



STATE SUPER
SAS Trustee Corporation

www.statesuper.nsw.gov.au



ANNUAL REPORT

2005/06

Contents

Part A – About the SAS Trustee Corporation	1
Part B – Financial Statements	
SAS Trustee Corporation	21
SAS Trustee Corporation Division of the Government Service of NSW	22
Pooled Fund	23
Part C – Triennial Actuarial Valuation	24
Part D – SAS Trustee Corporation Statutory Information	30
Compliance Index	54
Contact Details	Back Cover

Report to the Minister

October 2006

The Hon. Michael Costa, MP
Treasurer
Governor Macquarie Tower
Level 39
1 Farrer Place
SYDNEY NSW 2000

Dear Minister

We have pleasure in submitting to you for presentation to Parliament the annual report of the SAS Trustee Corporation, covering the period 1 July 2005 to 30 June 2006.

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

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

Yours sincerely



Michael Cole
Chairperson
SAS Trustee Corporation



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

Part A – About the SAS Trustee Corporation

Mission statement and Charter	1
Organisation structure	2
Chairperson’s report	3
Board members’ profiles	4
Executive management team	5
Review of 2005–06 year	6
Corporate Governance	10
Legislative and policy review	11
Review of investments	15
5 years at a glance – to 30 June	20

Charter

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

It is trustee of the STC Schemes which are:

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

Its principal functions are to:

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

Mission

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

Glossary:

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

Executive means the executive staff of the SAS Trustee Corporation.

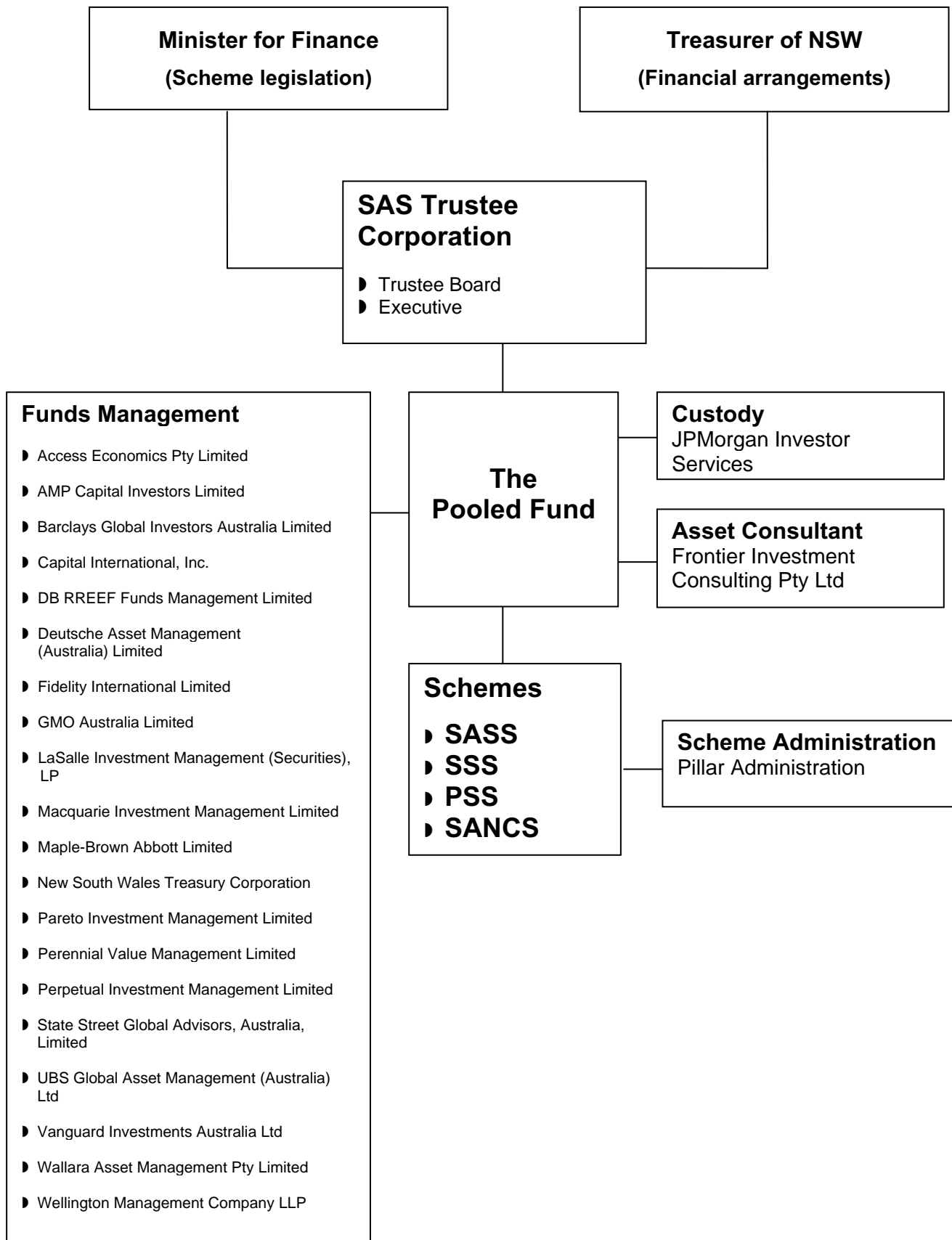
Pooled Fund or **Fund** means the Pooled Fund of the STC Schemes.

STC means the SAS Trustee Corporation.

This STC *Annual Report 2005–06* is on our website, www.statesuper.nsw.gov.au The accounts of the Pooled Fund's Controlled Entities may be obtained on request from the STC (see outside back cover for contact details). The accounts of the Controlled Entities have been separately tabled in the NSW Parliament.

Organisation structure

at 30 June 2006



Chairperson's report

The 2006 financial year was another busy year with activity across all areas of the fund, including investment, member services and legislative change.

Investment

Driven by strongly performing global equity markets, the Pooled Fund again posted strong investment returns for the year in all investment options, resulting in the following declared rates:

Growth	15.8%pa.
Balanced	11.4%pa.
Conservative Growth	8.1%pa.
Cash	4.9%pa.

For the Growth strategy, where over 99% of the Pooled Fund's accounts are invested, this result marked the third consecutive year of double digit returns and an above median investment performance for the three year period.

Following a period of strong investment returns, it is timely to encourage SASS members who have a choice of investment strategy for the accumulation part of their benefit to seek professional investment advice so that their investment portfolio selection best meets their retirement needs.

Member Services

Services to members continue to be improved with a number of major initiatives introduced during the year:

- a new website was implemented, with an updated design and improved navigation to make the site easier for members to use;
- in conjunction with Pillar Administration, administrative procedures continue to be streamlined to provide a higher level of service to members; and
- 20% of contributing members had a Commonwealth Co-contribution payment credited to their benefit.

Legislative Changes

While the Pooled Fund Schemes are closed and membership numbers are declining, there continues to be significant legislative change that impacts on the Schemes. The State legislative changes are outlined later in this report and primarily affect SASS and PSS members.

In addition, the Commonwealth Budget in May proposed sweeping changes to the taxation of superannuation especially for members of taxed funds, such as the STC Schemes. While these proposals have not yet been enshrined in legislation, members are strongly encouraged to seek professional financial planning advice on the impact of these changes on their personal situations and planning.

In conclusion, I extend my thanks to both the Board Members and the Executive for their support in the management of the Pooled Fund and the STC Schemes. In particular, I would like to acknowledge the outstanding service of Mr Rod Macleod, who announced his retirement after 30 years service in the investment management of the State's superannuation funds.

I also welcome to the Board Ms Anne De Salis, who replaces Ms Ouma Sananikone. Ouma made a strong contribution as a Trustee but has now relocated overseas.



Michael Cole
Chairperson
October 2006

Board members' profiles

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

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

Ron Davis (Employee Representative) is the full-time employee representative on the Trustee Board, a position he has held since 1 January 2002. Ron was previously a Valuation Manager with the State Valuation Office. He is a Central Councillor with the Public Service Association and immediate past president of the Professional Officers' Association. He also represents members as a delegate to Unions NSW's Public Sector Employees' Superannuation Committee. Ron is a member of the Australian Institute of Superannuation Trustees, a Fellow of the Association of Superannuation Funds of Australia (ASFA), and the Chair of ASFA's NSW Division Executive Committee. He is also a Director of State Super Financial Services Australia Limited.

Anne De Salis* (Employer Representative) is on the boards of the NSW TAFE Commission, the Superannuation Funds Management Corporation of South Australia, as well as the Council of the University of Canberra and the Vet Science Foundation of Sydney University. Anne has a diverse career spanning both the public and private sectors, which has included experience as a non-executive director since 1996. For more than 12 years, Anne worked in senior executive/director positions with AMP Limited and MBF Australia Limited. Prior to this, she enjoyed several years as Senior Adviser to the then Prime Minister, Rt Hon Paul Keating. She joined the Keating office from the Commonwealth Treasury, where she worked as an economic adviser in Canberra.

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

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

Nick Lewocki (Employee Representative) is Secretary of the Rail, Tram and Bus Union. Nick spent his early career with the NSW Railways Department before being elected to a full-time union official's position in 1979. From 1990 he worked with Unions NSW for 6 years as an Industrial Officer responsible for a range of industries. Nick is a Director of the NSW Trades Hall Association and Australian Industrial Skills Futures Pty Ltd. As Secretary of the Union, he has overall responsibility for industrial agreements and their certification before the industrial tribunals which affect over 15,000 members.

Board members' profiles continued

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

Paul Scully (Employer Representative) is a Director of Decision Horizons, a consulting enterprise through which he offers his services based on 30 years of experience in financial services and investment management. Paul is an actuary by training and was until July 2003 Chief Executive Officer for the Asia Pacific region of ING Investment Management and a member of its global board. Paul has held executive positions in life insurance and retail funds management. He now maintains a portfolio of non-executive directorships and consulting assignments.

*Appointed to the Trustee Board as from 1 February 2006.

Not included: Ouma Sananikone (Employer Representative), who retired from the Trustee Board on 31 January 2006.

Executive management team

Up to December 2005, STC had a commercial arrangement with the FSS Trustee Corporation to share the costs of investment personnel. This arrangement was terminated in January 2006. STC now operates autonomously and there are no longer any cost sharing arrangements with FSS Trustee Corporation.

Details of STC's senior management team as at 30 June 2006 are set out below:

Don McLean – Chief Executive Officer

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

Lyn Collingridge – General Counsel and Company Secretary

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

Martin Drew – Chief Investment Officer

Mr Drew manages STC's investment advisory team that monitors all aspects of the investment management and performance of the Pooled Fund. This includes liaison with investment service providers, such as the asset consultant, investment managers and the custodian. Martin has a diverse career both in the public and private sectors spanning almost 10 years.

Karen Faulconbridge – Operations Manager

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

Andrew Grice – Accounting and Administration Manager

Mr Grice joined STC in August 2004. He is a Chartered Accountant and has more than 10 years of superannuation work experience. Prior to joining STC, Andrew was an external auditor involved in the audit of several large entities, including superannuation funds. He is responsible for the accounting, actuarial and taxation functions within STC.

Review of 2005–06 year

STC's Objectives and Achievements for 2005–06

The objectives set for the 2005-06 financial year are set out below along with a summary of actions taken in pursuit of these objectives:

- *Review investment strategies in order to achieve the overall return and risk objectives of the Fund.*

The Board formally reviews the strategic asset allocation on an annual basis but it is constantly monitored throughout the year.

During the year, STC made a number of changes to the portfolio and managers, including:

- the implementation of a more flexible management of the currency position of overseas equities;
- the introduction of exposure to global listed property securities;
- a number of new mandates were awarded including share managers using long/short equity strategies. This provides diversification in both managers and management styles;
- a regular reporting of risk measures is being introduced;
- STC put to tender its asset consulting service. As a result of the tender process, Frontier Asset Consulting was appointed as the asset consultant.

Overall, STC has continued to increase the diversification of the Pooled Fund, both in asset sectors and management styles, with the objective of improving the overall risk/return characteristics of the portfolio.

- *Work with the Fund's Administrator to effectively and efficiently manage and improve services to members.*

Early in the financial year, STC negotiated new terms for an extension of the administration agreement with Pillar Administration. The new contract provides a better balance in the fixed and variable fee components.

