



STATE SUPER
SAS Trustee Corporation

ABN: 29 239 066 746

annual report

2009/2010

www.statesuper.nsw.gov.au

Part A – About the 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

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

There was encouraging news last year.

Markets continued to be very volatile but overall the Pooled Fund earned a significant positive return being 9.5% for the year to 30 June 2010¹. Early on, valuations surged ahead as equity markets rebounded. However late in the year there was something of a correction as it became apparent that markets had been too optimistic about the strength of the recovery in the world economy.

The Trustee Board had the Fund positioned to benefit from a recovery in global markets but the Fund also had defensive qualities to provide a degree of protection if markets were to fall. Notwithstanding the funds defensive positions, we were able to earn a return not that different from the 9.9% earned by similar super funds.² Over longer periods, the Fund remains comfortably ahead of the median super fund.

We can anticipate continued volatility as markets come to grips with a global recovery that at times may look patchy and uncertain, particularly in developed countries. We are more optimistic about emerging economies. Notwithstanding the uncertainties, we continue to believe that a well diversified growth oriented portfolio with a range of defensive assets strikes the right balance.

The Board is working hard to provide better services to members. In April 2010 we introduced Multiple Investment Choice for SASS members and SASS members were able to access benefit quotes online from September 2010. We are doing further work on our new advice model. Late last year we became a 100% owner of State Super Financial Services (SSFS), purchasing the remaining equity held by ARIA, the large super fund for Commonwealth public servants.

SSFS now has a key role in providing advice to our members about their State Super entitlements. And when it comes to retirement, SSFS is able to advise our members on how they might structure their investments.

I would like to welcome Bob Lipscombe, who is the President of the NSW Teachers Federation, and joins the Board as a new employee representative. Bob replaced Maree O'Halloran. I particularly want to acknowledge the very important contribution that Maree made to the Board and wish her well in her new activities.



Don Russell
Chairperson
September 2010

¹The investment return is 9.5%. The declared rate is 9.2% after taking into account fund assets and liabilities not under investment custody such as tax obligations and operating cash.

²Mercer Survey of Superannuation Funds (60-80% growth assets)

Board members' profiles

Dr Don Russell (Chairperson) As well as being Chairperson of State Super, Dr Don Russell is also the Independent Chair of the Investment Committee of LUCRF, a Melbourne based superannuation fund. Until March 2010, he was Global Investment Strategist at BNY Mellon Asset Management Australia. He joined WestLB Mellon Asset Management (Australia) in 2001. Between 1997 and 2000, Dr Russell worked in New York for Sanford C. Bernstein, a money management and research company. Between 1985 and 1993 and again in 1996, he was Principal Adviser to the Hon Paul Keating 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 worked for the Commonwealth Treasury; when he joined Paul Keating's Office in 1983 he was Assistant Secretary, Economic Branch where he was responsible for economic forecasts and assessments of the Australian economy. Dr Russell 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 MEc from ANU and a BEc (Hons) from Flinders University. Dr Russell also holds the Chartered Financial Analyst designation (CFA) 2007.

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 Fellow 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, Industry Fund Services Pty Ltd 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 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 and is also a non-executive Director of State Super Financial Services Australia Limited. 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, the Sax Institute, and State Super Financial Services Australia Limited. Mr Lambert has a Bachelor of Economics (Honours) and Master of Economics from Sydney University.

Nick Lewocki (Employee Representative) is the Retired 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 had overall responsibility for industrial agreements and their certification before the industrial tribunals which affect over 15,000 members.

Bob Lipscombe* (Employee Representative) is President of the NSW Teachers Federation and a member of the Federal Executive of the Australian Education Union. He is also a director of Teachers Federation Health Ltd, a health insurer with 97,000 contributors, Federation Law Pty Ltd and a member of the NSW Institute of Teachers' Quality Teaching Council. Mr Lipscombe has had over 20 years experience as a teacher in NSW and has been a member of WorkCover's NSW Workplace Health and Safety Strategy Review Committee.

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, (including State Super Financial Services Australia Limited) and consulting assignments.

**Appointed to the Trustee Board as from 25 November 2009. Not included is Maree O'Halloran (Employee Representative), who retired from the Board on 31 August 2009.*

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.

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 12 years.

Lyn Collingridge – Strategic Project Manager

Ms Collingridge is responsible for strategic level projects affecting all business areas of State Super. She is a superannuation lawyer with extensive experience in both the public sector and private practice and has worked in the superannuation industry since 1989. Ms Collingridge has been with State Super since October 1998 as General Counsel and Company Secretary and was the Acting Chief Executive Officer from 1 January 2008 until 8 February 2009. She commenced her role as Strategic Project Manager in January 2010.

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.

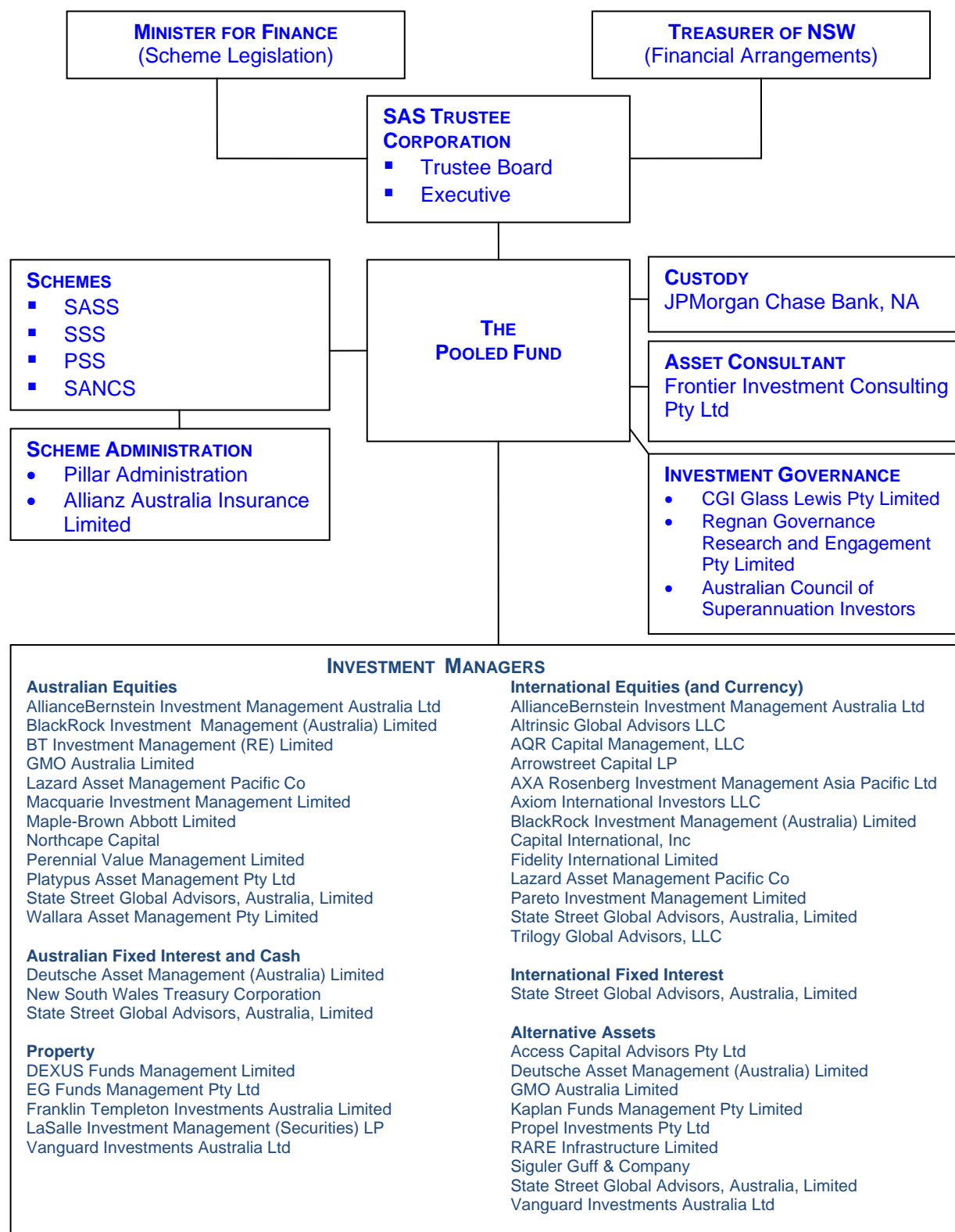
Narelle Wooden – General Counsel and Company Secretary

Ms Wooden joined STC in January 2010 as General Counsel and Company Secretary. Prior to her appointment at STC, Ms Wooden had extensive experience over more than 15 years, as a lawyer, general counsel and company secretary in the financial services and funds management industry, including superannuation. She is responsible for providing the Trustee Board and the Executive with legal services and oversees the compliance, risk and secretariat services.

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 2010



Review of 2009-10

1. FUND SIZE

Year end	Net Asset Value \$b
30 June 2008	34.214
30 June 2009	28.848
30 June 2010	30.743

In the 2008 financial year and the first half of the 2009 financial year, investment returns were very poor due to the global financial crisis, which resulted in losses to the Fund. While markets recovered strongly from their low in March 2009, market volatility continued with renewed weakness a feature in the final quarter of the 2009-10 financial year.

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 Environment for 2009/10

The financial year started very strongly, there was optimism surrounding the recovery and that was reflected in a strong investor appetite for growth assets. In the September 2009 quarter, the Australian share market returned 21.5%, the listed property sector returned 30.5%, whereas Australian bonds and cash returned a more modest 1.8% and 0.8% respectively.

The recovery continued at a more moderate pace in the December 2009 and part of the March 2010 quarters, and by the June quarter the optimism had been replaced by fear that the recovery would take much longer than anticipated to come through. In that quarter Australian and international equity markets (hedged) lost around 11% and the moderate returns from Australian bonds (+3.6%) and cash (+1.1%) looked attractive.

Looking back, while all the returns were generated in the first quarter of the financial year, 2009-10 was a good year overall. The returns available from the various asset classes, which are the building blocks for strategies like Growth, Balanced or Conservative Growth,

compared very favourably with the average returns available over the past 3, 5 and 10 years. As an example, Australian shares returned 13.1% for the year ended 30 June 2010, but despite the strong one year return, the asset class delivered an average negative return of 7.9% p.a. for the 3 years.

Over the past 10 years the return from Australian shares averaged 7.0% p.a., which was roughly in line with the long-term expected return for that asset class. Most of the other growth related asset classes have generated disappointing returns over the past 10 years. By contrast, both Australian and international bonds did well through the decade. These asset classes did not experience the volatility that the growth assets did; in fact they benefitted from the volatility in the equity markets.

(b) Investment returns for STC

The returns based on declared rates for periods ending 30 June 2010 are below, together with earlier years. Median manager results are also shown.

Year End	Strategy			
	Growth %	Median %	Balanced* %	Median %
2006	15.8	14.4	11.4	11.0
2007	14.9	14.9	11.6	11.5
2008	-7.2	-7.6	-3.2	-4.1
2009	-10.3	-11.9	-4.2	-8.1
2010	9.2	9.9	8.4	9.5

Compound returns

Years	Growth	Median	Balanced*	Median
2	-1.0	-1.6	1.9	0.4
3	-3.2	-3.6	0.2	-1.3
4	1.1	0.5	2.9	1.2
5	3.9	3.0	4.6	3.1
10	3.9	3.5	n/a	n/a

Past performance is no guarantee of future performance.

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

Review of 2009-10 Continued

Declared returns to 30 June 2010

Year end	Strategy		
	Conservative Growth** %	Median %	Cash** %
2006	8.1	8.0	4.9
2007	8.9	8.6	5.4
2008	0.7	-0.7	6.1
2009	0.6	-3.4	4.7
2010	7.1	8.3	3.4
Compound returns			
2	3.8	2.3	4.1
3	2.7	1.2	4.7
4	4.2	2.6	4.9
5	5.0	3.6	4.9
10	n/a		n/a

Past performance is no guarantee of future performance.

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

(c) Investment Returns against 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
Growth	To exceed CPI plus 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 6 years. Consequently, it is not yet able to be measured against its long term objective of 7 years.

The table below shows the annual average returns for 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 2010 against Objectives

Strategy	Period	Declared Return %pa	Objective %pa*
Growth	10 years	3.9	7.7
Balanced	6 years	5.7	5.9
Conservative Growth	4 years	4.2	4.8
Cash	3 years	4.7	4.5

*CPI measured to 30 June 2010.

While the Cash Strategy has performed in line with its long term objective, the negative returns, particularly from equity markets have meant that the Growth and Conservative Growth Strategies have not met their long term objectives for periods to 30 June 2010.

(d) 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%	25%
Balanced	50%	50%
Conservative Growth	29%	71%
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.

Review of 2009-10 continued

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 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	
	2010 %	2009 %	2010 %	2009 %
Australian Shares	29.7	32.3	23.0	25.0
International Shares	26.8	26.1	16.5	18.3
Property	9.5	9.7	5.6	5.2
Alternative Assets*	14.2	12.8	7.7	4.7
Australian Fixed Interest	6.0	6.3	15.7	17.9
International Fixed Interest	4.2	4.7	8.9	9.8
Cash	9.5	8.1	22.7	19.1
	100.0	100.0	100.0	100.0

Sector	Conservative Growth		Cash	
	2010 %	2009 %	2010 %	2009 %
Australian Shares	13.6	13.9		
International Shares	8.3	9.1		
Property	5.4	5.3		
Alternative Assets*	5.0	2.5		
Australian Fixed Interest	15.5	19.1		
International Fixed Interest	12.2	15.0		
Cash	40.0	35.1	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.

