0

Investment strategies at 30 June 2018 – continued

Defined Benefit investment strategies – continued

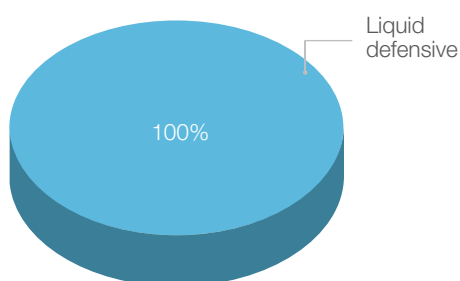
University Cash Strategy

Investment objective: The investment objective of the University Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding cash p.a. over rolling 3-year periods.

Risk: Very Low (SRM risk band 1: less than 0.5 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2018: \$384 million

Strategic asset allocation at 30 June 2018



Asset allocation as at 30 June 2018

	Strategic %	Actual %
Liquid growth	0.0	0.0
Alternatives	0.0	0.0
Liquid defensive	100.0	100.0
Australian fixed interest	0.0	0.0
International fixed interest	0.0	0.0
Cash	100.0	100.0
TOTAL	100.0	100.0

Member investment choice (MIC) strategies

The four State Super MIC strategies are used to invest defined contribution assets within the State Super Pooled Fund.

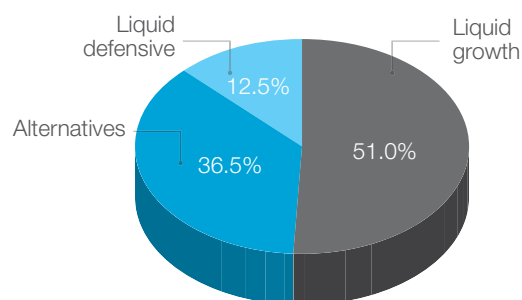
Growth Strategy

Investment objective: The objective of the Growth Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 3.5% p.a. over rolling 7-year periods.

Risk: Medium to high (SRM risk band 5: from 3 to less than 4 negative annual returns estimated over any 20-year period).

Net asset value at 30 June 2018: \$6,267 million

Strategic asset allocation at 30 June 2018



Asset allocation as at 30 June 2018

	Strategic %	Actual %
Liquid growth	51.0	56.5
Australian equities	22.5	24.2
International equities	28.5	32.3
Alternatives	36.5	31.2
Infrastructure	12.0	8.3
Property	8.0	9.4
Other alternatives	16.5	13.5
Liquid defensive	12.5	12.3
Australian fixed interest	4.0	3.6
International fixed interest	2.0	2.0
Cash	6.5	6.7
TOTAL	100.0	100.0

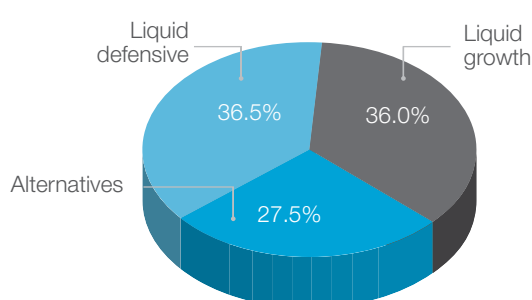
Balanced Strategy

Investment objective: The objective of the Balanced Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding.

Risk: Medium (SRM risk band 4: from 2 to less than 3 negative annual returns estimated over any 20-year period).

Net asset value at 30 June 2018: \$948 million

Strategic asset allocation at 30 June 2018



Asset allocation as at 30 June 2018

	Strategic %	Actual %
Liquid growth	36.0	40.0
Australian equities	14.0	14.8
International equities	22.0	25.2
Alternatives	27.5	26.3
Infrastructure	10.5	10.9
Property	6.5	6.7
Other alternatives	10.5	8.7
Liquid defensive	36.5	33.7
Australian fixed interest	7.5	6.0
International fixed interest	2.5	2.5
Cash	26.5	25.2
TOTAL	100.0	100.0

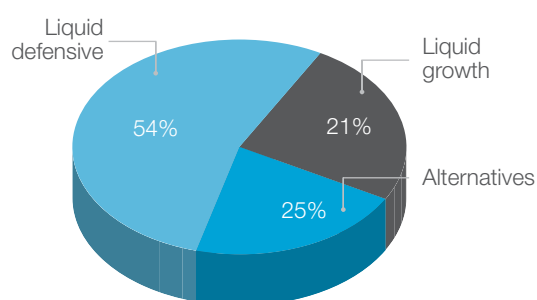
Conservative Strategy

Investment objective: The objective of the Conservative Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 1.0% p.a. over rolling 4-year periods.

Risk: Low to medium (SRM risk band 3: from 1 to less than 2 negative annual returns estimated over any 20-year period).

Net asset value at 30 June 2018: \$ 504 million

Strategic asset allocation as at 30 June 2018



Asset allocation as at 30 June 2018

	Strategic %	Actual %
Liquid growth	21.0	23.4
Australian equities	8.5	9.2
International equities	12.5	14.2
Alternatives	25	24.3
Infrastructure	10.5	10.9
Property	6.5	6.7
Other alternatives	8.0	6.7
Liquid defensive	54.0	52.3
Australian fixed interest	6.0	5.5
International fixed interest	3.0	3.1
Cash	45.0	43.7
TOTAL	100.0	100.0

Further information about the Standard Risk Measures and investment objectives is included in SASS Fact Sheet 15: *Choosing an investment strategy*, which is available on the State Super website at www.statesuper.nsw.gov.au/sass/tools-and-resources/factsheets.