Pillar Administration continues to exceed the service standards set out in the agreement. At the same time, Pillar, in conjunction with STC, is working on a range of initiatives that will further streamline processes and improve overall services to members.

In recent years, STC has introduced investment choice for SASS members and put in place the systems required to receive Co-contribution payments from the Commonwealth Government. Currently, STC and Pillar are working on the changes necessary to introduce salary sacrifice for SASS members following recent changes to the SASS Scheme's legislation.

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

STC offers to members a range of sources of information on their entitlements and the Scheme's benefits. These include:

- annual statements;
- a website, providing both general information on the Schemes and secure access to a member's details;
- seminars targeted at members approaching retirement. These are run in both metropolitan and regional centres and have been very well attended;
- personal interviews;
- Fact Sheets on the Schemes' Rules. These are available on the website or alternatively from Customer Service;
- SuperViews, which is a quarterly newsletter distributed to employers and unions;
- information in selected union publications.

In late May 2006, STC implemented a new website, which has a better design and significantly improved navigation around the site.

- *Ensure that the Board and the Executive operate both efficiently and in accordance with best practice governance principles.*

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

During the year, STC either reviewed its policies or documented its procedures in a wide range of areas, including Codes of Conduct and its Occupational Health and Safety Plan.

In 2005, STC undertook a comprehensive review of processes and procedures relating to claims for “Hurt-on-Duty” benefits in the Police Superannuation Scheme. The recommendations of the external consultant are now being implemented, involving working groups including representatives of the Police Service and Police Association.

- *Maintain strong working relationships with key stakeholders, including NSW Treasury and Premier’s Department.*

STC continues to work with both Treasury and Premier’s Department on key superannuation issues.

The introduction of the new accounting standards has been an area of frequent consultation with Treasury, as has reporting on investment issues. The Board has also made recommendations on legislative amendments that would improve the STC’s effectiveness in managing the Fund.

STC maintains a strong dialogue with Premier’s Department in relation to proposed legislative amendments that impact on members’ entitlements.

STC also maintains close relationships with its key service providers, notably its administrator, Pillar Administration and its custodian, JPMorgan Investor Services.

Scheme Membership

The STC Schemes are closed to new members. Consequently, the trends in membership numbers are highlighted by:

- active members, who contribute to the Schemes, declined from 93,075 to 87,062;
- relative stability in deferred members, as new deferrals are closely matched by deferred members taking their benefits;
- the number of pensioners continues to rise reflecting the aging of the active membership, with members in SSS reaching retirement age and taking their benefit in the form of a pension. Over the year, the number of pensioners increased from 48,937 to 50,061.

Generally, the movements in member numbers have been broadly in line with expectations. However, the number of members receiving Hurt-on-Duty benefits from the Police Superannuation Scheme continues at a high level, despite the rapidly reducing number of members. The number of applications received for these benefits in the 2006 financial year was 344, compared to 486 in the 2005 year and 217 in the 2004 year. In the 2006 year, this represented around 9% of the active membership.

Membership movements will be analysed in detail by the Scheme Actuary as part of the Triennial Actuarial Valuation, which is being carried out as at 30 June 2006.

Administration

STC's administration of member records is outsourced to Pillar Administration. During the year, STC negotiated an extension of this contract on terms which provide a better balance between fixed and variable fees.

The administration agreement sets out a range of service levels for the provision of the agreed services. Key service standards and the performance of the administrator under the new agreement from October 2005 to June 2006 are summarised below:

Service	Standard	2006 Achieved
Telephone Calls		
- answered within standard	90%	90%
- calls abandoned	<3%	1%
Correspondence		
- response within 15 days	95%	98%
Benefit Payments		
- lump sum payments within five days of receipt of all information	95%	96%
- payment of pensions on due date	100%	100%
Member Record Adjustments		
- within 5 days	95%	98%
Contribution Processing		
- within 5 days	95%	100%

Overall, the service levels achieved continue to exceed agreed standards.

Pillar Administration has embarked on a major project to streamline and improve business processes and procedures. During the 2006 financial year, a number of processes were streamlined and further improvements are scheduled for the 2006-07 year. A significant area of improvement has been the receipt of contributions from employers, where the new arrangements have been beneficial to both the administrator and employers.

Member Services

STC continues to provide a range of services, whereby members can obtain information on the Schemes or on their personal benefit entitlements. The trends in members' use of these services is set out in the table below:

Service	Member Contacts			
	2003	2004	2005	2006
Telephone Calls	142,437	130,344	126,885	126,683
Personal Interviews	4,698	4,691	4,540	4,276
Seminar Attendance	1,519	5,377	4,745	5,429
Correspondence				
- postal	8,259	6,916	7,821	6,404
- email	5,215	7,647	9,744	10,418
Total Contacts	162,128	154,975	153,735	153,210

While total membership has dropped by over 20% over the last four years, total member contacts have fallen by less than 6%, reflecting the increasing interest in superannuation issues as members approach retirement.

Since December 2003, active and deferred SASS members have a range of investment strategies available for the accumulation part of their benefit. The table below indicates the take-up of these strategies:

Investment Strategy	SASS Member Accounts as at 30 June	
	2005	2006
	\$m	\$m
Growth (default)	4,692.0	5,384.6
Balanced	74.4	89.3
Conservative Growth	32.0	31.4
Cash	19.2	17.0
Total	4,817.6	5,522.3

At this stage, only a small minority of members have made an investment election, with 2.5% of available funds outside of the default Growth strategy. However, since the new strategies were made available, the investment markets have been particularly strong, which is reflected in the strong performance of the default Growth strategy. In a lower return environment, a higher usage of the alternative strategies may be expected.

In the 2005 year, Commonwealth Government Co-contributions became payable. As members of the STC Schemes have paid contributions from their after-tax income, members with taxable incomes of less than \$58,000 qualify for this Commonwealth payment. Commonwealth Government Co-contributions received by the Fund have been:

Financial Year End 30 June	Amounts Received \$m	Members	Average Per Member \$
2005	4.578	9,514	481
2006	13.548	22,312	607

The significant increases in 2006 arose from the increases in the qualifying income threshold from \$40,000 to \$58,000 and in the maximum payment from \$1,000 to \$1,500. Overall, more than 20% of contributing members received a payment from the Commonwealth in the 2006 year.

Staff

At 30 June 2006, STC employed 21 staff.

Early in the year, STC shared its investment personnel, on a commercial arrangement, with FSS Trustee Corporation. However, from January 2006, all STC personnel have been engaged solely on STC business.

STC has continued its staff training program which is aimed at ensuring that relevant staff maintain up to date knowledge on superannuation issues and maintain competency levels in line with ASIC's PS146 requirements.

During the year, STC staff were offered the opportunity to have free influenza immunisations and 14 staff members accepted.

Corporate Governance

Compliance Framework

STC's formal compliance framework has been in operation since late 2005 and the Plans and Policies are documented. The STC Board receives ongoing reporting and actively participates in the monitoring process to ensure the adequacy of the Plans and Policies.

All the Plans and Policies are reviewed on a two year rolling basis or sooner if required.

STC's compliance requirements include:

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

Prudential Governance

The Pooled Fund is an exempt public sector superannuation scheme under the Commonwealth *Superannuation Industry (Supervision) Act 1993* (SIS). The SIS legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

In May 1996, the NSW Premier and the Commonwealth Treasurer signed a Heads of Government Agreement. Under that Agreement, the NSW Government undertakes to ensure that the Pooled Fund schemes will conform with the principles of the Commonwealth retirement incomes policy related to preservation, vesting and reporting to members and that members' benefits are adequately protected.

Amendments made to the Pooled Fund legislation in March 2004 enable the NSW Government to prudentially monitor and audit the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

Investment Governance

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

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

Legislative and policy review

2006 Commonwealth Budget

The 2006 Commonwealth Budget included significant changes to the Australian superannuation system. At the date of writing, the proposals have not been legislated. However, some of the announced changes have been amended following Commonwealth Government consideration of industry feedback. Unless otherwise noted, the proposals will take effect from 1 July 2007.

State Super Schemes are Taxed Schemes

It is important to note that SASS, SSS, PSS and SANCS are taxed superannuation schemes. The Commonwealth Budget proposals differentiate in treatment between taxed and untaxed schemes.

Undeducted Contributions

- If the Trustee does not have a member's **Tax File Number** on record by 30 June 2008, deductible contributions (employer and salary sacrifice) may be taxed at the highest marginal tax rate and the member's after-tax contributions may not be able to be accepted by the Fund.
- Between 10 May 2006 and 30 June 2007, a member can make up to \$1 million of after-tax superannuation contributions.
- From 1 July 2007, after-tax (undeducted) superannuation contributions will be limited to \$150,000 per annum – *there will be provision for a maximum contribution of \$450,000 every three years. Contribution caps will be indexed to Average Weekly Ordinary Time Earnings, subject to minimum increments of \$5,000.*

Employer (before tax) Contributions

- The current age based limits on employer superannuation contributions will be replaced with a universal limit of \$50,000 per annum per member. Employer contributions above \$50,000 per annum will be taxed at the highest marginal tax rate instead of the concessional rate of 15%. *(However, for Defined Benefit Schemes such as SASS, SSS, PSS and SANCS, discussions continue on how the notional employer contributions are to be calculated.)*
- Pre-tax contributions can be made until the age of 75 years – *the member must meet a work test when making a contribution after age 65 years.*
- **Salary sacrifice contributions are treated as employer contributions for the purpose of determining whether the employer contribution limit has been reached.**
- A five year transitional period will apply to members aged 50 and over to allow members planning for retirement to make pre-tax contributions of \$100,000 a year.

Benefits

- **Reasonable Benefit Limits** will be removed – this means that there will be no limit on the amount of superannuation a member can receive on a concessional tax basis.
- **From age 60 onwards**, superannuation benefits paid from a taxed fund (such as State Super Schemes) will not attract any tax – irrespective of whether the member takes a pension or a lump sum. *(Benefits accessed prior to age 60 remain taxable.)*
- **From 10 May 2006**, superannuation benefits can remain in a superannuation scheme even when the member is over age 65 years and not working.

Legislative and policy review continued

2006 NSW Legislative Amendments

The *Superannuation Legislation Amendment Act 2006* which was proclaimed on 30 June 2006 included the following minor amendments:

- ability for members of SASS, SSS and PSS, who are entitled to a pension, to nominate the date on which the pension payment is to commence. *(This is for Reasonable Benefit Limit reporting purposes. If the announcements in the 2006 Commonwealth Budget are legislated, this provision will not be necessary from 1 July 2007, as Reasonable Benefit Limits will be abolished.)*
- amends the SASS, SSS and SANCS legislation to enable Regulations to provide that the salary of an employee or class of employees is to be determined in the manner prescribed by the Regulations where the basis on which their remuneration is determined has been changed to an annualised basis.

Family Law Provisions

On 28 December 2002, Commonwealth legislation took effect allowing superannuation interests to be divided following the breakdown of a marriage. Commonwealth legislation provides the basis for valuing a member's superannuation entitlement for this purpose. However, trustees had the right to apply for an alternate valuation method. STC sought approval for alternative valuation methods.

The alternative valuation methods for SASS, PSS and SANCS were approved by the Commonwealth Attorney-General on 20 April 2006.

The SSS application is still under consideration. Once this application has been approved, Regulations to allow benefits to be split will be drafted.

SASS Salary Sacrifice

The *Superannuation Legislation Amendment Act 2006* included amendments to the SASS legislation to enable SASS members to pay their compulsory personal contributions as Salary Sacrifice contributions.

Salary Sacrifice contributions can be accepted from 1 April 2007. However, the member must make the Salary Sacrifice arrangements with his/her Employer.

If the Employer agrees, the member can choose to pay the personal contributions from:

- after-tax salary; or
- before-tax salary; or
- a combination of before-tax and after-tax salary.

Salary Sacrifice contributions are **subject to the 15% contributions tax** on entry to the Fund. This means that the contribution rate needs to be increased to cover the contributions tax, so that the member makes the same net contribution that the member would have made through after-tax contributions. For example, if the member elected to contribute at 6%, the member would need to contribute an additional 1.06% of salary on a pre-tax basis. (Formula: Contribution Rate ÷ 0.85).

