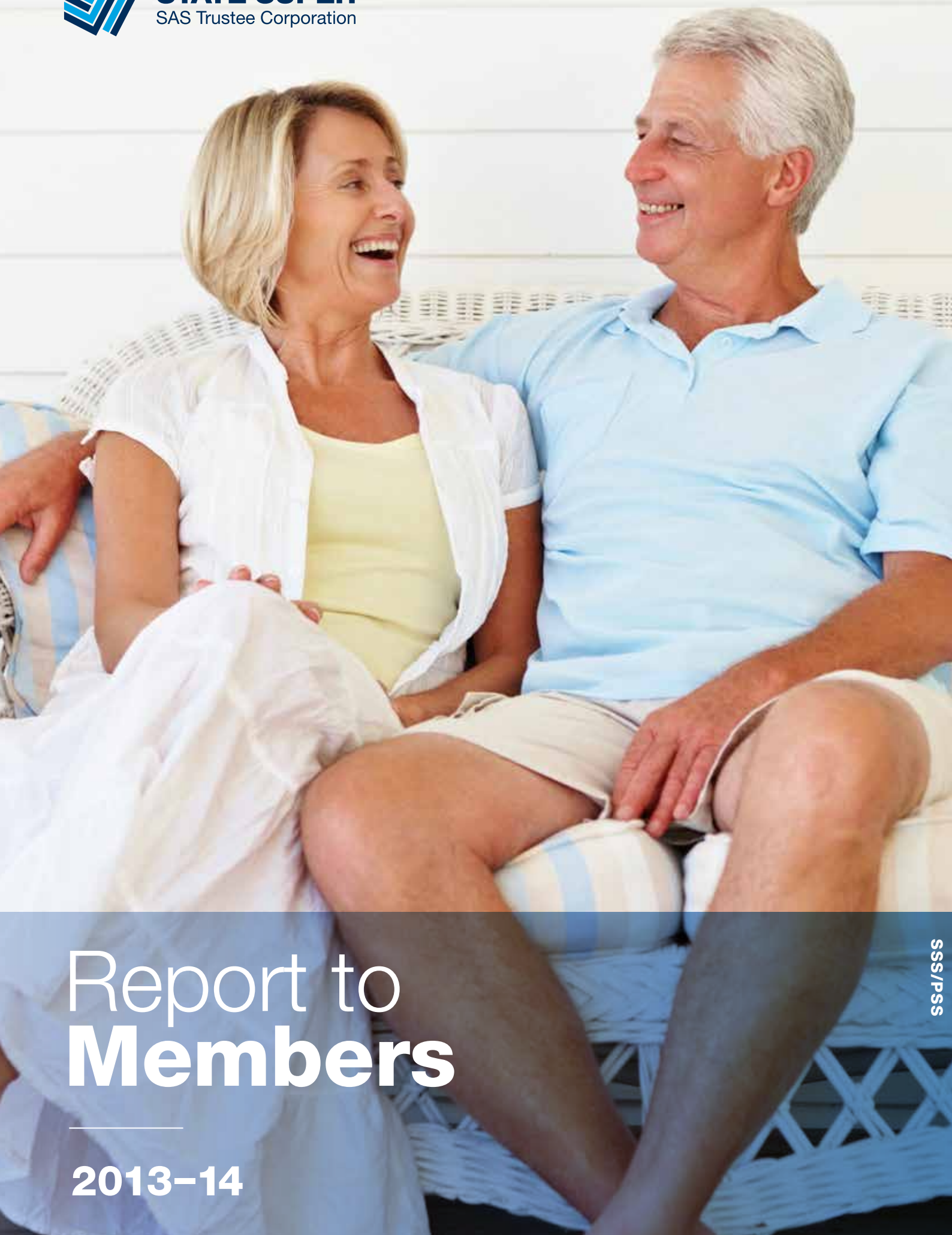




STATE SUPER
SAS Trustee Corporation



Report to **Members**

2013-14

SSS and PSS at a glance

	SSS	PSS
Contributors at 30 June 2013	11,060	1,532
Plus transfers	0	0
Less exits	-2,158	-144
Contributors at 30 June 2014	8,902	1,388
Deferred benefit members at 30 June 2014	2,274	120
Pension members at 30 June 2014	52,317	6,551
Member contributions	Members generally contribute on a rate for age basis for individual pension units. Approximately 80% of member contributions were received via salary sacrifice.	Members contribute 6% of their salary. Approximately 60% of member contributions were received via salary sacrifice.
Type of benefits	Mainly pension benefits, with a lump-sum commutation option.	Mainly pension benefits, with a lump-sum commutation option.
Membership	SSS commenced on 1 July 1919 and was closed to new members from 1 July 1985.	PSS commenced on 1 February 1907 and was closed to new members from 1 April 1988.
Legislation	SSS was established under the <i>Superannuation Act 1916</i> .	PSS was established under the <i>Police Regulation (Superannuation) Act 1906</i> .
Scheme eligibility	Salaried employees of the NSW public service and teaching service, and a number of statutory authorities scheduled in the <i>Superannuation Act 1916 (NSW)</i> , were eligible to join SSS.	Members of the NSW Police Service employed prior to 1 April 1988.

SANCS – in addition to the SSS and PSS benefits outlined above, all members receive the lump-sum basic benefit. The SANCS benefit is 100% employer-funded and, depending on the reason for exiting employment, accrues at the rate of up to 3% of either final or final average salary for each year of service from 1 April 1988 (or employment commencement date if later). SANCS is governed by the *State Authorities Non-contributory Superannuation Act 1987* and was closed to new members in 1992.

Under the *Superannuation Administration Act 1996*, SSS and PSS are administered by the SAS Trustee Corporation (STC). STC acts as Trustee and holds in trust all assets of the Fund. The assets of the STC schemes are held in the Pooled Fund.

Table of contents

Chairperson's report	4
CEO's report	5
Your Trustee Board	6
Function and role of the Board	7
Investment performance and management	8
Investment updates and changes	10
Investment governance	11
Investment managers	12
Member services update	13
Important Fund updates	16
Commonwealth Government changes	17
Abridged financial statements	18
Fees and charges	20
Complaints and disputes	21
GIPA, privacy and compliance	22

Chairperson's report



The Fund

Positive domestic and international equity markets along with our enhanced internal capabilities, resulted in a pleasing investment performance for the year ending 30 June 2014. The Growth Strategy produced an annual after-tax return of 12.3% for crediting to member reserves. These returns compare well with returns of other comparable funds but, more importantly, it has helped STC's main Growth Strategy perform in line with its investment objective of achieving an average annual return of CPI plus 4.5% over rolling 10-year periods.

