



**STATE SUPER**

SAS Trustee Corporation

ABN: 29 239 066 746

# ANNUAL REPORT

## 2011–12

## Charter

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

STC is Trustee of the STC schemes, which are the:

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

STC's 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
- determine disputes under the schemes.

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

## Mission

STC's mission is to:

- support the future wellbeing of current STC scheme members and pension members by delivering up-to-date superannuation benefits and high-quality service
- engage stakeholders in productive dialogue
- provide optimal investment returns to employers and members.

### GLOSSARY

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

**Pooled Fund** or **Fund** means the Pooled Fund of the STC schemes referred to in section 81 of the *Superannuation Administration Act 1996*.

**STC** means SAS Trustee Corporation.

**Trustee Board** means the Board of the SAS Trustee Corporation, appointed under section 69 of the *Superannuation Administration Act 1996* and comprising an independent Chairperson, four employee representatives and four employer representatives.

# ANNUAL REPORT

## 2011–12

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# Report to the Ministers

October 2012

The Hon Greg Pearce, MLC  
Minister for Finance and Services  
Minister for the Illawarra  
Level 36, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

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

Dear Ministers

We have pleasure in submitting to you for presentation to Parliament the Annual Report of the SAS Trustee Corporation, covering the period 1 July 2011 to 30 June 2012.

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

We look forward to working with you during the coming year.

Yours sincerely



**Michael Carapiet**  
*Chairperson*  
*SAS Trustee Corporation*



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

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# Chairperson's report

## The Fund

STC received \$6.2 billion in employer contributions in 2011–12, which included an extra \$4.6 billion of contributions from the NSW Government.

The additional contributions led to an increase in State Super's net assets, which stood at \$34.4 billion at 30 June 2012.

A Towers Watson survey at 31 December 2011 ranked State Super the 5th largest occupational superannuation fund in Australia and 102 out of the largest 300 funds in the world.

The long-term nature of the scheme liabilities means that State Super remains a very significant superannuation fund despite being closed to new members for over 20 years.

## STC's investment performance

During 2011–12, investment markets were affected by continued weakness in the more developed global economies, with a series of debt and currency crises in Europe.

Returns were also affected by concerns over a faltering United States recovery and slower growth in China.

The Australian economy performed relatively well during the year; however, the market return from domestic equities, STC's largest investment class, was negative over 2011–12.

In this economic environment, asset allocation continues to be the key driver of investment performance.

During the 2011–12 financial year, growth assets such as shares significantly underperformed defensive assets such as bonds and cash.

As a result, the Growth Strategy returned 0.4% for the year to 30 June 2012 while the Conservative Strategy delivered 4.6%, the Balanced Strategy 2.6% and the Cash Strategy 4.2%.

Returns from domestic and international assets are likely to be moderate at best until markets see a comprehensive solution to the European debt problem, a sustainable recovery in the United States and improved growth in China.

## Governance

STC's response to these difficult economic and market environments focused on further refinement of investment processes. We added resources to the areas of the

organisation that drive better returns for members and in order to improve oversight of the Fund.

A key part of these efforts was the re-establishment of the STC Investment Committee. The role of this Committee is to support the Board in its management of the Fund's assets.

We believe that the increased staff resources and the Investment Committee should further enhance investment decision making over the long term.

STC's investment teams have also been implementing a number of investment and asset allocation changes to ensure that longer-term investment returns can be improved.

## Board changes

There were a number of Board changes during the year.

On behalf of the Trustee Board, I want to thank Anne De Salis for her valuable contribution to the STC Board over the past six years. Karen Moses was appointed to replace Anne De Salis as an employer representative in March 2012. Karen's deep commercial and investment experience makes her well qualified to take on the trustee role.

The 2012–13 financial year will also see the departures of Ian Blair and Nick Lewocki. Ian and Nick have been on the Board since 1998 and both have made very significant contributions to STC during their terms.

I would like to take this opportunity to formally welcome John Livanas as Chief Executive Officer of STC. John was appointed in October 2011 and brings to the role over 25 years experience in the superannuation and investment management industries. Prior to joining STC, John was the CEO of AMIST Super.



**Michael Carapiet**  
Chairperson  
October 2012

# Chief Executive Officer's report

## A challenging year for investments

As the Chairperson has noted in his report, 2011–12 proved to be a challenging year for investors.

The global economy struggled to cope with the uncertainty generated by the European debt problems, a faltering United States recovery and a threatened slowdown in China. These macro-economic factors led to reduced returns, especially for growth assets such as shares.

Part of our response to this difficult economic and market environment has been to review and further refine our investment strategies and processes.

STC is appointing additional staff within the Executive. These additional resources will be used to provide greater oversight of the Fund and to improve our ability to manage and monitor the asset consultants and investment managers.

## Asset allocation changes

STC recently completed the annual review of its investment strategies. To better reflect the different roles played by the various asset classes, STC now groups assets into three categories – liquid growth, alternatives and liquid defensive. Alternative assets encompass a range of asset classes including property, infrastructure, corporate debt, inflation linked bonds, absolute return funds and private equity. These assets are expected to produce strong returns and to also provide downside protection when markets are turbulent.

The strategic asset allocation for the Growth Strategy has been adjusted to increase its exposure to alternatives.

The strategic asset allocation for the Balanced and Conservative strategies (these strategies apply only to SASS) will also progressively increase their allocation to alternatives over 2012–13.

STC has adopted the Standard Risk Measures developed by the superannuation industry to assist members assess the investment risk for each investment strategy. This change is of particular relevance to SASS members who have member investment choice for their personal contributions and deferred benefit.

## Improving services to members and employers

STC is committed to providing a high level of service to our members and assisting members to maximise their benefits.

During 2011–12, STC continued to work with the scheme administrator, Pillar Administration, to improve member services and the effectiveness of administration processes.

Another ongoing focus has been to enhance the coordination of Pillar's administration services with State Super Financial Services (SSFS); for example, members who phone the Pillar contact centre seeking financial advice can now be transferred directly to an SSFS staff member.

SSFS provides a range of advice and investment information services that are likely to be of benefit to all members, whether they are contributors, deferred benefit members or pension members. STC and SSFS will be working on a number of joint initiatives in the coming year to increase members' awareness of their scheme and how SSFS services may assist members with the decisions they face.

One of our major priorities for the upcoming year is a more information-rich and easier-to-navigate website. This will make it easier for members to access information about their scheme. We encourage all members to register for online account access to their scheme so they can view and update their personal information.

The *SuperViews* newsletter will be mailed directly to members twice a year commencing in April 2013. We are looking forward to communicating directly with members more frequently. *SuperViews* will feature more scheme specific information so that members can better understand how to maximise their entitlements.

STC is also aware that its defined benefit schemes are administratively complex and, to reduce errors and processing delays, STC is working with Pillar to improve the information resources and training available to employers.



**John Livanas**  
Chief Executive Officer  
October 2012

## Board members' profiles

### Michael Carapiet

**Chairperson of SAS Trustee Corporation since 1 August 2011**

**Chairperson of the STC Investment Committee, Chairperson of the STC Human Resources and Governance Committee**

As well as being Chairperson of SAS Trustee Corporation, Mr Carapiet is also Chairperson of the Safety, Return to Work and Support Board that comprises the WorkCover Authority of NSW, Lifetime Care and Support and Motor Accidents Authority. He is a Director of Southern Cross Media Limited and State Super Financial Services Australia Limited.

Mr Carapiet has more than 30 years experience in the financial sector and has held a number of senior roles with the Macquarie Group where he was a member of Macquarie's Executive Committee from 2005. Prior to his retirement in July 2011, his roles included Global Head of Advisory and Specialised Funds and Executive Chairman of Macquarie Capital and Macquarie Securities. Mr Carapiet has a Master of Business Administration from Macquarie University.

Mr Carapiet replaced Dr Don Russell, who was Chairperson until 31 July 2011.

### Ian Blair

**Employer Representative, Chairperson of the STC Risk, Audit and Compliance Committee**

Mr Blair 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 Chairperson of IOOF Holdings Limited and Chairperson of Bisley & Company Pty Limited, 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 semi-fabricated aluminium projects. He was formerly a board member of the Sisters of Charity Health Service Limited and Melbourne Business School Limited.

### Michael Lambert

**Employer Representative**

Mr Lambert is a consultant to the Asia Pacific investment bank CIMB. Previously, Mr Lambert was a managing director in the investment banking industry and prior to that the Secretary of the New South Wales Treasury, as well as holding various other senior positions in the NSW public sector. He has extensive experience and expertise in financial analysis, and in advising governments and clients on financial and strategic issues. He is also a Non-Executive Director of the Sax Institute and State Super Financial Services Australia Limited. Mr Lambert has a Bachelor of Economics (Honours) and a Master of Economics from the University of Sydney.

### Anne De Salis

**Employer Representative until 31 January 2012**

During 2011–12, Ms De Salis was also on the boards of NSW TAFE Commission, the Superannuation Funds Management Corporation of South Australia, Industry Fund Holdings Pty Limited and Members Equity Bank. Ms De Salis's diverse career has spanned the public and private sectors, which includes more than 10 years as a non-executive director. In the private sector, she has held senior executive and director positions with AMP Limited and MBF Australia Limited. Prior to these positions, she spent several years as Senior Adviser to the then Prime Minister, the Right Hon. Paul Keating. She joined the Keating office from the Commonwealth Treasury, where she worked as an Economic Adviser in Canberra.

### Karen Moses

**Employer Representative since 19 March 2012**

Ms Moses is currently Executive Director, Finance and Strategy at Origin Energy Limited. She is a Director of Origin Energy Limited, Australia Pacific LNG Pty Limited, Contact Energy Limited in New Zealand and Sydney Dance Company. Ms Moses has over 30 years experience in the energy industry spanning oil, gas, electricity and coal commodities, and upstream production, supply and downstream marketing operations. This experience has been gained within Australia and overseas. She is a former Director of Australian Energy Market Operator Limited, Energy and Water Ombudsman (Victoria) Limited and VENCORP. Ms Moses holds a Bachelor of Economics and a Diploma of Education from the University of Sydney.



## Paul Scully

### **Employer Representative, Chairperson of the STC Actuarial Committee**

Mr Scully is the Managing Director of Decision Horizons, a consulting enterprise through which he offers his services based on 30 years 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.

## Ron Davis

### **Employee Representative, Chairperson of the Police Superannuation Advisory Committee**

Mr Davis 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.

## Rod Harty

### **Employee Representative, Chairperson of the STC Member Services Committee**

Mr Harty is an Advocate and Industrial Officer for the Police Association of NSW and a consultant to the Police Federation of Australia. He 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 labour law, as well as a Diploma in Financial Services. In addition, Mr Harty has a broad public sector background in human resource management and business services.

## Nick Lewocki

### **Employee Representative, Chairperson of the STC Disputes Committee**

Mr Lewocki 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 six 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 Logistics Centre Pty Limited. As Secretary of the Union, he had overall responsibility for industrial agreements and their certification before the industrial tribunals, which affected over 15,000 members.

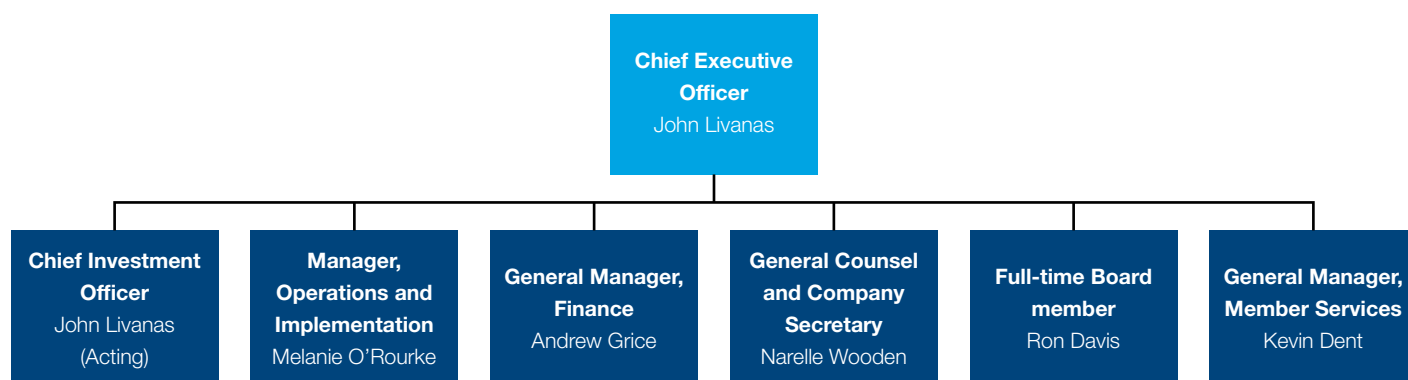
## Sue Walsh

### **Employee Representative**

Ms Walsh is the President of the Public Service Association (PSA) of NSW and has held a number of senior delegate positions in the PSA over the years. She is also President of the NSW Branch of the Community and Public Sector Union and a member of that organisation's Federal Executive, Federal Council and Federal Education Industry Committee. Ms Walsh is also employed as an Administrative Manager with the Department of Education and Communities (formerly the Department of Education and Training). Ms Walsh is on the Executive of Unions NSW and is a delegate to the ACTU. Since 2000, Ms Walsh has been a board member of SGE Credit Union and is also a member of that organisation's Audit and Risk Committee. She is a member of the Australasian Mutual Institute (AMI), formerly known as ACUI. Ms Walsh is also a Director of State Super Financial Services Australia Limited and a member of its Audit and Compliance Committee.

# STC Executive organisational chart

As at 30 June 2012



## Executive management team

### John Livanas

#### Chief Executive Officer since October 2011

As Chief Executive Officer, Mr Livanas's 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 the STC Executive team. Prior to this appointment, John was the Chief Executive Officer of the Australian Meat Industry Superannuation Trust, and before that he was the General Manager of FuturePlus Financial Services. Mr Livanas has been a board member on a number of financial industry entities and has lectured in the actuarial studies program at the University of New South Wales. His qualifications include a Master of Business Administration, a Bachelor of Science in Engineering and a Postgraduate Diploma in Finance and Investments.

Mr Livanas replaced Chris Durack, who was Chief Executive Officer until 7 October 2011.

### Kevin Dent

#### General Manager, Member Services since June 2011

Before joining State Super, Mr Dent worked at the Australian Prudential Regulation Authority (APRA) for seven years in superannuation supervision and technical services. From 1999 to 2004, Mr Dent was a senior executive at ComSuper, the administrator of the Commonwealth Government public sector and military superannuation schemes. Prior to ComSuper, Mr Dent worked in the Northern Territory Treasury managing Northern Territory Government superannuation schemes.

### Andrew Grice

#### General Manager, Finance since August 2004

Mr Grice is responsible for the accounting, actuarial and taxation functions within STC. He is a chartered accountant and has many 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.

## Narelle Wooden

### **General Counsel and Company Secretary since January 2010**

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, internal audit and secretariat services. Ms Wooden is also a member of the Police Superannuation Advisory Board.

## Melanie O'Rourke

### **Manager, Operations and Implementation from February 2012**

Ms O'Rourke joined STC in February 2012 and is responsible for the investment operational aspects for the Fund, including the implementation of investment decisions, ongoing monitoring of the Fund's managers and custodian, and reporting on the Fund's investments to management, the Board and associated Committees. Prior to her appointment, Ms O'Rourke worked at WorkCover Authority of NSW for over four years within the Investment Division in the Investment Operations team for the Workers Compensation Insurance Fund. Prior to WorkCover, Ms O'Rourke managed the transition team for master custody clients at BNP Paribas after moving from Mercer, where she worked for over five years in the custody consulting and asset transition team.

## Lyn Collingridge

### **Strategic Project Manager and Chief Audit Executive until December 2011**

Ms Collingridge was responsible for strategic projects affecting all business areas of State Super. She is a superannuation lawyer with extensive experience in the public sector and private practice, and has worked in the superannuation industry since 1989. Ms Collingridge was appointed as General Counsel and Company Secretary in October 1998 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 and was appointed Chief Audit Executive on 30 June 2010.

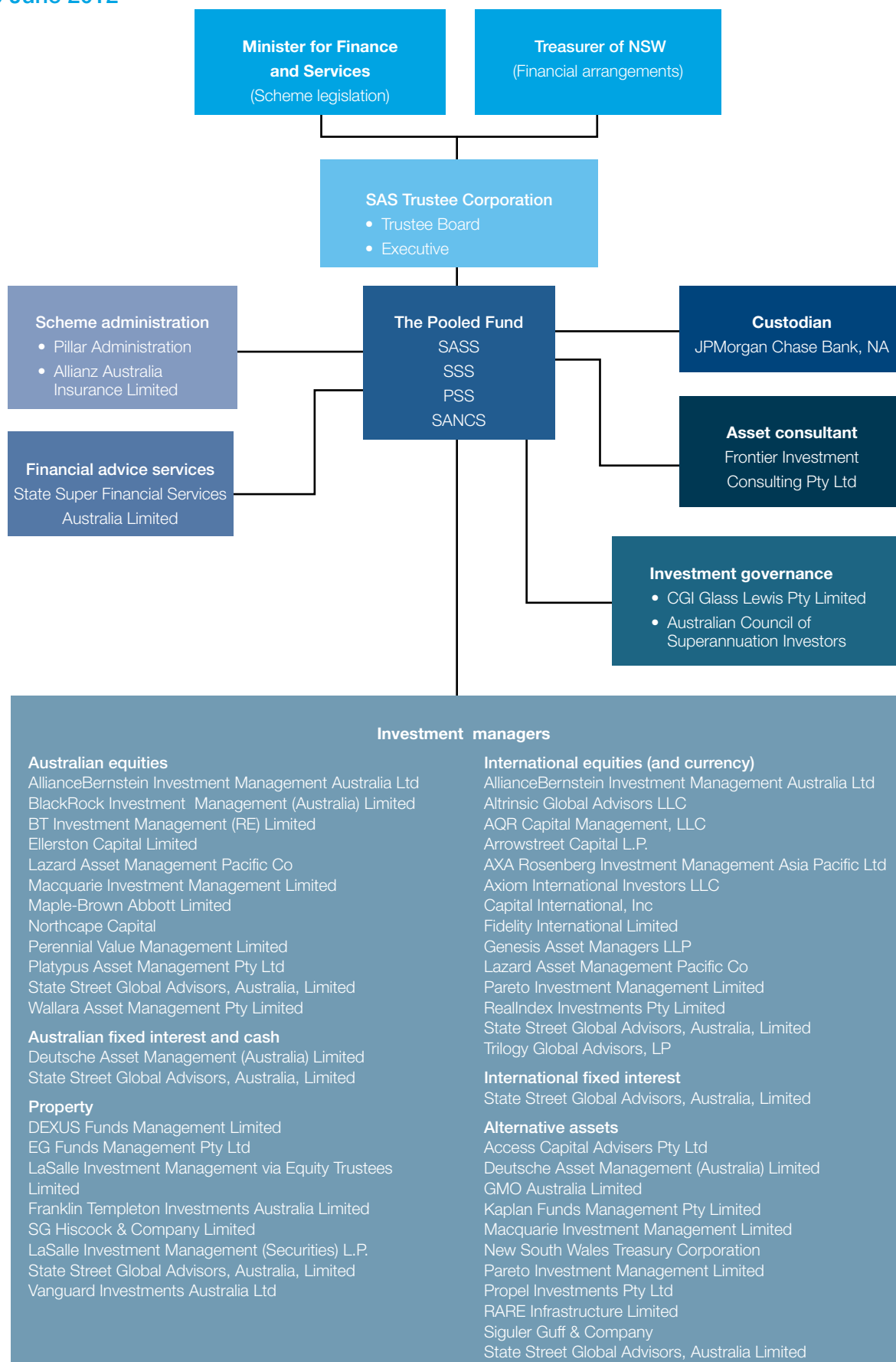
## Martin Drew

### **Chief Investment Officer until April 2012**

Mr Drew managed STC's investment team in respect of all aspects of the investment management and performance of the Pooled Fund. This included liaison with investment service providers, such as the asset consultant, investment managers and the custodian.