Salary Sacrifice contributions:

- count towards the member's Reasonable Benefit Limit (*2006 Commonwealth Budget proposals include abolishing the Reasonable Benefit Limits from 1 July 2007*);
- are subject to tax on benefit payment (*2006 Commonwealth Budget announcements included a proposal to remove the tax on benefit payments if taken after age 60*);
- do not affect the salary used to calculate the member's superannuation benefits; and
- are counted in full towards the employer contribution limit (*2006 Commonwealth Budget proposals include removing the age based employer contribution limit*.)

Legislative and policy review continued

2006 Amendments to PSS Legislation

On 30 June 2006, amendments were made to the *Police Regulation (Superannuation) Act 1906* - this is the legislation which governs the Police Superannuation Scheme (PSS) which is the superannuation scheme applicable to Police Officers who joined the Police Force prior to 1 April 1988. The amendments were contained in the *Superannuation Legislation Amendment Act 2006*.

These amendments generally apply to events occurring on and from 30 June 2006.

1. Age and time limits for applications for Hurt on Duty pensions

A Hurt on Duty pension is not payable to a former PSS member who retired or resigned unless the former member's application for this benefit is received by Pillar Administration before the later of:

- the date on which the member reaches age 60; or
- 5 years after the member retired or resigned.

2. Age and time limits for increases in Hurt on Duty pensions

An increase in a Hurt on Duty pension is not payable unless the member's application for the increase is received by Pillar Administration PSS before the later of:

- the date on which the member reaches age 60; or
- 5 years after the member retired or resigned.

3. Amendments to Commutation Rights

(a) *Early and Normal Retirement pensions*

Prior to the 30 June 2006 amendments, a member's right to commute their retirement pension was confined to the date of retirement. There was also a requirement for the entire pension to be commuted.

The amendments now enable a member to choose how much pension to commute (i.e. all or part).

In addition, if the member retires between age 55 and 60, and does not commute any part of the pension at the time of retiring, a second opportunity to commute is provided at age 60.

Such elections to commute can be made between the age of 59 years 6 months and 60 years 6 months. The date of effect of the commutation is the day the member reaches age 60.

Notes:

Spouse pension entitlements are affected when a member commutes all or part of the retirement pension. The entitlement reduces in the same proportion as the member commutes the pension eg if 50% of the pension is commuted, the spouse is entitled to 50% of the spouse pension.

(b) *Incapacity pensions*

Age 55

Prior to 30 June 2006, members, in receipt of an incapacity pension, had the right to commute **all** of that pension at age 60.

The amendments now allow a member to commute **all or part** of the pension at the later of **age 55** or the date of commencement of the pension. (*The date of effect of the election is the date the member attains the age of 55 years or the date of commencement of the pension, whichever is the later.*)

Where a member does not commute any portion of the pension at those times, the member has a second right to commute at age 60.

Legislative and policy review continued

Age 60

Where the incapacity pension commences prior to age 60 and the member has not commuted any part of the pension at the first opportunity (age 55 or the pension commencement date, if later), the member again has a second right to elect to commute that pension between the age of 59 years 6 months and 60 years 6 months. *(The date of effect of the election is the day on which the member attains age 60.)*

Notes:

- 1. Spouse pension entitlements are affected when a member commutes all or part of the incapacity pension. The entitlement reduces in the same proportion as the member commutes the pension eg if 50% of the pension is commuted, the spouse is entitled to 50% of the spouse pension.*
- 2. If a member commutes the entire incapacity pension, the member does not have the right to apply for any pension increase.*

Transitional Arrangements

The legislative amendments also included transitional arrangements for members receiving an incapacity pension and aged between 55 and 60 years on 29 June 2006.

These members will have the right to elect to commute the whole or part of the incapacity pension with effect from 30 June 2006. This election must be received by the Administrator on or before 28 February 2007. **All such members were sent a letter from the Trustee in September 2006.** This provided details of the commutation rights.

Notes:

- 1. A member retains the right to elect to commute the incapacity pension at age 60 if no portion of the pension is commuted under the transitional arrangements.*
- 2. If a member commutes the entire incapacity pension, the member does not have the right to apply for any pension increase.*
- 3. Spouse pension entitlements are affected when a member commutes all or part of the retirement pension. The entitlement reduces in the same proportion as the member commutes the pension eg if 50% of the pension is commuted, the spouse is entitled to 50% of the spouse pension.*

4. Rehabilitation obligations where discharged after being Hurt on Duty

From 30 June 2006, if a member applies for a Hurt on Duty incapacity pension, the pension will not be paid if the Commissioner of Police decides that the member has not complied with a reasonable direction about participation in an injury management program approved by the Commissioner.

The legislation does not give the Trustee any discretion in relation to this matter.

5. Application for Incapacity Pension after resignation or retirement

From 30 June 2006, if a member applies for a Hurt on Duty incapacity pension after retiring or resigning from the Police Force:

- the member must demonstrate that the member was incapacitated at the date of exit from the Police Force; and
- the Hurt on Duty pension is payable from the date of application unless exceptional circumstances support payment from an earlier date.

Review of investments

(i) Investment Overview

Economic Environment:

The world economy has continued to expand at above average pace over the course of 2005–06 with contributions coming from the U.S., Europe, Japan and Asia. China and India continued to experience very strong growth, which has been reflected in strong prices for oil and base metals. This has created very favourable conditions for the Australian economy, which now appears to be operating with limited spare capacity. Both Western Australia and Queensland are experiencing boom conditions, whereas growth is more moderate in NSW and Victoria. The economic expansion has resulted in the jobless rate being at a 30 year low at 4.9%, which compares to 4.6% in the U.S and 7.9% among the 12 nations in the Euro Zone.

Limited spare capacity has raised concerns about inflation. In Australia, the Consumer Price Index rose by 4% for the year ended June 2006, which is above the target range of 2 – 3% used by the Reserve Bank of Australia. Similar concerns are evident across the world. To combat rising inflation, most central banks have been increasing interest rates over the past year. The US Federal Reserve has increased interest rates 17 times since mid 2004 from 1.0% pa. to 5.25% pa., with eight of these increases taking place during financial 2005–06. The Bank of Japan has also made a slight increase in interest rates (in July 2006), which was the first interest rate increase in over a decade. In Australia, there was only one interest rates rise in the financial year, when rates were increased from 5.5% pa. to 5.75% pa. in May 2006.

Australian Equities:

The Australian stock market experienced another strong year with the S&P/ASX300 Accumulation Index up by 24.0% for the year ended June 2006, which is the third year in a row that the investment return from Australian listed equities has exceeded 20%. Strong commodity prices boosted the returns from the Materials and Energy sectors, which were up by 49.8% and 34.9% respectively. The only sector to record a negative return for the year was the telecom sector.

International Equities:

Despite a weak fourth quarter, the year to 30 June 2006 was good for investments in international equities. The MSCI World index, which is used as a benchmark for international equities returned 15% on a fully hedged basis and 19.9% on an unhedged basis for the year. Although there was plenty of unfavourable news during the year, corporate earnings growth remained strong in the US, Europe and Japan, which underpinned business and consumer confidence. In addition, there was a surge in global merger and acquisition activity, which provided a boost to returns. On an unhedged basis the best returns during the 12 months ended 30 June 2006, were sourced from Europe ex UK (39.4%), emerging markets (30.2%) and the US (24.0%).

Property:

In the Australian market, the difference between listed and unlisted property returns was minimal. Unlisted property returned around 17% and listed property trusts returned 18.0% for the year. Globally it was an even stronger year for listed property trusts, which returned 21.6%, which was surprising given an environment of rising interest rates.

Fixed Interest:

It was not a good year for fixed interest investments, as fear of inflation and rising interest rates eroded returns. Both Australian and international fixed interest under-performed cash, which returned 5.8% for the year. Australian government bonds generated a return of 3.0% for the year, whilst international government bonds, fully hedged, just managed to generate a positive return of 0.9% for the year.

(ii) Investment Returns

SASS

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

SASS members have a range of investment strategies which they may select for their accumulation benefit. These strategies are Growth, Balanced, Conservative Growth and Cash. The Growth strategy is the default strategy that applies if a SASS member does not make a choice. Earnings credited reflect the investment returns on the investment portfolio and consequently may be positive or negative.

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

SSS and PSS

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

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

Year Ended 30 June	Growth	Balanced	Conservative Growth	Cash	CPI
	% pa.	% pa.	% pa.	% pa.	% pa.
2002	-7.0	These strategies were introduced in December 2003. Consequently there are no declared rates for the full year ended 30 June 2004 or earlier.			2.8
2003	-1.7				2.7
2004	13.5				2.5
2005	13.0	11.6	9.3	4.9	2.5
2006	15.8	11.4	8.1	4.9	4.0
Average 2 Years	14.4	11.5	8.7	4.9	3.2
Average 3 Years	14.1	These strategies were introduced in December 2003. Consequently there are no declared rates for the 3, 5 or 10 year periods.			3.0
Average 5 Years	6.3				2.9
Average 10 Years	8.8				2.6

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

(iii) Asset Allocation

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

Strategic Asset Allocation for Investment Strategies

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

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

(iii) Asset Allocation continued

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

	Asset Sector Allocation							
	Growth		Balanced		Conservative Growth		Cash	
	2005 %	2006 %	2005 %	2006 %	2005 %	2006 %	2005 %	2006 %
Australian Equities	34.0	37.5	25.6	25.1	13.6	13.1	0.0	0.0
International Equities	25.9	27.9	18.1	18.0	10.0	10.2	0.0	0.0
Unlisted Equities	3.2	1.9	0.0	0.0	0.0	0.0	0.0	0.0
Mature Infrastructure	2.6	2.6	0.0	0.0	0.0	0.0	0.0	0.0
Property								
- direct	5.1	5.5	4.3	4.6	4.3	4.7	0.0	0.0
- listed property trusts	3.5	1.3	2.8	1.1	2.8	1.1	0.0	0.0
- global listed property securities	0.0	2.0	0.0	1.7	0.0	1.7	0.0	0.0
Australian Fixed Interest	11.1	9.7	19.7	20.0	19.8	20.3	0.0	0.0
International Fixed Interest	7.4	6.7	19.8	20.0	19.9	20.3	0.0	0.0
Cash	7.2	4.9	9.7	9.5	29.6	28.6	100.0	100.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(iv) Investment Return Objectives

The long-term investment objectives for each of the strategies are;

Strategy	Investment Return Objective
Growth	Change in CPI + 4.5% p.a. over rolling 10-year periods
Balanced	Change in CPI + 3.0% p.a. over rolling 7-year periods.
Conservative Growth	Change in CPI + 2.0% p.a. over rolling 4-year periods.
Cash	Change in CPI + 1.5% p.a. over rolling 3-year periods.

The Growth strategy's 10-year return at 30 June 2006 was 8.8% pa which exceeded the 10-year target of 7.1% pa. The other strategies were only introduced in December 2003 and therefore have not been in place long enough to be measured against the longer-term investment objectives. In addition, short-term performance up to three years is monitored against comparable funds as measured by the appropriate universe of managers in the Intech Super Survey. At 30 June 2006, the returns achieved in each strategy have been competitive with the peers on this measure.

(v) Investment Expenses

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

Year Ended 30 June	Investment Expenses as a % of Average Total Assets			
	Growth % pa	Balanced % pa	Conservative Growth % pa	Cash % pa
2002	0.27	These strategies were introduced in December 2003.		
2003	0.22			
2004	0.31	0.19*	0.18*	0.11*
2005	0.29	0.20	0.22	0.12
2006	0.32	0.21	0.22	0.15

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

(vi) Investment Managers

All of the Pooled Fund's assets are managed by external fund managers who are appointed by the Trustee Board, on the advice of the asset consultant. The performance of the various fund managers is monitored throughout the year and managers may be added or replaced. At 30 June 2006, the Fund's investment managers were:

Australian Shares

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

International Shares & Currency

- Barclays Global Investors Australia Limited
- Capital International, Inc.
- Fidelity International Limited
- New South Wales Treasury Corporation
- Pareto Investment Management Limited
- State Street Global Advisors, Australia, Limited
- Wellington International Management LLP

Alternative Assets

- Access Economics Pty Limited
- Deutsche Asset Management (Australia) Limited

Australian Property (including listed property trusts)

- DB RREEF Funds Management Limited
- Vanguard Investments Australia Ltd

International Property (including listed property securities)

- LaSalle Investment Management (Securities), LP
- Vanguard Investments Australia Ltd

Australian Fixed Interest and Cash

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

International Fixed Interest

- State Street Global Advisors, Australia, Limited

(vii) Asset Consultant

The Trustee Board has appointed Frontier Investment Consulting Pty Ltd as its investment consultant to advise on strategic asset allocation and fund manager selection.