During 2013–14, the assets of the STC Pooled Fund increased by just over \$2 billion to \$40.25 billion, once again placing STC in the top ten superannuation funds in Australia. The Fund's investment performance reflects positive investment market trends and the ongoing refinement of STC's investment strategies, processes and risk management practices.

Investment markets

The major global economies and the key investment markets improved steadily during this reporting period. Accordingly, the overall results for most superannuation funds were positive, especially those that have a significant exposure to growth assets such as Australian and international shares. European economies saw some improvement over the past 12 months, however there is still a long way to go before stability fully returns, especially given the more recent political unrest that has occurred in the Ukraine. Overall, Australian share market returns were good, with the S&P/ASX 200 (Accumulation Index) increasing by 17.4% for the year.

Post 30 June 2014, investment markets have been more volatile and we expect a more subdued investment performance for 2014–15 relative to the last two years.

Board evaluation

In 2013, STC engaged Blackhall and Pearl to undertake a comprehensive board appraisal. The key elements of the board review model included;

- board governance and control
- board composition and renewal
- director skills and experience
- director characteristics
- board culture

The results of the appraisal were largely positive with some suggestions made for improvement. We have now implemented practically all of the suggested improvements made by Blackhall and Pearl. Their overall assessment of the STC Board and Committees was that "the STC Board scorecard demonstrates a level of robustness and effectiveness befitting an organisation in the Top 100 global pension funds".

Our members

A very important part of what we do as a Trustee is to support our members and their spouses throughout retirement. This year, we are proud to have paid pensions to nearly 63,000 members. 118 of these pension members are Centenarians and 7 are over 105 years old. Of these Centenarians, 84 of them are the spouses of our members that we have continued to support after the loss of their partner.

Board changes

In December 2013, after 18 years of service, Ron Davis retired from his position with STC as the full-time employee representative on the Board. During his time with STC, Ron showed great dedication and commitment in promoting the interests of scheme members and we wish him well in his retirement. I also welcome to the STC Board, Tony O'Grady, a manager with the NSW Nurses and Midwives' Association, who was appointed in June 2013.

Finally, I acknowledge the great work that the staff at STC undertakes every day to ensure that we continue to achieve our objectives.

Michael Carapiet

Chairperson
October 2014



Investment management

As mentioned in the Chairperson's report, the investment results for 2013–14 were strongly positive once again. The net investment income of the Fund exceeded \$4.8 billion. STC achieved this result largely due to the combination of continuing strong performance of Australian and international share markets and the enhancements made in previous years to our investment processes and management.

The Growth Strategy of the Pooled Fund earned net investment revenue that resulted in the Trustee crediting a 12.3% return to members in the Growth Strategy (after tax). The results experienced in 2013–14 are in line with our downside risk management philosophy.

Corporate governance and management

In 2013–14, STC continued to build on staff skills and our technical infrastructure. STC created a COO office and recruited staff into senior operations roles which allowed STC to improve its capabilities across a range of areas, including project, finance and supplier management. STC also recruited staff into our member services area to enhance member experience and improve the oversight and management of administration and complaints. In light of these new resources, a review of STC's organisational structure was completed. In the coming 12 months, a comprehensive review will be undertaken into the resources required within STC assuming that the proposed NSW Funds Amalgamation project proceeds.

STC continues to strengthen its risk and compliance capabilities to better align with Australian Prudential Regulation Authority (APRA) prudential standards and guidance. As part of this, STC regularly reviews and monitors adherence to a wide range of policies and where beneficial, implements new processes to improve risk management and compliance.

STC engaged Brennan IT and BAE Systems to conduct IT systems and IT security audits respectively. The results of both audits were largely positive however, areas for improvement were identified. The results from the audits along with feedback from staff, have been used as inputs into a plan to improve STC's IT systems and security. Implementation of the initiative has commenced and is expected to be completed during the course of 2014–15.

Member services

STC is committed to delivering high-quality services to help members understand and maximise their benefits. STC continues to work with its scheme administrator, Pillar Administration, and its financial advice provider, State Super Financial Services (SSFS), to ensure service delivery is focused on the needs of members.

During the year, STC renewed its Administration Services Agreement with Pillar and also implemented more robust oversight and management practices to ensure the high level of service currently provided to members is sustained and continues to improve where required.

This year, STC and SSFS continued to work towards improving synergies between the two organisations. The revision of STC's Privacy Policy has facilitated improved data sharing and analytics that will enable the future delivery of joint initiatives resulting in the provision of enhanced advice, education and information services to members for years to come. To ensure the continuity of this service, STC recently renewed the access agreement with SSFS, which governs the provision of the financial planning services offered to STC members.

Funds Amalgamation project and university superannuation liabilities

To keep you informed, we have included an update on the NSW Government's proposed Funds Amalgamation project and university superannuation liabilities funding on page 16.

We appreciate your feedback

Your feedback is important to us and we value any comments you have about State Super's services.

To provide feedback, please email State Super at enquiries@stc.nsw.gov.au or call customer service on 1300 130 096 (SSS contributory members) 1300 130 097 (PSS contributory members) or 1300 130 094 (deferred benefit members).

John Livanas
Chief Executive Officer
October 2014

Your **Trustee Board**

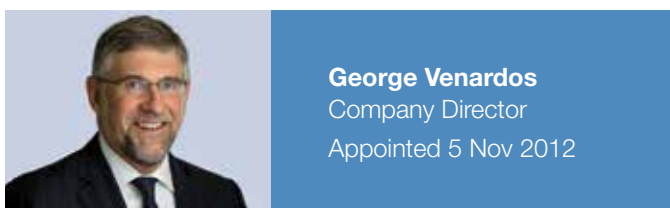
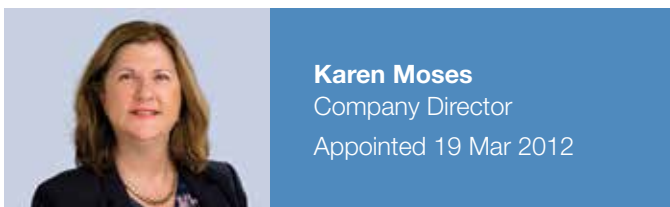
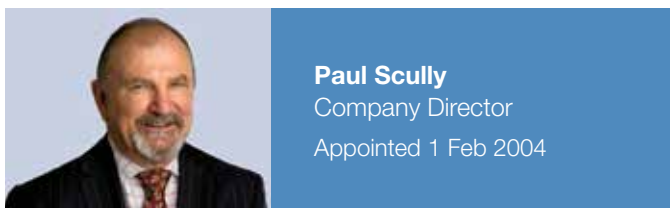
The Members of the Trustee Board are appointed by the Minister of Finance and Services. The Trustee Board comprises:

- an independent Chairperson
- four employer representatives, one of whom is to be appointed on the recommendation of the Treasurer
- four employee representatives*, nominated by Unions NSW.