Investment strategies – continued

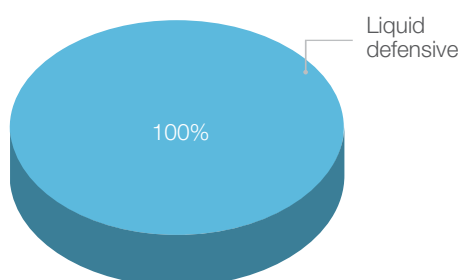
Cash Strategy

Investment objective: The objective of the Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding cash p.a. over rolling 3-year periods.

Risk: Very low (SRM risk band 1: less than 0.5 negative annual returns estimated over any 20-year period).

Net asset value at 30 June 2018: \$138 million

Strategic asset allocation as at 30 June 2018



Asset allocation as at 30 June 2018

	Strategic %	Actual %
Liquid growth	0.0	0.0
Alternatives	0.0	0.0
Liquid defensive	100.0	100.0
Cash	100.0	100.0
TOTAL	100.0	100.0

Investment updates & changes

In June 2018, State Super undertook its annual detailed review of the investment strategies and objectives for each investment option of the Pooled Fund.

Strategic asset allocation changes

As part of the review, several minor strategic asset allocation changes have been made both within and between asset classes across the State Super Growth, Balanced, Conservative and Trustee Selection Strategies. We continue to harmonise illiquid assets across different options to enhance portfolio liquidity. These changes have been implemented by re-weighting the allocation within alternative asset classes. While we continue to maintain a constructive outlook, we are mindful of the heightened risk and these changes further improve the diversification and additional downside risk protection.

Growth, Balanced and Conservative Strategy

There were no major allocation changes for the Growth and Conservative strategies. For the Balanced Strategy, the allocation to Australian Equities was decreased to fund an increased allocation to unlisted property.

Trustee Selection Strategy

Trustee Selection is a defined benefit scheme with a different investment time horizon to DC options. This allows Trustee Selection to benefit from additional premium by investing into less liquid assets. This is reflected in the increase in allocation to unlisted infrastructure. Additionally, we have included defensive strategies to mitigate sequencing risk associated with Trustee Selection.

No changes have been made to the asset allocations for Cash and University Cash Strategies.

Investment strategies from 1 July 2018

Strategic asset allocations for Defined Benefit strategies

Trustee Selection Strategy

Effective from 1 July 2018, the strategic asset allocation for the Trustee Selection Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	48.0	32.0 – 64.0
Australian equities	20.0	
International equities	28.0	
Alternatives	38.0	28.0 – 48.0
Infrastructure	11.0	
Property	7.0	
Other alternatives	20.0	
Liquid defensive	14.0	10.0 – 30.0
Australian fixed interest	5.0	
International fixed interest	0	
Other	5.0	
Cash	4.0	
TOTAL	100.0	100.0

University Diversified Conservative Strategy

Effective from 1 July 2018, the strategic asset allocation for the University Diversified Conservative Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	19.0	11.0 – 27.0
Australian equities	8.0	
International equities	11.0	
Alternatives	0.0	N/A
Liquid defensive	81.0	73.0 – 89.0
Australian fixed interest	4.0	
International fixed interest	2.0	
Cash	75.0	
TOTAL	100.0	100.0

University Cash Strategy

Effective from 1 July 2018, the strategic asset allocation for the University Cash Strategy was revised to:

	Strategic asset allocation %
Liquid growth	0.0
Alternatives	0.0
Liquid defensive	100.0
Cash	100.0
TOTAL	100.0

Note: Dynamic asset allocation ranges are not used in the University Cash Strategy.



Investment strategies from 1 July 2018 – continued

Strategic asset allocations for member investment choice strategies

Growth Strategy

Effective from 1 July 2018, the strategic asset allocation for the Growth Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	51.0	35.0 – 67.0
Australian equities	22.5	
International equities	28.5	
Alternatives	36.0	28.0 – 44.0
Infrastructure	10.5	
Property	8.0	
Other alternatives	17.5	
Liquid defensive	13.0	10.0 – 29.0
Australian fixed interest	4.0	
International fixed interest	2.0	
Defensive strategies	0.5	
Cash	6.5	
TOTAL	100.0	100.0

Balanced Strategy

Effective from 1 July 2018, the strategic asset allocation for the Balanced Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	34.5	24.5 – 44.5
Australian equities	12.5	
International equities	22.0	
Alternatives	28.5	20.5 – 36.5
Infrastructure	10.5	
Property	8.0	
Other alternatives	10.0	
Liquid defensive	37.0	27.0 – 47.0
Australian fixed interest	7.5	
International fixed interest	2.5	
Cash	26.5	
TOTAL	100.0	100.0

Conservative Strategy

Effective from 1 July 2018, the strategic asset allocation for the Conservative Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	21.0	13.0 – 29.0
Australian equities	8.5	
International equities	12.5	
Alternatives	24.5	16.5 – 32.5
Infrastructure	10.5	
Property	8.0	
Other alternatives	6.0	
Liquid defensive	54.5	46.5 – 62.5
Australian fixed interest	6.0	
International fixed interest	3.0	
Defensive strategies	0.5	
Cash	45.0	
TOTAL	100.0	100.0

Cash Strategy

Effective from 1 July 2018, the strategic asset allocation for the Cash Strategy was revised to:

	Strategic asset allocation %
Liquid growth	0.0
Australian equities	0.0
International equities	0.0
Alternatives	0.0
Liquid defensive	100.0
Cash	100.0
TOTAL	100.0

Note: Dynamic asset allocation ranges are not used in the Cash Strategy.