(viii) Investment Policies

(a) Investment Reserves

The Trustee Board has determined that investment earnings will not be placed in an investment reserve. Consequently, all available investment earnings or losses, after providing for tax and investment expenses, are distributed to employers and members, based on a declared rate which is determined monthly. Members exiting the Pooled Fund Schemes receive a daily declared rate applicable since the last monthly rate was struck.

(b) Derivatives

Derivatives, including futures and options, can be used by the Pooled Fund investment managers. However, the investment mandates clearly state that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against adverse market movements and cannot be used for speculative purposes or gearing the investment portfolio. During the year to 30 June 2006, the managers made limited use of derivatives.

(c) Hedging

STC's policies in regard to currency hedging as at 30 June 2006 are:

- international fixed interest: 100% hedged into Australian dollars;
- international equities: Specialist currency managers have been engaged to manage the currency exposure of international equities. Consequently, the level of hedging may vary from 0% to 68% depending on the managers' positions from time to time;

- international mature infrastructure: 100% hedged into Australian dollars.
- international listed property securities: 100% hedged into Australian dollars.

(d) Custodian

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

(e) Passive Rebalancing

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

(ix) Large Investments

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

However, the Pooled Fund held 6.3% of the Fund's total investments in the Emerging Managers Trust and 5.2% of the Fund's total investments in the Alpha International Managers Trust (both managed by New South Wales Treasury Corporation). These are unlisted unit trusts, which engage a range of managers to manage Australian Share and International Share portfolios respectively.

5 years at a glance — to 30 June

	2002	2003	2004	2005	2006
Member statistics					
Active Members — SASS	72,629	68,543	64,968	60,776	57,168
Active Members — SSS	35,661	33,465	31,151	28,593	26,614
Active Members — PSS	5,066	4,489	4,143	3,706	3,280
Total active members	113,356	106,497	100,262	93,075	87,062
Pensioners — SASS	6,072	5,615	5,312	5,012	4,569
Pensioners — SSS	34,136	35,378	36,872	38,548	39,795
Pensioners — PSS	4,459	4,877	5,096	5,377	5,697
Total pensioners	44,667	45,870	47,280	48,937	50,061
Deferred Benefits — SASS	13,703	12,216*	12,080	11,843	11,809
Deferred Benefits — SSS	4,812	4,753	4,638	4,539	4,347
Deferred Benefits — PSS	232	230	202	192	179
Basic Benefit only	1,211	-	-	-	-
Total deferred benefits	19,958	17,199	16,920	16,574	16,335
Gender ratios – active members					
Females — SASS	53%	53%	52%	53%	52%
Males — SASS	47%	47%	48%	47%	48%
Females — SSS	33%	32%	33%	33%	33%
Males — SSS	67%	68%	67%	67%	67%
Females — PSS	10%	11%	11%	11%	11%
Males — PSS	90%	89%	89%	89%	89%
Contributions — \$m					
Employer contributions	175	316	326	332	274
Employee contributions	464	464	474	494	507
Accelerated Crown Contribution	-	-	-	-	-
Total contributions	639	780	800	826	781
Benefits Paid — \$M	2,304	2,071	2,038	2,398	2,458
Net Contributions — \$M	-1,669	-1,291	-1,238	-1,572	-1,677
Investment Revenue — \$M	-2,175	-523	3,251	3,354	4,372
Assets/Liabilities — \$m					
Accrued Benefits — SASS	8,743	8,903	9,824	10,566	11,600
Net assets to pay benefits	5,712	5,278	5,779	6,105	8,590
Over/under funding	-3,031	-3,625	-4,045	-4,461	-3,010
Accrued Benefits — SSS	22,156	23,661	24,888	26,203	26,143
Net assets to pay benefits	16,428	15,431	16,866	18,409	17,881
Over/under funding	-5,728	-8,230	-8,022	-7,794	-8,262
Accrued Benefits — PSS	3,989	4,318	4,761	5,065	5,673
Net assets to pay benefits	1,328	1,126	1,096	1,020	963
Over/under funding	-2,661	-3,192	-3,665	-4,045	-4,710
Accrued Benefits — SANCS	1,848	1,888	2,097	2,231	2,354
Net assets to pay benefits	597	471	474	366	1,144
Over/under funding	-1,251	-1,417	-1,623	-1,865	-1,210
Total Accrued Benefits \$M	36,736	38,770	41,570	44,065	45,770
Total Net assets to pay benefits	24,065	22,306	24,215	25,900	28,578
Total Over/under funding	-12,671	-16,464	-17,355	-18,165	-17,192
Total Investments — \$M	23,829	22,092	24,231	25,980	28,699
Growth strategy annual crediting rates — %					
Net Returns – 1 year	-7.0%	-1.7%	13.5%	13.0%	15.8%

*In May 2003, 1,145 Deferred SASS accounts were transferred to the First State Superannuation Scheme.

PART B

**Financial Statements
of the
SAS Trustee Corporation**



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

SAS Trustee Corporation

To Members of the New South Wales Parliament

Audit Opinion

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

- presents fairly the STC's and the consolidated entity's (defined below) financial position as at 30 June 2006 and their performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act), and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Board's Responsibility

The financial report comprises the balance sheets, income statements, statements of changes in equity, cash flow statements and accompanying notes to the financial statements for the STC and consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises the STC and the entities it controlled during the year.

The Board of the STC are responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

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

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

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

My opinion does *not* provide assurance:

- about the future viability of the STC or its controlled entities,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Audit Independence

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

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



A T Whitfield
Deputy Auditor-General

SYDNEY
27 September 2006

SAS Trustee Corporation

Statement by Members of the Trustee Board for the year ended 30 June 2006

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 financial position of the SAS Trustee Corporation at 30 June 2006 and transactions for the year then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions.

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

Signed at Sydney this 27th day of September 2006.



Michael Cole
Chairperson
SAS Trustee Corporation



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

SAS Trustee Corporation

Income Statement for the year ended 30 June 2006

	NOTE	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Revenue from Continuing Operations	2	34,025	36,421	34,025	36,421
Expenses of Continuing Operations	2	(34,025)	(36,421)	(34,025)	(36,421)
Result for the period		-	-	-	-

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

SAS Trustee Corporation

Balance Sheet As at 30 June 2006

NOTE	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Current Assets				
Cash and cash equivalents	9(a) 2,213	3,581	2,213	3,581
Receivables	3 4,880	2,726	4,772	2,726
Other current assets	22	41	22	41
Total Current Assets	7,115	6,348	7,007	6,348
Total Assets				
	7,115	6,348	7,007	6,348
Current Liabilities				
Payables	4 5,408	4,157	7,007	4,157
Short-term provisions	5 1,403	1,343	-	1,343
Total Current Liabilities	6,811	5,500	7,007	5,500
Non-Current Liabilities				
Long-term provisions	5 304	848	-	848
Total Non-current Liabilities	304	848	-	848
Total Liabilities				
	7,115	6,348	7,007	6,348
Net Assets				
	-	-	-	-
Total Equity				
	-	-	-	-

The accompanying notes form an integral part of the above Balance Sheet.

SAS Trustee Corporation

Cash Flow Statement for the year ended 30 June 2006

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
NOTE				
Cash Flows from Operating Activities				
Receipts from Associated Schemes	30,951	37,004	30,951	37,004
Interest Received	198	144	198	144
Payments to Suppliers and Employees	(32,517)	(33,997)	(32,517)	(33,997)
Net Operating Cash Flows	9 (b) <u>(1,368)</u>	<u>3,151</u>	9 (b) <u>(1,368)</u>	<u>3,151</u>
Net Increase/(Decrease) in Cash Held	(1,368)	3,151	(1,368)	3,151
Cash at the Beginning of the Financial Year	3,581	430	3,581	430
Cash at the End of the Financial Year	9 (a) <u>2,213</u>	<u>3,581</u>	9 (a) <u>2,213</u>	<u>3,581</u>

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

SAS Trustee Corporation

Statement of Changes in Equity for the year ended 30 June 2006

NOTE	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Retained Earnings				
Balance at start of period	-	-	-	-
Changes in accounting policy	-	-	-	-
Result for period	-	-	-	-
2	-	-	-	-
Balance at end of period	-	-	-	-

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

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

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 economically dependent on the Pooled Fund.

STC is, for the purpose of any Acts, a statutory body. It is domiciled in NSW Australia. Its registered address is Level 17, 83 Clarence Street Sydney, NSW, 2000.

Scheme administration services for the Pooled Fund are carried out by the Superannuation Administration Corporation trading as Pillar Administration (Pillar). Pillar charges fees for the services it provides.

STC Fund's custodial activities are performed by JPMorgan Investor Services, DB RREEF Funds Management Limited and Deutsche Asset Management (Australia) Limited.

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

The SAS Trustee Corporation is the parent entity of an Economic Entity comprising –

- SAS Trustee Corporation (referred to as the “Statutory Corporation” in the above statements) and,
- SAS Trustee Corporation Division of the Government Service of NSW. The principles of consolidation of these entities is described at note 1(b) below.

(a) General System of Accounting Underlying the Financial Statements

The financial statements form a general purpose financial report and are prepared in accordance with -

- the *Public Finance and Audit Act 1983*
- the *Public Finance and Audit Regulation 2005*
- the Treasurer's Directions
- applicable Australian Accounting Standards and other professional reporting requirements including Urgent Issues Group Interpretations.

The financial statements comply with Australian equivalents to International Financial Reporting Standards (A-IFRS). Both the Economic Entity and the Parent Entity are not-for-profit entities and A-IFRS have been applied as applicable to not-for-profit entities.

The financial statements have been prepared on an historical cost basis using the accrual method of accounting and do not reflect changing money values of assets. Interest and fee income is accounted for on an accrual basis.

The accounting policies adopted in preparing the financial statements have been consistently applied during the year, unless otherwise stated.

All amounts are expressed in Australian dollars.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(b) Principles of Consolidation

The consolidated financial report incorporates the assets and liabilities of STC ("Statutory Corporation") and its controlled entity as at 30 June 2006 and the results of Statutory Corporation and the controlled entity for the period then ended. The Statutory Corporation and its controlled entity is referred to in this financial report as the "Economic Entity". The effects of all transactions within the Economic Entity are eliminated in full. There are no outside equity interests.

As the controlled entity was created and control commenced during the year, its results are included in the consolidated Income Statement, Balance Sheet, Cash Flow Statement and Statement of Changes in Equity from the date of creation (17 March 2006).

The accounting policies adopted in the preparing the financial reports are consistently applied by the Statutory Corporation, the Economic Entity and the controlled entity.

The controlled entity also prepares a separate financial report. This financial report is audited by the Auditor-General of NSW.

(c) Administration Expenses and Revenue

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

Under the terms of the Act, the Statutory Corporation must recover the costs it incurs from the Pooled Fund. Consequently it recognises an amount equal to the costs incurred at the time the services are delivered.

Lease expenses are recognised on a straight line basis over the lease term, including incentives and contingent rentals.

(d) Employee Benefits

Wages, salaries and annual leave

The provision for employee benefits relating to wages, salaries and annual leave represents the amount which the Economic Entity has a present obligation to pay resulting from employees' services provided up to the balance date. These provisions are expected to be settled within 12 months and are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Such measurement provides a reliable estimate of the liability.

Long service leave

The liability for employee benefits relating to long service leave is measured at their discounted value using the risk free rate mandated by NSW Treasury. Such measurement provides a reliable estimate of the liability.

Superannuation

Any unfunded superannuation liability is recognised as a liability in the Balance Sheet and amounts representing pre-paid superannuation contributions are recognised as an asset. The Economic Entity is meeting in full the total superannuation liabilities for its employees. The contributions made to superannuation funds are charged against the operating result.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(e) Roundings

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

(f) Cash Flows

Under current funding arrangements all cash payments to external parties with the exception of Investment Management and Custody fees incurred on behalf of the Statutory Corporation are transacted through the Statutory Corporation's bank account and recovered from the Pooled Fund. Investment Management and Custody fees are disbursed directly by the Custodian from the Fund's pool of assets.