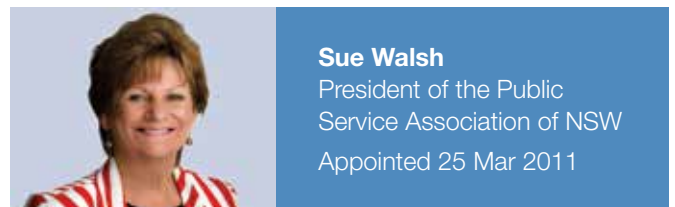
Professional indemnity insurance is in place in respect of the Trustee Board and each Board member.



Employer representatives



Employee representatives



* The full-time board member position on the STC Board remains vacant following Mr Davis' retirement.

Function and role of the Board

The principal functions of the Trustee Board as set out in the *Superannuation Act 1996*, are to:

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

The legislation requires STC to outsource its principal functions of administration, investment and custody.

The STC Executive supports the Trustee Board in carrying out the day to day functions as well as managing the contracts with external service providers.

The Trustee Board and other committees

The Trustee Board meets approximately monthly.

Attendance of Board members at Board meetings is set out below:

Meetings attended during 2013–14 (actual/possible)	
Mr Carapiet (Chairperson)	10/10
Employer representatives	
Mr P Scully	7/10
Mr M Lambert	10/10
Ms K Moses	8/10
Mr G Venardos	10/10
Employee representatives	
Mr R Davis ¹	5/5
Ms S Walsh	9/10
Mr A Claassens	10/10
Mr T O'Grady	7/8

STC has established a number of Board Committees to assist with the performance of its functions and to monitor the compliance of external service providers against their contractual requirements. The Committees and their membership as at 30 June 2014 are listed below.

- **Investment Committee**
M Carapiet (Chairperson)
R Davis¹, M Lambert, P Scully
- **Risk, Audit and Compliance Committee**
G Venardos (Chairperson)
R Davis¹, M Lambert, P Scully²
- **Member Services Committee**
S Walsh³ (Acting Chairperson)
R Davis¹, M Lambert, P Scully, T O'Grady²
- **Human Resources and Nominations Committee**
S Walsh⁴ (Chairperson)
K Moses, M Carapiet⁴, A Claassens²,
G Venardos² (Alternate)
- **Actuarial Committee**
P Scully (Chairperson)
R Davis¹, M Lambert
The Actuarial Committee was dissolved by Board resolution in February 2014 with its functions consolidated within the Investment Committee and the Risk, Audit and Compliance Committee.
- **Disputes Committee**
A Claassens (Chairperson)
R Davis¹, K Moses, G Venardos, P Scully (Alternate)
The Committee was dissolved by Board resolution in June 2014 with its functions consolidated within the Member Services Committee.

The Police Superannuation Advisory Committee (PSAC) is a statutory committee established under the *Police Regulation (Superannuation) Act 1906*. Mr Davis was the Chairperson until his retirement in December 2013. Following Mr Davis' retirement Mr Lambert was appointed as State Super's representative on the committee. PSAC also includes nominees from the Police Association, the Commissioned Officers' Branch of the Police Association, WorkCover NSW, the Minister for Police and STC.

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

1 Retired 31 December 2013.

2 Appointed to the committee part way through the reporting period.

3 Ms Walsh was the Acting Chairperson following Mr Davis' retirement.

4 Mr Carapiet handed the position of Chairperson to Ms Walsh part way through the reporting period.

Investment performance and management

For SSS and PSS members, your scheme benefits (other than the cash resignation benefit) are not directly affected by investment returns as they are defined benefits set out in the scheme rules (generally a lifetime pension). All of your member and employer contributions are invested in the Growth Strategy. The following table details the crediting rates for the Growth Strategy. The crediting rates shown below have been rounded to one decimal point and are shown as an annual rate. Actual crediting rates are declared monthly to four decimal places.

Average annual compound rate (% p.a.)

Year ending	Crediting rate to members (% p.a.)	CPI (% p.a.)
30 June 2014	12.3	3.0
30 June 2013	17.1	2.4
30 June 2012	0.4	1.2
30 June 2011	8.7	3.6
30 June 2010	9.2	3.1

Average annual compound rate (% p.a.)

Over 3 years	9.7
Over 5 years	9.4
Over 10 years	7.0

Note: The figures above are after allowance for tax and investment management expenses. Past returns are no guarantee of future returns. For up-to-date investment return information, visit the State Super website at www.statesuper.nsw.gov.au.

Asset allocation

The Trustee allocates the asset classes into three categories – liquid growth, liquid defensive and alternatives – to more closely reflect the role of each category within the strategy.

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

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

Alternatives serve a dual purpose. Some of the asset classes in this category are expected to generate returns in line with or higher than CPI+4.5%, which is the objective for the Growth Strategy. Other asset classes within the alternatives category are expected to have a dual objective of providing CPI+4.5%, but with the ability to provide downside protection when markets are turbulent.

Liquid defensive represents asset classes that tend to do well when markets are turbulent. These asset classes provide capital protection when most other strategies are not performing well, but they are not expected to generate CPI+4.5% over the long term.

STC can dynamically allocate assets between liquid defensives and liquid growth based on changes in the investment environment, whereas the allocation to alternatives is strategic in nature. Alternatives are generally illiquid and investments are held over the medium to long term.

Downside protection

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

Passive rebalancing

The Pooled Fund passively rebalances the tradeable asset classes in the portfolio in a disciplined manner in order to ensure the portfolio conforms to the target asset allocation. For the Growth Strategy, if an asset class has deviated outside a set range relative to the target asset allocation, the manager reallocates funds between asset classes to return allocations within the agreed range. This rebalancing process may involve the use of derivatives.

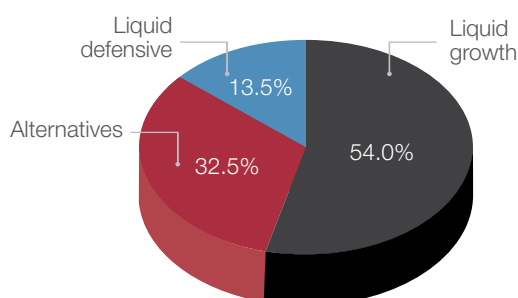
Growth Strategy

Investment objective: The objective of the Growth Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI+4.5% p.a. over rolling 10-year periods.