(e) 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 periods ending June 2009 and 2010.

Strategy	Investment expenses as % of Average Total Assets for year end 30 June 2009	Investment expenses as % of Average Total Assets for year end 30 June 2010
Growth	0.33	0.29
Balanced	0.24	0.23
Conservative	0.19	0.19
Growth		
Cash	0.03	0.04

(f) Asset Consultant

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

(g) Investment Managers

As required by the *Superannuation Administration Act 1996*, 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. Each manager operates under a written agreement and investment mandate. 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 2010 are set out on page 7 of this Report.

Review of 2009-10 continued

(h) 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.

(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 2010, 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 policy in regard to currency hedging as at 30 June 2010 is as follows:

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 2010, the level of hedging was able to vary from 0% up to 70%.

- Other international assets and securities
To 31 December 2009; 100% hedged into Australian dollars; from 1 January 2010, the level of hedging was able to vary from 50% up to 100%.

(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.

Review of 2009-10 continued

3. 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 2005	As at 30 June 2010	% Movement in 5 years
Active members			
SSS	28,593	17,855	(38%)
SASS	60,776	44,022	(28%)
PSS	3,706	2,138	(42%)
Total	93,075	64,015	(31%)
Deferred members			
SSS	4,539	3,322	(27%)
SASS	11,843	10,729	(9%)
PSS	192	166	(14%)
Total	16,574	14,217	(14%)
Pensioners			
SSS	38,548	46,786	21%
SASS	5,012	4,438	(11%)
PSS	5,377	6,566	22%
Total	48,937	57,790	18%
TOTAL	158,586	136,022	(14%)

Over the last five years, active membership has fallen by 29,060 (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 63,000 in approximately 8 years.

According to the 2009 STC Triennial review, while the total number of members in the STC schemes is declining, total annual lump sum payments from the Pooled Fund are not expected to peak until around 2018.

4. 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 shown in the table below.

	30 June 2008	30 June 2009	30 June 2010
Telephone calls	142,448	127,235	106,378
Personal interviews	3,729	3,077	2,777
Seminar attendance	6,173	5,066	5,064
Correspondence			
- postal	5,595	4,881	5,152
- email	8,125	8,598	9,438

Telephone call volumes remained at expected levels allowing for the decline in total membership numbers. Email correspondence is the preferred means of written communication, with a 9.7% increase in the year to 30 June 2010. In contrast, postal correspondence has increased by 5.5% over the same period.

(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. In April 2010, Concurrent Investment Choice was introduced for SASS members.

This enables members to choose multiple options for their personal account balance and future contributions. Previously members could only choose one option for both.

Review of 2009-10 continued

The table below illustrates the take up of these strategies.

	Account Balances	
	30 June 2009 \$m	30 June 2010 \$m
Growth	4,789.5	5,142.7
Balanced	100.1	158.6
Conservative Growth	74.4	88.6
Cash	274.2	167.7
Total	5,238.2	5,557.6

To date a small minority of SASS members have switched out of the Growth strategy (default strategy), with only 7.9% of available funds being switched to the new options. It is, however, worth noting a marked move of assets into cash from December 2007 in response to the volatility in markets. This trend has been partially offset by moves back towards the more growth oriented strategies in the 2009-10 financial year.

(c) Salary Sacrifice Contributions

The average percentage of member contributions made by salary sacrifice as at 30 June 2010, with a breakdown for each scheme, is shown in the following table.

Percentage of total contributions paid via Salary Sacrifice as at 30 June 2010

SASS	SSS	PSS
51%	71.3%	52.5%

(d) Financial Planning Advice

STC has a 100% shareholding in State Super Financial Services Australia Limited (SSFS), which provides financial planning advice to members of the STC Schemes and their relatives. In August 2009, STC acquired the shares of the other SSFS shareholder, ARIA, increasing its previous holding from 77.5% following a review of its strategic options relating to the ongoing ownership of the business. STC continues to document the required services to

be provided to members via SSFS through an access agreement.

In 2009 STC reviewed the advice services it provides to its members and established the following principles for its advice model:

- All members of STC Schemes should have access to information and advice in relation to investment decisions related to their super.
- STC outsources the provision of its advice services to SSFS – the quality of the advice provided is paramount and alignment of planners with the best interest of clients is critical.
- STC will offer proactively, and at no charge to members, access to seminars and other resources, including an expanded range of self-help tools, to assist in understanding their benefits and Scheme rules. Seminars are offered through both STC and SSFS.
- STC will offer proactively, highly cost effective advice services through SSFS to members to assist their decision making around their benefits with respect to:
 - Exiting an STC Scheme
 - Making a SASS investment choice
- SSFS is able to advise members to assist them to make decisions in relation to their overall financial needs. These include:
 - Comprehensive financial planning
 - Wealth management
 - Insurance
 - Contribution strategy
 - Retirement adequacy

Review of 2009-10 Continued

5. STC'S PERFORMANCE AGAINST ITS OBJECTIVES IN THE 2009/10 CORPORATE PLAN

(a) Achieve the long term "investment return objectives" of the 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 2010, the return achieved was 3.9% per annum which fell short of its target of 7.7% per annum.

The investment objectives for the Pooled Fund continue to be framed with a view to targeting a long run expected real earning rate that is appropriate in managing to the long run risks associated with meeting the objective of full funding by 2030 given expected contributions and expected shorter and longer run volatility in returns and corresponding unfunded liabilities. An asset liability study which seeks to formalise the relationship between the relevant risks to STC and its stakeholders and the potential returns was conducted to assist in strategic planning for the Pooled Fund given its long term investment horizon. This exercise has provided additional rigour to the setting of investment objectives and risk management of the Pooled Fund.

STC has also taken steps to ensuring adequate downside protection strategies are built into the strategic asset allocation (SAA). A key initiative in this regard is the Board's quarterly review of the ongoing appropriateness of the SAA in relation to prevailing market fundamentals and relative value risks and opportunities.

STC continues to produce absolute return volatility lower than comparable funds and has made more explicit its objective to provide a pattern of returns that is more defensive when markets are falling.

This has been achieved in practice through:

- The establishment of a program for alternative assets which do not tend to behave with the same level of volatility as listed equity markets;
- The maintenance of a fixed income allocation, predominantly comprised of sovereign bonds and cash which produces absolute capital protection in falling markets; and
- The development of further diversification of assets and strategies within the Pooled Fund.

A detailed liquidity policy has been developed incorporating stress testing to ensure severe events can be managed in terms of required liquidity. This includes:

- Consultation with Treasury to ensure current information is incorporated with respect to estimated employer contributions;
- Quarterly risk report showing cash levels and outstanding commitments;
- Daily monitoring of cash levels.

The investment implementation program has seen a number of manager changes over the last financial year with the major equities asset classes reviewed for performance and value. Following on from this review, STC will, in the coming year, review and benchmark its investment decision making structures and investment resourcing to ensure it maintains best practice in meeting what are expected to be challenging investment conditions.

(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 introduction of concurrent investment choice for SASS members in April 2010 and the introduction of SASS online benefit quotes in September 2010.

Review of 2009-10 Continued

The master custody contracts were reviewed in depth over 2008 and 2009 with revised agreements executed in December 2009. The new agreements provide substantial upgrades in the reporting and monitoring obligations of the custodian.

STC decided to retain ownership of SSFS following a review of the strategic ownership options of the organisation and a review of STC's member advice model in 2009. STC is currently finalising a revised Access agreement with SSFS following a strategic review with SSFS to:

- Review issues around industry disclosure of fees for products and advice; and
- Realise potential efficiencies in the respective investment programs of STC and SSFS.

Many of these issues will continue to be active considerations given the recently released Cooper review. While the Commonwealth Government has given some high level responses in terms of the direction it will take with some recommendations flowing from the review, STC will continue to engage with SSFS as to the measures SSFS will take to ensure its services meet required regulatory standards as the debate evolves.

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

STC provides the following services to members:

- 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.

All of the above services continue to be valued by STC members as measured through STC member surveys and feedback obtained through seminars. During late 2009, the STC Board approved an expansion of STC's seminar program through the introduction of "Understanding Your Superannuation" seminars as a pilot program in 2010. The objective of these seminars is to extend the availability of seminars with relevant content to all STC members. The feedback received from members attending these seminars has been very positive, as have the overall attendance numbers. The "Understanding Your Super" seminars will now be a permanent part of STC's seminar program and strategy.

In addition to these services, the STC Board has implemented concurrent investment choice and online benefit quotes for SASS members. An updated access agreement is currently being finalised with SSFS to ensure members continue to have access to high quality and cost competitive advice in relation to their superannuation and retirement planning.

Review of 2009-10 Continued

(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 2009, STC conducted a full risk review resulting in a substantial upgrade of its Risk Management Statement and Plan.

STC became a member of ACSI (Australian Council of Superannuation Investors) with effect from 1 January 2009 and in late 2009 upgraded its membership to “foundation” status. Both Regnan and ACSI have been active in engaging with companies as well as relevant advocacy and research and regular activity reports are submitted to the STC Board.

In December 2009, the STC Board approved a formal Environmental, Social and Governance (ESG) Policy. This policy is regarded as a necessary pre-cursor to reviewing whether STC should become a signatory to the UN Principles of Responsible Investment (UNPRI). STC will form a position on becoming a signatory to the UNPRI in 2010-11.

In 2010, STC will also conduct a strategic review of its investment decision making structures and resourcing to ensure it remains well positioned to meet its objectives in continuing challenging investment markets.

6. PERSONNEL CHANGES

At 30 June 2010, STC employed 24 staff. There was very low turnover with three new staff members employed over the financial year.

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.

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.

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;
- A comprehensive risk management checklist that identifies STC's key risks 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.

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

Member statistics	2006	2007	2008	2009	2010
Active Members — SASS	57,168	53,776	50,194	46,914	44,022
Active Members — SSS	26,614	24,419	22,033	19,938	17,855
Active Members — PSS	3,280	2,923	2,597	2,357	2,138
Total active members	87,062	81,118	74,824	69,209	64,015
Pensioners — SASS	4,569	4,381	4,233	4,062	4,438
Pensioners — SSS	39,795	41,151	42,596	44,501	46,786
Pensioners — PSS	5,697	5,880	5,994	6,347	6,566
Total pensioners	50,061	51,412	52,823	54,910	57,790
Deferred Benefits — SASS	11,809	11,549	11,311	11,171	10,729
Deferred Benefits — SSS	4,347	4,161	3,831	3,575	3,322
Deferred Benefits — PSS	179	174	170	170	166
Total deferred benefits	16,335	15,884	15,312	14,916	14,217

Gender ratios – active members

Females — SASS	52%	52%	52%	52%	52%
Males — SASS	48%	48%	48%	48%	48%
Females — SSS	33%	33%	34%	34%	34%
Males — SSS	67%	67%	66%	66%	66%
Females — PSS	11%	11%	11%	12%	12%
Males — PSS	89%	89%	89%	88%	88%

Contributions — \$M

Employer contributions	274	262	229	174	166
Employee contributions	507	516	564	546	540
Crown Contribution	-	7,176	902	978	1,567
Total contributions	781	7,954	1,695	1,698	2,273
Benefits Paid - \$M	2,458	2,759	3,075	3,021	3,258
Net Contributions - \$M	-1,677	5,195	-1,380	-1,323	-985
Investment Revenue - \$M	4,372	4,941	-3,062	-4,129	3,078

Assets/Liabilities — \$M

Accrued Benefits — SASS	11,600	12,705	12,334	11,719	12,580
Net assets to pay benefits	8,590	9,282	8,590	7,854	8,559
Over/under funding	-3,010	-3,423	-3,744	-3,865	-4,021
Accrued Benefits — SSS	26,143	27,384	28,157	27,875	29,003
Net assets to pay benefits	17,881	24,031	20,975	17,214	18,025
Over/under funding	-8,262	-3,353	-7,182	-10,661	-10,978
Accrued Benefits — PSS	5,673	5,807	6,038	6,158	6,350
Net assets to pay benefits	963	4,107	3,463	2,750	2,913
Over/under funding	-4,710	-1,700	-2,575	-3,408	-3,437
Accrued Benefits — SANCS	2,354	2,531	2,564	2,483	2,653
Net assets to pay benefits	1,144	1,168	1,186	1,030	1,246
Over/under funding	-1,210	-1,363	-1,378	-1,453	-1,407
Total Accrued Benefits \$M	45,770	48,427	49,093	48,235	50,585
Total Net assets to pay benefits	28,578	38,588	34,214	28,848	30,743
Total Over/under funding	-17,192	-9,839	-14,879	-19,387	-19,842
Total Investments - \$M	28,699	38,938	34,364	29,109	31,098
Net Returns – 1 year	15.8%	14.9%	-7.2%	-10.3	9.2



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 Treasurer 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 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
Chairperson		
Dr D Russell	1 Jan 2008	31 Dec 2012

Employer Representatives

Mr I Blair	1 Sep 1998	31 May 2014
Mr P Scully	1 Feb 2004	31 Jan 2014
Mr M Lambert	1 Feb 2004	31 Jan 2014
Ms A De Salis	1 Feb 2006	31 Jan 2012

Employee Representatives

Mr R Davis	1 Jul 1996	31 Dec 2013
*Mr R Harty	1 Jan 2002	31 Aug 2010
Ms M O'Halloran	1 Sep 2002	31 Aug 2009
**Mr N Lewocki	1 Sep 1998	31 Aug 2010
Mr R Lipscombe	25 Nov 2009	24 Nov 2013

*Term subsequently renewed to 31 Aug 2014

**Term subsequently renewed to 31 Aug 2012

The Trustee Board generally meets on a monthly basis. Fifteen meetings were held during the period from 1 July 2009 to 30 June 2010.