All transactions of the SAS Trustee Corporation Division of the Government Service of NSW are conducted through Statutory Corporation's bank account.

(g) Financial Instruments

Financial Instruments give rise to positions that are financial assets or liabilities. These include Cash at Bank, Receivables and Accounts Payable. All classes of instruments are initially recorded at cost and are subsequently carried at amortised cost. Such measurement provides a reliable estimate of the liability. Any impairment loss occurring on financial instruments is treated as an expense in the period in which it occurs.

(h) Accounting standards issued but not yet effective

The following accounting standards issued but not yet effective have not been applied –

- AASB 7 Financial Instruments Disclosures (potentially more substantial risk related disclosures relating to credit, liquidity and market risk). AASB7 will be implemented for the year ending 30 June 2008.
- AASB 119 Employee Benefits (requires more detailed disclosure of superannuation movements).

(i) Comparative Figures

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

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

2. RESULT

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
The result includes the following items of revenue and expense:				
Management Fees	33,681	35,859	33,681	35,859
Recoupment of administration expenses from FSS Trustee Corporation	-	256	-	256
Other Income	344	306	344	306
Total Revenues	34,025	36,421	34,025	36,421
Trustee Expenses				
Board Member Fees	566	609	566	609
Other Administration Expenses	24	44	24	44
Total Trustee Expenses	590	653	590	653
Executive Expenses				
Employee Related Expenses	1,693	1,513	1,054	1,513
Superannuation	(331)	1,281	(238)	1,281
Personnel Services Expense	-	-	546	-
Fees for Services	267	340	267	340
Accommodation	270	261	270	261
Other Administration Expenses	655	234	655	234
Total Executive Expenses	2,554	3,629	2,554	3,629
Fund Expenses				
Fees for Services	2,594	1,771	2,594	1,771
Other Administration Expenses	186	41	186	41
Pillar Administration Fees	28,101	30,327	28,101	30,327
Total Fund Expenses	30,881	32,139	30,881	32,139
Total Administration Expenses	34,025	36,421	34,025	36,421

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

2. RESULT (CONTINUED)

Contained within Administration Expenses are fees paid to consultants of \$426,448 (2005 \$554,460) and audit fees of \$13,000 for the Statutory Corporation and an estimated \$3,000 for the SAS Trustee Corporation Division of the Government Service of NSW.

Lease payments made during the year comprised –

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Minimum lease payments	246	183	246	183
Contingent rentals	-	-	-	-
	246	183	246	183

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

3. RECEIVABLES

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Current				
Amounts Receivable — Pooled Fund	4,244	1,788	4,244	1,788
Amounts Receivable — FSS Trustee Corporation (FTC)	-	425	-	425
Other Receivables	528	513	528	513
Superannuation (refer Note 7)	108	-	-	-
	4,880	2,726	4,772	2,726

The amount receivable from FTC for executive costs is for 50% of certain shared costs for the period 1 July 2004 to 31 December 2004. From 1 January 2005 FTC established its own administration facility.

4. PAYABLES

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Current				
Amount Payable — Pillar (Administration Fees)	2,503	2,483	2,503	2,483
Other Payables	2,905	1,674	2,905	1,674
Amounts Payable – SAS Trustee Corporation Division of the Government Service of NSW	-	-	1,599	-
	5,408	4,157	7,007	4,157

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

5. PROVISIONS

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Current				
Employee Benefits	783	362	-	362
Superannuation (refer Note 7)	620	981	-	981
	1,403	1,343	-	1,343
Non-current				
Employee Benefits	304	848	-	848
	304	848	-	848

6. EXECUTIVES' REMUNERATION

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Income received or due and receivable by executive officers of Statutory Corporation whose income is \$100,000 or more	1,645	1,485	732	1,485

The number of executive officers whose income is \$100,000 or more are shown below in their relevant income bands:	Economic Entity 2006 Number	Economic Entity 2005 Number	Statutory Corporation 2006 Number	Statutory Corporation 2005 Number
Remuneration (including superannuation contributions) of:				
\$110,000 — \$119,999	1	1	1	1
\$120,000 — \$129,999	3	2	2	2
\$130,000 — \$139,999	1	-	-	-
\$140,000 — \$149,999	-	1	-	1
\$150,000 — \$159,999	1	1	-	1
\$160,000 — \$169,999	1	-	-	-
\$170,000 — \$179,999	-	1	1	1
\$180,000 — \$189,999	1	1	-	1
\$190,000 — \$199,999	-	-	1	-
\$210,000 — \$219,999	-	1	-	1
\$240,000 — \$249,999	1	-	-	-
\$250,000 — \$259,999	1	1	-	1
	10	9	5	9
The Statutory Corporation remuneration is for the period prior to the transfer of staff to SAS Trustee Corporation Division of Government Service of NSW – 1 July 2005 to 17 March 2006.				

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION

The Economic Entity participates in the following closed defined benefit superannuation schemes for some of its staff –

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

The following information has been prepared by the scheme actuary.

From 1 July 2005 to 17 March 2006 the superannuation liability rested with the Statutory Corporation. On 17 March it was transferred to the SAS Trustee Corporation Division of the Government Service of NSW. The transfer amount was actuarially determined.

Reconciliation of the assets and liabilities recognised in the Balance Sheet:

Economic Entity

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	720	231	5,077
Fair value of plan assets	(801)	(258)	(4,457)
	(81)	(27)	620
Surplus in excess of recovery available from schemes	-	-	-
Unrecognised past service cost	-	-	-
Net (asset)/liability disclosed in Balance Sheet	(81)	(27)	620

Statutory Corporation

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	-	-	-
Fair value of plan assets	-	-	-
	-	-	-
Surplus in excess of recovery available from schemes	-	-	-
Unrecognised past service cost	-	-	-
Net (asset)/liability disclosed in Balance Sheet	-	-	-

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Reconciliation of the assets and liabilities recognised in the Balance Sheet (Continued)

Economic Entity

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	648	265	4,735
Fair value of plan assets	(639)	(264)	(3,762)
	9	1	973
Surplus in excess of recovery available from schemes	-	-	-
Unrecognised past service cost	-	-	-
Net (asset)/liability disclosed in Balance Sheet	9	1	973

Statutory Corporation

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	648	265	4,735
Fair value of plan assets	(639)	(264)	(3,762)
	9	1	973
Surplus in excess of recovery available from schemes	-	-	-
Unrecognised past service cost	-	-	-
Net (asset)/liability disclosed in Balance Sheet	9	1	973

All assets are invested at arm's length by STC in its capacity as the Fund's trustee.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Movement in net liability/asset recognised in the Balance Sheet

Economic Entity

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Net (asset)/liability at start of year	8	-	973
Net expense recognised in the Income Statement	(48)	(14)	(272)
Contributions	(41)	(13)	(81)
Net (asset)/liability disclosed in Balance Sheet	<u>(81)</u>	<u>(27)</u>	<u>620</u>

Statutory Corporation

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Net (asset)/liability at start of year	8	-	973
Transfer to Division	55	19	(722)
Net expense recognised in the Income Statement	(34)	(10)	(193)
Contributions	(29)	(9)	(58)
Net (asset)/liability disclosed in Balance Sheet	<u>-</u>	<u>-</u>	<u>-</u>

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Movement in net liability/asset recognised in the Balance Sheet (Continued)

Economic Entity

As at 30 June 2005	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Net (asset)/liability at start of year	17	8	602
Net expense recognised in the Income Statement	23	11	484
Contributions	(31)	(18)	(113)
Net (asset)/liability disclosed in Balance Sheet	9	1	973

Economic Entity

As at 30 June 2005	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Net (asset)/liability at start of year	17	8	602
Net expense recognised in the Income Statement	23	11	484
Contributions	(31)	(18)	(113)
Net (asset)/liability disclosed in Balance Sheet	9	1	973

SAS Trustee Corporation

**Notes to the financial statements
for the year ended 30 June 2006**

7. SUPERANNUATION (CONTINUED)

Total expense recognised in Income Statement

Economic Entity

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Current Service Cost	31	15	58
Interest on obligation	38	13	263
Expected return on scheme assets	(48)	(19)	(281)
Net actuarial losses/(gains) recognised in year	(69)	(23)	(312)
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-
Total included in Employee Related Expenses	(48)	(14)	(272)

Statutory Corporation

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Current Service Cost	22	11	41
Interest on obligation	27	9	187
Expected return on scheme assets	(34)	(14)	(200)
Net actuarial losses/(gains) recognised in year	(49)	(16)	(221)
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-
Total included in Employee Related Expenses	(34)	(10)	(193)

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Total expense recognised in Income Statement (Continued)

Economic Entity

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Current Service Cost	25	15	59
Interest on obligation	34	13	246
Expected return on scheme assets	(38)	(16)	(245)
Net actuarial losses/(gains) recognised in year	2	(1)	424
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-
Total included in Employee Related Expenses	23	11	484

Statutory Corporation

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Current Service Cost	25	15	59
Interest on obligation	34	13	246
Expected return on scheme assets	(38)	(16)	(245)
Net actuarial losses/(gains) recognised in year	2	(1)	424
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-
Total included in Employee Related Expenses	23	11	484

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Actual return on scheme assets

Economic Entity

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Actual return on plan assets	101	36	608

Statutory Corporation

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Actual return on plan assets	72	26	432

Economic Entity

As at 30 June 2005	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Actual return on plan assets	70	29	422

Statutory Corporation

As at 30 June 2005	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Actual return on plan assets	70	29	422

Principal actuarial assumptions at reporting date

(a) Economic Assumptions

	2006	2005
Discount rate at 30 June	5.9%	5.2%
Expected return on fund assets at 30 June	7.6%	7.3%
Expected salary increases	4.0%	4.0%
Expected rate of CPI increase	2.5%	2.5%

(b) Demographic Assumptions

Demographic assumptions reflect those adopted by the scheme actuary in its triennial review of the schemes.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Arrangements for employer funding – Funding position calculated in accordance with AAS 25 – Financial Reporting by Superannuation Plans

Economic Entity

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
	\$'000	\$'000	\$'000
Accrued benefits	696	223	4,297
Net market value of fund assets	(800)	(258)	(4,458)
Net (surplus)/deficit	(104)	(35)	(161)

Statutory Corporation

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
	\$'000	\$'000	\$'000
Accrued benefits	-	-	-
Net market value of fund assets	-	-	-
Net (surplus)/deficit	-	-	-

Economic Entity

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
	\$'000	\$'000	\$'000
Accrued benefits	601	242	3,713
Net market value of fund assets	(639)	(264)	(3,762)
Net (surplus)/deficit	(38)	(22)	(49)

Statutory Corporation

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
	\$'000	\$'000	\$'000
Accrued benefits	601	242	3,713
Net market value of fund assets	(639)	(264)	(3,762)
Net (surplus)/deficit	(38)	(22)	(49)

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Arrangements for employer funding – Recommended contribution rates

As at 30 June 2006	SASS Multiple of member contributions	SANCS % member salaries	SSS Multiple of member contributions
	1.90	2.50	1.60
As at 30 June 2005	SASS Multiple of member contributions	SANCS % member salaries	SSS Multiple of member contributions
	1.90	2.50	1.60

Contribution rates were determined by the scheme actuary using the Aggregate Funding Method. This method involves calculating an employer contribution rate that will ensure the availability of sufficient assets to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

Arrangements for employer funding – Economic assumptions adopted

	2006	2005
Expected rate of return on fund assets at 30 June	7.3%	7.0%
Expected salary increases	4.0%	4.0%
Expected rate of CPI increase	2.5%	2.5%

Arrangements for employer funding – Nature of asset/liability

If a surplus exists in the Economic Entity's interest in the scheme the Economic Entity may be able to use the amount by a reduction in required contribution rate. The Statutory Corporation in its capacity as the scheme's trustee and NSW Treasury must approve such a reduction.

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

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

8. RELATED PARTY INFORMATION

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

	2006	2005
	\$	\$

The names of the Board Members of STC in office during the year ended 30 June 2006 and up to the date of signing these accounts, are as follows:

Mr I Blair	47,088	47,088
Mr M Cole	70,523	72,703
Mr R Davis	137,200	136,115
Ms A De Salis (term commenced 1 February 2006)	18,348	-
Mr R Harty	44,908	44,908
Mr M Lambert	40,548	40,548
Mr N Lewocki	44,908	44,908
Ms M O'Halloran	44,908	44,908
Ms O Sananikone (term completed 31 January 2006)	26,196	44,908
Mr P Scully	44,908	44,908
	519,535	520,994

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

	2006	2005
	\$'000	\$'000

Fees paid to the Statutory Corporation by State Super Financial Services Australia Limited (SSFSAL), a company in which Mr R Davis is a director, on normal commercial terms and conditions.