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

Net asset value at 30 June 2014: \$39,158.1 million

Strategic asset allocation at 30 June 2014



Asset allocation as at 30 June 2014:

	Strategic %	Actual %
Liquid growth	54.0	53.7
Australian equities	30.0	26.8
International equities	24.0	26.9
Alternatives	32.5	25.0
Property	9.0	8.3
Infrastructure	10.0	9.8
Other alternatives	13.5	6.9
Liquid defensive	13.5	21.3
Australian fixed interest	4.0	5.7
International fixed interest	2.0	2.2
Cash	7.5	13.4
TOTAL	100.0	100.0

During 2013–14 State Super continued to increase strategic allocation to alternatives in order to close the gap between the strategic allocation target and the actual asset allocation. Identifying the right assets and building the targeted exposures across the relevant strategies takes time however, the process is well underway. In addition to the 25% actual allocation reported above, State Super has further commitments to alternatives that would increase the allocation to approximately 27.5%.

In the coming year State Super will continue to identify the right opportunities to narrow the gap between the actual asset allocation and the strategic target. In the meantime, cash levels will be held at higher than long-term levels.



Investment updates and changes

New investment strategies for universities

The Trustee Board formulated two new investment strategies with specifically tailored strategic asset allocations to ensure both the liquidity and return time frame requirements of universities' reserves are addressed. These two new strategies are:

- University Diversified Strategy, and
- University Cash Strategy.

The universities' reserves were switched out of the current Growth Strategy into the University Strategies based on values as at 30 September 2014. For more information please refer to the University Funding section on page 16 of this report.

Notional reallocation of assets between member reserves and employer reserves (DC/DB split)

The Trustee Board intends to implement a reallocation of assets in the Pooled Fund between member reserves (DC) and employer reserves (DB). This reallocation is to introduce more contemporary portfolio management and is being contemplated as part of the assessment of the Amalgamation project.

The State Super Board will assess a proposal by TCorp to provide certain investment related services in relation to the assets underpinning the defined benefit component of the SASS, SSS, PSS and SANCS schemes (except those relating to universities). The assessment will be conducted using specific criteria to ensure that this is in the best interests of the beneficiaries of the schemes and that State Super continues to comply with relevant legislation and is able to meet its statutory and general law obligations.

Divestment of investments in tobacco product manufacturers and controversial weapons manufacturers

The State Super Board has reviewed the ESG (environmental, social and governance) merits of investment in tobacco securities and has decided to divest its holdings in tobacco product manufacturers.

The Trustee also made a decision to restrict investments in controversial weapons manufacturers during the year. This includes cluster munitions, chemical and biological weapon manufacturers.

State Super has instructed its managers accordingly and State Super's ESG policy has been updated to reflect the decision.

Annual investment strategy review changes

In June 2014, State Super undertook its annual review of the investment strategy for the Pooled Fund and made the following changes effective 1 July 2014.

Change to the return objective for the Cash Strategy

State Super revised the return objective for the Cash Strategy, from CPI+0.75% p.a. over rolling three-year periods to CPI+0.25% p.a. over rolling three-year periods. This change reflects official cash rates being in line with expected inflation levels, and State Super's view that the expected return for the asset class and therefore the Cash Strategy is expected to be lower than historically experienced.

Strategic asset allocation changes

State Super also marginally decreased the strategic asset allocation to Australian equities in favour of international equities and has shifted away from other alternatives and towards Australian fixed interest across the Growth, Balanced and Conservative strategies. These asset allocation changes do not adversely affect the risk and return profiles (Standard Risk Measures) of any of the strategies over their respective time horizons.

Asset allocation of the Growth Strategy

Effective from 1 July 2014, the strategic asset allocation of the Growth Strategy was revised to:

	Strategic asset allocation	Dynamic asset allocation range
Liquid growth	54.0%	38.0% – 70.0%
Australian equities	27.0%	
International equities	27.0%	
Alternatives	31.5%	23.5% – 39.5%
Property	9.0%	
Infrastructure	10.0%	
Other alternatives	12.5%	
Liquid defensive	14.5%	10.0% – 29.5%
Australian fixed interest	5.0%	
International fixed interest	2.0%	
Cash	7.5%	
TOTAL	100.0%	100.0%

Investment governance

Crediting rate policies and processes

The crediting rate policy of the State Super Board is that all available investment earnings or losses, after providing for tax and investment expenses, are distributed to employers and members, based on a declared crediting rate that is determined monthly. Members exiting the Pooled Fund schemes receive a daily interim rate applicable since the last monthly rate was determined.

During the year, State Super finalised the review of its crediting rate processes. Implementation of the revised processes commenced, and will continue throughout 2014–15 to ensure improved governance and superior investment implementation and monitoring is achieved.

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 cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing the investment portfolio.

Currency hedging policy

The Trustee's policy for currency hedging at 30 June 2014 was:

- international equities are hedged from 0% to 80% into Australian dollars
- international property, infrastructure and alternative assets are hedged from 0% to 100% into Australian dollars
- international fixed interest assets (sovereign and corporate debt) are hedged from 0% to 100% into Australian dollars.

The Trustee implemented an active overlay program in 2013–14 to assist with managing currency risk.

Large investments

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

Master custodian

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



Investment managers

As required by the *Superannuation Administration Act 1996*, all of the Pooled Fund's assets are managed by external fund managers appointed by State Super. Each manager operates under a written agreement and investment mandate. The performance of the various fund managers is monitored throughout the year and new managers may be added or existing managers replaced. The investment managers as at 30 June 2014 were:

Australian equities

Balanced Equity Management Pty Limited
BlackRock Asset Management Australia Limited
BT Investment Management (Institutional) Limited
Citigroup Global Markets Australia Pty Ltd
Cooper Investors Pty Limited
Ellerston Capital Limited
Hyperion Asset Management Limited
Lazard Asset Management Pacific Co
Macquarie Investment Management Limited
Maple-Brown Abbott Limited
Northcape Capital Pty Ltd
Perennial Value Management Limited
Platypus Asset Management Pty Ltd
State Street Bank & Trust Company
State Street Global Advisors, Australia, Limited

International equities

Altrinsic Global Advisors LLC
AQR Capital Management, LLC
Arrowstreet Emerging Markets Fund (via Macquarie Investment Management Ltd)
Artisan Partners Limited Partnership
AXA Investment Managers Asia (Singapore) Ltd
Citigroup Global Markets Australia Pty Ltd
Goldman Sachs Australia Pty Ltd
Harris Associates Limited Partnership
Hexavest Inc.
Investec Asset Management Limited
Lazard Asset Management Pacific Co
Morgan Stanley Investment Management Ltd
Pareto Investment Management Limited
Realindex Investments Pty Limited
State Street Bank & Trust Company
State Street Global Advisors, Australia, Limited
The Genesis Emerging Markets Investment Company
C/O Genesis Asset Managers, LLP
Trilogy Global Advisors, LLC
Trilogy Global Advisors, LP
(via Orion Asset Management Services Pty Ltd)