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*
Chairperson		
Dr D Russell	15	15
Employer Representatives		
Mr I Blair	13	15
Mr P Scully	13	15
Mr M Lambert	14	15
Ms A De Salis	13	15

	Meetings attended	Possible attendance*
Employee Representatives		
Mr R Davis	15	15
Mr R Harty	15	15
Ms M O'Halloran	4	4
Mr N Lewocki	12	15
Mr R Lipscombe	3	5

* Board meetings include a Board planning meeting as well as 3 additional meetings.

Trustee Board Committees

The Committees and details of their functions and membership at 30 June 2010 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), Davis and Lipscombe, and Ms De Salis; 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;
- to monitor death and disability benefit decisions made by the administrator; and
- to 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, Pillar Administration 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 Mses O'Halloran and De Salis; 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 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

This Committee is comprised of 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, a nominee of the Minister for Police and a nominee of STC. The STC nominee is currently a member of the STC Executive.

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* as are considered relevant.

Trustee Board Member Attendance at STC Committee Meetings

	Meetings Attended	Possible Attendance
Actuarial Committee		
P Scully (<i>Chair</i>)	6	6
R Davis	6	6
M Lambert	6	6
R Harty	5	6
D Russell (<i>ex officio</i>)	1	
Risk, Audit and Compliance Committee		
I Blair (<i>Chair</i>)	4	4
R Davis	4	4
A De Salis	4	4
R Lipscombe	1	2
Disputes Committee		
N Lewocki (<i>Chair</i>)	7	7
R Davis	7	7
A De Salis	5	6
I Blair	4	5
P Scully*	3	3
<i>*Deputy for Ms De Salis and Mr Blair</i>		
Member Services Committee		
R Harty (<i>Chair</i>)	4	4
R Davis	4	4
M Lambert	3	4
P Scully	4	4
A De Salis*	1	
<i>*Attended as a non member</i>		
Remuneration Committee		
D Russell (<i>Chair</i>)	2	2
I Blair	2	2
R Harty	2	2
Police Superannuation Advisory Committee		
R Davis (<i>Chair</i>)	12	13
M O'Halloran	1	2
R Harty*	4	4
<i>*Deputy for Ms O'Halloran</i>		

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 reviewed in March 2010. The Codes are available on the State Super website at www.statesuper.nsw.gov.au.

Overseas Visits

No STC funded overseas visits were undertaken by the Executive or Trustee Board Members of STC during the financial year 2009-10.

Human Resource Management

Following the proclamation of the *Public Sector Employment Legislation Amendment Act 2006 (NSW)*, all executive staff, with the exception of the CEO, are employed by the SAS Trustee Corporation Division of the Government Service of NSW. The CEO's contract for employment is with STC, however all salary administration is conducted through the STC Division.

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 2010.

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	0	0
\$56,013 - \$72,434	0	3	3
\$72,435 - \$90,543	2	3	5
> \$90,543 (non SES)	8	8	16
Totals	10 42%	14 58%	24

Senior Executive Service (SES)

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 2009-10" section within this Report.

Salary movement

Salaries for contract staff are reviewed annually as part of a formal performance appraisal system. Award staff salary movement during the year was consistent with the *Crown Employees (Public Sector - Salaries June 2002) Award*. Salary movement for all contract 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 2009-10 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, STC had no work related injuries, illnesses, or prosecutions under the *Occupational Health and Safety Act 2000*.

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

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 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 2010.

Freedom of Information

STC received one request which was handled under the *Freedom of Information Act 1989* (the Act) for the period 1 July 2009 to 30 June 2010. All other requests 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 2010 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 2009 and June 2010 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.

The Government Information (Public Access) Act 2009 (NSW) (GIPA Act)

The *GIPA Act* came into force on 1 July 2010 and all requests for information to STC received on or after that date will be dealt with under the *GIPA Act*. The *GIPA Act* replaces the *FOI Act*.

The GIPA Act includes transitional provisions dealing with all freedom of information applications received before 1 July 2010 and these applications will be dealt with under the *FOI Act*. The *FOI Act* will apply to these requests regardless of whether these applications have been determined or not.

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

During the year, STC reviewed its Privacy Management Plan and revised the Privacy Statement. Another review of the Plan is scheduled during 2010.

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 2009, 13 disputes were current. During the year ending 30 June 2010, the

Trustee Corporation received 28 new disputes and 29 disputes were concluded (including disputes carried over from the previous year).

Of those disputes:

- 12 were determined in favour of the disputant;
- 4 were determined against the disputant; and
- 13 were withdrawn.

At the end of the reporting year, 12 disputes were current.

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

- 1 was decided in favour of the appellant;
- 7 were decided against the appellant;
- 1 was settled; and
- none were withdrawn or discontinued.

At the end of the reporting year, 4 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 2009-10, these appeals resulted as follows:

	PSAC	Allianz
Decided against the appellant	10	3
Decided in favour of the appellant	7	2
Withdrawn or discontinued	2	6
Settled	18	15
Outstanding at the end of the reporting year	48	10

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.

Insurance

During the financial year 2009-10, 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 2010

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 Insurance Australia 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.

Transitional Provisions for Freedom of Information

The Government Information (Public Access) Act 2009 (the GIPA Act) came into force on 1 July 2010. This Act replaces the Freedom of Information Act 1989. Following the commencement of the GIPA Act, transitional provisions will deal with applications received before 1 July 2010.

Applications requesting access to information that are received prior to 1 July 2010 will continue to be dealt with under the *Freedom of Information Act 1989* (FOI Act). The FOI Act will apply regardless of whether these applications have been determined or not.

Contact Point

To make a request for information under the GIPA Act about STC that is not available on the STC website, members can telephone (02) 9238 5922 or write to:

Information Access Officer
SAS Trustee Corporation
PO Box N259
Grosvenor Place NSW 1220

To make a request to access part or all of the information contained in a member's superannuation file, a formal application under the GIPA Act must be completed. This application form is available on the Pillar Administration website – www.pillar.com.au or can be obtained by telephoning a Pillar Information Access Officer on 1800 779 068 or by writing to:

The Information Access Co-ordinator
Pillar Administration
PO Box 1229
Wollongong NSW 2500.

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 2010

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:

- *Pooled Fund Policy register, which includes policies for all of the STC Schemes:-*
 - *the State Superannuation Scheme,*
 - *the State Authorities Superannuation Scheme,*
 - *the State Authorities Non-contributory Superannuation Scheme,*
 - *the Police Superannuation Scheme*
- *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. A copy of the *Statement of Affairs* can also be obtained (free of charge) by contacting STC on (02) 9238 5922.

Section 3: Contact Point

The *Government Information (Public Access) Act 2009* (the GIPA Act) came into force on 1 July 2010. This Act replaces the *Freedom of Information Act 1989*.

Following the commencement of the GIPA Act, transitional provisions will deal with applications received before 1 July 2010. Applications requesting access to information that are received prior to 1 July 2010 will continue to be dealt with under the *Freedom of Information Act 1989* (FOI Act). The FOI Act will apply regardless of whether these applications have been determined or not.

To make a request for information under the GIPA Act about STC that is not available on the STC website you can telephone (02) 9238 5922 or write to:

Information Access Officer
SAS Trustee Corporation
PO Box N259
Grosvenor Place NSW 1220

Payments to consultants

Fees exceeding \$30,000

Area	Consultant	Total Cost
STC		
Operations	Deloitte Actuaries & Consultants Limited	\$219,000.00
		<hr/>
		\$219,000.00
Pooled Fund		
Investments	Chant West Pty Limited	\$39,600.00
Investments	Gresham Advisory Partners Limited	\$495,365.65
		<hr/>
		\$534,965.65

Fees less than \$30,000

Area	Consultant	Total Cost
Board	KPMG Superannuation Services Pty Limited	\$2,640.00
Legal	KPMG	\$14,208.70
		<hr/>
		\$16,848.70

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 (see under *Publications*).

Account payment performance

Accounts paid on time within each quarter

Quarter	Total accounts paid on time			Total amount paid \$
	Target %	Actual %	\$	
Sep 2009	100%	100%	\$8,805,048.00	\$8,805,048.00
Dec 2009	100%	100%	\$8,661,572.00	\$8,661,572.00
Mar 2010	100%	100%	\$7,991,962.00	\$7,991,962.00
Jun 2010	100%	100%	\$11,547,223.00	\$11,547,223.00
Total				\$37,005,805.00

Property transactions

Properties acquired during the year for investment portfolio purposes

Details	Vendor	Settlement Date	Purchase Price
2/48-50 Kirkwood Rd, South Tweed Heads	F Holman	16 December 2009	\$375,000
3/48-50 Kirkwood Rd, South Tweed Heads	J Taylor	17 May 2010	\$375,000
4/48-50 Kirkwood Rd, South Tweed Heads	J Burley	24 February 2010	\$375,000
TOTAL			\$1,125,000

Properties sold during the year for investment portfolio purposes

Details	Purchaser	Settlement Date	Sale Price
Nil			

2009-10 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
To be proclaimed	SANCS	<i>State Authorities Non-contributory Superannuation Act 1987</i>	<i>Superannuation Legislation Amendment Act 2010</i>	Part 4	The amending Act makes provision for the following: a) to enable STC to reduce benefits under public sector defined benefit superannuation schemes if STC has been required to pay additional tax on superannuation contributions because the member or contributor concerned has failed to provide his or her tax file number to STC, (b) to update existing provisions enabling certain death benefits to be increased after being previously reduced to offset contributions tax liabilities, (c) to enable former contributors to the State Authorities Superannuation Scheme to retain their benefits in that Scheme after the benefits become payable at age 58, (d) to provide for the effect on additional benefits cover under the State Authorities Superannuation Scheme for ambulance officers who are covered for death or incapacity benefits under an award.
	SASS	<i>State Authorities Superannuation Act 1987</i>		Part 5B, 46AE, Part 5E	
	SSS	<i>Superannuation Act 1916</i>		Division 7A	
	PSS	<i>Police Regulation (Superannuation) Act 1906</i>		Division 1A	

2009-10 Scheme legislation changes continued

Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section	Description
19.05.10	All STC schemes	<i>Police Regulation (Superannuation) Act 1906</i>	<i>Relationships Register Act 2010</i>		The Relationships Register Act 2010 provides for: (a) the legal recognition of relationships of couples, regardless of sex, by registration of the relationships, and (b) the recognition of registered relationships, and interstate registered relationships, as de facto partnerships for the purposes of State legislation.
		<i>Police Association Employees (Superannuation) Act 1969</i>			
		<i>State Authorities Non-contributory Superannuation Act 1987</i>			The amendments to the scheme legislation change the definition of de facto partner to include those recognised under the Act for those members or former members who die on or after the commencement of the amendment. The definition of de facto partner, as in force immediately before that commencement, applies to or in respect of members or former members who die before that commencement.
		<i>State Authorities Superannuation Act 1987</i>			
		<i>Superannuation Act 1916</i>			
		<i>Local Government and Other Authorities (Superannuation) Act 1927</i>			
		<i>New South Wales Retirement Benefits Act 1972</i>			
		<i>Public Authorities Superannuation Act 1985</i>			
		<i>State Authorities Superannuation (Ex-Snowy Mountains Hydro-Electric Authority Superannuation Fund Transfer) Regulation 2003</i>			
		<i>State Authorities Superannuation (Government Railways Superannuation Scheme Transfer) (Savings and Transitional) Regulation 1990</i>			
		<i>Superannuation Administration Act 1996</i>			

Publications produced

at 30 June 2010

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
17. Salary Sacrifice

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
24. Salary Sacrifice

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)
18. PSS Salary Sacrifice
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) *included under Archived Publications*
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

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 2009 was carried out by Martin Stevenson, FIA, FIAA of Mercer (Australia) Pty Ltd. A summary of this valuation is provided as 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 2009 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 2006 and the results were set out in a report dated December 2006.

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.

As at the date of the previous investigation certain assets were held in the General Government Liability Management Fund (GGLMF). The assets were transferred to the Pooled Fund during the inter-investigation period. Where appropriate the effect of the GGLMF has been noted.

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 2009	46,741	68,979	19,903	2,352	137,975
30 June 2006	56,986	86,875	26,616	3,297	173,774

Pensioners	SASS	SANCS	SSS	PSS	Total
30 June 2009	4,099	n/a	44,516	6,190	54,805
30 June 2006	4,653	n/a	39,754	5,697	50,104

The **Pooled Fund assets** at 30 June 2009 totalled \$28,847.7 million compared to \$28,578.1 million at the last valuation. The assets were allocated to each Scheme as follows:

Assets (\$millions)	SASS	SANCS	SSS	PSS	Total
30 June 2009	7,854	1,030	17,214	2,750	28,848
30 June 2006	8,590	1,145	17,881	962	28,578

Triennial Actuarial Valuation cont.

The assets of the GGLMF amounted to \$6,729 million as at 30 June 2006 (and are not included in the above table).