Investment governance framework

The Trustee Board has approved State Super's **Investment Governance Framework**, which encompasses the systems, structures, policies, processes and people which support the selection, management and monitoring of investment decisions made for the Pooled Fund. The **Investment Governance Structure** is a combination of legislative requirements, Ministerial Orders, Board and Board Sub-Committee oversight, and managed and monitored by State Super's Executive and the appointed **Master Investment Manager**.

Key components of the Framework include the following committees, teams and individuals.

Board Investment Committee – The Trustee Board established an Investment Committee to support the Board in determining the investment strategy and risk for the DB, DC and University Portfolios. This involves overseeing the process of appointing and replacing investment managers for the DC and University portfolios and to receive advice from TCorp, PwC and others, on investment strategy and asset and liability management for the DB portfolio.

Risk, Audit and Compliance Committee – The Trustee Board established the Risk, Audit and Compliance Committee to support the Board by reviewing and monitoring State Super's governance, risk and compliance frameworks, including audit arrangements, selection of the Scheme Actuary, the triennial review of the Pooled Fund and the review of policies and procedures.

Management Investment Committee – The Management Investment Committee was established as the governing body for management investment processes for the Member Investment Choice and Universities strategies and for oversight of the Trustee Selection strategy. Its purpose is to assist the CEO with executing investment-related delegations from the Board, and to progress policy and strategy development and implementation, product structure and design and investment manager selections for the Member Investment Choice and Universities investment strategies.

Investment Team – This team is responsible for executing State Super's Investment Policy Statement by recommending strategic asset allocation decisions for each of the investment options within the Pooled Fund and dynamic asset allocation decisions for the Member Investment Choice and Universities strategies; reviewing and monitoring the performance of the Master Investment Manager; managing liquidity to ensure each Member Investment Choice strategy can meet its liability requirements, and managing all the investment decisions and processes for the Member Investment Choice and Universities investment strategies. .

Master Investment Manager – In March 2014, the NSW Government announced its intention to amalgamate the funds management activities of the State's financial assets within NSW Treasury Corporation (TCorp). After a full due diligence process the State Super Board appointed TCorp

Investment governance framework – continued

as Master Investment Manager for the defined benefit assets. This arrangement is governed by a written contract, the Master Financial Services Agreement (MFSA), which establishes the services and functions of TCorp. The appointment of TCorp commenced 15 June 2015. The MFSA was updated to comply with the Ministerial Orders and executed in October 2016.

Vendor Management Team – This team is responsible for the active oversight and monitoring of TCorp in order to monitor compliance, reduce risk, improve service delivery and promote greater transparency in investments and operations.

Asset Consultant – Frontier Advisors Pty Limited, as Asset Consultant for the Member Investment Choice and Universities investment strategies, provides a range of services that include the review of investment objectives, strategic asset allocation and the risk/return profile of investment options.

Scheme Actuary – PricewaterhouseCoopers Securities Limited is State Super's Scheme Actuary. The services include advice on the triennial review which projects the profile of the Fund's assets and liabilities to the funding position and schemes' requirements. It also includes asset and liability modelling to test sensitivities to different funding, return, salary, inflation and longevity assumptions.

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 its investment mandate.

Investment managers – As required by the *Superannuation Administration Act 1996 (NSW)*, all of the Pooled Fund's assets are managed by external investment managers appointed by State Super. Each manager operates under a written agreement which can take the form of an Investment Management Agreement or Side Letter as appropriate. Investment managers' performance is monitored throughout the year and new managers may be added or existing managers replaced.

Policies – State Super has a range of policies supporting the Investment Governance Framework. These include the:

- Investment Beliefs
- Investment Policy Statement
- Derivative Risk Statement
- Liquidity Policy
- ESG/Proxy Voting Policy
- Large Exposure and Counterparty Policy.

Derivatives – Derivatives, including futures and options, can be used by State Super's investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements, and cannot be used for speculative purposes or investment portfolio gearing.

Currency hedging policy – The Trustee's policy for currency hedging at 30 June 2018 was as follows:

- international equities – developed market equities are hedged from 0% to 100% in Australian dollars
- international equities – emerging market equities are unhedged
- international property, infrastructure and alternative assets are hedged from 0% to 100% in Australian dollars
- international fixed interest assets (sovereign debt) are hedged from 0% to 100% in Australian dollars.



Investment managers at 30 June 2018

As required by the *Superannuation Administration Act 1996*, all of the Pooled Fund's assets are managed by external fund managers appointed by State Super.