# Organisational structure

As at 30 June 2012



# Review of 2011–12

## 1. Fund size

Net assets	
Year ending	\$ billion
30 June 2012	34.4
30 June 2011	32.2
30 June 2010	30.7

Changes in net assets reflect net flows from contributions and benefit payments and movements from investment returns.

## 2. Investment overview

### (a) Investment environment for 2011–12

#### Global economic overview

During the 2011–12 financial year, investment markets were significantly affected by negative events in the global economy.

These economic setbacks reflect the continuing impact of the global financial crisis, which has left banks, consumers and governments holding excessive levels of debt. This debt overhang has been weighing on financial market returns for several years.

In some areas the process of paying down debt – also known as ‘deleveraging’ – is nearly complete. Many companies are now carrying less debt and have large amounts of cash on their balance sheets.

However, for consumers, banks and governments, the deleveraging process has much further to go. This makes it difficult for consumers and governments to spend and difficult for banks to lend. As a result, economic growth is likely to be below trend for some years.

At the beginning of the financial year the focus was on the United States (US), where a bipartisan political agreement was required to extend the nation’s maximum permissible amount of public debt. However once that issue was resolved, concerns about Europe’s financial stability began to dominate market thinking. There was growing speculation that Greece’s debt-laden economy would be forced to exit the Eurozone.

### Europe’s debt problem

Throughout the 2011–12 financial year, markets struggled to assess the dangers the Greek economy posed to the European currency and to the European and global economies. The potential for a Greek default – and an exit from the Euro – was constantly debated. While a default would have created both economic and market turmoil, the key concern was the possibility that a default in Greece would threaten much larger economies like Spain and Italy. While the Eurozone financial mechanisms set up to defend the Euro may be large enough to manage a Greek default, they would not have the capital to cope with a collapse in Spain and Italy. This would have very grave consequences for the European and global economies.

During the year there were several periods where financial markets were pricing in a high probability of a Eurozone break-up. However, on each occasion the member countries would unite and agree to measures that inched them closer towards a fiscal union. Financial markets would regain some confidence and recover some lost ground. Then new pressure points would appear and markets would again lose confidence and sell off.

The financial year ended with a degree of optimism that the Eurozone can withstand these strains. It is slowly progressing towards the fiscal union that is necessary for the monetary union to work long term.

### The US debt problem

While Europe was the epicentre of financial fear during the year, events in the US and China also affected financial markets.

In the US the eventual settling of the debt-limit issue created some stability and helped underpin a moderate US sharemarket recovery. However, the market focus has now shifted from the debt ceiling to the ‘fiscal cliff’ – the expiry of a range of stimulus measures in early 2013. If these tax and spending measures are allowed to expire they could reduce growth by 3.5% to 4.0% of gross domestic product (GDP) and end the prospect of a robust US recovery in the short term. While the consensus view is that some of these policy measures will be rolled over, concerns about the fiscal cliff re-introduced uncertainty into the US economy and may already have acted as a brake on GDP growth.

## Review of 2011–12 (continued)

### Policy switch in China

In China, the economy slowed significantly as measures aimed at reducing inflation and curbing house price pressures took effect. While inflation is now under control, the poor growth outlook in the Eurozone has affected China's export sector. To offset this negative impact, authorities are now seeking to re-stimulate the economy.

### Effects on the Australian market

Australian investment markets were not immune to the pressures affecting the global economy. While the local economy is strong by global standards, Australian businesses were affected by a strong dollar, the European debt crises, the uncertainty in the US and, most importantly, slower Chinese growth and the effect that had on prices for Australian commodity exports.

### Impact on financial markets

The uncertainties in the global economy negatively impacted both Australian and international equities. Australian shares were down 6.7% and international shares fell 0.5% for the year ending June 2012.

In Australia, the strongest performance came from defensive stocks such as infrastructure and telecommunications companies. The mining and energy sectors were the worst performers.

In contrast, bonds did very well. Australian and international bonds generated 13.4% and 11.9% respectively for the year while cash returned 4.7%.

### (b) Investment returns for STC

It was a year where asset allocation had a significant impact on returns. Given the prevailing economic and market conditions, the Growth Strategy underperformed. The best performing strategy was the Conservative Strategy.<sup>^</sup>

The returns based on declared rates for periods ending 30 June 2012 are outlined in the following table. The median manager results from the Mercer survey of superannuation funds are also shown below.

Year ending	Growth Strategy %	Median %	Balanced Strategy* %	Median %
2012	0.4	0.5	2.6	2.5
2011	8.7	8.2	7.7	7.5
2010	9.2	10.0	8.4	9.5
2009	-10.3	-12.2	-4.2	-8.1
2008	-7.2	-7.6	-3.2	-4.1
Compound returns				
Years				
3	6.0	6.1	6.2	6.5
5	-0.2	-0.7	2.1	1.1
10	5.2	4.6	n/a	n/a

Past performance is no guarantee of future performance.

<sup>^</sup> The name of the 'Conservative Growth' investment strategy has been changed to 'Conservative' to better reflect the underlying asset mix of this strategy.

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

## Review of 2011–12 (continued)

### Declared returns to 30 June 2012

Year ending	Conservative* Strategy %	Median %	Cash Strategy* %
2012	4.6	4.0	4.2
2011	6.7	6.4	4.5
2010	7.1	8.3	3.4
2009	0.6	-3.4	4.7
2008	0.7	-0.7	6.1
<b>Compound returns</b>			
<b>Years</b>			
3	6.1	6.1	4.0
5	3.9	2.4	4.6
10	n/a	n/a	n/a

Past performance is no guarantee of future performance.

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

### (c) Investment returns against objectives

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

#### Growth

- 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.
- The risk of negative returns is assessed as medium to high, i.e. from 3 to less than 4 negative annual returns are estimated to occur over any 20-year period.

#### Balanced

- The objective of the Balanced Strategy is to maximise the earnings rate subject to a greater than 60% probability of exceeding CPI+3.0% p.a. over rolling 7-year periods.
- The risk of negative returns is assessed as medium, i.e. from 2 to less than 3 negative annual returns are estimated to occur over any 20-year period.

#### Conservative

- The objective of the Conservative Strategy is to maximise the earnings rate subject to a greater than 70% probability of exceeding CPI+2.0% p.a. over rolling 4-year periods.
- The risk of negative returns is assessed as low, i.e. from 0.5 to less than 1 negative annual returns are estimated to occur over any 20-year period.

#### Cash

- The objective of the Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding the CPI+1.5% p.a. over rolling 3 year periods.
- The risk of negative returns is assessed as very low, i.e. from less than 0.5 negative annual returns are estimated to occur over any 20-year period.

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

The table below shows the annual average returns for the investment strategies relative to their long-term investment objectives.

### Declared returns for the period ending 30 June 2012 against the investment objectives

Strategy	Period	Declared return % p.a.	Objective % p.a.
Growth	10 years	5.2	7.2
Balanced	7 years	4.7	5.8
Conservative	4 years	4.7	4.3
Cash	3 years	4.0	4.1



## Review of 2011–12 (continued)

### (d) Asset allocation

Set out below is the strategic asset allocation as apportioned between growth assets and defensive assets for each investment strategy.

#### Strategic asset allocation for investment strategies for 2011–12

Strategy	Growth assets %	Defensive assets %
Growth	78.9%	21.1%
Balanced	51.8%	48.2%
Conservative	30.1%	69.9%
Cash	0.0%	100.0%

Generally, the proportions allocated to growth versus defensive assets are within plus or minus 5% of the percentages shown. However, the Trustee may move outside the ranges where necessary to accommodate specific circumstances.

The strategic and actual asset allocation for each investment strategy at 30 June 2012 is shown in the tables below.

#### Asset allocation as at 30 June 2012

Sector	Growth		Balanced	
	Strategic %	Actual %	Strategic %	Actual %
Australian equities	33.0	27.9	24.0	24.1
International equities	29.0	23.7	18.7	18.7
Property	9.0	8.6	5.4	5.5
Alternative assets*	15.0	13.1	8.9	9.2
Australian fixed interest	5.5	4.9	13.5	13.6
International fixed interest	2.5	2.4	6.5	6.6
Cash	6.0	19.4	23.0	22.3
	100.0	100.0	100.0	100.0

Sector	Conservative		Cash	
	Strategic %	Actual %	Strategic %	Actual %
Australian equities	13.0	13.1	0.0	0.0
International equities	9.7	9.7	0.0	0.0
Property	5.4	5.5	0.0	0.0
Alternative assets*	6.3	6.5	0.0	0.0
Australian fixed interest	13.8	13.9	0.0	0.0
International fixed interest	9.0	9.1	0.0	0.0
Cash	42.8	42.2	100.0	100.0
	100.0	100.0	100.0	100.0

\* The alternative assets category comprises allocations to assets with both growth and defensive characteristics.

#### Asset allocation of each strategy from 1 July 2012

Effective 1 July 2012, the Trustee has adopted a different classification within the asset allocation. Rather than allocating asset classes into two categories (growth and defensive), the Trustee now allocates the asset classes into three categories — liquid defensive, liquid growth and alternatives — to more closely reflect the role of each category within the portfolio.

**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.



## Review of 2011–12 (continued)

### Strategic asset allocation: Growth, Balanced and Conservative investment strategies

#### Growth Strategy

Effective from 1 July 2012, the strategic asset allocation of the Growth Strategy was revised to liquid growth (54.0%), alternatives (30.5%) and liquid defensive (15.5%).

#### Balanced Strategy

The strategic asset allocation of the Balanced Strategy did not change at 1 July 2012; however, the asset allocation will now be classified as liquid growth (42.7%), alternatives (14.3%) and liquid defensive (43.0%). During 2012–13, it is expected that the strategic asset allocation for the Balanced Strategy will be progressively adjusted to increase the exposure to alternatives to 20.0%, and reduce the exposure of liquid growth to 38.0% and liquid defensive to 42.0%.

#### Conservative Strategy

The strategic asset allocation of the Conservative Strategy did not change as at 1 July 2012; however, the asset allocation will now be classified as liquid growth (22.7%), alternatives (11.7%) and liquid defensive (65.6%). During 2012–13, it is expected that the strategic asset allocation for the Conservative Strategy will be progressively adjusted to increase the exposure to alternatives to 17.2%, and reduce the exposure of liquid growth to 20.0% and liquid defensive to 62.8%.

#### (e) Investment expenses

Investment management expenses are deducted from investment earnings before the declared rates are determined and are calculated by multiplying the average balance in applicable accounts over the year, by an indirect cost percentage. As investment fees vary for each of the investment options available, an estimated indirect cost percentage is calculated.

The indirect cost percentage includes management and performance fees paid to managers, custodian and trustee fees, as well as, other investment related costs and expenses borne by STC as part of managing the Fund. The indirect cost percentage does not include transaction costs or fees associated with dealing in unlisted assets which are charged in the Fund such as brokerage on listed securities, and acquisition costs, professional fees and third party valuation costs for unlisted assets.

The indirect cost percentages for the four investment strategies are:

Strategy	% of average total assets	
	2011–12	2012–13
Growth	0.34	0.34
Balanced	0.25	0.26
Conservative	0.17	0.19
Cash	0.02	0.05

The estimated indirect cost percentages for 2012–13 take into account changes in allocations to asset classes and other already determined changes in investment related costs affecting the investment strategies.

#### (f) Asset consultant

The Trustee Board's investment consultant, Frontier Investment Consulting Pty Limited, advises the Trustee 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 that 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 new managers may be added or existing managers replaced.

The investment managers as at 30 June 2012 are set out on page 10.

# Review of 2011–12 (continued)

## (h) Investment policies

### 1. 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.

### 2. 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 2012, the managers made limited use of derivatives, except for the passive rebalancing program, which makes extensive use of index futures.

### 3. Currency hedging policy

The Trustee's policy for currency hedging at 30 June 2012 was:

- international equities are hedged from 0% to 64% 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 100% into Australian dollars.

### 4. 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.

### 5. 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. Each day, after the portfolio is valued, the index manager – State Street Global Advisors, Australia, Limited – reviews the asset allocation for each strategy.

For the Balanced and Conservative strategies, if an asset class has deviated away from the target asset allocation, the manager trades against the Growth Strategy to return allocations back 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.

### 6. Large investments

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

## Review of 2011–12 (continued)

### (i) STC's Environmental, Social and Governance Policy (ESG)

#### ACSI ESG Guidelines

In formulating its policy position on ESG matters, STC has taken into consideration the document *A guide for superannuation trustees on the consideration of environmental, social and corporate governance risks in listed companies*, published by the Australia Council of Super Investors (ACSI) in October 2009.

#### STC's Environment, Social and Governance Policy

STC's ESG Policy is implemented through a six-part program which is set out below.

##### 1. Investment strategy development and research

STC believes that properly understanding and assessing the likely material risks and returns of its investments is an inherent requirement of fulfilling its fiduciary duties to its members. STC also considers the ESG performance of companies in which STC invests to be relevant to the performance of STC's investment portfolio.

##### 2. Proxy voting

STC believes that informed, active voting of proxies provides the most effective way to encourage companies to adhere to the ASX corporate governance principles.

##### 3. Engagement with fund managers

STC considers the integration of ESG information throughout mainstream investment analysis to be essential, and therefore promotes integration of material issues into investment decision making by its fund managers. STC expects its fund managers to exercise its ownership rights, including proxy voting and communication with company management, and to manage investments on behalf of STC with long-term investment performance in mind.

##### 4. Engagement and advocacy within the wider investment community

STC believes that collaborative engagement with other shareholders or stakeholders can lead to improvements in company behaviour, policies and financial systemic conditions.

##### 5. STC staff development and education

A practical understanding of ESG issues is essential if STC Board members and staff are to effectively engage with fund managers and other investment service providers, and to ensure that these parties discharge their agreed responsibilities.

##### 6. Communication with STC stakeholders

STC believes it is important to communicate to stakeholders and other interested parties its beliefs and positions on ESG issues, together with relevant actions taken, or planned to be taken. This fulfils a responsibility to stakeholders and gives encouragement to other investors to address ESG issues.

## Review of 2011–12 (continued)

### UN Principles for Responsible Investment

STC became a signatory to the UN Principles for Responsible Investment in August 2011.

The UN Principles for Responsible Investment provide that pension funds should:

- incorporate ESG issues into investment analysis and decision-making processes
- be active owners and incorporate ESG issues into their ownership policies and practices
- seek appropriate disclosure on ESG issues by the entities in which they invest
- promote acceptance and implementation of the principles within the investment industry
- work together to enhance their effectiveness in implementing the principles
- report on their activities and progress towards implementing the principles.

It is important to note that the UN Principles for Responsible Investment suggest a policy of engagement with companies rather than screening or avoiding stocks based on ESG criteria (although this may be an appropriate approach for some investors). The principles are generally designed for large investors like STC that are highly diversified and have large stakes in companies, often making divestment or avoidance impractical.

### 3. Scheme membership

All STC schemes are closed to new members. The total membership numbers as at June 2012 are set out in the table below.

Scheme category	As at 30 June 2007	As at 30 June 2012	% movement in 5 years
<b>Active members</b>			
SSS	24,419	13,420	(45%)
SASS	53,776	38,224	(29%)
PSS	2,923	1,673	(43%)
Total	81,118	53,317	(34%)
<b>Deferred benefit members</b>			
SSS	4,161	2,749	(34%)
SASS	11,549	10,530	(9%)
PSS	174	141	(19%)
Total	15,884	13,420	(16%)
<b>Pension members</b>			
SSS	41,151	49,048	19%
SASS	4,381	3,869	(12%)
PSS	5,880	6,521	11%
Total	51,412	59,438	16%
TOTAL	148,414	126,175	(15%)

Over the last five years, active membership has fallen by 27,801 (or 34%). Over the next five years, it is anticipated that active membership will continue to decline by approximately 25,000.

Conversely, pension member numbers are increasing, primarily as a result of members in SSS reaching retirement age and taking a pension. The number of pension members is projected to increase to approximately 63,000 by June 2017.

## Review of 2011–12 (continued)

### 4. Member services

#### (a) Members' use of services

STC continues to provide a range of services to enable members to obtain timely, accurate and useful information on the schemes and their personal benefit entitlements.

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

	2009–10	2010–11	2011–12
Telephone calls	106,378	106,238	111,242
Personal interviews	2,777	2,459	2,143
Seminar attendance	5,064	4,189	3,834
Letters received	5,152	6,202	8,486
Emails received	9,438	10,680	10,373

Telephone call volumes increased by 5% despite the decline in total membership numbers. Postal correspondence increased by 37%, as a result of the Additional Benefit 'opt out' mailings, whilst email correspondence declined by 3% over the 12-month period. Email correspondence is still the preferred means of written communication for members.

#### (b) SASS member investment choice

Since December 2003, active and deferred SASS members have been able to choose from four investment strategies for the accumulation part of their benefit.

