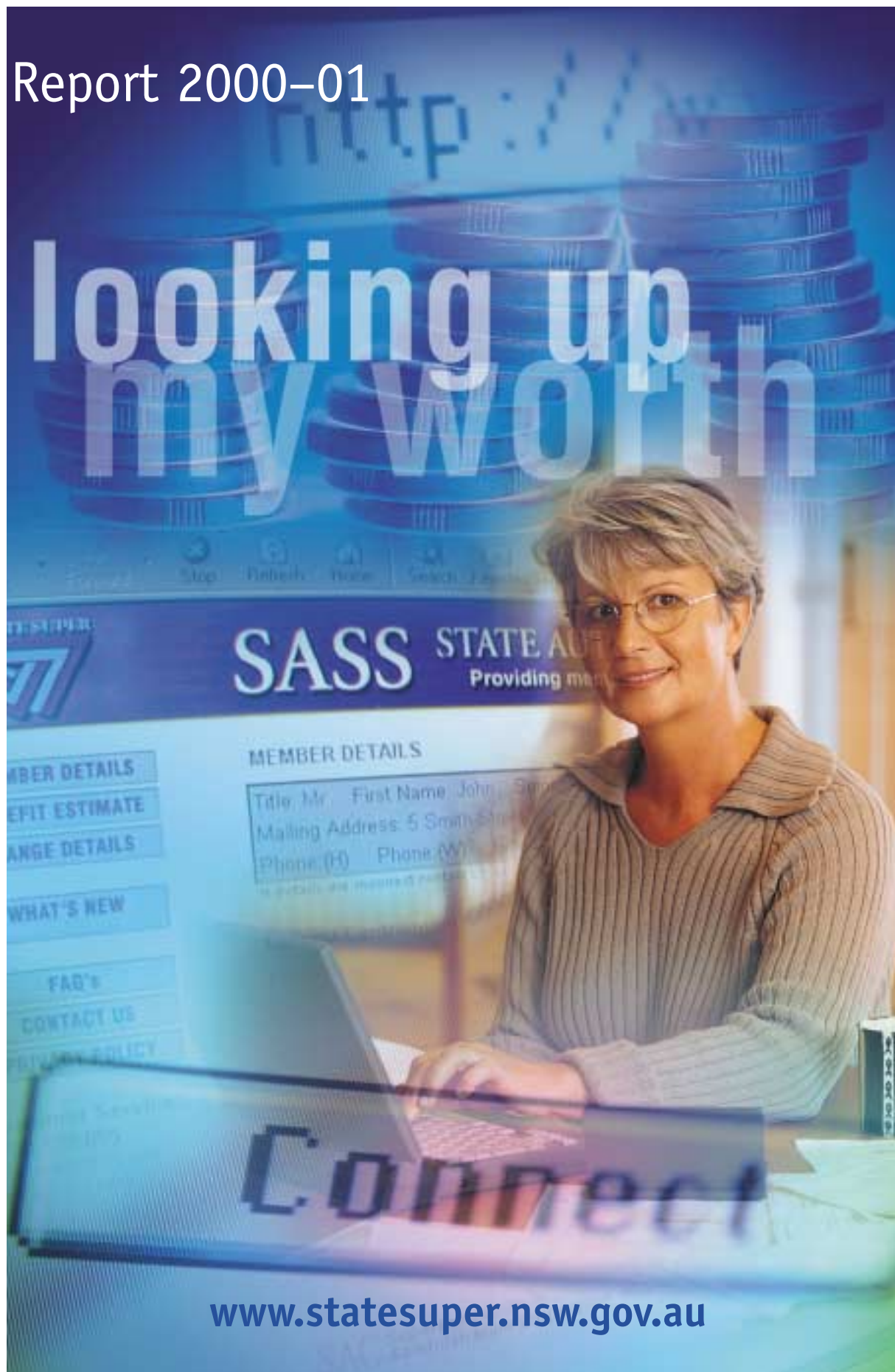


## Annual Report 2000–01

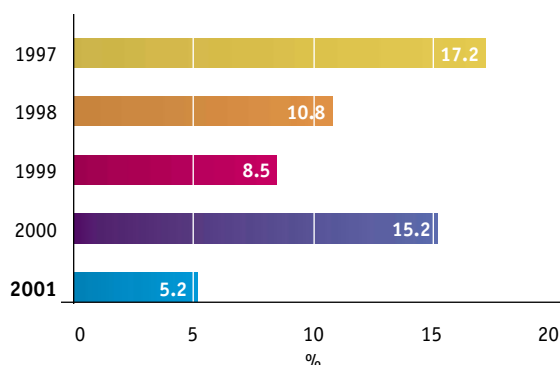


# highlights of the year

The Pooled Fund continues to meet its investment objectives, which include outperforming the average manager in the InTech survey\* over rolling 5 year periods.

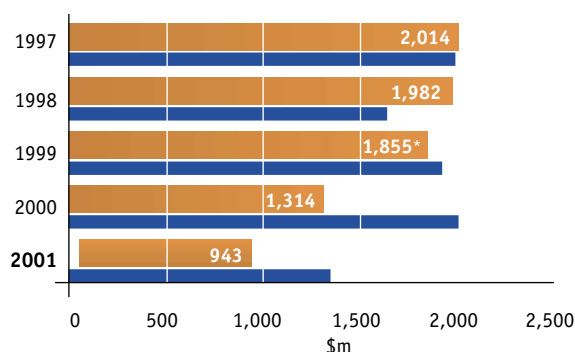
\* InTech is an investment consulting firm which publishes surveys on the investment performance of superannuation fund managers.

## Net Annual Investment Performance for years ending 30 June



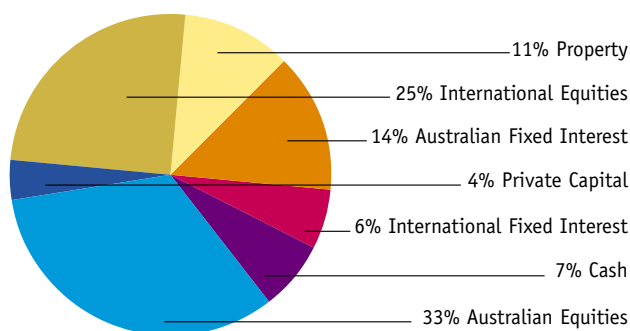
## Fund Contributions and Payments

Contributions  
Benefits paid

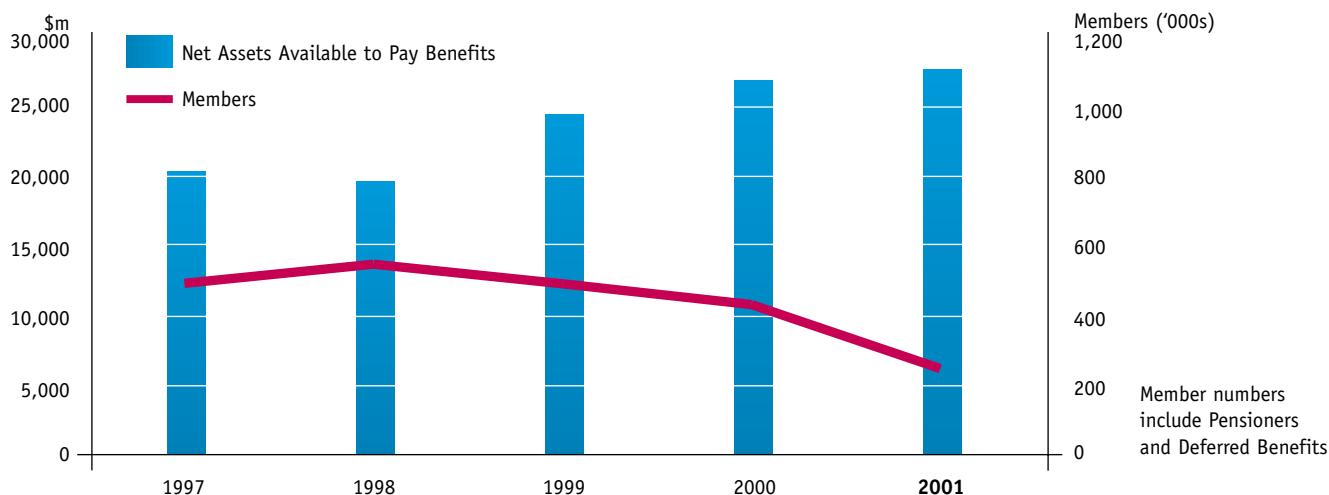


\* excluding Accelerated Growth Contribution of \$3,261 million.

## Assets by Investment Sector as at 30 June 2001



## Assets and Members as at 30 June 2001



# 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.

## Charter

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

It is trustee of the STC schemes: the State Authorities Superannuation Scheme, the State Superannuation Scheme, the Police Superannuation Scheme, and the State Authorities Non-contributory Superannuation Scheme.

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.

## Contents

Note: Throughout this report:

**Trustee Corporation** means the SAS Trustee Corporation.

**STC** means the SAS Trustee Corporation.

**FTC** means the FSS Trustee Corporation.

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

**Pooled Fund or Fund** means the pooled fund of the STC, which is the fund for the STC schemes.

**STC schemes or schemes** means 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).

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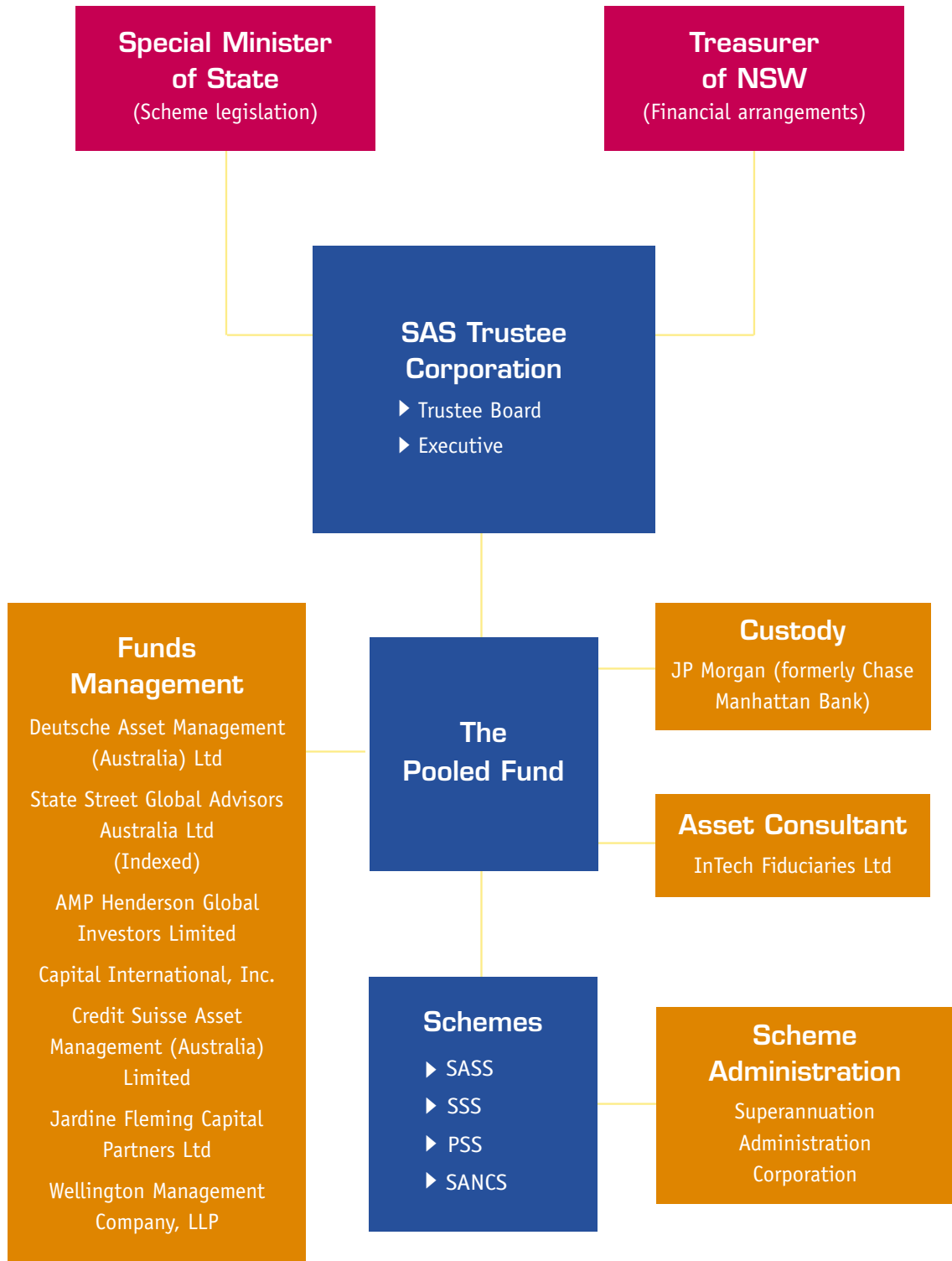
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# organisational structure



# report to the minister

October 2001

The Hon Michael Egan, MLC  
Treasurer  
Governor Macquarie Tower  
Level 33  
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 2000 to 30 June 2001.

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*, and associated regulations.

Major events during the year include the conduct of the 2000 Triennial Actuarial Review, upgrading the STC web site to enable member interactivity, and further progress towards completing a 4 year program to upgrade member records and streamline scheme administration.

We appreciate the interest and support which you, the Premier and the Government have shown in our activities and look forward to working with you during the coming year.

Yours sincerely



**Michael Cole** MEd, ASIA  
Chairperson  
SAS Trustee Corporation



**Ian Blair** OAM, M.Mgt, FCA  
Board Member and Chairperson of Audit Committee  
SAS Trustee Corporation



# Board members' profiles



(left to right)

**Michael Cole**, Chairperson, consultant.

**Beryl Ashe**, Employee Representative, full-time Board member.

**John Hennessy**, Employee Representative, General Secretary of the NSW Teachers Federation.

## Chairperson

**Michael Cole** 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. He is a consultant to NSW Treasury.

## Board members

**Beryl Ashe** is the full-time employee representative on the SAS Trustee Corporation (STC) Board, a position she has held since January 1996. She is also a deputy board member of the FSS Trustee Corporation, a board member of State Super Financial Services Ltd and a past board member of the Australian Institute of Superannuation Trustees. Beryl is also a member of the NSW Division Executive Committee of the Association of Superannuation Funds of Australia Ltd.

Her responsibilities as the full-time employee representative include maintaining a watching brief on all aspects of public sector superannuation, the investigation and monitoring of member complaints or enquiries, communication with members via seminars and newsletters, and liaison with unions and employees.

**John Hennessy** is the general secretary of the NSW Teachers Federation and is vice president of the NSW Labor Council. He is also president of The Teachers Club Ltd, a director of 2KY Broadcasters and public officer for the NSW Teachers Federation Health Society. With an extensive background in management across a range of industries, John is also principal accounting and public officer of the union.

**Ron Davis** is a valuation manager with the State Valuation Office and a fellow of the Australian Property Institute. He is a past president of the Professional Officers Association and represents members as a delegate to Labor Council's Public Sector Employees' Superannuation Committee. Ron is also a member of the Australian Institute of Superannuation Trustees and a member of the NSW Division Executive Committee of the Association of Superannuation Funds of Australia Ltd.



(left to right)

**Nick Lewocki**, Employee Representative, Secretary of the Rail, Tram and Bus Union.

**Ron Davis**, Employee Representative, valuer with the State Valuation Office and fellow of the Australian Property Institute.

**Bill Gillooly**, Employer Representative, company director.



(left to right)

**Don Nicholls**, Employer Representative, retired NSW Treasury executive.

**Catherine Prime**, Employer Representative, actuary and company director.

**Ian Blair**, Employer Representative, company director.

**Nick Lewocki** is secretary of the Rail, Tram & Bus Union. Qualified in industrial law, he is the principal advocate for the union before industrial tribunals. Nick spent his early career with the NSW Railways Department before being elected a full-time union official. He has also been a director of 2KY Broadcasters and worked with the Labor Council of NSW for 6 years covering a range of industries.

**Bill Gillooly** is a lawyer by training and qualification, and has occupied senior management positions in a number of NSW government agencies. At different times he was Director-General of the National Parks and Wildlife Service, and Department of Sport and Recreation. Bill retired from the NSW Public Service in 2000. He is a board member of the NSW Institute of Sport, president of the NSW Sports Council for the Disabled, and chairperson of St Catherine's Aged Care Services Ltd. Bill was awarded the Australian Sports Medal in 2000 for services to sport.

**Don Nicholls** retired after an extensive career with the NSW Treasury, the NSW Audit Office and the University of Sydney. He is an economist, accountant, and chartered secretary by training and qualifications. He was awarded membership of the Order of Australia in 1990 for public service. As a financial consultant, he has been involved in major reviews of financial management for Australian State governments.

**Catherine Prime** has qualifications in actuarial science, law and management. She was the first woman in Australia to qualify as an actuary and the first woman appointed president of the Institute of Actuaries of Australia in 1991. She is principal of the firm P&K Actuaries, which she founded in 1987, and of P&K World, a company set up in 1999 to provide pension and other employee benefits advice overseas. In the year 2000 Catherine was the president of the International Actuarial Association.

**Ian Blair** is a chartered accountant and a company director, holding a Master of Management degree from Macquarie University. After a long career with accounting firm Deloitte Touche Tohmatsu, including a term as CEO of the firm, he moved to lawyers, Allens Arthur Robinson where he currently acts as executive general manager of the firm. 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.



## STC Chairman's Address

The SAS Trustee Corporation (STC) is responsible for the group of four closed NSW public sector superannuation schemes, the combined assets of which are known as the Pooled Fund. The Pooled Fund, with assets of \$27.7 billion, is the largest superannuation fund in Australia.

The past financial year has been one of steady progress for SAS Trustee Corporation and the Pooled Fund.

- ▶ Major effort has been focused on investment strategy as the Trustee plans for the full outsourcing of the Fund after July 2002.
- ▶ The 2000 triennial review of the Fund's liability was completed by 31 December 2000.
- ▶ Limited legislation affecting Scheme members was passed during the year.
- ▶ The administrator completed the upgrade of its computer systems with the introduction, during the year, of a new SASS system.
- ▶ A 4 year program to upgrade member records and streamline membership of the Pooled Fund schemes is nearing completion.

STC has a major project underway to develop an outsourcing strategy for the Fund. From 1 July 2002, the Trustee will be free to outsource all assets currently managed by Deutsche Asset Management, should it so determine. This project needs careful consideration and planning. During the year STC reappointed InTech as its asset consultant, and the Trustee is working with InTech to develop a multi manager structure which fits within the Pooled Fund's asset allocation framework. In fact, STC outsourced approximately \$2 billion during the year to five active equity managers, to commence funding the new structure.

The second major project was the 2000 Triennial Review. STC's actuary completed the 2000 Triennial Valuation in 6 months to accord with new legislation. (Previously the actuary was given 12 months to complete this task.) The review is required by legislation in order that the assumptions underlying the calculations of the Fund's liabilities accurately reflect contemporary economic conditions and predicted investment returns. A summary of the conclusions of this review has been included elsewhere in this Annual Report.

STC has a commitment to continuous improvement in the quality and cost effectiveness of the services it delivers to the stakeholders. Accordingly in the areas of recurrent activity, namely, investment performance, administration, communications and policy implementation steady progress was recorded in 2000-01.

Investment markets were extremely volatile in the year ended 30 June 2001.



The Pooled Fund's investment return for the year was 5.2%. This places it just below the median return of diversified superannuation funds, as measured by industry expert, InTech Fiduciaries Pty Ltd. Over 1, 3 and 5 years, the Pooled Fund achieved 5.2%, 9.5% and 11.3% per annum respectively, which places it in the 3rd, 2nd and 2nd quartile respectively (a return in the 1st or 2nd quartile means that the fund has outperformed the *average* manager's performance).

Since 30 June 2001, international equity markets have been particularly volatile. The Pooled Fund's investment strategy, focusing on growth assets, means that in the short term, these adverse market conditions will lead to investment returns significantly below those experienced over the past 5 years.

The combined effect of investment returns and employer, member and Crown contributions has meant that the unfunded liability at 30 June 2001 was \$6,794.7 million. The Crown contributed \$243 million during the financial year. The Crown had also made a substantial accelerated contribution of \$3.26 billion at 30 June 1999, which was effectively a 3 year prepayment. STC is working with Treasury to consider alternative longer term Crown funding strategies, particularly with regard to their impact on the strategic asset allocation and cash flow of the Fund, as members age and benefits become payable.

In the last year, the administrator demonstrated some improvement in performance. The 30 June 2000 member statements were produced by the new SSS, pensioner and deferred benefit systems without major difficulties. A new computer system for SASS commenced operation in April 2001 and the SASS statements at 30 June 2001 were produced from this new system.

This system completes the administrator's upgrade of computer systems.

The STC web site has also been improved over the year, and, by year end, all active defined benefit members could amend personal details on line, obtain or order a benefit quote, or receive details of their latest pension payments. Revised employer manuals for all Schemes have also been placed on the employer section of the web site.

Legislative policy changes during the year were limited.

- ▶ The most important initiative was the inclusion of a definition for de facto partner which included same sex partners for all State Super schemes. Concurrent with this initiative, the Government legislated to permit SSS and PSS members, who had accepted the Treasury Conversion Offer in 1999-2000 to transfer to First State Super, to return to SSS or PSS. By the end of the offer period, 172 members had expressed interest in taking up this option.
- ▶ Another legislative amendment permits the payment of benefits to contributors in all Schemes in cases of severe financial hardship or compassionate grounds.

I would like to thank the Board and the Executive for their contribution to the management of the STC schemes during the year. I also wish to note the contribution of Mark Duffy who retired from the Board in August 2000. Whilst it has been a testing year, we have made significant progress towards positioning the schemes and the Pooled Fund well for the year ahead. This, in turn, should reflect in improved member service.



**Michael Cole**  
Chairman

October 2001

# STC achievements and objectives

## Objectives

To aim for industry leader status with regard to member service.

## Achievements in 2000-01

- ▶ Service standard benchmarking in operation for administrator.
- ▶ Articles in employer, union and member magazines carried service standards in administration contract.
- ▶ SASS, SSS and PSS employer manuals updated and distributed to employers in hard copy and on web.
- ▶ Project to identify and reduce remaining lost members underway at year end. Various data sources identified for computer matching with lost members.
- ▶ STC proactive in guiding seminar program of field team.
- ▶ All Schemes have interactive member facility on web.