Property

DEXUS Funds Management Limited
EG Funds Management Pty Ltd
Franklin Templeton Investments Australia Limited
LaSalle Investment Management
(via Equity Trustees Limited)
SG Hiscock & Company Limited
State Street Global Advisors, Australia, Limited
Vanguard Investments Australia Ltd

International fixed interest

State Street Global Advisors, Australia, Limited
Pareto Investment Management Limited

Australian fixed interest & cash

BT Investment Management (Institutional) Limited
Colonial First State Asset Management (Australia) Limited
Deutsche Australia Limited
State Street Global Advisors, Australia, Limited

Alternative assets

Access Capital Advisers Pty Ltd
AMP Capital Investors Limited
Challenger Management Services Limited
Deutsche Australia Limited
GMO Australia Limited
Hastings Investment Management Pty Limited
Kaplan Funds Management Pty Limited
Macquarie Investment Management Limited
Macquarie Specialised Asset Management Limited
Morgan Stanley Venture Partners III, L.P.
New South Wales Treasury Corporation
Pantheon Asia Fund Limited
Pantheon USA Fund II Limited
Pareto Investment Management Limited
RARE Infrastructure Limited
Schroder Investment Management Australia Limited
Siguler Guff Distressed Opportunities Fund III (F), LP
Siguler Guff Distressed Opportunities Fund IV (F), LP
State Street Global Advisors, Australia, Limited
Transpac Capital 1996 Investment Trust
The 1996 Brinson Partnership Fund Offshore Series
Company Ltd
UBS Global Asset Management (Australia) Ltd

Member services update

Personal interview service

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

For details about the locations where personal interviews are conducted please see the back cover of this report.

Access retirement planning advice



Financial planning services are provided by State Super Financial Services Australia Limited (SSFS) for current and former members of the State Super schemes and their relatives.

From over-the-phone advice to face-to-face meetings with a professional financial planner, SSFS offers a range of services to help ensure you and your family remain on track to achieve the lifestyle you want now and in the future.

The SSFS website has a number of calculators and educational tools which can also assist you with your financial decisions. These include:

- a budget and savings calculator
- a loan reduction calculator
- an investment property purchase calculator
- basic advice series videos which cover a range of topics.

Product and advice fees only apply if you choose to invest and partner with SSFS on an ongoing basis.

For more information about the services provided by SSFS, or to book an appointment, call 1800 620 305 or visit ssfs.com.au.

State Super Financial Services Australia Limited (SSFS) is the holder of Australian Financial Services Licence 238430, ABN 86 003 742 756 and is a member of the Association of Superannuation Funds of Australia (ASFA); the Financial Services Council (FSC) and is a Financial Planning Association of Australia (FPA) Professional Partner.

State Super Financial Services (SSFS) is wholly owned by STC. However, STC is not responsible for the advice that SSFS provides. STC pays no fees to SSFS for the services it provides to scheme members. STC is not a representative of SSFS and receives no commission when making referrals to this service. Neither STC nor the New South Wales Government take any responsibility for the services offered by SSFS, nor do they or SSFS guarantee the performance of any product provided by SSFS.

Retirement planning seminars for SSS members

State Super's SSS member seminars are designed to help you understand the important and complex aspects of your scheme membership.

They can also help you assess your retirement options and, most importantly, how to maximise your superannuation benefits.

Our seminars cover important issues including:

- salary sacrificing your SSS contributions
- retirement planning options as a member of SSS
- Commonwealth contribution limits
- how government superannuation legislation applies to your SSS benefit
- the benefits that quality financial advice can deliver when you make key financial decisions at retirement and in retirement.

