



STATE SUPER
SAS Trustee Corporation

POOLED FUND

2004/05
ANNUAL REPORT

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Contents

Part A – About the SAS Trustee Corporation	1–19
Part B – Financial Statements for the SAS Trustee Corporation	21– 40
Part C – Financial Statements for the Pooled Fund	41– 76
Part D – Triennial Actuarial Valuation	77– 82
Part E – SAS Trustee Corporation Statutory Information	83 – 103
Compliance Index	105
Contact Details	Back Cover

Report to the Minister

October 2005

The Hon. Morris Iemma, MP
Premier and Treasurer
Governor Macquarie Tower
Level 39
1 Farrer Place
SYDNEY NSW 2000

Dear Minister

We have pleasure in submitting to you for presentation to Parliament the annual report of the SAS Trustee Corporation, covering the period 1 July 2004 to 30 June 2005.

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

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

Yours sincerely



Michael Cole
Chairperson
SAS Trustee Corporation



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

Part A – About the SAS Trustee Corporation

Mission statement and Charter	1
Organisation structure	2
Chairperson’s report	3
Board members’ profiles	4
Executive management team	5
Review of 2004–05 year	6
Corporate Governance	10
Legislative and policy review	11
Review of investments	14
Pooled Fund – 5 years at a glance	19

Charter

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

It is trustee of the STC Schemes:

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

Its principal functions are to:

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

Mission

To support the future well being of NSW Government employees and their families by the productive delivery of superannuation benefits with optimal investment returns and member service.

Glossary:

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

Executive means the executive staff of the SAS Trustee Corporation.

FTC means the FSS Trustee Corporation.

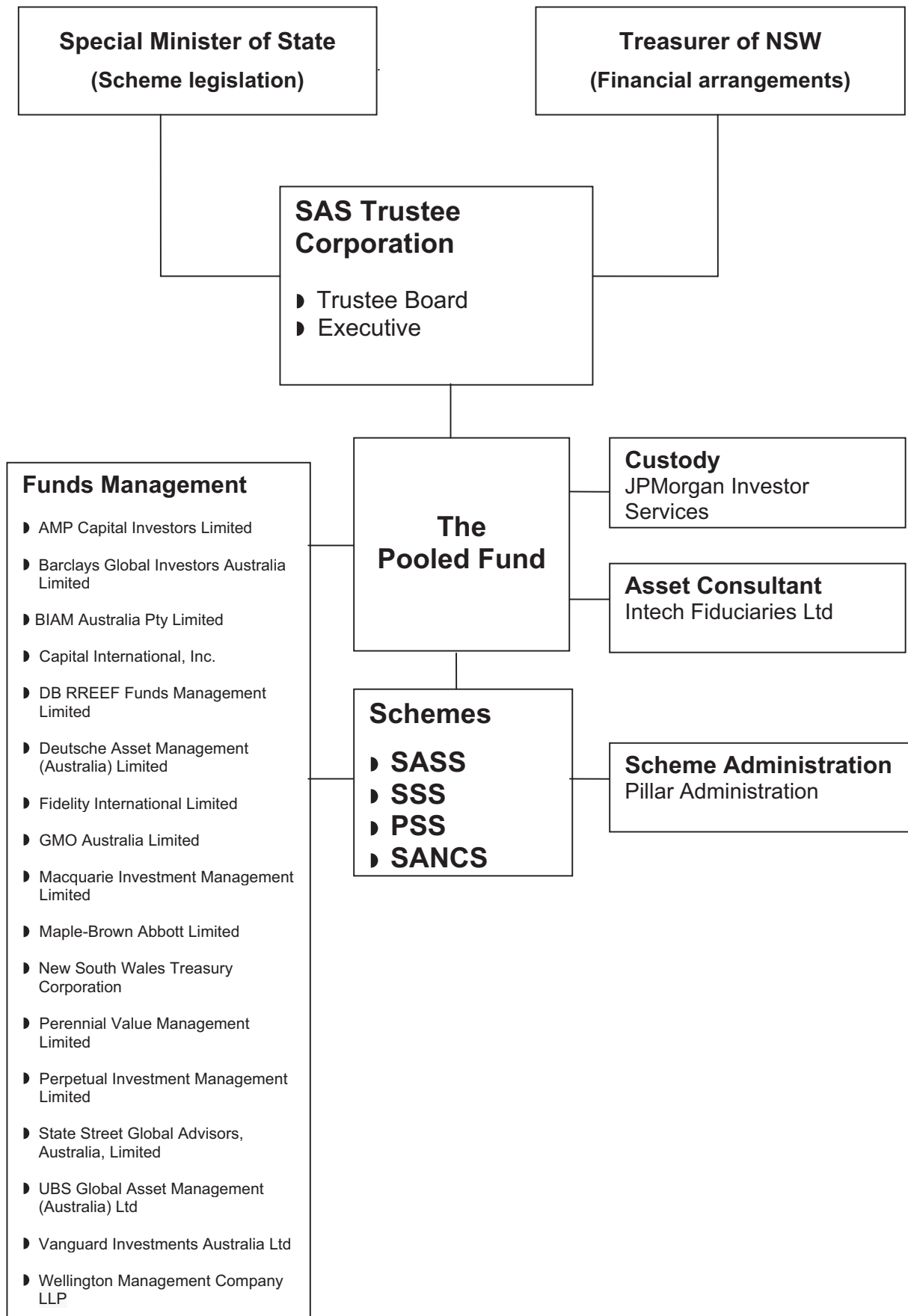
Pooled Fund or **Fund** means the Pooled Fund of the STC schemes.

Trustee Corporation means the SAS Trustee Corporation (STC).

This STC *Annual Report 2004–05* is on our website, www.statesuper.nsw.gov.au The accounts of the Pooled Fund's Controlled Entities may be obtained on request from the STC (see outside back cover for contact details). The accounts of the Controlled Entities have been separately tabled in the NSW Parliament.

Organisation structure

at 30 June 2005



Chairperson's report

For the second straight year, very favourable investment market conditions, particularly in Australia, assisted the generation of double digit investment returns.

The major investment strategy, Pooled Fund Growth Strategy, achieved 13.0% for the year.

The investment options for SASS members also achieved strong returns, with the Balanced Strategy earning 11.6%, Conservative Growth earning 9.3% and Cash earning 4.9% for the year. These investment returns were competitive with the median investment manager.

Throughout the year, the Trustee Board closely monitored the strategic asset allocation and implemented a number of changes to the Pooled Fund portfolio including:

- a reduction in the strategic allocation to direct property assets to 4.5%, with listed property securities making up a further 4.5% to give a total strategic property exposure of 9.0%;
- the implementation of a broader range of investment styles into the Australian equity sector with the introduction of enhanced index and long/short managers;
- an increase to 5% in the strategic allocation to mature infrastructure assets, although it is anticipated that limited available opportunities will mean that this target may take some time to achieve.

The Trustee Board welcomes the Commonwealth Government's proposal to eliminate surcharge tax on employer superannuation contributions made on or after 1 July 2005. However, members should be aware that surcharge will still apply to the 2005 financial year. Further, all existing surcharge debts will remain in defined benefit schemes and will continue to accrue interest, until the debt is paid.

The strong investment returns were the major factor in the growth during the year of the Fund's total net assets from \$24.2 billion to \$25.9 billion. This was achieved despite significant cash outflows resulting from benefit payments to members exceeding contributions received in the year by more than \$1.5 billion.

STC continues to improve its services to members. Early in the year, a project was undertaken to enable the Fund to accept Commonwealth Government Co-contributions into members' accounts. By year end, over 9,500 members had received Co-contributions totalling over \$4.5 million, an average of \$481 per recipient.

In previous years, STC has shared its executive team with FSS Trustee Corporation, the trustee of the First State Superannuation scheme. During the year, separate executive teams were established. This separation will enable the Executive to focus solely on the issues that impact on Pooled Fund Scheme members.

In conclusion, I thank the Trustee Board and the Executive staff for their ongoing commitment to the management of the Pooled Fund Schemes during another challenging year.



Michael Cole
Chairperson
October 2005

Board members' profiles

Michael Cole, Chairperson, had a 17 year career with Bankers Trust Australia as a Director/Executive Vice-president in both the Investment Bank and Funds Management divisions. At various times executive responsibilities included Head of Fixed Interest/Capital Markets/Structured Finance, Credit, Stockbroking and Retail Funds Management. In September 2001 he was appointed a Director of the New South Wales Treasury Corporation. Michael is a member of the General Government Liability Management Fund, Ministerial Corporation, Management Committee. He is also the Chairman of Ironbark Capital Limited and a Board Member of IMB Ltd.

Ian Blair (Employer Representative) is a Chartered Accountant and a Company Director, holding a Master of Management degree from Macquarie University. Before joining the Trustee Board, Ian completed a long career with accounting firm Deloitte Touche Tohmatsu, including a five year term as CEO of the firm. He is also a Director of IOOF Holdings Ltd, Melbourne Business School Ltd and Sisters of Charity Health Service Ltd. Ian has been active in local government and community organisations and received an Order of Australia Medal in 1987 for his services to the community.

Ron Davis (Employee Representative) is the full-time employee representative on the Trustee Board, a position he has held since 1 January 2002. Ron was previously a Valuation Manager with the State Valuation Office. He is a registered Real Estate Valuer and Fellow of the Australian Property Institute. 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 Unions NSW's Public Sector Employees' Superannuation Committee. Ron is a member of the Australian Institute of Superannuation Trustees, a Fellow of the Association of Superannuation Funds of Australia (ASFA), a Board Member of ASFA and the Deputy Chair of ASFA's NSW Division Executive Committee. He is also a Director of State Super Financial Services Australia Limited.

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

Michael Lambert (Employer Representative) is an Executive Director in the Corporate Finance Department of the global investment bank, ABN AMRO. Previous to that Michael was the Secretary of the New South Wales Treasury and held various other senior positions. He has extensive experience and expertise in financial analysis and advising governments and clients on financial and strategic issues. In addition Michael is a non-executive Director of Energy Australia and Queensland Racing. Michael has a Bachelor of Economics (Honours) and Master of Economics from Sydney University.

Nick Lewocki (Employee Representative) is Secretary of the Rail, Tram and Bus Union. Nick spent his early career with the NSW Railways Department before being elected to a full-time union official's position in 1979. From 1990 he worked with Unions NSW for 6 years as an Industrial Officer responsible for a range of industries. Nick is a Director of the NSW Trades Hall Association. As Secretary of the Union he has overall responsibility for industrial agreements and their certification before the industrial tribunals which affect over 14,000 members.

Maree O'Halloran (Employee Representative) is the President of the NSW Teachers Federation and was appointed to the Trustee Board on 1 September 2002. Her union experience includes numerous roles in the Teachers Federation as well as being a delegate to Unions NSW. Her teaching career spans city and country schools as well as TAFE and Corrective Services. She is admitted as a legal practitioner in NSW and has practised as a solicitor. She is currently a Board Member of the legal firm, MacMahon Associates and was previously a Board Member of the Blue Mountains Community Legal Centre. Maree is also a contributing author of an *HSC Legal Studies* textbook.

Board members' profiles continued

Ouma Sananikone (Employer Representative) maintains a portfolio of non-executive directorships and consultancy and has an extensive background in banking and financial services. She was formerly at BT Financial Group, where she was Director of Corporate Strategy and Development for the wealth management subsidiary of Westpac. Prior to the Westpac group, she was CEO of EquitiLink and Managing Director of BNP Investment Management. Ouma holds a Bachelor of Arts (Economics) from the Australian National University and a Master of Commerce from University of NSW and is a recipient of the Centenary Medal for services to the Australian finance industry.

Paul Scully (Employer Representative) is a Director of Decision Horizons, a consulting enterprise through which he offers his services based on thirty years of experience in financial services and investment management. Paul 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. Paul has held executive positions in life insurance and retail funds management. He now maintains a portfolio of non-executive directorships and consulting assignments.

Executive management team

In previous years, STC has had a commercial arrangement with FSS Trustee Corporation (FTC) whereby the two entities shared the services of a joint executive. Over the 2004–05 financial year, separate executive teams were established. As from December 2004, FTC appointed its own CEO and now operates autonomously, except for the investment team which currently remains shared between STC and FTC. However, over the 2005–06 year, FTC will engage its own investment personnel and the two executives will then operate totally independently.

Details of STC's senior management team as at 30 June 2005 are set out below:

Don McLean – Chief Executive Officer

Mr McLean's main focus is to ensure that the Trustee Board receives expert professional advice on which to make its decisions. He joined STC as Chief Executive Officer in January 2003. Before that, he worked in the financial services industry for over 30 years, both as a senior executive in major retail fund management organisations and in consulting roles.

Lyn Collingridge – General Counsel and Company Secretary

Ms Collingridge joined STC in October 1998. Having worked in the industry since 1989, she is a superannuation lawyer with extensive experience in both the public sector and private practice. She is responsible for the delivery of secretarial services as well as advice on legal and compliance to the Trustee Board and the Executive.

Rod Macleod – Manager, Investment Services

Mr Macleod manages STC's investment advisory team that monitors all aspects of the investment management and performance of the Pooled Fund. This includes liaison with investment service providers, such as the asset consultant, investment managers and the custodian. He has wide experience spanning over 30 years in investment management.

Karen Faulconbridge – Operations Manager

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

Review of 2004–05 year

STC's Objectives and Achievements for 2004–05

The objectives set for the 2004–05 financial year are set out below along with brief details of actions taken in pursuit of these objectives.

- *Continuously review investment strategies in order to satisfy the overall return and risk objectives of the Pooled Fund.*

The Fund's asset allocation is formally reviewed annually but is constantly monitored throughout the year. In addition, two independent asset consultants were engaged to provide their overview of an asset allocation for the Growth Strategy. Their views confirmed the appropriateness of the current strategy of having a growth oriented asset allocation.

A number of changes to the portfolio were implemented during the year including:

- the overweight position in direct property was corrected by the sale of some direct property assets and by the establishment of a diversified portfolio of listed property trusts;
- in Australian shares, assets managed by "boutique" managers were increased and enhanced index mandates were awarded to improve the overall risk/return profile of the Fund;
- in international equities, there were changes in managers and an exposure to high conviction managers was introduced;
- the allocation to unlisted equity is targeted to increase as opportunities arise. In addition, the unlisted equity portfolio has been split into two components, namely mature infrastructure and development capital.

- *Contain administration costs*

In 2005, the total costs of administering the Pooled Fund Schemes was \$34.8m, compared to \$36.5m in the previous year. Although the administration contract was due to expire on 30 June 2005, reduced fees for the 2005 financial year were negotiated. However, these reductions were partially offset by the costs of implementing systems changes required for the acceptance of the Commonwealth Government Co-contributions and other projects.

Subsequent to the year end, terms for a five year extension of the contract have been agreed with Pillar Administration. The revised terms will assist STC in containing total costs in the next five years. However, in an environment where superannuation legislative changes frequently do not account for the complexities of defined benefit schemes, the containment of total administration costs will remain a challenge, due to the implementation of regulatory changes.

- *Provide members with access to information on their benefit entitlements*

Members have a range of options for obtaining information on the Pooled Fund Schemes and each has been widely used.

Number of Member Contacts in year to 30 June 2005

Service	Number of Contacts
Number of telephone calls received	126,885
Correspondence	
- received by post	7,821
- received by email	9,744
Attendees at pre-retirement seminars	4,745
Personal interviews conducted	4,535

In addition, members have access to a range of Fact Sheets, which explain members' entitlements to benefits from the Schemes as well as superannuation issues in general. These are available to members either by contacting the Customer Service Centre or by downloading them from the website.

The Trustees have initiated a project to upgrade the website, so that members may more easily navigate the site and find the information they seek.

- *Work with the Fund's administrator to improve services to members*

The Trustee closely monitors the performance of the administrator to ensure that the agreed service standards are being met. Key service standards and the performance of the administrator over the year are summarised below:

Service	Standard	2005 Achievement
Telephone Calls - answered within standard - calls abandoned	90% < 5%	91% 1%
Correspondence - response within 15 days	95%	98%
Benefit Payments - death benefits paid within 10 days of receipt of all information - resignation/retirement benefits paid within 5 days of receipt of all information	95% 95%	100% 97%
Contribution Processing - within 5 days	95%	100%
Member Record Adjustments - adjust within 5 days	95%	98%
Payment of Pensions - fortnightly on due date	100%	100%

Overall, the service levels achieved in the year exceeded contractual standards.

For the first time, Commonwealth Government Co-contributions became payable during the year and were accepted by the Fund. By the end of June, 9,514 members had received payments totalling \$4.6m, representing an average of \$481. With the changes to Commonwealth legislation, more members are expected to receive larger payments in the 2005–06 year.

In conjunction with the administrator, a project has been initiated to review major processes and procedures to further improve service to members as well as to investigate cost-efficiencies.

- *Ensure that the Trustee Corporation and Executive operate both efficiently and in accordance with best practice principles*

While the Pooled Fund Schemes are “exempt” funds regulated by NSW State legislation and not directly by Commonwealth superannuation legislation, STC’s objective is to comply, where appropriate, with the Commonwealth legislation. Developments in superannuation fund governance are monitored and incorporated, as appropriate, into STC’s governance and compliance procedures.

During the year, initiatives that were implemented included:

- all relevant staff passed PS146 competency tests and an ongoing staff training program has been introduced so that staff maintain up-to-date knowledge on superannuation issues;
- new and amending contractual arrangements include the new outsourcing provisions required under the Commonwealth Safety in Superannuation legislation;
- a Risk Management Strategy and Plan has been developed and implemented;
- all the Trustee Board’s policies and plans being reviewed, and revised where necessary, over the next two years.

Membership of Schemes

The membership of the Pooled Fund Schemes as at 30 June 2005 was:

	Active	Deferred	Pensioners	Total
State Authorities Superannuation Scheme	60,776	11,843	5,012	77,631
State Superannuation Scheme	28,593	4,539	38,548	71,680
Police Superannuation Scheme	3,706	192	5,377	9,275
	93,075	16,574	48,937	158,586

The Pooled Fund Schemes are closed to new members. Consequently, the number of active members, who are contributors to the Schemes, declined from 100,262 to 93,075 during the year, a reduction of 7%. As members reach retirement age and leave the workforce, active membership will continue to steadily decline. Similarly, the number of members who have deferred their benefit in the scheme has reduced slightly from 16,920 to 16,574 during the year.

However, the number of pensioners has increased from 47,280 to 48,937. This reflects the number of members in SSS and PSS who are leaving the workforce and choosing to take their retirement benefit in the form of a pension. In the immediate future, the number of pensioners is projected to continue to increase.