Concurrent investment choice was introduced for SASS members in April 2010. This enables members to choose multiple investment strategies for their personal account balance and future contributions. Previously, members could only choose one strategy for both.

The table below outlines the allocation of member account balances by investment strategy. The account balances in this table cover both contributory and deferred SASS members, are net of surcharge tax liabilities and include deferred SANCS benefits invested in the Growth Strategy.

	Account balances			
	30 June 2011 \$ million	%	30 June 2012 \$ million	%
Growth	5,447.8	92	5,133.9	87
Balanced	191.3	3	211.7	4
Conservative	120.6	2	219.4	4
Cash	169.8	3	313.0	5
<b>Total</b>	<b>5,929.5</b>	<b>100</b>	<b>5,878.0</b>	<b>100</b>

During 2011–12, there were net inflows into the Balanced, Conservative and Cash strategies and these strategies increased their share of account balances from 8% to 13%. The Growth Strategy (the default option) remains the most popular strategy at 87% of account balances.

#### (c) Salary-sacrifice contributions

Since 2007, members have had the option of contributing their compulsory member contributions on a post-tax or a pre-tax (salary sacrifice) basis. The majority of members in all schemes make salary sacrifice contributions. The percentage of members contributing by salary sacrifice as at 30 June 2012, with a breakdown for each scheme, is shown in the following table.

##### Percentage of members contributing via salary sacrifice as at 30 June 2012

	SASS	SSS	PSS
30 June 2012	50%	74%	53%
30 June 2011	48%	71%	51%

#### (d) Retirement planning seminars

During 2011–12, STC staff conducted 67 retirement planning seminars which were attended by 3,292 SASS and SSS members.

The retirement planning seminars were supplemented by 18 'Understanding Your Super' seminars which were attended by 542 SASS members. SSFS staff attend all STC seminars and give presentations on retirement planning to supplement the scheme information provided by STC staff.

## Review of 2011–12 (continued)

### (e) 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. STC has documented the required services to be provided to members via SSFS through an access agreement.

The following principles guide the advice model adopted by STC.

- 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. These include an expanded range of self-help tools, to assist members in understanding their benefits and scheme rules. Seminars are offered through both STC and SSFS.
- SSFS can advise members to help them make decisions relating to their overall needs. These include:
  - comprehensive financial planning
  - wealth management
  - insurance
  - contribution and investment strategy
  - retirement adequacy.

STC and SSFS liaise closely to ensure that the members of the STC schemes have access to high quality information and advice about their scheme entitlements and financial planning.

### 5. STC's performance against its objectives in the 2011–12 corporate plan

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

The investment return objective of the Fund is to achieve an investment return that, given the liability profile and estimated cash flows, will achieve full funding by 2030. In order to do this, the Fund is likely to require an aggressive growth strategy targeting excess returns above CPI in the order of 4.5% to 5.5%. Of course, a growth strategy is likely to be highly volatile and the returns can vary significantly over the short term, which can affect longer term performance.

Meeting the long-term goal requires the investments to be actively managed to avoid downside exposure. Given the nature of the cash flow of the Fund, the Trustee will reallocate assets as it deems necessary to maintain the probability of achieving full funding. During the course of the 2011–12 financial year, the Trustee substantially de-risked the portfolio such that the Fund ended the year with a positive return of 0.4%. This was a higher return than the Fund would have likely achieved if the Fund maintained a very aggressive growth bias.

STC implements its investment objectives through fund managers, and over the course of 2011–12. STC has been varying the apportionment between its active managers and passive managers, as part of the process for allocating the investments appropriately for the longer term.

STC has continued to maintain prudent liquidity requirements to fund its liabilities. An increased focus on liquidity management remains a priority for the investment team.

STC reviews the risk and asset allocation settings of the Fund regularly, and believes that the current strategies in place for managing the investments of the Fund are likely to achieve the long-term investment objectives.

## Review of 2011–12 (continued)

### **(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 (Australia) Pty Ltd; its asset consultant, Frontier Investment Consulting; and its investment managers.

STC continued, in conjunction with Frontier, to review the investment managers, the manager configurations, the mandates and the fee arrangements. This is an ongoing process which will be further enhanced over time.

STC also instituted closer oversight of its unlisted investments during the year to ensure that existing investments are performing in line with expectations and that new investments have a high probability of complementing the risk–return characteristics of the existing portfolio.

During the year, STC contracted for the external review of the services provided by its administrator, Pillar Administration. Following this benchmarking exercise, STC commenced negotiations with Pillar for a new administration services contract. The negotiations were ongoing at the end of the financial year.

In respect of actuarial, tax and accounting service providers, the Executive has regular scheduled discussions to ensure all projects are delivered on time, to budget and in line with the agreed scope. The Executive also has frequent informal discussions as required.

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

STC provides the following services to members:

- contact centre and personal interview services
- financial planning advice through State Super Financial Services Australia Limited (SSFS)
- a website, providing general information on the schemes and salary sacrifice calculators, as well as secure online account access
- annual benefit statements
- information seminars for members in both metropolitan and regional centres
- *SuperViews*, a quarterly newsletter distributed to members through their employers and unions. *SuperViews* is also available on the STC website.

General advice is available to members on the SSFS website along with member educational tools such as calculators and videos on selected topics. A tie line between Pillar and SSFS allows for a more efficient coordination of phone-based services for members. For example, members who phone the Pillar Contact Centre seeking financial advice can be transferred directly to an SSFS Customer Service Officer.

STC and SSFS continue to work on joint communications initiatives. These initiatives include increasing the uptake of advice services by SASS deferred benefit members and pension members from all the schemes. During the year, SSFS also provided advice for Ambulance Service and Police Officers on their SASS Additional Benefit cover options. SSFS also assisted members with advice on the changes to the concessional contribution caps affecting superannuation taxation.

Pension members are the largest membership category in the STC schemes and STC is progressively implementing enhancements to the information and advice services available to pension members. A pension newsletter has been developed and was mailed to all pension members for the first time in September 2012. The newsletter provides information about pension entitlements and associated administrative processes, as well as matters of general interest to pension members. Fact sheets dealing with specific pension issues are being developed and the new STC website will make it easier for pension members to locate relevant information. Online services for pension members are also being reviewed. STC is working with SSFS to ensure that pension members are aware that SSFS provides advice services for pension members.

The redevelopment of the STC website is a major communications focus and is expected to be completed in the final quarter of the 2012–13 financial year.

STC operates a highly regarded seminar service which consistently generates positive member feedback. Central to this success is the ongoing development of knowledge of STC schemes.



## Review of 2011–12 (continued)

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

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

During 2011–12, STC met with senior staff of DPC, Department of Finance and Services, and Treasury to discuss stakeholder and STC priorities.

STC also met with selected university employers during 2011–12 and Treasury to assist in resolving longstanding funding plan issues in this sector. The Executive maintains ongoing contact with all stakeholders as they work towards a funding solution.

### **University funding**

The actuary for the STC schemes has estimated that, without additional contributions, the separate university employer reserves in the Pooled Fund are likely to become exhausted over the period from 2015 to 2022.

STC has written to each university to obtain agreement to a funding plan for additional employer contributions from 2013–14 onwards. The funding plans are intended to ensure that each university's reserves in the Fund will remain sufficient to meet the entire cost of the State Super benefits payable.

From a practical perspective, the Trustee is aware that the ability of the universities to agree to a funding plan and budget for the additional contributions is substantially dependent on the outcome of negotiations currently underway between the NSW and Commonwealth governments. The purpose of the negotiations is to determine each government's share of the superannuation funding required by the universities.

Both governments have indicated that they are seeking to settle the funding issue as soon as possible. At the time this report was written, the negotiations had not been finalised.

The Trustee appreciates the importance to scheme members of this funding issue being resolved as soon as possible and will provide updates on its website as further information becomes available.

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

A review of scheme policies was commenced during the year and has been substantially completed. Revisions to scheme policies are implemented after consultation between the Executive and the scheme administrator. The scheme policies are available on the STC website.

STC has tendered for consulting assistance for the review of crediting rate policies and associated processes of the Trustee, administrator and custodian. The review is expected to be completed in 2012 calendar year and any consequential changes implemented in 2013.

The Trustee regularly reviews its Risk Management Strategy and Risk Management Plan. A review was underway at the end of the financial year and STC has engaged Mercer to assist with this. STC has commenced implementing a new system for monitoring risk and compliance and Mercer is also assisting with this.

The preliminary work for the selection of an electronic records management system for STC records is underway. It is expected that a system will be selected and implemented in the 2012–13 financial year.

The STC schemes are 'exempt public sector superannuation schemes' and not subject to direct supervision by the Australian Prudential Regulation Authority (APRA). The STC schemes operate in line with the principles set out in the Heads of Government Agreement for exempt public sector superannuation schemes.



# 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:

- plans and policies 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 retirement income policies
- a comprehensive compliance checklist that identifies 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 facilitate 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

In February 2012, the Board of STC established the STC Investment Committee to support the Board in determining and effecting the investment strategy; to conduct the process of appointing and replacing investment managers and other investment service providers; and to ensure that asset and liability matching is taken into account in investment management decisions.

On the basis of an external review of STC resources allocated to investment governance and operations in 2010–11, three additional positions have been created in the investments area. A further four positions are in the process of being filled.

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
- consult with STC when a potentially sensitive or controversial issue arises.

In exceptional circumstances, STC can direct equity managers on how to vote where it is believed the issue is of sufficient importance to warrant such direction.

## Five years at a glance – to 30 June 2012

Member statistics	2008	2009	2010	2011	2012
Active members – SASS	50,194	46,914	44,022	41,264	38,224
Active members – SSS	22,033	19,938	17,855	15,689	13,420
Active members – PSS	2,597	2,357	2,138	1,889	1,673
<b>Total active members</b>	<b>74,824</b>	<b>69,209</b>	<b>64,015</b>	<b>58,842</b>	<b>53,317</b>
Deferred benefit members – SASS	11,311	11,171	10,729	10,503	10,530
Deferred benefit members – SSS	3,831	3,575	3,322	3,022	2,749
Deferred benefit members – PSS	170	170	166	166	141
<b>Total deferred benefit members</b>	<b>15,312</b>	<b>14,916</b>	<b>14,217</b>	<b>13,691</b>	<b>13,420</b>
Pension members – SASS	4,233	4,062	4,438	3,953	3,869
Pension members – SSS	42,596	44,501	46,786	47,506	49,048
Pension members – PSS	5,994	6,347	6,566	6,434	6,521
<b>Total pension members</b>	<b>52,823</b>	<b>54,910</b>	<b>57,790</b>	<b>57,893</b>	<b>59,438</b>
<b>Gender ratios – active members</b>					
Females – SASS	52%	52%	52%	52%	51%
Males – SASS	48%	48%	48%	48%	49%
Females – SSS	34%	34%	34%	34%	34%
Males – SSS	66%	66%	66%	66%	66%
Females – PSS	11%	12%	12%	12%	12%
Males – PSS	89%	88%	88%	88%	88%
<b>Contributions – \$ million</b>					
Employer contributions	229	174	166	165	139
Employee contributions	564	546	540	522	504
Crown contributions	902	978	1,567	1,330	6,005
<b>Total contributions</b>	<b>1,695</b>	<b>1,698</b>	<b>2,273</b>	<b>2,017</b>	<b>6,648</b>
<b>Benefits paid – \$ million</b>	<b>3,075</b>	<b>3,021</b>	<b>3,258</b>	<b>3,384</b>	<b>3,689</b>
<b>Net contributions – \$ million</b>	<b>-1,380</b>	<b>-1,323</b>	<b>-985</b>	<b>-1,367</b>	<b>2,959</b>
<b>Investment revenue – \$ million</b>	<b>-3,062</b>	<b>-4,129</b>	<b>3,078</b>	<b>2,925</b>	<b>-37</b>

## Five years at a glance – to 30 June 2012 (continued)

Assets/liabilities – \$ million	2008	2009	2010	2011	2012
Accrued benefits – SASS	12,334	11,719	12,580	13,090	13,184
Net assets to pay benefits	8,590	7,854	8,559	9,102	10,128
<b>Over (under) funding – SASS</b>	<b>-3,744</b>	<b>-3,865</b>	<b>-4,021</b>	<b>-3,988</b>	<b>-3,056</b>
Accrued benefits – SSS	28,157	27,875	29,003	29,905	30,843
Net assets to pay benefits	20,975	17,214	18,025	18,758	18,910
<b>Over (under) funding – SSS</b>	<b>-7,182</b>	<b>-10,661</b>	<b>-10,978</b>	<b>-11,147</b>	<b>-11,933</b>
Accrued benefits – PSS	6,038	6,158	6,350	6,483	6,661
Net assets to pay benefits	3,463	2,750	2,913	3,046	3,645
<b>Over (under) funding – PSS</b>	<b>-2,575</b>	<b>-3,408</b>	<b>-3,437</b>	<b>-3,437</b>	<b>-3,016</b>
Accrued benefits – SANCS	2,564	2,483	2,653	2,700	2,674
Net assets to pay benefits	1,186	1,030	1,246	1,274	1,669
<b>Over (under) funding – SANCS</b>	<b>-1,378</b>	<b>-1,453</b>	<b>-1,407</b>	<b>-1,426</b>	<b>-1,005</b>
<b>Total accrued benefits – \$ million</b>	<b>49,093</b>	<b>48,235</b>	<b>50,585</b>	<b>52,178</b>	<b>53,362</b>
<b>Total net assets to pay benefits</b>	<b>34,214</b>	<b>28,848</b>	<b>30,743</b>	<b>32,180</b>	<b>34,352</b>
<b>Total over (under) funding</b>	<b>-14,879</b>	<b>-19,387</b>	<b>-19,842</b>	<b>-19,998</b>	<b>19,010</b>

Employers are required by AASB119 *Employee Benefits* to report accrued benefits using a risk-free discount rate. This rate differs from the assumed earning rate used by the scheme actuary to calculate the accrued benefits set out in the above table. The risk-free rate results in a higher estimate of accrued benefits.

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# Part B – SAS Trustee Corporation Statutory Information

The following information is provided in accordance with the *Annual Reports (Statutory Bodies) Regulation 2010*.

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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.

Chairperson	Appointed	Termination date
Dr D Russell*	1 Jan 2008	31 Dec 2012
M Carapiet	1 Aug 2011	31 Jul 2015
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
Ms K Moses	19 Mar 2012	18 Mar 2016
Employee representatives		
Mr R Davis	1 Jul 1996	31 Dec 2013
Ms S Walsh	25 Mar 2011	24 Mar 2015
Mr R Harty	1 Jan 2002	31 Aug 2014
Mr N Lewocki	1 Sep 1998	31 Aug 2012

\* Resigned prior to completion of term.

\*\* Completed Board appointed term.

The Trustee Board generally meets on a monthly basis. Ten meetings were held during the period from 1 July 2011 to 30 June 2012.

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

Chairperson	Meetings attended	Possible attendance
Dr D Russell*	1	1
Mr M Carapiet	9	9

\* Resigned prior to completion of term.

Employer representatives		
Mr R Davis	10	10
Mr R Harty	10	10
Ms S Walsh	8	10
Mr N Lewocki	8	10
Employee representatives	Meetings attended	Possible attendance
Mr I Blair	8	10
Mr P Scully	8	10
Mr M Lambert	10	10
Ms A De Salis	4	5
Ms K Moses	3	4

## Trustee Board Committees

The Committees and details of their functions and membership at 30 June 2012 are outlined below.

### Actuarial Committee

#### Members

Messrs Scully (Chairperson), Davis, Harty and Lambert. Mr Carapiet 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 and 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 and liability matching issues that might affect the Fund's investment strategies.
- 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

As at 30 June 2012, Messrs Blair (Chairperson), Davis and Lambert. Mr Carapiet 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 STC's risk management policies and processes.

Further information on STC's Risk Management Strategy and Plan is provided on page 36 of this report.

### Disputes Committee

#### Members

As at 30 June 2012, Messrs Lewocki (Chairperson), Davis and Blair. Mr Carapiet 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 section 88 of the Act and report to the Trustee Board.
- To monitor death and disability benefit decisions made by the administrator.
- To appoint and review medical consultants.

### Member Services Committee

#### Members

Messrs Harty (Chairperson), Davis, Scully and Lambert and Ms Walsh. Mr Carapiet 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 scheme policies.
- To review and monitor the performance of providers of advice services to STC scheme members.
- To oversee member communications and review the outcomes of member satisfaction surveys.

# Trustee Board Committees (continued)

## Human Resources and Governance Committee

### Members

As at 30 June 2012, Mr Carapiet (Chairperson), Messrs Blair and Harty and Ms Walsh.

### Role

- To review the salary structure of the STC Executive.
- To determine the salary structure of the contract staff and the Chief Executive Officer, having regard to appropriate benchmarks.
- To review the performance of the Chief Executive Officer.
- To oversee the application of the Protected Disclosures Policy and the Code of Conduct and Ethics.

## Investment Committee

### Members

As at 30 June 2012, Mr Carapiet (Chairperson), Messrs Davis, Lambert and Scully.

### Role

- To support the Trustee Board in determining and effecting the investment strategy.
- To conduct the process of appointing and replacing investment managers and other service providers.
- To receive other information as may be required in order to improve the investment management decisions of STC.
- To ensure that asset and liability matching is taken into account in investment management decisions.

## 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 (PSS).
- 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
<b>Actuarial Committee</b>		
P Scully ( <i>Chairperson</i> )	4	4
R Davis	4	4
M Lambert	3	4
R Harty	4	4
<b>Risk, Audit and Compliance Committee</b>		
I Blair ( <i>Chairperson</i> )	5	5
R Davis	5	5
A De Salis	2	2
M Lambert	4	5
<b>Disputes Committee</b>		
N Lewocki ( <i>Chairperson</i> )	6	6
R Davis	5	6
A De Salis	2	3
I Blair	3	6
P Scully*	3	3
* Deputy for Ms De Salis and Mr Blair.		
<b>Member Services Committee</b>		
R Harty ( <i>Chairperson</i> )	5	5
R Davis	4	5
M Lambert	5	5
P Scully	5	5
S Walsh	4	5

	Meetings attended	Possible attendance
<b>Human Resources and Governance Committee</b>		
D Russell ( <i>Chairperson</i> )*	1	1
M Carapiet ( <i>Chairperson</i> )	4	4
I Blair	4	5
R Harty	5	5
S Walsh	4	5
A De Salis	4	4
* Dr Russell resigned as Chairperson effective from 31 July 2011.		
<b>Investment Committee</b>		
M Carapiet ( <i>Chairperson</i> )	4	4
M Lambert	4	4
P Scully	3	4
R Davis	4	4
<b>Police Superannuation Advisory Committee</b>		
R Davis ( <i>Chairperson</i> )	12	12

## Human resource management

Following the proclamation of the *Public Sector Employment Legislation Amendment Act 2006* (NSW), all STC Executive staff, with the exception of the Chief Executive Officer, are employed by the SAS Trustee Corporation Division of the Government Service of NSW. The Chief Executive Officer'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 is provided by Pillar Administration. The table below shows the STC Executive staff (male and female) and the total staff numbers by salary band as at 30 June.