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Australian equities			
Aberdeen Standard Investments	–	✓	–
Balanced Equity Management Pty Limited	✓	–	–
BlackRock Asset Management Australia Limited	✓	–	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Cooper Investors Pty Limited	✓	–	–
Hyperion Asset Management Limited	✓	–	–
JCP Investment Partners	–	✓	–
Lazard Asset Management Pacific Co	✓	✓	–
Macquarie Group Limited	–	✓	–
Macquarie Investment Management Limited	✓	–	–
Maple-Brown Abbott Limited	✓	–	–
New South Wales Treasury Corporation	✓	–	–
Northcape Capital Pty Ltd	✓	✓	–
Pendal Group Limited	✓	✓	–
Platypus Asset Management Pty Ltd	✓	✓	–
State Street Bank & Trust Company	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	–
International equities			
AQR Capital Management LLC	✓	✓	–
Arrowstreet Emerging Markets Fund	–	✓	–
Artisan Partners Limited Partnership	✓	–	–
AXA Rosenberg (via Equity Trustees Ltd)	✓	–	–
C Worldwide Asset Management Fondsmæglerselskab A/S	✓	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Genesis Investment Management, LLP	✓	✓	–
Harris Associates Limited Partnership	✓	–	–
Investec Asset Management Limited	✓	✓	–
Lazard Asset Management Pacific Co	✓	–	–
Morgan Stanley Investment Management Ltd	✓	–	–
New South Wales Treasury Corporation	✓	✓	–
Realindex Investments Pty Limited	✓	–	–
Sanders Capital LLC	–	✓	–
State Street Bank & Trust Company	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	–

Investment managers at 30 June 2018 – continued

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Property			
AEW Capital Management, LP (via Equity Trustees Ltd)	–	✓	–
AMP Capital Investors Limited	–	✓	–
Dexus Funds Management Limited	✓	–	–
EG Funds Management Pty Ltd	✓	–	–
Franklin Templeton Investments Australia Limited	✓	–	–
Invesco Real Estate (via Equity Trustees Ltd)	–	✓	–
Investa Property Group	–	✓	–
ISPT Pty Ltd	–	✓	–
LaSalle Investment Management (via Equity Trustees Ltd)	–	✓	–
Resolution Capital	–	✓	–
SG Hiscock & Company Limited	✓	–	–
Vanguard Investments Australia Ltd	✓	–	–
International fixed interest			
State Street Global Advisors, Australia, Limited	✓	✓	–
Australian fixed interest & cash			
Colonial First State Asset Management (Australia) Limited	✓	–	–
New South Wales Treasury Corporation	✓	–	–
Pendal Group Limited	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	✓
Alternative assets			
AMP Capital Funds Management Limited	✓	✓	–
Challenger Investment Partners Limited			
Fulcrum Asset Management LLP	✓	✓	–
GAM International Management Limited	–	✓	–
GMO Australia Limited	✓	–	–
Kohlberg Kravis Roberts & Co. L.P.	–	✓	–
Macquarie Investment Management Limited	✓	✓	–
MAN Group plc	✓	✓	–
Perennial Value Management Limited	–	✓	–
PIMPO Australia Pty Ltd	✓	✓	–
PineBridge Investments LLC	✓	–	–
Pyrford International	–	–	–
Siguler Guff Distressed Opportunities Fund III (F) LP	–	–	–
Siguler Guff Distressed Opportunities Fund IV (F) LP	✓	–	–
Whitehelm Capital Pty Ltd	✓	–	–

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Currency			
AQR Capital Management LLC	✓	–	–
PIMCO Australia Pty Ltd	✓	–	–
State Street Global Advisors Australia Limited	✓	✓	–
High Yield/Bank Loans/EMD			
Brigade Capital Management LP	✓	–	–
Intermediate Capital Group Limited	✓	–	–
Investec Asset Management Australia Pty Ltd	✓	–	–
KKR Australia Investment Management Pty Limited	✓	–	–
Lazard Asset Management Pacific Co	✓	–	–
Nomura Corporate Research and Asset Management In	✓	–	–
PineBridge Investments LLC	✓	–	–
Infrastructure			
AMP Capital Funds Management Limited	✓	–	–
Colonial First State Global Asset Management (Australia) Ltd	–	✓	–
H.R.L. Morrison & Co Limited	–	✓	–
Lazard Asset Management Pacific Co	✓	–	–
Macquarie Specialised Asset Management Limited	✓	–	–
New South Wales Treasury Corporation	✓	✓	–
QIC Limited	–	✓	–
RARE Infrastructure Limited	–	✓	–
Whitehelm Capital Pty Ltd	✓	–	–
Diversified			
State Street Global Advisors Australia Limited	–	–	✓





Member **services** update

Keep track of your scheme benefits online

It couldn't be easier to keep track of your scheme benefits online via the secure Member Login Area.

Online access allows you to:

- view the latest news
- update your contact details
- view and download your last Annual Statement
- access an online benefit quote
- register for upcoming seminars

... and much more! To register for online access to your scheme, please contact customer service on the numbers provided on page 38 of this report.