One area where the number of exits has significantly exceeded expectations relates to Police disability benefits in the Police Superannuation Scheme. The number of applications for these benefits received in the last three financial years has been:

Financial Year	Hurt-on-Duty Applications Received		
	Before Leaving Service	After Leaving Service	Total
2003	338	24	362
2004	177	40	217
2005	471	15	486

After a downturn in applications in 2004, the number received increased significantly in 2005 and represented over 10% of the total active membership in the Police Superannuation Scheme.

Administration

The level of service provided by the administrator has improved substantially in the past few years, both in timelines and in the accuracy of the transaction processing. The Trustee Board continues to closely monitor the service levels achieved by Pillar to ensure that the contractual standards are maintained. In the last year, the level of service achieved exceeded the contractual service levels.

The contract for the provision of administration services with Pillar expired on 30 June 2005. As at 30 June 2005, a short term extension had been put in place but agreement had not been reached on a long term extension of the contract. However, subsequent to the year end, STC and Pillar have agreed on terms for a five year extension of the contract.

The administrator, in conjunction with STC, has recently embarked on a major project to review and implement some major business processes with a view to making them both more efficient and cost effective. This project is expected to run over the next two financial years.

Member Services

STC continues to operate a range of services, whereby members can obtain information on the Schemes or on their personal benefit entitlements. These include:

- a telephone call centre, which received over 126,000 calls from members in the financial year;
- a personal interview service, which conducted 4,535 member interviews;
- an active seminar program aimed at members approaching scheme retirement age. During the year, 77 seminars were conducted across the state – 32 in the Sydney Central Business District, 14 in the wider Sydney Metropolitan area and 31 in regional centres. These seminars were attended by over 4,700 members (i.e. over 10% of the active membership in the targeted age groups);
- a comprehensive range of Fact Sheets, which explain members' entitlements as well as general superannuation information. Members may obtain printed copies of the Fact Sheets from the Customer Service Centre or alternatively, they are available on State Super's website, which is well used by members for this purpose;
- a quarterly newsletter on superannuation issues is distributed via employers and employee organisations;
- all current STC publications are available on the website. Member Annual Statements may also be downloaded from the website. As at 30 June 2005, there were 21,791 active members, 453 Deferred Benefit members and 3,611 pensioners who have registered to access their personal details on the website;
- the Customer Service Centre received 17,565 items of correspondence from members in the year. Of these, 9,744 were received by e-mail, indicating a significant switch by members to the use of internet based communications.

In SASS, active and deferred members have a range of investment strategies available for the accumulation part of their benefit. At 30 June 2005, the funds in each strategy were:

Investment Strategy	\$m
Growth (default)	4,678.8
Balanced	74.4
Conservative Growth	32.0
Cash	19.8
Total	4,805.0

Staff

At 30 June 2005, STC employed the full time equivalent of 22 staff.

In previous years, the executive team of STC has also provided executive services to FTC, which is trustee for the First State Superannuation scheme. During the year, a process of phasing out this sharing arrangement was initiated, so that by year end, the separate executive teams had been largely established and were operating out of their own office premises.

At year end, the Investment team of four staff continued to be shared with FTC. However, it is anticipated that FTC will employ its own investment personnel in the 2005–06 financial year and that the STC and FTC executives will then be totally independent.

A staff training program was initiated during the year to ensure that relevant staff maintain up-to-date knowledge on superannuation issues and maintain competency levels in line with ASIC's PS146 requirements.

Corporate Governance

Compliance Framework

STC has a multi-tiered compliance framework and during the reporting year has documented most of its compliance practices. The original target for the completion of this formal documentation was prior to July 2005. However, this has been delayed because the feedback from a review conducted by the Australian Prudential Regulatory Authority (APRA) was not available. Once the documentation is completed, each of the Plans and Policies will be reviewed on a two year rolling basis or sooner if required.

During the year STC hired a Compliance Officer so that adequate resources can be focussed on compliance.

STC's compliance requirements include:

- Policies and Plans that are required by NSW legislation for public sector agencies to develop and maintain;
- Plans and Statements that comply with APRA and ASIC requirements for regulated and licensed superannuation funds. STC attempts to conform with the spirit of APRA and ASIC practices to ensure best practice;
- A comprehensive compliance checklist that identifies all STC's legislative (both Commonwealth and NSW) and contractual obligations is completed by the relevant responsible STC manager once a year and the results are reported to the Trustee Board;
- Formal annual verification from STC's outsourced service providers that they have complied with their contractual and legislative obligations during the year in relation to their services to STC.

Prudential Governance

The Pooled Fund is an exempt public sector superannuation scheme under the Commonwealth *Superannuation Industry (Supervision) Act 1993* (SIS). The SIS legislation treats exempt public sector superannuation funds 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 that Agreement the NSW Government undertakes to ensure that the Pooled Fund schemes will conform with the principles of the Commonwealth retirement incomes policy related to preservation, vesting and reporting to members and that members' benefits are adequately protected.

Amendments made to the Pooled Fund legislation in March 2004 enable the NSW Government to prudentially monitor and audit the Pooled Fund and the 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 Commonwealth's retirement incomes policy.

Investment Governance

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

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

Legislative and policy review

The Pooled Fund Schemes operate under State legislation. They must also comply with the principles of the Commonwealth superannuation regulatory regime and with other Commonwealth and State Legislation such as tax, anti-discrimination and privacy. Legislative or regulatory changes that impacted on members of the Pooled Fund Schemes are summarised below.

The *Superannuation Legislation Amendment Act 2005* (proclaimed to commence on 8 July 2005) included a number of changes to the Scheme legislation.

Post exit surcharge assessments

Regulations have been introduced to allow members of the Pooled Fund Schemes to have surcharge assessments which are received after date of exit from the Scheme measured against the surcharge cap. The surcharge cap is the maximum amount of surcharge that an individual member is required to pay personally. A member may choose to reduce their pension to pay this amount. The balance is paid by the employer.

Anti-Detriment provisions for death benefits

Where a death benefit is paid to a dependant, Commonwealth tax laws permit the contributions tax to be waived. Amendments to the Scheme rules allow the anti-detriment provisions to apply to deferred benefits, as the deferred benefit has already been reduced to offset the 15% tax on employer contributions. To the extent that a tax deduction is allowed to the Pooled Fund, the death benefit will be increased by the amount of the tax credit available.

SSS invalidity pensions

Amendments to the *Superannuation Act 1916* allow an invalidity pensioner who has attained age 55 years to elect to take their pension as a pension for life. (This effectively means that the pensioner gives up any right to a commute the pension.) Once a pensioner is granted a pension for life, the provisions of the Act, which permit a pension to cease if the pensioner is recalled to employment service, do not apply.

Family Law provisions

On 28 December 2002, Commonwealth legislation took effect allowing superannuation interests to be divided following the breakdown of a marriage. Commonwealth legislation provides the basis for valuing a member's superannuation entitlement for this purpose. On review of the Commonwealth's valuation methods for determining the value of a superannuation interest, the Trustee Board considered that these were inconsistent with the benefit design of the Pooled Fund Schemes. As a consequence the Trustee Board has applied to the Commonwealth Attorney General seeking approval for alternative valuation methods to be adopted for SASS, SSS, PSS and SANCS.

It should be noted that for current Family Law requests for information, information as required under the Commonwealth legislation is provided to the parties so that a valuation of the interest can be determined by the parties. This valuation is currently based on the valuation methods specified by the Commonwealth legislation.

However, once the alternative valuation methods are approved by the Commonwealth Attorney General, new Family Law provisions will be legislated for the Pooled Fund Schemes and future requests for information will include a value of the interest in accordance with these changes.

Legislative and policy review continued

Overview of the Commonwealth Government's Co-contribution

The superannuation Co-contribution is a payment made by the Commonwealth Government to match certain personal contributions paid to a superannuation fund from 1 July 2003. Personal contributions include after tax payments made to a superannuation fund, such as employee contributions to SASS, SSS and PSS. Contributions made by a spouse and salary sacrifice contributions do not qualify as eligible contributions for Co-contribution purposes.

Who is eligible to receive the Co-contribution?

If a member was eligible to receive a Co-contribution payment in the 2003–04 financial year, the member would have been notified by the Australian Taxation Office (ATO) of the applicable amount during the 30 June 2005 financial year.

Generally, the Commonwealth Government's Co-contribution will be payable for a financial year if the member meets **all** of the following conditions:

- the member makes personal superannuation contributions from their *after tax* income during a financial year, and
- the member's total income* for the 2004–05 financial year was less than \$58,000**, and
- at least 10% of the member's total income* is attributable to employment, and
- the member lodges an income tax return for the financial year, and
- the member is less than 71 years of age at the end of the financial year, and
- the member did not hold a temporary resident visa at any time during the year.

*Total income means assessable income plus reportable fringe benefits.

**Subject to indexation from 2007–08.

Where is the Co-contribution paid to?

Unless the member has nominated a particular superannuation fund, the ATO will forward the Co-contribution amount to the superannuation fund where the member made their personal contributions.

Co-contribution payments received in respect of SASS, SSS and PSS members, will be treated as undeducted contributions (i.e. contributions tax is not payable) and will be deposited to a Co-contribution account in SANCS. Details of Co-contribution payments received on a member's behalf have been included on their 2004–05 Annual Benefit Statement.

How is the Co-contribution calculated?

The ATO will determine the applicable Co-contribution amount on the basis of the member's income tax return and the information that is provided by the member's superannuation fund.

For years ended 30 June 2005 and later:

- The Co-contribution is \$1.50 for every \$1 of personal contributions made in a financial year (subject to the maximum Co-contribution available).
- For annual incomes up to \$28,000**, the maximum Co-contribution for the 2004–05 and later years is \$1,500.
- For incomes above \$28,000**, the maximum (\$1,500) reduces by 5 cents for each dollar of income above \$28,000, so that it phases out completely at \$58,000**.

**Subject to indexation from 2007–08.

When can a member access the co-contribution payment?

Co-contribution payments are required to be preserved until the member reaches their preservation age (i.e. between 55 and 60) or meets a condition for earlier benefit release. The Annual Benefit Statement will provide details of the benefit preservation requirements.

Super surcharge amendments

The Commonwealth Government has recently passed legislation to remove the superannuation contributions surcharge tax. Effective from 1 July 2005, the surcharge will not be payable on employer superannuation contributions made, or employer termination payments received after this date.

However, it is important to note the following:

Surcharge Debt at 30 June 2005

If a member had a surcharge debt prior to 30 June 2005, that debt will remain in their Scheme and will continue to accrue interest until the debt is paid. (The member's 2004–05 Annual Statement shows any outstanding surcharge debt at 30 June 2005.)

Post 30 June 2005 surcharge assessments

The Australian Taxation Office will continue to issue surcharge assessment notices for the 2004–05 year and for prior financial years from the 1996–97 year. If the member receives any future surcharge assessments these will be applied to their debt account as appropriate.

Interest on outstanding debt

A member's surcharge debt will continue to accrue interest at the Commonwealth 10 year Treasury bond rate until the debt is paid. The 30 June 2005 bond rate was 5.11%.

Voluntary payments made to reduce debt

Payments to reduce a member's surcharge debt may be forwarded to the scheme administrator at any time. The administrator is then required to adjust the outstanding amount accordingly.

Surcharge Cap

Scheme legislation requires that the maximum amount deducted from a member's benefit for surcharge purposes is limited to a percentage of the post 20 August 1996 share of their employer-financed benefit. The percentage rate that will apply is based on the maximum surcharge rates set by the Commonwealth Government. These are 15% to 30 June 2003, reducing to 14.5% to 30 June 2004 and 12.5% to 30 June 2005. If all or part of the assessment exceeds your surcharge cap, the excess amount is paid from the relevant scheme employer reserve.

Review of investments

(i) Investment Overview

Economic Environment:

Growth has been strong in the global economy over the past year. This has been fuelled by the China growth story, which in turn is facilitated by the demand of the US consumer. A sharp increase in oil prices and increases in US interest rates during the past 12 months has only had a moderate impact on world growth. The outlook amongst analysts is for world growth to slow during 2005–06.

In Australia there has been a change in the composition of growth, as the housing boom has been replaced by a commodities boom, which is likely to follow the rhythm and pulse of China. The Reserve Bank has not been compelled to increase interest rates in step with its US counter part, but has closely monitored the economy for signs of increases in inflation. However, so far the inflationary outlook has been fairly benign and official interest rates are on hold.

Australian Equities:

Australian listed equities recorded another strong annual return year, with the S&P/ASX 300 Accumulation Index rising by 25.9% which followed a rise of 21.7% in the previous year. The Australian Equities market was a beneficiary of the recent strong growth in the Chinese and Indian economies and the surge in oil prices. The best performing sectors in the 2005 year were Energy up 67.2%, Industrials 38.1% and Basic Materials 36.6%.

International Equities:

World share markets, excluding Australia, as reflected by the Morgan Stanley World Capital Index on an unhedged basis remained virtually static for the year to 30 June 2005 rising by 0.1%. International stock markets which had a relatively strong year were the European and Asian (excluding Japan) markets whilst the US was weak. However, while the share markets rose in local currency terms, these market increases were largely offset by the strong lift over the year of the value of the Australian dollar against currencies like the US dollar and the Euro.

Fixed Interest:

During the year, the Australian Reserve Bank lifted its short term money rate from 5.25% to 5.50%, while over the year the yield on 10 year Commonwealth Bonds fell from 5.87% to 5.11%.

In the US, the Federal Reserve lifted official short term money market rates eight times from 1.25% to 3.25%. However, the longer term 10 year US Government bond yield fell from 4.73% to 4.00%.

Sector Market Returns:

Market	Index	Return
Australian Equities	S&P/ASX 300 Accumulation	25.9%
International Equities	MSCI World ex Australia (\$A) <ul style="list-style-type: none">▪ unhedged▪ hedged	0.1% 9.8%
Listed Property Trusts	S&P/ASX 200 LPT Accumulation	18.4%
Australian Fixed Interest	UBSW All Government All Maturities	7.8%
International Fixed Interest	JP Morgan Global ex Australia Govt. Bond Index Hedged(\$A)	12.3%
Cash	UBSW Australian Bank Bill	5.6%

(ii) Investment Returns

SSS and PSS

Most benefits paid from SSS and PSS are defined benefits, which are not directly affected by the Fund's investment earnings. All moneys received in respect of SSS and PSS benefits are invested in the Growth Investment Strategy. This includes deferred SSS and deferred PSS benefits, as well as the lump sum SANCS Basic Benefit (including Commonwealth Government Co-contributions Account) and any superannuation guarantee shortfall amount. Member investment choice does not apply to any portion of SSS and PSS benefits.

SASS

Part of the benefits payable to SASS members are accumulation benefits, which are directly affected by the investment returns. These benefits include the Personal Account Balance and Commonwealth Government Co-contributions Account of SASS contributing members and the whole benefit of Deferred SASS members.

SASS members have a range of investment strategies which they may select for their accumulation benefit. These strategies are Growth, Balanced, Conservative Growth and Cash. The Growth strategy is the default strategy that applies if a SASS member does not make a choice.

For both SASS and Deferred SASS members, investment choice does not apply to the lump sum SANCS Basic Benefit, the Commonwealth Government Co-contributions Account and any superannuation guarantee shortfall amount.

The crediting rates in recent times are set out in the table below:

Year Ended 30 June	Growth	Balanced	Conservative Growth	Cash	CPI
	% pa	% pa	% pa	% pa	% pa
2000	16.5	These strategies were introduced in December 2003. Consequently there are no crediting rates for the full year ended 30 June 2004 or earlier.			3.2
2001	3.6				6.0
2002	-7.0				2.8
2003	-1.7				2.7
2004	13.5				2.5
2005	13.0	11.6	9.3	4.9	2.5
Average 3 Years	8.0	These strategies were introduced in December 2003. Consequently there are no crediting rates for the 3, 5 or 10 year periods.			2.6
Average 5 Years	3.9				3.3
Average 10 Years	8.5				2.5

Note: The figures above are after allowance for tax and investment management expenses. Past returns are no guarantee of future returns. The Personal Account Balance and Commonwealth Government Co-contributions Account portion of a SASS member's benefit or the benefit of a Deferred SASS member is not guaranteed and the value of such accounts can go up or down with investment returns. SASS members are encouraged to seek professional advice before selecting an investment strategy to suit their personal circumstances.

(iii) Asset Allocation

The Strategic Asset Allocation is the percentage of Growth Assets and Income Assets for each Investment Strategy, as set out below:

Strategic Asset Allocation for Investment Strategies

Strategy	Growth Assets %	Income Assets %
Growth	74.5	25.5
Balanced	50.0	50.0
Conservative Growth	30.0	70.0
Cash	0.0	100.0

Note: Growth Assets include shares, property and 50% of mature infrastructure assets, and Income Assets include cash deposits, fixed interest and 50% of mature infrastructure assets.

(iii) Asset Allocation continued

The proportions allocated to each strategy remain within a margin of plus or minus 5% of the percentages shown. However, the allocation to the asset sectors that make up these broader categories may change. The Fund's asset allocations are reviewed formally at least once a year and are constantly monitored throughout the year.

	Asset Sector Allocation							
	Growth		Balanced		Conservative Growth		Cash	
	2004 %	2005 %	2004 %	2005 %	2004 %	2005 %	2004 %	2005 %
Australian Equities	32.1	34.0	25.2	25.6	13.2	13.6	0.00	0.00
International Equities	27.5	25.9	18.3	18.1	10.3	10.0	0.00	0.00
Unlisted Equities	2.9	3.2	0.0	0.0	0.0	0.0	0.00	0.00
Mature Infrastructure	2.4	2.6	0.0	0.0	0.0	0.0	0.00	0.00
Property								
- direct	8.3	5.1	5.6	4.3	5.7	4.3	0.00	0.00
- listed property trusts	2.1	3.5	1.4	2.8	1.4	2.8	0.00	0.00
Australian Fixed Interest	11.0	11.1	19.8	19.7	19.8	19.8	0.00	0.00
International Fixed Interest	7.0	7.4	19.9	19.8	19.8	19.9	0.00	0.00
Cash	6.7	7.2	9.8	9.7	29.8	29.6	100.0	100.00
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.00

(iv) Investment Return Objectives

(a) Growth Strategy

The Growth strategy has two investment return objectives, namely:

Investment Return Objective	Outcome for 2004-05
<p>Long Term Objective: To exceed the Consumer Price Index (CPI) plus 4.5% p.a. over rolling 10 year periods.</p>	The Growth strategy return over the 10 years to 30 June 2005 was 8.5% p.a. which exceeded the target 10 year return of 7.0% p.a.
<p>Shorter Term Objective: To earn returns over rolling three year periods which rank in the top half of the universe of managers in the Intech* Growth Super Survey.</p>	The Growth strategy did not meet this objective, being 0.8% below the median manager. This was primarily due to underperformance in the 2003 financial year.