## Strategies for 2001-02

- ▶ Develop ways of dealing with relocated administration.
- ▶ Develop strong STC links with employers and unions as gatekeepers to members.
- ▶ Develop cost effective enhanced web functionality.

## Objectives

To implement an investment strategy which is long term in its focus and seeks to maximise returns consistent with an appropriate risk/return profile.

## Achievements in 2000-01

- ▶ Project underway to develop full outsourcing plan before 2002.
- ▶ Implementation of multi-manager structure in progress as outsourcing continues.
- ▶ Investment consultant tender completed. InTech reappointed.
- ▶ \$2 billion outsourced. Funds allocated to five active equity managers.
- ▶ Introduced daily valuation of Pooled Fund in 1 October 2000.

## Strategies for 2001-02

- ▶ Prepare for full contestability of Pooled Fund from June 2002.
- ▶ Seek Treasury input on medium term funding issues.
- ▶ Implement 2001 outsourcing.
- ▶ Monitor investment performance against objectives.

## Objectives

To ensure compliance with legislative and regulatory requirements, both Commonwealth and State.

### Achievements in 2000-01

- ▶ Procedures and systems to ensure ongoing compliance in place and working well.
- ▶ Implemented *Privacy Plan*.
- ▶ Presented formal Compliance Report to auditors.
- ▶ Completed triennial actuarial review in December 2000.

### Strategies for 2001-02

- ▶ Maintain procedures and systems to ensure ongoing compliance.
- ▶ Monitor proposed legislative changes proactively and provide input into the public debate on superannuation.
- ▶ Present formal compliance reports to auditors.

## Objectives

To monitor service providers to ensure timely, efficient and cost effective delivery of services.

### Achievements in 2000-01

- ▶ SASS computer system implemented. This completes system migration project.
- ▶ Operational audit to verify administrator's performance reports completed. Recommendations in implementation.
- ▶ Devised a consolidated index of SAC performance. Work still needed on qualitative issues, but ongoing monitoring of service quality in place.
- ▶ New method of allocating administration costs across Schemes implemented for 2000-01.
- ▶ Contract arrangements with regard to Intellectual Property Escrow nearing completion.
- ▶ Web site and e-business progressing, with assistance of web expert and administrator.

### Strategies for 2001-02

- ▶ Continuously review form and content of performance assessment of service providers against relevant industry standards.
- ▶ Develop feedback mechanisms to providers on qualitative as well as quantitative measures (including member and employer feedback).
- ▶ Use operational auditor to monitor SAC's performance reporting for accuracy of detail.
- ▶ Liaise with SAC regarding its performance in an international administration survey.
- ▶ Include IT service standards in SAC/STC contract.
- ▶ Review objectives and business plan for web development.

# STC achievements and objectives

## Objectives

**To build strong relationships with Treasury and Premier's Department on policy and strategic issues.**

## Achievements in 2000-01

- ▶ Chairman, Board and Executive proactive in seeking best outcomes for all stakeholders.
- ▶ Regular meetings with Treasury and Premier's Department staff at range of levels.

## Strategies for 2001-02

- ▶ Continue to develop relationship with Treasury and Premier's Department based on sharing professional expertise.

## Objectives

**To develop an organisation where the Trustee Corporation and Executive operate within an agreed set of values in an environment of professional development.**

## Achievements in 2000-01

- ▶ Replacements appointed in senior Executive positions in Communications and Disputes.
- ▶ Board members and Executive attended various seminars and conferences. Other training provided on as needed basis.
- ▶ Board and Executive endorsed corporate values and jointly developed Corporate Plan.

## Strategies for 2001-02

- ▶ Apply Executive and Trustee Corporation *Code of Conduct* and values statement to all activities.
- ▶ Provide opportunities for Board members and Executive to extend their superannuation skills.
- ▶ Involve Board and Executive in corporate planning.

## Objectives

**To establish policies and procedures to ensure efficient operation of schemes under STC control.**

### Achievements in 2000-01

- ▶ Some progress in developing relationship with SAC board.
- ▶ Administrator advises key technical services will remain in Sydney when it relocates most staff to Wollongong.
- ▶ Completed STC policy review.

### Strategies for 2001-02

- ▶ Simplify SASS legislation.
- ▶ Pool SASS Death and Disability reserves.
- ▶ Review Scheme regulations.
- ▶ Rationalise listed employers with co-operation of Treasury.

## Objectives

**To ensure the Trustee Corporation and Executive operate at the highest standards of corporate governance.**

### Achievements in 2000-01

- ▶ Corporate Governance procedures in place and benchmarked against industry developments.

### Strategies for 2001-02

- ▶ Monitor developments in corporate governance relevant to Trustee practices and amend as required.



The Executive comprises a team of experienced professionals spanning a broad range of disciplines which supports the SAS Trustee Corporation and the Board on a wide range of matters including investment management, Scheme administration, superannuation policy, disputes, actuarial, legal and communications issues. In line with a commercial arrangement between the two entities, the Executive staff of the SAS Trustee Corporation (STC) serve both STC and the FSS Trustee Corporation (FTC).

## Lyn Gearing

### Chief Executive Officer

*BComm, Dip Valuations, Cert Bus Studies (Real Estate), FASFA*

As the Chief Executive of FTC and STC since 1997, Lyn reports to the Boards of both FTC and STC and exercises the day-to-day management of the Trustee Corporation. This includes monitoring the performance of funds management, custody and administration service providers and managing a team of superannuation policy and communications specialists.

Lyn's focus is to ensure that the Board receives expert professional advice on which to make its decisions.

Lyn is also on the Board of ASFA, the Association of Superannuation Funds of Australia Ltd and on the steering committee for CMSF, the Conference of Major Superannuation Funds of Australia.

The following managers report to the Chief Executive.

## Lyn Collingridge

### General Counsel and Company Secretary

*BA, LLB, Certificate and Diploma of Superannuation Management, FTIA, FASFA.*

Lyn joined the Executive as General Counsel and Company Secretary in October 1998. She is a superannuation lawyer with extensive experience in both the public sector and private practice. She has worked in the superannuation industry since 1989.

As General Counsel, Lyn directs the legal services of the Trustee Corporation and the Board on a broad range of matters including:

- ▶ corporate, compliance, investment, Scheme administration and insurance matters,
- ▶ intellectual property, trademarks and communication,
- ▶ trust and contractual issues, and
- ▶ legislation relating to the Schemes and all aspects of the business activities of the Trustee Corporation.

## Karen Faulconbridge

### Manager Policy Advice

*BComm*

Karen Faulconbridge joined the Executive as Manager Policy Advice in March 2000.

Karen has worked in the superannuation industry in both the private and public sector for over 18 years. Her roles have involved providing technical and compliance advice to trustees of public offer funds and staff of administrators as well as monitoring compliance with all regulatory requirements.

As Manager, Policy Advice, she heads a skilled and experienced team. Among her responsibilities are:

- ▶ formulating new superannuation policies and reviewing and amending, where necessary, existing policies,
- ▶ identifying the need for product initiative or service enhancements,
- ▶ ensuring compliance with Commonwealth and NSW legislation, and
- ▶ investigating disputes and coordinating the Disputes Committee, and responding to member enquiries and complaints directed to the Trustee Corporation.

## Rod Macleod

### Manager Investment Advisory

*FCA, ACIS, ASIA*

Rod has wide practical experience in investment matters spanning more than 30 years. As Manager Investment Advisory, Rod manages the Trustee Corporation's small investment advisory team of well qualified and experienced investment professionals who:

- ▶ monitor the investment service providers,
- ▶ conduct tenders, and
- ▶ review investment proposals and appropriate portfolio structures for the Schemes.

## Stephen Sefton

### **Manager Administration and Technical Advice**

*BComm, CA, ASIA*

Stephen joined the Executive in April 1998 and has worked in corporate accounting, taxation and superannuation roles in a major listed Australian company.

In his role, Stephen is responsible for:

- ▶ risk management, compliance and governance policies and procedures,
- ▶ monitoring the administration contracts, relationships with the administrator and identifying improvements in line with industry best practice,
- ▶ management of audit, accounting, tax and actuarial issues,
- ▶ project management of recurring tasks, including the year end accounting, auditing and compliance reporting program and the Pooled Fund triennial actuarial review, and
- ▶ advising the Board of regulatory changes, particularly taxation changes, and their impact on the Scheme's operations, and providing financial and management reports including budgets to the Trustee Corporation.

## Karen Potter

### **Manager Communications**

*LLB*

Karen joined the Executive in January 2001 as Manager Communications.

Karen has worked in the banking and superannuation industry for over 20 years. Her roles have included managing a public sector superannuation advisory department, running a seminar team, developing superannuation products and services, and formulating superannuation communication strategies.

Karen's role within the Executive includes:

- ▶ developing and implementing member communications plans as well as communications with other key audiences,
- ▶ drafting of educational material and project managing the timely delivery of a range of communications tools,
- ▶ quality control of all communications mediums for accuracy, plain English, compliance requirements and delivery, and
- ▶ measuring the effectiveness of various communications against industry standards.

STC established a framework for the future in a number of areas during the year:

- ▶ InTech was reappointed as its asset consultant,
- ▶ William M. Mercer Pty Limited was reappointed as Scheme actuary, following the completion of the 2000 Triennial Review,
- ▶ Ernst & Young completed an operational audit of the administrator against STC's performance monitoring standards,
- ▶ a review of Scheme policies was completed, and
- ▶ an investment strategy was developed to cope with the full outsourcing of the Fund from July 2002.

## Administration

The 5 year administration contract between SAC and STC has been in operation for 1 year. STC has worked with SAC to implement best practice performance monitoring of the administration services. Although there have been periods where SAC's performance did not meet the standards in the contract, a number of areas showed improvement by year end. The new SASS computer system was introduced in April 2001 without difficulty.

During the year the relocation of SAC to Wollongong commenced, with the transfer of the Call Centre operators to the Coniston site. The majority of the administrative staff will be relocated during 2001-02. STC has sought and received assurances that key technical staff will remain in Sydney, to enable close co-operation with the Trustee on specific projects.

STC also introduced a transparent basis of allocating administration expenses to employers during the year. Employers accepted this change without hesitation.

Since June 1997, the number of State Super scheme members has fallen from 560,882 to 278,800 as a result of legislation and Trustee actions to ensure that only members with substantial defined benefits remain in the Schemes. One further major project is scheduled for completion in the year ahead.

## Triennial valuation

William M. Mercer Pty Limited completed the triennial valuation of the Pooled Fund by 30 December 2000. This important project was completed in 6, rather than 12, months to meet NSW Treasury deadlines. A summary of its major conclusions is included on pages 73 to 78 of this report. As a by-product of the report, a number of recommendations

to improve the administration of the Scheme have been made and are in implementation.

## Intellectual property agreement

A project not completed by year end, was the signing of an Intellectual Property Escrow Agreement with the administrator, which, when completed, will provide STC with security about ongoing access to the computer programs which support the complex State Super Schemes, in the event of a change of administrator. STC and SAC expect to complete the documentation by September 2001.

## Communications

STC completed its major review of all printed material for employers and members during the year. Whilst this task is never finished, as Scheme rules change or administrative practices alter, the Trustee believes that all material now in circulation is current and in plain English.

### Web site

SAC has also had carriage of the STC web site development which has sections tailored to the needs of employers, members and the general public.

By year end, some on line interactivity was possible for all active Scheme members, and employers have been able to download contribution data direct to SAC since mid 2000.

It is a communications priority for STC to further develop the site for members, within budgetary constraints, to match industry best practice for defined benefit schemes.

## Corporate governance

### Compliance program

STC has a multi-tiered annual compliance program in place. Suppliers of services to STC and the Executive provide a sign off to the Board that they have complied with their contractual and legislative obligations during the year. This reporting feeds into the Audit and Compliance Committee to enable them to approve the accounts and compliance plan for the completed financial year.

### Investment governance

The Investment Committee and the Board continue to monitor developments in global investor activism and governance of superannuation funds.

At present, the Board is satisfied that its current practices are in line with industry peers and conform to best practice.

The STC Schemes comprising the Pooled Fund operate under State legislation. The STC Schemes 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.

There were a number of important changes to the design of the Schemes during the year.

## All Schemes

### *Benefits for same sex partners*

Spouse superannuation benefits for same sex de facto partners of deceased members became effective from 19 January 2001. These benefits apply only to partners of deceased members who died on or after 19 January 2001. The de facto partner is required to demonstrate that a bona fide domestic relationship existed with the deceased contributor or pensioner.

### *Release of benefits on financial hardship or compassionate grounds*

Current members of SASS and SSS Schemes may now apply for the early release of their benefits on financial hardship or compassionate grounds. Previously, the early release of benefits on these grounds was only available to SASS and SANCS deferred benefits members.

The new provisions permit the release of both an accruing benefit (ie. the benefit of a member who is a current member) and a deferred benefit. The amount which may be released is limited to the lesser of the accrued or deferred benefit at the date of release or the amount set by Commonwealth legislation.

Strict criteria, based on Commonwealth superannuation legislation, are applied by the Trustee before the early release of benefits will be approved.

### *Contributions surcharge tax debt payment*

Amendments to the Schemes, effective on 13 December 2000, extended the surcharge tax debt payment options to allow a person to pay their surcharge debt through a reduction in their Basic Benefit. Previously the surcharge debt could only be discharged by a reduction in the contributory Scheme benefit.

The contributions surcharge tax is not payable to the Australian Taxation Office until all or part of a benefit leaves the Scheme. However, all or part of the debt may be paid before all or part of a benefit leaves the Scheme. The interest rate applied to the 30 June balance of a debt account is the Commonwealth 10 year bond rate on that day.

Members now have the following options for payment of their surcharge debt:

- ▶ reduction of the Basic Benefit,
- ▶ paying off the debt either in full or part at any time, or
- ▶ reduction of a contributory scheme benefit.

## Other changes

### *Revocation of conversion offer*

Former SSS and PSS members who accepted the Treasury Conversion Offer and who remain in First State Super or Unisuper have been given the right to resume their membership of SSS and PSS. This right ceased on 30 June 2001 and at that time, 172 members had indicated their interest in returning to their original scheme. The Trustee has written directly to these members to inform them of their choices.

### *SSS withdrawal benefit cap*

An anomaly created by the introduction of the withdrawal benefit cap for SSS members was rectified from 13 December 2000. The amendment provides that the current capped benefit cannot be less than the withdrawal benefit calculated under the provisions that existed prior to 1 December 1998. A limit is placed on the total withdrawal benefit – this limit is the amount of the commuted (lump sum) value of the pension that would be payable on the member's retirement at age 55, or the member's actual age if older.

### *Commutation of SSS early retirement pension*

This amendment allows an SSS member to immediately commute the pension payable on early voluntary retirement. Previously, there was a 6 month waiting period. This brings the conditions applying to the commutation of early retirement pensions in line with those applying for normal and invalidity retirement pension commutations.

## Financial market performance

- ▶▶ The 2000–01 financial year saw offshore sharemarkets suffer their worst performance for a decade. The extent of the earnings downgrades from the major technology stocks surprised the markets and created a chain reaction across industries. US sharemarkets fell by 16.8%, and similar falls were experienced in Japan (-17.9%) and Europe excluding the UK (-15.3%).
- ▶▶ When compared with the international market, Australian assets performed relatively well, especially the Australian sharemarket which finished at a record level on 30 June 2001. However, returns were lower than in previous years. The strong performance of the Australian sharemarket is due in part to under-exposure to technology stocks. Australia also had another advantage — the weakness of the Australian dollar enabled exporters to provide cheaper goods and maintain export volumes in the weakening world market.
- ▶▶ The US Federal Reserve eased interest rates 6 times between January 2001 and June 2001, to bolster investor and consumer confidence and head off a recession in the US, followed by the rest of the world. In addition, the US Congress approved tax cuts worth US\$1.3 trillion.
- ▶▶ Australian growth rates remain positive and are expected to remain above those of the US for a substantial period. However, against an uncertain economic backdrop, the continuance of the past 5 year average annual return for an Australian superannuation fund of over 10% is well above realistic market expectations.

### MARKET SECTOR BENCHMARK INVESTMENT RETURNS

Asset Sector	1997 %	1998 %	1999 %	2000 %	2001 %
Australian Equities	26.6	1.6	15.3	15.5	<b>9.1</b>
International Equities (i)	28.6	42.2	8.2	23.8	<b>-6.0</b>
Listed Property Trusts	28.5	10.0	4.3	11.9	<b>13.9</b>
Australian Fixed Interest	16.8	10.9	3.3	6.2	<b>7.4</b>
International Fixed Interest (ii)	12.1	11.2	5.5	4.9	<b>9.0</b>
Cash	6.8	5.1	5.0	5.6	<b>6.1</b>

(i) Unhedged back to the \$Aust

(ii) 100% hedged back to the \$Aust



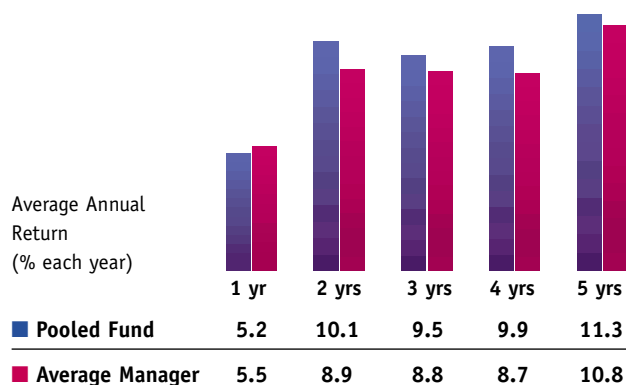
## Investment returns

Weaker investment conditions particularly affected those funds which were growth oriented (ie. those with a high exposure to shares and property) over the past year. Despite these difficult market conditions, the Pooled Fund continues to meet its investment objectives over a 5 year period.

The Pooled Fund's investment objectives include outperforming the average manager in the InTech survey\* over rolling 5 year periods.

### ANNUALISED RETURN OF THE POOLED FUND RELATIVE TO THE AVERAGE GROWTH FUND MANAGER

for years ending 30 June 2001



\* InTech is an asset consulting firm which publishes surveys on the investment performance of superannuation fund managers.

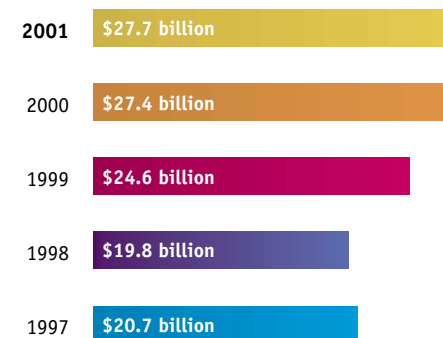
The Pooled Fund's investment return (net of investment charges and tax) for the year ended 30 June 2001 was 5.2%. This was substantially below the 15.2% achieved for the previous year and reflected the weaker financial market conditions which prevailed during most of 2000–01 following on from the bursting of the technology company bubble in April 2000. The return of 5.2% places the Pooled Fund at the top of the third quartile of managers in the InTech survey.

A contributing factor to this performance in 2001 was the Pooled Fund's higher exposure, against the average manager, to the International Equities sector combined with the under-performance by the Fund's sole active manager in that sector. Conversely, this higher exposure to International Equities contributed to the Fund's second quartile ranking over the longer 5 year period.

## Growth in investments

The Pooled Fund is the largest superannuation fund in Australia with investments valued at \$27.7 billion, an increase from \$27.4 billion held the previous year.

### FUNDS INVESTED



## Investment process for the Pooled Fund

### Objectives

A disciplined investment process has been established for the Pooled Fund. The objectives are to:

- ▶ obtain investment returns over rolling 5 year periods in excess of the Consumer Price Index by a margin of 3.75% per annum,
- ▶ deliver competitive returns against the average manager in the InTech Growth Funds Performance survey, and
- ▶ achieve the above two objectives without taking unnecessary risks.

These objectives have been met over the past 5 years.

The above objectives are used as a basis for the Pooled Fund's asset consultant, InTech Fiduciaries Ltd to provide strategic asset allocation advice.

### Assets and investment managers

The Pooled Fund's asset allocation is reviewed at least once a year. Over the past few years, the trend has been to increase the exposure to International Shares at the expense of Property.

From 1 July 2000, an additional 8% of the total investment portfolio was available for outsourcing to managers other than Deutsche Asset Management (DeAM). This brought the total funds which could be outsourced to 32%, in accordance with the 5 year contract which the NSW Treasury entered into as part of the sale of its funds manager, Axiom, to Deutsche Bank in 1997.

The process of gradually outsourcing the investment management of the Fund has enabled the Trustee to build a multi-manager framework. During the year to 30 June 2001, five new active managers were appointed to manage Australian and International Shares.

**STRATEGIC ASSET ALLOCATION** which applied during the year and the manager combinations for the asset sectors as at 30 June 2001

Sector	%	Managers
Australian Shares	33	Deutsche Asset Management. AMP Henderson Global Investors. Jardine Fleming Capital Partners. Credit Suisse Asset Management. State Street Global Advisors (indexed).
Private Capital	4	Deutsche Asset Management.
International Shares	25	Deutsche Asset Management. Capital International. Wellington International. State Street Global Advisors (indexed).
Property	11	Deutsche Asset Management.
Australian Fixed Interest	14	Deutsche Asset Management. State Street Global Advisors (indexed).
International Fixed Interest	6	Deutsche Asset Management.
Cash	7	Deutsche Asset Management. State Street Global Advisors.
<b>Total</b>	<b>100</b>	
<b>Growth Assets</b>	<b>73</b>	
<b>Income Assets</b>	<b>27</b>	

## Passive rebalancing

The Pooled Fund uses passive rebalancing to keep the allocations to each asset sector close to its strategic level as outlined in the above table. This process is monitored daily by the Pooled Fund's index manager so any rapid market movements or major cash-flow movements in or out of the Pooled Fund can be dealt with promptly, without jeopardising the overall strategy for the Pooled Fund.

## The active/passive mix in investment management

Having a mix of active managers and passive (index based) managers serves two important functions:

- ▶ the index portfolios serve as stabilisers within each asset class because they generate risk/return characteristics very similar to those of the respective asset class benchmarks, and
- ▶ indexing reduces the total investment management fees payable on a portfolio.