Make the most of your super seminars

State Super seminars are presented by qualified financial planners from StatePlus (formerly known as State Super Financial Services)*, who can help you understand how to maximise your benefit and plan for the future.

Our seminars will help you to:

- learn more about your scheme – how it works, what your choices are and how to make the most of your benefits
- understand how and when the decisions you make about your employment and superannuation now may affect your retirement benefits in the future
- understand Centrelink rules and the benefits you're eligible for
- find out how a financial plan can help you make the most of your super.

To make a booking for one of our seminars, simply visit our website where you'll find dates and locations for all events. Or, if you prefer, call 1800 620 305.

Online bookings:

SASS: **www.statesuper.nsw.gov.au/seminarsass**

SSS: **www.statesuper.nsw.gov.au/seminarsss**

*For more information on the relationship between State Super and StatePlus, refer to the inside back page of this report.

Personal interview service

As a member of a State Super scheme, a free personal interview service is available to you. The service allows you to meet face-to-face with customer service staff and is available to current, deferred benefit and pension members. At interviews, members are provided with general advice about their scheme and superannuation generally.

For information about where personal interviews are conducted please refer to the details provided on the back page of this report.

A couple walking a dog on a beach at sunset. The woman is wearing a wide-brimmed hat and a light blue shirt, and the man is wearing a light blue shirt and shorts. They are walking away from the camera towards the ocean. A large, fluffy dog is walking with them. The text "Retire Life Rich" is overlaid in a white, handwritten-style font.

Retire Life Rich

**We'll help you navigate your superannuation,
so you can make the most of your retirement.**

State Super defined benefit schemes can set you up for a comfortable retirement, but they can be complicated and difficult to navigate. Getting the right advice could make a big difference for you and your family in the future.

At StatePlus, our experts are trained to understand these complexities, so you can focus on what's important to you – a fulfilling retirement.

We have over 26 years of experience helping hard-working Australians just like you maximise their superannuation. Talk to a StatePlus expert today so we can help you be free to live a life fully engaged with the people, interests and causes that you care about.

Visit stateplus.com.au today or call 1800 841 633.



StatePlus

*Formerly State Super
Financial Services*

StatePlus is the trading name for State Super Financial Services Australia Limited, holder of Australian Financial Services Licence 238430, ABN 86 003 742 756. This information is of a general nature only and is not specific to your objectives, financial situation or needs. Before making any decisions you should consider its appropriateness to you.



Our history, **your** history

We are proud of the important role we play in our member's lives and the long-term relationship we have with you as our member. Equally, we are proud of our long history and the foresight of the NSW Government, way back in 1900, to look after our public-sector employees.

Each of the schemes within State Super are unique and they all contribute to the history of superannuation in NSW. We wanted to take this opportunity to share some of the milestones and highlights of State Super's long history.

Although you will identify with your scheme, there are other schemes that make up State Super.

State Super is the Trustee of:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- Police Superannuation Scheme (PSS)

State Super also manages the State Authorities Non-contributory Superannuation Scheme (SANCS), which provides additional benefits to members of SASS, SSS and PSS.

Throughout the years, we have been here to serve our members and be guardian of their financial future. What remains today for State Super is our long-held commitment to support members.

The history of the schemes is woven into the broader history of superannuation in Australia.

1906

The NSW Government led the way in introducing the first age pension in Australia in 1900 and shortly after in 1906, our first scheme was introduced by the NSW Government. The Police Superannuation Scheme (PSS).

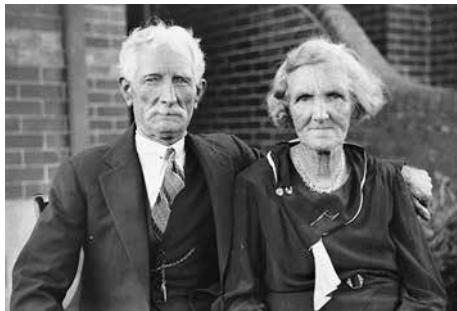


1912

The NSW Government began discussions on providing superannuation benefits for Public Service employees. The first scheme was the Government Railways Account known as the Ten and a Penny scheme. It was intended to supplement the age pension. This scheme was later rolled into the SASS Scheme



and represents a milestone in the government of the day's view to look after the public service employers in retirement. (More on the SASS scheme later)



1919

The State Superannuation Scheme (SSS) was established by the NSW Government, under the Superannuation Act 1916 (NSW). Salaried employees of the NSW public service and teaching service, and a number of statutory authorities were eligible to join SSS. This is the second scheme State Super is responsible for managing.

1928

Superannuation benefits were introduced for public sector wages staff, the Local Government Insurance Fund for men and the Local Government Provident Fund for women. These funds were also later transferred into the third scheme, SASS - the State Authorities Superannuation Scheme.



1948

Partial commutation of the SSS pensions was allowed where a super income stream could be converted into a lump sum. An important change to the way members could access their retirement benefits.

1969

The New South Wales Government recognised the retirement benefits of public sector employees in the local government and other authorities sector, including public hospitals, needed to be improved. New schemes were brought in with a higher benefit.

1977

The Local Government Pensions Fund is introduced to provide for local government wages staff including hospital staff.