The **Employer Reserves** as at 30 June 2009 in respect of each Scheme are as follows:

\$millions	SASS	SANCS	SSS	PSS	Total
Assets	7,854	1,030	17,214	2,750	28,848
Less,					
➤ Member Reserves (including SASS and SANCS deferreds)	4,985	253	3,627	314	9,179
➤ Death/ Disability Reserves	2	-	-	-	2
Adjustments	19	-40	79	-12	46
Employer Reserve	2,886	737	13,666	2,424	19,713

The adjustments noted above represent differences between the employer records (which are required for subdivision by Scheme, Part and employer) and the accounts. In addition co-contributions in SANCS have been removed from the SANCS Employer Reserve.

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

Long-term assumptions	This valuation % per annum	Last valuation % per annum
Rate of investment return	8.3% for pensioners, 7.3% other members	7.7% for current pensioners, 7.0% other members
Rate of general salary escalation	4.0%	4.0%
Rate of increase in CPI	2.5%	2.5%

The investment return assumption for assets backing the liabilities of non pensioners has been increased from 7.0% at the previous valuation to 7.3% per annum and the rate of return for assets backing the liabilities of pensioners from 7.7% to 8.3% per annum. The rate of investment return assumption is higher for pensioners because no tax is payable in respect of assets backing Current Pension Liabilities. Note that the higher investment return assumption applies for all pensioners, not just current pensioners, as was assumed at the previous investigation.

The main reasons for the increase in the investment return assumptions are that the tax position was comprehensively investigated in the inter valuation period and was found to be more favourable than previously assumed; and the outlook by investment consultants is slightly more positive than previously (taking into account relatively depressed asset values).

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

Triennial Actuarial Valuation cont.

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 2005 to 30 June 2008.

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 contributor decrements and deferral of retirement in SASS and SANCS have provided only a small offset to the effect of improvements in pensioner mortality, 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 a strengthening of the basis and hence a source of deficiency to the Schemes overall.

Results

Excluding the GGLMF, the unfunded liability for the Pooled Fund has increased from \$17,164.7 million to \$19,871.2 million over the three years to 30 June 2009. Including the GGLMF, the unfunded liability has increased from \$10,435.7 million to \$19,871.2 million over the three years.

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

\$millions	SASS	SANCS	SSS	PSS	Total
Employer Accrued Benefits					
➤ Contributors	6,479.0	2,268.7	5,829.9	1,862.6	16,440.2
➤ Deferreds	-		627.5	21.7	649.2
➤ Pensioners	427.2		17,951.0	4,116.4	22,494.6
Total Employer Accrued Liability	6,906.2	2,268.7	24,408.4	6,000.7	39,584.0
Less, Employer Reserve Account	2,886.1	737.0	13,665.7	2,424.0	19,712.8
Employer Unfunded Liability as at 30 June 2009	4,020.1	1,531.7	10,742.7	3,576.6	19,871.2
Unfunded Liability at 30 June 2006 before taking into account the GGLMF	3,088.0	1,231.9	8,152.1	4,692.7	17,164.7
GGLMF					(6,729.0)
Unfunded Liability at 30 June 2006 after taking into account GGLMF					10,435.7

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.

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

Basis	Unfunded liability under varying assumptions (\$million)				
	SASS	SANCS	SSS	PSS	Total
Standard	4,020.1	1,531.7	10,742.7	3,576.6	19,871.2
Investment return plus 1%	3,534.8	1,388.1	8,041.4	2,963.3	15,927.7
Investment return minus 1%	4,577.1	1,693.5	14,007.4	4,324.5	24,602.5
Salary increases plus 1%	4,495.8	1,694.5	11,053.4	3,684.9	20,928.5
Salary increases minus 1%	3,592.7	1,384.8	10,450.7	3,481.0	18,909.2
CPI increases plus 1%	4,103.2	1,531.7	13,789.8	4,248.8	23,673.5
CPI increases minus 1%	3,948.7	1,531.7	8,156.4	3,014.4	16,651.3
Rate of salary increase 3.5% per annum	3,800.7	1,456.4	10,594.4	3,526.5	19,378.0

The above table demonstrates that the rate of investment return has the major impact on the financial condition of the Pooled Fund. The table also shows that a worsening of an economic parameter by 1% per annum has a greater dollar effect than a favourable change of 1% per annum.

In addition, the effect of a short term "shock" to investment return was quantified.

Basis	Unfunded liability under varying assumptions (\$million)				
	SASS	SANCS	SSS	PSS	Total
Standard	4,020.1	1,531.7	10,742.7	3,576.6	19,871.2
Investment return negative 10% in next year, other assumptions as standard	4,519.5	1,661.3	13,682.0	4,065.9	23,928.7

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 2006		17.2
Investment Earnings	Investment Earnings of the Pooled Fund were significantly lower than assumed and this resulted in an item of deficiency.	8.3
Contributions	Contributions to the Crown funded employer reserves in SSS and PSS were less than the accruals over the period but offsetting funding transfers and past service funding in SASS and SANCS resulted in an overall surplus.	-0.5
Effect of GGLMF	The GGLMF balance, transferred in 2006-7, together with assumed interest reduced the unfunded liability.	-9.0
Change of actuarial basis	Pensioner assumptions	1.1
	Lower commutation	0.3
	PSS higher disability	0.2
	Expenses allocated to accrued liability	0.4
	Discount rate	-3.4
	Other net effects	0.1
	The overall impact of the changes in the valuation basis was an item of surplus.	-1.3
Impact of disability experience in PSS	The impact of the higher actual than expected disabilities in the PSS was an item of deficiency.	0.1
Other exits	Generally fewer other exits and lower commutation rates was a further item of deficiency.	0.1
Salary increases	Higher than expected salary increases led to a deficiency.	0.4
CPI increases	Higher than anticipated CPI increases led to a deficiency.	0.5
Interest on the previous unfunded liability	Interest on the previous unfunded liability at 1 July 2006 resulted in a deficiency.	4.1
Other		0.0
Unfunded liability as at 30 June 2009		19.9

Triennial Actuarial Valuation cont.

The major items of surplus were the transfer from the GGLMF, the change in the actuarial basis and higher contributions overall than benefit accruals; while investment earnings being lower than anticipated, interest on the opening unfunded liability and higher than anticipated salary and CPI increases were the major items of deficiency.

Funding plans

The financial positions as at 30 June 2009 of the main funding groups are:

	Present value of employer financed past service benefits \$ million	Value of assets \$ million	Unfunded liability \$ million
General Government Sector	32,460	14,688	17,772
Universities	3,285	1,434	1,851
PTEs and others	3,839	3,591	248
Total	39,584	19,713	19,871

This compares with the position as at 30 June 2006:

	Present value of employer financed past service benefits \$ million	Value of assets \$ million	Unfunded liability \$ million
General Government Sector	28,074.0	11,721.0	16,353.0
Universities	2,913.7	1,837.9	1,075.8
PTEs and others	3,564.2	3,828.4	-264.2
Subtotal	34,551.9	17,387.2	17,164.7
GGLMF	0.0	6,729.0	-6,729.0
Total	34,551.9	24,116.2	10,435.7

General Government Sector:

The 2009-10 Budget Statement outlined the NSW Government's funding plan for the General Government Sector. The plan is re-evaluated each year and adjusted for the actual experience in the preceding year.

The Non-Crown General Government Sector employers are assumed to continue to contribute at recent levels of contributions as a percentage of salaries of members.

The contributions for the Crown are determined to fully fund the General Government Sector by 30 June 2030.

The approach to the methods and assumptions used by Treasury is identical to the approach to the methods and assumptions used in this report except that the rate of general salary increase used by Treasury is 3.5% per annum whereas the assumption adopted for this report is 4.0% per annum. This difference is non material and well within the range of acceptable assumptions.

Triennial Actuarial Valuation cont.

Hence this investigation confirms NSW Treasury's funding plan is expected to result in the General Government Sector being fully funded by 30 June 2030. That is, the assets at that date are expected to exceed the value of past service liabilities.

Universities

The combined deficit of the sub-funds relating to Universities on the funding basis is \$1.8 billion. On the current level of contributions individual University sub-funds are expected to exhaust their employer reserves over the period 2014/15 to 2021/22.

Legal advice obtained by the Trustee states that the Trustee cannot pay benefits once a University employer sub-fund is exhausted. That is, other Pooled Fund assets are not available for a University employer sub-fund in deficit.

Recently the NSW Government approached the Commonwealth Government highlighting concern about the funding shortfall of the Universities sector. However, negotiations between the Commonwealth Government and the New South Wales Government in respect of the responsibility for the Universities' superannuation deficit have been continuing for a very long time without resolution. If these negotiations are not resolved by 2014/15 then it is expected that the Trustee will not be able to meet the benefit payment obligation in respect of members of the affected University sub-funds.

I recommend that the Trustee urge the Commonwealth and New South Wales governments to reach agreement in respect of the funding of the Universities within a reasonable timeframe and to formally advise the Trustee of the decision reached.

PTEs and other employers

As a group, Public Trading Enterprises (PTEs) and other employees have a deficiency on the funding basis of \$0.2 billion. Possible individual funding plans for each employer were set out in a separate report.



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 statements of SAS Trustee Corporation (the STC), which comprise the statements of financial position as at 30 June 2010, the statements of comprehensive income, statements of changes in equity and statements of cash flows 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 statements:

- present fairly, in all material respects, the financial position of the STC and the consolidated entity as at 30 June 2010, and of their financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

Board's Responsibility for the Financial Statements

The Board of STC is responsible for the preparation and fair presentation of the financial statements 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 financial statements that are 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 statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

I believe 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
- 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
- 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 T Whitfield
Deputy Auditor-General

29 September 2010
SYDNEY

SAS TRUSTEE CORPORATION

ABN 29 239 066 746

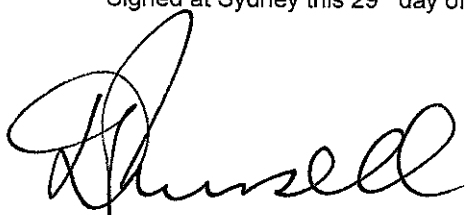
Statement by Members of the Trustee Board
for the year ended 30 June 2010

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 as at 30 June 2010 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 2010*, the Treasurer's Directions and applicable Accounting Standards in Australia.

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 29th day of September 2010.



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

Statement of Comprehensive Income for the year ended 30 June 2010

	NOTE	Economic Entity 2010 \$'000	Economic Entity 2009 \$'000	Statutory Corporation 2010 \$'000	Statutory Corporation 2009 \$'000
Continuing Operations					
Operating Revenue	3	33,959	35,091	33,089	34,340
Operating Expenses	3	(33,668)	(34,072)	(33,089)	(34,340)
Operating Result		291	1,019	-	-
Other Comprehensive Income					
Superannuation actuarial gains/(losses)		(291)	(1,019)	-	-
Total Comprehensive Income		-	-	-	-

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

SAS TRUSTEE CORPORATION

Statement of Financial Position
as at 30 June 2010

	NOTE	Economic Entity 2010 \$'000	Economic Entity 2009 \$'000	Statutory Corporation 2010 \$'000	Statutory Corporation 2009 \$'000
Current Assets					
Cash and cash equivalents	11(a)	2,970	2,322	2,970	2,322
Receivables	4	2,384	3,140	2,384	3,140
Other Current Assets		59	66	59	66
Total Current Assets		5,413	5,528	5,413	5,528
Total Assets					
		5,413	5,528	5,413	5,528
Current Liabilities					
Payables	5	3,521	4,097	5,413	5,528
Provisions	6	1,192	890	-	-
Total Current Liabilities		4,713	4,987	5,413	5,528
Non-Current Liabilities					
Provisions	6	700	541	-	-
Total Non-current Liabilities		700	541	-	-
Total Liabilities					
		5,413	5,528	5,413	5,528
Net Assets					
		-	-	-	-
Total Equity					
		-	-	-	-

The accompanying notes form an integral part of the above Statement of Financial Position

SAS TRUSTEE CORPORATION

Cash Flow Statement

for the year ended 30 June 2010

NOTE	Economic Entity 2010 \$'000	Economic Entity 2009 \$'000	Statutory Corporation 2010 \$'000	Statutory Corporation 2009 \$'000
Cash Flows from Operating Activities				
Receipts from Associated Schemes	34,668	33,397	33,799	32,647
Interest Received	88	119	88	119
Payments to Suppliers and Employees	(34,108)	(33,731)	(33,239)	(32,981)
Net Operating Cash Flows	648	(215)	648	(215)
Net Increase/(Decrease) in Cash & Cash Equivalents	648	(215)	648	(215)
Cash & Cash Equivalents at the Beginning of the Financial Year	2,322	2,537	2,322	2,537
Cash & Cash Equivalents at the End of the Financial Year	2,970	2,322	2,970	2,322

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

SAS TRUSTEE CORPORATION

Statement of Changes in Equity
for the year ended 30 June 2010

NOTE	Economic Entity 2010 \$'000	Economic Entity 2009 \$'000	Statutory Corporation 2010 \$'000	Statutory Corporation 2009 \$'000
Balance at 1 July	-	-	-	-
Operating Result	291	1,019	-	-
Other Comprehensive Income				
Superannuation actuarial gains/(losses)	(291)	(1,019)	-	-
Total Comprehensive income	-	-	-	-
Balance at 30 June	-	-	-	-

The accompanying notes form an integral part of the above Statement of Changes in Equity

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2010

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 2010*
- 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 29 September 2010.

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2010

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. All amounts include the salary of STC's Chief Executive Officer, whose contract is direct with STC.