As at 30 June 2001 approximately 24% of the Pooled Fund was managed on an indexed basis across all asset classes, except private capital and property.

## Investment expenses

The Pooled Fund's investment expenses continue to be low because the volume of funds under management means that the Pooled Fund can negotiate competitive investment management fees. Investment management expenses are deducted from Pooled Fund earnings.

## POOLED FUND INVESTMENT EXPENSES

for years ended 30 June

	1997	1998	1999	2000	2001
Investment Management Expenses \$M (a)	68	66	61	67	70
As a % of average total assets	0.36	0.35	0.30	0.26	0.25

(a) Excluding property management fees paid to the Pooled Fund's property manager – DeAM, which in 2000–01 totalled \$8.4 million. Approximately 90% of this fee is recovered from tenants.

## Reserves/crediting rate

Some superannuation funds retain a percentage of their investment earnings as a reserve in better performing years. This is then used to top-up distributions in lower performance years.

STC has determined that investment reserves will not be held back to smooth the Pooled Fund's crediting rates. Consequently, all available investment earnings or losses, after providing for tax and investment expenses, are distributed to Pooled Fund members monthly, based on a daily crediting rate. Members exiting during a month receive the daily rate applicable since the last monthly rate was struck.

Investment returns are determined by the Pooled Fund's master custodian and are based on the total funds invested, whereas the Pooled Fund's administrator determines the crediting rate on the total net tangible assets available to pay benefits. Consequently, there will always be some difference between the investment returns and the crediting rate for the Pooled Fund.

In June 2000 an over distribution via the crediting rate was made by the Pooled Fund's administrator. It was corrected in July 2000 (ie. the current financial year). This explains the larger than usual variance between the Fund's investment return and crediting rates for the financial years as shown above.

Year ending 30 June	Investment Return %	Crediting Rate %
2000	15.20	16.46
2001	5.16	3.61

This adjustment has no overall impact on the financial position of ongoing employers or members in the Schemes.

## Other investment issues

### Large investments

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

### Derivatives

Derivatives, including futures and options, can be used by Pooled Fund investment managers. However, the investment mandates clearly state that derivatives may only be used 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 2001, the active managers made limited use of derivatives.

### Hedging

As a part of its strategic review during the year, the Trustee decided to hedge 25% of its exposure to International Shares back to the Australian dollar. This decision was not governed by short term factors, but was based on research from the asset consultant, which showed that a passive hedge would reduce volatility and competition risk over the medium to long term.

### Securities lending program

The Pooled Fund participates in a Securities Lending Program managed by the Fund's master custodian, the Chase Manhattan Bank. The Pooled Fund receives additional fee income from this program, which adds to the Fund's overall yearly return.

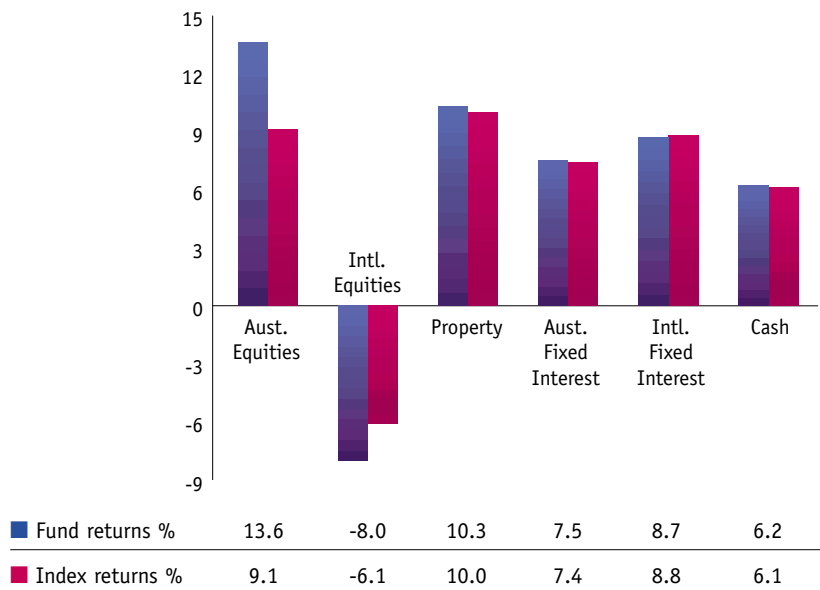
At year end, there was some \$1.2 billion of the Pooled Fund's securities out on loan under the Program, which represented 4.3% of the Pooled Fund's total \$27.7 billion investment portfolio.

The Program has been structured conservatively — the amount of the investment portfolio committed at any one time cannot exceed 20% of total funds under management.

## Global overview — how the sectors performed in 2000–01

### POOLED FUND GROSS SECTOR RETURNS RELATIVE TO THE INDEX RETURNS

for the year ending 30 June 2001



### Australian Equities

<b>Benchmark return</b> (S&P/ASX 300 Accumulation Index)	<b>9.1%</b>
<b>Pooled Fund Listed Australian Equities return</b>	<b>12.8%</b>
<b>Pooled Fund Private Equity return</b>	<b>14.6%</b>
<b>Pooled Fund overall return</b>	<b>13.6%</b>

The Pooled Fund's dominant sector manager, Deutsche Asset Management, maintained their excellent performance, enabling the Fund to record a competitive return for the sector both against the benchmark and the average sector specialist manager as measured by the InTech survey.

The Australian sharemarket held up particularly well in 2000–01, outperforming most other international equity markets. The All Ordinaries Index finished at a record level on 30 June 2001.

Once a global economic recovery commences, international investors may switch out of Australia, putting some pressure on the local sharemarket.

### International Equities

<b>Benchmark return (unhedged)</b>	<b>-6.1%</b>
<b>Pooled Fund return</b>	<b>-8.0%</b>

The bursting of the technology bubble, combined with the impact of rising interest rates across the globe in early 2000, saw offshore equity markets suffer their worst performance for a decade. The fallout in the US technology sector flowed into both the broader US equity market and the economy.

Corporate profit warnings which started in the US have spread to Europe — similarly undermining share prices. Japan also had a disappointing year — with the economy increasingly likely to be entering its fourth recession in a decade.

Details of the Fund's combined International Equities portfolio top 20 shareholdings, together with the domicile of the company and the industry in which it operates are detailed on page 82

## Property

<b>Benchmark return</b>	<b>10.0%</b>
<b>Pooled Fund return</b>	<b>10.3%</b>

The Australian economy slowed over the 6 months to year end, triggering an easing in tenant demand and enquiry levels in the Sydney and Melbourne industrial markets. Despite this, rental growth for prime industrial property has been generally higher than in the previous year.

The Sydney CBD, North Sydney and Perth CBD office markets, where the Pooled Fund has its commercial holdings, are performing well. Although tenant demand eased over the last 6 months to year end, vacancy rates are low, new construction is limited, and double-digit prime rental growth was recorded across these markets over the 12 months to year end.

Shopping centre performance has been mixed with retail turnover growth proving to be volatile. The introduction of the GST and a series of interest rate movements impacted on consumer confidence and undermined spending levels over the reporting year. Low vacancies in regional centres have continued to support rental growth.

## Fixed Interest and Cash

	<b>Benchmark return</b>	<b>Pooled Fund</b>
<b>Australian Fixed Interest</b>	<b>7.4%</b>	<b>7.5%</b>
<b>International Fixed Interest</b>	<b>8.8%</b>	<b>8.7%</b>
<b>Cash</b>	<b>6.1%</b>	<b>6.2%</b>

The decision by the US Federal Open Market Committee to address the economic slowdown in the US and cut the Federal Funds rate from January 2001 to August 2001 six times by an overall 3% to 3.5% was the most significant event during the year for fixed interest markets. The Australian Reserve Bank also cut short term rates over the same period, but by a smaller overall amount of 1.25 to 5%.



# 5 years at a glance — STC

	1997	1998	1999	2000	2001
<b>MEMBER STATISTICS</b>					
Active Members – SASS	129,739	94,424	87,690	81,824	<b>76,974</b>
Active Members – SSS	50,769	47,188	43,856	40,329	<b>37,887</b>
Active Members – Police	7,732	7,219	6,756	6,088	<b>5,652</b>
<b>Total Active Members</b>	<b>188,240</b>	<b>148,831</b>	<b>138,302</b>	<b>128,241</b>	<b>120,513</b>
Pensioners – SASS	9,409	8,329	7,690	7,116	<b>6,552</b>
Pensioners – SSS	32,142	32,922	31,678	31,843	<b>33,003</b>
Pensioners – Police	3,260	3,409	3,594	3,759	<b>4,100</b>
<b>Total Pensioners</b>	<b>44,811</b>	<b>44,660</b>	<b>42,962</b>	<b>42,718</b>	<b>43,655</b>
Preserved Benefits – SASS	12,684	11,305	12,221	12,793	<b>13,270</b>
Preserved Benefits – SSS	4,514	4,662	4,657	4,420	<b>4,885</b>
Preserved Benefits – Police	183	226	235	240	<b>237</b>
Basic Benefit only	310,450	303,909	265,268	101,340	<b>96,240</b>
<b>Total Preserved Benefits</b>	<b>327,831</b>	<b>320,102</b>	<b>282,381</b>	<b>118,793</b>	<b>114,632</b>
<b>Gender Ratios</b>					
Females — SASS	45%	53%	53%	53%	<b>53%</b>
Males — SASS	55%	47%	47%	47%	<b>47%</b>
Females — SSS	33%	33%	33%	33%	<b>33%</b>
Males — SSS	67%	67%	67%	67%	<b>67%</b>
Females — Police	9%	9%	9%	9%	<b>10%</b>
Males — Police	91%	91%	91%	91%	<b>90%</b>
<b>CONTRIBUTIONS — \$M</b>					
Employer Contributions	1,510	1,530	1,360	861	<b>483</b>
Employee Contributions	505	452	495	453	<b>460</b>
Accelerated Crown Contribution	–	–	3,261	–	–
<b>Total Contributions — \$M</b>	<b>2,014</b>	<b>1,982</b>	<b>5,116</b>	<b>1,314</b>	<b>943</b>
<b>Benefits Paid — \$M</b>	<b>1,984</b>	<b>1,649</b>	<b>1,925</b>	<b>2,033</b>	<b>1,890</b>
<b>Net Contributions — \$M</b>	<b>30</b>	<b>333</b>	<b>3,191</b>	<b>-719</b>	<b>-947</b>
<b>Investment Revenue — \$M</b>	<b>3,440</b>	<b>2,200</b>	<b>1,872</b>	<b>3,735</b>	<b>1,529</b>

	1997	1998	1999	2000	2001
<b>ASSETS/LIABILITIES — \$M</b>					
Accrued Benefits — SASS	8,326	7,046	7,591	7,890	<b>8,636</b>
Net Assets to pay Benefits	7,152	5,043	5,526	6,376	<b>6,403</b>
Over/Under funding	-1,175	-2,003	-2,065	-1,515	<b>-2,233</b>
Accrued Benefits — SSS	18,950	19,798	20,863	20,007	<b>21,492</b>
Net Assets to pay Benefits	12,288	13,687	16,862	18,229	<b>18,482</b>
Over/Under funding	-6,662	-6,111	-4,001	-1,778	<b>-3,010</b>
Accrued Benefits — Police	2,711	2,817	2,874	3,238	<b>3,877</b>
Net Assets to pay Benefits	63	115	1,173	1,530	<b>1,610</b>
Over/Under funding	-2,648	-2,701	-1,701	-1,708	<b>-2,267</b>
Accrued Benefits — SANCS	1,923	1,752	1,884	1,990	<b>2,207</b>
Net Assets to pay Benefits	873	808	934	1,108	<b>1,242</b>
Over/Under funding	-1,050	-944	-950	-881	<b>-965</b>
<b>Total Accrued Benefits — \$M</b>	<b>31,910</b>	<b>31,413</b>	<b>33,211</b>	<b>33,125</b>	<b>36,212</b>
Net Assets to pay Benefits	20,375	19,653	24,495	27,243	<b>27,737</b>
Over/Under funding	-11,535	-11,760	-8,717	-5,882	<b>-8,475</b>
<b>Total Investments — \$M</b>	<b>20,672</b>	<b>19,801</b>	<b>24,584</b>	<b>27,446</b>	<b>27,750</b>
<b>INVESTMENT RETURNS</b>					
Net Returns — 1 Year	17.2%	10.8%	8.5%	15.2%	<b>5.2%</b>

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# Financial Statements

## SAS Trustee Corporation

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BOX 12 GPO  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### SAS TRUSTEE CORPORATION

**To Members of the New South Wales Parliament and Members of the SAS Trustee Corporation**

#### Scope

I have audited the accounts of the SAS Trustee Corporation for the year ended 30 June 2001. Members of the SAS Trustee Corporation are responsible for the financial report consisting of the accompanying statement of financial position, statement of financial performance and statement of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and Members of the SAS Trustee Corporation based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983* (the Act).

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the Corporation's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In my opinion, the financial report of the SAS Trustee Corporation complies with section 41B of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Corporation as at 30 June 2001 and the results of its operations and its cash flows for the year then ended.

A handwritten signature in black ink, appearing to read "R J Sendt", is positioned above the printed name of the Auditor-General.

R J Sendt  
Auditor-General

SYDNEY  
28 September 2001



# statement by members of the trustee board

for the year ended 30 June 2001

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 2001 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 2000* 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 26th day of September 2001.



**Michael Cole**  
Chairperson  
SAS Trustee Corporation



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

for the year ended 30 June 2001

# statement of financial performance

	Note	2001 \$'000	2000 \$'000
Revenue from ordinary activities	2	38,466	42,674
Other Revenue from ordinary activities	2	47	805
Administration Expenses from ordinary activities	2	(38,513)	(43,479)
<b>Net Profit or Loss from ordinary activities</b>		<b>-</b>	<b>-</b>

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

as at 30 June 2001

# statement of financial position

	Note	2001 \$'000	2000 \$'000
<b>Current Assets</b>			
Receivables			
Prepayments	3	4,676	1,341
		7	21
Total Current Assets		4,683	1,362
<b>Total Assets</b>		4,683	1,362
<b>Current Liabilities</b>			
Bank Overdraft	9 (a)	173	62
Payables	4	3,589	566
Provisions	5	472	371
Total Current Liabilities		4,234	999
<b>Non-Current Liabilities</b>			
Provisions	5	449	363
Total Non-Current Liabilities		449	363
<b>Total Liabilities</b>		4,683	1,362
<b>Net Assets</b>		–	–
<b>Total Equity</b>		–	–

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

# statement of cash flows

for the year ended 30 June 2001

		2001 \$'000 Inflows/ (Outflows)	2000 \$'000 Inflows/ (Outflows)
	Note		
<b>Cash Flows from Operating Activities:</b>			
Receipts from Associated Schemes		34,949	47,247
Payments to Suppliers and Employees		(35,060)	(47,260)
Net Operating Cash Flows	9 (b)	(111)	(13)
<b>Net Increase/(Decrease) in Cash Held</b>		(111)	(13)
Cash at the Beginning of the Financial Year		(62)	(49)
<b>Cash at the End of the Financial Year</b>	9 (a)	(173)	(62)

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

## 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 (SAC). SAC charges fees for the services it provides.

The Pooled Fund's custodial activities are performed by JP Morgan Investor Services (JPM). Investment managers of the Pooled Fund as at 30 June 2001 are: AMP Henderson Global Investors, Capital International SA, Credit Suisse Asset Management Australia Limited, Deutsche Asset Management Australia Limited, Jardine Fleming Capital Partners, State Street Global Advisors Australia Limited and Wellington Management Company Pte LLP. The investment managers and custodian charge management fees for the services provided.

The Pooled Fund is a reporting entity for accounting and taxation purposes. At 30 June 2001 the Pooled Fund consists of the following Schemes:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

Police Superannuation Scheme (PSS)

State Authorities Non-contributory Superannuation Scheme (SANCS)

### (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 2000* 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 prepared on an historical cost basis using the accrual method of accounting and do not reflect changing money values of assets.

The accounting policies adopted in preparing the financial statements have been consistently applied.

### (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 SAC.

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

## 1. Statement of Accounting Policies (continued)

### (c) Employee Entitlements

#### **Wages, salaries and annual leave**

The provision for employee entitlements 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. The provision has been calculated at nominal amounts based on current wage and salary rates and includes related on-costs.

#### **Long service leave**

The liability for employee entitlements to long service leave is measured at their nominal amount. Past experience indicates that the accrual for long service leave liability based on remuneration rates current as at reporting date for all employees with 5 or more years of service provides an estimate of the long service leave liability which 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 prepaid 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) Comparative Figures

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

#### **Financial Instruments**

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

# notes to the financial statements

## 2. Profit from Ordinary Activities

	2001 \$'000	2000 \$'000
Profit from ordinary activities including the following items of revenue and expense:		
Management Fees	38,466	42,674
Other Income	47	805
<b>Total Revenues</b>	<b>38,513</b>	<b>43,479</b>
<b>Trustee Expenses</b>		
Board Member Fees	353	333
Superannuation	21	22
Other Administration Expenses	308	220
Total Trustee Expenses	682	575
<b>Executive Expenses</b>		
Employee Related Expenses	2,146	1,874
Superannuation	345	269
Fees for Services	141	127
Accommodation	322	274
Other Administration Expenses	191	196
Audit Fees	9	8
Total Executive Expenses	3,154	2,748
<b>Fund Expenses</b>		
Fees for Services	1,821	1,481
Other Administration Expenses	218	175
SAC Administration Fees	32,638	38,500
Total Fund Expenses	34,677	40,156
<b>Total Expenses</b>	<b>38,513</b>	<b>43,479</b>

## 3. Receivables

<b>Current</b>		
Amounts Receivable — Pooled Fund	3,080	(484)
Amounts Receivable — FSS Trustee Corporation (FTC)	1,039	932
Other Receivables	432	765
Superannuation (refer Note 7)	125	128
	<b>4,676</b>	<b>1,341</b>

The amount receivable from FTC is in respect of a 33% monthly charge for executive costs and for the June 2000 year and up to 31 August 2000 a 25% monthly charge for the full-time board member allowance. This amount is settled once a year.

The amount receivable from the Pooled Fund represents STC's bank balance, which under current banking arrangements sweeps into the Pooled Fund's bank account.



# notes to the financial statements

## 4. Payables

	2001 \$'000	2000 \$'000
<b>Current</b>		
Amount Payable — SAC (Administration Fees)	2,859	13
Other Payables	730	553
	<b>3,589</b>	<b>566</b>

## 5. Provisions

<b>Current</b>		
Employee Entitlements	277	263
Superannuation (refer Note 7)	195	108
	<b>472</b>	<b>371</b>
<b>Non-Current</b>		
Employee Entitlements	410	324
Tenancy Make Good Costs	39	39
	<b>449</b>	<b>363</b>

## 6. Executives' Remuneration

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

<b>1,086</b>	1,055
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The number of executive officers whose income is \$100,000 or more are shown below in their relevant income bands:

	2001 Numbers	2000 Numbers
Remuneration (including superannuation contributions) of:		
\$100,000 – \$109,999	1	3
\$110,000 – \$119,999	1	1
\$130,000 – \$139,999	–	2
\$140,000 – \$149,999	1	–
\$150,000 – \$159,999	2	–
\$160,000 – \$169,999	–	1
\$180,000 – \$189,999	–	1
\$200,000 – \$209,999	2	–
	<b>7</b>	<b>8</b>

## 7. Superannuation Commitments

The Scheme Actuary undertook an actuarial valuation of accrued benefits of the membership of each Scheme as at 30 June 2001. 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 2001 Valuation Assumptions	2001–02 % pa.	2002–03 % pa.	2003–04 and thereafter % pa.
Rate of Investment Return	7.0	7.0	7.0
Rate of Salary Increase	3.0	6.5	4.0
Rate of Increase in CPI	2.5	2.5	2.5
30 June 2000 Valuation Assumptions	1998–99 % pa.	1999–2000 % pa.	2000–01 and thereafter % pa.
Rate of Investment Return	N/A	7.0	7.0
Rate of Salary Increase	N/A	4.0	4.0
Rate of Increase in CPI	N/A	2.5	2.5

The SAS Trustee Corporation contributes superannuation on behalf of its 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 at 30 June 2001 is a combined deficiency of \$70,051 for SASS, SANCS and SSS. (2000: \$19,490 surplus).

**8. Related Party Information****a) Board Members and Remuneration Received or Due and Receivable by the following:**

The names of the Board Members of STC in office during the year ended 30 June 2001 and up to the date of signing these accounts, are as follows:

	2001 \$	2000 \$
Mr A Daniels (Chairperson — term completed 31.3.2000)	–	28,536
Mr M Cole (Chairperson — term commenced 1.4.2000)	50,000	12,500
Ms B Ashe	108,756	108,756
Mr I Blair	22,718	22,507
Mr R Davis	32,454	32,153
Mr M Duffy (term completed 31.8.2000)	3,786	22,507
Mr J Hennessy	32,454	32,153
Mr N Lewocki	32,454	32,153
Mr D Nicholls	32,454	32,153
Ms C Prime	32,454	32,153
Mr W Gillooly (term commenced 1.9.2000)	27,045	–
	<b>374,575</b>	<b>355,571</b>

Ms Ashe is a full-time board member of STC and was a board member of FTC until 31 August 2000. Ms Ashe's remuneration is paid by STC and is disclosed above. FTC was charged 25% of the remuneration until 31 August 2000.

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

	2001 Numbers	2000 Numbers
Remuneration (including superannuation contributions) of:		
\$0 – \$9,999	1	–
\$10,000 – \$19,999	–	1
\$20,000 – \$29,999	2	3
\$30,000 – \$39,999	5	5
\$50,000 – \$59,999	1	–
\$100,000 – \$109,999	1	1
	<b>10</b>	<b>10</b>

**8. Related Party Information (continued)**

	2001 \$'000	2000 \$'000
<b>(c) Transactions entered into during the year with Board Members and their Related Entities:</b>		
Contract Fees received by STC from State Super Financial Services Limited (SSFSL) a company in which Ms B Ashe is a director, on normal commercial terms and conditions.	–	765
Fees paid to SAC by SSFSL a company in which Ms B Ashe is a director, on normal commercial terms and conditions.	84	47
Rental payments and outgoings received by the Pooled Fund from SSFSL, a company in which Ms B Ashe is a director, on normal commercial terms and conditions.	1,167	912

**(d) Transactions with Other Related Parties:**

Scheme administration fees charged by STC to the Pooled Fund on a cost recovery basis amounted to \$37,431,020 (2000: \$41,766,515). The fees charged by STC include its recovery of the Scheme administration fees charged by SAC to STC of \$32,637,803 (2000: \$38,500,000). These fees were charged in accordance with the administration services contract between SAC and STC.