*Intech Asset Consulting Pty Ltd is an asset consulting firm which publishes surveys of the investment performance of superannuation fund managers.

(b) Other Strategies

The investment return objectives for the other strategies are:

Strategy	Investment Return Objective
Balanced	CPI plus 3.0% p.a. over rolling 7 year periods.
Conservative Growth	CPI plus 2.0% p.a. over rolling 4 year periods.
Cash	CPI plus 1.5% p.a. over rolling 3 year periods.

These investment strategies were introduced in December 2003 and therefore have not been in place long enough to be measured against the longer term investment objectives.

(v) *Investment Expenses*

Investment management expenses include funds management fees, custodial fees and the costs of managing the investment portfolio. These expenses are deducted from investment earnings, before the crediting rates are determined.

Year Ended 30 June	Investment Expenses as a % of Average Total Assets			
	Growth % pa	Balanced % pa	Conservative Growth % pa	Cash % pa
2001	0.25	These strategies were introduced in December 2003.		
2002	0.27			
2003	0.22			
2004	0.31	0.19*	0.18*	0.11*
2005	0.29	0.20	0.22	0.12

*Annualised for the seven months from 1 December 2003 to 30 June 2004.

The Fund's overall investment expenses continue to be low as competitive investment management fees can be negotiated due to the large size of the total portfolio.

(vi) *Investment Managers*

All of the Pooled Fund's assets are managed by external fund managers who are appointed by the Trustee Board, on the advice of the asset consultant. The performance of the various fund managers is monitored throughout the year and managers may be added or replaced. At 30 June 2005, the Fund's investment managers were:

Australian Shares

AMP Capital Investors Limited
Barclays Global Investors Australia Limited
Deutsche Asset Management (Australia) Limited
GMO Australia Limited
Macquarie Investment Management Limited
Maple-Brown Abbott Limited
New South Wales Treasury Corporation
Perennial Value Management Limited
Perpetual Investment Management Limited
State Street Global Advisors, Australia, Limited
UBS Global Asset Management (Australia) Ltd

International Shares

BIAM Australia Pty Limited
Capital International, Inc.
Fidelity International Limited
New South Wales Treasury Corporation
State Street Global Advisors, Australia, Limited
Wellington Management Company LLP

Alternative Assets

Deutsche Asset Management (Australia) Limited

Property (including listed property trusts)

DB RREEF Funds Management Limited
Vanguard Investments Australia Ltd

Australian Fixed Interest and Cash

Deutsche Asset Management (Australia) Limited
State Street Global Advisors, Australia, Limited

International Fixed Interest

State Street Global Advisors, Australia, Limited

Cash

State Street Global Advisors, Australia, Limited

(vii) Investment Policies

(a) 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 crediting rate which is determined monthly. Members exiting the Pooled Fund Schemes receive a daily crediting rate applicable since the last monthly rate was struck.

(b) Derivatives

Derivatives, including futures and options, can be used by the Pooled Fund investment managers. However, the investment mandates clearly state that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against adverse market movements and cannot be used for speculative purposes or gearing the investment portfolio. During the year to 30 June 2005, the managers made limited use of derivatives.

(c) Hedging

STC's policies in regard to currency hedging as at 30 June 2005 are:

- international fixed interest: 100% hedged into Australian dollars;
- international equities: 25% hedged into Australian dollars, increasing to 30% during the 2005–06 financial year;
- international mature infrastructure: 100% hedged into Australian dollars.

(d) Custodian

The Trustee Board has appointed JPMorgan Investment Services as custodian to hold the Pooled Fund's assets. In addition, the custodian values the Fund daily and monitors each investment manager's daily activity to ensure compliance with their investment mandate.

(e) Passive Rebalancing

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

(viii) Large Investments

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

However, the Pooled Fund held 5.5% of the Fund's total investments in the Emerging Managers Trust (managed by New South Wales Treasury Corporation), an unlisted unit trust, which engages a range of managers to manage Australian Share portfolios.

5 years at a glance — to 30 June

	2001	2002	2003	2004	2005
Member statistics					
Active Members — SASS	76,974	72,629	68,543	64,968	60,776
Active Members — SSS	37,887	35,661	33,465	31,151	28,593
Active Members — PSS	5,652	5,066	4,489	4,143	3,706
Total active members	120,513	113,356	106,497	100,262	93,075
Pensioners — SASS	6,552	6,072	5,615	5,312	5,012
Pensioners — SSS	33,003	34,136	35,378	36,872	38,548
Pensioners — PSS	4,100	4,459	4,877	5,096	5,377
Total pensioners	43,655	44,667	45,870	47,280	48,937
Deferred Benefits — SASS	13,270	13,703	12,216*	12,080	11,843
Deferred Benefits — SSS	4,885	4,812	4,753	4,638	4,539
Deferred Benefits — PSS	237	232	230	202	192
Basic Benefit only	96,240	1,211**	-	-	-
Total deferred benefits	114,632	19,958	17,199	16,920	16,574

Gender ratios – active members

Females — SASS	53%	53%	53%	52%	53%
Males — SASS	47%	47%	47%	48%	47%
Females — SSS	33%	33%	32%	33%	33%
Males — SSS	67%	67%	68%	67%	67%
Females — PSS	10%	10%	11%	11%	11%
Males — PSS	90%	90%	89%	89%	89%

Contributions — \$m

Employer contributions	483	175	316	326	332
Employee contributions	460	464	464	474	494
Accelerated Crown Contribution	-	-	-	-	-
Total contributions	943	639	780	800	826
Benefits Paid — \$M	1,890	2,304	2,071	2,038	2,398
Net Contributions — \$M	-947	-1,669	-1,291	-1,238	-1,572
Investment Revenue — \$M	1,529	-2,175	-523	3,251	3,354

Assets/Liabilities — \$m

Accrued Benefits — SASS	8,636	8,743	8,903	9,824	10,566
Net assets to pay benefits	6,403	5,712	5,278	5,779	6,105
Over/under funding	-2,233	-3,031	-3,625	-4,045	-4,461
Accrued Benefits — SSS	21,492	22,156	23,661	24,888	26,203
Net assets to pay benefits	18,482	16,428	15,431	16,866	18,409
Over/under funding	-3,010	-5,728	-8,230	-8,022	-7,794
Accrued Benefits — PSS	3,877	3,989	4,318	4,761	5,065
Net assets to pay benefits	1,610	1,328	1,126	1,096	1,020
Over/under funding	-2,267	-2,661	-3,192	-3,665	-4,045
Accrued Benefits — SANCS	2,207	1,848	1,888	2,097	2,231
Net assets to pay benefits	1,242	597	471	474	366
Over/under funding	-965	-1,251	-1,417	-1,623	-1,865
Total Accrued Benefits \$M	36,212	36,736	38,770	41,570	44,065
Total net assets to pay benefits	27,737	24,065	22,306	24,215	25,900
Total over/under funding	-8,475	-12,671	-16,464	-17,355	-18,165
Total Investments — \$M	27,750	23,829	22,092	24,231	25,980

Annual crediting rates — %

Net Returns – 1 year	3.6%	-7.0%	-1.7%	13.5%	13.0%
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*In May 2003, 1,145 Deferred SASS accounts were transferred to the First State Superannuation scheme.

**In December 2001, 92,762 Deferred Benefit SANCS only accounts were transferred to the First State Superannuation scheme.

Part B – Financial Statements for the SAS Trustee Corporation



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

SAS TRUSTEE CORPORATION

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the SAS Trustee Corporation:

- (a) presents fairly the SAS Trustee Corporation's financial position as at 30 June 2005 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

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

The Board's Role

The financial report is the responsibility of the members of the Board of SAS Trustee Corporation. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Board members had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

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

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

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



R J Sendt
Auditor-General

SYDNEY
28 September 2005

SAS TRUSTEE CORPORATION

Statement by Members of the Trustee Board
for the year ended 30 June 2005

Pursuant to Section 41C(1B) and (1C) of 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 position of the SAS Trustee Corporation at 30 June 2005 and transactions for the year then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions.

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

Signed at Sydney this 28 th day of September 2005.



Michael Cole
Chairperson
SAS Trustee Corporation



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

SAS TRUSTEE CORPORATION

Statement of Financial Performance
for the year ended 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
Revenue from ordinary activities	2	35,882	38,691
Other Revenue from ordinary activities	2	306	196
Administration Expenses from ordinary activities	2	(36,188)	(38,887)
Net Profit or Loss from ordinary activities		—	—

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

SAS TRUSTEE CORPORATION

Statement of Financial Position
at 30 June 2005

	NOTE	2005	2004
		\$'000	\$'000
Current Assets			
Cash at Bank	9(a)	3,581	430
Receivables	3	1,748	5,340
Prepayments		41	4
Total Current Assets		5,370	5,774
Total Assets		5,370	5,774
Current Liabilities			
Payables	4	4,156	4,503
Provisions	5	362	435
Total Current Liabilities		4,518	4,938
Non-Current Liabilities			
Provisions	5	852	836
Total Non-current Liabilities		852	836
Total Liabilities		5,370	5,774
Net Assets		—	—
Total Equity		—	—

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

SAS TRUSTEE CORPORATION

Statement of Cash Flows

for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
NOTE	<u>Inflows/ (Outflows)</u>	<u>Inflows/ (Outflows)</u>
Cash Flows from Operating Activities		
Receipts from Associated Schemes	38,003	39,433
Payments to Suppliers and Employees	(34,852)	(38,797)
Net Operating Cash Flows	9 (b) <u>3,151</u>	<u>636</u>
Net Increase/(Decrease) in Cash Held	3,151	636
Cash at the Beginning of the Financial Year	430	(206)
Cash at the End of the Financial Year	9 (a) <u>3,581</u>	<u>430</u>

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

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES

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 Pooled Fund.

STC is, for the purpose of any Acts, a statutory body.

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.

STC Fund's custodial activities are performed by JPMorgan Investor Services.

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

(a) General System of Accounting Underlying the Financial Statements

The financial statements form a general purpose financial report and are prepared in accordance with the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions. They also comply with applicable Australian Accounting Standards and other professional reporting requirements including Urgent Issues Group Consensus Views.

The financial statements have been prepared on an historical cost basis using the accrual method of accounting and do not reflect 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.

(b) Administration Expenses

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

Under the terms of the Act, STC must recover the costs it incurs from the Pooled Fund.

Investment expenses incurred by STC were recouped from the Pooled Fund's assets held by the Custodian. This reimbursement more accurately attributes investment costs to investment returns. The total of these expenses was \$855,000 (2004 \$1.246 million).

(c) Employee Benefits

Wages, salaries and annual leave

The provision for employee benefits relating to wages, salaries and annual leave represents the amount which STC 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.

Notes to the financial statements

for the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES

(c) Employee Benefits (continued)

Long service leave

The liability for employee benefits relating to long service leave is measured at their nominal amount. Past experience indicates that the estimate for long service leave liability based on remuneration rates current as at reporting date for all employees with 5 or more year's service is not materially different from the estimate determined by using the present value basis of measurement and detailed group-based estimates.

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. STC is meeting in full the total superannuation liabilities for its employees. The contributions made to superannuation funds are charged against the operating result.

(d) Roundings

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

(e) 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 STC are transacted through the STC 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.

(f) Financial Instruments

Financial Instruments give rise to positions that are financial assets or liabilities. These include Cash at Bank, Receivables and Accounts Payable. All classes of instruments are initially recorded at cost and are subsequently carried at net fair value.

(g) 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.

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2005

2. PROFIT FROM ORDINARY ACTIVITIES

	Note	2005 \$'000	2004 \$'000
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Profit from ordinary activities including the following items of revenue and expense:

Management Fees		34,771	36,162
Recoupment of administration expenses from FSS Trustee Corporation		256	1,283
Recoupment of investment expenses from custodian	1(b)	855	1,246
Other Income		306	196
Total Revenues		36,188	38,887
Trustee Expenses			
Board Member Fees		609	467
Other Administration Expenses		247	358
Total Trustee Expenses		856	825
Executive Expenses			
Employee Related Expenses		1,516	2,010
Superannuation		190	164
Fees for Services		137	166
Accommodation		261	319
Other Administration Expenses		221	407
Audit Fees		13	13
Total Executive Expenses		2,338	3,079
Fund Expenses			
Fees for Services		1,771	2,856
Other Administration Expenses		41	257
Pillar Administration Fees		30,327	30,624
Total Fund Expenses		32,139	33,737
Total Administration Expenses		35,333	37,641
Investment Expenses			
Employee Related Expenses	1(b)	605	575
Superannuation		42	40
Fees for Services		208	631
Total Investment Expenses		855	1,246
Total Expenses		36,188	38,887

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2005

3. RECEIVABLES

Current

Amounts Receivable — Pooled Fund

Amounts Receivable — FSS Trustee Corporation (FTC)

Other Receivables

Superannuation (refer Note 7)

2005	2004
\$'000	\$'000

700	3,511
------------	-------

425	1,283
------------	-------

513	532
------------	-----

110	14
------------	----

1,748	5,340
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The amount receivable from FTC for executive costs is for 50% of certain shared costs for the period 1 July 2004 to 31 December 2004. From 1 January 2005, the monthly charge has been limited to investment costs as FTC established its own administration facility.

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2005

4. PAYABLES

	2005	2004
	\$'000	\$'000
Current		
Amount Payable — Pillar (Administration Fees)	2,483	2,587
Other Payables	1,673	1,916
	4,156	4,503

5. PROVISIONS

Current

Employee Benefits	362	350
Superannuation (refer Note 7)	-	85
	362	435

Non-current

Employee Benefits	852	797
Tenancy Make Good Costs	-	39
	852	836

6. EXECUTIVES' REMUNERATION

Income received or due and receivable by executive officers of STC whose income is \$100,000 or more

	1,485	1,509
--	--------------	-------

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

	2005	2004
	Numbers	Numbers
Remuneration (including superannuation contributions) of:		
\$110,000 — \$119,999	1	2
\$120,000 — \$129,999	2	-
\$140,000 — \$149,999	1	1
\$150,000 — \$159,999	1	1
\$160,000 — \$169,999	-	1
\$170,000 — \$179,999	1	2
\$180,000 — \$189,999	1	-
\$210,000 — \$219,999	1	1
\$240,000 — \$249,999	-	1
\$250,000 — \$259,999	1	-
	9	9

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2005

7. SUPERANNUATION COMMITMENTS

The Scheme Actuary undertook an actuarial valuation of accrued benefits of the membership of each scheme at 30 June 2005. The results are based on valuation assumptions consistent with the requirements of AAS 25 – *Financial Reporting by Superannuation Plans*.

AAS 25 requires that a 'market-determined risk-adjusted discount rate' be applied as the valuation interest rate in the calculation of the value of the accrued benefits. The following short and long term economic assumptions have been used for these calculations, and also for the employer liability calculations.

30 June 2005 and future Valuation Assumptions	2004–2005 %pa	2005–2006 %pa	2006–2007 and thereafter %pa
Rate of Investment Return	7.0	7.0	7.0
Rate of Salary Increase	4.0	4.0	4.0
Rate of Increase in CPI	2.5	2.5	2.5

The SAS Trustee Corporation contributes superannuation on behalf of its eligible employees to the State Authorities Superannuation Scheme (SASS), State Authorities Non-contributory Superannuation Scheme (SANCS), and the State Superannuation Scheme (SSS). The superannuation funding position for the 2005 and 2004 financial years was as follows:

	SSS \$	SASS \$	SANCS \$	Total \$
2005				
Employer Reserve Asset	2,727,241	416,769	264,401	3,408,411
Less:				
Accrued employer financed liability	(2,678,431)	(378,389)	(241,951)	(3,298,771)
Surplus/(Deficiency)	48,810	38,380	22,450	109,640
2004				
Employer Reserve Asset	2,442,630	341,450	225,125	3,009,205
Less:				
Accrued employer financed liability	(2,527,364)	(332,302)	(220,457)	(3,080,123)
Surplus/(Deficiency)	(84,734)	9,148	4,668	(70,918)

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2005

8. RELATED PARTY INFORMATION

(a) Board Members and Remuneration Received or Due and Receivable by the following **2005** **2004**
\$ **\$**

The names of the Board Members of STC in office during the year ended 30 June 2005 and up to the date of signing these accounts, are as follows:

Mr I Blair	47,088	43,913
Mr M Cole	72,703	70,468
Mr R Davis	136,115	136,115
Mr W Gillooly (term completed 31 January 2004)	-	23,567
Mr R Harty	44,908	40,825
Mr M Lambert (term commenced 1 February 2004)	40,548	16,895
Mr N Lewocki	44,908	40,825
Mr D Nicholls (term completed 31 January 2004)	-	22,331
Ms M O'Halloran	44,908	40,462
Ms C Prime (term completed 31 January 2004)	-	26,473
Ms O Sananikone (term commenced 1 February 2004)	44,908	18,712
Mr P Scully (term commenced 1 February 2004)	44,908	18,712
	520,994	499,298

(b) Numbers of Board Members included in these figures are shown in their relevant income bands:

	2005	2004
	NUMBERS	NUMBERS
Remuneration (including superannuation contributions) of:		
\$ 0 — \$ 9,999	-	-
\$ 10,000 — \$ 19,999	-	3
\$ 20,000 — \$ 29,999	-	3
\$ 40,000 — \$ 49,999	7	4
\$ 70,000 — \$ 79,999	1	1
\$130,000 — \$139,999	1	1
	9	12

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2005

8. RELATED PARTY INFORMATION (Continued)

(c) Transactions entered into during the year with Board Members and their Related Entities	2005 \$'000	2004 \$'000
Fees paid to STC by State Super Financial Services Australia Limited (SSFSAL), a company in which Mr R Davis is a director, on normal commercial terms and conditions.	50	50
Rental payments and outgoings received by the Pooled Fund from SSFSAL, a company in which Mr R Davis is a director, on normal commercial terms and conditions.	1,233	1,307

9. CASH FLOW INFORMATION

(a) Reconciliation of Cash	2005 \$'000	2004 \$'000
Cash at Bank	3,581	430

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

The bank overdraft represents unpresented cheques. STC does not have any credit standby arrangements or loan facilities.