	50	50
--	----	----

Rental payments and outgoings received by the Pooled Fund from SSFSAL, a company in which Mr R Davis is a director, on normal commercial terms and conditions.

	904	1,233
--	-----	-------

(c)

On 17 March 2006 the NSW Government created the SAS Trustee Corporation Division of the Government Service of NSW. This entity is a special purpose entity providing personnel services to the Statutory Corporation. Its activities are conducted on behalf of the Statutory Corporation according to the Statutory Corporation's specific business needs. Day to day control of this entity is vested in the CEO of the Statutory Corporation.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

9. CASH FLOW INFORMATION

(a) Reconciliation of Cash	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Cash at bank	2,213	3,581	2,213	3,581

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

The Economic Entity's cash at bank is held with a major trading bank and attracts a floating interest rate which is subject to change at the discretion of the bank. At 30 June 06 the rate was 4.29% (2005 4.68%).

(b) Reconciliation of Net Result to Net Cash Used in Operating Activities	Economic Entity 2006 \$'000 Inflows/ (Outflows)	Economic Entity 2005 \$'000 Inflows/ (Outflows)	Statutory Corporation 2006 \$'000 Inflows/ (Outflows)	Statutory Corporation 2005 \$'000 Inflows/ (Outflows)
Net Result after income tax	-	-	-	-
Changes in Assets and Liabilities:				
<u>(Increase)/Decrease in Assets</u>				
Prepayments	19	(37)	19	(37)
Receivables —				
Pooled Fund	(2,451)	1,830	(2,343)	1,830
FTC	425	858	425	858
Other Receivables	(128)	(74)	(128)	(74)
<u>Increase/(Decrease) in Liabilities</u>				
Payables —				
Pillar	20	(105)	20	(105)
Other Payables	1,231	(242)	2,830	(242)
Provisions	(484)	921	(2,191)	921
Net Cash From/(Used) in Operating Activities	(1,368)	3,151	(1,368)	3,151

10. SEGMENT REPORTING

The Economic Entity operates in the superannuation and investment management industry in New South Wales. All revenue, expenses, assets and liabilities are as shown in the Income Statement and Balance Sheet.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

11. COMMITMENTS FOR EXPENDITURE

	Economic Entity 2006 \$'000	Economic Entity 2005 \$'000	Statutory Corporation 2006 \$'000	Statutory Corporation 2005 \$'000
Lease Commitments				
Commitments in relation to non-cancellable operating leases contracted for at balance date but not provided for in the accounts, including goods and services tax:				
Payable not later than 1 year	238	209	238	209
Payable later than 1 year and not later than 5 years	957	833	957	833
Payable greater than 5 years	360	544	360	544
	1,555	1,586	1,555	1,586

Administration Expenses

Commitments in relation to fixed administration fees for the Pooled Fund payable to Pillar included in the services contract dated 1 October 2005 but not provided for in the accounts, including goods and services tax:

Payable not later than 1 year	8,479	2,300	8,479	2,300
Payable later than 1 year and not later than 5 years	27,556	-	27,556	-
	36,035	2,300	36,035	2,300

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

The administration expenses noted above qualify for a reduced input tax credit of 75% of the goods and services tax included therein.

12. CONTINGENT LIABILITIES

Broadly, two classes of contingent liabilities potentially exist in relation to either the Trustee in its capacity as Trustee of the Pooled Fund, or the Fund itself:

- (i) Legal Costs and additional benefit amounts in relation to member benefit entitlement disputes, notified, but not resolved.
- (ii) Legal Costs and damages arising from claims relating to the ownership and operation of physical assets.

In both cases it is impractical to estimate the financial effect or the amount of any possible recovery from third parties relating to these contingent liabilities. The Trustee is indemnified out of the assets of the Fund.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

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

This is the Economic Entity's first financial report prepared under A-IFRS.

The following adjustments were required to opening balances on transition to A-IFRS –

Income Statement

	Note	30 June 2005	1 July 2004
		\$'000	\$'000
Net Result or Loss		-	-
Adjustments to revenue on transition to A-IFRS	a, b, c	1,088	518
Adjustments to expenses on transition to A-IFRS		(1,088)	(518)
	a, b, c		
Net Result or loss under A-IFRS		-	-

Balance Sheet

	Note	30 June 2005	1 July 2004
		\$'000	\$'000
Net Assets		-	-
Adjustments to assets on transition to A-IFRS	a, b, c	978	518
Adjustments to liabilities on transition to A-IFRS	a, b, c	(978)	(518)
Net Assets Available to Pay Benefits under A-IFRS		-	-

(a) Employee Benefits - Superannuation

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

The cumulative impact on the financial position at 30 June 2005 is an increase of provisions for superannuation by \$1,091,000 and an increase in superannuation expenses of \$1,091,000.

As the Economic Entity is required to recover all expenses from the Pooled Fund, the change in this amount results in a change in the receivable of \$1,091,000 at 30 June 2005. The change also affected the Economic Entity's revenue by the same amount.

The superannuation balances as at 30 June 2005 were revised at the request of NSW Treasury. Thus, the changes on conversion to A-IFRS have been amended from those disclosed in Economic Entity's final Australian Generally Accepted Accounting Principles based financial report.

SAS Trustee Corporation

Notes to the financial statements for the year ended 30 June 2006

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

(b) Employee Benefits – Leave Entitlements

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

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

As the Economic Entity is required to recover all expenses from the Pooled Fund, the change in this amount results in a change in the receivable of \$3,000 at 30 June 2005. The change also affects the Economic Entity's revenue by the same amount.

(c) Lease expenses

AASB 117 – Leases requires lease expense to reflect in a straight line any incentives and contingent rentals.

The cumulative impact on the financial position at 30 June 2005 was an increase on expenses of \$14,081.

As the Economic Entity is required to recover all expenses from the Pooled Fund, the change in this amount results in a change in the receivable of \$14,081 at 30 June 2005. The change also affects the Economic Entity's revenue by the same amount.

End of Audited Financial Report

PART B

**Financial Statements
of the
SAS Trustee Corporation Division
of the Government Service of NSW**



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

SAS Trustee Corporation Division of the Government Service of NSW

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the SAS Trustee Corporation Division of the Government Service of NSW (the *STC Division*):

- presents fairly the *STC Division's* financial position as at 30 June 2006 and its performance for the period ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and the Chief Executive Officer's Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the *STC Division*, for the period ended 30 June 2006.

The Chief Executive Officer of the *STC Division* is responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

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

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Chief Executive Officer in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

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

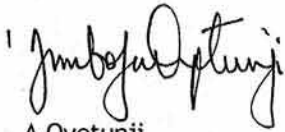
My opinion does *not* provide assurance:

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

Audit Independence

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

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



A Oyetunji
Director, Financial Audit Services

SYDNEY
20 September

SAS Trustee Corporation Division of the Government Service of NSW

Statement by Chief Executive Officer

for the period ended 30 June 2006

Pursuant to Section 41C(1B) and (1C) of the *Public Finance and Audit Act 1983* I declare that in my opinion:

1. the financial statements present a true and fair view of the financial position of the SAS Trustee Corporation Division of the Government Service of NSW at 30 June 2006 and transactions for the period then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions.

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

Signed at Sydney this 19 day of September 2006.



Don McLean
Chief Executive Officer

SAS Trustee Corporation Division of the Government Service of NSW

Income Statement for the period ended 30 June 2006

	NOTE	<u>2006</u> <u>\$'000</u>
Revenue		
Personnel Services		<u>546</u>
Expenses		
Salaries		548
Defined contribution superannuation		42
Defined benefit superannuation		(135)
Annual and long service leave		36
Other Payroll Related		<u>55</u>
Total expenses		<u>546</u>
Operating Result	2	<u>-</u>

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

SAS Trustee Corporation Division of the Government Service of NSW

Balance Sheet As at 30 June 2006

	NOTE	<u>2006</u> <u>\$'000</u>
Current Assets		
Receivables	3	<u>1,707</u>
		<u>1,707</u>
Current Liabilities		
Payables	4	-
Short-term provisions	5	<u>1,403</u>
Total Current Liabilities		<u>1,403</u>
Non-Current Liabilities		
Long-term provisions	5	<u>304</u>
Total Non-current Liabilities		<u>304</u>
Total Liabilities		<u>1,707</u>
Net Assets		<u>-</u>
Total Equity		<u>-</u>

The accompanying notes form an integral part of the above Balance Sheet.

SAS Trustee Corporation Division of the Government Service of NSW

**Cash Flows Statement
for the period ended 30 June 2006**

		2006 \$'000
	NOTE	Inflows/ (Outflows)
Cash Flows from Operating Activities		
Receipts		546
Interest Received		
Payments to Suppliers and Employees		(546)
Net Operating Cash Flows	9 (b)	-
Net Increase/(Decrease) in Cash Held		-
Cash at the Beginning of the Financial Period		-
Cash at the End of the Financial Period	9 (a)	-

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

SAS Trustee Corporation Division of the Government Service of NSW

Statement of Changes in Equity for the period ended 30 June 2006

	NOTE	<u>2006</u> <u>\$'000</u>
Retained Earnings		
Balance at start of period		-
Changes in accounting policy		-
Result for period	2	-
Balance at end of period		<u>-</u>

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

SAS Trustee Corporation Division of the Government Service of NSW

Notes to the financial statements for the period ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES

A. Reporting entity

The SAS Trustee Corporation Division of the Government Service of NSW is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the *Public Sector Employment and Management Act 2002*. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in NSW Australia and its office is at Level 17, 83 Clarence Street, Sydney.

The objective of the SAS Trustee Corporation Division of the Government Service of NSW is to provide personnel services to the SAS Trustee Corporation (STC).

The SAS Trustee Corporation Division of the Government Service of NSW commenced operations on 17 March 2006 when it assumed responsibility for the employees and employee-related liabilities of the SAS Trustee Corporation. The assumed liabilities were recognised on 17 March 2006 together with an offsetting receivable representing the related funding due from the former employer.

The financial report was authorised for issue by the Chief Executive Officer of STC. The report will not be amended and reissued as it has been audited.

B. Basis of preparation

This is a general purpose financial report prepared in accordance with the requirements of Australian Accounting Standards, the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and specific directions issued by the Treasurer.

This is the first financial report prepared on the basis of Australian Equivalents to International Financial Reporting Standards.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations. However, certain provisions are measured at fair value (see note 1 G).

The accrual basis of accounting has been adopted in the preparation of the financial report, except for cash flow information.

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

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

C. Comparative information

As this is the first financial report for the SAS Trustee Corporation Division of the Government Service of NSW, comparative information for the previous year is not provided.

D. Income

Income is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

SAS Trustee Corporation Division of the Government Service of NSW

Notes to the financial statements for the period ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

E. Receivables

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for doubtful debts. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial. An invoiced receivable is due for settlement within thirty days of invoicing.

If there is objective evidence at period end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for doubtful debts and the resulting loss is recognised in the income statement. Receivables are monitored during the period and bad debts written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the income statement.

F. Payables

Payable include accrued wages, salaries and related on costs (such as payroll tax, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

A short-term payable with no stated interest rate is measured at historical cost of the effect of discounting is immaterial.

SAS Trustee Corporation Division of the Government Service of NSW

Notes to the financial statements for the period ended 30 June 2006

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

G. Employee benefit provision and expenses

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement.

Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.

Superannuation and leave liabilities are recognised as expenses and provision when the obligations arise, which is usually through the rendering of service by employees.

Long-term annual leave (ie that is not expected to be taken within twelve months) is measured at present value using a discount rate equal to the market yield of government bonds.

Superannuation and long service leave provisions are actuarially assessed prior to each reporting date and are measured at the present value of expected future payments.

All other employee benefit liabilities (ie for benefits falling due wholly within twelve months after reporting date) are assessed by management and are measured at the undiscounted amount of expected future payments.

The amount recognised for superannuation and long service leave provisions is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly.