Payment of rent and outgoings charged by the Pooled Fund to STC on normal commercial terms and conditions of \$244,415 (2000: \$233,230).

Payment for usage of administration fixed assets owned by the Pooled Fund to STC of \$91,277 (2000: \$112,950).

During the year SAC charged STC for administrative services of \$135,547 (2000: \$146,199).

During the year STC charged FTC for administrative services of \$1,035,109 (2000: \$907,278). This amount represents FTC's portion of STC's executive costs including salaries and wages, accommodation and fees for services.

The Pooled Fund provides funds to STC to meet outgoings free of charge.

**(e) Amounts Receivable from Other Related Parties:**

Amounts receivable at balance date are disclosed in Note 3 to the financial statements.

**(f) Amounts Payable to Other Related Parties:**

Amounts payable at balance date are disclosed in Note 4 to the financial statements.

**9. Cash Flow Information**

	2001 \$'000	2000 \$'000
<b>(a) Reconciliation of Cash:</b>		
Bank Overdraft	173	62

Cash flows reflect cash movements resulting from transactions with suppliers and employees including SAC, 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:**

	2001 \$'000 Inflows/ (Outflows)	2000 \$'000 Inflows/ (Outflows)
<b>Net Profit after income tax</b>	–	–
Changes in Assets and Liabilities:		
(Increase)/Decrease in Assets		
Prepayments	14	(21)
Receivables — Related Parties		
Pooled Fund	(3,564)	3,768
FTC	(107)	(4)
Other Receivables	336	54
Increase/(Decrease) in Liabilities		
Payables — Related Parties		
SAC	2,846	(3,877)
Other Payables	177	(51)
Provisions	187	118
<b>Net Cash Used in Operating Activities</b>	<b>(111)</b>	<b>(13)</b>

**10. Segment Reporting**

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

## 11. Commitments for Expenditure

	2001 \$'000	2000 \$'000
<b>Lease Commitments</b>		
Commitments in relation to operating leases contracted for at balance date but not provided for in the accounts:		
Payable not later than 1 year	310	310
Payable later than 1 year and not later than 5 years	450	760
	<b>760</b>	<b>1,070</b>

### Administration Expenses

Commitments in relation to fixed administration fees for the Pooled Fund payable to SAC included in the services contract dated 30 June 2000 but not provided for in the accounts:

Payable not later than 1 year	14,420	14,420
Payable later than 1 year and not later than 5 years	43,260	57,680
	<b>57,680</b>	<b>72,100</b>

The terms of the contract allow for the fixed costs to be adjusted annually in line with an index stated in the contract.

## 12. Post Balance Date Events

### Revocation of the Treasury Conversion Offer

The passage of the Same Sex Partners Bill provided a limited right to revoke a member's election to accept the Treasury Conversion Offer. At the closing date of 30 June 2001, 172 members have indicated their interest to SAS Trustee Corporation in obtaining further information, including the cost to them on revoking their original acceptance of the Treasury Conversion Offer.

### World Financial Markets

Since 30 June 2001 domestic and international equity markets have been volatile and have produced negative returns. In addition, an external shock to the financial system on 11 September 2001 in New York caused a 3 day cessation in stockmarket trading in the USA. Between 1 July 2001 and 21 September 2001 the Australian and US stockmarkets declined by 15.8% and 21.6% respectively, and the Pooled Fund assets by 11.5% or \$3.18 billion.

The Fund's investment strategy, which focuses on growth assets, will result in it experiencing short term adverse returns in unfavourable equity markets. However, the investment strategy is structured to achieve long term favourable investment returns, despite market volatility.

The financial effect of the decline in world equity markets has not been reflected in the accounts as at 30 June 2001.

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# Financial Statements

## Pooled Fund

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BOX 12 GPO  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### SAS TRUSTEE CORPORATION – POOLED FUND

**To Members of the New South Wales Parliament and Trustees of the Fund**

#### Scope

I have audited the accounts of the SAS Trustee Corporation – Pooled Fund for the year ended 30 June 2001. The trustees of the Fund are responsible for the financial report consisting of the accompanying statement of net assets and statement of changes in net assets, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and Trustees of the Fund based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983* (the Act).

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the net assets of the Fund and the changes in its net assets.

The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In my opinion, the financial report of the SAS Trustee Corporation – Pooled Fund complies with section 41B of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the net assets of the Fund as at 30 June 2001 and the changes in its net assets for the year then ended.

A handwritten signature in black ink, appearing to read 'R J Sendt'.

R J Sendt  
Auditor-General

SYDNEY  
28 September 2001

# statement by members of the trustee board

for the year ended 30 June 2001

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 2001 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 2000* 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 26th day of September 2001.



**Michael Cole**  
Chairperson  
SAS Trustee Corporation



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

# statement of changes in net assets

for the year ended 30 June 2001

	Note	2001 \$m	2000 \$m
<b>Net Assets Available to Pay Benefits at Beginning of Financial Year</b>		<b>27,243.2</b>	24,494.5
<b>Contribution Revenue</b>			
Employer Contributions		482.5	861.0
Member Contributions		460.3	452.8
	3	942.8	1,313.8
<b>Scheme Mobility Transfer</b>			
Transfer in	4	4.1	1.7
<b>Investment Revenue</b>			
International Investments		180.6	183.2
Short Term Securities		18.5	6.6
Australian Fixed Interest		229.1	239.0
Australian Equities		374.1	306.5
Property		156.2	121.7
		958.5	857.0
Changes in Market Values of Investments		570.3	2,877.8
	5	1,528.8	3,734.8
Investment Expenses		(69.6)	(67.0)
Net Investment Revenue		1,459.2	3,667.8
Other Revenue		0.6	2.5
<b>Total Revenue from Ordinary Activities</b>		<b>2,406.7</b>	4,985.8
Benefits Paid	6	(1,889.7)	(2,033.1)
Scheme Administration Expenses	7	(37.4)	(41.9)
Superannuation Contributions Surcharge		(1.7)	(34.7)
<b>Total Expenses from Ordinary Activities</b>		<b>(1,928.8)</b>	(2,109.7)
<b>Change in Net Assets Before Income Tax</b>		<b>477.9</b>	2,876.1
Income Tax Benefit/(Income Tax Expense)	8	16.7	(127.4)
<b>Change in Net Assets Available to Pay Benefits After Income Tax</b>		<b>494.6</b>	2,748.7
<b>Net Assets Available to Pay Benefits at End of Financial Year</b>	9	<b>27,737.8</b>	27,243.2

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

# statement of net assets

as at 30 June 2001

	Note	2001 \$m	2000 \$m
<b>INVESTMENTS</b>			
Short Term Securities		3,351.0	4,937.9
Australian Fixed Interest		3,136.4	3,314.6
Australian Equities		10,795.4	9,123.4
International Investments		7,881.1	7,701.3
Property		2,585.6	2,368.4
	10	27,749.5	27,445.6
<b>OTHER ASSETS</b>			
Receivables	11	403.2	337.5
Plant and Equipment		0.2	0.3
Sundry Assets		15.8	15.8
Future Income Tax Benefit		34.1	2.5
		453.3	356.1
<b>TOTAL ASSETS</b>			
		28,202.8	27,801.7
Less:			
<b>LIABILITIES</b>			
Reserve Units		6.5	6.6
Creditors	12	129.2	165.0
Provisions	13	329.3	386.9
		465.0	558.5
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>			
	9	27,737.8	27,243.2

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

# notes to and forming part of for the year ended 30 June 2001 the financial statements

## 1. Statement of 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.

Scheme administration services for the Fund are carried out by the Superannuation Administration Corporation of New South Wales (SAC). The Fund's custodial activities are performed by JP Morgan Investor Services. Investment managers of the Fund as at 30 June 2001 are: AMP Henderson Global Investors, Capital International SA, Credit Suisse Asset Management Australia Limited, Deutsche Asset Management Australia Limited, Jardine Fleming Capital Partners, State Street Global Advisors Australia Limited and Wellington Management Company Pte LLP. The investment managers and custodian charge management fees for the services provided.

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.

As allowed under the Act, the assets and liabilities of SASS, SANCS, SSS and PSS are combined and managed as one fund, the Pooled Fund. The Fund is the reporting entity of these Schemes for financial reporting and taxation purposes.

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 16. Consolidated financial statements have not been prepared in accordance with this standard on the grounds that they are not material to these financial statements.

Unless otherwise stated, the accounting policies are consistent with those of the previous year.

### (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 2000*, 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 are prepared in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

The financial statements are prepared using the accrual method of accounting.

### (b) Investments

Investments are valued at balance date at net market value, which comprises market value less estimated costs of disposal. Changes in market values, representing gains or losses, are recognised in the Statement of Changes in Net Assets in the year in which they occur.

The valuation of each class of investment as at 30 June 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 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.

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.

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 1. Statement of Accounting Policies (Continued)

### (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.

### (d) Income Tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the increase 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 future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

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

Under the *Income Tax Assessment Act 1936*, the Fund is assessable on all employer contributions which relate to funding of post 1 July 1988 liabilities. This Act makes allowance for the fact that the Fund operates in a funding deficit and employer contributions received in current and future periods are, in part, funding liabilities that existed prior to 1 July 1988. The Fund has a carried forward balance of pre 1 July 1988 Funding credits (PJFC's), which can be utilised to offset tax payable on employer contributions made during the year, where certain criteria are met. Where applicable, the utilisation of these credits is recognised as an offset to the provision for tax payable by the Fund. The PJFC's are not recognised as an asset because they can only be matched against tax payable on future contributions paid to the Fund and are yet to be confirmed by APRA.

### (e) Plant and Equipment

Plant and equipment is valued at net market value. Changes in net market value represent gains or losses, and are brought to account in the Statement of Changes in Net Assets in accordance with the requirements of AAS 25. Where assets are not material and for which net market values are not readily available, the assets are shown at their written down value. The written down value is calculated using depreciation rates, which reflect the useful life of each asset to the Fund. STC considers this to represent a reasonable approximation of their net market value to an ongoing business. During the year the net market value of plant and equipment declined by \$0.1 million (30 June 2000: \$0.1 million).

### (f) Liability for Accrued Benefits

The Fund's Actuary undertook an actuarial valuation of accrued benefits of the membership of each Scheme as at 30 June 2001. The results are based on valuation assumptions consistent with the requirements of AAS 25 *Financial Reporting by Superannuation Plans*.

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 1. Statement of Accounting Policies (Continued)

### (f) Liability for Accrued Benefits (Continued)

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 financial assumptions that have been applied for the calculations are:

	2000-01 % pa.	2001-02 % pa.	2002-03 % pa.	2003-04 and thereafter % pa.
<b>30 June 2001 Valuation Assumptions</b>				
Valuation Interest Rate	7.0	7.0	7.0	7.0
Salary Growth Rate	3.0	3.0	6.5	4.0
CPI Rate	6.0	2.5	2.5	2.5
(PSS salary growth 4% for 2000-01 and thereafter)				
<b>30 June 2000 Valuation Assumptions</b>				
Valuation Interest Rate	7.0	7.0	7.0	7.0
Salary Growth Rate	4.0	4.0	4.0	4.0
CPI Rate	2.5	2.5	2.5	2.5

The projected unit credit method has been used by the actuaries to value the accrued benefits for SASS, SANCS, SSS and PSS. The accrued benefits of the Schemes are derived from the value of expected benefits arising in each future year divided in the ratio of:

$$\frac{\text{duration of service to the valuation date}}{\text{the duration of service to the year in which the benefit is expected to be payable}}$$

The present value of expected future benefit payments has been determined by discounting the gross benefit payments at a current, market-determined, risk-adjusted discount rate appropriate to the Fund. In all Schemes, accumulations of member contributions have, where appropriate, been included in full. Also, for all Schemes, future pension entitlements have been included in full in the calculation of accrued benefits.

In respect of guarantees, the relevant statutes require that all benefits be paid in full as and when they fall due.

### (g) Vested Benefits

Vested benefits are benefits which are not conditional upon continued membership of the Schemes administered by STC, and are the benefits which members were entitled to receive had they terminated their membership.

The Fund Actuary has advised that the estimated amount of vested benefits has been determined as at 30 June 2001, based on:

- the value of all pensions in payment and any reversionary pensions ultimately payable to the spouses of those pensioners and to the spouses of pensioners who have fully commuted their pensions;
- the present value of all existing deferred benefits;
- the sum of the early and age retirement benefits for all members who have attained those ages;
- the cash withdrawal benefit which would be payable on exit at the date of calculation to all existing contributors below the early retirement age and for the members of SANCS.

# notes to and forming part of for the year ended 30 June 2001 the financial statements

## 1. Statement of Accounting Policies (Continued)

### (h) 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 complexity of individual Scheme.

### (i) 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 the SSS at any future date. On conversion they are no longer recognised as a liability but as part of member funds.

### (j) Superannuation Contributions Surcharge Tax

Superannuation Contributions Surcharge Tax is levied on surchargeable contributions on the basis of the individual member's adjusted taxable income. Surcharge assessments which are received and paid by the Fund are charged to the relevant members' surcharge debt accounts. As part of its ongoing review of data and balances the Fund's administrator is in the process of validating all surcharge debt account balances versus Australian Taxation Office information.

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*. STC is unable to determine the amount of the surcharge tax as the assessments received to date are not considered to be indicative of the future assessments.

### (k) 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.

### (l) Comparative Figures

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

### (m) 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 in which they relate.

#### Interest

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

#### Dividends

Control of a right to receive consideration for the investment in assets is attained, usually evidenced by approval of the dividend at a meeting of shareholders.



# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 2. Significant Items

	2001 \$m	2000 \$m
Transfer out SSS Member Reserve	–	(132.0)
Transfer to General Holding Account	–	132.0
Transfer from General Holding Account	–	(987.0)
Transfer to individual employer reserves	–	987.0
	–	–

During the 2000 year, unallocated amounts in the SSS Contributors' Reserve were transferred into the General Holding Account as required by legislation. The final adjusted amount was then transferred to the individual employer reserves of the Scheme together with interest earned for the period from 1 July 1999 to 31 May 2000.

The tax effect of significant items was \$nil (2000: \$nil based upon the incremental effect of the Crown Contribution and the related PJFC utilisation).

## 3. Employer and Member Contributions

	2001				
	SASS \$m	SANCS \$m	SSS \$m	PSS \$m	Total \$m
Employer Contributions	121.6	105.5	87.0	168.4	482.5
Member Contributions	218.6	–	220.2	21.5	460.3
Total Contributions	340.2	105.5	307.2	189.9	942.8

	2000				
	SASS \$m	SANCS \$m	SSS \$m	PSS \$m	Total \$m
Employer Contributions	132.8	236.4	104.4	387.4	861.0
Member Contributions	220.8	–	210.6	21.4	452.8
Total Contributions	353.6	236.4	315.0	408.8	1,313.8

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.

Contributions made by the Crown vary from year to year depending upon government liability management priorities. In 1999 the Crown prepaid its contributions for a 3 year period. In the intervening years amounts significantly less than the full Crown Contributions have been made (\$243 million in 2001; \$587 million in 2000).

# notes to and forming part of for the year ended 30 June 2001 the financial statements

## 3. Employer and Member Contributions (Continued)

### (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 three 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, whilst other employers contribute on a fully funded basis.
- Part 2 Employers scheduled as Part 2 contribute on a fully funded basis by paying 1.9 times the contributions paid by employees.
- 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.

### (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 are: Consolidated Fund or supported Government employers, 0.5%; other employers, 2.5%.

### (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 in respect of past services.

### (d) Police Superannuation Scheme (PSS)

#### Member Contributions:

Members contribute 6% of their salary.

#### Employer Contributions:

Employer contributions equal the amount required to meet emerging benefits.

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 4. Scheme Mobility Transfer

This transfer represents Local Government and Energy Industries members who left the State Authorities Superannuation Scheme and State Superannuation Scheme previously and elected to return under the mobility provisions. The amounts transferred to the Schemes were \$4.1 million as at 30 June 2001 (30 June 2000: \$1.7 million).

## 5. Investment Revenue

2001			
Changes in Net Market Values			
Income	Held at Reporting Date	Realised during the Year	Total
\$m	Unrealised Gain/(Loss) \$m	Gain/(Loss) \$m	\$m
International Investments:			
International Equities	78.4	(365.1)	(424.4)
International Fixed Interest	102.2	(0.9)	149.0
International Foreign Exchange	–	(27.2)	(62.3)
International Cash and Cash Equivalents	–	2.4	74.3
Total International Investments	180.6	(390.8)	(263.4)
Short Term Securities	18.5	12.3	168.5
Australian Fixed Interest	229.1	(36.6)	51.4
Australian Equities	374.1	988.7	(78.2)
Property	156.2	101.0	17.4
Total Investment Revenue	958.5	674.6	(104.3)
			1,528.8
2000			
Changes in Net Market Values			
Income	Held at Reporting Date	Realised during the Year	Total
\$m	Unrealised Gain/(Loss) \$m	Gain/(Loss) \$m	\$m
International Investments:			
International Equities	61.6	1,074.2	132.9
International Fixed Interest	116.4	40.7	23.8
International Foreign Exchange	–	6.8	246.2
International Cash and Cash Equivalents	5.2	6.6	38.1
Total International Investments	183.2	1,128.3	441.0
Short Term Securities	6.6	3.0	54.6
Australian Fixed Interest	239.0	(16.4)	(25.1)
Australian Equities	306.5	1,097.4	77.6
Property	121.7	107.6	9.8
Total Investment Revenue	857.0	2,319.9	557.9
			3,734.8

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 6. Benefits Paid

	2001				
	SASS \$m	SANCS \$m	SSS \$m	PSS \$m	Total \$m
Retirements					
Lump Sums	191.2	41.8	145.1	51.8	429.9
Pensions	18.3	–	431.5	38.3	488.1
Death					
Lump Sums	11.6	2.1	47.8	0.9	62.4
Pensions	5.8	–	117.7	19.5	143.0
Invalidity					
Lump Sums	68.0	13.6	35.7	9.9	127.2
Pensions	0.5	–	148.2	84.6	233.3
Resignations, Retrenchments					
Lump Sums	86.8	16.1	44.7	1.8	149.4
Treasury Conversion Offer					
Lump Sums	–	–	17.5	0.5	18.0
Deferred Benefits	181.7	29.1	15.0	2.8	228.6
Interest on Benefit Payments	2.9	0.4	5.9	0.6	9.8
	<b>566.8</b>	<b>103.1</b>	<b>1,009.1</b>	<b>210.7</b>	<b>1,889.7</b>

	2000				
	SASS \$m	SANCS \$m	SSS \$m	PSS \$m	Total \$m
Retirements					
Lump Sums	212.8	49.5	71.6	38.1	372.0
Pensions	19.6	–	392.9	37.1	449.6
Death					
Lump Sums	14.0	2.8	1.0	1.4	19.2
Pensions	6.0	–	109.0	18.6	133.6
Invalidity					
Lump Sums	69.1	15.6	111.7	2.9	199.3
Pensions	0.4	–	139.2	70.6	210.2
Resignations, Retrenchments					
Lump Sums	160.6	38.5	44.0	6.4	249.5
Treasury Conversion Offer					
Lump Sums	–	–	125.6	21.7	147.3
Deferred Benefits	162.4	50.0	20.1	–	232.5
Interest on Benefit Payments	9.8	2.4	6.5	1.2	19.9
	<b>654.7</b>	<b>158.8</b>	<b>1,021.6</b>	<b>198.0</b>	<b>2,033.1</b>

Lump sum benefits for the State Superannuation Scheme (SSS) include commutation of pensions once a prescribed age has been reached.

In 2000 and 2001, NSW Treasury made an offer to selected members of SSS and the Police Superannuation Scheme to convert their superannuation entitlements to a lump sum and transfer that amount to FTC or in the case of University members, to SSAU Investment Choice Plan and TESS.

# notes to and forming part of the financial statements

for the year ended 30 June 2001

	2001 \$m	2000 \$m
<b>7. Scheme Administration Expenses</b>		
Included in Scheme Administration Expenses are the following items:		
Audit Fees	0.3	0.3
Triennial Actuarial Fees	0.1	0.2
<b>8. Income Tax</b>		
<b>The prima facie tax on the Increase in Net Assets is reconciled to the Income Tax Expense/(Benefit) as follows:</b>		
Prima facie tax on the Increase in Net Assets at 15%	71.7	431.4
Plus/(Less) net tax effect of permanent differences:		
Non-deductible Benefit Payments	283.4	304.8
Non-assessable Contributions	(69.6)	(72.0)
Non-assessable Pension Related Investment Income	(102.2)	(92.2)
Deductible Premiums	(63.7)	(47.6)
Assessable Investment Income/(Deductible Expenditure)	6.4	16.7
Discount Capital Gains	(4.2)	(297.0)
Non-deductible Contribution Surcharge Tax	0.3	5.0
Anti-detriment Deduction	(1.3)	(0.9)
Imputation and Foreign Tax Credits	(128.9)	(106.5)
(Income Tax Benefit)/Income Tax Expense on Increase in Net Assets	(8.1)	141.7
Over Provision Prior Year	(8.6)	(14.3)
(Income Tax Benefit)/Income Tax Expense	(16.7)	127.4
<b>The Income Tax Expense/(Benefit) comprises:</b>		
Provision attributable to Current Year	-	97.4
Increase in Provision for Deferred Income Tax	23.2	33.9
(Increase)/Decrease in Future Income Tax Benefit	(31.3)	10.5
Prior Year Adjustments:		
Increase/(Decrease) in Provision for Income Tax	(14.3)	(11.1)
Increase/(Decrease) in Provision for Deferred Income Tax	5.9	(3.6)
(Increase)/Decrease in Future Income Tax Benefit	(0.2)	0.3
	(16.7)	127.4

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 against the tax payable on employer contributions made during the year. The balance of pre 1 July 1988 Funding Credits available for utilisation as at 30 June 2001 amounted to \$810.7 million (30 June 2000: \$705.6 million). During the current year the level of employer contributions made to the Fund was insufficient to allow PJFC's to be utilised. This funding credit balance is an estimate based on transitional opening balances at 1 July 1988 and is subject to official determination by the Australian Prudential Regulation Authority. These tax credits have not been brought to account as future income tax benefit assets for the reasons set out in Note 1(d).