1985

The Public Authorities Superannuation Scheme (PASS) was created and other state funds were merged into PASS. PASS members are later transferred to SASS.

The SSS Scheme was closed to new members.

1988

The third scheme State Super manages, the State Authorities Superannuation Scheme (SASS) was opened and for the first time all NSW new public servants had access to one scheme. PASS members were transferred into SASS at this time.

The State Authorities Non-contributory Superannuation Scheme (SANCS) was also established by the NSW Government for SASS, SSS and PSS members following the landmark national wage case that resulted in a productivity benefit for the NSW public sector. State Super manages the SANCS benefit and it is employer-funded and a lump sum benefit in addition to the main benefit scheme.

PSS was closed to new members.

The State Super Trustee Board was established for all four defined benefit schemes – PSS, SSS, SASS and SANCS. This is the start of State Super as a Trustee entity.

1990

Recognising scheme members needed personal financial advice, State Super became the first superannuation fund to set up its own financial planning service, State Super Financial Services (SSFS) with 15 employees.

1992

The Introduction of compulsory superannuation lead to structural changes in public service superannuation, First State Super (FSS) established. At this time, FSS operated under the State Super Trustee Board.

SASS was closed to new members.

1996

Public sector super was restructured by the Superannuation Administration Act and the board was replaced with two trustees—the SAS Trustee Corporation (State Super) and the FSS Trustee Corporation.

2006

First State Super became a public offer fund, open to anyone.

2016

State Super sells its financial planning business, State Super Financial Services to First State Super. It becomes StatePlus.

Today, State Super is one of Australia's largest superannuation schemes, with over 100,000 members and approximately \$43 billion in assets (as at 30 June 2018).



Abridged financial statements

Financial reports at 30 June 2018

The following tables provide abridged financial information about all of the State Super schemes for the last two financial years. The full financial statements for the year to 30 June 2018 have been audited by the Auditor General and will be available on the website after State Super's Annual Report has been tabled in the NSW Parliament.

Statement of net assets		
	2018 (\$ million)	2017 (\$ million)
Assets		
Cash and cash equivalent	20	36
Receivables	413	394
Employer sponsor receivable	2,545	2,741
Short term securities	3,890	4,793
Australian fixed interest	2,256	2,477
International fixed interest	171	489
Australian equities	8,968	9,291
International equities	10,682	12,096
Property - indirect	1,730	1,687
Investment properties - direct	2,049	1,929
Infrastructure and other alternatives	13,196	9,229
Net derivative assets	6	131
Other assets	1	1
Total assets	45,927	45,294
Liabilities		
Payables	111	211
Income tax liabilities	173	141
Deferred tax liabilities	77	57
Total liabilities excluding member liabilities	361	409
Net assets available for member benefits	45,566	44,885
Member liabilities		
Defined benefit member liabilities	(58,987)	(59,153)
Total net liabilities	(13,421)	(14,268)
Equity		
Defined benefits that are under funded	(13,421)	(14,268)
Total (deficit)	(13,421)	(14,268)



Fees and charges

Direct fees

Fee	Percentage of average total assets	
	SASS	SSS and PSS
Management charge	<p>Contributing members pay an annual administration fee of \$45 p.a.</p> <p>Deferred benefit members pay an annual administration fee of \$45 p.a., plus an additional annual administration fee of \$20 p.a. if they have a deferred SANCS benefit.</p> <p>These fees are deducted in equal monthly instalments from the member's personal account.</p>	<p>Generally, the direct fees and costs associated with SSS and PSS are met by the employer.</p> <p>Deferred benefit members with a deferred SANCS benefit pay an annual administration fee of \$20 p.a.</p>
Investment switch fees	<p>A member can switch between investment strategies once each year ending 30 June without incurring a fee. A switch fee of \$25 is applied for each additional switch in the year and is deducted from the member's personal account at the time of the switch.</p> <p>For further details, please refer to SASS Fact Sheet 15: <i>Choosing an investment strategy</i>.</p>	Not applicable
Additional benefit cover	Where a member has additional benefit cover, the amount deducted each month from the personal account will vary based on the member's age, amount of cover and type of employment.	Not applicable
Family law fees	<p>An additional service fee applies if information is requested for the purposes of a Family Law split. If a member or a member's spouse or de facto partner has requested information during the year, a fee of \$275 for contributing members and \$110 for deferred and pension members must be paid by the requesting party as a separate cheque to the Fund. The amount is not deducted from the member's account.</p> <p>A benefit split fee of \$1,347.50 is payable when a member's benefit is split and is generally divided equally between the member and their spouse or de facto partner. However, if the spouse or de facto partner is entitled to all of the member's benefit, the fee is payable by the spouse. The benefit split fee can be deducted from the final amount or paid by way of a separate cheque to the Fund.</p>	

Fees and charges - continued

Indirect fees

Investment management costs

Investment management expenses are deducted from investment gains or losses before determining the declared rate. They are borne indirectly by members via a reduced rate of investment return but are not charged directly as a fee.

For **contributory members**, investment gains or losses affect the balance of the personal account (and the balance of reserve unit accounts for SSS members), the Commonwealth Government Contribution account and the Additional Employer Contribution account. Any amounts deducted from your investment include reductions in the return on your investment but are not charged directly to you as a fee.