Salary range	2008–9			2009–10			2010–11			2011–12		
	Men	Women	Total staff	Men	Women	Total staff	Men	Women	Total staff	Men	Women	Total staff
< \$39,670	0	0	0	0	0	0	0	0	0	0	0	0
\$39,670 – \$52,103	0	1	1	0	0	0	0	0	0	0	0	0
\$52,104 – \$58,248	0	1	1	0	0	0	0	0	0	0	0	0
\$58,249 – \$73,708	0	2	2	0	3	3	0	3	3	2	1	3
\$73,709 – \$95,318	2	4	6	2	3	5	2	3	5	2	3	5
\$95,319 – \$119,149	0	2	2	0	3	3	0	3	3	0	2	2
> \$119,149 (non-SES)	3	7	10	8	5	13	9	4	13	8	7	15
<b>Totals</b>	<b>5</b>	<b>17</b>	<b>22</b>	<b>10</b>	<b>14</b>	<b>24</b>	<b>11</b>	<b>13</b>	<b>24</b>	<b>12</b>	<b>13</b>	<b>25</b>
	<b>23%</b>	<b>77%</b>		<b>42%</b>	<b>58%</b>		<b>46%</b>	<b>54%</b>		<b>48%</b>	<b>52%</b>	

### Salary movement

Salaries for contract staff are reviewed annually as part of a performance appraisal process. Award staff salary movement during the year was consistent with the *Crown Employees (SAS Trustee Corporation) Award 2010*. 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 2011–12 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 RG146 training requirements. In addition, staff may attend training designed by external providers; and can also 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* or the *Work Health and Safety Act 2011*.

During the year, STC staff were again offered the opportunity to have influenza immunisations and 19 staff members accepted.

## Equal Employment Opportunity (EEO) Policy

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

**Table A: Trends in the representation of EEO groups<sup>1</sup>**

EEO group	Benchmark or target	% of total staff <sup>2</sup>			
		2009	2010	2011	2012
Women	50%	59	58	54	54
Aboriginal people and Torres Strait Islanders	2.6%	0	0	0	0
People whose first language was not English	19%	23	21	17	12
People with a disability	N/A <sup>3</sup>	0	0	0	0
People with a disability requiring work-related adjustment	1.1% (2011) 1.3% (2012) 1.4% (2013)	0	0	0	0

### Notes for Table A

1. Staff numbers as at 30 June 2012.
2. Excludes casual employees.
3. Per cent employment levels are reported but a benchmark level has not been set.

## Code of Conduct and Ethics

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

The Codes were last reviewed in May 2011. The Codes are available for inspection on the State Super website, [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)

## Overseas visits

Two STC funded overseas visits were undertaken by the Executive or Trustee Board members during the financial year 2011–12.

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

STC last reviewed its Disability Plan in the third quarter of the 2011 calendar year.

## Significant judicial decisions

STC is unaware of any significant judicial decisions during 2011–12 that have affected or may affect it in its capacity as Trustee of the STC schemes or affect the users of the STC schemes in their capacity as members of a public sector superannuation scheme.

## 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 (the 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 on request from the State Super website, [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)

During 2011, STC reviewed and updated its Privacy Management Plan and revised the Privacy Statement. The administrator received 13 privacy complaints during 2011–12.

## Annual Report production details

The total cost of producing this report is approximately \$11,600. This cost includes editing, design and print production costs. One hundred copies of this publication have been printed. This publication is available on the State Super website, [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)

## Credit card certification

STC's policy for the use of corporate credit cards by Executive staff is in accordance with the Premier's memorandum 99-05 and the Treasurer's Directions 205.01 to 08.

No irregularities in the use of corporate credit cards were recorded during the year.

## Consumer response – disputes and appeals

The superannuation schemes administered by STC provide members with a two-stage system of review of any decision made by a delegate of STC that they wish to dispute. The first stage is the STC Disputes Committee and the second stage is an appeal to the Industrial Court of NSW.

At 30 June 2011, a total of 11 disputes were current. During the year ended 30 June 2012, STC received 49 new disputes and 28 disputes were concluded (including disputes carried over from the previous year).

Of those **disputes**:

Decided against the appellant	7
Decided in favour of the appellant	10
Withdrawn or discontinued	25
Outstanding at the end of the reporting year	18

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

Decided against the appellant	3
Decided in favour of the appellant	2
Withdrawn or discontinued	2
Settled	3
Outstanding at the end of the reporting year	7

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

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

During the financial year 2011–12, these **appeals** resulted as follows:

	PSAC	Allianz
Decided against the appellant	9	0
Decided in favour of the appellant	2	3
Withdrawn or discontinued	1	1
Settled	28	3
Outstanding at the end of the reporting year	52	7

# Risk management and insurance

STC's Risk, Audit and Compliance Committee comprises members of the Trustee Board. 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.

The Trustee Board is committed to managing the material risks presented by its environment and objectives. Risk must be effectively managed by STC to enable:

- the Fund to operate in the best interests of members for the security of their retirement benefits
- STC, as Trustee of the Fund, to operate in the best interests of members for the security of their retirement benefits and for stakeholders to minimise their cost in funding members' benefits.

To enable STC to manage these risks effectively the Trustee Board has identified the material risks to the Fund and to the Trustee, and the methods to aid in controlling those risks. These procedures are outlined in a combined Risk Management Strategy and Risk Management Plan.

## Risk Management Strategy and Risk Management Plan

The combined Risk Management Strategy and Risk Management Plan (RMS/RMP) applies to all STC funds and to STC as Trustee of the STC funds. All STC funds have similar risk factors. The combined RMS/RMP is published on the STC website, [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)

The RMS/RMP aims to document:

- the actual risks that have been identified by the Trustee Board as material
- the methods adopted to minimise these risks
- the way these risks are monitored on an ongoing basis.

On an annual basis, the Trustee Board and its Executive undertake a detailed analysis and assessment of the material risks in relation to the Trustee's objectives and the Fund's activities and proposed activities. The Trustee Board also identifies risk on an ongoing basis, including reporting of breaches from the Executive and external service providers to the Risk, Audit and Compliance Committee.

In addition to the RMS/RMP, the risk management framework includes the following procedures:

- The management and monitoring arrangements in respect of adequate human, technical and financial resources to enable STC to carry out its obligations effectively.
- STC has arrangements in place to manage and control fraud and corruption.
- STC has appropriate insurance cover in the event of an unexpected occurrence affecting its operations or resources.
- STC has policies which set out a framework that encourages proactive risk management and compliance with regulatory obligations.

## Insurance

During the 2011–12 financial year, 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, and directors' and officers' liability)
- miscellaneous (e.g. personal accident and protection for overseas travel).

## Multicultural Policies and Services Plan

STC is committed to the principles outlined in the *Community Relations Commission and Principles of Multiculturalism Act 2000 (NSW)* and the NSW Government's Community Relations Plan of Action 2012. STC ensures that delivery of services by the Trustee to members of the STC schemes responds to the culturally and linguistically diverse groups of members and their special needs.

STC has developed a Multicultural Policies and Services Plan for the purpose of addressing the needs of the schemes' culturally diverse membership, and aims to improve STC's management and delivery of services.

An ongoing strategy is to arrange, at a member's request, for any scheme communication material to be translated by accredited interpreters into languages other than English at no cost to members. Interpreter services may also be provided for members where English is not their first language. During the year, STC received no requests for interpreter services or for any member communication materials to be translated into another language.

To ensure members have the opportunity to access the services offered by STC, consideration is given to a member's location within NSW when developing a communication strategy for the coming year.

Member education seminars are conducted in Sydney, as well as regional areas. The Trustee aims to reach a wider range of members by adopting this strategy as it is recognised that not all members can travel to receive these services.

In addition, STC promotes the employment of a culturally and linguistically diverse workforce. The Code of Conduct and Ethics, signed annually by all employees, reinforces this commitment.

## Waste Reduction and Purchasing Policy Plan

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

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

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

In September 2011, the Board approved the use of iPads for the review and distribution of Board and Committee papers. Since February 2012, all Board and Committee papers have been distributed electronically.

## Payments to consultants

### Fees exceeding \$50,000

Area	Project	Consultant	\$ total cost
<b>STC</b>			
Board	Review fund administration service arrangements	KPMG Superannuation Services Pty Limited	\$78,320.00
Legal	Ensure compliance with <i>NSW State Records Act 1998</i>	Recordkeeping Innovations	\$55,487.50
			<b>\$133,807.50</b>
<b>Pooled Fund</b>			
Investments	Investment advice review	Towers Watson Australia Pty Limited	\$66,000.00
			<b>\$66,000.00</b>

### Fees less than \$50,000

Area	Project	Consultant	\$ total cost
<b>STC</b>			
Member services	Communications advice	P&L Corporate Communications	\$11,632.50
			<b>\$11,632.50</b>

## Account payment performance

### Accounts paid on time within each quarter

Quarter	Total accounts paid on time			Total amount paid
	Target %	Actual %	\$	\$
Sep 2011	100%	100%	\$9,028,118	\$9,028,118
Dec 2011	100%	100%	\$8,152,008	\$8,152,008
Mar 2012	100%	100%	\$8,409,660	\$8,409,660
Jun 2012	100%	100%	\$8,318,444	\$8,318,444
<b>Total</b>				<b>\$33,908,230</b>



# Government Information (Public Access) Act 2009 NSW

## Program for the release of information

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 under 'Access to information' is reviewed and updated on a regular basis.

## Total number of access applications

STC received one application under the Act between 1 July 2011 and 30 June 2012. Requests regarding member records were handled on behalf of STC by the scheme administrator, Pillar Administration (Pillar). Statistical information regarding members' records under the GIPA Act is contained in Pillar's *Annual Report*.

## Applications refused under Schedule 1 of the Act

STC must report the total number of access applications it refused from those received during the reporting year. These refusals are either whole or partial, on the basis that the application related to the disclosure of information referred to in Schedule 1 of the Act (information for which there is conclusive presumption of overriding public interest against disclosure). During the reporting period STC has refused one application wholly, on the grounds provided by Schedule 1.

**Table A: Number of applications by type of applicant and outcome**

	Access granted in full	Access granted in part	Access refused	Information not held	Information already available	Refusal to deal with application	Refusal to confirm/deny whether information is held	Application withdrawn
Media	0	0	1	0	0	0	0	0
Member of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not-for-profit organisation or community group	0	0	0	0	0	0	0	0
Member of the public (application by legal representative)	0	0	0	0	0	0	0	0
Member of the public (other)	0	0	0	0	0	0	0	0

**Table B: Number of applications by type of application and outcome**

	Access granted in full	Access granted in part	Access refused	Information not held	Information already available	Refusal to deal with application	Refusal to confirm/deny whether information is held	Application withdrawn
Personal information application*	0	0	0	0	0	0	0	0
Access application (other than personal information applications)	0	0	1	0	0	0	0	0
Access applications that are partly personal information and partly other	0	0	0	0	0	0	0	0

\* A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

## Government Information (Public Access) Act 2009 NSW (continued)

**Table C: Invalid applications**

Reason for invalidity	Number of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

**Table D: Conclusive presumption of overriding public interest against disclosure – matters listed in Schedule 1 of the Act**

	Number of times consideration used*
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	1
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

\* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

**Table E: Other public interest considerations against disclosure – matters listed in table to section 14 of the Act**

	Number of occasions when application not successful
Responsible and effective government	1
Law enforcement and security	0
Individual rights, judicial processes and natural justice	1
Business interests of agencies and other persons	1
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

## Government Information (Public Access) Act 2009 NSW (continued)

**Table F: Timeliness**

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	1
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	0

**Table G: Number of applications reviewed under Part 5 of the Act (by type of review and outcome)**

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendation under section 93 of the Act	0	0	0
Review by ADT	0	0	0
Total	0	0	0

\* The Information Commissioner does not have the authority to vary decisions, but can make recommendations to the original decision maker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

**Table H: Applications for review under Part 5 of the Act (by type of applicant)**

	Number of applications for review
Applications by access applicants	0
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

## 2011–12 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
12 Oct 2011	SASS	<i>State Authorities Superannuation Act 1987</i>	<i>The Superannuation Legislation Amendment Act 2010 – No. 60</i>	Part 5E, s 46AL, 46AM, 46AN	Proclamation to commence the remaining provisions of the <i>Superannuation Legislation Amendment Act 2010</i> which amend the <i>State Authorities Superannuation Act 1987</i> in relation to death and incapacity benefits for Ambulance Officers.
12 Oct 2011	SASS	<i>State Authorities Superannuation Act 1987</i>	<i>State Authorities Superannuation Amendment (Ambulance Officers) Regulation 2011</i>	Part 7, s 42–46	<p>The objectives of this Regulation are:</p> <ul style="list-style-type: none"> <li>• to make provision in relation to Ambulance Officers who relinquish coverage for the Additional Benefit and Ambulance Officers who cannot elect to be covered for the additional benefit</li> <li>• to allow the SAS Trustee Corporation to provide to the Ambulance Service of NSW and the FSS Trustee Corporation information it obtains about an Ambulance Officer in the administration of the <i>State Authorities Superannuation Act 1987</i>, but only with the consent of the officer and for the purpose of complying with or giving effect to the award.</li> </ul>
2 Mar 2012	SASS	<i>State Authorities Superannuation Act 1987</i>	<i>Police Amendment (Death and Disability) Act 2011 No. 73</i>	Part 5D, s 46AI, 46AJ, 46AK	An Act to amend the <i>Police Act 1990</i> with respect to the death or disability of Police Officers; to amend consequentially the <i>State Authorities Superannuation Act 1987</i> and the <i>Industrial Relations Act 1996</i> ; to rescind consequentially industrial award provisions relating to payments for the death or disability of Police Officers; and for other purposes.

## 2011–12 Scheme legislation changes (continued)

Effective date	Scheme	Principal Act or regulation	Amending Act or regulation	Section	Description
2 Mar 2012	SASS	<i>State Authorities Superannuation Act 1987</i>	<i>State Authorities Superannuation Amendment (Police Officers) Regulation 2012</i>	Part 6, s 36–39	<p>The objectives of this Regulation are:</p> <ul style="list-style-type: none"> <li>• to enable Police Officers to elect to relinquish coverage for the Additional Benefit so that they may be covered in respect of death and disability under an approved insurance policy</li> <li>• to set out the period within which such elections must be made and when coverage for the Additional Benefit ceases</li> <li>• to allow the SAS Trustee Corporation to provide to the NSW Police Force and FSS Trustee Corporation information it obtains about a Police Officer in the administration of the Act, but only with the consent of the officer and for the purposes of complying with or giving effect to the provisions of Part 9B of the <i>Police Act 1990</i> and the insurance policy approved under that Part.</li> </ul>

# Internal Audit and Risk Management Statement

## Internal Audit and Risk Management Statement for the 2011-2012 Financial Year for the SAS Trustee Corporation

The members of the Board the SAS Trustee Corporation (**STC**) are of the opinion that STC has internal audit and risk management processes in operation 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*

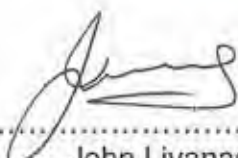
The members of the STC Board are of the opinion that the Risk, Audit and Compliance Committee for STC is constituted and operates in accordance with the independence and governance requirements of Treasury Circular NSW TC 09/08. Subject to some current concerns regarding internal short term resourcing. The Chair and Members of the Risk, Audit and Compliance Committee are:

- Independent Chair – Ian Blair (term of appointment: 1 July 2010 to 31 October 2012 (resignation))
- Independent Member – Anne De Salis (term of appointment: 1 July 2010 to 31 January 2012)
- Independent Member – Michael Lambert (term of appointment: 1 February 2010 to 31 January 2014)
- 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 21 SEPTEMBER 2012, following a resolution of the STC Board on 29 August 2012.

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

  
.....  
John Livanas

Chief Executive Officer



  
.....  
Name: KEVIN JAMES DENT

Witness

# 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.



# 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



## Triennial Actuarial Valuation (continued)

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

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 (continued)

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 (continued)

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

Unfunded liability under varying assumptions (\$ million)					
Basis	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% p.a.	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.

Unfunded liability under varying assumptions (\$ million)					
Basis	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 (continued)

### 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 2006–07, 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 (continued)

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 set out below.

	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
<b>Total</b>	<b>39,584</b>	<b>19,713</b>	<b>19,871</b>

This compares with the position as at 30 June 2006 shown below.

	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
<b>Total</b>	<b>34,551.9</b>	<b>24,116.2</b>	<b>10,435.7</b>

# Triennial Actuarial Valuation (continued)

## 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.

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.

## Public Trading Enterprises 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



## 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 (STC), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for both STC and the consolidated entity. The consolidated entity comprises STC and the entity it controlled at the year's end or from time to time during the financial year.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of STC and consolidated entity as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- 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 Board's Responsibility for the Financial Statements

The Board of STC is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 STC or consolidated entity
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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 roles by the possibility of losing clients or income.



Peter Achterstraat  
Auditor General

26 September 2012  
SYDNEY

SAS TRUSTEE CORPORATION

ABN 29 239 066 746

**Statement by Members of the Trustee Board**  
for the year ended 30 June 2012

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 2012 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 26<sup>th</sup> day of September 2012.