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 2010

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

d) Employee Benefits (Continued)

Superannuation

Any unfunded superannuation liability is recognised as a liability in the Statement of Financial Position 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 in comprehensive income 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. The instruments include cash at bank, receivables and payables. All classes of instruments are initially recorded at cost and with receivables and payables being subsequently carried at amortised cost. As such, inputs for valuing the receivables and payables are not based on observable market data. Such measurement provides a reliable estimate of the instrument. 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 9 *Financial Instruments* as issued in December 2009 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2010

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

There have been no changes to accounting policies in 2009-10.

In 2008-09, in accordance with NSW Treasury policy, both the Economic Entity and the Parent Entity changed their policy on the recognition of superannuation actuarial gains and losses. Such actuarial gains and losses are now recognised outside the operating result in comprehensive Income. Previously, actuarial gains and losses were recognised in the operating result. 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 outside the operating result 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.

k) Use of Judgements and Estimates

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty implicit in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the affected asset or liability in the future.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2010

3. RESULT

	Economic Entity 2010 \$'000	Economic Entity 2009 \$'000	Statutory Corporation 2010 \$'000	Statutory Corporation 2009 \$'000
The result includes the following items of revenue and expense:				
Management Fees	33,751	34,822	32,881	34,071
Interest Income	88	119	88	119
Other Income	120	150	120	150
Total Revenue	33,959	35,091	33,089	34,340
Trustee Expenses				
Board Member Fees	580	595	580	595
Other Administration Expenses	56	117	56	117
Total Trustee Expenses	636	712	636	712
Executive Expenses				
Employee Related Expenses	3,055	2,605	-	-
Superannuation	412	331	-	-
Personnel Services Expenses	-	-	2,888	3,204
Accommodation	453	372	453	372
Other Administration Expenses	368	331	368	331
Total Executive Expenses	4,288	3,639	3,709	3,907
Fund Expenses				
Fees for Services	1,928	2,285	1,928	2,285
Other Administration Expenses	536	462	536	462
Pillar Administration Fees	26,280	26,974	26,280	26,974
Total Fund Expenses	28,744	29,721	28,744	29,721
Total Administration Expenses	33,668	34,072	33,089	34,340
Result	291	1,019	-	-

Contained within other Administration Expenses are fees paid to consultants of \$235,849 (2009: \$244,609) and audit fees of \$12,100 (2009: \$12,100) for the Statutory Corporation and \$3,300 (2009: \$3,300) for the STC Division (for both entities, audit of the financial statements and no other services).

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2010

3. RESULT (Continued)

Lease payments made during the year comprised –

	Economic Entity 2010 \$'000	Economic Entity 2009 \$'000	Statutory Corporation 2010 \$'000	Statutory Corporation 2009 \$'000
Minimum lease payments	355	308	355	308
Contingent rentals	-	-	-	-
	355	308	355	308

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

	Economic Entity 2010 \$'000	Economic Entity 2009 \$'000	Statutory Corporation 2010 \$'000	Statutory Corporation 2009 \$'000
Current				
Amounts Receivable – Pooled Fund	1,545	2,567	1,545	2,567
Other Receivables	839	573	839	573
Superannuation (refer Note 9)	-	-	-	-
	2,384	3,140	2,384	3,140

5. PAYABLES

	Economic Entity 2010 \$'000	Economic Entity 2009 \$'000	Statutory Corporation 2010 \$'000	Statutory Corporation 2009 \$'000
Current				
Amount Payable – Pillar (Administration Fees)	2,290	2,466	2,290	2,466
Other Payables	1,231	1,631	1,231	1,631
Amounts Payable – STC Division	-	-	1,892	1,431
	3,521	4,097	5,413	5,528

All payables are within agreed trading terms.

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2010

6. PROVISIONS

	Economic Entity 2010 \$'000	Economic Entity 2009 \$'000	Statutory Corporation 2010 \$'000	Statutory Corporation 2009 \$'000
Current				
Employee Benefits	260	218	-	-
Superannuation (refer Note 9)			-	-
SASS	(106)	(118)		
SANCS	(106)	(105)		
SSS	1,144	895		
	1,192	890	-	-
Non-current				
Employee Benefits	700	541	-	-
	700	541	-	-

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2010

7. 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 2010

8. EXECUTIVES' REMUNERATION

	Economic Entity 2010 \$'000	Economic Entity 2009 \$'000	Statutory Corporation 2010 \$'000	Statutory Corporation 2009 \$'000
Income received or due and receivable by executive officers of the Statutory Corporation whose income is \$100,000 or more	1,969	1,922	-	-
<hr/>				
The number of executive officers whose income is \$100,000 or more are shown below in their relevant income bands:	Economic Entity 2010 Number	Economic Entity 2009 Number	Statutory Corporation 2010 Number	Statutory Corporation 2009 Number
Remuneration (including superannuation contributions) of:				
\$100,000 - \$109,999	2	1	-	-
\$120,000 - \$129,999	-	1	-	-
\$130,000 - \$139,999	1	1	-	-
\$140,000 - \$149,999	2	1	-	-
\$150,000 - \$159,999	-	1	-	-
\$160,000 - \$169,999	-	1	-	-
\$170,000 - \$179,999	2	1	-	-
\$180,000 - \$189,999	-	2	-	-
\$190,000 - \$199,999	1	-	-	-
\$230,000 - \$239,999	-	1	-	-
\$290,000 - \$299,999	-	1	-	-
\$300,000 - \$309,999	1	-	-	-
\$470,000 - \$479,999	1	-	-	-
	10	11	-	-

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2010

9. 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 2010

	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	618	166	4,926
Current service cost	26	8	46
Interest cost	33	9	269
Contributions by fund participants	15	-	21
Actuarial (gains)/losses	32	7	441
Benefits paid	(21)	-	(300)
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of partly funded defined benefit obligation at end of year</i>	703	190	5,403

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2010

9. SUPERANNUATION (Continued)

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

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 2010

9. SUPERANNUATION (Continued)

Reconciliation of the fair value of fund assets:

Economic Entity

As at 30 June 2010	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Fair value of fund assets at beginning of the year</i>	736	271	4,031
Expected return on fund assets	61	23	337
Actuarial gains/(losses)	19	2	169
Employer contributions	-	-	-
Contributions by fund participants	14	-	22
Benefits paid	(21)	-	(300)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	809	296	4,259

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>	736	271	4,031

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2010

9. SUPERANNUATION (Continued)

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position:

Economic Entity

As at 30 June 2010

	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of funded defined benefit obligations at end of the year	703	190	5,403
Fair value of fund assets at end of the year	(809)	(296)	(4,259)
<i>Subtotal</i>	(106)	(106)	1,144
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	-	-	-
<i>Net liability/(asset) recognised in the Statement of Financial Position at end of the year</i>	(106)	(106)	1,144

Economic Entity

As at 30 June 2009

	SASS \$'000	SANCS \$'000	SSS \$'000
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 the Statement of Financial Position at end of the year</i>	(118)	(105)	895

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2010

9. SUPERANNUATION (Continued)

Components recognised in the operating result:

Economic Entity	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
As at 30 June 2010			
Current Service Cost	26	8	46
Interest cost	33	9	269
Expected return on fund assets (net of expenses)	(61)	(23)	(337)
Past service cost	-	-	-
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	<u>(2)</u>	<u>(6)</u>	<u>(22)</u>

Economic Entity	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
As at 30 June 2009			
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	<u>(2)</u>	<u>(6)</u>	<u>(87)</u>

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2010

9. SUPERANNUATION (Continued)

Amounts recognised in comprehensive income:

Economic Entity	SASS \$'000	SANCS \$'000	SSS \$'000
As at 30 June 2010			
Actuarial (gains)/losses	13	5	272
Adjustment for limit on net asset	-	-	-
Economic Entity	SASS \$'000	SANCS \$'000	SSS \$'000
As at 30 June 2009			
Actuarial (gains)/losses	138	57	1,649
Adjustment for limit on net asset	(195)	(119)	(511)

Cumulative amount of the actuarial gains and losses recognised in comprehensive income:

Economic Entity	SASS \$'000	SANCS \$'000	SSS \$'000
As at 30 June 2010	150	63	213
As at 30 June 2009	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
Statutory Corporation	SASS \$'000	SANCS \$'000	SSS \$'000
As at 30 June 2010	(47)	(17)	203
As at 30 June 2009	(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

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2010

9. SUPERANNUATION (Continued)

The percentage of fund assets invested in each asset class at 30 June:

Economic Entity	2010	2009
Australian equities	31%	32%
Overseas equities	27%	26%
Australian fixed interest securities	6%	6%
Overseas fixed interest securities	4%	5%
Property	9%	10%
Cash	10%	8%
Other	13%	13%

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

As at 30 June 2010

	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on fund assets	68	24	362

Economic Entity

As at 30 June 2009

	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on fund assets	(91)	(30)	(460)

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2010

9. SUPERANNUATION (Continued)

Valuation method and principal actuarial assumptions at 30 June:

(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>2010</u>	<u>2009</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	5.2%	5.6%

(c) *Demographic Assumptions*

Demographic assumptions reflect those adopted by the Scheme actuary in his 30 June 2009 triennial review of the schemes.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2010

9. SUPERANNUATION (Continued)

Historical Information:

Economic Entity

As at 30 June 2010	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	703	190	5,403
Fair value of fund assets	(809)	(296)	(4,259)
(Surplus)/Deficit in fund	(106)	(106)	1,144
Experience adjustments – fund liabilities	32	7	441
Experience adjustments – fund assets	(19)	(2)	(169)
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 2010

9. 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)

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2010

9. SUPERANNUATION (Continued)

Expected contributions:

Economic Entity

	SASS \$'000	SANCS \$'000	SSS \$'000
Expected contributions for year to 30 June 2010	-	-	-
Expected contributions for year to 30 June 2009	-	-	-

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
30 June 2010			
Accrued benefits	668	179	3,817
Net market value of fund assets	(809)	(296)	(4,259)
<i>Net (surplus)/deficit</i>	(141)	(117)	(442)

Economic Entity

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

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2010

9. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Recommended contribution rates:

Economic Entity

As at 30 June 2010

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

Economic Entity

As at 30 June 2009

	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 2010

9. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Economic Assumptions:

Weighted average assumptions –

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

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.

10. TRUSTEE BOARD RELATED PARTY INFORMATION

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

	2010	2009
	\$	\$
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:		
Mr I Blair	48,985	48,985
Mr R Davis	154,780	148,827
Ms A De Salis	46,717	46,717
Mr R Harty	46,717	46,717
Mr M Lambert	42,183	42,183
Mr N Lewocki	46,717	46,717
Mr R Lipscombe (term commenced 25 November 2009)	25,300	-
Ms M O'Halloran (resigned 31 August 2009)	7,786	46,717
Dr D Russell	77,891	77,891
Mr P Scully	46,717	46,717
	543,793	551,471

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2010

10. TRUSTEE BOARD RELATED PARTY INFORMATION (Continued)

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

	2010 \$'000	2009 \$'000
Fees paid to the Statutory Corporation or relevant Trustee Board Member by State Super Financial Services Australia Limited (SSFSAL), a company in which Mr R Harty, Mr R Davis, Mr M Lambert, Mr D Russell and Mr P Scully are directors, on normal commercial terms and conditions.	184	55
Rental payments and outgoings received by the Pooled Fund from SSFSAL on normal commercial terms and conditions.	1,140	1,060

- 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.

11. CASH FLOW INFORMATION

a) Reconciliation of Cash

	Economic Entity 2010 \$'000	Economic Entity 2009 \$'000	Statutory Corporation 2010 \$'000	Statutory Corporation 2009 \$'000
Cash and Cash Equivalents	2,970	2,322	2,970	2,322

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 2010 the rate was 3.85% (2009: 2.00%).

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2010

11. CASH FLOW INFORMATION (Continued)

b) Reconciliation of Comprehensive Income to Net Cash Used in Operating Activities

	Economic Entity 2010 \$'000 Inflows/ (Outflows)	Economic Entity 2009 \$'000 Inflows/ (Outflows)	Statutory Corporation 2010 \$'000 Inflows/ (Outflows)	Statutory Corporation 2009 \$'000 Inflows/ (Outflows)
Comprehensive Income	-	-	-	-
Changes in Assets and Liabilities:				
<u>(Increase)/Decrease in Assets</u>				
Prepayments	7	(28)	7	(28)
Receivables -				
Pooled Fund	1,022	(1,708)	1,022	(1,708)
Other	(266)	379	(266)	127
<u>Increase/(Decrease) in Liabilities</u>				
Payables -				
Pillar	(176)	105	(176)	105
Other	(400)	313	61	1,289
Provisions	461	724	-	-
Net Cash From/(Used) in Operating Activities	648	(215)	648	(215)

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2010

12. COMMITMENTS FOR EXPENDITURE

Economic Entity 2010 \$'000	Economic Entity 2009 \$'000	Statutory Corporation 2010 \$'000	Statutory Corporation 2009 \$'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	373	320	373	320
Payable later than 1 year and not later than 5 years	582	819	582	819
Payable greater than 5 years	-	-	-	-
	955	1,139	955	1,139

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	2,075	8,298	2,075	8,298
Payable later than 1 year and not later than 5 years	-	2,075	-	2,075
	2,075	10,373	2,075	10,373

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.