(b) Reconciliation of Net Profit to Net Cash Used in Operating Activities	2005 \$'000 Inflows/ (Outflows)	2004 \$'000 Inflows/ (Outflows)
Net Profit after income tax	-	-
Changes in Assets and Liabilities:		
<u>(Increase)/Decrease in Assets</u>		
Prepayments	(37)	1
Receivables —		
Pooled Fund	2,811	547
FTC	858	1
Other Receivables	(77)	(139)
<u>Increase/(Decrease) in Liabilities</u>		
Payables —		
Pillar	(105)	(27)
Other Payables	(242)	834
Provisions	(57)	(581)
Net Cash From/(Used) in Operating Activities	3,151	636

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2005

10. SEGMENT REPORTING

STC operates in the superannuation and investment management industry in New South Wales.

11. COMMITMENTS FOR EXPENDITURE

	2005	2004
	\$'000	\$'000

Lease Commitments

Commitments in relation to 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	209	156
Payable later than 1 year and not later than 5 years	833	19
Payable greater than 5 years	544	-
	<u>1,586</u>	<u>175</u>

Administration Expenses

Commitments in relation to fixed administration fees for the Pooled Fund payable to Pillar included in the services contract dated 30 June 2000 but not provided for in the accounts, including goods and services tax:

Payable not later than 1 year	2,300	17,372
Payable later than 1 year and not later than 5 years	-	-
	<u>2,300</u>	<u>17,372</u>

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.

12. 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.

Notes to the financial statements

for the year ended 30 June 2005

13. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Management of the implementation of A-IFRS

For reporting year commencing 1 July 2005, STC will be required to prepare its annual financial statements in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS).

STC has overall responsibility for the implementation of A-IFRS and has obtained assurance and commitment from service providers on their capability to implement A-IFRS. The implementation plan is in three phases as follows:

Phase 1 – Scoping and Impact Analysis. This involved assessment of the application of the A-IFRS framework to the corporation, business impact study, and analysis on impact of individual standards.

Phase 2 – Evaluation and Design. This involved evaluation of accounting policies and procedures, review of controls on business systems, and revise workflows for current and future transactions.

Phase 3 – Implementation and Review. This involved restating the 1 July 2004 opening balances under A-IFRS, review of revised reports, change management, and post implementation review.

As at the date of this financial report, STC has completed Phase 1 and 2 of the plan, and is in the final stage of Phase 3.

Based on the achievements to date, STC is of the opinion that the implementation of A-IFRS has been successful and STC is in a position to comply with A-IFRS in the preparation of the financial statements for year ending 30 June 2006.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2005

The likely impact of A-IFRS on the results and financial position of STC

AASB 1047- *Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards* requires disclosure of the likely impacts on the current year result and financial position of the STC had the financial statements been prepared using A-IFRS, based on STC's accounting policy decisions current at the date of this financial report.

The following Statement of Financial Performance and Statement of Financial Position outline the likely impact of the relevant A-IFRS standards on the results and financial position of STC.

The figures disclosed are management's best estimates of the quantitative impacts as at the date of preparing the 30 June 2005 financial statements. The actual effects of transition A-IFRS may differ from the estimates disclosed due to:

- ongoing work being undertaken by A-IFRS implementation staff
- changes to A-IFRS that occur after the date of preparation of this report and
- emerging practice and UIG interpretation.

Proforma Statement of Financial Performance for the year ended 30 June 2005

	Note	Actual \$'000	A-IFRS impact \$'000	A-IFRS proforma \$'000
Revenue from ordinary activities	d	35,882	1,088	36,970
Other Revenue from ordinary activities	d	306	-	306
Administration Expenses from ordinary activities	a, b	(36,188)	(1,088)	(37,276)
Net Profit or Loss from ordinary activities		-	-	-

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2005

The likely impact of A-IFRS on the results and financial position of STC (continued)

Proforma Statement of Net Assets at 30 June 2005

	Note	Actual \$'000	A-IFRS impact \$'000	A-IFRS proforma \$'000
Current Assets	c			
Cash at Bank		3,581	-	3,581
Receivables	a, b	1,748	978	2,726
Prepayments		41	-	41
Total Current Assets		5,370	978	6,348
Total Assets		5,370	978	6,348
Current Liabilities				
Payables		4,156	-	4,156
Provisions		362	981	1,343
Total Current Liabilities		4,518	981	5,499
Non-Current Liabilities				
Provisions	a, b	852	(3)	849
Total Non-current Liabilities		852	(3)	849
Total Liabilities		5,370	978	6,348
Net Assets		-	-	-
Total Equity		-	-	-

(a) Defined benefit superannuation plans

AASB 119 – *Employee Benefits* requires defined benefit superannuation liabilities to be discounted using a risk free rate of return. This discount rate is less than the rate presently used and results in an increased liability and increased expense.

The cumulative impact on the financial position at 30 June 2005 will be an increase of provisions by current leave entitlements by \$1,091,000 and an increase in leave expenses of \$1,091,000.

As STC is required to recover all expenses from the Pooled Fund, the change in this amount results in a change in the receivable of \$1,091,000 at 30 June 2005.

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2005

The likely impact of A-IFRS on the results and financial position of STC (continued)

(b) Non Current Employee Entitlements

AASB 119 – *Employee Benefits* also require employees entitlements not expected to be discharged within 12 months to be stated at discounted present value.

The cumulative impact on the financial position at 30 June 2005 will be a decrease of non current leave entitlements by \$3,000 and a decrease in leave expenses of \$3,000.

As STC is required to recover all expenses from the Pooled Fund, the change in this amount results in a change in the receivable of \$3,000 at 30 June 2005.

(c) Other financial assets and financial liabilities

STC's assets and liabilities are mainly bank accounts deposits, short term receivables, and payables. They are not expected to change under *AASB 139 – Financial Instruments: Recognition and Measurement*.

(d) Revenue from ordinary activities

The Corporation's major revenue is management fee from the superannuation fund and its recognition and measurement are not expected to change under *AASB 118 – Revenue*.

End of Audited Financial Report

Part C – Financial Statements for the Pooled Fund



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

SAS TRUSTEE CORPORATION - POOLED FUND

To the Treasurer

Audit Opinion

In my opinion, the financial report of the SAS Trustee Corporation - Pooled Fund:

- (a) presents fairly the SAS Trustee Corporation - Pooled Fund's financial position as at 30 June 2005 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act)

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

The Trustee's Role

The financial report is the responsibility of the members of the Board of SAS Trustee Corporation, as trustee of SAS Trustee Corporation - Pooled Fund. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Board in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Board members had not fulfilled their reporting obligations.

My opinion does *not* provide assurance:

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

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

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



R J Sendt
Auditor-General

SYDNEY
28 September 2005

POOLED FUND

Statement by Members of the Trustee Board for the year ended 30 June 2005

Pursuant to Section 41C(1B) and (1C) of 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 position of the Pooled Fund at 30 June 2005 and transactions for the year then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's directions.

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

Signed at Sydney this 28th day of September 2005.



Michael Cole
Chairperson
SAS Trustee Corporation



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

POOLED FUND

Statement of changes in net assets
for the year ended 30 June 2005

	Note	2005 \$'m	2004 \$'m
Net Assets Available to Pay Benefits at Beginning of Financial Year		24,215.2	22,305.5
Contribution Revenue			
Employer Contributions		331.5	325.9
Member Contributions		494.6	473.5
		826.1	799.4
Transfers			
Scheme Mobility Transfer	4	(7.6)	(0.3)
Investment Revenue			
Short Term Securities		14.2	11.9
Australian Fixed Interest		180.9	185.8
International Fixed Interest		71.6	52.3
Australian Equities		553.0	371.1
International Equities		147.7	111.8
Property		187.0	238.0
		1,154.4	970.9
Changes in Net Market Values of Investments		2,199.1	2,280.1
		3,353.5	3,251.0
Investment Expenses	5	(59.4)	(65.9)
Net Investment Revenue		3,294.1	3,185.1
Other Revenue		3.9	1.7
Total Revenue from Ordinary Activities		4,116.5	3,985.9
Benefits Paid	12(b)	(2,398.0)	(2,038.0)
Scheme Administration Expenses	6	(34.8)	(36.5)
Superannuation Contributions Surcharge		(14.3)	(14.1)
Other Expense		(1.3)	(1.5)
Total Expenses from Ordinary Activities		(2,448.4)	(2,090.1)
Change in Net Assets Before Income Tax		1,668.1	1,895.8
Income Tax Benefit	7(a)	17.7	13.9
Change in Net Assets Available to Pay Benefits After Income Tax		1,685.8	1,909.7
Net Assets Available to Pay Benefits at End of Financial Year	8	25,901.0	24,215.2

The above Statement of Changes in Net Assets should be read in conjunction with the accompanying Notes.

POOLED FUND

Statement of net assets
at 30 June 2005

	Note	2005 \$'m	2004 \$'m
INVESTMENTS			
Short Term Securities		2,291.7	2,463.8
Australian Fixed Interest		3,131.5	2,948.3
International Fixed Interest		1,455.6	1,343.4
Australian Equities		10,808.4	8,887.6
International Equities		6,069.7	6,133.6
Property		2,223.3	2,454.3
		25,980.2	24,231.0
OTHER ASSETS			
Cash at Bank		3.4	(4.2)
Receivables	9	242.8	219.3
Plant and Equipment		0.1	0.2
Sundry Assets		15.7	15.7
Current Tax Asset	7(a)	58.6	90.8
Deferred Tax Asset	7(b)	-	23.1
		320.6	344.9
TOTAL ASSETS		26,300.8	24,575.9
Less:			
LIABILITIES			
Reserve Units	10	4.7	4.8
Payables	11	247.3	227.2
Deferred Tax Liability	7(c)	147.8	128.7
		399.8	360.7
NET ASSETS AVAILABLE TO PAY BENEFITS		25,901.0	24,215.2

The above Statement of Net Assets should be read in conjunction with the accompanying Notes.

POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are for the 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 a defined benefit component and a defined contribution component. All Schemes in the Fund are closed to new members.

Scheme administration services for the Fund are carried out by the Superannuation Administration Corporation trading as Pillar Administration (Pillar). The Fund's custodial activities are performed by JPMorgan Investor Services.

Investment managers of the Fund at 30 June 2005 are: AMP Capital Investors Limited, Barclays Global Investors Australia Limited, BIAM Australia Pty Limited, Capital International, Inc., DB RREEF Funds Management Ltd, Deutsche Asset Management (Australia) Limited, Fidelity International Limited, GMO Australia Limited, Macquarie Investment Management Limited, Maple-Brown Abbott Limited, T-Corp (New South Wales Treasury Corporation), Perpetual Investment Management Limited, State Street Global Advisors Australia Limited, UBS Global Asset Management (Australia) Limited, Vanguard Investments Australia Ltd, Perennial Value Management Limited and Wellington Management Company LLP. Each manager is required to invest the assets managed by it in accordance with the terms of a written investment mandate. The investment managers and custodian charge management fees for the services provided.

The following explains the significant accounting policies which have been adopted in the preparation of the financial statements. Unless otherwise stated, such accounting policies were also adopted in the corresponding preceding reporting period.

(a) General System of Accounting Underlying the Financial Statements

The financial statements form a general purpose financial report and are prepared in accordance with the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005*, and the Treasurer's Directions. They also comply with applicable Australian Accounting Standards and other professional reporting requirements (for example, Urgent Issues Group Consensus Views).

The financial statements have been drawn up in accordance with Statements of Accounting Concepts, Australian Accounting Standard AAS 25 – *Financial Reporting by Superannuation Plans* and relevant legislative requirements. 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 1(b).

In accordance with the criteria set out in the Australian Accounting Standard AAS 24 – *Consolidated Financial Reports*, the Fund is the parent entity of the economic entity. Entities in the economic entity are shown in Note 14. Consolidated financial statements have not been prepared in accordance with this standard on the grounds that they are not material to these financial statements.

POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Assets

Assets of the Fund are valued at reporting date at net market values and net fair 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 2005 is determined as follows:

Short Term Securities:	Market rates.
Fixed Interest:	Relevant fixed interest securities markets.
Equities and Unit Trusts:	Relevant stock exchange official quotation or if unlisted, independent or manager valuation.
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 declined by \$82,611 (30 June 2004: \$35,425).
Others:	e.g. Sundry Assets and Receivables, where net market values are not applicable, the assets are shown at net fair values.

Where the Fund invests in a joint venture, trust or partnership, the value of its holding and earnings attributable to that holding are brought to account as investments and investment revenue respectively. AAS 19 – *Accounting for Interests in Joint Ventures* is not applied as the joint venture items are not material to these financial statements.

(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 included in the change in net assets for the year.

(d) Income Tax

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

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the change in net assets after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income the net related taxation benefit or liability, calculated at current rates, is disclosed as a deferred tax asset or a deferred tax liability. The future tax benefit relating to tax losses is not carried forward as a deferred tax asset unless the benefit is virtually certain of being realised; while the future tax benefit relating to timing differences is not carried forward as a deferred tax asset unless the benefit is beyond reasonable doubt of being realised.

The capital gains tax applicable on the unrealised investment gains or losses has been included in the income tax expense.

POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Management Expenses

Management expenses charged to the Fund comprise:

Investment Expenses: These are charged directly against investment revenue.

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

(f) Superannuation Contributions Surcharge Tax

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

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 2005.

(g) Rounding

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

(h) Comparative Figures

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

(i) Revenue Recognition

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

Contributions and Transfers in

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

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Dividends

Dividends are recognised on the ex-date.

(j) Early Implementation of Accounting Standards

The Fund has not early implemented the requirements of AAS 3 – *Accounting for Income Tax – Tax Effect Accounting*. The Trustee has analysed the likely financial impact of application of this standard and concluded that adoption of the standard would not materially change the financial statements.

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

2. EMPLOYER AND MEMBER CONTRIBUTIONS

	2005				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Employer Contributions	139.3	81.0	110.7	0.5	331.5
Member Contributions	209.9	4.5	262.6	17.6	494.6
Total Contributions	349.2	85.5	373.3	18.1	826.1

	2004				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Employer Contributions	146.1	81.9	97.4	0.5	325.9
Member Contributions	206.7	-	248.9	17.9	473.5
Total Contributions	352.8	81.9	346.3	18.4	799.4

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 Federal Government.

Contributions made by the Crown vary from year to year depending upon government liability management priorities. Since 1999, the contributions made by the Crown have decreased significantly (\$nil in 2005; \$nil in 2004; \$nil in 2003; \$nil in 2002; \$243 million in 2001 and \$587 million in 2000).

The Government's objective is to fully fund its superannuation liabilities by 2030. This objective requires that employer contributions be periodically reassessed to ensure that they remain sufficient to achieve full funding by 2030.

A non-superannuation investment fund (the General Government Liability Management Fund (GGLMF)) has been established to accumulate Crown employer superannuation contributions. The net assets held in the GGLMF at 30 June 2005 were \$4.1 billion (2004 \$2.9 billion).

POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2005

2. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

The GGLMF receives the level of contributions determined by the Government to meet full funding of superannuation liabilities by 2030. The GGLMF legislation requires that the financial assets accumulated in the investment fund be strictly applied only for the purposes of:

- ◆ transferring assets to the SAS Trustee Corporation defined benefit superannuation trust fund;
- ◆ directly meeting superannuation liabilities, including surcharge debt liabilities incurred by judges, whose pension arrangements are unfunded; and
- ◆ after providing assets to fully cover superannuation liabilities, repaying government borrowings on or before maturity.

(a) State Authorities Superannuation Scheme (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 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. Some employers contribute on a less than fully funded basis, meeting liabilities as they emerge, while other employers contribute on a fully funded basis.

Part 3 Hospitals and associated employers contribute an amount equal to their employees' own contributions. Should any shortfall occur the funding deficit is guaranteed to be met from the Consolidated Fund of the NSW Government.

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

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

Member Contributions

As the Scheme is 100% employer funded, there are no member contributions.

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% and 3%.

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

POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2005

2. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

(c) State Superannuation Scheme (SSS)

Member Contributions

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

Employer Contributions

Each employer contributes at a rate equal to a multiple of relevant employee contributions. The rate is set by STC with the concurrence of the NSW Treasurer. The multiple of employee contributions is estimated to at least meet the cost of emerging benefits, though not to fully fund the employer liability for past services.

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 vary from year to year to ensure the assets of the Fund are sufficient to meet emerging benefits.

3. SASS – MEMBER INVESTMENT CHOICE

Effective from November 2003, SASS members have been given the option to choose the investment strategy for their member contributions. The option is also offered to the SASS members who have deferred their benefits and that applies to both their contributor financed benefits and their employer financed benefits.

4. SCHEME MOBILITY TRANSFER

During the year, some employers and their associated members that were governed under *the Local Government Act* left the State Authorities Superannuation Scheme and State Superannuation Scheme. The total amount transferred out was \$8.6 million at 30 June 2005 (30 June 2004: \$4.4 million).

At the same time, there were Local Government and Energy Industries members who had previously left SASS and SSS but elected to return under the mobility provisions. The total amount transferred in was \$1.0 million at 30 June 2005 (30 June 2004: \$4.1 million).

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

5. INVESTMENT REVENUE

	2005			
	Changes in Net Market Values			
	Income	Held at Reporting Date	Realised During the Year	Total
	\$'m	Unrealised Gain/(Loss) \$'m	Gain/(Loss) \$'m	\$'m
Short Term Securities	14.2	9.7	63.4	87.3
Australian Fixed Interest	180.9	32.0	(1.5)	211.4
International Fixed Interest	71.6	10.9	128.7	211.2
Australian Equities	553.0	1,451.3	295.3	2,299.6
International Equities	147.7	17.5	39.2	204.4
Property	187.0	137.1	15.5	339.6
Total Investment Revenue	1,154.4	1,658.5	540.6	3,353.5

	2004			
	Changes in Net Market Values			
	Income	Held at Reporting Date	Realised During the Year	Total
	\$'m	Unrealised Gain/(Loss) \$'m	Gain/(Loss) \$'m	\$'m
Short Term Securities	11.9	12.4	82.4	106.7
Australian Fixed Interest	185.8	(131.1)	(2.8)	51.9
International Fixed Interest	52.3	(101.8)	96.3	46.8
Australian Equities	371.1	1,093.4	189.5	1,654.0
International Equities	111.8	713.3	316.8	1,141.9
Property	238.0	14.8	(3.1)	249.7
Total Investment Revenue	970.9	1,601.0	679.1	3,251.0

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

	2005 \$'m	2004 \$'m
6. SCHEME ADMINISTRATION EXPENSES		
Included in Scheme Administration Expenses are the following items:		
Audit Fees – The Audit Office of New South Wales (audit of the financial statements)	0.4	0.4
Triennial Actuarial Fees	-	0.1

7. INCOME TAX

Income tax expense, 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 AAS 3 – *Accounting for Income Tax (Tax-effect Accounting)*.