**Michael Carapiet**  
Chairperson  
SAS Trustee Corporation



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

**Consolidated Statement of Comprehensive Income**  
for the year ended 30 June 2012

	NOTE	Economic Entity 2012 \$'000	Economic Entity 2011 \$'000	Statutory Corporation 2012 \$'000	Statutory Corporation 2011 \$'000
<b>Continuing Operations</b>					
Operating Revenue	3	36,404	33,519	35,235	32,526
Operating Expenses	3	(34,154)	(33,766)	(35,235)	(32,526)
<b>Operating Result</b>		<b>2,250</b>	<b>(247)</b>	<b>-</b>	<b>-</b>
<b>Other Comprehensive Income</b>					
Superannuation actuarial gains/(losses)		(2,250)	247	-	-
<b>Total Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**Consolidated Statement of Financial Position**  
as at 30 June 2012

	NOTE	<b>Economic Entity 2012 \$'000</b>	<b>Economic Entity 2011 \$'000</b>	<b>Statutory Corporation 2012 \$'000</b>	<b>Statutory Corporation 2011 \$'000</b>
<b>Current Assets</b>					
Cash and cash equivalents	11(a)	<b>950</b>	958	<b>950</b>	958
Receivables	4	<b>7,395</b>	4,876	<b>7,368</b>	4,722
Other Current Assets		<b>57</b>	106	<b>57</b>	106
<b>Total Current Assets</b>		<b>8,402</b>	5,940	<b>8,375</b>	5,786
<b>Total Assets</b>		<b>8,402</b>	5,940	<b>8,375</b>	5,786
<b>Current Liabilities</b>					
Payables	5	<b>4,291</b>	3,882	<b>8,375</b>	5,786
Provisions	6	<b>4,064</b>	2,014	-	-
<b>Total Current Liabilities</b>		<b>8,355</b>	5,896	<b>8,375</b>	5,786
<b>Non-Current Liabilities</b>					
Provisions	6	<b>47</b>	44	-	-
<b>Total Non-current Liabilities</b>		<b>47</b>	44	-	-
<b>Total Liabilities</b>		<b>8,402</b>	5,940	<b>8,375</b>	5,786
<b>Net Assets</b>		-	-	-	-
<b>Total Equity</b>		-	-	-	-

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

**Consolidated Statement of Cash Flows**  
for the year ended 30 June 2012

		<b>Economic Entity 2012 \$'000</b>	<b>Economic Entity 2011 \$'000</b>	<b>Statutory Corporation 2012 \$'000</b>	<b>Statutory Corporation 2011 \$'000</b>
	NOTE				
<b>Cash Flows from Operating Activities</b>					
Receipts from Associated Schemes		<b>33,697</b>	31,035	<b>32,528</b>	30,042
Interest Received		<b>70</b>	83	<b>70</b>	83
Payments to Suppliers and Employees		<b>(33,775)</b>	(33,130)	<b>(32,606)</b>	(32,137)
Net Operating Cash Flows	11(b)	<b>(8)</b>	(2,012)	<b>(8)</b>	(2,012)
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(8)</b>	(2,012)	<b>(8)</b>	(2,012)
Cash & Cash Equivalents at the Beginning of the Financial Year		<b>958</b>	2,970	<b>958</b>	2,970
<b>Cash &amp; Cash Equivalents at the End of the Financial Year</b>	11(a)	<b>950</b>	958	<b>950</b>	958

*The accompanying notes form an integral part of the above Consolidated Statement of Cash Flows*

**Consolidated Statement of Changes in Equity**  
for the year ended 30 June 2012

	<b>Economic Entity 2012 \$'000</b>	<b>Economic Entity 2011 \$'000</b>	<b>Statutory Corporation 2012 \$'000</b>	<b>Statutory Corporation 2011 \$'000</b>
<b>Balance at 1 July</b>	-	-	-	-
Operating Result	2,250	(247)	-	-
Other Comprehensive Income				
Superannuation actuarial gains/(losses)	(2,250)	247	-	-
Total Comprehensive income	-	-	-	-
<b>Balance at 30 June</b>	-	-	-	-

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

**Notes to the financial statements**  
for the year ended 30 June 2012

**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.

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 26 September 2012.

**Notes to the financial statements**  
for the year ended 30 June 2012

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

**b) Principles of Consolidation**

The consolidated financial statements incorporate 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 these financial statements 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 statements are consistently applied.

The STC Division also prepares separate financial statements. These financial statements are 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.



**Notes to the financial statements**  
for the year ended 30 June 2012

**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 2016. No material change to these financial statements is anticipated.

**Notes to the financial statements**  
for the year ended 30 June 2012

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

**h) Accounting standards applicable issued but not yet effective (Continued)**

AASB 10 *Consolidated Financial Statements* as issued in August 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

AASB 13 *Fair Value Measurement* as issued in September 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

AASB 119 *Employer Benefits* as issued in September 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

**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) 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.

**Notes to the financial statements**  
for the year ended 30 June 2012

**3. RESULT**

	<b>Economic Entity 2012 \$'000</b>	<b>Economic Entity 2011 \$'000</b>	<b>Statutory Corporation 2012 \$'000</b>	<b>Statutory Corporation 2011 \$'000</b>
The result includes the following items of revenue and expense:				
Management Fees	35,989	33,134	34,820	32,141
Interest Income	70	83	70	83
Other Income	345	302	345	302
<b>Total Revenue</b>	<b>36,404</b>	<b>33,519</b>	<b>35,235</b>	<b>32,526</b>
<b>Trustee Expenses</b>				
Board Member Fees	592	600	592	600
Other Administration Expenses	32	87	32	87
<b>Total Trustee Expenses</b>	<b>624</b>	<b>687</b>	<b>624</b>	<b>687</b>
<b>Executive Expenses</b>				
Employee Related Expenses	3,914	3,478	-	-
Superannuation	465	546	-	-
Personnel Services Expenses	-	-	5,460	2,784
Accommodation	486	439	486	439
Other Administration Expenses	474	376	474	376
<b>Total Executive Expenses</b>	<b>5,339</b>	<b>4,839</b>	<b>6,420</b>	<b>3,599</b>
<b>Fund Expenses</b>				
Fees for Services	2,820	2,318	2,820	2,318
Other Administration Expenses	476	342	476	342
Pillar Administration Fees	24,895	25,580	24,895	25,580
<b>Total Fund Expenses</b>	<b>28,191</b>	<b>28,240</b>	<b>28,191</b>	<b>28,240</b>
<b>Total Administration Expenses</b>	<b>34,154</b>	<b>33,766</b>	<b>35,235</b>	<b>32,526</b>
<b>Result</b>	<b>2,250</b>	<b>(247)</b>	<b>-</b>	<b>-</b>

Contained within other Administration Expenses are fees paid to consultants of \$145,440 (2011: \$223,842) and audit fees of \$12,100 (2011: \$12,100) for the Statutory Corporation and \$3,300 (2011: \$3,300) for the STC Division (for both entities, audit of the financial statements and no other services).

**Notes to the financial statements**  
for the year ended 30 June 2012

**3. RESULT (Continued)**

Lease payments made during the year comprised –

	<b>Economic Entity 2012 \$'000</b>	<b>Economic Entity 2011 \$'000</b>	<b>Statutory Corporation 2012 \$'000</b>	<b>Statutory Corporation 2011 \$'000</b>
Minimum lease payments	374	365	374	365
Contingent rentals	-	-	-	-
	<b>374</b>	<b>365</b>	<b>374</b>	<b>365</b>

The Statutory Corporation uses operating leases to provide its office space and, until February 2012, a motor vehicle. Contingent rentals and the existence of renewal options are applicable only to office space. Contingent rentals have been included to the extent the amounts are calculable.

**4. RECEIVABLES**

	<b>Economic Entity 2012 \$'000</b>	<b>Economic Entity 2011 \$'000</b>	<b>Statutory Corporation 2012 \$'000</b>	<b>Statutory Corporation 2011 \$'000</b>
<b>Current</b>				
Amounts Receivable – Pooled Fund	6,314	3,948	6,314	3,948
Other Receivables	1,054	774	1,054	774
Superannuation (refer Note 9)				
SASS	8	103	-	-
SANCS	19	51	-	-
	<b>7,395</b>	<b>4,876</b>	<b>7,368</b>	<b>4,722</b>

**5. PAYABLES**

	<b>Economic Entity 2012 \$'000</b>	<b>Economic Entity 2011 \$'000</b>	<b>Statutory Corporation 2012 \$'000</b>	<b>Statutory Corporation 2011 \$'000</b>
<b>Current</b>				
Amount Payable – Pillar (Administration Fees)	2,214	2,265	2,214	2,265
Other Payables	2,077	1,617	2,077	1,617
Amounts Payable – STC Division	-	-	4,084	1,904
	<b>4,291</b>	<b>3,882</b>	<b>8,375</b>	<b>5,786</b>

All payables are within agreed trading terms.

**Notes to the financial statements**  
for the year ended 30 June 2012

**6. PROVISIONS**

	<b>Economic Entity 2012 \$'000</b>	<b>Economic Entity 2011 \$'000</b>	<b>Statutory Corporation 2012 \$'000</b>	<b>Statutory Corporation 2011 \$'000</b>
<b>Current</b>				
Employee Benefits	1,096	1,121	-	-
Superannuation (refer Note 9) SSS	2,968	893	-	-
	<b>4,064</b>	<b>2,014</b>	<b>-</b>	<b>-</b>
<b>Non-current</b>				
Employee Benefits	47	44	-	-
	<b>47</b>	<b>44</b>	<b>-</b>	<b>-</b>

**Notes to the financial statements**  
for the year ended 30 June 2012

**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.

**Notes to the financial statements**  
for the year ended 30 June 2012

**8. KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL COMPENSATION**

The following were key management personnel of the STC Economic Entity and STC Statutory Corporation during the year.

*Non-executive Trustees*

Mr I Blair  
Mr M Carapiet  
(term commenced 2 August 2011)  
Mr R Davis  
Ms A De Salis  
(term completed 31 January 2012)  
Mr R Harty  
Mr M Lambert  
Mr N Lewocki  
Ms K Moses (term commenced 19 March 2012)  
Dr D Russell (resigned 31 July 2011)  
Mr P Scully  
Ms S Walsh

*Executive Officers*

Ms L Buck  
(from 11 April 2012)  
Ms L Collingridge  
(until 16 December 2011)  
Mr K Dent  
Mr M Drew  
(until 17 April 2012)  
Mr C Durack  
(until 7 October 2011)  
Mr A Grice  
Mr J Livanas  
(from 24 October 2011)  
Ms M O'Rourke  
(from 6 February 2012)  
Ms L Rasmussen  
Ms N Wooden

The key management personnel compensation in relation to services to STC is as follows –

	<b>Economic Entity 2012</b>	<b>Economic Entity 2011</b>	<b>Statutory Corporation 2012</b>	<b>Statutory Corporation 2011</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Short-term employee benefits	2,861	2,071	-	-
Post-employment benefits	-	-	-	-
Other long term employee benefits	10	11	-	-
	<b>2,871</b>	<b>2,082</b>	<b>-</b>	<b>-</b>

**Notes to the financial statements**  
for the year ended 30 June 2012

**8. KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL  
COMPENSATION (Continued)**

Remuneration is shown in bands –

The number of executive officers are shown below in their relevant income bands:

	<b>Economic Entity 2012</b>	<b>Economic Entity 2011</b>	<b>Statutory Corporation 2012</b>	<b>Statutory Corporation 2011</b>
Base compensation (including superannuation contributions) of:				
\$10,000 - \$19,999	-	1	-	-
\$40,000 - \$49,999	1	-	-	-
\$80,000 - \$89,999	2	-	-	-
\$120,000 - \$129,999 <sup>(1)</sup>	1	-	-	-
\$140,000 - \$149,999	-	1	-	-
\$150,000 - \$159,999	-	1	-	-
\$170,000 - \$179,999	2	-	-	-
\$190,000 - \$199,999	1	2	-	-
\$200,000 - \$209,999	1	1	-	-
\$220,000 - \$229,999	1	-	-	-
\$310,000 - \$319,999	1	-	-	-
\$320,000 - \$329,999	-	1	-	-
\$490,000 - \$499,999	-	1	-	-
	<b>10</b>	<b>8</b>	<b>-</b>	<b>-</b>

(1) In respect of the former Chief Executive Officer of STC, the Board determined that a performance bonus of \$117,000 was appropriate.

The number of Board members are shown below in their relevant income bands:

	<b>Economic Entity 2012</b>	<b>Economic Entity 2011</b>	<b>Statutory Corporation 2012</b>	<b>Statutory Corporation 2011</b>
Base compensation (including superannuation contributions) of:				
\$0 - \$39,999	9	7	9	7
\$60,000 - \$69,999	1	1	1	1
\$160,000 - \$169,999	1	1	1	1
	<b>11</b>	<b>9</b>	<b>11</b>	<b>9</b>



**Notes to the financial statements**  
for the year ended 30 June 2012

**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 2012**

	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	783	209	5,322
Current service cost	33	8	50
Interest cost	38	10	274
Contributions by fund participants	19	-	27
Actuarial (gains)/losses	(8)	15	2,014
Benefits paid	(226)	(40)	(534)
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of partly funded defined benefit obligation at end of year</i>	639	202	7,153

**Notes to the financial statements**  
for the year ended 30 June 2012

**9. SUPERANNUATION (Continued)**

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

**Economic Entity**

As at 30 June 2011	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	703	190	5,403
Current service cost	18	8	90
Interest cost	33	8	272
Contributions by fund participants	10	-	39
Actuarial (gains)/losses	67	-	92
Benefits paid	(48)	3	(574)
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of partly funded defined benefit obligation at end of year</i>	783	209	5,322

**Notes to the financial statements**  
for the year ended 30 June 2012

**9. SUPERANNUATION (Continued)**

*Reconciliation of the fair value of fund assets:*

**Economic Entity**

**As at 30 June 2012**

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<i>Fair value of fund assets at beginning of the year</i>	886	260	4,429
Expected return on fund assets	71	20	370
Actuarial gains/(losses)	(103)	(19)	(107)
Employer contributions	-	-	-
Contributions by fund participants	19	-	27
Benefits paid	(226)	(40)	(534)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	<b>647</b>	<b>221</b>	<b>4,185</b>

**Economic Entity**

**As at 30 June 2011**

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<i>Fair value of fund assets at beginning of the year</i>	809	296	4,259
Expected return on fund assets	63	23	353
Actuarial gains/(losses)	52	2	352
Employer contributions	-	(64)	-
Contributions by fund participants	10	-	39
Benefits paid	(48)	3	(574)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	<b>886</b>	<b>260</b>	<b>4,429</b>

**Notes to the financial statements**  
for the year ended 30 June 2012

**9. SUPERANNUATION (Continued)**

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

**Economic Entity**

As at 30 June 2012	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of funded defined benefit obligations at end of the year	639	202	7,153
Fair value of fund assets at end of the year	(647)	(221)	(4,185)
<i>Subtotal</i>	(8)	(19)	2,968
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>	(8)	(19)	2,968

**Economic Entity**

As at 30 June 2011	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of funded defined benefit obligations at end of the year	783	209	5,322
Fair value of fund assets at end of the year	(886)	(260)	(4,429)
<i>Subtotal</i>	(103)	(51)	893
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>	(103)	(51)	893

**Notes to the financial statements**  
for the year ended 30 June 2012

**9. SUPERANNUATION (Continued)**

*Components recognised in the operating result:*

<b>Economic Entity</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>As at 30 June 2012</b>			
Current Service Cost	33	8	50
Interest cost	38	10	274
Expected return on fund assets (net of expenses)	(71)	(20)	(370)
Past service cost	-	-	-
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	-	(2)	(46)

<b>Economic Entity</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>As at 30 June 2011</b>			
Current Service Cost	18	8	90
Interest cost	33	8	272
Expected return on fund assets (net of expenses)	(63)	(23)	(354)
Past service cost	-	-	-
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	(12)	(7)	8

**Notes to the financial statements**  
for the year ended 30 June 2012

**9. SUPERANNUATION (Continued)**

*Amounts recognised in other comprehensive income:*

<b>Economic Entity</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>As at 30 June 2012</b>			
Actuarial (gains)/losses	95	34	2,121
Adjustment for limit on net asset	-	-	-

<b>Economic Entity</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>As at 30 June 2011</b>			
Actuarial (gains)/losses	15	(2)	(260)
Adjustment for limit on net asset	-	-	-

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

<b>Economic Entity</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>As at 30 June 2012</b>	<b>260</b>	<b>95</b>	<b>2,074</b>
As at 30 June 2011	165	61	(47)
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)

<b>Statutory Corporation</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>As at 30 June 2012</b>	<b>(47)</b>	<b>(17)</b>	<b>203</b>
As at 30 June 2011	(47)	(17)	203
As at 30 June 2010	(47)	(17)	203
As at 30 June 2009	(47)	(17)	203
As at 30 June 2008	(47)	(17)	203

**Notes to the financial statements**  
for the year ended 30 June 2012

**9. SUPERANNUATION (Continued)**

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

<b>Economic Entity</b>	<b>2012</b>	<b>2011</b>
Australian equities	28%	33%
Overseas equities	24%	29%
Australian fixed interest securities	5%	6%
Overseas fixed interest securities	2%	3%
Property	9%	10%
Cash	19%	6%
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:*

<b>Economic Entity</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>As at 30 June 2012</b>			
Actual return on fund assets	5	1	(1)

<b>Economic Entity</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>As at 30 June 2011</b>			
Actual return on fund assets	67	25	340

**Notes to the financial statements**  
for the year ended 30 June 2012

**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>2012</u>	<u>2011</u>
Salary increase rate	2.5%	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	3.1%	5.3%

*(c) Demographic Assumptions*

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



**Notes to the financial statements**  
for the year ended 30 June 2012

**9. SUPERANNUATION (Continued)**

*Historical Information:*

**Economic Entity**

**As at 30 June 2012**

	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of defined benefit obligation	639	202	7,153
Fair value of fund assets	(647)	(221)	(4,185)
(Surplus)/Deficit in fund	(8)	(19)	2,968
Experience adjustments – fund liabilities	(8)	15	2,014
Experience adjustments – fund assets	103	19	107

**As at 30 June 2011**

	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of defined benefit obligation	783	209	5,322
Fair value of fund assets	(886)	(260)	(4,429)
(Surplus)/Deficit in fund	(103)	(51)	893
Experience adjustments – fund liabilities	67	-	92
Experience adjustments – fund assets	(52)	(2)	(352)

**As at 30 June 2010**

	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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**

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

**As at 30 June 2008**

	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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

**Notes to the financial statements**  
for the year ended 30 June 2012

**9. SUPERANNUATION (Continued)**

*Expected contributions:*

**Economic Entity**

	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<b>Expected contributions for year to 30 June 2012</b>	-	-	-
Expected contributions for year to 30 June 2011	-	-	-

*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**

<b>30 June 2012</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Accrued benefits	580	182	3,920
Net market value of fund assets	(647)	(221)	(4,185)
<i>Net (surplus)/deficit</i>	(67)	(39)	(265)

**Economic Entity**

<b>30 June 2011</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Accrued benefits	748	198	3,841
Net market value of fund assets	(886)	(260)	(4,429)
<i>Net (surplus)/deficit</i>	(138)	(62)	(588)

**Notes to the financial statements**  
for the year ended 30 June 2012

**9. SUPERANNUATION (Continued)**

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

**Economic Entity**

As at 30 June 2012

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

**Economic Entity**

As at 30 June 2011

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.