13. 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 statements of SAS Trustee Corporation Division of the Government Service of NSW (the STC Division), which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial statements:

- present fairly, in all material respects, the financial position of the STC Division as at 30 June 2010, and its financial performance for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Chief Executive Officer of the STC Division's Responsibility for the Financial Statements

The Chief Executive Officer of the STC Division is responsible for the preparation and fair presentation of the financial statements 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 financial statements that are 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 statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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
- 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
- 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

29 September 2010
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 2010

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 as at 30 June 2010 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 2010*, the Treasurer's Directions and applicable Accounting standards in Australia.

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 28th day of September 2010.



Chris Durack
Chief Executive Officer

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Statement of Comprehensive Income
for the year ended 30 June 2010

	NOTE	2010	2009
		\$'000	\$'000
Continuing Operations			
Operating Revenue			
Personnel Services		3,758	3,955
Operating Expenses			
Salaries		2,430	2,003
Defined contribution superannuation		442	426
Defined benefit superannuation		(30)	(95)
Annual and long service leave		363	218
Other payroll related		262	384
		3,467	2,936
Operating Result	2	291	1,019
Other Comprehensive Income			
Superannuation actuarial gains/(losses)		(291)	(1,019)
Total Comprehensive Income		-	-

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

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Statement of Financial Position
as at 30 June 2010

	NOTE	2010 \$'000	2009 \$'000
Current Assets			
Receivables	3	1,892	1,431
Total Current Assets		1,892	1,431
Total Assets		1,892	1,431
Current Liabilities			
Provisions	4	1,192	890
Total Current Liabilities		1,192	890
Non-Current Liabilities			
Provisions	4	700	541
Total Non-Current Liabilities		700	541
Total Liabilities		1,892	1,431
Net Assets		-	-
Total Equity		-	-

The accompanying notes form an integral part of the above Statement of Financial Position

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Cash Flow Statement

for the year ended 30 June 2010

		2010	2009
		\$'000	\$'000
	NOTE	Inflows/ (Outflows)	Inflows/ (Outflows)
		<hr/>	<hr/>
Cash Flows from Operating Activities			
Receipts		3,758	3,955
Interest Received		-	-
Payments to Suppliers and Employees		(3,758)	(3,955)
Net Operating Cash Flows	8(b)	<hr/>	<hr/>
		-	-
Net Increase/(Decrease) in Cash & Cash Equivalents			
		-	-
Cash & Cash Equivalents at the Beginning of the Financial Year		-	-
		<hr/>	<hr/>
Cash & Cash Equivalents at the End of the Financial Year	8(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 Changes in Equity
for the year ended 30 June 2010

NOTE	2010 \$'000	2009 \$'000
Balance at 1 July	-	-
Operating Result	291	1,019
Other Comprehensive income		
Superannuation actuarial gains/(losses)	(291)	(1,019)
Total Comprehensive income	-	-
Balance at 30 June	-	-

The accompanying notes form an integral part of the above Statement of Changes in Equity

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements

for the year ended 30 June 2010

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 expense and revenue amounts include the salary of STC's Chief Executive Officer whose contract for employment is with STC but whose salary administration is conducted through the STC Division.

The financial report was authorised for issue by the Chief Executive Officer of STC on 24 September 2010. 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 2010* 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 2010

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 operating result. 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 operating result.

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 2010

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 operating result 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 Comprehensive Income in the year they occur.

H. Accounting standards applicable but not yet effective

AASB 9 *Financial Instruments* as issued in December 2009 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

I. Change in accounting policy

There have been no changes to accounting policies in 2009-10.

In 2008-09, in accordance with NSW Treasury policy, the STC Division changed its policy on the recognition of superannuation actuarial gains and losses. Such actuarial gains and losses are now recognised outside the operating result in comprehensive income. Previously, actuarial gains and losses were recognised in the operating result. 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 outside the operating result 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.

J. Use of Judgements and Estimates

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty implicit in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the affected asset or liability in the future. There have been no changes to accounting policies in 2009-10.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements

for the year ended 30 June 2010

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

K. Financial instruments

Financial instruments give rise to positions that are financial assets or liabilities. The instruments include cash at bank, receivables and payables. All classes of instruments are initially recorded at cost and with receivables and payables being subsequently carried at amortised cost. As such, inputs for valuing the receivables and payables are not based on observable market data. Such measurement provides a reliable estimate of the instrument. Any impairment loss occurring on financial instruments is treated as an expense in the period in which it occurs.

2. RESULT

The STC Division did not make any payments to consultants in the year ended 30 June 2010 or the year ended 30 June 2009.

The audit fee for the entity of \$3,300 (2009: \$3,300) is met by STC. The auditor provided no other services other than the audit of this financial report.

3. RECEIVABLES

	2010	2009
	\$'000	\$'000
	<hr/>	<hr/>
Current		
Amounts Receivable – STC	1,892	1,431
Superannuation (refer Note 7)	-	-
	<hr/> 1,892	<hr/> 1,431

4. PROVISIONS

	2010	2009
	\$'000	\$'000
	<hr/>	<hr/>
Current		
Employee Benefits	260	218
Superannuation (refer Note 7)		
SASS	(106)	(118)
SANCS	(106)	(105)
SSS	1,144	895
	<hr/> 1,192	<hr/> 890
Non-current		
Employee Benefits	700	541
	<hr/> 700	<hr/> 541

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements

for the year ended 30 June 2010

5. 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 Division recovers all its costs from STC, a change in market prices will have no effect on STC Division'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 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 8 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 2010

6. EXECUTIVES' REMUNERATION

	2010	2009
	\$'000	\$'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.	1,969	1,922

	2010	2009
	Number	Number

Remuneration (including superannuation contributions) of:

\$100,000 - \$109,999	2	1
\$120,000 - \$129,999	-	1
\$130,000 - \$139,999	1	1
\$140,000 - \$149,999	2	1
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	2	1
\$180,000 - \$189,999	-	2
\$190,000 - \$199,999	1	-
\$230,000 - \$239,999	-	1
\$290,000 - \$299,999	-	1
\$300,000 - \$309,999	1	-
\$470,000 - \$479,999	1	-
	10	11

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements

for the year ended 30 June 2010

7. 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:

As at 30 June 2010	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	618	166	4,926
Current service cost	26	8	46
Interest cost	33	9	269
Contributions by fund participants	15	-	21
Actuarial (gains)/losses	32	7	441
Benefits paid	(21)	-	(300)
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of partly funded defined benefit obligation at end of year</i>	703	190	5,403
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 DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2010

7. SUPERANNUATION (Continued)

Reconciliation of the fair value of fund assets:

As at 30 June 2010	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Fair value of fund assets at beginning of the year</i>	736	271	4,031
Expected return on fund assets	61	23	337
Actuarial gains/(losses)	19	2	169
Employer contributions	-	-	-
Contributions by fund participants	14	-	22
Benefits paid	(21)	-	(300)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	809	296	4,259

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>	736	271	4,031

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements

for the year ended 30 June 2010

7. SUPERANNUATION (Continued)

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position:

As at 30 June 2010	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of funded defined benefit obligations at end of the year	703	190	5,403
Fair value of fund assets at end of the year	(809)	(296)	(4,259)
<i>Subtotal</i>	(106)	(106)	1,144
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	-	-	-
<i>Net liability/(asset) recognised in the Statement of Financial Position at end of the year</i>	(106)	(106)	1,144
As at 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000
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 the Statement of Financial Position at end of the year</i>	(118)	(105)	895

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements

for the year ended 30 June 2010

7. SUPERANNUATION (Continued)

Components recognised in the operating result:

As at 30 June 2010	SASS \$'000	SANCS \$'000	SSS \$'000
	<hr/>	<hr/>	<hr/>
Current Service Cost	26	8	46
Interest cost	33	9	269
Expected return on fund assets (net of expenses)	(61)	(23)	(337)
Past service cost	-	-	-
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	<hr/> (2)	<hr/> (6)	<hr/> (22)
As at 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000
	<hr/>	<hr/>	<hr/>
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	<hr/> (2)	<hr/> (6)	<hr/> (87)

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements

for the year ended 30 June 2010

7. SUPERANNUATION (Continued)

Amounts recognised in comprehensive income:

As at 30 June 2010	SASS \$'000	SANCS \$'000	SSS \$'000
Actuarial (gains)/losses	13	5	272
Adjustment for limit on net asset	-	-	-
As at 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000
Actuarial (gains)/losses	138	57	1,649
Adjustment for limit on net asset	(195)	(119)	(511)

Cumulative amount of the actuarial gains and losses recognised in comprehensive income:

	SASS \$'000	SANCS \$'000	SSS \$'000
As at 30 June 2010	199	79	434
As at 30 June 2009	186	74	162
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 30 June:

	2010	2009
Australian equities	31%	32%
Overseas equities	27%	26%
Australian fixed interest securities	6%	6%
Overseas fixed interest securities	4%	5%
Property	9%	10%
Cash	10%	8%
Other	13%	13%

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2010

7. SUPERANNUATION (Continued)

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:

As at 30 June 2010	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on fund assets	68	24	362
As at 30 June 2009	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on fund assets	(91)	(30)	(460)

Valuation method and principal actuarial assumptions at 30 June:

(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>2010</u>	<u>2009</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	5.2%	5.6%

(c) Demographic Assumptions

Demographic assumptions reflect those adopted by the Scheme actuary in his 2009 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 2010

7. SUPERANNUATION (Continued)

Historical Information:

As at 30 June 2010	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	703	190	5,403
Fair value of fund assets	(809)	(296)	(4,259)
(Surplus)/Deficit in fund	(106)	(106)	1,144
Experience adjustments – fund liabilities	32	7	441
Experience adjustments – fund assets	(19)	(2)	(169)
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 DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2010

7. SUPERANNUATION (Continued)

Historical Information (Continued):

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	1	(2)	(13)
Experience adjustments – fund assets	(22)	(5)	(77)

Expected contributions:

	SASS \$'000	SANCS \$'000	SSS \$'000
Expected contributions for year to 30 June 2010	-	-	-
Expected contributions for year to 30 June 2009	-	-	-

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*.

30 June 2010	SASS \$'000	SANCS \$'000	SSS \$'000
Accrued benefits	668	179	3,817
Net market value of fund assets	(809)	(296)	(4,259)
<i>Net (surplus)/deficit</i>	(141)	(117)	(442)

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

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements

for the year ended 30 June 2010

7. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Recommended contribution rates:

As at 30 June 2010	SASS	SANCS	SSS
	Multiple of member contributions	% member salaries	Multiple of member contributions
	-	-	-
As at 30 June 2009	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 –

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

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 2010

8. CASH FLOW INFORMATION

a) Reconciliation of Cash

	2010	2009
	\$'000	\$'000
Cash at Bank	-	-

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 Comprehensive Income to Net Cash Used in Operating Activities

	2010	2009
	\$'000	\$'000
	Inflows/ (Outflows)	Inflows/ (Outflows)
Comprehensive Income	-	-
Changes in Assets and Liabilities		
(Increase)/Decrease in Assets		
Receivables	(461)	723
Increase/(Decrease) in Liabilities		
Provisions	461	(723)
Net Cash From/(Used) in Operating Activities	-	-

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2010

9. COMMITMENTS FOR EXPENDITURE

There are no commitments for expenditure at 30 June 2010 or at 30 June 2009.

10. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2010 or at 30 June 2009.

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 Members of the New South Wales Parliament

I have audited the accompanying financial statements of SAS Trustee Corporation - Pooled Fund (the Fund), which comprises statement of net assets as at 30 June 2010, 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 statements:

- present fairly, in all material respects, the statement of net assets of the Fund as at 30 June 2010, and its statement of changes in net assets for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Trustee's 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 statements 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 financial statements that are 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 statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

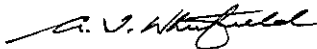
My opinion does *not* provide assurance:

- about the future viability of the Fund
- that it has carried out its activities effectively, efficiently and economically
- 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
- 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 T Whitfield
Deputy Auditor-General

29 September 2010
SYDNEY

SAS TRUSTEE CORPORATION POOLED FUND

ABN 29 239 066 746

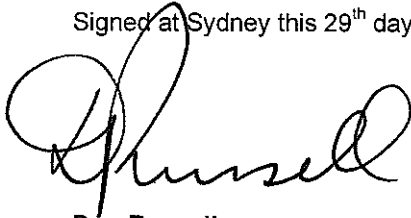
Statement by Members of the Trustee Board
for the year ended 30 June 2010

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 as at 30 June 2010 and changes in net assets 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 2010*, the Treasurer's directions and applicable Accounting Standards in Australia.

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 29th day of September 2010.