The amount recognised in the income statement for superannuation and long service leave is the net total of current service cost, interest cost, the expected return on plan assets and actuarial gains and losses. Actuarial gains or losses are recognised as income or expense in the year they occur.

The actuarial assessment of superannuation provisions uses the Projected Unit Credit Method and reflects the benefit set out in the terms of the schemes. The liabilities are discounted using the market yield rate on government bonds of similar maturity to those obligations. Actuarial assumptions are unbiased and mutually compatible and financial assumptions are based on market expectations for the period over which the obligations are to be settled.

H. Accounting standards issued but not yet effective

The following accounting standards issued but not yet effective have not been applied –

- AASB 7 Financial Instruments Disclosures (potentially more substantial risk related disclosures relating to credit, liquidity and market risk). AASB7 will be implemented for the year ending 30 June 2008.
- AASB 119 Employee Benefits (requires more detailed disclosure of superannuation movements).

2. RESULT

The SAS Trustee Corporation Division of the Government Service of NSW did not make any payments to consultants

The audit fee for the entity is met by STC and is estimated at \$3,000. The auditor provided no other services other than the audit of this financial report.

SAS Trustee Corporation Division of the Government Service of NSW

Notes to the financial statements for the period ended 30 June 2006

	2006 \$'000
3. RECEIVABLES	
Current	
Amounts Receivable — STC	1,599
Superannuation (refer Note 7)	108
	<u>1,707</u>
4. PAYABLES	
Current	
Amount Payable — STC	-
Other Payables	-
	<u>-</u>
5. PROVISIONS	
Current	
Employee Benefits	783
Superannuation (refer Note 7)	620
	<u>1,403</u>
Non-current	
Employee Benefits	304
	<u>304</u>

SAS Trustee Corporation Division of the Government Service of NSW

Notes to the financial statements for the period ended 30 June 2006

6. EXECUTIVES' REMUNERATION

2006
\$'000

Income received or due and receivable during the period 1 July 2005 to 30 June 2006 by executive officers of the SAS Trustee Corporation Division of the Government Service of NSW whose income is \$100,000 or more

1,645

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

2006
Number

Remuneration (including superannuation contributions) of:

\$110,000	—	\$119,999	1
\$120,000	—	\$129,999	3
\$130,000	—	\$139,999	1
\$150,000	—	\$159,999	1
\$160,000	—	\$169,999	1
\$180,000	—	\$189,999	1
\$240,000	—	\$249,999	1
\$250,000	—	\$259,999	1
			<u>10</u>

SAS Trustee Corporation Division of the Government Service of NSW

Notes to the financial statements for the period ended 30 June 2006

7. SUPERANNUATION

The SAS Trustee Corporation Division of the Government Service of NSW participates in the following closed defined benefit superannuation schemes for some of its staff –

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

The following information has been prepared by the scheme actuary.

Reconciliation of the assets and liabilities recognised in the Balance Sheet:

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	720	231	5,077
Fair value of plan assets	(801)	(258)	(4,457)
	(81)	(27)	620
Surplus in excess of recovery available from schemes	-	-	-
Unrecognised past service cost	-	-	-
Net (asset)/liability disclosed in Balance Sheet	(81)	(27)	620

All assets are invested at arm's length by STC in its capacity as the Fund's trustee.

Movement in net liability/asset recognised in the Balance Sheet:

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Net (asset)/liability transferred in on 17 March 2006	(55)	(19)	722
Net expense recognised in the Income Statement	(14)	(4)	(79)
Contributions	(12)	(4)	(23)
Net (asset)/liability disclosed in Balance Sheet	(81)	(27)	620

SAS Trustee Corporation Division of the Government Service of NSW

Notes to the financial statements for the period ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

Total expense recognised in Income Statement

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Current Service Cost	9	4	17
Interest on obligation	11	4	76
Expected return on scheme assets	(14)	(6)	(82)
Net actuarial losses/(gains) recognised in period	(20)	(7)	(90)
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Losses/(gains) on curtailments and settlements	-	-	-
Total included in Employee Related Expenses	(14)	(5)	(79)

Actual return on scheme assets

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on plan assets	29	11	176

Principal actuarial assumptions at reporting date

(a) Economic Assumptions

	2006
Discount rate at 30 June	5.9%
Expected return on fund assets at 30 June	7.6%
Expected salary increases	4.0%
Expected rate of CPI increase	2.5%

SAS Trustee Corporation Division of the Government Service of NSW

Notes to the financial statements for the period ended 30 June 2006

7. SUPERANNUATION (CONTINUED)

(b) Demographic Assumptions

Demographic assumptions reflected those adopted by the Scheme actuary in its triennial review of the schemes.

Arrangements for employer funding – Funding position calculated in accordance with AAS 25 – Financial Reporting by Superannuation Plans

As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Accrued benefits	696	223	4,297
Net market value of fund assets	(800)	(258)	(4,458)
Net (surplus)/deficit	(104)	(35)	(161)

Arrangements for employer funding – Recommended contribution rates

As at 30 June 2006	SASS	SANCS	SSS
	Multiple of member contributions	% member salaries	Multiple of member contributions
	1.90	2.50	1.60

Contribution rates were determined by the scheme actuary using the Aggregate Funding Method. This method involves calculating an employer contribution rate that will ensure the availability of sufficient assets to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

Arrangements for employer funding – Economic assumptions adopted

2006

Expected rate of return on fund assets at 30 June	7.3% p.a.
Expected salary increases	4.0% p.a.
Expected rate of CPI increase	2.5% p.a.

Arrangements for employer funding – Nature of asset/liability

If a surplus exists in the entity's interest as an employer in the scheme it may be able to use the amount by a reduction in required contribution rate. STC in its capacity as the scheme's trustee and NSW Treasury must approve such a reduction.

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

SAS Trustee Corporation Division of the Government Service of NSW

Notes to the financial statements for the period ended 30 June 2006

8. RELATED PARTY INFORMATION

Transactions entered into during the period with Parent Entity	2006 \$'000
Staff services provided at cost to SAS Trustee Corporation –	
• revenue	546
• expense	(546)

The SAS Trustee Corporation Division of the Government Service of NSW receives the following services from the SAS Trustee Corporation at no charge –

- administration support
- accounting support
- payment of external audit fees.

9. CASH FLOW INFORMATION

(a) Reconciliation of Cash	2006 \$'000
Cash at Bank	-

The SAS Trustee Corporation Division of the Government Service of NSW did not have a bank account at 30 June 2006. All transactions are transacted through the bank account of the SAS Trustee Corporation.

The SAS Trustee Corporation Division of the Government Service of NSW does not have any credit standby arrangements or loan facilities.

SAS Trustee Corporation Division of the Government Service of NSW

Notes to the financial statements for the period ended 30 June 2006

9. CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of Net Result to Net Cash Used in Operating Activities	2006 \$'000 Inflows/ (Outflows)
Net Result after income tax	
Changes in Assets and Liabilities:	
<u>(Increase)/Decrease in Assets</u>	
Prepayments	-
Receivables	1,707
 <u>Increase/(Decrease) in Liabilities</u>	
Payables	-
Provisions	1,707
Net Cash From/(Used) in Operating Activities	-

10. SEGMENT REPORTING

The SAS Trustee Corporation Division of the Government Service of NSW operates to provide staff to the SAS Trustee Corporation. It operates solely in New South Wales. All revenue, expenses, assets and liabilities are as shown in the Income Statement and Balance Sheet.

11. COMMITMENTS FOR EXPENDITURE	2006 \$'000
	-

12. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2006.

End of Audited Financial Report

PART B

**Financial Statements
of the
SAS Trustee Corporation
Pooled Fund**



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

SAS Trustee Corporation - Pooled Fund

To the Treasurer

Audit Opinion

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

- presents fairly the Fund's financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the *Public Finance and Audit Act 1983* (the Act) and the *Public Finance and Audit Regulation 2005*.

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

Scope

The Financial Report and Trustee's Responsibility

The financial report comprises the statement of changes in net assets, the statement of net assets, and the accompanying notes to the financial statements for the Fund, for the year ended 30 June 2006.

The members of the Board of the SAS Trustee Corporation, as trustee of the Fund are responsible for the preparation of the financial report. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* that the financial report is free of *material* misstatement. My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Trustee Board in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

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

My opinion does *not* provide assurance:

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

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The *Public Finance and Audit Act 1983* further promotes independence by:

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



A T Whitfield
Deputy Auditor-General

SYDNEY
27 September 2006

SAS TRUSTEE CORPORATION POOLED FUND

Statement by Members of the Trustee Board

for the year ended 30 June 2006

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 financial position of the Pooled Fund at 30 June 2006 and transactions for the year then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's directions.

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

Signed at Sydney this 27th day of September 2006.



Michael Cole
Chairperson
SAS Trustee Corporation



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

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Changes in Net Assets

for the year ended 30 June 2006

	Note	2006 \$'m	2005 \$'m
Net Assets Available to Pay Benefits at Beginning of Financial Year		25,899.9	24,214.6
Contribution Revenue			
Employer Contributions		273.7	331.5
Member Contributions		507.2	494.6
	2	780.9	826.1
Transfers			
Scheme Mobility Transfer	4	(0.4)	(7.6)
Investment Revenue			
Short Term Securities		32.4	14.2
Australian Fixed Interest		179.9	180.9
International Fixed Interest		81.3	71.6
Australian Equities		568.5	553.0
International Equities		123.7	147.7
Property		139.5	187.0
		1,125.3	1,154.4
Changes in Net Market Values of Investments		3,246.2	2,199.1
	5	4,371.5	3,353.5
Investment Expenses		(60.1)	(59.4)
Net Investment Revenue		4,311.4	3,294.1
Other Revenue		3.8	3.9
Total Revenue from Ordinary Activities		5,095.7	4,116.5
Benefits Paid	12(b)	(2,457.8)	(2,398.0)
Scheme Administration Expenses	6	(33.7)	(35.3)
Superannuation Contributions Surcharge		(12.9)	(14.3)
Other Expense		(0.7)	(1.3)
Total Expenses from Ordinary Activities		(2,505.1)	(2,448.9)
Change in Net Assets Before Income Tax		2,590.6	1,667.6
Income Tax Benefit	7(a)	87.6	17.7
Change in Net Assets Available to Pay Benefits After Income Tax		2,678.2	1,685.3
Net Assets Available to Pay Benefits at End of Financial Year	8	28,578.1	25,899.9

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

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Net Assets
as at 30 June 2006

	Note	2006 \$'m	2005 \$'m
INVESTMENTS			
Short Term Securities		1,421.2	2,291.7
Australian Fixed Interest		2,996.7	3,131.5
International Fixed Interest		1,413.2	1,455.6
Australian Equities		12,420.2	10,808.4
International Equities		7,923.3	6,069.7
Property		2,524.8	2,223.3
		<hr/> 28,699.4	25,980.2
OTHER ASSETS			
Cash at Bank		3.4	3.4
Receivables	9	290.3	242.8
Plant and Equipment		0.1	0.1
Sundry Assets		-	15.7
Current Tax Asset	7(a)	120.4	58.6
		<hr/> 414.2	320.6
TOTAL ASSETS			
		29,113.6	26,300.8
Less:			
LIABILITIES			
Reserve Units	10	4.6	4.7
Payables	11	328.3	248.4
Deferred Tax Liability	7(b)	202.6	147.8
		<hr/> 535.5	400.9
NET ASSETS AVAILABLE TO PAY BENEFITS			
	8	<hr/> 28,578.1	25,899.9

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are a general purpose financial report for the SAS Trustee Corporation Pooled Fund (the Fund) reporting entity that consists of the State Authorities Superannuation Scheme (SASS), the State Authorities Non-contributory Superannuation Scheme (SANCS), the State Superannuation Scheme (SSS) and the Police Superannuation Scheme (PSS). These are the superannuation schemes administered by the SAS Trustee Corporation (STC) under the *Superannuation Administration Act 1996* (the Act). STC acts as trustee and holds in trust all assets of the Fund.

The Schemes of the Fund were established under and are governed by various Acts of the New South Wales Parliament. SANCS, SSS and PSS are defined benefit plans, while SASS comprises both a defined benefit component and a defined contribution component. All Schemes in the Fund are closed to new members. The Fund is domiciled in NSW Australia. Its registered address is Level 17, 83 Clarence Street Sydney, NSW, 2000.