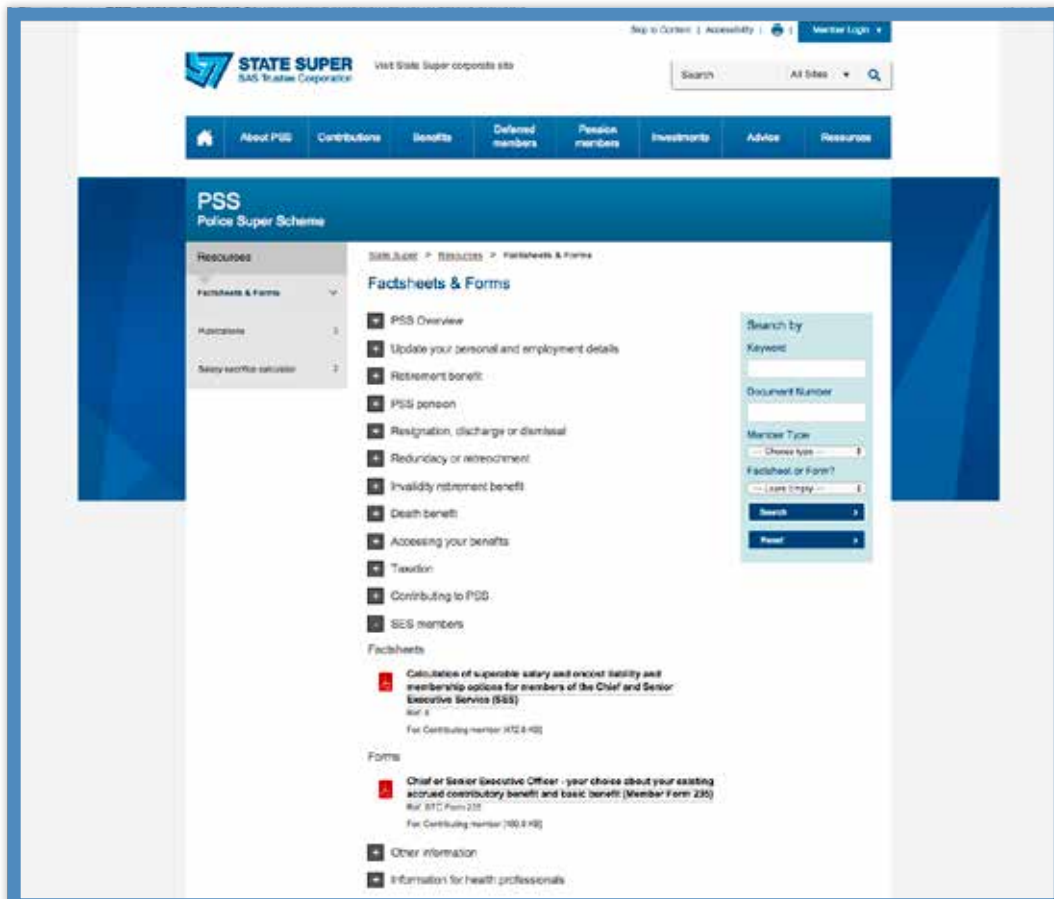
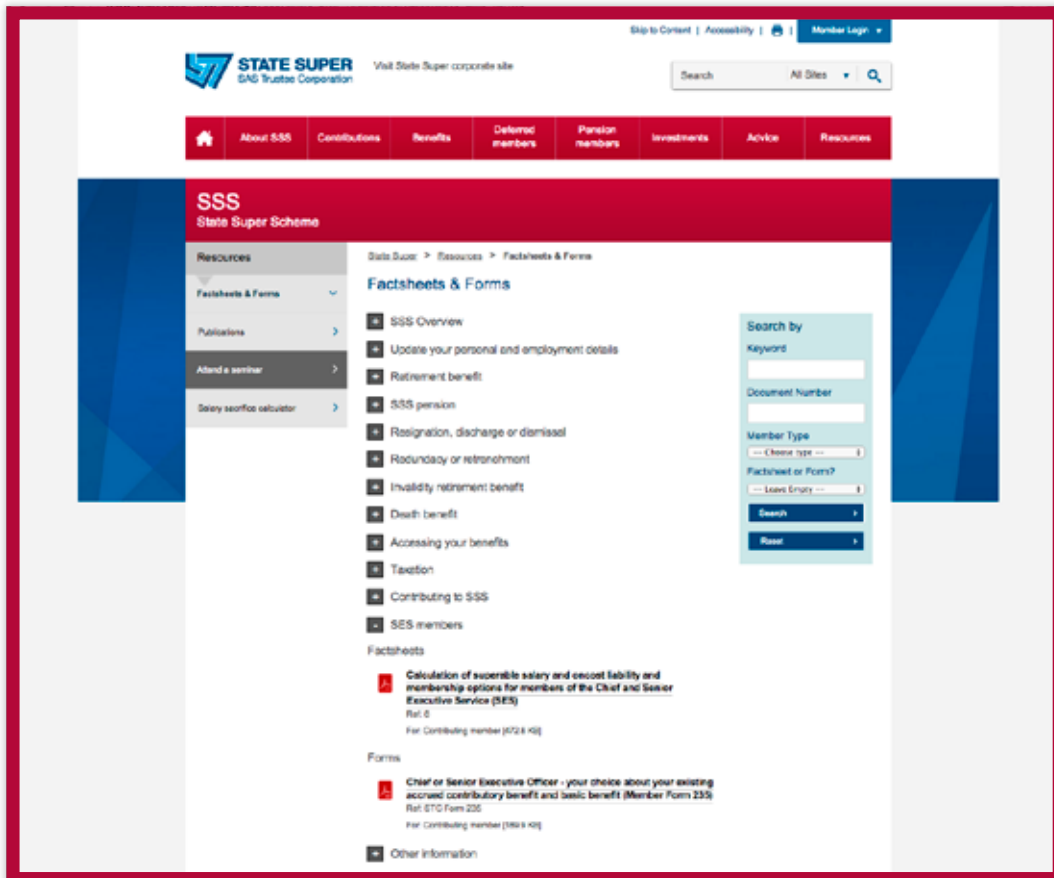
At the seminars, you can also speak to representatives from State Super and financial planners from State Super Financial Services (SSFS) about retirement planning, social security and taxation.

Bookings are essential!

Book online at www.statesuper.nsw.gov.au/ssss/tools-and-resources/seminars

Member services update

The forms and fact sheets section of the State Super website has been revamped!



Making things easier for you

One of our top priorities is member education and our website is one of our greatest tools in making information about your scheme easy for you to access. That's why we've made some improvements to our website.

Take a look at our new forms and fact sheets section.

The new forms and fact sheets section of the website makes finding the form or fact sheet you need quicker and easier.

You can now browse by topic and easily locate the related forms or fact sheets. And if you know the form or fact sheet document number you can simply enter it into the search field to find it straight away.

Simply go to the SSS or PSS section of the State Super website at www.statesuper.nsw.gov.au/ssb or www.statesuper.nsw.gov.au/pss and click on the forms and fact sheets link on the right hand side of the landing page to see how we've improved this section for you.

We appreciate your feedback

So we can continue to improve our website, we would appreciate receiving your comments and suggestions. You can email your feedback and suggestions to enquiries@stc.nsw.gov.au or call customer service.

Keep track of your scheme benefits online

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

Online access enables you to:

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

To register for online access to your scheme, please contact customer service.

1300 130 096 (SSS contributory members)

1300 130 097 (PSS contributory members)

1300 130 094 (deferred benefit members)



Important Fund updates

Funds management update

In March 2014, the NSW Government announced its intent to amalgamate the funds management activities of the state's financial assets within NSW Treasury Corporation (TCorp).

State Super (STC), in collaboration with TCorp and the Safety, Return to Work and Support division (SRWSD) have embarked on the Amalgamation Project to assess how funds management activities of the state's financial assets might be consolidated within TCorp. For STC, this relates to funds management of the assets underpinning the defined benefit component of the SASS, SSS, PSS and SANCS schemes (except those relating to universities).

The STC Board will assess a proposal by TCorp to provide certain investment related services in relation to the above mentioned assets. The assessment will be conducted using specific criteria to ensure that this is in the best interests of the beneficiaries of the schemes and that STC continues to comply with relevant legislation and is able to meet its statutory and general law obligations.

It is anticipated that in order to continue to meet its regulatory and fiduciary obligations, STC will retain responsibility for investment governance including setting investment objectives and strategy, risk management, asset allocation and the appointment, oversight and performance monitoring of third party investment managers.

University superannuation

Defined benefit assets of the SASS, SSS and SANCS schemes relating to the universities will continue to be managed by STC so as to ensure that the investment strategies for each university meets the specific liabilities and funding arrangements required at an individual level.

STC understands that formal arrangements regarding the funding of university superannuation are currently being settled between the Commonwealth and NSW Governments. STC is closely monitoring this and will inform members via the website as further information becomes available.

In anticipation of funding arrangements being finalised, STC has transitioned university assets from the current long-term, growth focussed strategy into two newly formulated strategies that meet the specific needs of these reserves. Initially, the funds of each university will be invested in a diversified option with a three to five year return objective to ensure both the liquidity and return requirements of universities' reserves are addressed. Once the reserve for an individual university reaches an amount equivalent to one year of expected cash flow for that university, the related assets will be transitioned to the new cash option to ensure the assets are sufficiently liquid to facilitate benefit payments to members.