For **deferred benefit members**, investment gains or losses affect the amount of the immediate lump sum, deferred lump sum, SANCS basic benefit, the Commonwealth Government contribution account and the Additional Employer Contribution account. Any amounts deducted from your investment include reductions in the return on your investment but are not charged directly to you as a fee.

Indirect fees and costs for SSS and PSS members

These are not borne by members who receive a retirement benefit from the scheme, as retirement benefit calculations do not directly rely on the balance of the personal account or the reserve unit account (for SSS members).

Investment expenses

The investment management expense ratio for an investment strategy is the investment management expenses incurred by the strategy expressed as a percentage of the average net asset value of the strategy. The investment management expense ratios for the seven State Super investment strategies are shown below.

Note, the expense ratios for 2018-19 are estimates and may change as the year unfolds due to market circumstances or changes in the structure of the asset sectors.

Investment management expense ratio of average total assets

Strategy	Actual 2017-18	Estimated 2018-19
Defined benefit investment strategies		
Trustee Selection	0.43%	0.48%
University Diversified Conservative	0.09%	0.09%
University Cash	0.04%	0.04%
Member Investment Choice strategies		
Growth	0.36%	0.46%
Balanced	0.30%	0.34%
Conservative	0.24%	0.29%
Cash	0.04%	0.04%

Complaints, disputes and appeals

Complaints

If you are dissatisfied with an administrative matter relating to something other than a decision on a benefit entitlement, e.g. the slow processing of a claim or the provision of incorrect information, you may lodge a complaint with the scheme administrator, Mercer Administration (Mercer).

If you are still unsatisfied with the resolution of the matter, you may direct your complaint to the trustee, SAS Trustee Corporation (State Super).

Disputes

If you are dissatisfied with a decision relating to a benefit entitlement, e.g. a decision by Mercer (made on behalf of State Super) to refuse a claim for a disability benefit, you may dispute that decision directly with State Super.

A notice of dispute must be served on State Super within two years after you have been notified in writing of the right to dispute the decision. You may be asked to clarify certain details relating to your dispute and to provide additional supporting evidence. Your dispute will then be referred to the trustee's Member Services Committee for consideration and you will be notified of the outcome of the review.

Appeals

If you are dissatisfied with the decision of State Super following the dispute process, you may appeal to the Supreme Court of NSW within six months of being notified of State Super's decision or within such further period as the Court allows.

PSS 'Hurt on Duty' appeals:

If you are a member or former member of PSS and are aggrieved by a decision made by STC or its delegate, the Police Superannuation Advisory Committee (PSAC) about an application concerning a matter that arises by reason of being 'hurt on duty', you have a right to apply to the District Court of NSW for a determination in relation to that decision.

There is also a right to apply to the District Court against a decision made by the Commissioner of Police as to whether a member or former member of the Police Force was hurt on duty in relation to a particular infirmity (or death).

Section 21 of the *Police Regulation (Superannuation) Act 1906* provides that a person aggrieved by an applicable 'hurt on duty' decision may, within 6 months after being notified of the decision, apply to the District Court for a determination in relation to the decision.

All STC schemes are exempt from the Commonwealth superannuation regulatory regime and as such, members are not able to lodge a complaint with the Australian Financial Complaints Authority (AFCA) as that body has no jurisdiction over decisions made by STC.

Contacts

To lodge a complaint with Mercer please contact Customer Service on:

SASS – 1300 130 095

SSS – 1300 130 096

PSS – 1300 130 097

Deferred benefit members – 1300 130 094

Pension members – 1300 652 113

To lodge a dispute please contact State Super by writing to:

Disputes Officer
SAS Trustee Corporation
PO Box N259
Grosvenor Place NSW 1220

To lodge an appeal against a State Super decision (following the dispute process) please contact the Registry of the Supreme Court of NSW by telephoning 1300 679 272 or by writing to:

Registry of the Supreme Court of NSW
GPO Box 3
Sydney NSW 2001

To lodge an application with the District Court of NSW for a determination of a 'hurt on duty' decision, please contact the District Court Civil Registry (Residual Jurisdiction) by telephoning (02) 9377 5461 or by writing to:

District Court Civil Registry (Residual Jurisdiction)
PO Box K1026
Haymarket NSW 1240



Privacy, compliance & the Government Information Public Access Act

Privacy

As a NSW Government entity, State Super complies with relevant legislation, including the *Privacy and Personal Information Protection Act 1998* (Privacy Act) and the *Health Records and Information Privacy Act 2002* (HRIP Act).

State Super has developed a Privacy Management Plan (Plan) and implements the Plan with the assistance of Mercer Administration.

State Super has a Privacy Statement, which was updated in May 2018, and:

- details how State Super complies with the requirements of the *Privacy Act* and the *HRIP Act*
- explains how State Super deals with members' personal and health information that may be collected and used in the course of administering its schemes; and
- summarises the circumstances where State Super may provide a members' personal and health information to third parties.

State Super endeavours to ensure its records of members' personal details are up-to-date and accurate. Members may contact Mercer Administration to advise of changes to their personal and health details.