**Notes to the financial statements**  
for the year ended 30 June 2012

**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. RELATED PARTY INFORMATION**

**a) Transactions entered into during the year with Key Management Personnel and their Related Entities:**

	2012 \$'000	2011 \$'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 M Carapiet, Mr R Harty, Mr R Davis, Mr M Lambert, Mr P Scully and Ms S Walsh are directors, on normal commercial terms and conditions.	345	214
Rental payments and outgoings received by the Pooled Fund from SSFSAL on normal commercial terms and conditions.	1,110	1,124

**b)** 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.

**Notes to the financial statements**  
for the year ended 30 June 2012

**11. CASH FLOW INFORMATION**

**a) Reconciliation of Cash**

	<b>Economic Entity 2012 \$'000</b>	<b>Economic Entity 2011 \$'000</b>	<b>Statutory Corporation 2012 \$'000</b>	<b>Statutory Corporation 2011 \$'000</b>
<b>Cash and Cash Equivalents</b>	<b>950</b>	<b>958</b>	<b>950</b>	<b>958</b>

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 2012 the rate was 2.85% (2011: 3.85%).

**Notes to the financial statements**  
for the year ended 30 June 2012

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

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

	<b>Economic Entity 2012 \$'000 Inflows/ (Outflows)</b>	<b>Economic Entity 2011 \$'000 Inflows/ (Outflows)</b>	<b>Statutory Corporation 2012 \$'000 Inflows/ (Outflows)</b>	<b>Statutory Corporation 2011 \$'000 Inflows/ (Outflows)</b>
<b>Comprehensive Income</b>	-	-	-	-
<b>Changes in Assets and Liabilities:</b>				
<u>(Increase)/Decrease in Assets</u>				
Other Current Assets	49	(47)	49	(47)
Receivables -				
Pooled Fund	(2,366)	(2,403)	(2,366)	(2,403)
Other	(153)	123	(280)	65
<u>Increase/(Decrease) in Liabilities</u>				
Payables -				
Pillar	(51)	(25)	(51)	(25)
Other	460	386	2,640	398
Provisions	2,053	(46)	-	-
<b>Net Cash From/(Used) in Operating Activities</b>	<b>(8)</b>	<b>(2,012)</b>	<b>(8)</b>	<b>(2,012)</b>

**Notes to the financial statements**  
for the year ended 30 June 2012

**12. COMMITMENTS FOR EXPENDITURE**

	<b>Economic Entity 2012 \$'000</b>	<b>Economic Entity 2011 \$'000</b>	<b>Statutory Corporation 2012 \$'000</b>	<b>Statutory Corporation 2011 \$'000</b>
<b>Lease Commitments</b>				
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	367	385	367	385
Payable later than 1 year and not later than 5 years	963	183	963	183
Payable greater than 5 years	-	-	-	-
	<b>1,330</b>	<b>568</b>	<b>1,330</b>	<b>568</b>

**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	2,102	2,102	2,102	2,102
Payable later than 1 year and not later than 5 years	-	-	-	-
	<b>2,102</b>	<b>2,102</b>	<b>2,102</b>	<b>2,102</b>

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 Statements**

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# Part D – Financial Statements of the SAS Trustee Corporation Division of the Government Service of NSW



## 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 (STC Division), which comprise the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of STC Division as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- 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's Responsibility for the Financial Statements

The Chief Executive Officer of STC Division is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer of STC Division, 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.

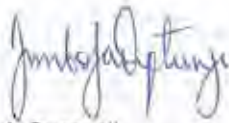
My opinion does *not* provide assurance:

- about the future viability of STC Division
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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 roles by the possibility of losing clients or income.



A Oyetunji  
Director, Financial Audit Services

25 September 2012  
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 2012

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 2012 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, 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 21<sup>st</sup> day of September 2012.



**John Livanas**  
Chief Executive Officer

**Statement of Comprehensive Income**  
for the year ended 30 June 2012

	NOTE	2012 \$'000	2011 \$'000
<b>Continuing Operations</b>			
<b>Operating Revenue</b>			
Personnel Services		6,629	3,776
<b>Operating Expenses</b>			
Salaries		3,169	2,746
Defined contribution superannuation		513	557
Defined benefit superannuation		(48)	(11)
Annual and long service leave		383	397
Other payroll related		362	334
		4,379	4,023
<b>Operating Result</b>	2	2,250	(247)
<b>Other Comprehensive Income</b>			
Superannuation actuarial gains/(losses)		(2,250)	247
<b>Total Comprehensive Income</b>		-	-

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

**Statement of Financial Position**  
as at 30 June 2012

	NOTE	2012 \$'000	2011 \$'000
<b>Current Assets</b>			
Receivables	3	4,111	2,058
Total Current Assets		4,111	2,058
<b>Total Assets</b>		4,111	2,058
<b>Current Liabilities</b>			
Provisions	4	4,064	2,014
Total Current Liabilities		4,064	2,014
<b>Non-Current Liabilities</b>			
Provisions	4	47	44
Total Non-Current Liabilities		47	44
<b>Total Liabilities</b>		4,111	2,058
<b>Net Assets</b>		-	-
<b>Total Equity</b>		-	-

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

**Statement of Cash Flows**  
for the year ended 30 June 2012

		2012 \$'000	2011 \$'000
	NOTE	Inflows/ (Outflows)	Inflows/ (Outflows)
<b>Cash Flows from Operating Activities</b>			
Receipts		6,629	3,776
Interest Received		-	-
Payments to Suppliers and Employees		(6,629)	(3,776)
Net Operating Cash Flows	8(b)	-	-
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		-	-
Cash & Cash Equivalents at the Beginning of the Financial Year		-	-
<b>Cash &amp; Cash Equivalents at the End of the Financial Year</b>	8(a)	-	-

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

**Statement of Changes in Equity**  
for the year ended 30 June 2012

	2012 \$'000	2011 \$'000
<b>Balance at 1 July</b>	-	-
Operating Result	2,250	(247)
Other Comprehensive income		
Superannuation actuarial gains/(losses)	(2,250)	247
Total Comprehensive income	-	-
<b>Balance at 30 June</b>	-	-

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



**Notes to the financial statements**  
for the year ended 30 June 2012

**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.

These financial statements were authorised for issue by the Chief Executive Officer of STC on 21 September 2012. These financial statements will not be amended and reissued as it has been audited.

**B. Basis for preparation**

These are general purpose financial statements 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 statements do 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 statements, except for cash flow information.

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

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.

**Notes to the financial statements**  
for the year ended 30 June 2012

**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.

**Notes to the financial statements**  
for the year ended 30 June 2012

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

**G. Employee benefit provision and expenses (Continued):**

Superannuation and long service leave provisions are measured at their discounted value using a risk free rate mandated by NSW Treasury.

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 2016. No material change to these financial statements is anticipated.

AASB 10 *Consolidated Financial Statements* as issued in August 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

AASB 13 *Fair Value Measurement* as issued in September 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

AASB 119 *Employer Benefits* as issued in September 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

**I. Use of Judgements and Estimates**

The preparation of the financial statements requires 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.

**Notes to the financial statements**  
for the year ended 30 June 2012

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

**J. 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 2012 or the year ended 30 June 2011.

The audit fee for the entity of \$3,300 (2011: \$3,300) is met by STC. The auditor provided no other services other than the audit of these financial statements.

**3. RECEIVABLES**

	2012 \$'000	2011 \$'000
<b>Current</b>		
Amounts Receivable – STC	4,084	1,904
Superannuation (refer Note 7)	-	-
SASS	8	103
SANCS	19	51
	<u>4,111</u>	<u>2,058</u>

**4. PROVISIONS**

	2012 \$'000	2011 \$'000
<b>Current</b>		
Employee Benefits	1,096	1,121
Superannuation (refer Note 7)		
SSS	2,968	893
	<u>4,064</u>	<u>2,014</u>
<b>Non-current</b>		
Employee Benefits	47	44
	<u>47</u>	<u>44</u>

**Notes to the financial statements**  
for the year ended 30 June 2012

**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.

**Notes to the financial statements**  
for the year ended 30 June 2012

**6. KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL COMPENSATION**

The following were key management personnel of the STC Economic Entity and STC Statutory Corporation during the year.

**Executive Officers**

Ms L Buck

(from 11 April 2012)

Ms L Collingridge

(until 16 December 2011)

Mr K Dent

Mr M Drew

(until 17 April 2012)

Mr C Durack

(until 7 October 2011)

Mr A Grice

Mr J Livanas

(from 24 October 2011)

Ms M O'Rourke

(from 6 February 2012)

Ms L Rasmussen

Ms N Wooden

The key management personnel compensation in relation to services to STC is as follows –

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term employee benefits	<b>2,469</b>	1,673
Post-employment benefits	-	-
Other long term employee benefits	<b>10</b>	11
	<b>2,479</b>	1,684

**Notes to the financial statements**  
for the year ended 30 June 2012

**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 2012	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	783	209	5,322
Current service cost	33	8	50
Interest cost	38	10	274
Contributions by fund participants	19	-	27
Actuarial (gains)/losses	(8)	15	2,014
Benefits paid	(226)	(40)	(534)
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of partly funded defined benefit obligation at end of year</i>	639	202	7,153
As at 30 June 2011	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	703	190	5,403
Current service cost	18	8	90
Interest cost	33	8	272
Contributions by fund participants	10	-	39
Actuarial (gains)/losses	67	-	92
Benefits paid	(48)	3	(574)
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of partly funded defined benefit obligation at end of year</i>	783	209	5,322

**Notes to the financial statements**  
for the year ended 30 June 2012

**7. SUPERANNUATION (Continued)**

*Reconciliation of the fair value of fund assets:*

<b>As at 30 June 2012</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<i>Fair value of fund assets at beginning of the year</i>	886	260	4,429
Expected return on fund assets	71	20	370
Actuarial gains/(losses)	(103)	(19)	(107)
Employer contributions	-	-	-
Contributions by fund participants	19	-	27
Benefits paid	(226)	(40)	(534)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	<b>647</b>	<b>221</b>	<b>4,185</b>

<b>As at 30 June 2011</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
<i>Fair value of fund assets at beginning of the year</i>	809	296	4,259
Expected return on fund assets	63	23	353
Actuarial gains/(losses)	52	2	352
Employer contributions	-	(64)	-
Contributions by fund participants	10	-	39
Benefits paid	(48)	3	(574)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	<b>886</b>	<b>260</b>	<b>4,429</b>



**Notes to the financial statements**  
for the year ended 30 June 2012

**7. SUPERANNUATION (Continued)**

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

<b>As at 30 June 2012</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Present value of funded defined benefit obligations at end of the year	639	202	7,153
Fair value of fund assets at end of the year	(647)	(221)	(4,185)
<i>Subtotal</i>	(8)	(19)	2,968
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>	(8)	(19)	2,968

<b>As at 30 June 2011</b>	<b>SASS \$'000</b>	<b>SANCS \$'000</b>	<b>SSS \$'000</b>
Present value of funded defined benefit obligations at end of the year	783	209	5,322
Fair value of fund assets at end of the year	(886)	(260)	(4,429)
<i>Subtotal</i>	(103)	(51)	893
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>	(103)	(51)	893

**Notes to the financial statements**  
for the year ended 30 June 2012

**7. SUPERANNUATION (Continued)**

*Components recognised in the operating result:*

As at 30 June 2012	SASS \$'000	SANCS \$'000	SSS \$'000
Current Service Cost	33	8	50
Interest cost	38	10	274
Expected return on fund assets (net of expenses)	(71)	(20)	(370)
Past service cost	-	-	-
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	-	(2)	(46)

As at 30 June 2011	SASS \$'000	SANCS \$'000	SSS \$'000
Current Service Cost	18	8	90
Interest cost	33	8	272
Expected return on fund assets (net of expenses)	(63)	(23)	(354)
Past service cost	-	-	-
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	(12)	(7)	8

**Notes to the financial statements**  
for the year ended 30 June 2012

**7. SUPERANNUATION (Continued)**

*Amounts recognised in other comprehensive income:*

As at 30 June 2012	SASS \$'000	SANCS \$'000	SSS \$'000
Actuarial (gains)/losses	95	34	2,121
Adjustment for limit on net asset	-	-	-
As at 30 June 2011	SASS \$'000	SANCS \$'000	SSS \$'000
Actuarial (gains)/losses	15	(2)	(260)
Adjustment for limit on net asset	-	-	-

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

	SASS \$'000	SANCS \$'000	SSS \$'000
As at 30 June 2012	309	111	2,295
As at 30 June 2011	214	77	174
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)

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

	2012	2011
Australian equities	28%	33%
Overseas equities	24%	29%
Australian fixed interest securities	5%	6%
Overseas fixed interest securities	2%	3%
Property	9%	10%
Cash	19%	6%
Other	13%	13%

**Notes to the financial statements**  
for the year ended 30 June 2012

**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 2012	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on fund assets	5	1	(1)
As at 30 June 2011	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on fund assets	67	25	340

*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>2012</u>	<u>2011</u>
Salary increase rate	2.5%	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	3.1%	5.3%

*(c) Demographic Assumptions*

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

**Notes to the financial statements**  
for the year ended 30 June 2012

**7. SUPERANNUATION (Continued)**

*Historical Information:*

As at 30 June 2012	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	639	202	7,153
Fair value of fund assets	(647)	(221)	(4,185)
(Surplus)/Deficit in fund	(8)	(19)	2,968
Experience adjustments – fund liabilities	(8)	15	2,014
Experience adjustments – fund assets	103	19	107
As at 30 June 2011	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	783	209	5,322
Fair value of fund assets	(886)	(260)	(4,429)
(Surplus)/Deficit in fund	(103)	(51)	893
Experience adjustments – fund liabilities	67	-	92
Experience adjustments – fund assets	(52)	(2)	(352)
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

**Notes to the financial statements**  
for the year ended 30 June 2012

**7. SUPERANNUATION (Continued)**

*Expected contributions:*

	<b>SASS</b> <b>\$'000</b>	<b>SANCS</b> <b>\$'000</b>	<b>SSS</b> <b>\$'000</b>
<b>Expected contributions for year to 30 June 2012</b>	-	-	-
<b>Expected contributions for year to 30 June 2011</b>	-	-	-

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

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

<b>30 June 2012</b>	<b>SASS</b> <b>\$'000</b>	<b>SANCS</b> <b>\$'000</b>	<b>SSS</b> <b>\$'000</b>
Accrued benefits	580	182	3,920
Net market value of fund assets	(647)	(221)	(4,185)
<i>Net (surplus)/deficit</i>	(67)	(39)	(265)

<b>30 June 2011</b>	<b>SASS</b> <b>\$'000</b>	<b>SANCS</b> <b>\$'000</b>	<b>SSS</b> <b>\$'000</b>
Accrued benefits	748	198	3,841
Net market value of fund assets	(886)	(260)	(4,429)
<i>Net (surplus)/deficit</i>	(138)	(62)	(588)

**Notes to the financial statements**  
for the year ended 30 June 2012

**7. SUPERANNUATION (Continued)**

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

As at 30 June 2012	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>Multiple of member contributions</b>	<b>% member salaries</b>	<b>Multiple of member contributions</b>
	-	-	-
As at 30 June 2011	<b>SASS</b>	<b>SANCS</b>	<b>SSS</b>
	<b>Multiple of member contributions</b>	<b>% member salaries</b>	<b>Multiple of member contributions</b>
	-	-	-

*Funding arrangements for employer contributions – Funding Method:*

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

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

*Funding arrangements for employer contributions – Economic Assumptions:*

Weighted average assumptions –

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

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

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

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

**Notes to the financial statements**  
for the year ended 30 June 2012

**8. CASH FLOW INFORMATION**

**a) Reconciliation of Cash**

	<b>2012</b> <b>\$'000</b>	<b>2011</b> <b>\$'000</b>
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**

	<b>2012</b> <b>\$'000</b> Inflows/ (Outflows)	<b>2011</b> <b>\$'000</b> Inflows/ (Outflows)
Comprehensive Income	-	-
Changes in Assets and Liabilities		
(Increase)/Decrease in Assets		
Receivables	(2,053)	46
Increase/(Decrease) in Liabilities		
Provisions	2,053	(46)
Net Cash From/(Used) in Operating Activities	-	-



**Notes to the financial statements**  
for the year ended 30 June 2012

**9. COMMITMENTS FOR EXPENDITURE**

There are no commitments for expenditure at 30 June 2012 or at 30 June 2011.

**10. CONTINGENT LIABILITIES**

There are no contingent liabilities at 30 June 2012 or at 30 June 2011.

**End of Audited Financial Statements**

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# 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 back cover for contact details.



## 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 comprise the statement of net assets as at 30 June 2012, the statement of changes in net assets for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

### Opinion

In my opinion, the financial statements:

- give a true and fair view of the net assets of the Fund as at 30 June 2012, and of its changes in net assets for the year then ended in accordance with Australian Accounting Standards
- 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 Statements

The members of the Board of the SAS Trustee Corporation, as trustee of the Fund, are responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 control relevant to the Fund's preparation of the financial statements that give a true and fair view in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Trustee, 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 Fund
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements.

## Independence

In conducting my audit, I complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. 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 roles by the possibility of losing clients or income.



Peter Achterstraat  
Auditor-General

26 September 2012  
SYDNEY

SAS TRUSTEE CORPORATION POOLED FUND

ABN 29 239 066 746

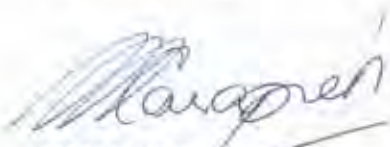
**Statement by Members of the Trustee Board**  
for the year ended 30 June 2012

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 2012 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 26th day of September 2012.