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 2010

	Note	2010 \$'m	2009 \$'m
Net Assets Available to Pay Benefits at Beginning of Financial Year		28,847.7	34,213.8
Contribution Revenue			
Employer Contributions		1,733.6	1,152.2
Salary Sacrifice Member Contributions		307.0	288.5
Member Contributions		233.1	257.1
	3	2,273.7	1,697.8
Transfers			
Scheme Mobility Transfer	5	(0.2)	(1.1)
Refunds to Employers		(0.1)	(0.3)
		(0.3)	(1.4)
Investment Revenue			
Short Term Securities		34.0	44.8
Australian Fixed Interest		115.2	138.5
International Fixed Interest		35.2	67.3
Australian Equities		449.0	710.5
International Equities		192.3	302.4
Property		157.7	162.4
Alternatives		247.8	227.5
		1,231.2	1,653.4
Change in Net Market Value of Investments		1,936.8	(5,782.3)
	6	3,168.0	(4,128.9)
Investment Expenses		(90.4)	(85.4)
Net Investment Revenue		3,077.6	(4,214.3)
Other Revenue		2.8	2.3
Total Revenue		5,353.8	(2,515.6)
Benefits Paid	13(b)	(3,258.2)	(3,020.8)
Scheme Administration Expenses	7	(32.9)	(34.1)
Superannuation Contributions Surcharge		7.0	4.9
Other Expenses		(0.2)	(0.3)
Total Expenses		(3,284.3)	(3,050.3)
Change in Net Assets Before Income Tax		2,069.5	(5,565.9)
Income Tax (Expense)/Benefit	8(a)	(174.0)	199.8
Change in Net Assets Available to Pay Benefits After Income Tax		1,895.5	(5,366.1)
Net Assets Available to Pay Benefits at End of Financial Year	9	30,743.2	28,847.7

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 2010

	Note	2010 \$'m	2009 \$'m
INVESTMENTS			
Short Term Securities		2,945.2	2,693.0
Australian Fixed Interest		2,772.2	2,762.7
International Fixed Interest		2,588.5	2,071.0
Australian Equities		9,329.8	8,433.2
International Equities		6,905.9	6,419.0
Property		2,717.3	2,545.9
Alternatives		3,421.1	3,584.6
		30,680.0	28,509.4
OTHER ASSETS			
Cash and Cash Equivalents		4.0	1.3
Receivables	10	354.0	447.7
Plant and Equipment		0.3	0.2
Current Tax Asset	8(a)	-	39.6
Deferred Tax Asset	8(b)	59.9	110.3
		418.2	599.1
TOTAL ASSETS		31,098.2	29,108.5
LIABILITIES			
Reserve Units	11	2.3	3.2
Payables	12	279.0	257.6
Current Tax Liability	8(a)	73.7	-
TOTAL LIABILITIES		355.0	260.8
NET ASSETS AVAILABLE TO PAY BENEFITS	9	30,743.2	28,847.7

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 2010

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. Independent actuarial services are provided by Martin Stevenson of Mercer (Australia) Pty Ltd.

Investment managers of the Fund during the year ended 30 June 2010 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
- Blackrock Investment Management (Australia) Limited
- 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 2010

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
- Propel Investments 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 2010

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 2010*
- 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 29 September 2010.

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 2010

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 \$54,807 (2009: decreased by \$21,447).
- 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.

d) Use of Judgements and Estimates

The preparation of the Fund's financial statements require management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty implicit in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the affected asset or liability in the future.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2010

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) 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.

f) 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.

g) 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 2010 from the ATO advising of surcharge accrued before abolition of the *Superannuation Contributions Tax (Assessment and Collections) Act 1997*, effective 1 July 2005.

h) 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 2010

2. STATEMENT OF SIGNIFICANT 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) 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.

k) Benefit Payments

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

l) Standards Issued applicable but not yet effective

AASB 9 *Financial Instruments* as issued in December 2009 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

3. EMPLOYER AND MEMBER CONTRIBUTIONS

	2010				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Employer Contributions	837.6	413.0	259.3	223.7	1,733.6
Salary Sacrifice Contributions	123.1	-	175.9	8.0	307.0
Member Contributions	112.6	7.3	106.5	6.7	233.1
Total Contributions	1,073.3	420.3	541.7	238.4	2,273.7
	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
Total Contributions	1,121.1	211.6	349.5	15.6	1,697.8

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2010

3. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

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 to 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.

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.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2010

3. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

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 2010

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 \$1.2 million (2009: \$2.7 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 \$1.0 million (2009: \$1.6 million).

The net amount transferred was -\$0.2 million (2009: -\$1.1 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 2010

6. INVESTMENT REVENUE

	2010			
	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	34.0	16.5	69.2	119.7
Australian Fixed Interest	115.2	32.6	(8.8)	139.0
International Fixed Interest	35.2	(75.1)	150.8	110.9
Australian Equities	449.1	213.6	556.4	1,219.1
International Equities	192.3	51.7	466.2	710.2
Property	157.7	10.6	119.5	287.8
Alternatives	247.8	(58.9)	392.4	581.3
Total Investment Revenue	1,231.3	191.0	1,745.7	3,168.0

	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)
Total Investment Revenue	1,653.4	(3,168.1)	(2,614.2)	(4,128.9)

Interest Revenue

Within Short Term Securities, Australian Fixed Interest and International Fixed Interest is interest revenue received of \$150.3 million (2009: \$205.9 million).

Royalty Revenue

Within Australian Equities is royalty revenue received of \$18.5 million (2009: \$33.3 million).

Dividend Revenue

Within Australian Equities and International Equities is dividend revenue of \$580.8 million (2009: \$946.6 million).

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2010

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 –

	2010 \$'m	2009 \$'m
Rental income derived	183.2	168.9
Direct property operating expenses	(51.2)	(47.0)
Contractual obligations to renovate properties	(3.1)	(4.0)
Contractual obligations for repairs, maintenance or enhancements to properties	(0.1)	-

The future minimum lease payments receivable by the Fund are –

	2010 \$'m	2009 \$'m
No later than one year	133.4	132.2
Later than one year but not later than five years	400.6	375.3
Later than five years	99.0	98.4
	633.0	605.9

7. SCHEME ADMINISTRATION EXPENSES

Included in Scheme Administration Expenses are the following items:

	2010 \$'m	2009 \$'m
Audit Fees – The Auditor-General of New South Wales (audit of the financial statements and no other services)	0.4	0.4
Scheme Administration Fees	26.3	27.0
Triennial Actuarial Fees	-	0.3

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2010

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*.

a) Income Tax recognised in the Statement of Changes in Net Assets	2010	2009
	\$'m	\$'m
Current tax expense/(benefit)		
Provision attributable to current year	73.7	(39.6)
PAYG instalments paid	49.4	20.1
Adjustments for prior year	0.5	0.8
	123.6	(18.7)
Deferred tax benefit		
Decrease/(increase) in deferred tax benefit	50.4	(181.1)
Total income tax expense/(benefit) in Statement of Changes in Net Assets	174.0	(199.8)
Reconciliation between tax (benefit)/expense and pre-tax Change in Net Assets before Tax		
Change in Net Assets before income tax	2,069.5	(5,565.9)
Income tax expense/(benefit) using the superannuation fund tax rate of 15%	310.4	(834.9)
Increase in tax expense/Decrease in tax benefit due to:		
Non-deductible benefit payments, CGT concession and investment expense	421.9	734.1
Pension related investment (gains) losses	(331.4)	186.9
Decrease in tax expense/Increase in tax benefit due to:		
Tax credits	(142.4)	(206.5)
Notional death and disability insurance premium and anti-detriment	(85.0)	(80.2)
Over provision of tax benefit in prior year	0.5	0.8
Income Tax Expense/(Benefit) on Change in Net Assets Before Tax	174.0	(199.8)
b) Deferred Tax Asset	2010	2009
	\$'m	\$'m
Unrealised Capital Losses	42.5	103.4
Dividends Receivable	(2.9)	(3.7)
Contributions Receivable	(0.5)	(0.9)
Unrealised Losses on Traditional Securities and Foreign Exchange	(1.4)	(8.6)
Unrealised Franking Credits	22.2	20.1
Deferred Tax Asset	59.9	110.3

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2010

9. NET ASSETS

	2010				Total \$'m
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	
Member Reserves (1)					
Balance at Beginning of Financial Year	3,859.4	-	3,626.6	314.2	7,800.2
Increase/(Decrease) in Net Assets	246.0	-	8.4	9.0	263.4
Balance at End of Financial Year	4,105.4	-	3,635.0	323.2	8,063.6
Employer Reserves (2)					
Balance at Beginning of Financial Year	2,866.7	776.7	13,587.7	2,435.5	19,666.6
Increase/(Decrease) in Net Assets	403.8	197.0	802.6	154.6	1,558.0
Balance at End of Financial Year	3,270.5	973.7	14,390.3	2,590.1	21,224.6
Death or Invalidity Reserves (3)					
Balance at Beginning of Financial Year	2.1	-	-	-	2.1
Increase/(Decrease) in Net Assets	0.7	-	-	-	0.7
Balance at End of Financial Year	2.8	-	-	-	2.8
Deferred Benefits Reserves (4)					
Balance at Beginning of Financial Year	1,125.5	253.3	-	-	1,378.8
Increase/(Decrease) in Net Assets	54.3	19.1	-	-	73.4
Balance at End of Financial Year	1,179.8	272.4	-	-	1,452.2
Net Assets Available to Pay Benefits	8,558.5	1,246.1	18,025.3	2,913.3	30,743.2

	2009				Total \$'m
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	
Member Reserves (1)					
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
Employer Reserves (2)					
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
Death or Invalidity Reserves (3)					
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
Deferred Benefits Reserves (4)					
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
Net Assets Available to Pay Benefits	7,853.7	1,030.0	17,214.3	2,749.7	28,847.7

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2010

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 Invalidation 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:

	2010				
	Growth \$'m	Conservative Growth \$'m	Balanced \$'m	Cash \$'m	Total \$'m
SASS Member	3,787.2	71.7	117.7	128.8	4,105.4
Deferred Benefit	1,355.5	16.9	40.9	38.9	1,452.2
	5,142.7	88.6	158.6	167.7	5,557.6
	2009				
	Growth \$'m	Conservative Growth \$'m	Balanced \$'m	Cash \$'m	Total \$'m
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
	4,789.5	74.4	100.1	274.2	5,238.2

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2010

10. RECEIVABLES

	2010 \$'m	2009 \$'m
Contributions Receivable	35.4	36.7
Accrued Income	84.3	80.1
Margin Call Deposits	69.8	206.4
Investment Sales	135.7	113.9
Other Receivables	28.8	10.6
	354.0	447.7

Within receivables is an impairment allowance of \$1,110 (2009: \$20,056). This allowance relates to amounts due from members or the estates of members where it has been assessed that prospect of the Fund recovering the amount due is reduced.

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

	2010 \$'m	2009 \$'m
Superannuation Benefits	9.2	5.1
Investment Purchases	150.3	119.6
Investment – Other Creditors	33.4	38.5
Provision for Contribution Surcharge	82.9	90.1
Amount Payable – SAS Trustee Corporation	1.5	2.6
Other Payables	1.7	1.7
	279.0	257.6

All payables are within agreed trading terms.

Movements in the Provision for Contribution Surcharge were as follows –

	2010 \$'m	2009 \$'m
Opening Balance	90.1	95.3
Add -		
Assessment Received	0.3	-
Annual indexation	4.1	5.2
Less -		
Payments made to the Australian Taxation Office	(11.6)	(10.4)
Closing Balance	82.9	90.1

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2010

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 2009. The financial assumptions applied for the calculations were:

**Accrued
Benefits
2009 and
following years
% pa.**

Valuation Assumptions

Investment Return Rate

- asset backing current pension liabilities

- other

Salary Increase Rate

CPI Increase Rate

8.3

7.3

4.0

2.5

The review as at 30 June 2009 indicated that the unfunded liability of the Fund was \$19,871.2 million.

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

	2010			Accrued Benefits \$'m	2009	
	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	12,579.5	8,558.5	(4,021.0)	11,718.9	7,853.7	(3,865.2)
State Authorities Non- contributory Superannuation Scheme	2,653.3	1,246.1	(1,407.2)	2,482.9	1,030.0	(1,452.9)
State Superannuation Scheme	29,002.8	18,025.3	(10,977.5)	27,875.3	17,214.3	(10,661.0)
Police Superannuation Scheme	6,349.7	2,913.3	(3,436.4)	6,158.2	2,749.7	(3,408.5)
	50,585.3	30,743.2	(19,842.1)	48,235.3	28,847.7	(19,387.6)*

* Estimate using preliminary data which was refined as the triennial actuarial review as at 30 June 2009 was conducted.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2010

13. ACCRUED BENEFITS (Continued)

a) Liability for Accrued Benefits (Continued)

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.

	2010				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Balance at Beginning of Financial Year	11,718.9	2,482.9	27,875.3	6,158.2	48,235.3
Benefits Paid	(915.7)	(243.6)	(1,708.7)	(390.2)	(3,258.2)
	10,803.2	2,239.3	26,166.6	5,768.0	44,977.1
Increase in Accrued Benefits	1,776.3	414.0	2,836.2	581.7	5,608.2
Balance at End of Financial Year	12,579.5	2,653.3	29,002.8	6,349.7	50,585.3

	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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2010

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.

	2010			2009		
	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	9,783.4	8,558.5	(1,224.9)	8,970.1	7,853.7	(1,116.4)
State Authorities Non-contributory Superannuation Scheme	3,191.3	1,246.1	(1,945.2)	3,088.6	1,030.0	(2,058.6)
State Superannuation Scheme	27,494.5	18,025.3	(9,469.2)	26,224.4	17,214.3	(9,010.1)
Police Superannuation Scheme	4,848.2	2,913.3	(1,934.9)	4,610.5	2,749.7	(1,860.8)
	45,317.4	30,743.2	(14,574.2)	42,893.6	28,847.7	(14,045.9)

Vested benefits exceed net assets at 30 June 2010 and 30 June 2009. STC is working with the NSW Treasury and the Scheme 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 2010

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	
		2010 %	2009 %
Controlled Entities			
State Super Financial Services Australia Limited (SSFSAL) [incorporated in Australia]	Financial planning and funds management	100.0	77.4
The following entities are managed by Deutsche Asset Management (Australia) Limited –			
Valley Commerce Pty Limited [incorporated in Australia]	Dormant	100.0	100.0
Buroba Pty Limited [incorporated in Australia]	Dormant	100.0	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 \$20.5 million (2009: \$23.1 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 2010 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
Mr R Lipscombe (term commenced 25 November 2009)
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 2010

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 2010

18. SECURITIES LENDING PROGRAM

The Fund participates in a Securities Lending Program managed by the custodian. The Fund received \$6.9 million (2009: \$10.1 million) fee income from this program, which adds to the Fund's overall yearly return.