State Super takes steps to ensure there is no unauthorised use or disclosure of members' information. The Privacy Statement is available on request and from the State Super website at **www.statesuper.nsw.gov.au**.

Compliance

State Super 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.

Under a Heads of Government Agreement, the NSW Government undertakes to ensure that State Super schemes conform with the principles of the Commonwealth Government's retirement incomes policy to the best of their endeavours. The Commonwealth Government's retirement incomes policy includes trustee governance, risk management, preservation, vesting, reporting to members and adequate protection of members' benefits.

The *Superannuation Administration Act 1996 (NSW)* requires State Super, in exercising its functions, to have regard to the Heads of Government Agreement. The legislation enables the NSW Government to prudentially monitor and audit the State Super schemes and trustee Board.

Government Information Public Access Act 2009

Under the *Government Information (Public Access) Act 2009 NSW* (the GIPA Act), State Super must review, at least annually, its program for the release of government information it holds that should in the public interest be made publicly available. The result of the latest review was that State Super believes that it has made publicly available all the government information about itself that it holds that should, in the public interest, be available and that can be made available without imposing unreasonable costs on itself. The information about State Super that is publicly available is accessible on its website, in particular at **www.statesuper.nsw.gov.au/corporate-governance/access-to-information**.

State Super documents that can be obtained free of charge from the website include:

- policy documents
- State Super's Agency Information Guide, which describes the structure and functions of STC, the types of government information it holds, how that government information is made publicly available, and whether or not there is a cost to access that information;
- a Disclosure Log of any information it has released in response to an application for access under the *GIPA Act* that it believes should be made available to the general public;
- a register of State Super's contracts with private sector organisations that are worth more than \$150,000; and
- documents that have been tabled in Parliament by or on behalf of State Super.

State Super will also publish on its website details about any of its open access information that it has decided should not be disclosed due to an overriding public interest.

Please contact Customer Service to confirm whether any other avenue for obtaining information about State Super exists before deciding to formally apply for access to the information under the *GIPA Act*.

For further information, please refer to STC Fact Sheet 9: *Government Information (Public Access) Act & Privacy*, which is available on the State Super website at **www.statesuper.nsw.gov.au**.





Customer Service

SASS	1300 130 095
SSS	1300 130 096
PSS	1300 130 097
Deferred members	1300 130 094
Pension members	1300 652 113

You can contact customer service from 8.30am to 5.30pm, Monday to Friday AEST for the cost of a local call unless calling from a mobile, pay phone or from overseas. If calling from overseas please call +61 2 4298 6005.

Fax service 02 4253 6688

Email enquiries@stc.nsw.gov.au

Mailing addresses

Customer service and Mercer Administration:

PO Box 1229
Wollongong NSW 2500

SAS Trustee Corporation (the Trustee Board)

PO Box N259
Grosvenor Place NSW 1220

Website www.statesuper.nsw.gov.au

Personal interview service

Personal interviews are available by appointment only 9.00am to 5.00pm on Fridays at State Super, Level 16, 83 Clarence Street, Sydney, NSW 2000 and at selected StatePlus locations (Parramatta, Newcastle and Wollongong).

To arrange an appointment call one of the Customer Service numbers above.

Need help with English?

For members who need help with English, customer service can make arrangements for information to be translated through the Government Interpreter Service.

Arabic

(Advisory Service) بإمكان "الخدمة الإستشارية" أيضاً تأمين ترجمة خطية للمعلومات للأعضاء الذين يجدون صعوبة باللغة الإنكليزية.

Chinese

會員如果閱讀英語有困難，諮詢服務部可安排發放資料的譯本。

Greek

Για τα Μέλη που δυσκολεύονται στα αγγλικά, η Υπηρεσία Πελατών μπορεί να κανονίσει για τη μετάφραση των πληροφοριών.

Italian

Per i contribuenti che hanno difficoltà nel comprendere l'inglese il servizio clienti può provvedere alla traduzione dei dati informativi.

Vietnamese

Đối với các thành viên nào gặp trở ngại về Anh ngữ, Dịch vụ Tư Vấn (Advisory Service) có thể giúp thu xếp để họ nhận được bản dịch tin liệu.

Financial planning advice

State Super Financial Services Australia Limited trading as StatePlus ABN 86 003 742 756, AFSL No. 238430

Telephone 1800 620 305

You can contact StatePlus from 8.45am to 5.15pm, Monday to Friday.

Website www.stateplus.com.au



State Super Financial Services Australia Limited, trading as StatePlus, is the holder of an Australian Financial Services Licence 238430, ABN 86 003 742 756. StatePlus is a 'for profit' financial services organisation which also provides financial planning advice. StatePlus is wholly owned by FSS Trustee Corporation (ABN 11 118 202 672 and AFSL 293340) as trustee of the First State Superannuation Scheme (ABN 53 226 460 365). StatePlus has its own Board and Management team. State Super does not pay any fees to StatePlus for the financial advice and member seminar services it provides to State Super members. State Super is not a representative of StatePlus and receives no commission when making referrals to StatePlus for financial planning services. Neither State Super nor the New South Wales Government take any responsibility for the services offered by StatePlus, nor do they or StatePlus guarantee the performance of any service or product provided by StatePlus.



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SAS Trustee Corporation



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