**Michael Carapiet**  
Chairperson  
SAS Trustee Corporation



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

**Statement of Changes in Net Assets**  
for the year ended 30 June 2012

	Note	2012 \$'m	2011 \$'m
<b>Net Assets Available to Pay Benefits at Beginning of Financial Year</b>		<b>32,179.4</b>	<b>30,743.2</b>
<b>Contribution Revenue</b>			
Employer Contributions		6,144.9	1,494.7
Salary Sacrifice Member Contributions		317.2	312.4
Member Contributions		186.3	210.0
	3	6,648.4	2,017.1
<b>Transfers</b>			
Scheme Mobility Transfer	5	0.6	2.3
Other		0.5	-
		1.1	2.3
<b>Investment Revenue</b>			
Short Term Securities		36.5	4.6
Australian Fixed Interest		97.9	107.0
International Fixed Interest		24.9	29.4
Australian Equities		479.7	457.4
International Equities		213.2	247.2
Property		175.7	158.6
Alternatives		260.7	226.9
		1,288.6	1,231.1
Change in Net Market Value of Investments	6	(1,240.2)	1,780.1
		48.4	3,011.2
Direct Investment Expenses		(85.8)	(86.4)
Net Investment Revenue		(37.4)	2,924.8
Other Revenue		5.0	2.0
<b>Total Revenue</b>		<b>6,617.1</b>	<b>4,946.2</b>
Benefits Paid	13(b)	(3,689.2)	(3,384.1)
Scheme Administration Expenses	7	(34.9)	(32.1)
Superannuation Contributions Surcharge		6.9	5.9
Other Expenses		(0.4)	(0.5)
<b>Total Expenses</b>		<b>(3,717.6)</b>	<b>(3,410.8)</b>
<b>Change in Net Assets Before Income Tax</b>		<b>2,899.5</b>	<b>1,535.4</b>
Income Tax (Expense)/Benefit	8(a)	(727.0)	(99.2)
<b>Change in Net Assets Available to Pay Benefits After Income Tax</b>		<b>2,172.5</b>	<b>1,436.2</b>
<b>Net Assets Available to Pay Benefits at End of Financial Year</b>	9	<b>34,351.9</b>	<b>32,179.4</b>

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

**Statement of Net Assets**  
as at 30 June 2012

	Note	2012 \$'m	2011 \$'m
<b>INVESTMENTS</b>			
Short Term Securities		7,106.6	2,789.1
Australian Fixed Interest		1,767.4	2,678.5
International Fixed Interest		839.8	1,382.2
Australian Equities		9,513.1	10,171.2
International Equities		7,992.3	8,201.5
Property		3,044.6	3,105.6
Alternatives		4,565.6	3,665.4
		<b>34,829.4</b>	<b>31,993.5</b>
<b>OTHER ASSETS</b>			
Cash and Cash Equivalents		2.1	1.5
Receivables	10	415.9	400.0
Plant and Equipment		0.4	0.2
Current Tax Asset	8(a)	-	6.4
Deferred Tax Asset	8(b)	64.7	40.9
		<b>483.1</b>	<b>449.0</b>
<b>TOTAL ASSETS</b>		<b>35,312.5</b>	<b>32,442.5</b>
<b>LIABILITIES</b>			
Reserve Units	11	1.5	1.9
Payables	12	271.6	261.2
Current Tax Liability	8(a)	687.5	-
<b>TOTAL LIABILITIES</b>		<b>960.6</b>	<b>263.1</b>
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	9	<b>34,351.9</b>	<b>32,179.4</b>

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



### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### 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 2012 are:

- Access Capital Advisers Pty Ltd
- AllianceBernstein Investment Management Australia Ltd
- Altrinsic Global Advisors LLC
- 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
- DEXUS Funds Management Limited (formerly DB RREEF Funds Management Limited)
- Deutsche Asset Management (Australia) Limited
- Ellerston Capital Limited
- EG Funds Management Pty Ltd
- Fidelity International Limited
- Franklin Templeton Investments Australia Limited

### Notes to and forming part of the financial statements for the year ended 30 June 2012

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

- Genesis Asset Managers, LLP
- GMO Australia Limited
- 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
- Platypus Asset Management Pty Ltd
- Propel Investments Pty Ltd
- RARE Infrastructure Limited
- Realindex Investments Pty Ltd
- Siguler Guff DOF III GP LLC
- Siguler Guff DOF IV GP LLC
- SG Hiscock & Company Limited
- State Street Bank and Trust Company
- State Street Global Advisors, Australia, Limited
- Trilogy Global Advisors, LP (via Orion Asset Management Services Pty Limited)
- Trilogy Global Advisors, LP
- Vanguard Investments Australia Ltd
- Wallara Asset Management Pty Limited

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.

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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 Fund is a not-for-profit entity.

The financial statements were authorised for issue by the Trustee Board on 26 September 2012.

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.

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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 \$51,291 (2011: decreased by \$65,772).
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. In valuing assets for which there is no observable market STC is guided on appropriate valuation techniques by its Valuation Policy. The valuation techniques generally involve the judgment of independent valuers. In valuing deferred tax balances, STC is guided by AASB 112 – *Income Taxes* (refer Note 2(e)).

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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:** Investment expenses are recognised on an accruals basis.

**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 2012 from the ATO advising of surcharge accrued before abolition of the *Superannuation Contributions Tax (Assessment and Collections) Act 1997*, effective 1 July 2005, indexed annually in line with ATO requirements (presently the 10-year Treasury Bond rate).

**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.

**Notes to and forming part of the financial statements  
for the year ended 30 June 2012**

**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 Revenue**

Interest is recognised when control of a right to receive consideration for the provision of, or investment in, assets has been attained. If interest is not received at 30 June the amount is recognised as a receivable in the Statement of Net Assets.

**Dividend Revenue**

Dividends are recognised on the ex-date. If the dividend is not received at 30 June the amount is recognised as a receivable in the Statement of Net Assets.

**Changes in net market value of investments**

Changes in the net market value of investments are recognised as revenue and are determined as the difference between the net market value at year end or consideration received (if sold during the year) and the net market value as at the prior year end or cost (if the investment was acquired during the period).

**Distributions from unit trusts**

Distributions from unit trusts are recognised as investment revenue on the date the unit value is quoted ex-distribution. If distributions from unit trusts are not received at the balance sheet date, the amount is reflected in the Statement of Net Assets as a receivable.

**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 2016. No material change to these financial statements is anticipated.

AASB 2010-8 *Deferred Tax: Recovery of Underlying Assets* as issued in December 2010 will be implemented for the year ended 30 June 2013. No material change to these financial statements is anticipated.

**Notes to and forming part of the financial statements  
for the year ended 30 June 2012**

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

AASB 10 *Consolidated Financial Statements* as issued in August 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

AASB 12 *Disclosure of Interest in Other Entities* as issued in August 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.

AASB 13 *Fair Value Measurement* as issued in September 2011 will be implemented for the year ended 30 June 2014. No material change to these financial statements is anticipated.



**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**3. EMPLOYER AND MEMBER CONTRIBUTIONS**

	2012				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Employer Contributions	1,860.3	791.0	2,368.3	1,125.3	6,144.9
Salary Sacrifice Contributions	143.5	-	166.2	7.5	317.2
Member Contributions	94.1	2.2	84.8	5.2	186.3
Total Contributions	2,097.9	793.2	2,619.3	1,138.0	6,648.4

	2011				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Employer Contributions	553.0	194.8	527.1	219.8	1,494.7
Salary Sacrifice Contributions	129.6	-	174.9	7.9	312.4
Member Contributions	99.7	3.6	100.9	5.8	210.0
Total Contributions	782.3	198.4	802.9	233.5	2,017.1

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 New South Wales 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 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 not part of the Crown's contribution, contribute at a multiple of 1.9 of employee contributions for SASS and 2.5% of employees' salaries for SANCS.

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



**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

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

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

**Member Contributions**

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

**Employer Contributions**

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

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

**c) State Superannuation Scheme (SSS)**

**Member Contributions**

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

**Employer Contributions**

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

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

**d) Police Superannuation Scheme (PSS)**

**Member Contributions**

Members contribute 6% of their salary.

**Employer Contributions**

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

**4. SASS – MEMBER INVESTMENT CHOICE**

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

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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 \$0.9 million (2011: \$0.9 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 \$1.5 million (2011: \$3.2 million).

The net amount transferred was \$0.6 million (2011: \$2.3 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*.

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**6. INVESTMENT REVENUE**

	2012			
	Change in Net Market Value			
	Income	Held at Reporting Date	Realised During the Year	Total
		Unrealised Gain/(Loss)	Gain/(Loss)	
	\$'m	\$'m	\$'m	\$'m
Short Term Securities	36.5	13.5	84.9	134.9
Australian Fixed Interest	97.9	122.4	13.9	234.2
International Fixed Interest	24.9	78.8	2.5	106.2
Australian Equities	479.7	(938.8)	(304.6)	(763.7)
International Equities	213.2	(393.8)	(121.7)	(302.3)
Property	175.7	117.8	(44.4)	249.1
Alternatives	260.7	148.0	(18.7)	390.0
Total Investment Revenue	1,288.6	(852.1)	(388.1)	48.4

	2011			
	Change in Net Market Value			
	Income	Held at Reporting Date	Realised During the Year	Total
		Unrealised Gain/(Loss)	Gain/(Loss)	
	\$'m	\$'m	\$'m	\$'m
Short Term Securities	4.6	17.1	110.2	131.9
Australian Fixed Interest	107.0	(11.0)	(5.3)	90.7
International Fixed Interest	29.4	(135.6)	170.5	64.3
Australian Equities	457.4	332.7	299.4	1,089.5
International Equities	247.2	40.8	389.6	677.6
Property	158.6	89.5	196.4	444.5
Alternatives	226.9	70.2	215.6	512.7
Total Investment Revenue	1,231.1	403.7	1,376.4	3,011.2

**Interest Revenue**

Within Short Term Securities, Australian Fixed Interest and International Fixed Interest is interest revenue received of \$153.4 million (2011: \$136.5 million).

**Royalty Revenue**

Within Australian Equities is royalty revenue received of \$23.8 million (2011: \$24.6 million).

**Dividend Revenue**

Within Australian Equities and International Equities is dividend revenue of \$560.9 million and trust distributions of \$85.8 million (2011: \$521.7 million and \$88.4 million).

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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 –

	2012 \$'m	2011 \$'m
Rental income derived	176.1	188.7
Direct property operating expenses	(52.0)	(54.0)
Contractual obligations to renovate properties	(5.7)	(6.5)
Contractual obligations for repairs, maintenance or enhancements to properties	-	(0.2)

The future minimum lease payments receivable by the Fund are –

	2012 \$'m	2011 \$'m
No later than one year	120.6	136.4
Later than one year but not later than five years	288.2	365.5
Later than five years	76.0	102.0
	<b>484.8</b>	<b>603.9</b>

**7. SCHEME ADMINISTRATION EXPENSES**

Included in Scheme Administration Expenses are the following items:

	2012 \$'m	2011 \$'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	24.9	25.6

The fund also incurred \$66,000 expenditure on consultants (2011: \$188,184).

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**8. INCOME TAX**

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

<b>a) Income Tax recognised in the Statement of Changes in Net Assets</b>	<b>2012 \$'m</b>	<b>2011 \$'m</b>
<b>Current tax expense/(benefit)</b>		
Provision attributable to current year	687.5	(6.4)
PAYG instalments paid	78.7	86.2
Adjustments for prior year	(15.4)	0.4
	750.8	80.2
<b>Deferred tax asset</b>		
Decrease/(increase) in deferred tax asset	(23.8)	19.0
Total income tax expense/(benefit) in Statement of Changes in Net Assets	727.0	99.2
<b>Reconciliation between tax (benefit)/expense and pre-tax Change in Net Assets before Tax</b>		
Change in Net Assets before income tax	2,899.5	1,535.4
Income tax expense/(benefit) using the superannuation fund tax rate of 15%	434.9	230.3
Increase in tax expense/Decrease in tax benefit due to:		
Non-deductible benefit payments, CGT concession and investment expense	630.8	435.3
Pension related investment (gains) losses	(73.6)	(331.2)
Decrease in tax expense/Increase in tax benefit due to:		
Tax credits	(196.7)	(154.8)
Notional death and disability insurance premium and anti-detriment	(52.6)	(80.8)
Over provision of tax benefit in prior year	(15.8)	0.4
Income Tax Expense/(Benefit) on Change in Net Assets Before Tax	727.0	99.2
<b>b) Deferred Tax Asset</b>	<b>2012 \$'m</b>	<b>2011 \$'m</b>
Unrealised Capital Losses	45.6	18.7
Dividends Receivable	(6.1)	1.0
Contributions Receivable	(0.5)	(0.6)
Unrealised Losses on Traditional Securities and Foreign Exchange	(2.7)	(2.3)
Unrealised Franking Credits	27.2	24.1
Revision of opening deferred tax due to CPLE rate adjustment	1.2	-
Deferred Tax Asset	64.7	40.9

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**9. NET ASSETS**

	2012				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
<b>Member Reserves (1)</b>					
Balance at Beginning of Financial Year	4,354.9	-	3,535.2	321.2	8,211.3
Increase/(Decrease) in Net Assets	(119.9)	-	(534.5)	(25.6)	(680.0)
Balance at End of Financial Year	4,235.0	-	3,000.7	295.6	7,531.3
<b>Employer Reserves (2)</b>					
Balance at Beginning of Financial Year	3,464.1	981.0	15,222.9	2,724.3	22,392.3
Increase/(Decrease) in Net Assets	1,085.1	387.4	686.6	624.8	2,783.9
Balance at End of Financial Year	4,549.2	1,368.4	15,909.5	3,349.1	25,176.2
<b>Death or Invalidity Reserves (3)</b>					
Balance at Beginning of Financial Year	1.2	-	-	-	1.2
Increase/(Decrease) in Net Assets	0.2	-	-	-	0.2
Balance at End of Financial Year	1.4	-	-	-	1.4
<b>Deferred Benefits Reserves (4)</b>					
Balance at Beginning of Financial Year	1,281.3	293.3	-	-	1,574.6
Increase/(Decrease) in Net Assets	60.8	7.6	-	-	68.4
Balance at End of Financial Year	1,342.1	300.9	-	-	1,643.0
<b>Net Assets Available to Pay Benefits</b>	<b>10,127.7</b>	<b>1,669.3</b>	<b>18,910.2</b>	<b>3,644.7</b>	<b>34,351.9</b>

	2011				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
<b>Member Reserves (1)</b>					
Balance at Beginning of Financial Year	4,105.4	-	3,635.0	323.2	8,063.6
Increase/(Decrease) in Net Assets	249.5	-	(99.8)	(2.0)	147.7
Balance at End of Financial Year	4,354.9	-	3,535.2	321.2	8,211.3
<b>Employer Reserves (2)</b>					
Balance at Beginning of Financial Year	3,270.5	973.7	14,390.3	2,590.1	21,224.6
Increase/(Decrease) in Net Assets	193.6	7.3	832.6	134.2	1,167.7
Balance at End of Financial Year	3,464.1	981.0	15,222.9	2,724.3	22,392.3
<b>Death or Invalidity Reserves (3)</b>					
Balance at Beginning of Financial Year	2.8	-	-	-	2.8
Increase/(Decrease) in Net Assets	(1.6)	-	-	-	(1.6)
Balance at End of Financial Year	1.2	-	-	-	1.2
<b>Deferred Benefits Reserves (4)</b>					
Balance at Beginning of Financial Year	1,179.8	272.4	-	-	1,452.2
Increase/(Decrease) in Net Assets	101.5	20.9	-	-	122.4
Balance at End of Financial Year	1,281.3	293.3	-	-	1,574.6
<b>Net Assets Available to Pay Benefits</b>	<b>9,101.5</b>	<b>1,274.3</b>	<b>18,758.1</b>	<b>3,045.5</b>	<b>32,179.4</b>

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**9. NET ASSETS (Continued)**

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

As described at Note 4 SASS and SASS Deferred members are able to elect an investment strategy.

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

		2012				
		Growth \$'m	Conservative \$'m	Balanced \$'m	Cash \$'m	Total \$'m
SASS Member		3,714.4	150.1	146.9	223.6	4,235.0
Deferred Benefit		1,419.5	69.3	64.8	89.4	1,643.0
		5,133.9	219.4	211.7	313.0	5,878.0
		2011				
		Growth \$'m	Conservative \$'m	Balanced \$'m	Cash \$'m	Total \$'m
SASS Member		3,999.0	89.3	138.2	128.4	4,354.9
Deferred Benefit		1,448.8	31.3	53.1	41.4	1,574.6
		5,447.8	120.6	191.3	169.8	5,929.5

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**10. RECEIVABLES**

	2012 \$'m	2011 \$'m
Contributions Receivable	31.3	31.9
Accrued Income	203.4	114.5
Margin Call Deposits	67.7	129.1
Investment Sales	112.3	117.4
Other Receivables	1.2	7.1
	<b>415.9</b>	<b>400.0</b>

Within receivables is an impairment allowance of \$60,418 (2011: \$56,381). 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**

	2012 \$'m	2011 \$'m
Superannuation Benefits	26.4	10.0
Investment Purchases	140.5	141.8
Investment – Other Creditors	27.9	28.0
Provision for Contribution Surcharge	69.7	76.8
Amount Payable – SAS Trustee Corporation	6.3	3.9
Other Payables	0.8	0.7
	<b>271.6</b>	<b>261.2</b>

All payables are within agreed trading terms.

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

	2012 \$'m	2011 \$'m
Opening Balance	76.8	82.9
Add -		
Assessment Received	-	(0.1)
Annual indexation	2.4	3.9
Less -		
Payments made to the Australian Taxation Office	(9.5)	(9.9)
Closing Balance	<b>69.7</b>	<b>76.8</b>



**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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:

	<b>Accrued Benefits 2009 and following years % pa.</b>
<b>Valuation Assumptions</b>	
Investment Return Rate	
- asset backing current pension liabilities	8.3
- other	7.3
Salary Increase Rate	4.0
CPI Increase Rate	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.

	<b>2012</b>			<b>2011</b>		
	<b>Accrued Benefits \$'m</b>	<b>Net Assets Available To Pay Benefits \$'m</b>	<b>Over/ (Under) Funded \$'m</b>	<b>Accrued Benefits \$'m</b>	<b>Net Assets Available To Pay Benefits \$'m</b>	<b>Over/ (Under) Funded \$'m</b>
State Authorities Superannuation Scheme	13,184.0	10,127.7	(3,056.3)	13,089.5	9,101.5	(3,988.0)
State Authorities Non- contributory Superannuation Scheme	2,674.3	1,669.3	(1,005.0)	2,700.3	1,274.3	(1,426.0)
State Superannuation Scheme	30,843.4	18,910.2	(11,933.2)	29,905.2	18,758.1	(11,147.1)
Police Superannuation Scheme	6,661.1	3,644.7	(3,016.4)	6,483.2	3,045.5	(3,437.7)
	<b>53,362.8</b>	<b>34,351.9</b>	<b>(19,010.9)</b>	<b>52,178.2</b>	<b>32,179.4</b>	<b>(19,998.8)</b>

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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.