Further updates on these and other announcements will be provided to members as they become available via the State Super website,
www.statesuper.nsw.gov.au.

Commonwealth Government changes

The Commonwealth Government has introduced a number of changes that may affect some SSS and PSS members.

Concessional contributions

The Federal Government introduced changes to concessional (or pre-tax) contribution limits effective from 1 July 2014. For SSS and PSS members, this means the concessional contributions cap for members under the age of 50 has increased from \$25,000 to \$30,000 per financial year. The higher concessional contribution cap that applies for older members remained unchanged at \$35,000 however, the age to which the increased cap applies has been lowered from 60 and over to 50 and over.

Concessional contributions in excess of the caps can be accepted by superannuation funds however, the excess contributions are subject to additional tax. Excess concessional contributions are included as part of an individual's assessable income and taxed at the individual's marginal tax rate. A tax offset is provided to account for the 15%* contributions tax that is paid at the time the contribution is made. An interest charge may also be payable to reflect the delay in paying tax on the contributions.

15% tax on certain contributions of members earning more than \$300,000

From 1 July 2012 a new tax of 15% applies to the concessionally taxed contributions of very high income earners. This new tax reduces the tax concession for very high income earners from 30% to 15% (excluding the Medicare levy). A very high income earner is an individual whose total income and concessionally taxed superannuation contributions for an income year are above \$300,000. For more information refer to STC fact sheet 3: *Taxation*.

*The concessional contributions tax rate for members with an adjusted taxable income in excess of \$300,000 has been increased from the standard rate of 15% to 30%.

Non-concessional contributions

From 1 July 2014, non-concessional (or after-tax) contribution limits increased from \$150,000 to \$180,000 per financial year. Individuals under age 65 can contribute up to \$540,000 in one financial year but non-concessional contributions made in the following two financial years will be limited so that no more than \$540,000 is contributed over the three years.

Non-concessional contributions exceeding the limit are taxed at the top marginal tax rate of 49% (an increase of 2.5% due to the 0.5% increase in the Medicare levy and 2% budget repair levy).

Government co-contribution

The only change made to the Commonwealth Government co-contribution initiative was to the income thresholds. The income threshold for 2014–15 is from \$34,488 to an upper limit of \$49,488. Those eligible to receive a co-contribution will continue to be entitled to up to \$500 per year. To find out if you are eligible for the Government co-contribution, please visit www.ato.gov.au.

Low Income Superannuation Contributions (LISC)

In their last budget the Commonwealth Government proposed that the LISC cease from 1 July 2014. The legislation was repealed in September 2014 however, the LISC will continue to be available to eligible individuals up to and including the 2016–17 financial year. The LISC is available to members whose adjusted taxable income is under \$37,000 and provides a rebate of the 15% tax paid on concessional contributions (up to a maximum payment of \$500). The rebate is paid directly into a members superannuation account by the Commonwealth Government.

Superannuation Guarantee

There have been two main changes made to Superannuation Guarantee (SG) legislation which may affect members.

First, as of 1 July 2013 the upper age limit on the superannuation guarantee has been abolished meaning employers of members over the age of 70 need to continue making superannuation contributions for eligible employees.

Secondly, as of 1 July 2015 the gradual increase of the superannuation guarantee rate will be put on hold at 9.5% for financial years up to and including 2021–22. The SG rate will then increase by half a percent each year until it reaches 12% for the 2025–26 financial year.



More Information

For more information visit the forms and fact sheets area in your scheme section of the State Super website.

Relevant fact sheets

PSS fact sheet 16: *SSS concessional contributions cap*

SSS fact sheet 23: *SSS concessional contributions cap*

STC fact sheet 3: *Taxation*

STC fact sheet 13: *Information about the Commonwealth Government's superannuation co-contribution and the Low Income Superannuation Contribution.*

Abridged financial statements

Financial reports at 30 June 2014

The following tables provide abridged financial information about all of the STC schemes for the last two financial years. The full financial statements for the year to 30 June 2014 have been audited by the Auditor General and will be available on the website after STC's Annual Report has been tabled in the NSW Parliament.

Statement of net assets		
	2014 (\$ million)	2013 (\$ million)
Investments		
Short-term securities	5,722.7	5,323.7
Australian fixed interest	2,278.5	2,576.2
International fixed interest	881.3	850.4
Australian equities	10,468.9	11,193.6
International equities	10,548.1	9,632.6
Property	3,261.4	3,134.7
Alternatives	6,615.0	5,130.2
	39,775.9	37,841.4
Other assets		
Cash and cash equivalents	0.8	1.3
Receivables	820.8	670.3
Plant and equipment	1.0	0.9
Current tax asset	3.4	-
Deferred tax asset	73.7	-
	899.7	672.5
Total assets	40,675.6	38,513.9
Liabilities		
Reserve units	0.8	1.0
Payables	250.4	288.4
Current tax liability	-	2.6
Deferred tax liability	176.2	12.9
Total liabilities	427.4	304.9
Net assets available to pay benefits	40,248.2	38,209.0

Statement of changes in net assets		
	2014 (\$ million)	2013 (\$ million)
Net assets available to pay benefits at beginning of financial year	38,209.0	34,351.9
Contribution revenue		
Employer contributions	1,401.1	1,434.8
Member contributions	409.1	455.8
	1,810.2	1,890.6
Transfers		
Scheme mobility transfer	(1.0)	0.5
Other	-	0.4
	(1.0)	0.9
Investment revenue		
Short-term securities	111.4	148.1
Australian fixed interest	108.9	99.4
International fixed interest	21.8	22.4
Australian equities	534.9	539.6
International equities	351.6	218.2
Property	208.3	187.3
Alternatives	442.1	270.4
	1,779.0	1,485.4
Changes in net market values of investments	3,145.8	4,776.8
	4,924.8	6,262.2
Direct investment expenses	(102.6)	(95.8)
Net investment revenue	4,822.2	6,166.4
Other revenue	10.3	9.5
Total revenue	6,641.7	8,067.4
Benefits paid	(4,456.1)	(4,050.7)
Scheme administration expenses	(38.0)	(34.2)
Other expenses	(2.0)	(1.2)
Total expenses	(4,496.1)	(4,086.1)
Change in net assets before income tax	2,145.6	3,981.3
Income tax benefit/(expense)	(106.4)	(124.2)
Change in net assets available to pay benefits after income tax	2,039.2	3,857.1
Net assets available to pay benefits at end of financial year	40,248.2	38,209.0

Fees and charges

Direct fees

Management charge

Generally, the direct fees and costs associated with SSS and PSS are met by the employer. Deferred benefit members with a deferred SANCS benefit pay an annual administration fee of \$20.