At 30 June 2010, the total value of the loaned securities was \$2.6 billion (2009: \$3.2 billion) while the total value of the collateral was \$2.7 billion (2009: \$3.4 billion). The lent securities represented about 8.5% of the Fund's total investments (2009 about 11.1%), 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.

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 2010

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 at net market value using market rates as at 30 June.	Average maturity of 22 days with effective interest rates in the range of 4.53% to 4.81%.
6. Promissory Notes	Carried at net market value.	Average maturity of 23 days with effective interest rates in the range of 4.69% to 4.915%.
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 0.42% to 4.27%.
9. Government Bonds	Carried at net market value based on discounted cash flow.	Government bonds on average mature on 26/12/2018 and have effective interest rates in the range of 4.43% to 5.48%.
10. Semi Government Bonds	Carried at net market value based on discounted cash flow.	Semi Government bonds on average mature on 28/04/2020 and have effective interest rates in the range of 2.26% to 5.79%.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2010

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 26/05/2019 and have effective interest rates in the range of 1.3% to 12.5%.
12. Leasehold Property Investments	Carried at net market value based on discounted cash flow.	N/A
13. Direct Property	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 contracts are undertaken to gain currency exposure or hedge against adverse foreign currency 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 2010

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 hedged in the range of 50% to 100% while listed international equities are hedged in the range of 0% to 70%. The policy has been reviewed but not changed during 2009-10. 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 2010

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.1) Currency Risk (Continued)

YEAR ENDED 30 JUNE 2010
NET MARKET VALUE 2010

	USD A\$m	JPY A\$m	EUR A\$m	GBP A\$m	AUD A\$m	Other A\$m	TOTAL A\$m
Financial assets and liabilities at net market value through profit and loss	4,476.0	1,290.0	1,809.0	877.0	21,373.0	873.0	30,698.0
Receivables	41.0	17.0	34.0	11.0	225.5	15.0	343.5
Payables	(39.0)	(13.0)	(25.0)	(4.0)	(192.8)	(11.0)	(284.8)
Plant & Equipment	-	-	-	-	0.3	-	0.3
Tax Assets	-	-	-	-	59.9	-	59.9
Tax Liabilities	-	-	-	-	(73.7)	-	(73.7)
Net Assets	4,478.0	1,294.0	1,818.0	884.0	21,392.2	877.0	30,743.2

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
Financial assets and liabilities at net market value through profit and loss	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
Tax Liabilities	-	-	-	-	-	-	-
Net Assets	3,962.1	1,269.0	1,885.0	1,082.0	19,832.6	817.0	28,847.7

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2010

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 2010 and 2009 –

All amounts are in Australian Dollars

	Net Assets	Change in
	30-Jun-10	Net Assets
	\$'m	30-Jun-10
		\$'m
USD	(138)	(138)
JPY	(105)	(105)
EUR	(121)	(121)
GBP	(22)	(22)
Other	(13)	(13)
	(399)	(399)
	Net Assets	Change in Net
	30-Jun-09	Assets
	\$'m	30-Jun-09
		\$'m
USD	(175)	(175)
JPY	(98)	(98)
EUR	(131)	(131)
GBP	(74)	(74)
Other	(13)	(13)
	(491)	(491)

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 2010

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 2010

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.2) Interest Rate Risk (Continued)

YEAR ENDED 30 JUNE 2010 – 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
Assets				
Short Term Securities	2,949.2	-	-	2,949.2
Australian Fixed Interest	-	2,772.2	-	2,772.2
International Fixed Interest	-	2,588.5	-	2,588.5
Australian Equities	-	-	9,329.8	9,329.8
International Equities	-	-	6,905.9	6,905.9
Property	-	-	2,717.3	2,717.3
Alternatives	-	12.6	3,408.5	3,421.1
Receivables	-	-	354.0	354.0
Plant and Equipment	-	-	0.3	0.3
Deferred Tax Asset	-	-	59.9	59.9
Total Assets	2,949.2	5,373.3	22,775.7	31,098.2
Liabilities				
Reserve Units	-	-	2.3	2.3
Payables	-	-	279.0	279.0
Current Tax Liability	-	-	73.7	73.7
Total Liabilities	-	-	355.0	355.0
Net Assets	2,949.2	5,373.3	22,420.7	30,743.2

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
Assets				
Short Term Securities	2,694.3	-	-	2,694.3
Australian Fixed Interest	-	2,762.7	-	2,762.7
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	-	-	3,584.6	3,584.6
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
Total Assets	2,694.3	4,833.7	21,580.5	29,108.5
Liabilities				
Reserve Units	-	-	3.2	3.2
Payables	-	-	257.6	257.6
Deferred Tax Liability	-	-	-	-
Total Liabilities	-	-	260.8	260.8
Net Assets	2,694.3	4,833.7	21,319.7	28,847.7

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2010

19. 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 2010 and 2009 –

All amounts are in Australian Dollars	Net Assets 30-Jun-10 \$'m	Change in Net Assets 30-Jun-10 \$'m
Fixed Interest	(469)	(469)
Floating Interest	53	53
Total	(416)	(416)
	Net Assets 30-Jun-09 \$'m	Change in Net Assets 30-Jun-09 \$'m
Fixed Interest	(420)	(420)
Floating Interest	51	51
Total	(369)	(369)

A 175 Basis point decrease in interest rates at financial year end would have the equal but opposite effect on the above 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 2010

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 sensitivity factors were developed by the Fund asset consultant. The analysis is calculated on the same basis for 2010 and 2009 –

All amounts are in Australian Dollars	Change in Price Risk Variable	Net Assets 30-Jun-10 \$'m	Change in Net Assets 30-Jun-10 \$'m
	+		
Australia	39%	6,044	6,044
International	39%	2,665	2,665
Foreign exchange derivatives	15%	(814)	(814)
		7,895	7,895
	Change in Price Risk Variable	Net Assets 30-Jun-09 \$'m	Change in Net Assets 30-Jun-09 \$'m
	+		
Australia	39%	5,565	5,565
International	39%	2,576	2,576
Foreign exchange derivatives	15%	(714)	(714)
		7,427	7,427
All amounts are in Australian Dollars	Change in Price Risk Variable	Net Assets 30-Jun-10 \$'m	Change in Net Assets 30-Jun-10 \$'m
	-		
Australia	21%	(3,255)	(3,255)
International	21%	(1,435)	(1,435)
Foreign exchange derivatives	15%	814	814
		(3,876)	(3,876)
	Change in Price Risk Variable	Net Assets 30-Jun-09 \$'m	Change in Net Assets 30-Jun-09 \$'m
	-		
Australia	21%	(2,997)	(2,997)
International	21%	(1,387)	(1,387)
Foreign exchange derivatives	15%	714	714
		(3,670)	(3,670)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2010

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 2010 or 30 June 2009. 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 2010

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.

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 eight percent of assets be maintained as cash. Further, with the exception of alternative investments and unlisted property (approximately 20% 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. The ability of the Fund to pay benefits that emerge in the future is part of the Trustee's ongoing discussions with employer sponsors.

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-10 \$'m	Net Market Value 30-Jun-10 \$'m	Fair Value 30-Jun-09 \$'m	Net Market Value 30-Jun-09 \$'m
Held for trading				
Derivative Financial Instruments				
Futures and Options	20	20	-	-
Swaps	-	-	-	-
FFX	125	125	135	135
Total held for trading	145	145	135	135
Assets at fair value through profit or loss				
Equities	14,798	14,772	13,398	13,371
Unlisted Unit Trusts	7,185	7,185	5,917	5,917
Short Term Securities	2,024	2,024	2,218	2,218
Fixed Interest Securities	5,378	5,378	4,812	4,812
Direct Property	407	405	1,612	1,611
Total assets through profit or loss	29,792	29,764	27,957	27,929
Total financial assets held at fair value through profit or loss	29,937	29,909	28,092	28,064

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2010

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	Net Market Value	Fair Value	Net Market Value
	30-Jun-10	30-Jun-10	30-Jun-09	30-Jun-09
	\$'m	\$'m	\$'m	\$'m
Held for trading				
Derivative Financial Instruments				
Futures and Options	64	64	34	34
Swaps	-	-	-	-
FFX	161	161	-	-
Total held for trading	225	225	34	34
Liabilities at fair value through profit or loss				
Equities	-	-	-	-
Unlisted Unit Trusts	-	-	-	-
Short Term Securities	-	-	-	-
Fixed Interest Securities	-	-	-	-
Direct Property	-	-	-	-
Total liabilities through profit or loss	-	-	-	-
Total financial liabilities held at fair value through profit or loss	225	225	34	34

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2010

19. FINANCIAL INSTRUMENTS (Continued)

e) Assets and Liabilities by Measurement Hierarchy

The valuation of assets and liabilities may be obtained from the following sources –

- Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.
- Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; government, semi-government and corporate bonds; unlisted trusts.
- Level 3 – inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

All disclosures in the following tables use net market value as a materially correct estimate of fair value.

There were no assets transferred between the above levels during the year ended 30 June 2010 or the year ended 30 June 2009.

While alternative assets are subject to valuation assumptions, the values quoted are assessed by independent valuers as the most appropriate to the asset.

The following tables categorise the Scheme's assets and liabilities using the above valuation hierarchy.

YEAR ENDED 30 JUNE 2010

	Level 1	Level 2	Level 3	Total (per Statement of Net Assets)
	A\$m	A\$m	A\$m	A\$m
Assets				
Short Term Securities	-	2,945.2	-	2,945.2
Australian Fixed Interest	-	2,772.2	-	2,772.2
International Fixed Interest	-	2,588.5	-	2,588.5
Australian Equities	8,829.9	499.9	-	9,329.8
International Equities	5,191.5	1,714.4	-	6,905.9
Property	633.9	-	2,083.4	2,717.3
Alternatives	560.6	-	2,860.5	3,421.1
	15,215.9	10,520.2	4,943.9	30,680.0

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2010

19. FINANCIAL INSTRUMENTS (Continued)

e) Assets and Liabilities by Measurement Hierarchy (Continued)

The following tables present the changes in assets and liabilities classified as Level 3 instruments for the year ended 30 June.

	2010
	A\$m
Balance at 1 July	5,151.8
Transfers in/(out)	(667.8)
Investment income	318.1
Investment expenses	(90.4)
Realised gains/(losses)	391.1
Unrealised gains/(losses)	(158.9)
Balance at 30 June	4,943.9

The following table presents the gains and losses on assets and liabilities classified as Level 3 instruments for the year ended 30 June.

	2010
	A\$m
Assets and liabilities realised during the year	391.1
Assets and liabilities still held during the year	(158.9)
Total	232.2

These items are reflected in the Statement of Changes in Net Assets under Investment Revenue.

20. EVENT AFTER REPORTING DATE

The Fund's custodian has advised that as at 31 August 2010 the net investment assets of the Fund were \$31,048.3 million. Since 30 June 2010 the Fund's investments have made a return of approximately –

- Growth 1.5%
- Conservative Growth 1.6%
- Balanced 1.6%
- Cash 0.7%

End of Audited Financial Report

Internal Audit and Risk Management Statement for the 2009-2010 Financial Year for the SAS Trustee Corporation

The members of the Board of the SAS Trustee Corporation (**STC**) are of the opinion that STC has internal audit and risk management processes in place that are, in all material respects, compliant with the core requirements set out in Treasury Circular NSW TC 09/08 *Internal Audit and Risk Management Policy*

The members of the STC Board are of the opinion that the Risk, Audit and Compliance Committee for STC is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. The Chair and Members of the Risk, Audit and Compliance Committee are:

- Independent Chair – Ian Blair (term of appointment: 1 July 2010 to 31 May 2014)
- Independent Member – Anne De Salis (term of appointment: 1 July 2010 to 31 January 2012)
- Non-independent Member – Ron Davis (term of appointment: 1 July 2010 to 31 December 2013)

These processes provide a level of assurance that enables the senior management of STC to understand, manage and satisfactorily control risk exposures.

This DECLARATION was executed on 28 July 2010, following a resolution of the STC Board on **28 July 2010**.

The COMMON SEAL of the)
SAS Trustee Corporation was)
hereto affixed in the presence of:)



Chris Durack Chief Executive Officer
Chris Durack

Andrew Grice Witness
Name:
ANDREW GRICE



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

EMAIL

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.)

The screenshot shows the State Super website homepage. At the top, there is a navigation bar with links for Home, About The Fund, Fact Sheets, Forms, Publications, Investments, Member Area, Employer Area, Calculators, and News. Below this is a 'MEMBERS PERSONAL ACCOUNT ACCESS' section with login options for SASS, SSS, PSS, Deferred Benefits Members, and Pensioners. There is also an 'Employers online access' section for SASS, SSS, and PSS employers. The right side of the page features a list of schemes: State Authorities Super Scheme (SASS), State Super Scheme (SSS), PSS Super Scheme, Deferred Benefits (DB), and Pensions (PENS), each with links to 'at a glance', 'Fact Sheets', 'Forms', and 'Seminars'. At the bottom, there is an 'Investment news' section and a footer with 'STATE SUPER Financial Services AUSTRALIA' and copyright information.

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.