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 9. Net Assets

	2001				
	SASS \$m	SANCS \$m	SSS \$m	PSS \$m	Total \$m
Balance at Beginning of Financial Year	6,375.8	1,108.4	18,229.0	1,530.0	27,243.2
Increase in Net Assets	27.4	133.7	253.2	80.3	494.6
Balance at End of Financial Year	6,403.2	1,242.1	18,482.2	1,610.3	27,737.8
<b>Comprising:</b>					
Member Reserves	3,372.0	–	4,949.6	–	8,321.6
Employer Reserves (3)	2,123.7	559.1	13,532.6	1,610.3	17,825.7
Death or Invalidity Reserves (1)	10.2	–	–	–	10.2
Deferred Benefit Reserves (2)	897.3	683.0	–	–	1,580.3
Net Assets Available to Pay Benefits	6,403.2	1,242.1	18,482.2	1,610.3	27,737.8

	2000				
	SASS \$m	SANCS \$m	SSS \$m	PSS \$m	Total \$m
Balance at Beginning of Financial Year	5,526.2	934.1	16,861.7	1,172.5	24,494.5
Increase in Net Assets	849.6	174.3	1,367.3	357.5	2,748.7
Balance at End of Financial Year	6,375.8	1,108.4	18,229.0	1,530.0	27,243.2
<b>Comprising:</b>					
Member Reserves	3,213.3	–	4,953.4	–	8,166.7
Employer Reserves (3)	2,201.8	595.4	13,275.6	1,530.0	17,602.8
Death or Invalidity Reserves (1)	10.0	–	–	–	10.0
Deferred Benefit Reserves (2)	950.7	513.0	–	–	1,463.7
Net Assets Available to Pay Benefits	6,375.8	1,108.4	18,229.0	1,530.0	27,243.2

- (1) The Death or Invalidity Reserve represents accumulated funds available to provide death or invalidity cover to members for the months during which they have public sector employment. The reserve balance is the excess of member premiums over benefits paid.
- (2) 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 members has been included in the employer reserve of the Scheme.
- (3) Both member and employer contributions of PSS are held in one reserve.

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 10. Investments

	2001 \$m	2000 \$m
<b>Investments Held</b>		
<b>(i) Short Term Securities</b>		
Bank Certificates of Deposit	1,157.9	1,521.2
Bank Accepted and Bank Endorsed Bills of Exchange	590.6	1,364.5
Bank Deposits	589.3	1,025.1
Promissory Notes	1,013.2	1,027.1
Total Short Term Securities	3,351.0	4,937.9
<b>(ii) Australian Fixed Interest</b>		
Commonwealth Government Inscribed Stock	912.2	1,094.9
Semi-government Bonds	1,121.8	843.8
Loans to:		
Semi-government Authorities	6.1	7.3
Local Government Authorities	9.2	13.3
Loans to Companies	7.4	11.2
Loans to Co-operative Housing Societies	2.2	3.4
Leasehold Property Investments	0.4	0.6
Mortgage Backed Securities	200.8	198.3
Other Bonds	876.3	1,141.8
Total Australian Fixed Interest	3,136.4	3,314.6
<b>(iii) Australian Equities</b>		
Total Australian Equities	10,795.4	9,123.4
<b>(iv) International Investments</b>		
Equities	6,069.2	5,904.9
Fixed Interest	1,828.4	1,776.5
Foreign Exchange	(16.5)	19.9
Total International Investments	7,881.1	7,701.3
<b>(v) Property</b>		
Total Property	2,585.6	2,368.4
Total Investments	27,749.5	27,445.6

Derivatives are recorded in the investment category to which they relate.

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 11. Receivables

	2001 \$m	2000 \$m
Contributions Receivable	60.5	46.2
Accrued Income	164.4	167.5
Margin Call Deposits	140.4	102.5
Investment Sales	36.9	18.4
Other Receivables	1.0	2.9
	<b>403.2</b>	<b>337.5</b>

## 12. Creditors

Cash at Bank	1.7	14.5
Superannuation Benefits	19.4	31.6
Investment Purchases	24.6	43.3
Other Creditors	80.4	75.6
Amount Payable — STC	3.1	—
	<b>129.2</b>	<b>165.0</b>

## 13. Provisions

Provision for Income Tax	(30.9)	55.8
Deferred Income Tax	360.1	330.9
Triennial Actuarial Fees	0.1	0.2
	<b>329.3</b>	<b>386.9</b>



# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 14. Accrued Benefits

### (a) Liability for Accrued Benefits

	2001			2000		
	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	8,636.4	6,403.2	(2,233.2)	7,890.4	6,375.8	(1,514.6)
State Authorities Non-contributory						
Superannuation Scheme	2,207.5	1,242.1	(965.4)	1,989.8	1,108.4	(881.4)
State Superannuation Scheme	21,492.2	18,482.2	(3,010.0)	20,006.5	18,229.0	(1,777.5)
Police Superannuation Scheme	3,877.0	1,610.3	(2,266.7)	3,238.0	1,530.0	(1,708.0)
	<b>36,213.1</b>	<b>27,737.8</b>	<b>(8,475.3)</b>	<b>33,124.7</b>	<b>27,243.2</b>	<b>(5,881.5)</b>

The liability for accrued benefits figures noted above are estimated yearly by the Fund's Actuary. In addition, the Fund conducts a formal Triennial Actuarial investigation of the individual Schemes of the Pooled Fund. The most recent investigation, as at 30 June 2000, indicated the unfunded liability of the Pooled Fund was \$6,794.7 million. The difference of \$913.2 million between the AAS 25 valuation at 30 June 2000 and the 30 June 2000 Triennial Valuation is primarily due to revised assumptions in the triennial valuation concerning reductions in pensioner mortality (ie. increased life expectancy) and increased disability assumptions.

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 14. Accrued Benefits (Continued)

### (b) Movement in the Liability for Accrued Benefits

Accrued Benefits in accordance with AAS 25 are calculated as the present value of expected future payments arising from past membership of the Fund. 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.

	2001				
	SASS \$m	SANCS \$m	SSS \$m	PSS \$m	Total \$m
Balance at Beginning of Financial Year	7,890.4	1,989.8	20,006.5	3,238.0	33,124.7
Benefits Paid	(566.8)	(103.1)	(1,009.1)	(210.7)	(1,889.7)
	7,323.6	1,886.7	18,997.4	3,027.3	31,235.0
Increase in Accrued Benefits	1,312.8	320.8	2,494.8	849.7	4,978.1
	8,636.4	2,207.5	21,492.2	3,877.0	36,213.1
Balance at End of Financial Year					

	2000				
	SASS \$m	SANCS \$m	SSS \$m	PSS \$m	Total \$m
Balance at Beginning of Financial Year	7,590.7	1,883.9	20,862.6	2,873.8	33,211.0
Benefits Paid	(654.7)	(158.8)	(1,021.6)	(198.0)	(2,033.1)
	6,936.0	1,725.1	19,841.0	2,675.8	31,177.9
Increase in Accrued Benefits	954.4	264.7	165.5	562.2	1,946.8
	7,890.4	1,989.8	20,006.5	3,238.0	33,124.7
Balance at End of Financial Year					

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 15. Vested Benefits

	2001			2000		
	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	6,123.9	6,403.2	279.3	5,640.6	6,375.8	735.2
State Authorities Non-contributory Superannuation Scheme	2,641.6	1,242.1	(1,399.5)	2,465.1	1,108.4	(1,356.7)
State Superannuation Scheme	18,492.0	18,482.2	(9.8)	18,876.8	18,229.0	(647.8)
Police Superannuation Scheme	2,565.8	1,610.3	(955.5)	2,170.1	1,530.0	(640.1)
	29,823.3	27,737.8	(2,085.5)	29,152.6	27,243.2	(1,909.4)

## 16. Controlled Entities

		Ownership Interest	
		2001 %	2000 %
Activity			
The following entities comprise the Pooled Fund economic entity:			
<b>Parent Entity:</b>			
Pooled Fund			
<b>Controlled Entities:</b>			
State Super Financial Services Ltd (SSFSL)	Financial planning and funds management	100	100
The following entities are managed by Deutsche Asset Management (Aust) Ltd			
Deutsche Office Trust (formerly Commercial Investment Trust)	Listed commercial property	31	50
Gila Pty Limited	Coal mining	–	100
Vistajura Pty Limited	Coal mining	–	100
Hadenis Pty Limited	Dormant	–	100
Valley Commerce Pty Limited	Dormant	100	100
Buroba Pty Limited	Dormant	100	100
Elsun Pty Limited	Long term carpark management contracts	100	100

- (1) Following the acquisition by Deutsche Asset Management (Aust) Ltd of Paladin Commercial Trust in July 2000 and the subsequent amalgamation with the Commercial Investment Trust to establish the Deutsche Office Trust, the STC holding was reduced from 50% to approximately 31%. STC does not have any control other than the 31% ownership.
- (2) During the year the Controlled Entities paid dividends and trust distributions to the Parent Entity of \$43.7 million (2000: \$39.3 million).

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 17. Joint Ventures

The Fund's interest in joint ventures comprise:

Joint Venture	Nature of Joint Venture	Ownership Interests		Net Assets/(Liabilities)	
		2001 %	2000 %	2001 \$m	2000 \$m
Ulan Coal Mine	Coal Mining	0.0	15.0	0.0	(8.9)

The Fund held its interest in Ulan Coal Mine Joint Venture through two wholly owned subsidiaries namely Gila Pty Limited and Vistajura Pty Limited. The shares in Gila and Vistajura were sold effective 31 January 2001.

## 18. Related Party Information

The Trustee of the Fund is the STC. The names of the Board members of STC in office during the year ended 30 June 2001 and up to the date of signing these accounts are as follows:

Mr M Cole	
Ms B Ashe	
Mr R Davis	
Mr J Hennessy	
Mr D Nicholls	
Ms C Prime	
Mr I Blair	
Mr M Duffy	(term completed 31.8.2000)
Mr N Lewocki	
Mr W Gillooly	(term commenced 1.9.2000)

### (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 16 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.

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 18. Related Party Information (Continued)

	2001 \$m	2000 \$m
<b>(d) Transactions with Other Related Parties:</b>		
Scheme administration fees charged by STC on a cost recovery basis	37.4	41.8
Property rental received from STC, SAC and State Super Financial Services Limited on normal commercial terms and conditions	3.4	3.2
Administration fee income for the provision of fixed assets to STC	0.1	0.1
Interest revenue from associated companies and joint ventures under normal commercial terms and conditions	1.1	2.0

### (e) Amounts Payable to Other Related Parties:

Amounts payable to related parties are disclosed in Note 12 to the financial statements.

### (f) Amounts Receivable from Other Related Parties:

Amounts receivable from related parties are disclosed in Note 11 to the financial statements.

## 19. Segment Reporting

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

## 20. 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 21.

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 21. 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 summarised in Note 10.

### (i) Accounting Policies

Recognised Financial Instruments	Statement of Net Assets Notes	Accounting Policies	Terms and Conditions
<b>1. Financial Assets</b>			
Receivables	11	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 & Promissory Notes (Note 1)	10	Carried at net market value using market rates as at 30/6/01.	Average maturity of 47 days with effective interest rates in the range of 4.985% to 5.110%.
Floating Rate Notes (Note 1)	10	Carried at net market value using market rates as at 30/6/01.	Average maturity of 43 days with effective interest rates in the range of 5.117% to 7.763%.
Promissory Notes (Note 1)	10	Carried at net market value as at 30/6/01.	Average maturity of 49 days with effective interest rates in the range of 5.003% to 5.100%.
Mortgage Backed Securities (Note 1)	10	Mortgage backed securities are stated at net market value. Interest income is recognised in the operating statement when earned.	Mortgage backed securities on average mature on 10 January 2012 and have an effective interest rate between 5.240% and 7.248%.
Bank Deposits	10	Stated at nominal value. Interest is recognised as it is earned.	Bank deposits represent 11 AM call deposits and uninvested cash and have no fixed maturity dates. Deposits have effective interest rates in the range of 2.501% to 6.300%.

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 21. Financial Instruments (Continued)

### (i) Accounting Policies (Continued)

Recognised Financial Instruments	Statement of Net Assets Notes	Accounting Policies	Terms and Conditions
<b>1. Financial Assets</b>			
Listed Shares	10	Reported at market value based on quoted stock exchange price less an amount for selling costs which would be expected to be incurred if the investment were sold. Certain costs incurred in acquiring the investments, including brokerage and stamp duty, have been capitalised. Dividend income is recognised at the ex dividend date.	N/A
Unlisted Shares	10	Reported at net market value based on independent valuations.	N/A
Government Bonds	10	Carried at net market value based on discounted cash flows.	Average maturity of 2 June 2006 and effective interest rates in the range of 4.701% to 6.155%.
Semi-government Bonds	10	Carried at net market value based on discounted cash flows.	Average maturity of 22 August 2005 and effective interest rates in the range of 4.911% to 6.570%.
Other Bonds (Note 1)	10	Carried at net market value based on discounted cash flows.	Average maturity of 26 September 2004 and effective interest rate in the range of 4.960% to 6.980%.
International Bonds (Note 1)	10	Carried at net market value based on discounted cash flows.	Average maturity of 8 December 2007 and effective interest rate in the range of 0.416% to 6.606%.
Local Government Authorities	10	Carried at net market value based on discounted cash flows.	Average maturity of 4 February 2008 and effective interest rates in the range of 4.932% to 6.493%.
Loans to Companies	10	Carried at net market value based on discounted cash flows. Interest revenue is accrued as it is earned.	Maturity of 18 January 2003 and effective interest rate of 6.010%.
Leasehold Property Investments	10	Carried at net market value based on discounted cash flows.	Average maturity of 18 October 2006 and effective interest rates in the range of 5.826% to 6.540%.

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 21. Financial Instruments (Continued)

### (i) Accounting Policies (Continued)

Recognised Financial Instruments	Statement of Net Assets Notes	Accounting Policies	Terms and Conditions
<b>2. Financial Liabilities</b>			
Investment Purchases	12	Liabilities are recognised for amounts to be paid under investment commitments.	Settlement for securities is made in accordance with investment agreements between counterparties.
Creditors	12	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 receipts of invoices in accordance with terms thereof.
Tax	13	The liability of taxation is accounted for in accordance with AAS 3.	The income tax liability is calculated using a tax rate of 15%.
Forward Foreign Exchange Contracts	10	Forward foreign exchange contracts are carried at net market value. Forward foreign exchange contracts are undertaken to hedge against adverse foreign exchange movements.	At balance date, the Fund had various foreign exchange contracts open against the international portfolios.

Note 1: The effective interest rates include the interest rates on securities denominated in foreign currencies.



# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 21. 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. The changes in the derivative's fair value are highly correlated with changes in the fair value of the underlying hedged item. Derivatives used for hedging purposes include foreign exchange forward contracts, interest rate futures, share price index futures, and forward rate agreements. These derivative instruments involve credit risk and market risk.

The credit risk of the foreign exchange forward contracts are discussed in Section (iii). Futures contracts settle in cash daily, therefore, there is minimal credit risk to the Fund. All Australian exchange traded options are novated by the Options Clearing House, therefore there is minimal credit risk associated with these contracts.

The following table summarises the aggregate notional amounts of the futures and options contracts and their net market value at 30 June 2001 and 30 June 2000 (excluding the private capital and direct property portfolios).

	Notional Principal Amounts		Net Market Value	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Future Contracts</b>				
Australian fixed interest	716,336	485,494	(7,006)	279
Australian share price index	(637,903)	416,536	(6,913)	8,309
International share price index	818,070	834,249	(16,283)	(11,894)
International fixed interest	(425,040)	(290,853)	(945)	(1,491)
<b>Option Contracts</b>				
Australian exchange traded	(1,501)	–	(171)	–
	<b>469,962</b>	<b>1,445,426</b>	<b>(31,318)</b>	<b>(4,797)</b>

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 21. 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 balance sheet.

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 2001 this amount was \$2,988.03 million (2000: \$1,199.85 million). During the year the average credit risk exposure was \$1,959.89 million (2000: \$888.90 million).

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.

	2001 \$'000	2000 \$'000
<b>International</b>		
Europe	850,278	927,553
North America	684,175	684,802
Asia	322,866	202,933
<b>Australia</b>		
Government bonds	932,644	1,117,530
Semi-government bonds	1,148,957	860,144
Other	1,137,552	1,393,252
	<b>5,076,472</b>	<b>5,186,214</b>

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 21. Financial Instruments (Continued)

### (iv) Currency Risk Exposures

The Fund's exposure at 30 June 2001 and 30 June 2000 to foreign exchange rate movement on international investments is shown below. As discussed in Section (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 in the period 13 July 2001 to 19 September 2001.

	2001					
	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other A\$'000	Total A\$'000
Gross International Equities Investment	3,428,044	1,069,380	693,640	506,762	522,770	6,220,596
Less: Amounts Effectively Hedged	537,112	184,524	108,385	103,932	84,806	1,018,759
Net Exposure	2,890,932	884,856	585,255	402,830	437,964	5,201,837
Percent Hedged	15.7%	17.3%	15.6%	20.5%	16.2%	16.4%

	2000					
	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other A\$'000	Total A\$'000
Gross International Equities Investment	2,921,000	1,180,840	798,734	527,477	604,406	6,032,457
Less: Amounts Effectively Hedged	316,046	120,314	91,440	63,472	59,021	650,293
Net Exposure	2,604,954	1,060,526	707,294	464,005	545,385	5,382,164
Percent Hedged	10.8%	10.2%	11.4%	12.0%	9.8%	10.8%

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 21. Financial Instruments (Continued)

### (iv) Currency Risk Exposures (Continued)

#### International Fixed Interest 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 in the period 6 July 2001 to 26 September 2001.

30 June 2001	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other A\$'000	Total A\$'000
Gross International Fixed Interest Investment	766,772	680,563	331,974	29,289	231,746	2,040,344
Less: Amounts effectively hedged	722,544	681,994	323,775	24,398	216,561	1,969,272
Net Exposure	44,228	(1,431)	8,199	4,891	15,185	71,072
Percent Hedged	94.2%	100.2%	97.5%	83.3%	93.4%	96.5%

30 June 2000	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other A\$'000	Total A\$'000
Gross International Fixed Interest Investment	648,088	758,005	275,869	26,529	200,785	1,909,276
Less: Amounts effectively hedged	610,931	776,693	271,031	25,083	166,403	1,850,141
Net Exposure	37,157	(18,688)	4,838	1,446	34,382	59,135
Percent Hedged	94.3%	102.5%	98.2%	94.5%	82.9%	96.9%

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 21. 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 market.

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 those financial instruments as at 30 June 2001 and as at 30 June 2000 are shown as follows. All other financial assets and liabilities are non-interest bearing.

	2001						
	Fixed Interest — Time to Maturity						
	Weighted Average Effective Interest Rate %	Floating Interest Rate \$m	Within 12 months \$m	1 to 5 Years \$m	Over 5 Years \$m	Non-interest Bearing \$m	Total \$m
<b>Assets</b>							
Cash & Short Term Securities	4.80	3,669.0	—	—	—	—	3,669.0
Government Bonds — Domestic	5.65	—	67.0	479.0	386.0	—	932.0
Semi-government Bonds and Loans to Local Authorities	6.05	—	23.0	586.0	548.0	—	1,157.0
Other Interest Bearing Securities	6.73	—	7.0	827.0	94.0	—	928.0
Mortgage Backed Securities	5.71	—	—	24.0	177.0	—	201.0
Foreign Exchange	N/A	—	—	—	—	(16.0)	(16.0)
International Fixed Interest	4.64	—	8.0	466.0	1,384.0	—	1,858.0
Listed Equities — Domestic	N/A	—	—	—	—	10,307.0	10,307.0
Listed Equities — International	N/A	—	—	—	—	6,209.0	6,209.0
Unlisted Equities	N/A	—	—	—	—	700.0	700.0
Direct Property	N/A	—	—	—	—	2,030.0	2,030.0
Receivables	N/A	—	—	—	—	177.7	177.7
Sundry Assets	N/A	—	—	—	—	15.8	15.8
Plant & Equipment	N/A	—	—	—	—	0.2	0.2
Future Income Tax Benefit	N/A	—	—	—	—	34.1	34.1
Total Financial Assets		3,669.0	105.0	2,382.0	2,589.0	19,457.8	28,202.8
<b>Liabilities</b>							
Creditors	N/A	—	—	—	—	129.2	129.2
Reserve Units	N/A	—	—	—	—	6.5	6.5
Provision	N/A	—	—	—	—	329.3	329.3
Total Financial Liabilities		—	—	—	—	465.0	465.0

# notes to and forming part of the financial statements

for the year ended 30 June 2001

## 21. Financial Instruments (Continued)

### (v) Interest Rate Risk Exposures (Continued)

	2000						
			Fixed Interest — Time to Maturity				
	Weighted Average Effective Interest Rate %	Floating Interest Rate \$m	Within 12 months \$m	1 to 5 Years \$m	Over 5 Years \$m	Non-interest Bearing \$m	Total \$m
<b>Assets</b>							
Short Term Securities	5.78	5,061.0	—	—	—	—	5,061.0
Commonwealth Government Inscribed Stock	6.09	—	11.0	251.0	856.0	—	1,118.0
Loans to Semi-government and Local Government Authorities	6.38	—	4.0	424.0	454.0	—	882.0
Other Interest Bearing Securities	6.99	—	57.0	888.0	345.0	—	1,290.0
Mortgaged Backed Securities	6.65	200.0	—	—	—	—	200.0
Foreign Exchange	N/A	—	—	—	—	20.0	20.0
International Fixed Interest	5.63	—	—	383.0	1,432.0	—	1,815.0
Australian Equities	N/A	—	—	—	—	9,003.0	9,003.0
Property	N/A	—	—	—	—	2,369.0	2,369.0
International Equity	N/A	—	—	—	—	5,899.0	5,899.0
Receivables	N/A	—	—	—	—	126.1	126.1
Plant & Equipment	N/A	—	—	—	—	0.3	0.3
Sundry Assets	N/A	—	—	—	—	15.8	15.8
Future Income Tax Benefit	N/A	—	—	—	—	2.5	2.5
Total Financial Assets		5,261.0	72.0	1,946.0	3,087.0	17,435.7	27,801.7
<b>Liabilities</b>							
Creditors	N/A	—	—	—	—	150.5	150.5
Bank Overdrafts	N/A	—	—	—	—	14.5	14.5
Reserve Units	N/A	—	—	—	—	6.6	6.6
Provisions	N/A	—	—	—	—	386.9	386.9
Total Financial Liabilities		—	—	—	—	558.5	558.5

## 22. Post Balance Date Events

### **Revocation of the Treasury Conversion Offer**

The passage of the Same Sex Partners Bill provided a limited right to revoke a member's election to accept the Treasury Conversion Offer. At the closing date of 30 June 2001, 172 members have indicated their interest to STC in obtaining further information, including the cost to them on revoking their original acceptance of the Treasury Conversion Offer.