(a) Income Tax Benefit

The prima facie tax on the Change in Net Assets is reconciled to the Income Tax Benefit as follows:

Prima facie tax expense on the Change in Net Assets at 15%	250.2	284.4
Plus/(Less) net tax effect of permanent differences:		
Non-deductible Benefit Payments	359.7	306.2
Non-assessable Contributions	(73.1)	(71.5)
Non-assessable Pension Related Investment Income	(285.2)	(262.2)
Deductible Premiums	(80.2)	(86.1)
(Decrease)/Increase Assessable Income due to Indexation	(4.0)	(21.7)
Discount Capital Gains	(89.0)	(85.6)
Non-deductible Contributions Surcharge Tax	2.0	2.1
Non-deductible Expense	1.1	-
Imputation and Foreign Tax Credits	(96.9)	(85.1)
Income Tax Benefit on Change in Net Assets	(15.4)	(19.5)
(Over)/Under Provision Prior Year	(2.3)	5.6
Income Tax Benefit	(17.7)	(13.9)

The Income Tax Benefit comprises:

Provision attributable to Current Year	(58.6)	(90.8)
Increase in Deferred Tax Liability	20.5	56.0
Decrease in Deferred Tax Asset	22.7	15.3
Under/(Over) Provision in Prior Year:		
(Decrease)/Increase in Current Tax Asset	(1.2)	1.3
Decrease in Deferred Tax Liability	(1.5)	(0.9)
Decrease in Deferred Tax Asset	0.4	5.2
Income Tax Benefit	(17.7)	(13.9)

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

	2005 \$'m	2004 \$'m
7. INCOME TAX (Continued)		
(b) Deferred Tax Asset		
Attributable to tax effect of timing differences:		
Realised Capital Losses	-	23.1
	-	23.1
 (c) Deferred Tax Liability		
Attributable to tax effect of timing differences:		
Dividend Receivable	4.7	3.9
Interest Receivable	0.1	0.1
Unrealised Loss on Traditional Securities and Foreign Exchange	(2.0)	(7.4)
Unrealised Capital Gains	143.5	129.7
Contributions Receivable	1.5	2.4
	147.8	128.7

The Fund is exempt from tax payable on investment income set aside for the payment of pensions. In addition, the Fund is able to offset pre 1 July 1988 Funding Credits (PJFC) against the tax payable on employer contributions made during the year. The balance of PJFC available for use at 30 June 2005 amounted to \$983.4 million (30 June 2004: \$940.7 million). The tax benefit of these amounts has not been recognised as a deferred tax asset because it is not virtually certain that the Fund will have sufficient taxable contributions available against which the unused Funding Credits can be utilised.

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

8. NET ASSETS

	2005				Total \$'m
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	
Balance at Beginning of Financial Year	5,778.8	473.7	16,866.3	1,096.4	24,215.2
Increase/(Decrease) in Net Assets	326.5	(107.6)	1,543.1	(76.2)	1,685.8
Balance at End of Financial Year	6,105.3	366.1	18,409.4	1,020.2	25,901.0
Comprising:					
Member Reserves ⁽¹⁾	3,850.7	-	4,571.9	388.4	8,811.0
Employer Reserves ⁽²⁾	1,283.5	147.0	13,837.5	631.8	15,899.8
Death or Invalidation Reserves ⁽³⁾	16.8	-	-	-	16.8
Deferred Benefit Reserves ⁽⁴⁾	954.3	219.1	-	-	1,173.4
Net Assets Available to Pay Benefits	6,105.3	366.1	18,409.4	1,020.2	25,901.0

	2004				Total \$'m
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	
Balance at Beginning of Financial Year	5,277.8	470.9	15,430.9	1,125.9	22,305.5
Increase/(Decrease) in Net Assets	501.0	2.8	1,435.4	(29.5)	1,909.7
Balance at End of Financial Year	5,778.8	473.7	16,866.3	1,096.4	24,215.2
Comprising:					
Member Reserves ⁽¹⁾	3,484.9	-	4,393.5	378.0	8,256.4
Employer Reserves ⁽²⁾	1,437.6	286.8	12,472.8	718.4	14,915.6
Death or Invalidation Reserves ⁽³⁾	13.8	-	-	-	13.8
Deferred Benefit Reserves ⁽⁴⁾	842.5	186.9	-	-	1,029.4
Net Assets Available to Pay Benefits	5,778.8	473.7	16,866.3	1,096.4	24,215.2

(1) The Member Reserve represents members' accounts that comprise the balance of members' contributions and investment income earned less benefits paid that are attributable 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 investment income earned less benefits paid and scheme administration fees. In addition, the employers are also responsible for the tax liabilities levied on the employers' contributions.

(3) The Death or Invalidation Reserve represents accumulated funds available to provide death or invalidity cover to members for the months during which they have public sector employment. The reserve balance is the excess of member premiums over benefits paid.

(4) The Deferred Benefit Reserve represents member account balances that, on the election of the member or by default, are to remain with the Fund following the member's exit from employment in the public sector. The deferred benefit of SSS and PSS members has been included in the employer reserve of the respective Schemes.

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

8. NET ASSETS (Continued)

SASS and SASS Deferred members are able to elect an investment strategy for their member contributed balances.

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

	2005				
	Growth	Conservative Growth	Balanced	Cash	Total
	\$'m	\$'m	\$'m	\$'m	\$'m
SASS Member	3,752.0	26.4	57.6	14.7	3,850.7
Deferred Benefit	926.8	5.6	16.8	5.1	954.3
	4,678.8	32.0	74.4	19.8	4,805.0

	2004				
	Growth	Conservative Growth	Balanced	Cash	Total
	\$'m	\$'m	\$'m	\$'m	\$'m
SASS Member	3,392.2	24.1	49.9	18.7	3,484.9
Deferred Benefit	816.6	7.1	12.9	5.9	842.5
	4,208.8	31.2	62.8	24.6	4,327.4

	2005 \$'m	2004 \$'m
9. RECEIVABLES		
Contributions Receivable	30.1	37.6
Accrued Income	99.4	80.4
Margin Call Deposits	69.1	45.0
Investment Sales	43.5	54.4
Other Receivables	0.7	1.9
	242.8	219.3

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

10. RESERVE UNITS

Reserve Units are units held by certain SSS members. They represent units purchased in advance at a rate which is the *rate for age* at the date purchased 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 part of member funds.

	2005 \$'m	2004 \$'m
11. PAYABLES		
Superannuation Benefits	34.4	30.2
Investment Purchases	48.6	56.6
Investment – Other Creditors	36.7	32.6
Provision for Contribution Surcharges	102.2	88.0
Provision for Triennial Actuarial Fees	-	0.1
Amount Payable–STC	0.7	3.5
Investment Fees Payable	7.7	-
Other Payables	17.0	16.2
	247.3	227.2

12. 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 actuary as part of a comprehensive actuarial review undertaken during 2003. The financial assumptions that have been applied for the calculations are:

	2005—06 % pa.	2006—07 % pa.	2007—08 and thereafter % pa.
Valuation Assumptions			
Investment Return Rate	7.0	7.0	7.0
Salary Increase Rate	4.0	4.0	4.0
CPI Increase Rate	2.5	2.5	2.5

The valuation done at 30 June 2003 indicated that the unfunded liability of the Fund was \$16,661.0 million, excluding the GGLMF balance of \$1,651.4 million.

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

12. ACCRUED BENEFITS (Continued)

(a) Liability for Accrued Benefits (Continued)

In addition to the Triennial Actuarial investigation, the actuary also provides yearly estimates at the reporting date.

	2005			2004		
	Accrued Benefits \$'m	Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m	Accrued Benefits \$'m	Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m
State Authorities Superannuation Scheme	10,566.5	6,105.3	(4,461.2)	9,823.8	5,778.8	(4,045.0)
State Authorities Non-contributory Superannuation Scheme	2,230.7	366.1	(1,864.6)	2,096.5	473.7	(1,622.8)
State Superannuation Scheme	26,203.1	18,409.4	(7,793.7)	24,887.6	16,866.3	(8,021.3)
Police Superannuation Scheme	5,065.4	1,020.2	(4,045.2)	4,761.4	1,096.4	(3,665.0)
	44,065.7	25,901.0	(18,164.7)	41,569.3	24,215.2	(17,354.1)

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

A non-superannuation investment fund (the General Government Liability Management Fund (GGLMF)) has been established to accumulate Crown employer superannuation contributions. The net assets held in the GGLMF at 30 June 2005 were \$4.1 billion (2004 \$2.9 billion).

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

12. ACCRUED BENEFITS (Continued)

(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 assumptions, the value of Accrued Benefits should not start to decline until after 2015.

	2005				
	SASS	SANCS	SSS	PSS	Total
	\$'m	\$'m	\$'m	\$'m	\$'m
Balance at Beginning of Financial Year	9,823.8	2,096.5	24,887.6	4,761.4	41,569.3
Benefits Paid	(758.9)	(180.6)	(1,182.9)	(275.6)	(2,398.0)
	9,064.9	1,915.9	23,704.7	4,485.8	39,171.3
Increase in Accrued Benefits	1,501.6	314.8	2,498.4	579.6	4,894.4
Balance at End of Financial Year	10,566.5	2,230.7	26,203.1	5,065.4	44,065.7
	2004				
	SASS	SANCS	SSS	PSS	Total
	\$'m	\$'m	\$'m	\$'m	\$'m
Balance at Beginning of Financial Year	8,903.3	1,887.8	23,660.9	4,318.1	38,770.1
Benefits Paid	(536.4)	(137.7)	(1,114.3)	(249.6)	(2,038.0)
	8,366.9	1,750.1	22,546.6	4,068.5	36,732.1
Increase in Accrued Benefits	1,456.9	346.4	2,341.0	692.9	4,837.2
Balance at End of Financial Year	9,823.8	2,096.5	24,887.6	4,761.4	41,569.3

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

13. 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.

	2005			2004		
	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	7,564.7	6,105.3	(1,459.4)	6,742.3	5,778.8	(963.5)
State Authorities Non-contributory Superannuation Scheme	2,675.8	366.1	(2,309.7)	2,540.3	473.7	(2,066.6)
State Superannuation Scheme	23,392.1	18,409.4	(4,982.7)	21,928.9	16,866.3	(5,062.6)
Police Superannuation Scheme	3,767.9	1,020.2	(2,747.7)	3,424.4	1,096.4	(2,328.0)
	37,400.5	25,901.0	(11,499.5)	34,635.9	24,215.2	(10,420.7)

Vested benefits exceeded net assets at 30 June 2005 and 30 June 2004. The Trustee is working with the NSW Treasury and the Actuary to facilitate the Government's stated objective to fully fund the schemes by 2030.

POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2005

14. CONTROLLED ENTITIES

The following entities comprise the Pooled Fund economic entity:

Parent Entity

Pooled Fund

	Activity	Ownership Interest	
		2005 %	2004 %
Controlled Entities			
State Super Financial Services Australia Limited (SSFSAL)	Financial planning and funds management	85	85
The following entities are managed by Deutsche Asset Management (Australia) Ltd			
Valley Commerce Pty Limited	Dormant	100	100
Buroba Pty Limited	Dormant	100	100

During the year the Controlled Entities paid dividends and trust distributions to the Parent Entity of \$8.8 million (2004 \$7.4 million).

15. RELATED PARTY INFORMATION

The Trustee of the Fund is STC. The names of the Board members of STC in office during the year ended 30 June 2005 and up to the date of signing these accounts are as follows:

Mr I Blair
Mr M Cole
Mr R Davis
Mr R Harty
Mr M Lambert
Mr N Lewocki
Ms M O'Halloran
Ms O Sananikone
Mr P Scully

(a) Board Members' Remuneration

All income received or due and receivable by Board members is disclosed in the financial statements of STC.

(b) Remuneration received or due and receivable by Board Members and Directors of the Economic Entity from Controlled Entities (refer Note 14 Controlled Entities)

All income received is disclosed in the financial statements 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 statements of STC.

POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2005

15. RELATED PARTY INFORMATION (Continued)

(d) Transactions with Other Related Parties	2005 \$'m	2004 \$'m
Property rental received from State Super Financial Services Australia Limited on normal commercial terms and conditions	1.1	1.3

16. SEGMENT REPORTING

The Fund operates in the superannuation and investment management industry in New South Wales.

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 Pooled 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.

18. SECURITIES LENDING PROGRAM

The Fund participates in a Securities Lending Program managed by the custodian, JP Morgan Investor Services. The Fund received \$4.7 million (2004 \$4.5 million) additional fee income from this program, which adds to the Fund's overall yearly return.

At 30 June 2005, the total value of the loaned securities was \$3.0 billion (2004 \$2.2 billion) while the total value of the Collateral was \$3.2 billion (2004 \$2.3 billion). The loaned securities represented about 11.5% of the Fund's total investment, which was within the allowable limit of 25%.

POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2005

19. FINANCIAL INSTRUMENTS

The information pertaining to financial instruments set out below is made in accordance with the provisions of AAS 33 – *Presentation and Disclosure of Financial Instruments*.

For the purpose of these financial statements, 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). The Fund's moneys are invested in a variety of financial instruments included in the asset classes shown below.

(i) Accounting Policies

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
Receivables	Receivables include accrued income and unsettled sales of securities. Receivables are carried at their 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.
Bills of Exchange and other discount securities	Carried at net market value using market rates as at 30 June 2005.	Average maturity of 91 days with effective interest rates in the range of 5.5% to 5.7%.
Promissory Notes	Carried at net market value as at 30 June 2005.	Average maturity of 30 days with effective interest rates in the range of 5.5% to 5.7%.
Mortgage Backed Securities	Mortgage Backed Securities are stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	Mortgage Backed Securities on average have a contractual maturity on 10 November 2029, however it is expected that the actual maturity will be significantly earlier. Effective interest rates in the range of 5.7% and 5.8%.
Bank Deposits	Stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	Bank deposits represent 11AM call deposits and uninvested cash and has no fixed maturity dates. Deposits have effective interest rates in the range of 0% to 7.32%.

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

19. FINANCIAL INSTRUMENTS (Continued)

(i) Accounting Policies (Continued)

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
Listed Shares	Listed shares are carried at market value, less an amount for selling costs which would be incurred if the investments were sold. The basis for valuation of listed securities is the last sale price quoted at close of business on the last day of the period on the relevant securities exchange. Certain costs incurred in acquiring the investment, such as brokerage and stamp duty, are capitalised in the cost of the investments. Dividend income is recognised on the ex-date.	N/A.
Unlisted Shares	The Net Market Value of unlisted shares is based on independent valuations.	N/A.
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.	Unlisted Trusts refer to NSW Treasury Corporation, Maple-Brown Abbott and SSGA Alpha Plus Unit Trusts.
Government Bonds	Carried at net market value based on discounted cash flow.	Government bonds on average mature on 24 March 2010 and have effective interest rates in the range of 5.1% to 5.5%.
Semi-Government Bonds	Carried at net market value based on discounted cash flow.	Semi Government bonds on average mature on 9 March 2011 and have effective interest rates in the range of 5.3% to 5.5%.
International Bonds	Carried at net market value based on discounted cash flow.	International Bonds on average mature on 21 May 2015 and have effective interest rates in the range of 0.03% to 4.3%.

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

19. FINANCIAL INSTRUMENTS (Continued)

(i) Accounting Policies (Continued)

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
Local Government Authorities	Carried at net market value based on discounted cash flow.	Local Government Authorities on average mature on 9 May 2013 and have effective interest rates in the range of 5.3% to 5.5%.
Leasehold Property Investments	Carried at net market value based on discounted cash flow.	Leasehold Property Investments on average mature on 5 December 2013 and have effective interest rates in the range of 5.37% to 5.38%.
Direct Property	Reported at net market value based on independent valuations.	N/A
Options	Options are stated at market value using the daily closing price.	The options are all Australian Exchange Traded options.
Futures	Futures are stated at market value using the daily closing price.	The futures are either fixed interest or share price index futures.
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.
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.
Forward Foreign Exchange Contracts	Foreign exchange forward 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 balance date, the Fund had various foreign exchange contracts open in its international portfolio.

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

19. FINANCIAL INSTRUMENTS (Continued)

(ii) Use of Derivative Financial Instruments

The Fund uses derivatives to hedge its various exposures by reducing risks such as foreign exchange, interest rate and equity market movement. Changes in the derivatives' fair value are highly correlated with changes in the fair value of the underlying hedged item. Derivatives used for hedging purposes may include foreign exchange forward contracts, interest rate futures, share price index futures and options. These derivative instruments involve credit risk and market risk.

The credit risk of the foreign exchange forward contracts is discussed in Note 19 (iii), Credit Risk Exposures. Futures contracts settle in cash daily, therefore, the credit risk to the Fund is significantly reduced. All Australian exchange traded options are novated by the Options Clearing House, therefore the credit risk associated with these contracts is significantly reduced.

The following table summarises the aggregate notional amounts of the futures and options contracts and their net market value at 30 June 2005 and 2004.

		Notional Principal Amounts		Net Market Value	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Futures Contracts					
- Australian Fixed Interest	Buy	87,909	-	1	-
	Sell	-	(67,689)	-	(27)
- Australian Share Price Index	Buy	174,232	160,358	559	2,021
	Sell	(800,333)	(129,506)	(7,083)	(1,686)
- International Share Price	Buy	491,625	272,062	200	2,619
- International Fixed Interest	Buy	453,898	338,406	2,813	1,255
	Sell	-	-	-	-
Options Contracts					
- Australian Exchange Traded	Put	1,160	1,478	(62)	(83)
	Call	(3,556)	(1,121)	(346)	(44)
		404,935	573,988	(3,918)	4,055

POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2005

19. FINANCIAL INSTRUMENTS (Continued)

(iii) Credit Risk Exposures

Credit (or counterparty) risk is the risk that a counterparty to a financial instrument fails to discharge an obligation and causes the Fund to incur a financial loss. In the normal course of its operations the Fund accepts credit risk on the majority of its non-equity investments.

The Fund's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets (other than equity investments) is the carrying amount of those assets as indicated in the *Statement of Net Assets*.

In relation to unrecognised financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

The Fund's maximum credit risk exposure in relation to foreign exchange forward contracts is the full amount of the foreign currency it will be required to pay when settling the forward exchange contract, should the counterparty not deliver the Australian dollar amounts to the Fund. At 30 June 2005 this amount was \$2,587.11m (2004: \$2,777.28m). During the year the average maximum credit risk exposure for foreign exchange forward contracts was \$2,598.24m (2004: \$2,358.35m).