	2012				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Balance at Beginning of Financial Year	13,089.5	2,700.3	29,905.2	6,483.2	52,178.2
Benefits Paid	(992.3)	(294.6)	(1,970.0)	(432.3)	(3,689.2)
	12,097.2	2,405.7	27,935.2	6,050.9	48,489.0
Increase in Accrued Benefits	1,086.8	268.6	2,908.2	610.2	4,873.8
Balance at End of Financial Year	13,184.0	2,674.3	30,843.4	6,661.1	53,362.8

	2011				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Balance at Beginning of Financial Year	12,579.5	2,653.3	29,002.8	6,349.7	50,585.3
Benefits Paid	(891.8)	(262.6)	(1,823.5)	(406.2)	(3,384.1)
	11,687.7	2,390.7	27,179.3	5,943.5	47,201.2
Increase in Accrued Benefits	1,401.8	309.6	2,725.9	539.7	4,977.0
Balance at End of Financial Year	13,089.5	2,700.3	29,905.2	6,483.2	52,178.2

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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.

	2012			2011		
	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	10,541.8	10,127.7	(414.1)	10,385.7	9,101.5	(1,284.2)
State Authorities Non-contributory Superannuation Scheme	3,156.2	1,669.3	(1,486.9)	3,213.8	1,274.3	(1,939.5)
State Superannuation Scheme	29,890.9	18,910.2	(10,980.7)	28,680.0	18,758.1	(9,921.9)
Police Superannuation Scheme	5,368.2	3,644.7	(1,723.5)	5,089.9	3,045.5	(2,044.4)
	<b>48,957.1</b>	<b>34,351.9</b>	<b>(14,605.2)</b>	<b>47,369.4</b>	<b>32,179.4</b>	<b>(15,190.0)</b>

Vested benefits exceed net assets at 30 June 2012 and 30 June 2011. 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.

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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 2012 %	2011 %
<b>Controlled Entities</b>			
State Super Financial Services Australia Limited (SSFSAL) [incorporated in Australia]	Financial planning and funds management	100.0	100.0
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
State Infrastructure Trust [established in Australia]	Dormant	100.0	100.0
State Infrastructure Holdings (Sea Gas) Pty Ltd [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 \$33.6 million (2011: \$27.6 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 2012 and up to date of signing these accounts are as follows:

Mr I Blair  
Mr M Carapiet (term commenced 2 August 2011)  
Mr R Davis  
Ms A De Salis (term completed 31 January 2012)  
Mr R Harty  
Mr M Lambert  
Mr N Lewocki  
Dr D Russell (resigned 31 July 2011)  
Ms K Moses (term commenced 19 March 2012)  
Mr P Scully  
Ms S Walsh

**Notes to and forming part of the financial statements  
for the year ended 30 June 2012**

**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.

### Notes to and forming part of the financial statements for the year ended 30 June 2012

#### 18. SECURITIES LENDING PROGRAM

The Fund participates in a Securities Lending Program managed by the custodian. The Fund received \$6.6 million (2011: \$6.2 million) fee income from this program, which adds to the Fund's overall yearly return.

At 30 June 2012, the total value of the loaned securities was \$2.0 billion (2011: \$2.2 billion) while the total value of the collateral was \$2.0 billion (2011: \$2.2 billion). The lent securities represented about 10.1% of the Fund's total investments (2011 about 6.9%), which was within the allowable limit of 25%.

The collateral comprised foreign sovereign securities of \$0.0 million (2011: \$237.6 million) and cash of \$2.0 billion (2011: \$1.9 billion). The collateral is invested in a 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.

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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 equity and bond 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. Unlisted Equity Interests	Unlisted Equity Interests are carried at net market value as determined by independent expert valuers.	The terms and conditions are set out in the applicable entity constitution.
5. Listed Shares and Trusts	Listed shares and trusts 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 and trust distributions are recognised on the ex-date.	N/A
6. Bills of exchange and other discount securities	Carried at net market value using market rates as at 30 June.	Average maturity of 40 days with effective interest rates in the range of 3.47% to 3.63%.
7. Promissory Notes	Carried at net market value as at 30 June.	Average maturity of 35 days with effective interest rates in the range of 3.63% to 3.74%.
8. Mortgages	Mortgages are stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	N/A
9. 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 3.74% to 4.43%.
10. Government Bonds	Carried at net market value based on discounted cash flow.	Government bonds on average mature on 14/07/2023 and have effective interest rates in the range of 0.00% to 6.94%.
11. Semi Government Bonds	Carried at net market value based on discounted cash flow.	Semi Government bonds on average mature on 30/12/2016 and have effective interest rates in the range of 0.26% to 11.75%.



**Notes to and forming part of the financial statements  
for the year ended 30 June 2012**

**19. FINANCIAL INSTRUMENTS (Continued)**

**Accounting Policies (Continued)**

Recognised instruments	Accounting policies	Terms and conditions
12. International Bonds	Carried at net market value based on discounted cash flow.	International Bonds on average mature on 26/10/2020 and have effective interest rates in the range of 0.00% to 29.91%.
13. Leasehold Property Investments	Carried at net market value based on discounted cash flow.	N/A
14. Floating Rate Notes	Carried at net market value based on discounted cash flow.	Floating Rate Notes on average mature on 31/03/2019 and have effective interest rates in the range of 0.40% to 4.70%.
15. Direct Property	Reported at net market value based on independent valuations.	N/A
16. Options	Options are stated at market value using the daily closing price.	The options are all Exchange Traded options.
17. 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.
18. Foreign exchange forward contracts	Foreign exchange contracts are undertaken to hedge against adverse foreign exchange movements. Gains or losses on these contracts are recognised through the translation of underlying transactions and/or instruments at hedge rates.	At the end of the reporting period, the Fund had various forward exchange contracts open in its international portfolios.
19. 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.



**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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 are hedged as follows –

- listed international equities are hedged in the range of 0% to 30%
- listed international property and infrastructure are 100% hedged
- international bonds are 100% hedged
- international credit was unhedged from December 2010 until September 2011 and after this date is 100% hedged
- unlisted international property and infrastructure equities are hedged in the range of 0% to 100%.

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 hedging policy has been reviewed during 2011-12 with the changes made relating to the level of hedging of listed international equities and international credit.

The Fund's total net exposure to fluctuations in foreign currency exchange rates as at the financial year end is –

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**19. FINANCIAL INSTRUMENTS (Continued)**

**a) Market Risk (Continued)**

**a.1) Currency Risk (Continued)**

**YEAR ENDED 30 JUNE 2012**  
**NET MARKET VALUE**

	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	5,274.0	848.0	1,326.0	868.0	25,485.5	1,030.0	34,831.5
Receivables	40.0	3.0	28.0	11.0	318.9	15.0	415.9
Payables	(42.0)	(3.0)	(24.0)	(9.0)	(181.1)	(14.0)	(273.1)
Plant & Equipment	-	-	-	-	0.4	-	0.4
Tax Assets	-	-	-	-	64.7	-	64.7
Tax Liabilities	-	-	-	-	(687.5)	-	(687.5)
Net Assets	5,272.0	848.0	1,330.0	870.0	25,000.9	1,031.0	34,351.9

**YEAR ENDED 30 JUNE 2011**  
**NET MARKET VALUE**

	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	4,781.0	1,001.0	1,751.0	887.0	22,545.0	1,030.0	31,995.0
Receivables	38.0	14.0	25.0	13.0	299.0	11.0	400.0
Payables	(29.0)	(11.0)	(14.0)	(10.0)	(191.1)	(8.0)	(263.1)
Plant & Equipment	-	-	-	-	0.2	-	0.2
Tax Assets	-	-	-	-	47.3	-	47.3
Tax Liabilities	-	-	-	-	-	-	-
Net Assets	4,790.0	1,004.0	1,762.0	890.0	22,700.4	1,033.0	32,179.4

**Notes to and forming part of the financial statements  
for the year ended 30 June 2012**

**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 2012 and 2011 –

All amounts are in Australian Dollars

	<b>Net Assets</b>	<b>Change in</b>
	<b>30-Jun-12</b>	<b>Net Assets</b>
	<b>\$'m</b>	<b>30-Jun-12</b>
		<b>\$'m</b>
USD	(80)	(80)
JPY	(39)	(39)
EUR	(63)	(63)
GBP	(9)	(9)
Other	(5)	(5)
	<b>(196)</b>	<b>(196)</b>
	<b>Net Assets</b>	<b>Change in Net</b>
	<b>30-Jun-11</b>	<b>Assets</b>
	<b>\$'m</b>	<b>30-Jun-11</b>
		<b>\$'m</b>
USD	(84)	(84)
JPY	(47)	(47)
EUR	(73)	(73)
GBP	(10)	(10)
Other	(6)	(6)
	<b>(220)</b>	<b>(220)</b>

A 15 per cent weakening of the Australian Dollar against the above currencies at financial year end would have the equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

Notes to and forming part of the financial statements  
for the year ended 30 June 2012

### 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.

Notes to and forming part of the financial statements  
for the year ended 30 June 2012

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.2) Interest Rate Risk (Continued)

YEAR ENDED 30 JUNE 2012 – INTEREST RATE RISK DISCLOSURE

	Floating Interest	Fixed Interest	Non Interest Bearing	Total (per Statement of Net Assets)
	A\$m	A\$m	A\$m	A\$m
<b>Assets</b>				
Short Term Securities	7,108.7	-	-	7,108.7
Australian Fixed Interest	-	1,767.4	-	1,767.4
International Fixed Interest	-	839.8	-	839.8
Australian Equities	-	-	9,513.1	9,513.1
International Equities	-	-	7,992.3	7,992.3
Property	-	-	3,044.6	3,044.6
Alternatives	-	99.7	4,465.9	4,565.6
Receivables	-	-	415.9	415.9
Plant and Equipment	-	-	0.4	0.4
Deferred Tax Asset	-	-	64.7	64.7
<b>Total Assets</b>	<b>7,108.7</b>	<b>2,706.9</b>	<b>25,496.9</b>	<b>35,312.5</b>
<b>Liabilities</b>				
Reserve Units	-	-	1.5	1.5
Payables	-	-	271.6	271.6
Current Tax Liability	-	-	687.5	687.5
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>960.6</b>	<b>960.6</b>
<b>Net Assets</b>	<b>7,108.7</b>	<b>2,706.9</b>	<b>24,536.3</b>	<b>34,351.9</b>

YEAR ENDED 30 JUNE 2011 – INTEREST RATE RISK DISCLOSURE

	Floating Interest	Fixed Interest	Non Interest Bearing	Total (per Statement of Net Assets)
	A\$m	A\$m	A\$m	A\$m
<b>Assets</b>				
Short Term Securities	2,790.6	-	-	2,790.6
Australian Fixed Interest	-	2,678.5	-	2,678.5
International Fixed Interest	-	1,382.2	-	1,382.2
Australian Equities	-	-	10,171.2	10,171.2
International Equities	-	-	8,201.5	8,201.5
Property	-	-	3,105.6	3,105.6
Alternatives	-	121.0	3,544.4	3,665.4
Receivables	-	-	400.0	400.0
Plant and Equipment	-	-	0.2	0.2
Current Tax Asset	-	-	6.4	6.4
Deferred Tax Asset	-	-	40.9	40.9
<b>Total Assets</b>	<b>2,790.6</b>	<b>4,181.7</b>	<b>25,470.2</b>	<b>32,442.5</b>
<b>Liabilities</b>				
Reserve Units	-	-	1.9	1.9
Payables	-	-	261.2	261.2
Deferred Tax Liability	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>263.1</b>	<b>263.1</b>
<b>Net Assets</b>	<b>2,790.6</b>	<b>4,181.7</b>	<b>25,207.1</b>	<b>32,179.4</b>

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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 2012 and 2011 –

All amounts are in Australian Dollars

	Net Assets 30-Jun-12 \$'m	Change in Net Assets 30-Jun-12 \$'m
Fixed Interest	(73)	(73)
Floating Interest	118	118
	<u>45</u>	<u>45</u>
	Net Assets 30-Jun-11 \$'m	Change in Net Assets 30-Jun-11 \$'m
Fixed Interest	(66)	(66)
Floating Interest	56	56
	<u>(10)</u>	<u>(10)</u>

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.

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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 2012 and 2011 –

All amounts are in Australian Dollars		Change in Price Risk Variable	Net Assets 30-Jun-12 \$'m	Change in Net Assets 30-Jun-12 \$'m
		+		
Australia	38.5%		6,375	6,375
International	39%		2,870	2,870
Foreign exchange derivatives	15%		(1,444)	(1,444)
			<u>7,801</u>	<u>7,801</u>
All amounts are in Australian Dollars		Change in Price Risk Variable	Net Assets 30-Jun-12 \$'m	Change in Net Assets 30-Jun-12 \$'m
		-		
Australia	21.5%		(3,560)	(3,560)
International	22%		(1,619)	(1,619)
Foreign exchange derivatives	15%		1,444	1,444
			<u>(3,735)</u>	<u>(3,735)</u>
		Change in Price Risk Variable	Net Assets 30-Jun-11 \$'m	Change in Net Assets 30-Jun-11 \$'m
		+		
Australia	39%		6,663	6,663
International	39%		3,126	3,126
Foreign exchange derivatives	15%		(628)	(628)
			<u>9,161</u>	<u>9,161</u>
		Change in Price Risk Variable	Net Assets 30-Jun-11 \$'m	Change in Net Assets 30-Jun-11 \$'m
		-		
Australia	22%		(3,759)	(3,759)
International	22%		(1,763)	(1,763)
Foreign exchange derivatives	15%		628	628
			<u>(4,894)</u>	<u>(4,894)</u>

**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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 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 2012 or 30 June 2011. Also, STC ensures that in its hedging activities it diversifies its exposure to individual counterparties.



**Notes to and forming part of the financial statements**  
for the year ended 30 June 2012

**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 11% of assets be maintained as cash. Further, with the exception of alternative investments and unlisted property (approximately 18% of the Fund) all other assets are readily convertible to cash.

With the exception of reserve units the Fund's financial liabilities will all be settled within 12 months of 30 June. 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.

Notes to and forming part of the financial statements  
for the year ended 30 June 2012

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 containing where quoted prices are available in active markets for identical assets or liabilities.
- 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, including levels one and two, during the year ended 30 June 2012 or the year ended 30 June 2011.

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 2012

	Level 1	Level 2	Level 3	Total (per Statement of Net Assets)
	A\$m	A\$m	A\$m	A\$m
Assets				
Short Term Securities	-	7,106.6	-	7,106.6
Australian Fixed Interest	-	1,767.4	-	1,767.4
International Fixed Interest	-	839.8	-	839.8
Australian Equities	9,095.6	417.5	-	9,513.1
International Equities	5,988.3	2,004.0	-	7,992.3
Property	903.4	-	2,141.2	3,044.6
Alternatives	1,134.4	-	3,431.2	4,565.6
	17,121.7	12,135.3	5,572.4	34,829.40

YEAR ENDED 30 JUNE 2011

	Level 1	Level 2	Level 3	Total (per Statement of Net Assets)
	A\$m	A\$m	A\$m	A\$m
Assets				
Short Term Securities	-	2,789.1	-	2,789.1
Australian Fixed Interest	-	2,678.5	-	2,678.5
International Fixed Interest	-	1,382.2	-	1,382.2
Australian Equities	9,705.3	465.9	-	10,171.2
International Equities	6,401.2	1,800.3	-	8,201.5
Property	844.2	-	2,261.4	3,105.6
Alternatives	473.1	-	3,192.3	3,665.4
	17,423.8	9,116.0	5,453.7	31,993.5

**Notes to and forming part of the financial statements  
for the year ended 30 June 2012**

**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.

	2012	2011
	A\$m	A\$m
Balance at 1 July	5,453.6	4,943.9
Total gains and losses recognised in Statement of Changes in Net Assets	583.3	472.1
Purchases	327.1	358.9
Redemptions/Disposals	(791.6)	(321.3)
Balance at 30 June	5,572.4	5,453.6

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

	2012	2011
	A\$m	A\$m
Assets and liabilities realised during the year	(16.2)	22.5
Assets and liabilities still held during the year	255.2	121.3
Total	239.0	143.8

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 2012 the net investment assets of the Fund were \$35,492.5 million. Since 30 June 2012 the Fund's investments have made a return of approximately –

- Growth 2.8%
- Conservative 1.6%
- Balanced 2.4%
- Cash 0.6%

**End of Audited Financial Statements**







# Compliance index for disclosure requirements

In accordance with the *Annual Reports (Statutory Bodies) Regulation 2010*, this index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

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# STATE SUPER

## SAS Trustee Corporation

ABN: 29 239 066 746



ABN: 80 976 223 967

## Complaints and Disputes

If you have a question about your account or benefits, you should 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 within two years of being notified of the decision. Send the notice to:

The Manager  
Disputes and Appeals  
SAS Trustee Corporation  
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 Disputes Committee for consideration.

You will be notified of the outcome of the Disputes Committee review.

If you are dissatisfied with the review of that decision, you may lodge an appeal with the Industrial Court of New South Wales within six 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 scheme member complaints.

## Contact Details

### Customer service

8.30am to 5.30pm, 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
Pension members	1300 652 113
Deferred benefit members	1300 130 094

### Personal interview service

For an interview appointment in Sydney, call (02) 9238 5540. You can also arrange interviews at:

Newcastle	1800 807 855
Parramatta	1800 626 000
Port Macquarie	1800 676 839
Wollongong	1800 060 166

### Fax service

(02) 4253 1688

### Website

[www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)

### Email

[enquiries@stc.nsw.gov.au](mailto:enquiries@stc.nsw.gov.au)

### Mailing address

For Customer Service and Pillar Administration:  
PO Box 1229 Wollongong NSW 2500

For SAS Trustee Corporation (the Trustee Board) and the Office of the full time Board member:  
PO Box N259, Grosvenor Place NSW 1220

This report contains general information. Relevant information is subject to the *State Authorities Superannuation Act 1987*, the *Superannuation Act 1916*, the *Police Regulation (Superannuation) Act 1906* and the *State Authorities Non-contributory Superannuation Act 1987* 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 investment performance is not a reliable guide to future investment performance.