### **World Financial Markets**

Since 30 June 2001 domestic and international equity markets have been volatile and have produced negative returns. In addition, an external shock to the financial system on 11 September 2001 in New York caused a 3 day cessation in stockmarket trading in the USA. Between 1 July 2001 and 21 September 2001 the Australian and US stockmarkets declined by 15.8% and 21.6% respectively, and the Pooled Fund assets by 11.5%, \$3.18 billion, before allowing for tax.

The Fund's investment strategy, which focuses on growth assets, will result in it experiencing short term adverse returns in unfavourable equity markets. However, the investment strategy is structured to achieve long term favourable investment returns, despite market volatility.

The financial effect of the decline in world equity markets has not been reflected in the accounts as at 30 June 2001.

# Triennial Actuarial Valuation

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The Trustee Corporation is the trustee for the Pooled Fund which comprises four New South Wales public sector superannuation schemes: the State Authorities Superannuation Scheme (SASS), the State Superannuation Scheme (SSS), the Police Superannuation Scheme (PSS), and the State Authorities Non-contributory scheme (SANCS). The Schemes provide defined benefits, with SASS also providing defined contributions. The Schemes are subject to triennial actuarial valuations as required under the Acts governing each of the Schemes.

The triennial actuarial valuation of the Pooled Fund and each of the individual Schemes as at 30 June 2000 was carried out by Martin Stevenson, FIA, FIAA of William M. Mercer Pty Ltd. A summary of this valuation as provided by Martin Stevenson follows.

## 1. Introduction and summary of results

### 1.1 Introduction

As requested by the SAS Trustee Corporation (the Corporation) I have carried out an actuarial valuation of the following Schemes 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), and
- ▶ the Police Superannuation Scheme (PSS)

An actuarial investigation of SASS and SANCS was carried out by myself as at 30 June 1997 and the results were set out in a report dated June 1998. The previous actuarial investigations of the SSS and PSS were carried out by C G Ghosn with an effective date of 30 June 1997 and the results were set out in reports dated June 1998.

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 separated into Part 1, 2 and 3 in accordance with legislation. Part 1 includes the Crown and other employers, Part 2 includes a small group of other Authorities and the third Part includes Hospitals and other bodies. Refer Section 6 Volume II for a full listing of the employers.
SANCS	Employers are subdivided in the same manner as SASS above.
SSS	Employers under SSS are essentially equivalent to Part 1 employers under SASS.
PSS	No subdivision necessary.

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 2000	81,817	128,435	40,501	6,087	256,840
1 July 1997	129,650	188,197	50,653	7,731	376,231
Pensioners	SASS	SANCS	SSS	PSS	Total
30 June 2000	7,121	N/A	31,904	3,886	42,911
1 July 1997	9,345	N/A	32,313	3,261	44,919

The Pooled Fund assets at 30 June 2000 totalled \$27,243.2 million compared to \$20,375 million at the last valuation. The assets were allocated to each Scheme as follows:

Assets (\$millions)	SASS	SANCS	SSS	PSS	Total
30 June 2000	6,375	1,108	18,229	1,530	27,243
1 July 1997	7,152	873	12,287	63	20,375

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

\$millions	SASS	SANCS	SSS	PSS	Total
Assets	6,375.8	1,108.4	18,229.0	1,530.0	27,243.2
Less,					
▶ Member Reserves	3,213.3	–	4,953.4	–	8,166.7
▶ Death/ Disability Reserves	10.0	–	–	–	10.0
▶ Adjustments	(12.7)	(25.7)	–	–	(38.4)
▶ Employer Reserve	3,139.8	1,082.7	13,275.6	1,530.0	19,028.1

For PSS no separate Member Reserve is maintained in the accounts. The adjustments noted above represent differences between the employer records (which are required for subdivision by Scheme, Part and employer) and the accounts.

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%	5.0%
Rate of increase in CPI	2.5%	3.25%

As compared to the last valuation the gap between the investment return and inflation (both salary and general price inflation) has been widened to reflect the economic environment. This on its own has resulted in a source of surplus to the Schemes.

In the short term (3 years to 30 June 2003) different assumptions have been adopted as follows:

	2000–01	2001–02	2002–03
Rate of investment return	7.0%	7.0%	7.0%
Rate of salary increase	3.0%	3.0%	6.5%
Rate of increase in CPI	6.0%	2.5%	2.5%

For PSS the salary increase is assumed to be 4% per annum throughout the period to 30 June 2003 with the long term assumptions being the same as the other schemes in the Pooled Fund.

A comprehensive analysis was carried out in respect of all demographic assumptions used in the investigations of the Pooled Fund Schemes. This analysis led to changes in relation to the rates of resignation, preservation, mortality (both contributor and pensioner), disability 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 PSS has resulted in a strengthening of the basis and hence a source of deficiency to the Schemes overall.

## Results

The unfunded liability for the Pooled Fund has decreased from \$13,173.5m to \$6,794.7m over the 3 years to 30 June 2000.

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

\$millions	SASS	SANCS	SSS	PSS	Total
<b>Employer Accrued Benefits</b>					
Contributors	3,967.2	1,416.9	5,406.7	1,843.7	12,634.5
Deferreds	950.7	513.0	589.6	26.6	2,079.9
Pensioners	178.5	–	9,163.6	1,766.3	11,108.4
Total Employer Accrued Liability	5,096.4	1,929.9	15,159.9	3,636.6	25,822.8
Less,					
Employer Reserve Account	3,139.8	1,082.7	13,275.6	1,530.0	19,028.1
Employer Unfunded Liability	1,956.6	847.2	1,884.3	2,106.6	6,794.7
Unfunded Liability at 30 June 1997 <sup>1</sup>	2,005.6	908.1	7,658.1	2,601.7	13,173.5

<sup>1</sup>The unfunded liability at 30 June 1997 is after the transfer of the Local Government and Energy members.

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.

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 contributors
<b>SASS</b>		
Part 1	Varies by employer. Most common rate is 1.9 times contributors' contributions or 11.9% of contributors' salaries. Maximum is 2.6 times or 16.3%.	Varies by employer. On average 3.6 times contributors' contributions or 16.4% of contributors' salaries.
Part 2	1.9 times contributors' contributions or 12.8% of contributors' salaries.	1.3 times contributors' contributions or 6.8% of contributors' salaries.
Part 3	1.0 times contributors' contributions or 6.5% of contributors' salaries.	2.9 times contributors' contributions or 15.8% of contributors' salaries.
<b>SANCS</b>		
Part 1	Varies by employer. Most common rate is 2.5% of contributors' salaries.	Varies by employer. On average 4.9% of contributors' salaries.
Part 2	2.5% of contributors' salaries.	5.7% of contributors' salaries.
Part 3	2.5 % of contributors' salaries.	2.3% of contributors' salaries.

Scheme	Current employer contribution rate	Required employer contribution rate to extinguish liabilities over working lifetime of current contributors
<b>SSS</b>	Varies by employer. Most common rate is 1.6 times contributors' contributions or 14.7% of salaries.	Varies by employer. On average 2.5 times contributors' contributions or 27.3% of contributors' salaries.
<b>PSS</b>	Historically pay-as-you-go. Recently special contributions were made.	One times salary.

It would be appropriate for the Corporation to discuss with NSW Treasury those instances where the current contribution rate is significantly less than the rate required to extinguish the liability over the working life-time of contributors.

NSW Treasury has indicated that contributions from the Crown will be zero over the next 2 years. The effect of this policy is that the unfunded liability is expected to increase by \$2 billion as at 1 July 2002 compared to the unfunded liability disclosed in this report.

At the date of this investigation the Treasury Conversion Offer was still open for University employees. The results of the Offer are not expected to have a material impact on the results set out in this report.

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

**Unfunded liability under varying assumptions (\$million)**

Basis	SASS	SANCS	SSS	PSS	Total
Standard	1,956.6	847.2	1,884.3	2,106.6	6,794.7
Investment return plus 1%	1,611.4	728.5	(398.0)	1,782.3	3,724.2
Investment return minus 1%	2,360.2	978.0	4,677.4	2,506.1	10,521.7
Salary increases plus 1%	2,234.7	937.4	2,164.2	2,270.1	7,606.4
Salary increases minus 1%	1,708.0	760.7	1,555.5	1,974.0	5,998.2
CPI increases plus 1%	1,967.6	847.2	3,994.8	2,351.0	9,160.6
CPI increases minus 1%	1,943.9	847.2	60.4	1,899.9	4,751.4
Alternative basis*	1,837.4	804.5	1,114.0	1,995.1	5,751.0

\*Investment return is 8% in the first year, and 7.25% thereafter.

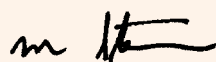
The above table demonstrates that the rate of investment return has the major impact on the financial condition of the Pooled Fund.

## Major items contributing to current results

The major items of surplus and deficiency which have affected the Schemes over the period since the last actuarial investigation are as follows:

Item	Comment	Amount \$ billion
Unfunded liability as at 1 July 1997		-13.2
Investment earnings	Investment earnings of the Pooled Fund were significantly higher than assumed and this resulted in an item of surplus.	2.9
Accelerated Crown contributions	Additional contributions to the Pooled Fund created an item of surplus.	3.1
Other contributions	Contributions to SSS and PSS (in addition to the accelerated Crown contribution) are \$1.3 billion in excess of the accruals over the period resulting in a surplus.	1.3
Change of actuarial basis	The overall impact of the changes in the valuation basis was an item of surplus.	1.6
Unallocated amount in the Contributor Reserve	The unallocated amount in the Contributor Reserve was transferred to the Employer Reserve thereby releasing a surplus of \$1.0 billion.	1.0
Impact of disability experience in PSS	The impact of the higher than expected disabilities in the PSS was an item of deficiency.	-0.3
Salary increases	Higher than expected salary increases led to a deficiency.	-0.5
Interest on the previous unfunded liability	Interest on the previous unfunded liability at 1 July 1997 resulted in a deficiency of \$3.0 billion.	-3.0
Other		0.3
Unfunded liability as at 30 June 2000		-6.8

The overall experience of the Scheme over the period since the last valuation was very favourable with a significant reduction in the unfunded liability occurring.



MA Stevenson  
Fellow of the Institute of Actuaries of Australia

# Investment Schedules

## Pooled Fund

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Schedule A	Top 20 Holdings — Australian Equities at 30 June 2001
Schedule B	Comparison between the ASX 300 Index and the Pooled Fund Australian Equities Portfolio at 30 June 2001
Schedule C	Top 20 Holdings — International Equities at 30 June 2001  Country Allocation — International Equities at 30 June 2001
Schedule D	Fixed Interest Investments — Australian and International at 30 June 2001
Schedule E	Major Private Capital Investments at 30 June 2001
Schedule F	Property Holdings at 30 June 2001

# top 20 holdings — australian equities

		Market Value \$ million	% of portfolio
1	The News Corporation Ltd	867.7	8.7
2	National Australia Bank Ltd	835.9	8.4
3	BHP Billiton Ltd	675.5	6.8
4	Commonwealth Bank of Australia Ltd	649.7	6.5
5	Australia & New Zealand Banking Group Ltd	468.3	4.7
6	Telstra Corporation Ltd	440.9	4.4
7	AMP Ltd	429.2	4.3
8	Westpac Banking Corporation Ltd	398.7	4.0
9	CSL Ltd	387.4	3.9
10	QBE Insurance Group Ltd	309.5	3.1
11	Aristocrat Leisure Ltd	218.6	2.2
12	Macquarie Bank Ltd	209.9	2.1
13	Woodside Petroleum Ltd	187.0	1.9
14	Fosters Group Ltd	166.2	1.7
15	Rio Tinto Ltd	154.2	1.6
16	Qantas Airways Limited	153.9	1.6
17	Computershare Limited	150.9	1.5
18	ResMed Inc	150.1	1.5
19	Brambles Industries Ltd	149.7	1.5
20	CSR Ltd	146.3	1.5
		<b>7,149.6</b>	<b>71.9</b>
	Total for Australian Equities	<b>9,937.8</b>	

# comparison between the ASX 300 index and the pooled fund australian equities portfolio

Sector	S&P/ASX 300		Pooled Fund		
	No. of Companies	% of S&P/ASX 300	No. of Companies	Market Value \$ million	% of portfolio
Gold	10	1.0	6	65.3	0.7
Other Metals	16	0.8	9	133.3	1.3
<b>All Mining</b>	<b>26</b>	<b>1.8</b>	<b>15</b>	<b>198.6</b>	<b>2.0</b>
Diversified Resources	4	10.1	4	940.3	9.5
Energy	12	2.5	7	274.8	2.7
<b>All Resources</b>	<b>16</b>	<b>12.6</b>	<b>11</b>	<b>1,215.1</b>	<b>12.2</b>
Infrastructure & Utilities	13	2.3	11	125.7	1.3
Developers & Contractors	9	2.4	5	212.9	2.1
Building Materials	7	1.8	7	177.5	1.8
Alcohol & Tobacco	6	2.8	5	187.5	1.9
Food & Household Goods	7	1.2	7	91.5	0.9
Chemicals	3	0.2	1	4.4	0.0
Engineering	2	0.1	0	0.0	0.0
Paper & Packaging	3	0.9	3	83.6	0.8
Retail	13	3.9	12	148.4	1.5
Transport	4	2.5	3	313.0	3.2
Media	14	13.4	13	1,164.9	11.7
Banks	13	24.3	13	2,683.4	27.0
Insurance	4	5.4	4	781.8	7.9
Telecommunications	17	7.9	15	502.4	5.1
Investment & Financial Services	24	1.7	20	380.1	3.8
Property	38	5.6	33	155.3	1.6
Healthcare & Biotech	28	3.7	19	859.7	8.7
Miscellaneous Industrial	45	1.7	31	233.0	2.3
Diversified Industrial	9	2.2	9	137.5	1.4
Tourism & Leisure	9	1.6	9	281.1	2.8
<b>All Industrials</b>	<b>268</b>	<b>85.6</b>	<b>220</b>	<b>8,524.1</b>	<b>85.8</b>
<b>Total</b>	<b>310</b>	<b>100</b>	<b>246</b>	<b>9,937.8</b>	<b>100</b>



# top 20 holdings — international equities

	Market Value \$ million	% of portfolio	Country	Sector
1. General Electric Company	188.2	3.1	USA	Industrial Conglomerates
2. Microsoft Corporation	151.3	2.5	USA	Systems Software
3. Exxon Mobil Corporation	147.7	2.4	USA	Integrated Oil & Gas
4. Citigroup Inc	142.1	2.3	USA	Diversified Financial Services
5. Pfizer Inc	139.4	2.3	USA	Pharmaceuticals
6. American International Group	119.5	2.0	USA	Multi-line Insurance
7. AOL Time Warner Inc	90.7	1.5	USA	Movies & Entertainment
8. IBM Corporation	80.3	1.3	USA	Computer Hardware
9. Walmart Stores Inc	79.7	1.3	USA	General Merchandise Stores
10. Verizon Communications Inc	75.6	1.2	USA	Integrated Telecommunication Services
11. Johnson & Johnson	57.7	0.9	USA	Pharmaceuticals
12. Intel Corporation	55.7	0.9	USA	Semiconductors
13. Viacom Inc	52.1	0.9	USA	Movies & Entertainment
14. Merck & Co Inc	51.0	0.9	USA	Pharmaceuticals
15. Cisco Systems Inc	50.5	0.8	USA	Networking Equipment
16. GlaxoSmithKline PLC	50.4	0.8	UK	Pharmaceuticals
17. Enron Corporation	50.1	0.8	USA	Multi-Utilities
18. Nokia OYJ	48.9	0.8	Finland	Telecommunications Equipment
19. Philip Morris	48.7	0.8	USA	Tobacco
20. Vodafone Group PLC	47.8	0.8	UK	Wireless Telecommunication Services
	<b>1,727.4</b>	<b>28.3</b>		
Total International Equities	<b>6,069.2</b>	<b>100.0</b>		

# country allocation — international equities

Composition	Allocation %	Relative to Benchmark %
North America	57.4	1.93
Europe	21.8	-0.08
Japan	11.3	-0.06
UK	7.7	-2.15
South East Asia	1.5	0.18
Other	0.2	0.18

at 30 June 2001

**Australian Investments Security Type**

	Market Value – \$ '000
<b>Government Securities</b>	
Commonwealth Government	912,213
State Government	1,127,798
Local Government	9,212
	<hr/> 2,049,223
<b>Commercial/Other</b>	
Co-operative Housing Societies	2,226
Company Loans	7,420
Mortgage-backed Securities	200,747
Other	876,330
	<hr/> 1,086,723
<b>Short Term Securities</b>	
Bank Certificates of Deposit	1,157,884
Bank Bills	590,572
Bank Deposits	589,340
Non-government Promissory notes	1,013,186
	<hr/> 3,350,982
<b>Leaseholds</b>	<hr/> 393
<b>Total</b>	<hr/> <b>6,487,321</b>

**International Fixed Interest Investments**

	Market Value A\$ million	% of portfolio
USA	614.3	33.6
Japan	322.7	17.7
Germany	268.0	14.7
Sweden	157.3	8.6
Italy	156.1	8.5
Europe	90.4	4.9
Spain	66.8	3.7
Canada	59.3	3.2
France	42.7	2.3
UK	25.0	1.4
Belgium	11.8	0.6
Netherlands	9.1	0.5
Denmark	4.9	0.3
<b>Total</b>	<hr/> <b>1,828.4</b>	<hr/> <b>100.0</b>

# major private capital investments

Investment	% Holding	Activity
Australia Pacific Airports Corp. Ltd	25	Melbourne and Launceston Airports
State Super Financial Services Ltd	100	Funds management and financial planning
Auspower Pty Ltd (Yallourn Energy)	8	Electricity generation
Nextgen Holdings Pty Ltd	11	Fibre optic telecommunications network
Epic Energy Group	11	Gas transportation
Hancock Vic. Plantations Holdings Pty Ltd	9	Forestry
Ulan Coal Sale Royalties	N/A	Mining royalty
International Parking Group	50	Car parking
Wizard Mortgage Corporation Ltd	13	Home loan mortgage originator
Brinson Partnership Funds	N/A	USA Private Equity fund of funds

at 30 June 2001

**Properties owned at 30 June 2001****Commercial**

16-20 Barrack Street, Sydney, NSW  
 93 George Street, Parramatta, NSW  
 141 Walker Street, North Sydney, NSW  
 83-85 Clarence Street, Sydney, NSW  
 Governor Phillip Tower, Farrer Place, Sydney, NSW (50% Equity)  
 Governor Macquarie Tower, Farrer Place, Sydney, NSW (50% Equity)  
 39-47 Phillip Street, Sydney, NSW (50% Equity)  
 QV1, 250 St George's Terrace, Perth, WA (50% Equity)

**Industrial**

7 Gibbes Street and 9 McCabe Place, Chatswood, NSW  
 St Leonards Corporate Centre, 39 Herbert Street, St Leonards, NSW  
 Macquarie View Estate, 112-118 Talavera Road, North Ryde, NSW  
 Regents Park Estate, 391 Park Road, Regents Park, NSW  
 Citilink Industrial Estate, 349 Ingles Street, Port Melbourne, VIC

**Retail**

292 Forest Road, Hurstville, NSW (50% Equity)  
 Westfield Shoppingtown, 262-264 Forest Road, Hurstville, NSW (50% Equity)  
 Knox City Shopping Centre, corner Burwood Highway and Stud Road, Wantirna South, VIC (50% Equity)  
 Knox Towerpoint, Burwood Highway, Wantirna South, VIC (50%)  
 Lot 1, Bridgewood Court, Wantirna South, VIC (50% Equity)  
 Tweed City Shopping Centre, 56 Pacific Hwy & Kirkwood Road, Tweed Heads South, NSW  
 34-36 Pacific Highway, Tweed Heads South, NSW  
 28 Kirkwood Road, Tweed Heads South, NSW  
 36 Kirkwood Road, Tweed Heads South, NSW  
 38 Kirkwood Road, Tweed Heads South, NSW  
 40 Kirkwood Road, Tweed Heads South, NSW  
 46 Kirkwood Road, Tweed Heads South, NSW  
 Capalaba Central Shopping Centre, Morton Bay Road, Capalaba, QLD  
 Smithfield Centre, corner Captain Cook and Kennedy Highways, Cairns, QLD  
 Plumpton Marketplace, corner Jersey and Hyatts Roads, Plumpton, NSW  
 Westfield Shoppingtown Mt Druitt, corner Carlisle Avenue & North Parade, Mt Druitt, NSW (50% equity)

**Australia Listed Property Trusts**

The Pooled Fund at 30 June 2001 had two significant holdings in listed property trusts:

Name	Units held million	% of units on issue
Deutsche Office Trust (DOT)*	360.5	31.4
Deutsche Industrial Trust	50.0	19.3

\*DOT holds a 50% interest in Governor Phillip and Macquarie Towers and 39-49 Phillip Street, Sydney.