Family law fees

A fee of \$275 (\$110 for deferred benefit members) is charged for all requests for information from a member or spouse of a member in regard to family law matters.

A fee of \$1,347.50 is charged for splitting a benefit, with half being deducted from the benefit of the non-member spouse. The member's share of the fee is payable by cheque if the member is not entitled to a benefit payment at the time of the family law split. If a benefit payment is due to the member at the time of the family law split, the fee can be deducted from the member's benefit.

Indirect fees

Investment management costs

Investment management expenses are deducted from investment gains or losses before determining the declared rate, and are borne indirectly by members by way of a reduced rate of investment return.

For **contributory members**, investment gains or losses affect the balance of the following accounts:

- the personal account and the reserve units account for SSS members
- the Commonwealth Government contribution account.

For **deferred benefit members**, investment gains or losses affect the amount of the immediate lump sum, deferred lump sum, SANCS basic benefit and the Commonwealth Government contribution account.

For SSS and PSS members, the indirect fees and costs are not borne by members who receive a retirement benefit from the scheme, as retirement benefit calculations do not directly rely on the balance of the accounts mentioned previously.

Investment expenses

The indirect cost percentage for an investment strategy is the investment management expenses incurred by the strategy expressed as a percentage of the average net asset value of the strategy. The actual indirect cost percentage for the Growth Strategy for 2013–14 was 0.32% and it is estimated that it will be 0.39% for 2014–15.

The indirect cost percentage for 2014–15 is an estimate and may change due to market circumstances or changes in the structure of the asset sectors as the year unfolds. These estimates are slightly higher than the previous financial year due to a restructure of the mix of strategies being used.



Complaints and disputes

Complaints

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

If you are still not satisfied with the resolution of the matter, you may complain directly to the scheme Trustee, SAS Trustee Corporation (STC), or to the full-time member of the STC Board.

To lodge a complaint with Pillar:

Contact customer service on
1300 130 096 for SSS contributing members,
1300 130 097 for PSS contributing members or
1300 130 094 for deferred benefit members.

Disputes

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

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 Member Services Committee for consideration, and you will be notified of the outcome of the review.

PSS 'hurt on duty' disputes:

Members or other claimants have a right of appeal to the District Court of NSW in regard to decisions made by STC on entitlement to PSS 'hurt on duty' benefits. This includes decisions made by the Commissioner of Police as to whether a member was hurt on duty in relation to a particular infirmity (or death). Section 21 of the *Police Regulation (Superannuation) Act 1906* is relevant to these appeals.

To lodge a dispute with STC, please write to:

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

Appeals

If you are still dissatisfied with the decision of STC following the dispute process, you may appeal to the Industrial Court of NSW within 6 months of being notified of STC's decision or within such further period as the Court allows.

As the schemes are exempt from the Commonwealth Regulatory regime, members cannot lodge a complaint with the Superannuation Complaints Tribunal as that body has no jurisdiction over decisions made by STC.

To lodge an appeal against an STC decision (following the dispute process):

Please contact the Industrial Court of NSW by telephoning (02) 9258 0866 or by writing to:

Industrial Court of NSW
GPO Box 3670
Sydney NSW 2001

GIPA, privacy and compliance

Government Information Public Access Act 2009

Under the *Government Information (Public Access) Act 2009* (GIPA Act), STC must review, at least annually, its program for the release of information that should be made publicly available in the public interest without imposing unreasonable additional costs on STC. The information that has been released on the website at www.statesuper.nsw.gov.au/corporate-governance/access-to-information-gipa is reviewed and updated on a regular basis.

Under the GIPA Act, all government agencies must make certain information, known as 'open access information', publicly available, unless there is an overriding public interest against disclosure. Generally, open access information must be available on an agency's website, and at least one method of access must be free of charge.

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

- policy documents and procedure manuals
- STC's agency information guide, which describes the structure and functions of the Trustee
- a disclosure register of formal applications that have been made by members requesting open access information
- a register of STC's contracts with private sector organisations that are worth more than \$150,000
- documents that have been tabled in Parliament by or on behalf of STC.

STC will also publish on its website details about open access information that may not be disclosed due to an overriding public interest.

Please contact customer service to confirm that no other avenue for gaining information exists before deciding to apply under the GIPA Act. For further information, please refer to the STC Fact Sheet 9: *Government Information (Public Access) Act & Privacy*, which is available on the State Super website at www.statesuper.nsw.gov.au.

Privacy

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

STC has developed a Privacy Management Plan (Plan) and implements the Plan with the assistance of Pillar Administration.

The Privacy Statement was last updated 1 July 2014 and:

- details how STC complies with the requirements of the Privacy and HRIP Acts
- explains how STC deals with members' personal and health information that may be collected and used in the course of administering the Fund
- summarises the circumstances where STC may provide a members' personal and health information to third parties.

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

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

Compliance

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.

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

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

This report contains general information. Relevant information is subject to the *State Authorities Superannuation Act 1987*, the *State Authorities Non-contributory Superannuation Act 1987* and the *Superannuation Administration Act 1996* 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 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 Board members and employees do not warrant the accuracy, reliability or completeness of the information contained in or omitted in this report. STC cannot guarantee any particular rate of return, and past performance is not a reliable guide to future investment performance.

Customer service

SSS Contributory members 1300 130 096

PSS Contributory members 1300 130 097

Deferred benefit members 1300 130 094

You can contact customer service from 8.30am to 5.30pm, Monday to Friday for the cost of a local call unless calling from a mobile or pay phone.

Fax service 02 4253 1688

Email enquiries@stc.nsw.gov.au

Mailing addresses

Customer service and Pillar Administration:

PO Box 1229
Wollongong NSW 2500

SAS Trustee Corporation (the Trustee Board):

PO Box N259
Grosvenor Place NSW 1220

Website www.statesuper.nsw.gov.au

Personal interview service

To arrange an interview appointment call:

Sydney 02 9238 5540

Newcastle 1800 807 855

Parramatta 1800 626 000

Port Macquarie 1800 676 839

Wollongong 1800 060 166

Need help with English?

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

Arabic

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

Chinese

會員如果閱讀英語有困難，諮詢服務部可安排發放資料的譯本。

Greek

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

Italian

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

Vietnamese

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

Financial planning advice

State Super Financial Services Australia Limited

(ASFL No. 238430)

Telephone 1800 620 305

You can contact State Super Financial Services from 8.45am to 5.15pm, Monday to Friday.