The following table summarises the amounts and concentrations of credit exposure associated with the Fund's investment holdings of government and corporate debt instruments, including mortgage backed securities.

	2005 \$'000	2004 \$'000
International		
—Europe	647,283	632,357
—North America	369,230	351,904
—Asia	403,871	392,953
Australia		
—Government Bonds	1,315,691	1,246,273
—Semi-government Bonds	1,414,649	1,464,378
—Other	400,703	237,038
	4,551,427	4,324,903

(iv) Currency Risk Exposures

The Fund's exposure at 30 June 2005 and 30 June 2004 to foreign exchange rate movement on international investments is shown in the table overleaf. As discussed in Note 19 (ii) Use of Derivative Financial Instruments, the Fund has entered into foreign exchange forward contracts to hedge its investment in foreign currency denominated financial assets. All foreign exchange forward contracts are carried at their net market value.

International Equity Portfolios

The Fund enters into foreign exchange forward contracts in order to hedge its exposure to changes in foreign currency exchange rates on its foreign equities portfolio holdings. These foreign exchange forward contracts form a currency overlay that complements the risk characteristics of the investment in foreign equities so as to achieve a desired risk characteristic for the net position. When executing forward currency exchange contracts, the Fund is obligated to sell a foreign currency at a specified rate on a certain date in the future. The obligations arising under these contracts will be realised between 21 July 2005 to 22 September 2005.

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

19. FINANCIAL INSTRUMENTS (Continued)

(iv) Currency Risk Exposures (Continued)

International Equity Portfolios (Continued)

30 June 2005

	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other A\$'000	Total A\$'000
Gross International Equities Investment	3,053,045	817,597	515,717	565,442	508,350	5,460,151
Less: Amounts Effectively Hedged	641,129	181,283	112,133	134,999	104,523	1,174,067
Net Exposure	<u>2,411,916</u>	<u>636,314</u>	<u>403,584</u>	<u>430,443</u>	<u>403,827</u>	<u>4,286,084</u>
Percent Hedged	21.00%	22.17%	21.74%	23.87%	20.56%	21.50%

30 June 2004

	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other A\$'000	Total A\$'000
Gross International Equities Investment	3,574,214	906,241	609,709	642,194	482,700	6,215,058
Less: Amounts Effectively Hedged	783,889	202,644	138,718	155,663	112,373	1,393,287
Net Exposure	<u>2,790,325</u>	<u>703,597</u>	<u>470,991</u>	<u>486,531</u>	<u>370,327</u>	<u>4,821,771</u>
Percent Hedged	21.93%	22.36%	22.75%	24.24%	23.28%	22.42%

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

19. FINANCIAL INSTRUMENTS (Continued)

(iv) Currency Risk Exposures (Continued)

International Fixed Income Portfolios

The Fund invests in foreign government bonds and corporate bonds. The Fund enters into foreign exchange forward contracts in order to modify the foreign currency composite basis of the international fixed income portfolio to comply with the Fund's benchmark index composite as stipulated by the Fund's investment guidelines. Although the currency weightings relative to the benchmark index weights are changed by these foreign exchange forward contracts, the Fund's overall exposure to foreign currency risk is not increased. When executing forward currency exchange contracts, the Fund is obligated to buy or sell a foreign currency at a specified rate on a certain date in the future. The obligations arising under these contracts will be realised on 8 July 2005.

30 June 2005

	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other A\$'000	Total A\$'000
Gross International Fixed Interest Investment	341,252	543,254	404,555	78,241	57,604	1,424,906
Less: Amounts effectively Hedged	338,365	550,602	402,829	78,820	42,423	1,413,039
Net Exposure	2,887	(7,348)	1,726	(579)	15,181	11,867
Percent Hedged	99.15%	101.35%	99.57%	100.74%	73.65%	99.17%

30 June 2004

	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other A\$'000	Total A\$'000
Gross International Fixed Interest Investment	323,006	533,972	394,291	70,407	58,989	1,380,665
Less: Amounts effectively Hedged	325,212	542,615	399,476	71,867	44,827	1,383,997
Net Exposure	(2,206)	(8,643)	(5,185)	(1,460)	14,162	(3,332)
Percent Hedged	100.68%	101.62%	101.31%	102.07%	75.99%	100.24%

The currency risk disclosure has been prepared on the Fund's direct investments and not on a look through basis for investments held indirectly through unit trusts. Therefore the disclosure of the currency risk above does not represent the full currency risk profile of the Fund, as the Fund has significant investments in unit trusts that have exposure to currency markets. Currency risks in these unit trusts are managed by the respective managers of the trusts.

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

19. FINANCIAL INSTRUMENTS (Continued)

(v) Interest Rate Risk Exposures

The Fund's investments in debt and short term money market instruments are subject to interest rate risks 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) and the weighted average effective interest rates associated with these financial instruments as at 30 June 2005 and as at 30 June 2004, are shown in the table below. All other financial assets and liabilities are non-interest bearing.

The interest risk disclosure has been prepared on the Fund's direct investments and not on a look through basis for investments held indirectly through unit trusts. Therefore the disclosure of the interest risk below does not represent the full interest rate risk profile of the Fund, where the Fund has significant investments in unit trusts that have exposure to interest rate movements. Interest rate risks in these unit trusts are managed by the respective managers of the trusts.

	Weighted Average Effective Interest Rate %	2005					Non- Interest Bearing \$'m	Total \$'m
		Fixed Interest—Time to Maturity						
		Floating Interest Rate \$'m	Less than 12 Months \$'m	1 To 5 Years \$'m	Over 5 Years \$'m			
Assets								
Cash & short term securities	5.40%	2,763.0	-	-	-	-	2,763.0	
Government bonds—domestic	5.15%	-	124.0	643.0	549.0	-	1,316.0	
Semi-government bonds and loans to Local Authorities	5.37%	-	183.0	552.0	682.0	-	1,417.0	
Mortgage backed securities	5.74%	-	-	-	1.0	-	1.0	
Forward foreign exchange	N/A	-	-	-	-	42.0	42.0	
International fixed interest	2.47%	-	-	659.0	761.0	-	1,420.0	
Listed equities—domestic	N/A	-	-	-	-	8,560.0	8,560.0	
Listed equities—international	N/A	-	-	-	-	5,647.0	5,647.0	
Direct Property	N/A	-	-	-	-	1,350.0	1,350.0	
Unlisted unit trusts	N/A	-	-	-	-	3,534.0	3,534.0	
Cash at Bank	4.68%	7.9	-	-	-	-	7.9	
Receivables	N/A	-	-	-	-	173.0	173.0	
Sundry Assets	N/A	-	-	-	-	0.1	0.1	
Plant and Equipment	N/A	-	-	-	-	15.7	15.7	
Current Tax Asset	N/A	-	-	-	-	58.6	58.6	
Total Financial Assets		2,770.9	307.0	1,854.0	1,993.0	19,380.4	26,305.3	
Liabilities								
Superannuation Contributions								
Surcharge Payable	5.11%	102.2	-	-	-	-	102.2	
Payables	N/A	-	-	-	-	149.6	149.6	
Reserve Units	N/A	-	-	-	-	4.7	4.7	
Deferred Tax Liability	N/A	-	-	-	-	147.8	147.8	
Total Financial Liabilities		102.2	-	-	-	302.1	404.3	
Total Net Assets		2,668.7	307.0	1,854.0	1,993.0	19,078.3	25,901.0	

Note 1: The weighted average interest rate includes the interest rates of fixed income instruments denominated in foreign currencies.

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

19. FINANCIAL INSTRUMENTS (Continued)

(v) Interest Rate Risk Exposures (Continued)

	2004						Non- Interest Bearing \$'m	Total \$'m
	Weighted Average Effective Interest Rate %	Fixed Interest—Time to Maturity				Floating Interest Rate \$'m		
		Less than 12 Months \$'m	1 To 5 Years \$'m	Over 5 Years \$'m	Total \$'m			
Assets								
Cash & short term securities	5.33	2,505.0	-	-	-	-	2,505.0	
Government bonds—domestic	5.58	-	103.0	596.0	547.0	-	1,246.0	
Semi-government bonds and loans to Local Authorities	5.80	-	164.0	574.0	731.0	-	1,469.0	
Mortgage backed securities	5.67	-	5.0	26.0	200.0	-	231.0	
Forward foreign exchange	N/A	-	-	-	-	(74.0)	(74.0)	
International fixed interest	3.01	-	3.0	682.0	693.0	-	1,378.0	
Listed equities—domestic	N/A	-	-	-	-	7,378.0	7,378.0	
Listed equities—international	N/A	-	-	-	-	6,284.0	6,284.0	
Direct Property	N/A	-	-	-	-	1,944.0	1,944.0	
Unlisted unit trusts	N/A	-	-	-	-	1,914.0	1,914.0	
Cash at Bank	4.40	2.5	-	-	-	-	2.5	
Receivables	N/A	-	-	-	-	175.3	175.3	
Sundry Assets	N/A	-	-	-	-	15.7	15.7	
Plant and Equipment	N/A	-	-	-	-	0.2	0.2	
Current Tax Asset	N/A	-	-	-	-	90.8	90.8	
Deferred Tax Asset	N/A	-	-	-	-	23.1	23.1	
Total Financial Assets		2,507.5	275.0	1,878.0	2,171.0	17,751.1	24,582.6	
Liabilities								
Superannuation Contributions								
Surcharge Payable	5.87	88.0	-	-	-	-	88.0	
Payables	N/A	-	-	-	-	145.9	145.9	
Reserve Units	N/A	-	-	-	-	4.8	4.8	
Deferred Tax Liability	N/A	-	-	-	-	128.7	128.7	
Total Financial Liabilities		88.0	-	-	-	279.4	367.4	
Total Net Assets		2,419.5	275.0	1,878.0	2,171.0	17,471.7	24,215.2	

Note 1: The weighted average interest rate includes the interest rates of fixed income instruments denominated in foreign currencies.

20. EVENT AFTER REPORTING DATE

The Fund's custodian has advised that as at 31 August 2005 the net investment assets of the Fund were \$26,656.2 million. Since 30 June 2005 the Fund's investments have made a return of approximately –

- Growth 3.2%
- Conservative Growth 1.8%
- Balanced 2.5%
- Cash 0.8%

POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2005

21. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Management of the implementation of A-IFRS

For the reporting period commencing 1 July 2005, the Trustee will be required to prepare its annual financial statements in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS).

The Fund's Trustee has overall responsibility for the implementation of A-IFRS and has obtained assurance and commitment from service providers on their capability to implement A-IFRS. The implementation plan is in three phases as follows:

Phase 1 – Scoping and Impact Analysis. This involved assessment of the application of the A-IFRS framework to the Fund, business impact study and analysis on impact of individual standards.

Phase 2 – Evaluation and Design. This involved evaluation of accounting policies and procedures, review of controls on business systems, and revision of workflows for current and future transactions.

Phase 3 – Implementation and Review. This includes restating the 1 July 2004 opening balances, review of revised reports, change management, and post implementation review.

As at the date of this financial report, the Trustee has completed Phase 1 and 2 of the plan, and is in the final stage of Phase 3.

Based on the achievements to date, the Trustee has concluded that the implementation of A-IFRS has been successful and the Fund is in a position to comply with A-IFRS in the preparation of the financial statements for year ending 30 June 2006.

The likely impact of A-IFRS on the results and financial position of the Fund

The Fund is required to continue compliance with the Australian Accounting Standard AAS25 – *Financial Reporting by Superannuation Plans* and any additional A-IFRS standards applicable to the Fund. This means AAS 25 provisions will apply where there are inconsistencies with the A-IFRS provisions. For example, financial assets will continue to be reported at net market value under AAS 25 instead of at fair value or amortised costs required under AASB 139 – *Financial Instruments: Recognition and Measurement*.

However, where the A-IFRS standards have additional requirements not covered by AAS 25, the financial statements will have to include such additional requirements. For example, under AASB 132 – *Financial Instruments: Disclosure and Presentation*, the financial statements will have to make additional disclosure on the fair market value of the financial instruments.

The following proforma Statement of Changes in Net Assets and Statement of Net Assets outline the likely impacts on the current year result and financial position of the Fund had the financial statements been prepared using A-IFRS.

The figures disclosed are management's best estimates of the quantitative impacts as at the date of preparing the 30 June 2005 financial statements. The actual effects of transition A-IFRS may differ from the estimates disclosed due to:

- ongoing work being undertaken by A-IFRS implementation staff
- changes to A-IFRS that occur after the date of preparation of this report and
- emerging practice and UIG interpretation.

POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2005

21. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Proforma Statement of Changes in Net Assets for the year ended 30 June 2005

	Note	Actual \$'m	A-IFRS impact \$'m	A-IFRS proforma \$'m
Net Assets Available to Pay Benefits at Beginning of Financial Year		24,215.2	-	24,215.2
Contribution Revenue				
Employer Contributions		331.5	-	331.5
Member Contributions		494.6	-	494.6
		826.1	-	826.1
Transfers		(7.6)	-	(7.6)
Investment Revenue				
Short Term Securities		14.2	-	14.2
Australian Fixed Interest		180.9	-	180.9
International Fixed Interest		71.6	-	71.6
Australian Equities		553.0	-	553.0
International Equities		147.7	-	147.7
Property		187.0	-	187.0
		1,154.4	-	1,154.4
Changes in Net Market Values of Investments		2,199.1	-	2,199.1
		3,353.5	-	3,353.5
Investment Management Expenses		(59.4)	-	(59.4)
Net Investment Revenue		3,294.1	-	3,294.1
Other Revenue		3.9	-	3.9
Total Revenue from Ordinary Activities	e	4,116.5	-	4,116.5
Benefits Paid		(2,398.0)	-	(2,398.0)
Scheme Administration Expenses	d	(34.8)	(1.1)	(35.9)
Superannuation Contributions Surcharge		(14.3)	-	(14.3)
Other Expense		(1.3)	-	(1.3)
Total Expenses from Ordinary Activities		(2,448.4)	(1.1)	(2,449.5)
Change in Net Assets Before Income Tax		1,668.1	(1.1)	1,667.0
Income Tax Benefit	a	17.7	-	17.7
Change in Net Assets Available to Pay Benefits After Income Tax		1,685.8	(1.1)	1,684.7
Net Assets Available to Pay Benefits at End of Financial Year		25,901.0	(1.1)	25,899.9

POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2005

21. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Proforma Statement of Net Assets at 30 June 2005

	Note	Actual \$'m	A-IFRS impact \$'m	A-IFRS proforma \$'m
INVESTMENTS				
Short Term Securities	c	2,291.7	-	2,291.7
Australian Fixed Interest		3,131.5	-	3,131.5
International Fixed Interest		1,455.6	-	1,455.6
Australian Equities		10,808.4	-	10,808.4
International Equities		6,069.7	-	6,069.7
Property	b	2,223.3	-	2,223.3
		25,980.2	-	25,980.2
OTHER ASSETS				
Cash at Bank		3.4	-	3.4
Receivables	d	242.8	-	242.8
Plant and Equipment	b	0.1	-	0.1
Sundry Assets	d	15.7	-	15.7
Current Tax Asset	a	58.6	-	58.6
		320.6	-	320.6
TOTAL ASSETS		26,300.8	-	26,300.8
Less:				
LIABILITIES				
Reserve Units		4.7	-	4.7
Payables	d	247.3	1.1	248.4
Deferred Tax Liability	a	147.8	-	147.8
		399.8	1.1	400.9
NET ASSETS AVAILABLE TO PAY BENEFITS		25,901.0	1.1	25,899.9

POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2005

21. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

The following explanatory notes relate to the proforma financial statements above and describe, for significant items, the accounting policies and standards that have been adopted.

(a) Income Tax Accounting

AASB112 – *Income Taxes* adopts a balance sheet approach to calculate the deferred tax balances rather than an income & expenditure approach as required under AAS 3 – *Accounting for Income Tax – Tax Effect Accounting*. As the Fund's assets are measured at net market value, the current approach has largely reflected the new standard.

(b) Property Plant and equipment

Investment properties owned by the Fund are measured at net market value under AAS 25.

Plant and equipment is measured at net market values.

All assets are reviewed for impairment at least annually.

(c) Derivative financial instruments

Derivative financial instruments will continue to be measured at net market value as required by AAS 25.

(d) Other financial assets and financial liabilities

The Fund will continue to recognise financial assets and liabilities under AAS 25. Short term assets and liabilities are mainly trade debtors and trade creditors. They do not give rise to different financial consequence to any material extent under AAS 25 or AASB 139 – *Financial Instruments: Recognition and Measurement*. All assets are reviewed for impairment at least annually.

The Fund's trustee is required to recover all its administration costs from the Fund. As A-IFRS result in different measurement of certain employee liabilities, the amount STC must recover from the Fund is varied.

(e) Revenue from ordinary activities

The Trustee has determined that the derivation of revenue is the same under AAS25 and AASB118 – *Revenue*.

End of Audited Financial Report

Part D – Triennial Actuarial Valuation

Note: The following is a summary of the most recent triennial valuation report for the Pooled Fund.

The triennial actuarial valuation of the Pooled Fund and each of the individual Schemes at 30 June 2003 was carried out by Martin Stevenson, FIA, FIAA of Mercer Human Resource Consulting Pty. Ltd. A summary of this valuation as provided by Martin Stevenson follows.

Triennial Actuarial Valuation

Introduction

As requested by the SAS Trustee Corporation (the Corporation) I have carried out an actuarial valuation of the following Schemes as at 30 June 2003 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 2000 and the results were set out in a report dated December 2000.

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 above.
SSS	Employers under SSS are essentially equivalent to Part 1 employers under SASS.
PSS	No subdivision necessary.

The General Government Liability Management Fund (GGLMF) was established with effect from 10 July 2002. The GGLMF accepts monies transferred by the Crown Entity and it is expected that these will be used to pay employer contributions to the Pooled Fund. We have presented results both with and without the value of the GGLMF as at 30 June 2003 being included as an asset of the Pooled Fund.

Triennial Actuarial Valuation

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 2003	68,272	106,263	33,536	4,489	212,560
30 June 2000	81,817	128,435	40,501	6,087	256,840
Pensioners	SASS	SANCS	SSS	PSS	Total
30 June 2003	5,617	n/a	35,354	4,877	45,848
30 June 2000	7,121	n/a	31,904	3,886	42,911

The **Pooled Fund assets** at 30 June 2003 totalled \$22,305.5 million compared to \$27,243.2 million at the last valuation. The assets were allocated to each Scheme as follows.