Properties Acquired During the Year	Settled	Purchase Price \$Million
Westfield Shoppingtown Mt Druitt, corner Carlisle Avenue and North Parade, Mt Druitt, NSW	Dec 00	\$118.00

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# Superannuation Schedules

## SAS Trustee Corporation

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Schedule B	Changes in Membership by Scheme
Schedule C	Analysis of Members by Age and Sex
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Schedule E	Benefit Points Accrual Rate
Schedule F	Additional Benefit Coverage
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Schedule L	Age Distribution of Pensioners

# overview of membership by Scheme

for the year ended 30 June 2001 compared  
to year ended 30 June 2000

	Members		Pensioners		Deferred Benefits	
	30/6/01	30/6/00	30/6/01	30/6/00	30/6/01	30/6/00
State Authorities						
Superannuation Scheme	76,974	81,824	6,552	7,116	13,270	12,793
State Superannuation Scheme	37,887	40,329	33,003	31,843	4,885	4,420
Police Superannuation Scheme	5,652	6,088	4,100	3,759	237	240
Basic Benefit Only	N/A	N/A	N/A	N/A	96,240	101,340
<b>All schemes</b>	<b>120,513</b>	128,241	<b>43,655</b>	42,718	<b>114,632</b>	118,793

N/A = not applicable

# changes in membership by scheme

## State Authorities Superannuation Scheme

<b>Members at 1 July 2000</b>	<b>81,824</b>
<b>Less exits</b>	
Normal retirements	1,713
Invalidity retirements	
— Partial & permanent	267
— Total & permanent	221
Deaths	83
Retrenchments	818
Resignations & dismissals	1,748
<b>Total exits</b>	<b>4,850</b>
<b>Members at 30 June 2001</b>	<b>76,974</b>

## State Superannuation Scheme

<b>Members at 1 July 2000</b>	<b>41,020</b>
<b>Less exits</b>	
Normal retirements	951
Early retirements	476
Invalidity retirements	362
Deaths	42
Retrenchments	273
Resignations & dismissals	387
Treasury Conversion Offer	642
<b>Total exits</b>	<b>3,133</b>
<b>Members at 30 June 2001</b>	<b>37,887</b>

## Police Superannuation Scheme

<b>Members at 1 July 2000</b>	<b>6,088</b>
<b>Less exits</b>	
Normal retirements	17
Early retirements	118
Invalidity retirements	
— Hurt on duty	163
— Pension	80
— Gratuity	16
Deaths	3
Resignations & dismissals	39
<b>Total exits</b>	<b>436</b>
<b>Members at 30 June 2001</b>	<b>5,652</b>



# analysis of members by age and sex

Age	SASS	SSS	SSS	PSS
<b>Males</b>				
20 – 24	2		0	0
25 – 29	718		0	0
30 – 34	3,708		61	484
35 – 39	5,153		692	1,391
40 – 44	6,775		3,747	1,215
45 – 49	6,892		7,769	978
50 – 54	6,378		7,871	809
55 – 59	4,163		4,827	226
≥60	2,094		579	5
<b>Females</b>				
		<b>R55*</b>	<b>R60*</b>	
20 – 24	0	0	0	0
25 – 29	438	0	0	0
30 – 34	3,422	35	56	135
35 – 39	4,481	336	419	251
40 – 44	6,304	1,703	1,433	115
45 – 49	8,196	2,272	1,871	31
50 – 54	9,354	1,834	1,169	10
55 – 59	6,285	285	764	2
≥60	2,611	46	118	0
<b>All Members</b>				
20 – 24	2		0	0
25 – 29	1,156		0	0
30 – 34	7,130		152	619
35 – 39	9,634		1,447	1,642
40 – 44	13,079		6,883	1,330
45 – 49	15,088		11,912	1,009
50 – 54	15,732		10,874	819
55 – 59	10,448		5,876	228
≥60	4,705		743	5
<b>Total</b>	<b>76,974</b>		<b>37,887</b>	<b>5,652</b>

\* R55 and R60 refer to retirement at age 55 and 60

# members in employing organisations

Employer	SASS	SSS	Total
<b>Education</b>			
Dept of School Education	15,099	17,781	32,880
Technical & Further Education Commission NSW	2,463	2,577	5,040
<b>Public Service</b>			
Dept of Community Services	1,333	657	1,990
Dept of Corrective Services	1,325	657	1,982
Dept of Courts Administration	914	649	1,563
Dept of Housing	422	382	804
Dept of Land & Water Conservation	555	720	1,275
Fire Brigades	764	1,410	2,174
Health Dept	1,839	169	2,008
Home Care Services of NSW	918	5	923
NSW Dept of Agriculture	503	634	1,137
NSW Police Service	3,198	578	3,776
Public Works Dept	658	813	1,471
State Forests of NSW	428	145	573
<b>Statutory Authorities &amp; Other Bodies</b>			
Hospitals & Area Health	22,178	1,349	23,527
Other Public Sector Authorities	4,727	4,025	8,752
Pacific Power & Related Bodies	1,024	687	1,711
Part 2 Employers	377	728	1,105
Rail Authorities	9,282	41	9,323
Roads & Traffic Authority	2,636	935	3,571
State Transit	1,885	10	1,895
Sydney Water	1,304	850	2,154
Universities	3,142	2,085	5,227
<b>Total</b>	<b>76,974</b>	<b>37,887</b>	<b>114,861</b>

**State Authorities Super Scheme**

Benefit point accrual is determined by the percentage rate of the member's contributions, which can be selected annually. Generally, one benefit point accrues each year for every 1% of salary contributed by the member (except for classes of members covered by special transitional provisions).

Benefit points contributed per annum	Males		Females		All Members	
	No. of Contributors	% of Contributors	No. of Contributors	% of Contributors	No. of Contributors	% of Contributors
0(A)	56	0	279	1	335	0
1	2,441	7	2,310	6	4,751	6
2	1,260	4	1,779	4	3,039	4
3	2,010	6	2,706	7	4,716	6
3.5	59	0	107	0	166	0
4	1,562	4	1,608	4	3,170	4
5	1,944	5	1,833	4	3,777	5
6	9,061	25	10,754	26	19,815	26
6.7	58	0	9	0	67	0
7	3,422	10	3,184	8	6,606	9
8	1,812	5	1,728	4	3,540	5
9	11,966	33	14,253	35	26,219	34
> 9 (B)	25	0	1	0	26	0
LWOP (C)	206	1	541	1	747	1
<b>Total</b>	<b>35,882</b>	<b>100</b>	<b>41,092</b>	<b>100</b>	<b>76,974</b>	<b>100</b>

- (A) The 0% rate is available in the State Authorities Superannuation Scheme to certain members in circumstances of financial hardship, and to non-contributing members of the Transport Gratuity Scheme.
- (B) Refers to former contributors in the NSW Retirement Fund who were entitled to accrue more than 9 points per year under the conditions of their transfer to SASS.
- (C) Refers to leave without pay.

## State Authorities Super Scheme

	Number of Contributors		
	Approved for Additional Benefit Cover	Not Approved for Additional Benefit Cover	Additional Benefit Cover Application Not Lodged
<b>Males</b>			
The Crown and other employers	15,906	13,626	604
Local Government and other authorities	7	6	1
Hospitals and other bodies	3,644	1,923	168
<b>Total</b>	<b>19,557</b>	<b>15,555</b>	<b>773</b>
<b>Females</b>			
The Crown and other employers	10,444	13,181	491
Local Government and other authorities	9	8	0
Hospitals and other bodies	8,692	7,778	486
<b>Total</b>	<b>19,145</b>	<b>20,967</b>	<b>977</b>
<b>All Members</b>			
The Crown and other employers	26,350	26,807	1,095
Local Government and other authorities	16	14	1
Hospitals and other bodies	12,336	9,701	654
<b>Total</b>	<b>38,702</b>	<b>36,522</b>	<b>1,750</b>

# normal and early retirements

Age	SASS	SSS	SSS	PSS
<b>Males</b>				
≤55	2		108	57
56	5		65	25
57	6		73	19
58	62		115	10
59	99		59	11
60	70		406	8
61	85		67	4
62	68		26	1
63	45		14	0
64	58		20	0
>65	175		23	0
<b>Females</b>				
		<i>R55*</i>	<i>R60*</i>	
≤55	12	268	0	0
56	16	27	0	0
57	17	14	0	0
58	132	14	0	0
59	161	12	0	0
60	134	6	65	0
61	117	2	11	0
62	138	2	8	0
63	85	2	1	0
64	70	4	4	0
>65	156	3	8	0
<b>All Members</b>				
≤55	14		376	57
56	21		92	25
57	23		87	19
58	194		129	10
59	260		71	11
60	204		477	8
61	202		80	4
62	206		36	1
63	130		17	0
64	128		28	0
>65	331		34	0
<b>Total</b>	<b>1,713</b>		<b>1,427</b>	<b>135</b>

\* R55 and R60 refer to retirement at age 55 and age 60.

# invalidity retirements — ages at exit

Age	SASS	SSS	SSS	PSS
<b>Males</b>				
20–24	0		0	0
25–29	1		0	0
30–34	8		0	7
35–39	16		2	36
40–44	29		20	39
45–49	41		47	46
50–54	63		95	83
55–59	64		113	33
≥60	19		0	1
<b>Females</b>				
		<b>R55*</b>	<b>R60*</b>	
20–24	0	0	0	0
25–29	1	0	0	0
30–34	3	0	0	4
35–39	14	3	3	4
40–44	18	6	2	2
45–49	38	20	8	2
50–54	90	16	17	2
55–59	70	0	10	0
≥60	13	0	0	0
<b>All Members</b>				
20–24	0		0	0
25–29	2		0	0
30–34	11		0	11
35–39	30		8	40
40–44	47		28	41
45–49	79		75	48
50–54	153		128	85
55–59	134		123	33
≥60	32		0	1
<b>Total</b>	<b>488</b>		<b>362</b>	<b>259</b>

\* R55 and R60 refer to retirement at age 55 and age 60.

for the year ended 30 June 2001

	SASS \$	SSS (A) \$	PSS \$
<b>Average Lump Sum</b>			
Normal retirement and EVR (B)	165,184	42,641	518,089
Invalidity Retirement	125,011	16,502	119,282
Death of contributor	152,052	71,660	280,017
Withdrawal benefit			
>10 years service	113,833	61,154	97,416
<10 years service	55,404	N/A	N/A
Retrenchment	N/A	52,370	N/A
Treasury Conversion Offer	N/A	78,369	N/A
<b>Average Rates of Pension Arising (rate per fortnight at time of commencement)</b>			
Normal retirement and EVR (B)	524	1,161	1,798
Invalidity retirement	598	1,249	1,606
Spouse pension (death of contributor)	—	889	1,302
Spouse pension (death of pensioner)	57	821	982
<b>Average Rates of Existing Pensions at 30 June 2001</b>			
Normal retirement and EVR (B)	253	828	1,758
Invalidity retirement	322	952	1,372
Spouse pensions	57	702	702

Note:

(A) In the State Superannuation Scheme:

- details for average lump sum paid include only those pensions commuted in full during the current year,
- average rates of pension arising include the rate of pension paid following retirement and before commutation,
- figures for average rates of existing pensions exclude commuted amounts.

(B) EVR means Early Voluntary Retirements.

N/A means not applicable.

# number of deferred benefit movements

	SASS	SSS	PSS	BB Only	Total
<b>Deferred benefits at 1 July 2000</b>	<b>12,793</b>	<b>4,420</b>	<b>240</b>	<b>101,340</b>	<b>118,793</b>
<b>Plus</b>					
Benefits deferred during year	2,007	707	16	1,117	3,847
<b>Less</b>					
Deferred benefits paid out during year					
– Pensions/lump sums	947	154	10	5,166	6,277
– Withdrawals	583	88	9	11	691
– Transfers to Eligible Rollover Fund				1,040	1,040
<b>Deferred Benefits at 30 June 2001</b>	<b>13,270</b>	<b>4,885</b>	<b>237</b>	<b>96,240</b>	<b>114,632</b>



# pensions arising and discontinued

	State Super Scheme	State Authorities Super Scheme (A)	Police Super Scheme
<b>Normal &amp; EVR (B) Pensions</b>			
Pensions in force at 1 July 2000	19,610	3,005	820
New pensions commenced during year (C)			
— Normal & EVR	1,859	35	44
— Retrenchment	4		
Pensions discontinued			
— Fully commuted	248	0	0
— Due to death	528	324	49
— Terminated	184	6	0
<b>Pensions current at 30 June 2001</b>	<b>20,513</b>	<b>2,710</b>	<b>815</b>
<b>Invalidity Pensions</b>			
Pensions in force at 1 July 2000	5,960	61	2,086
New pensions commenced during year	315	5	386
Pensions discontinued			
— Fully commuted	83	0	20
— Due to death	56	3	17
— Due to resumption of duty	0	0	0
— Terminated	29	0	0
<b>Pensions current at 30 June 2001</b>	<b>6,107</b>	<b>63</b>	<b>2,435</b>
<b>Spouse Pensions</b>			
Pensions in force at 1 July 2000	6,171	4,045	842
New pensions commenced during year	505	102	42
Pensions discontinued			
— Fully commuted	216	0	0
— Due to death	181	365	46
— Terminated	38	10	0
<b>Pensions current at 30 June 2001</b>	<b>6,241</b>	<b>3,772</b>	<b>838</b>
<b>Child Pensions</b>			
Pensions in force at 1 July 2000	102	5	11
New pensions commenced during year	86	2	1
Pensions discontinued	46	0	0
<b>Pensions current at 30 June 2001</b>	<b>142</b>	<b>7</b>	<b>12</b>

(A) Former members of Local Government Pension Fund, New South Wales Retirement Fund or Railways Superannuation Account.

(B) EVR means Early Voluntary Retirement.

(C) Includes pensions commuted in full at the time pension commenced.

# age and distribution of pensioners<sup>#</sup>

## 1. State Superannuation Scheme

Age	Normal & EVR Pensions			Invalidity Pensions			Retrenchment Pensions			Spouse Pensions	
	Males	Females R55*	Females R60*	Males	Females R55*	Females R60*	Males	Females R55*	Females R60*	Males	Females
≤19	0	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0	6
25-29	0	0	0	0	0	0	0	0	0	2	2
30-34	0	0	0	0	1	0	0	0	0	0	5
35-39	0	0	0	30	19	18	0	0	0	5	15
40-44	0	0	0	153	70	94	0	0	0	20	91
45-49	0	0	0	452	170	165	0	0	0	20	217
50-54	0	0	0	868	216	167	12	3	2	56	309
55-59	1,052	1,254	180	885	189	166	167	25	19	32	393
60-64	2,807	981	536	733	122	121	489	12	38	17	456
65-69	1,981	519	443	353	64	81	202	2	14	23	525
70-74	1,659	573	347	335	54	65	53	0	1	27	800
≥75	5,141	867	1,131	399	30	87	3	0	0	51	3,169
<b>Total</b>	<b>12,640</b>	<b>4,194</b>	<b>2,637</b>	<b>4,208</b>	<b>935</b>	<b>964</b>	<b>926</b>	<b>42</b>	<b>74</b>	<b>253</b>	<b>5,988</b>

## 2. Police Superannuation Scheme

Age	Males			Females			Spouses	
	Normal & EVR	Hurt on Duty	Non Hurt on Duty	Normal & EVR	Hurt on Duty	Non Hurt on Duty	Males	Females
<19	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	1
30-34	0	23	0	0	8	0	0	5
35-39	0	156	0	0	36	0	0	13
40-44	0	233	16	0	30	1	0	16
45-49	0	313	48	0	13	1	0	14
50-54	1	414	166	0	8	1	0	27
55-59	74	306	167	1	1	0	0	26
60-64	71	91	47	0	1	0	0	33
65-69	30	24	36	2	1	0	1	64
70-74	163	34	79	1	2	0	0	116
≥75	470	56	117	2	6	0	0	522
<b>Total</b>	<b>809</b>	<b>1,650</b>	<b>676</b>	<b>6</b>	<b>106</b>	<b>3</b>	<b>1</b>	<b>837</b>

# age and distribution of pensioners<sup>#</sup>

## 3. State Authorities Superannuation Scheme

Age	Normal & EVR Pensions		Invalidity Pensions		Spouse Pensions	
	Males	Females	Males	Females	Males	Females
30-34	0	0	0	0	1	0
35-39	0	0	0	1	0	0
40-44	0	0	0	1	0	1
45-49	0	0	1	0	0	1
50-54	2	0	5	1	0	2
55-59	2	1	6	2	1	6
60-64	34	24	6	2	0	26
65-69	70	20	4	1	1	70
70-74	157	19	6	3	2	278
≥ 75	2,178	203	22	2	12	3,371
<b>Total</b>	<b>2,443</b>	<b>267</b>	<b>50</b>	<b>13</b>	<b>17</b>	<b>3,755</b>

# Distribution does not include children pension recipients.

\* R55 and R60 refer to retirement at age 55 and age 60.

# Statutory Information

## SAS Trustee Corporation

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Appendix 1	Board Membership and Frequency of Meetings
Appendix 2	The Trustee Board Committees
Appendix 2A	Board Member Attendance at STC Committee Meetings
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Appendix 4	2000-01 Legislation Changes
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# 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 Labor Council of NSW). All are appointed by the Minister on a part-time basis except for one employee representative who is a full-time employee Board member.

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

The Trustee Board generally meets on a monthly basis and eleven ordinary meetings were held during the period from 1 July 2000 to 30 June 2001.

In line with the requirements of the *Annual Reports (Statutory Bodies) Act 1984*, Board meeting attendance is notified as follows:

	Appointed	Termination Date	Meetings Attended	Possible Attendance
<b>Chairperson</b>				
Mr M Cole	1 April 2000	31 Mar 2002	11	11
<b>Employer Representatives</b>				
Mr I Blair	1 Sept 1998	31 Aug 2002	11	11
Mr M Duffy	1 Sept 1998	30 Aug 2000	2	2
Mr B Gillooly	1 Sept 2000	31 Aug 2002	9	9
Mr D F Nicholls	1 July 1996	31 Aug 2002	10	11
Ms C Prime	1 Sept 1996	31 Aug 2002	10	11
<b>Employee Representatives</b>				
Ms B Ashe	1 July 1996	31 Dec 2001	10	11
Mr R Davis	1 July 1996	31 Aug 2002	10	11
Mr J Hennessy	1 July 1996	31 Aug 2002	10	11
Mr N Lewocki	1 Sept 1998	31 Aug 2002	8	11

The committees and details of their purpose and membership at 30 June 2001 are:

### Actuarial Committee

<b>Members</b>	Mses Prime (chairperson) and Ashe and Mr Nicholls; also attended by officers of the Trustee Corporation and the Scheme Actuary.
<b>Purpose</b>	To monitor the progress of the triennial review of the Pooled Fund; facilitate the flow of information between the valuing actuary and the administrator; advise the Trustee Corporation of any issues as they arise; monitor the Actuary's compliance with the requirements of the contract for actuarial services; ensure Treasury and Premier's Department provide relevant inputs and are appraised of appropriate issues; provide the Trustee Corporation with the Actuary's Report within 6 months of the end of the triennium; and forward the Actuary's Report and comments to the Minister within 6 months of the end of the triennium.

### Administration and Policy Committee

The Joint STC/FTC Administration Committee was discontinued in November 2000. The STC Administration and Policy Committee was established by the Board in November 2000.

<b>Members</b>	Messrs Gillooly (chairperson), Lewocki and Nicholls and Ms Ashe; also attended by officers of the Trustee Corporation and the Administrator.
<b>Purpose</b>	To monitor the services provided by the administration service provider and compliance with the administration contract; maintain communication with the administrator, monitor procedures and systems changes to ensure compliance with any legislation or policy changes; provide guidance to the Trustee Corporation on general administrative matters; review and advise upon strategic areas of policy development and changes to legislation.

### Audit and Compliance Committee

<b>Members</b>	Messrs Blair (chairperson), Davis and Nicholls and Ms Ashe; also attended by officers of the Trustee Corporation, Audit Office of New South Wales and the Administrator.
<b>Purpose</b>	To assist in fulfilling the Trustee Corporation's responsibilities relating to financial reporting practices, business ethics, policies and practices, accounting policies, management and internal controls. To monitor compliance with the Trustee Corporation's Corporate Governance requirements including contractual and legislative compliance.

### Disputes Committee

<b>Members</b>	Mses Prime (chairperson) and Ashe and Messrs Gillooly and Lewocki; also attended by officers of the Trustee Corporation.
<b>Purpose</b>	To discharge the Board's responsibilities in relation to disputes received from persons under section 67 of the <i>Superannuation Administration Act 1996</i> ; monitor the delegated administrative decisions and procedures of the Superannuation Administration Corporation (SAC) and the Police Superannuation Advisory Committee (PSAC) to ensure that these delegates are operating within the powers of STC and comply with the policies of STC, and make recommendations to the Board in this regard; provide guidance and control via the Chief Executive over the procedures for dealing with disputes by the Executive staff; progress and monitor appeals under section 88 of the Act; and report to the Board following each meeting of the Committee.

### Investment Committee

<b>Members</b>	Messrs Cole (chairperson), Blair, Davis, Gillooly, Hennessy and Nicholls and Mses Ashe and Prime; also attended by officers of the Trustee Corporation and investment advisers.
<b>Purpose</b>	To review the investment portfolio objectives, strategic policies, manager mandates and reporting arrangements; decide on fees and arrangements with service providers in respect of the Pooled Fund's investment portfolio; recommend investment manager appointments and terminations; review the Pooled Fund's investment portfolio results with the asset consultant and other service providers; monitor breaches of investment mandates; and review and to report to the Board on any major investment issues that the Board refers to the Committee including Corporate Governance matters.

**Remuneration committee (joint STC/FTC)**

**Members** Messrs Cole (chairperson), Blair and Parry (FTC chairperson); 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 and to determine the salary structure of the contract staff having regard to appropriate benchmarks.

**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 authority delegated by the Trustee Corporation. Members of the Committee were appointed on 7 July 2000 following the Committee's lapse on 31 March 2000.

**Members** Mr Hennessy (Ms Ashe and Mr Davis as alternates for Mr Hennessy).

The members are a chairperson appointed by the Minister, a nominee of the Trustee Corporation, three nominees of the Police Association, a nominee of the Commissioned Police Officers' Association, a nominee of Work Cover and a nominee of the Minister for Police.

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

**Communications Taskforce**

**Members** Ms Ashe (chairperson) and Prime and Mr Davis; also attended by officers of the Trustee Corporation.

**Purpose** To develop an education program to advocate the benefits of superannuation and increase the interest of members', and their understanding of their rights and entitlements under the Schemes.

## Appendix 2A

during 2000–01

board member attendance  
at STC committee meetings

	Meetings Attended	Possible Attendance
<b>Actuarial Committee</b>		
B Ashe	4	4
D Nicholls	3	4
C Prime	4	4
M Cole ( <i>ex officio</i> )	4	N/A
<b>Administration and Policy Committee</b>		
B Ashe	4	4
I Blair	1	1
M Duffy	0	1
B Gillooly	2	3
N Lewocki	4	4
D Nicholls	3	4
M Cole ( <i>ex officio</i> )	4	N/A

# board member attendance at STC committee meetings

	Meetings Attended	Possible Attendance
<b>Audit and Compliance Committee</b>		
B Ashe	4	4
I Blair	4	4
R Davis	3	4
D Nicholls	3	4
M Cole ( <i>ex officio</i> )	3	N/A
<b>Disputes Committee</b>		
B Ashe	8	10
I Blair ( <i>ex officio</i> )	1	N/A
M Duffy	1	1
B Gillooly	8	8
J Hennessy ( <i>alternate for B Ashe and N Lewocki</i> )	1	2
N Lewocki	9	10
C Prime	6	10
<b>Investment Committee</b>		
B Ashe	5	5
I Blair	2	4
M Cole	5	5
R Davis	2	5
M Duffy	0	1
B Gillooly	4	4
J Hennessy	3	5
D Nicholls	4	5
C Prime	5	5
<b>Police Superannuation Advisory Committee</b>		
J Hennessy	11	12
R Davis ( <i>alternate for J Hennessy</i> )	1	1
<b>Remuneration Committee (Joint STC/FTC)</b>		
I Blair	2	2
M Cole	2	2
T Parry ( <i>FTC Chairperson</i> )	2	2
<b>Communications Taskforce</b>		
B Ashe	2	2
R Davis	1	2
C Prime	1	1
M Cole ( <i>ex officio</i> )	1	N/A



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 2000, 40 disputes were current. During the year ending 30 June 2001, the Trustee Corporation received 61 new disputes and 69 disputes were concluded (including disputes carried over from the previous year). Of those disputes:

- ▶ 25 were determined in favour of the disputant,
- ▶ 14 were determined against the disputant,
- ▶ 6 were partly allowed, and
- ▶ 24 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:

- ▶ 5 were settled, and
- ▶ 3 were withdrawn or discontinued.

At the end of the reporting year 5 appeals remained to be concluded.

The Police Superannuation Scheme provides for appeals to the Compensation Court of NSW from decisions of the Police Superannuation Advisory Committee (PSAC), as delegate of the Trustee Corporation. These relate to lump sum payments for duty-related permanent impairments and pension increases. These appeals resulted as follows:

- ▶ 4 were decided against the appellant,
- ▶ 1 was decided in favour of the appellant,
- ▶ 9 were withdrawn or discontinued, and
- ▶ 24 were settled.

At the end of the reporting year, 45 appeals remained to be concluded.

## legislation changes

Schemes: SASS — State Authorities Superannuation Scheme,  
 SANCS — State Authorities Non-contributory Superannuation Scheme (Basic Benefit),  
 SSS — State Superannuation Scheme,  
 PSS — Police Superannuation Scheme

\* Where there are multiple new or amended provisions the section(s) or other reference listed is the major or *primary* provision affected.

Assent Date	Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section*	Description
13.12.00	13.12.00	PSS	<i>Police Regulation (Superannuation) Act 1906</i>	<i>Superannuation Legislation Amendment Act 2000</i>	12E	<p><b>Damages paid or payable to recipients of hurt-on-duty gratuities</b></p> <p>The amendment provides for the circumstances where a hurt-on-duty benefit is payable or paid in respect of the death of or injury to a contributor to the Fund and damages are also recoverable from another person. The gratuity is not payable to a person who recovers damages and a person who recovers damages must repay the amount of any gratuity paid.</p> <p>The amendment also enables STC to obtain an authority from the person to whom a gratuity is paid or payable to obtain information from a third person that is relevant to the question of whether damages have been recovered. STC may refuse to pay the gratuity if an authority is not provided.</p>
13.12.00		SASS SSS PSS SANCS	–	<i>Superannuation Legislation Amendment Act 2000</i>	PSS 12F SANCS 23 SASS 43B SSS 61RF	<p><b>Benefits in cases of severe financial hardship and on compassionate grounds</b></p> <p>Under the <i>Superannuation Industry (Supervision) Act 1993</i> of the Commonwealth, benefits may be paid on the grounds of severe financial hardship or on compassionate grounds. The release of benefits on these grounds was previously permitted only under SASS and SANCS and was limited to exclude current contributors.</p> <p>The amendment removes the limitation so as to extend the right to release of benefits on these grounds to all members, whether current or deferred, of all the Pooled Fund Schemes.</p> <p>The basis for releasing benefits under these provisions is defined in Regulations and became effective when the Regulations were made. It should be noted that release of benefits to PSS members has not yet been regulated.</p>

## legislation changes

Assent Date	Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section*	Description
13.12.00	13.12.00	PSS SASS SANCS SSS	–	<i>Superannuation Legislation Amendment Act 2000</i>	SSS 61RA SANCS 26A SASS 45A PSS 14AA	<p><b>Reduction of benefit to offset liability for superannuation contributions surcharge tax</b></p> <p>STC may reduce a benefit under PSS, SANCS, SASS or SSS in order to offset liability for a superannuation contributions surcharge tax on employer contributions. The legislation has been amended to allow STC, on the application of a contributor or former contributor, to apply the SANCS benefit payable to the contributor toward payment of the superannuation contributions surcharge.</p>
13.12.00	13.12.00	PSS SSS	–	<i>Superannuation Legislation Amendment Act 2000</i>	<b>PSS 16A</b> SSS 91	<p><b>Late elections</b></p> <p>The amendments enable STC to accept late elections, choices and applications from PSS members if it is satisfied that in all the circumstances of the case it is desirable to do so.</p> <p>The amendments specifically enable STC to accept late Treasury conversion offer elections that have already been made and validates the acceptance of any late conversion elections.</p>
13.12.00	13.12.00	PSS SSS	–	<i>Superannuation Legislation Amendment Act 2000</i>	PSS 14B(2) SSS 61C	<p><b>Adjustment of superannuation allowances for CPI changes</b></p> <p>Pensions under PSS and SSS are adjusted annually by an adjustment percentage, calculated by comparing the Consumer Price Index (All Groups — Sydney) number for the June quarter against the index number for the previous June quarter. If the adjustment percentage for a year is less than 1%, then the change was disregarded, and superannuation allowances were not adjusted in that year.</p> <p>The amendment removes this restriction, but only insofar as it relates to increases in the CPI. As a result, if there is a small upward movement in the CPI in any year, superannuation allowances will be increased in that year.</p>

# 2000–2001

## legislation changes

Assent Date	Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section*	Description
13.12.00	13.12.00	SSS	<i>Superannuation Act 1916</i>	<i>Superannuation Legislation Amendment Act 2000</i>	38A	<p><b>Withdrawal benefit</b></p> <p>The method of determining withdrawal benefits from SSS to provide for the payment of interest on the basis of Fund earnings was expected to increase the withdrawal benefits payable to members who exit from 1 December 1998. The withdrawal benefits were also capped. Subsequently, it was considered that these conditions could operate against members. Section 38A has been amended to ensure that members are not disadvantaged by the method of determining interest or the cap.</p>
					91	<p><b>Removal of waiting period</b></p> <p>A member contributing for normal retirement at age 60 who voluntarily retired between ages 55–59 (incl.) was required to wait 6 months before an election to commute the pension could take effect. The amendments remove that 6 month waiting period.</p>
20.12.00	19.01.01	SSS, PSS, SASS, SANCS	–	<i>Superannuation Legislation Amendment (Same Sex Partners) Act 2000</i>	SSS 3(1) PSS 1(2) SASS 3(1) SANCS 3(1)	<p><b>Same sex partners</b></p> <p>The amendment adds the definition of de facto partner and includes a same sex partner who is living in a de facto relationship with a contributor or former contributor to SSS, PSS, SASS or SANCS.</p> <p>The effect of this is that same sex partners of persons who are entitled to, or who are receiving, benefits may now be dealt with in the same manner as de facto (opposite sex) partners and will be entitled to the benefits that are generally payable to spouses on the death of a contributor or former contributor.</p> <p>The amendment makes it clear that the new benefits apply only to members or former members who die on or after the provisions commence.</p> <p>Persons who have previously elected to take a conversion benefit and transfer to the First State Superannuation Scheme or other superannuation schemes are given the right under this amendment to elect to revoke that conversion election.</p>

# account payment performance

	Quarter ended September '00	Quarter ended December '00	Quarter ended March '01	Quarter ended June '01
<b>Accounts Payable</b>				
Current	\$117,503	\$0	\$0	\$1,049
Overdue				nil
<b>ACCOUNTS PAID</b>				
Total payments				\$36,793,314
Prompt payments				\$36,793,314
Late payments				nil
Percentage of accounts paid promptly				100%
				(target 90%)

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

The table below shows the STC Executive male, female and total staff numbers.

**Number of Employees by Salary Band 2000–2001**

	Men	Women	Total Staff (number)
< \$26,802	0	0	0
\$26,802 – \$35,201	0	1	1
\$35,202 – \$39,354	0	2	2
\$39,355 – \$49,799	0	2	2
\$49,800 – \$64,400	4	3	7
\$64,401 – \$80,499	2	1	3
> \$80,499 (non SES)	4	4	8
> \$80,499 (SES)	0	1	1
<b>Totals</b>	<b>10</b>	<b>14</b>	<b>24</b>
	<b>41.7%</b>	<b>58.3%</b>	

### Senior Executive Service (SES)

STC employs one SES officer, the CEO, Ms Lyn Gearing, at Grade 5 level. The total remuneration package for this position is worth \$194,770. 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 Ms Gearing's leadership, achieved a number of significant goals agreed at the commencement of the year with the Board of STC.

### Salary movement

The CEO's salary is partially paid by both Trustee Corporations in the following proportions: 25% by FTC and 75% by STC. While FTC has no other employees, they pay 25% of the salary and oncosts of the SAS Trustee Corporation staff.

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 1997) Award. The Award covers a period of 3 years. Staff under this award received an incremental salary increase of 2% on 7 January 2001.

### Industrial relations

The Public Service Association of New South Wales provided industrial coverage for staff of the Executive.

No time was lost during 2000–01 through industrial action.

### Training and development

The Trustee Corporation recognises the need for ongoing training. Staff attend training designed by external providers and in house specialists.

Staff of the Executive continued to keep abreast of changes in the superannuation industry by regularly attending seminars, short courses and conferences. Staff were also invited to speak at major conferences on superannuation and to present to member groups on request of employers and unions.

### 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 target groups

**TABLE A: Percentage of total staff by level at 30 June 2001**

Level	Total staff (number)	Men	Women	Staff responding to EEO data form (Respondents)	Subgroup as percentage of respondents at each level				
					Aboriginal & Torres Strait Islander People	People from Racial, Ethnic, Ethno-Religious Minority Groups	People whose Language First Spoken as a Child was not English	People with a Disability	People with a Disability Requiring Adjustment at Work
< \$26,802	0	0%	0%	0%	0.0%	0%	0%	0%	0.0%
\$26,802 – \$35,201	1	0%	100%	0%	0.0%	0%	0%	0%	0.0%
\$35,202 – \$39,354	2	0%	100%	100%	0.0%	0%	0%	0%	0.0%
\$39,355 – \$49,799	2	0%	100%	100%	0.0%	100%	50%	0%	0.0%
\$49,800 – \$64,400	7	57%	43%	86%	0.0%	0%	17%	17%	0.0%
\$64,401 – \$80,499	3	67%	33%	100%	0.0%	33%	0%	0%	0.0%
> \$80,499 (non SES)	8	50%	50%	88%	0.0%	14%	14%	0%	0.0%
> \$80,499 (SES)	1	0%	100%	100%	0.0%	0%	0%	0%	0.0%
<b>Total*</b>	<b>24</b>	<b>42%</b>	<b>58%</b>	<b>88%</b>	<b>0.0%</b>	<b>19%</b>	<b>14%</b>	<b>5%</b>	<b>0.0%</b>
<i>Subgroup Totals</i>		10	14	21	0	4	3	1	0

\*Excludes casual staff and agency temporary staff

**Table B: Percentage of total staff by employment basis**

Level		Total staff (number)	Men	Women	Staff responding to EEO data form (Respondents)	Subgroup as estimated percentage of respondents in each employment category			
						Aboriginal & Torres Strait Islander People	People from Racial, Ethnic, Ethno-Religious Minority Groups	People whose Language First Spoken as a Child was not English	People with a Disability Requiring Adjustment at Work
<b>Permanent</b>	<i>Full-time</i>	10	40%	60%	80%	0.0%	25%	13%	13%
	<i>Part-time</i>	0	0%	0%	0%	0.0%	0%	0%	0.0%
<b>Temporary</b>	<i>Full-time</i>	0	0%	0%	0%	0.0%	0%	0%	0.0%
	<i>Part-time</i>	0	0%	0%	0%	0.0%	0%	0%	0.0%
<b>Contract</b>	<i>SES</i>	1	100%	100%	100%	0.0%	0%	0%	0.0%
	<i>Non-SES</i>	13	46%	54%	0%	0.0%	17%	17%	0%
<b>Casual</b>		0	0%	0%	0%	0.0%	0%	0%	0.0%
<b>Total</b>		<b>24</b>	<b>42%</b>	<b>58%</b>	<b>88%</b>	<b>0.0%</b>	<b>19%</b>	<b>14%</b>	<b>5%</b>
<i>Subgroup Totals</i>			10	14	21	0	4	3	1

**Fees Exceeding \$30,000**

Project	Consultant	Total Cost \$
<b>Professional &amp; Technical</b>		
Barrister Services	Terence Ower	48,216
Legal Services	Walter Madden Jenkins	33,260
Legal Services	Bailey Meadows	47,200
Legal Services	Minter Ellison	65,809
Legal Services	Middleton Moore & Bevins	44,114
Legal Services	Oates & Smith Solicitors	55,500
<b>Finance &amp; Accounting</b>		
Tax Return Preparation & Lodgement	PricewaterhouseCoopers	39,050
Other Accounting & Tax Advice	PricewaterhouseCoopers	72,346
<b>Investment</b>		
Corporate Advisory Services	J B Were & Son	157,377
Investment Consulting	InTech Fiduciaries Ltd	141,749
Information Services	Telerate (Australia) Pty Ltd	44,944
<b>Total</b>		<b>749,565</b>
<b>Fees Less than \$30,000</b>		<b>281,084</b>
<b>Total Fees paid to Consultants</b>		<b>1,030,649</b>



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

The primary objective of the Audit and Compliance Committee is to assist the Trustee Corporation in fulfilling its responsibilities with respect to:

- ▶ financial reporting practices,
- ▶ business ethics, policies and practices,
- ▶ accounting policies,
- ▶ legislative and contractual compliance, and
- ▶ management and internal controls.

The Audit and Compliance Committee oversees and appraises the audits conducted by the administrator's internal audit group 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 reviews the adequacy and the administrative, operating and accounting controls of the Trustee Corporation and the Administrator and monitors actions to correct any noted deficiencies.

For the period 1 July 2000 to 30 June 2001, 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 vehicles,
- ▶ property (full replacement, new for old, including consequential loss),
- ▶ public liability (including, but not limited to, professional indemnity, directors' and officers' liability), and
- ▶ miscellaneous.

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## Appendix 10

# freedom of information

All enquiries and requests under the *Freedom of Information Act 1989* for the period 1 July 2000 to 30 June 2001 were handled on behalf of the Trustee Corporation by the administrator, the Superannuation Administration Corporation. Statistical information for FOI requests is contained in the Superannuation Administration Corporation'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 2001 and appears at Appendix 10A.

In accordance with section 14(1)(b) of the Act, a *Summary of Affairs* was published in the *Gazette* in December 2000 and June 2001.

The Summary and Statement are also available on the STC web site at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)

*Freedom of Information Act 1989**Section 14(1)(a) and (3)**Statement of Affairs of SAS Trustee Corporation, June 2001*

June 2001

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 STC 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 the following STC superannuation schemes:

- ▶ State Authorities Superannuation Scheme
- ▶ State Superannuation Scheme
- ▶ Police Superannuation Scheme
- ▶ State Authorities Non-contributory 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 STC 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 Board committees assist STC in the performance of its functions. These committees are identified in STC's Annual Report, together with 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,

*STC Delegated Functions under Scheme legislation* — these contain the functions of STC that have been delegated and the person or entity to whom delegated,

*Codes of Conduct for the STC Board and its Executive* — these contain a description of the principles of conduct under which STC Board members and Executive staff must conduct themselves in the performance of their functions,

*STC Disputes Register* — the Register lists the disputes that have been considered by the Disputes Committee,

*Complaints and Queries Register* — the Register records the complaints and queries received and dealt with by STC, and

*STC Privacy Management Plan* — the Plan outlines procedures STC has in place to ensure compliance with the *Privacy and Personal Information Protection Act 1998* (NSW).

**Arrangements and procedures for access to documents or amendment of member records****STC has outsourced the function of providing access to documents and amending member records to the scheme administrator.**

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 correct any personal information about them held by the scheme administrator. As any such change may directly affect contributions or benefits payable under the Scheme 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 FOI 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  
Level 18  
83 Clarence Street  
Sydney NSW 2000

Telephone: (02) 9238 5064  
Facsimile: (02) 9238 5379

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

Ms Beryl Ashe attended the International Corporate Governance Network Conference held in New York during 7–23 July 2000.

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## Appendix 12

# ethnic affairs priorities statement

The Trustee Corporation's focus for addressing the cultural and linguistic diversity of members of the public is to target the beneficiaries of the Pooled Fund Schemes. The *Ethnic Affairs Priorities Statement* developed for this purpose is implemented by the Trustee Corporation's administrator.

Strategies implemented by the administrator include translation services, and the annual information forwarded to members included the following statement in Arabic, Chinese, Spanish, and Vietnamese:

"For members who have difficulty with the English language, Customer Service can make arrangements for information to be translated."

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## Appendix 13

# 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 revised its *Disability Plan* in 2000 in conjunction with the NSW Ageing and Disability Department to update the Plan in line with current standards.

The *Code of Conduct* for the Trustee Corporation and Executive staff were amended in 2001.

The Code requires Board members and Executive staff to comply with any embargo issued by the Board from time to time. Certain investment activity of STC or FTC may be such that personal dealings by Board members and Executive staff and their immediate families, could give rise to a potential conflict of interest. Such investments are placed on the embargo list.

The Code formerly included the Deutsche Office Trust (formerly known as the Commercial Investment Trust) on the embargo list and that investment was deleted from the list, effective 18 April 2001.

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## Appendix 15

## 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.

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 Board and on the Executive staff. The figures reflect the high recognition by the Trustee Corporation of the valuable contributions that are made by women in the field of superannuation.

# privacy and use of member information

As a NSW Government body, the Trustee must comply with relevant legislation, including the *Privacy and Personal Information Protection Act 1998* (the Privacy Act).

The Trustee Corporation has developed a *Privacy Management Plan* (Plan) and, with the assistance of the fund administrator, has implemented the policies and procedures set out in the Plan.

The Plan details the action to be taken to ensure compliance with the requirements of the Privacy Act. The Plan is available both on request and on the State Super web site at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)

## State Superannuation Scheme

### Fact Sheet Topics

- 1 Salary for superannuation purposes
- 2 Unit entitlement
- 3 Contributions
- 4 Part time employment and part time leave without pay
- 5 Basic benefit
- 6 Break in employment
- 7 Normal retirement benefit
- 8 Early voluntary retirement benefit
- 9 Invalidity retirement benefit
- 10 Death of a member before retirement
- 11 Death of a member after retirement
- 12 Child pensions
- 13 CPI Adjustment of your pension
- 14 Commutation of pension to lump sum
- 15 Resignation (Withdrawal) benefit
- 16 Retrenchment benefit
- 17 Optional deferred benefit
- 18 Taxation
- 19 Complaints, Disputes and Freedom of information
- 20 Contributions and Benefits up to age 70
- 21 Compulsory Benefit Preservation
- 22 Contribution arrears

## State Authorities Superannuation Scheme

### Fact Sheet Topics

- 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 benefits
- 10 Resignation (withdrawal) benefit
- 11 Basic Benefit
- 12 Taxation
- 13 Optional deferred benefit
- 14 Complaints, disputes and Freedom of Information

## Police Superannuation Scheme

### Fact Sheet Topics

- 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 Resignations/Dismissal benefit and voluntary benefit deferral
- 8 Basic Benefit
- 9 Taxation
- 10 Complaints, disputes & Freedom of Information

## STC All Scheme

### Fact sheet Topics

- 1 Information about the Commonwealth Surcharge Tax (in the STC Defined Benefit schemes)
- 2 Early release of superannuation benefits on grounds of severe financial hardship
- 3 Salary sacrifice
- 4 When can I be paid my superannuation benefits?
- 5 Board Member Seminars 2000 — Investment — Risks and Returns
- 6 Early release of superannuation benefits on compassionate grounds
- 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

## Fliers

- 1 A guide to FSS for Top-up members and Spouse members
- 2 Superannuation contacts

## Other Communications

- 1 Pooled Fund Annual Report Highlights
- 2 Pooled Fund Deferred Benefit Annual Report Highlights
- 3 Annual Report
- 4 Super Views newsletter
- 5 Super Update newsletter
- 6 Web site: [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)
- 7 Privacy Plan
- 8 Privacy Statement
- 9 FOI Summary of Affairs
- 10 FOI Statement of Affairs

# compliance index for disclosure requirements 2000-01

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

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## Report Production Details

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# Directory



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



Licensed Dealer in Securities

## State Super Financial Services Limited

Level 7, 83 Clarence Street, Sydney  
GPO Box 5336  
Sydney NSW 2001  
Telephone: (02) 9333 9555  
Freecall: 1800 222 211



## Superannuation Administration Corporation

83 Clarence Street  
Sydney NSW 2000  
GPO Box 5328  
Sydney NSW 2001  
Telephone: (02) 9238 5555  
Facsimile: (02) 9238 5272  
DX: 10152 Sydney Stock Exchange

### Customer service

8.30 am to 5.30 pm, Monday to Friday  
for the cost of a local call  
(unless 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

### Interview service

Level 18, 83 Clarence Street, Sydney  
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Please phone for an appointment on  
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