Assets (\$millions)	SASS	SANCS	SSS	PSS	Total
30 June 2003	5,278	471	15,431	1,126	22,306
30 June 2000	6,375	1,108	18,229	1,530	27,243

The **Employer Reserves** in respect of each Scheme are as follows:

\$millions	SASS	SANCS	SSS	PSS	Total
Assets	5,278	471	15,431	1,126	22,306
– Member reserves	3,810	159	4,113	349	8,431
– Death/ Disability Reserves	11	-	-	-	11
– Adjustments	10	0	-	-	10
– Employer Reserve	1,447	312	11,318	777	13,854

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

As at 30 June 2003, the assets of the GGLMF amounted to \$1,654.4 million.

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	7.0%	7.0%
Rate of general salary escalation	4.0%	4.0%
Rate of increase in CPI	2.5%	2.5%

These assumptions are the same as at the previous valuation.

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

Triennial Actuarial Valuation

A comprehensive analysis was carried out in respect of all demographic assumptions used in the investigations of the Pooled Fund Schemes. The analysis mainly related to the three years 1 July 1999 to 30 June 2002. By using an end date twelve months prior to the effective date of the investigation, there was sufficient time to analyse the experience and to determine the basis going forward in considerably greater depth than previous triennials where the experience was assessed to the effective date of the investigation.

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

Changes in pensioner mortality, the assumed rate of people taking pensions and the disability rates in respect of the PSS have resulted in a strengthening of the actuarial basis and hence a source of deficiency to the Schemes overall.

Results

When the GGLMF is taken into account, the unfunded liability for the Pooled Fund has increased from \$6,794.7m to \$15,006.6m over the three years to 30 June 2003. Excluding the GGLMF, the unfunded liability is \$16,661.0m as at 30 June 2003.

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

\$millions	SASS	SANCS	SSS	PSS	Total before GGLMF	GGLMF	Total
Employer Accrued Benefits							
– Contributors	4,889.2	1,762.2	6,808.9	1,590.1	15,050.5	-	15,050.5
– Deferreds	-	-	786.2	24.1	810.3	-	810.3
– Pensioners	179.7	-	11,822.3	2,652.3	14,654.3	-	14,654.3
Total Employer Accrued Liability	5,068.9	1,762.2	19,417.4	4,266.5	30,515.1	-	30,515.1
Less							
Employer Reserve Account	1,447.0	311.5	11,318.0	777.5	13,854.0	1,654.4	15,508.4
Employer Unfunded Liability	3,621.9	1,450.7	8,099.4	3,489.0	16,661.0	(1,654.4)	15,006.6
Unfunded Liability at 30 June 2000	1,956.6	847.2	1,884.3	2,106.6	6,794.7	-	6,794.7
Vested Benefits at 30 June 2003	2,141.2	2,142.8	16,319.5	2,777.0	23,380.5	-	23,380.5

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

The current and required employer contribution rates for each of the Schemes in order to extinguish the liabilities are as follows:

Scheme	Current Employer Contribution Rate	Required Employer Contribution Rate to extinguish Liabilities Over Working Lifetime of Current Contributions
SASS		
Part 1	Varies by employer. Most common rate is 1.9 times contributors' contributions. Maximum is 2.8 times.	Varies by employer. On average 4.33 times contributors' contributions or 19.5% of Part 1 contributory members' salaries.
Part 3	1.0 times contributors' contributions.	3.86 times contributors' contributions or 19.6% of contributors' salaries.
SANCS		
Part 1	Varies by employer. Most common rate is 2.5% of contributors' salaries.	Varies by employer. On average 5.4% of members' salaries.
Part 3	2.5% of contributors' salaries.	3.3% of members' salaries.
SSS	Varies by employer. Most common rate for non-Crown employers is 1.6 times contributors' contributions. Maximum is 5.4 times.	Varies by employer. On average 5.6 times members' contributions or 67.0% of contributory members' salaries.
PSS	Pay-as-you-go basis.	147.4% of members' salaries.

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	GGLMF	Total
Standard	3,621.9	1,450.7	8,099.4	3,489.0	(1,654.4)	15,006.6
Investment return plus 1%	3,247.2	1,316.7	5,385.8	3,085.6	(1,654.4)	11,380.9
Investment return minus 1%	4,056.2	1,603.5	11,490.1	3,977.6	(1,654.4)	19,473.0
Salary increases plus 1%	4,044.6	1,604.5	8,597.9	3,636.7	(1,654.4)	16,229.6
Salary increases minus 1%	3,251.3	1,313.4	7,642.0	3,356.8	(1,654.4)	13,909.1
CPI increases plus 1%	3,639.7	1,450.8	10,958.4	3,850.0	(1,654.4)	18,244.5
CPI increases minus 1%	3,608.8	1,450.8	5,724.5	3,185.4	(1,654.4)	12,315.1
Risk free discount rate of 5.1%	4,508.0	1,758.6	14,884.0	4,519.0	(1,654.4)	24,015.2
Discount at the corporate bond rate of 5.5%	4,300.8	1,687.6	13,186.2	4,267.2	(1,654.4)	21,787.4

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

Triennial Actuarial Valuation

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 investigations are as follows:

Item	Comment	Amount \$ billion
Unfunded liability as at 1 July 2000		-6.8
Investment earnings	Investment Earnings of the Pooled Fund were significantly lower than assumed and this resulted in an item of deficiency.	-5.7
Contributions	Contributions to the Crown funded employer reserves (except for PSS) were less than the accruals over the period resulting in a deficiency.	-1.6
Change of actuarial basis	The overall impact of the changes in the valuation basis was an item of deficiency.	-1.1
Impact of disability experience in PSS	The impact of the higher actual than expected disabilities in the PSS was an item of deficiency.	-0.2
Salary increases	Lower than expected salary increases led to a surplus.	0.3
CPI increases	Higher than anticipated CPI increases led to a deficiency.	-0.2
Interest on the previous Unfunded Liability	Interest on the previous unfunded liability at 1 July 2000 resulted in a deficiency.	-1.5
Other		0.1
Unfunded liability as at 30 June 2003 before GGLMF		-16.7
Effect of GGLMF	The GGLMF balance is rounded up.	1.7
Unfunded liability as at 30 June 2003 after GGLMF		-15.0

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



MA Stevenson
Fellow of the Institute of Actuaries of Australia

Part E – SAS Trustee Corporation Statutory Information

SAS Trustee Corporation Statutory Information

The following information is provided in accordance with the *Annual Reports (Statutory Bodies) Regulation 2000*.

Board membership and frequency of meetings	85
The Trustee Board Committees	86
– Board member attendance at STC Committee meetings	88
Consumer response — disputes and appeals	89
2004–05 legislation changes	90
Account payment performance	93
Payments to consultants during 2004–05	93
Human Resource management	94
Representation of Equal Employment Opportunity target groups	95
Risk management and insurance	96
Freedom of Information	96
– Statement of Affairs	97
– Summary of Affairs	99
Property Transactions	99
Ethnic Affairs Priorities Statement	100
Disability Plan	100
Overseas visits	100
Privacy and use of member information	101
Codes of Conduct	101
Action Plan for Women	102
Waste Reduction and Purchasing Policy	102
Annual Report Production Details	102
Publications Produced	103
Compliance Index	105

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

Board membership and frequency of meetings

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

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

The Trustee Board generally meets on a monthly basis and ten ordinary meetings were held during the period from 1 July 2004 to 30 June 2005.

In line with the requirements of the *Annual Reports (Statutory Bodies) Act 1984*, Board meeting attendance is notified below. Although membership of the Investment Committee constitutes the full Board, attendance at the Investment Committee meetings is reported separately on page 87.

	Appointed	Termination date	Meetings attended	Possible attendance
Chairperson				
Mr M Cole	1 April 2000	31 Mar 2006	10	10
Employer Representatives				
Mr I Blair	1 Sept 1998	31 Jan 2006	9	10
Mr P Scully	1 Feb 2004	31 Jan 2006	9	10
Ms O Sananikone	1 Feb 2004	31 Jan 2006	8	10
Mr M Lambert	1 Feb 2004	31 Jan 2006	5	10
Employee Representatives				
Mr R Davis	1 July 1996	31 Dec 2005	9	10
Mr R Harty	1 Jan 2002	31 Aug 2006	10	10
Ms M O'Halloran	1 Sept 2002	31 Aug 2006	9	10
Mr N Lewocki	1 Sept 1998	31 Aug 2006	10	10

The Trustee Board Committees

The Committees and details of their functions and membership at 30 June 2005 are:

Actuarial Committee

Members Messrs Scully (chairperson), Davis and Lambert; Mr Cole is ex officio member; also attended by officers of the Trustee Corporation and the Scheme Actuary.

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

Administration Committee*

Members Messrs Harty (chairperson), Davis and Lambert and Ms Sananikone; Mr Cole is ex officio member; also attended by officers of the Trustee Corporation and the administrator.

Purpose To review, monitor and make recommendations on the performance of the Administrator, administration issues affecting the Fund, and policy issues; review the communications strategy for the Fund to ensure member understanding of the Schemes; review Fund communications publications including disclosure documentation, annual reports and other statutory reports; and review and monitor member statistics, including complaints.

**The Administration Committee now operates on an ad hoc basis and will be discontinued upon completion of the administration contract negotiations. The functions of the Committee have been absorbed by the Board.*

Audit and Compliance Committee

Members Messrs Blair (chairperson) and Davis and Mses Sananikone and O'Halloran; Mr Cole is ex officio member; also attended by officers of the Trustee Corporation, Audit Office of New South Wales and the Administrator.

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

Disputes Committee

Members Messrs Lewocki (chairperson), Davis, Scully and Blair; Mr Cole is ex officio member; also attended by officers of the Trustee Corporation.

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

The Trustee Board Committees continued

Investment Committee**

Members Messrs Cole (chairperson), Blair, Davis, Harty, Lewocki, Lambert and Scully and Mses O'Halloran and Sananikone also attended by officers of the Trustee Corporation and investment advisers and managers.

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

*** The Investment Committee was discontinued in January 2005 as the functions of the Committee were absorbed by the Board.*

Remuneration Committee

Members Messrs Cole (chairperson), Blair and Harty also attended, by invitation, by the Chief Executive Officer of the Trustee Corporation.

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

Statutory Committee – Police Superannuation Advisory Committee

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

Members Mr Davis as nominee of the Trustee Corporation.

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

Purpose To determine invalidity benefit entitlements in the Police Superannuation Scheme and to advise the Trustee Corporation on such matters relating to the *Police Regulation (Superannuation) Act 1906*.

Board Member attendance at STC Committee meetings

	Meetings Attended	Possible Attendance
Actuarial Committee		
P Scully	2	2
R Davis	2	2
M Lambert	2	2
M Cole (<i>ex officio</i>)	2	2
Administration Committee		
R Harty	5	5
R Davis	5	5
M Lambert	3	4
O Sananikone	4	4
M Cole (<i>ex officio</i>)	3	3
P Scully (<i>as an alternate for O Sananikone and M Lambert</i>)	2	2
Audit and Compliance Committee		
I Blair	4	4
R Davis	4	4
O Sananikone	4	4
M O'Halloran	2	4
M Cole (<i>ex officio</i>)	3	3
Disputes Committee		
N Lewocki	7	7
R Davis	7	7
P Scully	7	7
I Blair	4	7
Investment Committee		
M Cole	2	2
I Blair	2	2
R Davis	2	2
R Harty	1	2
N Lewocki	-	2
M Lambert	2	2
P Scully	2	2
M O'Halloran	2	2
O Sananikone	2	2
Remuneration Committee		
M Cole	2	2
I Blair	2	2
R Harty	2	2
Police Superannuation Advisory Committee		
R Davis	10	12

Consumer response — disputes and appeals

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

At 30 June 2004, 37 disputes were current. During the year ending 30 June 2005, the Trustee Corporation received 73 new disputes and 78 disputes were concluded (including disputes carried over from the previous year). Of those disputes:

- 26 were determined in favour of the disputant;
- 22 were determined against the disputant; and
- 30 were withdrawn.

At the end of the reporting year, 32 disputes were current.

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

- 1 was decided in favour of the appellant;
- 0 were decided against the appellant;
- 0 were settled; and
- 3 were withdrawn or discontinued.

At the end of the reporting year, 4 appeals remained to be concluded.

The Police Superannuation Scheme provides for appeals to the District Court of NSW from decisions of the Police Superannuation Advisory Committee, as delegate of the Trustee Corporation. These relate to lump sum payments for duty-related permanent impairments and pension increases. During the financial year 2004–05, these appeals resulted as follows:

- 3 were decided against the appellant,
- 9 were decided in favour of the appellant,
- 19 were withdrawn or discontinued, and
- 36 were settled.

At the end of the reporting year, 67 appeals remained to be concluded.

2004–05 legislation changes

Schemes:

SASS — State Authorities Superannuation Scheme

SSS — State Superannuation Scheme

PSS — Police Superannuation Scheme

SANCS — State Authorities Non-contributory Superannuation Scheme (Basic Benefit)

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
1.10.04	SASS	<i>State Authorities Superannuation Regulation 2000</i>	<i>State Authorities Superannuation Amendment (Surcharge Deduction Amount) Regulation 2004</i>	Cl. 15AC	Surcharge Cap Reductions The regulations provide for reductions to the surcharge cap amount, in line with the phased reductions in the maximum surcharge tax rate provided for in Commonwealth legislation.
	SSS	<i>Superannuation Regulation 2001</i>	<i>Superannuation Amendment (Surcharge Deduction Amount) Regulation 2004</i>	Cl. 12	
	PSS	<i>Police Superannuation Regulation 2000</i>	<i>Police Superannuation Amendment (Surcharge Deduction Amount) Regulation 2004</i>	Cl. 22C	
8.7.05	SANCS	<i>State Authorities Non-contributory Superannuation Act 1987</i>	<i>Superannuation Legislation Amendment Act 2005</i>	4A	Superable salary of senior executive officers The various Acts have been amended to explicitly exclude employer superannuation contributions made under the SANCS Act from being counted toward the superable salary of a senior executive officer.
	SASS	<i>State Authorities Superannuation Act 1987</i>		4A	
	SSS	<i>Superannuation Act 1916</i>		3AA	
	PSS	<i>Police Regulation (Superannuation) Act 1906</i>		1AA/2B	

2004–05 legislation changes continued

Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section	Description
8.7.05	PSS	<i>Police Regulation (Superannuation) Act 1906</i>	<i>Superannuation Legislation Amendment Act 2005</i>	12D	Hurt on duty gratuities Amendments clarify that a gratuity in respect of loss of limbs, medical expenses etc. may only be paid if the injury for which the gratuity is claimed is the same as that for which a hurt on duty allowance is already being paid or, in any other case, where the Commissioner of Police decides that the injury was caused by the member having been hurt on duty.
8.7.05	SANCS	<i>State Authorities Non-contributory Superannuation Act 1987</i>	<i>Superannuation Legislation Amendment Act 2005</i>	Sect. 3	Acceptance of Government Co-contributions New provisions facilitate the acceptance into SANCS of Co-contributions received for members of the various STC schemes from the Commissioner for Taxation under the <i>Superannuation (Government Co-contribution for Low Income Earners) Act 2003</i> of the Commonwealth.
8.7.05	SANCS	<i>State Authorities Non-contributory Superannuation Act 1987</i>	<i>Superannuation Legislation Amendment Act 2005</i>	26AA	Increase in certain death benefits A deferred benefit is reduced to offset the 15% tax on employer contributions made for a death benefit. Prior to the amendment, where a member holding a deferred benefit died, the benefit paid from the scheme reflected the reduced amount. New provisions allow for death benefits to now be based on the higher, 'pre-reduction' benefit and for the fund to claim the tax deduction available in respect of employer funding of death benefits.
	SASS	<i>State Authorities Superannuation Act 1987</i>		45AA	
	SSS	<i>Superannuation Act 1916</i>		61RAA	
	PSS	<i>Police Regulation (Superannuation) Act 1906</i>		14AAA	
8.7.05	SANCS	<i>State Authorities Non-contributory Superannuation Act 1987</i>	<i>Superannuation Legislation Amendment Act 2005</i>	27AA, 27AB, 27AC, 27ACA	Government Initiated Privatisations and Member Transfers The former separate Privatisation and Government Initiative transfer provisions have effectively been combined to simplify the administrative arrangements covering the superannuation conditions and options applying to members who are required to leave their current public sector scheme due to a Government Initiative that changes their existing employer. Regulations may also be made to clarify employer liability issues in respect of any interim period that may arise between the employment change and actual scheme exit.
	SASS	<i>State Authorities Superannuation Act 1987</i>		46AAA, 46AC, 46AD, Pt. 1- Sch. 5	
	SSS	<i>Superannuation Act 1916</i>		62A, 64, 65, Pt 1- Sch. 23	

2004–05 legislation changes continued

Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section	Description
8.7.05	SASS	<i>State Authorities Superannuation Act 1987</i>	<i>Superannuation Legislation Amendment Act 2005</i>	16A	Pooling of employer liabilities for death and disability benefits STC is authorised, on actuarial advice, to adjust amounts in employers' reserve accounts to achieve an equitable pooling of liability for payment of employer contributions to death and disability benefits among all employers in the schemes.
	SSS	<i>Superannuation Act 1916</i>		8C	
8.7.05	SSS	<i>Superannuation Act 1916</i>	<i>Superannuation Legislation Amendment Act 2005</i>	29	Invalidity ('breakdown') pensions A retired breakdown pensioner who has attained age 55 may be granted payment of pension for life, subject to their election to this effect. Other provisions of the Act that facilitate a recall to employment service and cessation of pension, do not apply where a lifetime pension has been granted.
				Pt.2A	Redundant provisions relating to the medical examination of new contributors have been deleted in light of the scheme's long-term closure to new members.
8.7.05	STC schemes	<i>Superannuation Administration Act 1996</i>	<i>Superannuation Legislation Amendment Act 2005</i>	4,22,40,67,77	Trustee delegation of dispute determinations New provisions authorise STC to delegate their dispute determination functions to committees. A disputes committee must be comprised, wholly or in part, of members of the Trustee Board. The right of a disputant to appeal against a determination to the Industrial Relations Commission in Court session, is not affected. The amendments also make it clear that the dispute determination provisions of this Act do not apply to disputes under the <i>Police Regulation (Superannuation) Act 1906</i> relating to hurt on duty benefits and determinations.
8.7.05	SANCS	<i>State Authorities Non-contributory Superannuation Act 1987</i>	<i>Superannuation Legislation Amendment Act 2005</i>	Sch. 5	Superable salary loading in respect of shift allowances The amendments specify the basis on which the determination of a SSS member's superable salary for contribution and benefit purposes shall take into account a shift allowance that would have been paid but for the member being on leave. Regulations reflecting this specification may be made to apply to SASS and SANCS members. The amendments also validate anything done or omitted to be done in this respect since 1 March 1999.
	SASS	<i>State Authorities Superannuation Act 1987</i>		Sch. 6	
	SSS	<i>Superannuation Act 1916</i>		Sch. 24	

Account payment performance

Aged analysis at end of each quarter

Quarter	Current	Less than 30 days overdue	Between 30 and 60 days overdue	Between 60 and 90 days overdue	More than 90 days overdue
September 2004	0	0	0	0	0
December 2004	0	0	0	0	0
March 2005	0	0	0	0	0
June 2005	0	0	0	0	0

Accounts paid on time within each quarter

Quarter	Total accounts paid on time		Total amount paid	
	Target %	Actual %	\$	\$
September 2004	100%	100%	50,166,346.00	50,166,346.00
December 2004	100%	100%	45,722,747.00	45,722,747.00
March 2005	100%	100%	43,041,443.00	43,041,443.00
June 2005	100%	100%	50,063,535.00	50,063,535.00
Total				188,994,081.00

Payments to consultants during 2004–05

Fees exceeding \$30,000

Project	Consultant	Total Cost \$
Finance & Accounting		\$
Other Accounting & Tax Advice	KPMG	74,136
Tax Return Preparation & Lodgement	KPMG	62,688
Investment		
Investment Consulting	Intech Pty Ltd	708,125
Investment Consulting	Mercer Investment Consulting	70,879
Information Services	Moneyline Telerate (Singapore) Pty Ltd	35,780
Investment Consulting	JANA Investment Advisers	33,000
Total Fees Exceeding \$30,000		984,608

Fees Less Than \$30,000

Five consultants were engaged at a total cost of \$54,609 in the areas of information services.

Human Resource management

Staff of the Executive are employed by the Trustee Corporation. The administration of payroll and human resource services are provided by Pillar Administration.

The table below shows the STC Executive, male, female and total staff numbers by salary band at 30 June 2005.

Salary Range	Men	Women	Total staff (number)
< \$30,146	0	0	0
\$30,146 - \$39,592	0	0	0
\$39,593 - \$44,264	0	1	1
\$44,265 - \$56,012	0	3	3
\$56,013 - \$72,434	2	3	5
\$72,435 - \$90,543	1	4	5
> \$90,543 (non SES)	4	3	7
> \$90,543 (SES)	1	0	1
Totals	8	14	22
	36.4%	63.6%	

Senior Executive Service (SES)

STC employs one SES officer, the CEO, Mr Don McLean, at Grade 5 level. The total remuneration package for this position is \$219,850. The criteria used for assessing the CEO's remuneration package was as set out in *Premier's Memorandum no. 99-25*.

During the year, the staff of the Executive, under Mr McLean's leadership, achieved a number of significant goals agreed at the commencement of the year with the Trustee Board.

Salary movement

For the period July to December, the CEO's salary was paid equally by FTC and STC. After the appointment of the FTC CEO on 1 December, the STC CEO's salary was met fully by STC. Throughout the year, the remuneration costs of the investment team were shared equally between STC and FTC. All other staff costs were met fully by STC.

Salaries for contract staff are reviewed annually as part of a formal performance appraisal system. Award staff are covered under the *Crown Employees (Public Sector — Salaries June 2002) Award*. Staff under this award received an incremental salary increase of 4% on 1 July 2004.

Industrial relations

The Public Service Association of New South Wales provided industrial coverage for staff on the Executive. No time was lost during 2004-05 through industrial action.

Training and development

The Trustee Corporation recognises the need for the ongoing development of staff and a training program has been introduced for all staff to meet PS146 training requirements. Staff attend training designed by external providers. In addition, staff of the Executive continued to keep up to date with changes in the superannuation industry by regularly attending seminars, short courses and conferences.

Occupational health and safety

During the reporting period, the Trustee Corporation did not experience any work related injuries, work related illnesses, or prosecutions under the *Occupational Health and Safety Act 1993*.

Representation of Equal Employment Opportunity (EEO) target groups

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

EEO data is requested from all STC staff on commencement of employment.

Table A: Trends in the Representation of EEO Groups

EEO GROUP	Benchmark or target	% of total staff			
		2002	2003	2004	2005
Women	50%	57%	60%	67%	64%
Aboriginal people and Torres Strait Islanders	2%	0%	0%	0%	0%
People whose first language was not English	19%	13%	11%	18%	23%
People with a disability	12%	0%	0%	0%	0%
People with a disability requiring work related adjustment	7%	0%	0%	0%	0%

Table B: Trends in the Distribution of EEO Groups

EEO GROUP	Benchmark or target	Distribution Index			
		2002	2003	2004	2005
Women	100	N/A	N/A	N/A	N/A
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	N/A
People whose first language was not English	100	N/A	N/A	N/A	N/A
People with a disability	100	N/A	N/A	N/A	N/A
People with a disability requiring work related adjustment	100	N/A	N/A	N/A	N/A

1. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by ODEOPE (Office of the Director of Equal Opportunity in Public Employment, now part of the Public Employment Office).

2. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

Risk management and insurance

Audit and Compliance Committee

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

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

- the annual statutory accounts, including determining the timeframe for completion of the accounts to meet regulatory requirements;
- monitoring the STC management accounts against budget and reporting to the Trustee Board;
- external auditor functions, including the review of fees, effectiveness and independence of the external auditor;
- functions performed by the internal auditor for the administrator and custodian and the relevant internal audit reports;
- industry accounting changes;
- internal processes of the Executive and the services providers; and
- statutory, third party and contract compliance.

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

Insurance

During the financial year 2004–05, insurance for the Trustee Corporation was continued with the Treasury Managed Fund, which covers all the NSW Government's insurable risks. The Treasury Managed Fund provides unlimited cover for the following classes of risk:

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

Freedom of Information

All enquiries and requests under the *Freedom of Information Act 1989* (the Act) for the period 1 July 2004 to 30 June 2005 were handled on behalf of the Trustee Corporation by the scheme administrator, Pillar Administration (Pillar). Statistical information for FOI requests is contained in Pillar's annual report.

In accordance with section 14(1)(a) of the Act, an up to date *Statement of Affairs* was published on 30 June 2005 and appears on page 97.

In accordance with section 14(1)(b) of the Act, a *Summary of Affairs* was published in the Gazette in December 2004 and June 2005 and is published as part of this Annual Report on page 99.

The Summary and Statement are also available on the STC website at www.statesuper.nsw.gov.au

Statement of Affairs

of the SAS Trustee Corporation pursuant to section 14(1)(a) and (3) of the Freedom of Information Act 1989 at 30 June 2005

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

Structure and functions

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

Effect of functions on members of the public

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

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

Public participation in policy and exercise of functions

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

In keeping with the principles of good corporate governance, and because of the complexity of the statutory and regulatory environment in which STC operates, a number of Trustee Board committees assist STC in the performance of its functions. These committees are identified in STC's *Annual Report*, together with details of their membership and purpose. STC and its Executive also consult with the Premier's Department and Treasury in the formulation and development of scheme policy.

Policy documents held

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

- *Policy Register* for each of the STC schemes — these contain guidelines for implementing the rules contained in the scheme legislation;
- *Codes of Conduct* for the Trustee Board and its Executive — these contain a description of the principles of conduct under which Trustee Board members and Executive staff must conduct themselves in the performance of their functions;
- *STC Privacy Statement* — the Statement outlines procedures STC has in place to ensure compliance with the *Privacy and Personal Information Protection Act 1998* (NSW) and the *Health Records Information Privacy Act 2002* (NSW);
- *STC Ethnic Affairs Priority Statement* — this shows how STC addresses the needs of a culturally and linguistically diverse society; and
- *STC Disability Action Plan* — this outlines how STC addresses the needs of disabled staff members as well as members of the public who have recourse to its services.

Statement of Affairs continued

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

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

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

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

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

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

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

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

Freedom of Information contact

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

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

Telephone: (02) 4253 1478
Facsimile: (02) 4253 1467

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

Summary of Affairs

of the SAS Trustee Corporation pursuant to Section 14(1)(b) & (3) of the Freedom of Information Act 1989 at 30 June 2005

Section 1: Policy Documents

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

Policy documents for STC that are available for inspection are:

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

Section 2: Statement of Affairs

The most recent *Statement of Affairs* for STC is published annually in STC's Annual Report (see page 97). The Statement is available on the website at www.statesuper.nsw.gov.au. A copy of the *Statement of Affairs* can also be obtained (free of charge) by contacting the Freedom of Information Co-ordinator.

Section 3: Freedom of Information Contact Point

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

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

Telephone: (02) 4253 1478
Facsimile: (02) 4253 1467

Applications and enquiries can be made between 10:00am and 4:00pm Monday to Friday.

Property transactions

Properties acquired during the year	Settled	Purchase Price \$m
Nil		
Properties sold during the year	Settled	Sale Price \$m
Westfield Mt Druitt, Sydney**	Sep 04	130.0
Regents Park Estate, Sydney*	Jan 05	94.0
18–20 Barrack Street, Sydney	Feb 05	44.5
Westfield Hurstville, Sydney**	May 05	232.0
St Leonards Corporate Centre, Sydney	May 05	77.0
Greensborough Plaza Shopping Centre, Victoria**	Jun 05	160.0
		<u>737.5</u>

*STC still retains a 50% holding.

**STC held 50% of these assets.

Ethnic Affairs Priorities Statement

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

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

An ongoing strategy is to arrange, at a member's request, for any Scheme communication material to be translated by accredited interpreters into languages other than English at no cost to members. Interpreter services may also be provided for members for whom English is not their first language. During the year, STC had no requests for any of the member communication materials to be translated to another language. With respect to interpreter services the Administrator would, on average, receive approximately 5 requests per year.

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

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

Disability Plan

The Trustee Corporation has developed a *Disability Plan* as part of a whole-of-government disability framework. The administrator of the Pooled Fund also has a *Disability Plan* which covers the Fund's members.

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

The Trustee Corporation last revised its *Disability Plan* in 2000 in conjunction with the NSW Ageing and Disability Department to update the Plan in line with current standards. A review of the Plan has been scheduled for 2006.

Overseas visits

No overseas visits were undertaken by officers or employees of the Trustee Corporation during the financial year 2004–05.

Privacy and use of member information

As a NSW Government body, the Trustee Board must comply with relevant legislation, including the *Privacy and Personal Information Protection Act 1998* (the Privacy Act) and, from 1 September 2004, the *Health Records and Information Privacy Act 2002* (HRIP Act).

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

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

There were no reviews conducted by or on behalf of the Trustee under Part 5 of the Privacy Act or under Part 6, Division 1 of the HRIP Act during the year.

Codes of Conduct

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

The Codes were amended during the year to update embargos on members of the Trustee Board and Executive Staff as follows:

On 29 September 2004 the embargo placed on trading in the following shares in April 2004 was lifted:

- Deutsche Industrial Trust;
- Deutsche Office Trust;
- Deutsche Diversified Fund.

On 30 March 2005, an embargo was placed on trading in DB RREEF Trust (DRT) units.

On 31 May 2005, Trustee Board members and Executive staff were permitted to sell a parcel of DRT units already held, up to a limit of 500,000 over any three month period, but could not trade in DRT units, i.e. buying or selling units.

The Codes were also amended to incorporate compliance with the *Health Records and Information Privacy Act 2002*, which commenced 1 September 2004.

The Code for the Executive Staff was also amended to include provisions for fraud and theft as required for compliance purposes.

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

Action Plan for Women

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

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

The Trustee Corporation recognises these considerations in its corporate planning and policy development and supports these initiatives.

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

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

The Executive recruitment program during the year ensured women were selected for senior positions for which they were qualified.

Waste Reduction and Purchasing Policy

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

The plan focuses on reducing the generation of waste, resource recovery and the use of recycled material. Significant savings have been made in the minimisation of waste paper products by such measures as double siding monthly board and committee papers, and press clippings being circulated electronically.

A survey of past Annual Report recipients was carried out and determined that one-third of all those surveyed would prefer to view the Annual Report over the web rather than receive a paper copy in the mail. As a consequence, STC has significantly reduced the print run of this document over the past 5 years.

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

The Trustee Corporation continues to report its progress on waste reduction to the Department of Environment and Conservation (NSW), formerly Resource NSW, every two years.

Annual Report Production Details

400 copies of this publication have been printed at an estimated maximum cost of \$3,200. This cost includes artwork and print production costs. This publication is available on the State Super website at www.statesuper.nsw.gov.au (see under *Publications*).

Publications produced at 30 June 2005

SASS Scheme Fact Sheets

1. Overview
2. Contributions
3. Benefit Points System
4. Optional Additional Benefit Cover
5. Retirement Benefit
6. Salary for Superannuation Purposes
7. Invalidity Retirement Benefit
8. Death Benefit
9. Retrenchment Benefit
10. Resignation (Withdrawal) Benefit
11. (Replaced by STC Fact Sheet 10)
12. Taxation
13. Optional Deferred Benefit
14. (Replaced by STC Fact Sheet 7)
15. Choosing an investment strategy

SSS Scheme Fact Sheets

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

PSS Scheme Fact Sheets

1. Overview
2. Contributions and Superable Salary
3. Benefits on Normal Retirement
4. Benefits on Early Voluntary Retirement
5. Invalidity Retirement (Medical Discharge)
6. Death Benefits
7. Resignation/Dismissal Benefit and Voluntary Benefit Deferral
8. (Replaced by STC Fact Sheet 10)
9. Taxation
10. Complaints, Disputes and Freedom of Information

All Scheme Fact Sheets

1. Information about the Commonwealth Contributions Surcharge Tax
2. Early Release of superannuation benefit on grounds of severe financial hardship
3. What is salary sacrifice?
4. When can I be paid my superannuation benefits?
5. Retiring or resigning? What you need to know for payment of your benefit
6. Early release of a superannuation benefit on compassionate grounds
7. Complaints, Disputes, Appeals and Freedom of Information (FOI)
8. Calculation of superable salary and employer contributions *oncost* for members of the Chief and Senior Executive Service (SES)
9. Freedom of information and privacy statement
10. Basic Benefit
11. Reasonable Benefit Limits (RBLs)
15. Family Law

Flyers

SASS Member Investment Choice flyer
Information About Exit Statements
Superannuation Contacts

Other Communications

Report to Members
Annual Report
Super Views newsletters
Super Update newsletter
At-a-glance scheme summaries booklet
Code of Conduct and Ethics for Staff of the Executive of the SAS Trustee Corporation
Code of Conduct and Ethics for the members of the Board of the SAS Trustee Corporation
Privacy Statement
Freedom of Information - Summary of Affairs
Freedom of Information - Statement of Affairs
SASS Employer Easy Reference Guide
SSS Employer Easy Reference Guide
PSS Employer Easy Reference Guide

Website

www.statesuper.nsw.gov.au

Compliance index for disclosure requirements 2004–2005

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

A	Access	Back cover
	Actuarial valuations	77
	Achievements and objectives	6
	Annual report production details	102
	Audited financial statements	21,41
	Auditor-General's opinion	22,42
B	Board / Board members	4
C	Chairperson's address	3
	Charter	1
	Codes of Conduct	101
	Committees	86
	Compliance	10
	Consumer response/disputes	89
	Consultants	93
	Corporate governance	10
D	Disability Plan	100
E	Economic and other factors affecting achievements	14
	Equal employment opportunity	95
	Employees	94
	Ethnic affairs priorities statement	100
F	Freedom of Information	96
H	Human resource management	94
I	Insurance arrangements	96
L	Legislation and rule changes	90
	Letter of submission to the Minister	Front Page
M	Management, structure and activities	5
	Mission statement	1
O	Objectives	6
	Organisation chart	2
	Overseas visits	100
	Occupational health & safety	94
P	Payment of accounts	93
	Privacy	101
	Publications	103
	Property transactions	99
R	Risk management	96
S	Senior officers	94
	Service standards	7
	Statement of Affairs	97
	Summary review of operations	6
W	Women, Action Plan	102
	Waste Reduction and Purchasing Policy	102

How to contact State Super



STATE SUPER
SAS Trustee Corporation

ABN: 29 239 066 746



ABN: 80 976 223 967

CUSTOMER SERVICE

8.30 am to 5.30 pm, Monday to Friday for the cost of a local call (except from a mobile or pay phone)

State Authorities Superannuation Scheme (SASS)	1300 130 095
State Superannuation Scheme (SSS)	1300 130 096
Police Superannuation Scheme (PSS)	1300 130 097
Pensioners	1300 652 113
Deferred Benefits	1300 130 094

PERSONAL INTERVIEW SERVICE

For an interview appointment in Sydney, call (02) 9238 5540.

You can also arrange interviews at:

Newcastle (telephone: 1800 807 855)

Parramatta (telephone: 1800 626 000)

Port Macquarie (telephone: 1800 676 839)

Wollongong (telephone: 1800 060 166)

FAX SERVICE

(02) 4253 1688

INTERNET

www.statesuper.nsw.gov.au

EMAIL

enquiries@stc.nsw.gov.au

MAILING ADDRESS

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

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

COMPLAINTS AND DISPUTES

If you have a question about your account or benefits, initially contact Customer Service. If you are dissatisfied with an administrative action, you may lodge a complaint with the scheme administrator (Pillar Administration).

If you feel you have been unfairly treated or are disadvantaged by a decision of the scheme administrator relating to a benefit entitlement, you may lodge a notice of dispute with the Trustee Board. Send the notice to the **Manager Disputes and Appeals, SAS Trustee Corporation (STC), PO Box N259, Grosvenor Place NSW 1220.**

You may then be requested to clarify certain details relating to your dispute and to provide additional supporting evidence. Your dispute will then be referred to the Trustee's Disputes Committee for consideration.

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

If you are dissatisfied with the Trustee Board's review of that decision, you may lodge an appeal with the NSW Industrial Relations Commission (in Court Session) within 6 months of being notified of the outcome of the review, or within a further time allowed by the Commission.

(The Commonwealth Superannuation Complaints Tribunal does not action STC member complaints.)

This document contains general information. In preparing the document, SAS Trustee Corporation (STC) has not taken into account your objectives, financial situation or needs and, because of this, you should consider your personal circumstances and possibly seek professional advice before making any decision that affects your future. To the extent permitted by law, STC, its directors and employees do not warrant the accuracy, reliability or completeness of the information and exclude liability for any decision taken on the basis of information contained in or omitted from this report. STC cannot guarantee any particular rate of return and past investment performance is not a reliable guide to future investment performance.