Scheme administration services for the Fund are carried out by the Superannuation Administration Corporation trading as Pillar Administration (Pillar). The Fund's custodial activities are performed by JPMorgan Investor Services, DB RREEF Funds Management Ltd and Deutsche Asset Management (Australia) Limited.

Investment managers of the Fund during the year ended 30 June 2006 are:

- Access Economics Pty Limited
- AMP Capital Investors Limited
- Barclays Global Investors Australia Limited
- BIAM Australia Limited
- Capital International Inc.
- DB RREEF Funds Management Ltd
- Deutsche Asset Management (Australia) Limited
- Fidelity International Limited
- GMO Australia Limited
- LaSalle Investment Management (Securities), LP
- Macquarie Investment Management Limited
- Maple-Brown Abbott Limited
- T-Corp (New South Wales Treasury Corporation)
- Pareto Investment Management Limited
- Perennial Value Management Limited
- Perpetual Investment Management Limited
- State Street Global Advisors Australia Limited
- UBS Global Asset Management (Australia) Limited
- Vanguard Investments Australia Ltd
- Wallara Asset Management Pty Limited
- Wellington Management Company LLP

Each manager is required to invest the assets managed by it in accordance with the terms of a written investment mandate. The investment managers and custodians charge management fees for the services provided.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(a) General System of Accounting Underlying the Financial Statements

The financial statements form a general purpose financial report and are prepared in accordance with –

- the *Public Finance and Audit Act 1983*
- the *Public Finance and Audit Regulation 2005*
- the Treasurer's Directions.
- applicable Australian Accounting Standards and other professional reporting requirements (for example, Urgent Issues Group Interpretations).

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

The financial statements comply with Australian equivalents to International Financial Reporting Standards (A-IFRS) to the extent such standards are not inconsistent with AAS 25. The Pooled Fund is a not-for-profit entity.

The accrual method of accounting is used and the financial statements are also prepared in accordance with the historic cost convention, except for assets stated in Note 1(b).

In accordance with the criteria set out in the Australian Accounting Standard AASB 3 – *Business Combinations* and AASB 127 – *Consolidated and Separate Financial Statements*, the Fund is the parent entity of the economic entity. Entities in the economic entity are shown in Note 14. Consolidated financial statements have not been prepared in accordance with these standards on the grounds that the controlled entities are not material to these financial statements. Investments in subsidiaries are carried at net market value.

All amounts are presented in Australian Dollars unless otherwise stated.

(b) Assets and Liabilities

Assets and liabilities of the Fund are valued at reporting date at net market values. Net market values comprise market values less estimated costs of disposal. Changes in net market values, representing gains or losses, are recognised in the Statement of Changes in Net Assets in the period in which they occur.

The valuation of each class of asset at 30 June 2006 is determined as follows:

Short Term Securities:	Market rates.
Fixed Interest:	Relevant fixed interest securities markets.
Equities and Unit Trusts:	Relevant stock exchange official quotation or if unlisted, independent or manager valuation.
Property:	Current market value determined individually by independent registered valuers on the basis of an exchange between knowledgeable and willing parties in an arm's length transaction.
Plant and Equipment:	Valued at net fair values; where assets are not material and for which fair values are not readily available, the assets are shown at their written down values. During the year the fair value of plant and equipment declined by \$32,151 (30 June 2005: \$82,611).

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Others: e.g. Sundry Assets and Receivables, where net market values are not applicable, the assets are shown at net fair values. Assets are reviewed annually to ensure they are not recognised at amounts exceeding the value of the economic benefits to be provided by continued use.

All transactions relating to financial instruments are accounted for using trade date accounting.

The Trustees have concluded that the above measurement bases are appropriate. The nature of the assets and liabilities is that measurement amounts may change over time.

Assets and liabilities are recognised when the Fund becomes party to the instrument's contractual provisions.

Assets are derecognised when the contractual rights to cash flows from the asset expire or are transferred to another party.

Liabilities are derecognised when the contractual obligation relating to the liability is discharged, cancelled or expires.

(c) Foreign Currency Transactions

Foreign currency transactions during the year are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Resulting exchange differences are included in the change in net assets for the year.

(d) Income Tax

The Fund is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1936*. Accordingly, the concessional tax rate of 15% has been applied.

Income tax on the Change in Net Assets for the year comprises current and deferred tax. Income tax is reflected in the Statement of Changes in Net Assets.

Current Tax is the expected tax payable on the taxable income for the year using the concessional tax rate of 15% and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax provided uses the tax rate applicable at balance date.

A deferred tax asset is only recognised to the extent it is probable that future taxable surpluses will be available against which the asset can be used.

(e) Management Expenses

Management expenses charged to the Fund comprise:

Investment Expenses: These are charged directly against investment revenue.

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Superannuation Contributions Surcharge Tax

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

No provision has been made in these financial statements for the amount of the superannuation contributions surcharge tax which may be payable by the Fund under the *Superannuation Contributions Tax (Assessment and Collections) Act 1997* as the assessments received to date are not considered to be indicative of future assessments. The liability shown in the Statement of Net Assets is calculated using assessments received up to 30 June 2006. The *Superannuation Contributions Tax (Assessment and Collections) Act 1997* was abolished with effect from 1 July 2005.

(g) Rounding

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

(h) Comparative Figures

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

(i) Revenue Recognition

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

Contributions and Transfers in

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

Interest

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

Dividends

Dividends are recognised on the ex-date.

(j) Early Implementation of Accounting Standards

The Trustee has elected not to early adopt AASB 7 – *Financial Instruments: Disclosures*. The key variation between AASB 7 and current accounting standards is that AASB 7 requires more substantial risk related disclosures relating to credit, liquidity and market risk. AASB 7 will be implemented for the year ended 30 June 2008.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

2. EMPLOYER AND MEMBER CONTRIBUTIONS

	2006				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Employer Contributions	145.8	17.5	109.8	0.6	273.7
Member Contributions	207.0	13.1	270.6	16.5	507.2
Total Contributions	352.8	30.6	380.4	17.1	780.9

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

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.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

2. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

Member and Employer contributions for each of the Schemes are determined on the bases described below. The bases for the current year remain unchanged from the previous year. Member contributions for the SANCS represent the co-contributions received from the Federal Government.

Contributions made by the Crown vary from year to year depending upon government liability management priorities. Since 1999, the contributions made by the Crown have decreased significantly (\$nil in 2006; \$nil in 2005; \$nil in 2004; \$nil in 2003; \$nil in 2002; \$243 million in 2001 and \$587 million in 2000).

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

A non-superannuation investment fund (the General Government Liability Management Fund (GGLMF)) has been established by the Crown to accumulate Crown employer superannuation contributions. The net assets held in the GGLMF at 30 June 2006 were \$6.3 billion (2005 \$4.1 billion).

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

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

(a) State Authorities Superannuation Scheme (SASS)

Member Contributions

Each member elects to contribute between 1% and 9% of salary.

Employer Contributions

Under the provisions of the *State Authorities Superannuation Act 1987* employers are grouped into the two categories below and the bases of contribution are as follows:

- Part 1 Consolidated Fund or supported Government employers and self-financing Semi-government employers are billed monthly and generally contribute at a multiple of the contributions payable by employees. The respective multiples are set by STC, with the concurrence of the NSW Treasurer, at a rate to part fund future liabilities and to fully fund emerging benefits. Some employers contribute on a less than fully funded basis, meeting liabilities as they emerge, while other employers contribute on a fully funded basis.
- Part 3 Hospitals and associated employers contribute an amount equal to their employees' own contributions. Should any shortfall occur the funding deficit is guaranteed to be met from the Consolidated Fund of the NSW Government.

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

2. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

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

Member Contributions

As the Scheme is 100% employer funded, there are no member contributions. As noted above, any member contribution recognised represent co-contributions received from the Federal Government.

Employer Contributions

Employers are billed at a percentage of employees' salaries, set for each employer by STC with the concurrence of the NSW Treasurer. The current contribution rates for employers range from 0% and 3%.

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

(c) State Superannuation Scheme (SSS)

Member Contributions

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

Employer Contributions

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

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

(d) Police Superannuation Scheme (PSS)

Member Contributions

Members contribute 6% of their salary.

Employer Contributions

Employer contributions vary from year to year.

3. SASS – MEMBER INVESTMENT CHOICE

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

4. SCHEME MOBILITY TRANSFER

During the year, some employers and their associated members that were governed under *the Local Government Act* left the State Authorities Superannuation Scheme and State Superannuation Scheme. The total amount transferred out was \$2.4 million at 30 June 2006 (30 June 2005: \$8.6 million).

At the same time, there were Local Government and Energy Industries members who had previously left SASS and SSS but elected to return under the mobility provisions. The total amount transferred in was \$2.0 million at 30 June 2006 (30 June 2005: \$1.0 million).

5. INVESTMENT REVENUE

	2006			
	Changes in Net Market Values			
	Income	Held at Reporting Date	Realised During the Year	Total
	\$'m	Unrealised Gain/(Loss) \$'m	Gain/(Loss) \$'m	\$'m
Short Term Securities	32.4	5.7	58.0	96.1
Australian Fixed Interest	179.9	(95.0)	(5.2)	79.7
International Fixed Interest	81.3	(64.4)	(2.7)	14.2
Australian Equities	568.5	1,591.6	242.9	2,403.0
International Equities	123.7	1,045.5	175.2	1,344.4
Property	139.5	277.2	17.4	434.1
Total Investment Revenue	1,125.3	2,760.6	485.6	4,371.5

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

5. INVESTMENT REVENUE (Continued)

Interest Revenue

Within Short Term Securities, Australian Fixed Interest and International Fixed Interest is interest revenue received of \$251.9 million (2005 \$257.1 million).

Royalty Revenue

Within Australian Equities is royalty revenue received of \$14.1 million (2005 \$10.1 million).

Dividend Revenue

Within Australian Equities and International Equities is dividend revenue received of \$651.8 million (2005 \$656.8 million).

Property Lease Revenue

The Fund's property portfolio comprises interests in property trusts and several directly owned properties. These properties are leased commercially to various tenants.

The Fund engaged in the following transactions –

	2006	2005
	\$'m	\$'m
Rental income derived	137.3	180.9
Direct property operating expenses	(39.5)	(52.7)
Contractual obligations to purchase, construct or develop properties	(14.8)	(0.2)
Contractual obligations for repairs, maintenance or enhancements to properties	-	(0.1)

The future minimum lease payments receivable by the Fund are –

	2006	2005
	\$'m	\$'m
Not later than one year	103.6	101.6
Later than one year but not later than five years	280.8	320.9
Later than five years	116.2	141.9
	500.6	564.4

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

	2006 \$'m	2005 \$'m
6. SCHEME ADMINISTRATION EXPENSES		
Included in Scheme Administration Expenses are the following items:		
Audit Fees – The Auditor-General of New South Wales (audit of the financial statements and no other services)	0.4	0.4
Triennial Actuarial Fees	0.3	-

7. INCOME TAX

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

a) Income Tax Benefit recognised in the Statement of Changes in Net Assets	2006 \$'m	2005 \$'m
Current tax benefit		
Current year	(120.4)	(58.6)
Adjustments for prior years	(22.0)	(2.3)
Deferred tax benefit		
Origination and reversal of temporary differences	54.8	43.2
Total income tax benefit in Statement of Changes in Net Assets	(87.6)	(17.7)

**Numerical reconciliation between tax benefit and pre-tax
Change in Net Assets before Tax**

Change in Net Assets before Tax	2,590.6	1,667.6
Income tax using the superannuation fund tax rate of 15%	388.6	250.1
Decrease in tax benefit due to non-deductible expenses	370.6	362.9
Increase in tax benefit due to tax exempt revenues	(745.3)	(548.2)
Notional death and disability insurance premium	(79.5)	(80.2)
Under/(Over) Provision in Prior Year	(22.0)	(2.3)
Income tax benefit on pre-tax Change in Net Assets Before Tax	(87.6)	(17.7)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

7. INCOME TAX (Continued)

	2006	2005
	\$'m	\$'m
(b) Deferred Tax Liability		
Dividends Receivable	3.6	4.7
Interest Receivable	3.3	0.1
Unrealised Loss on Traditional Securities and Foreign Exchange	(10.9)	(2.0)
Unrealised Capital Gains	205.0	143.5
Contributions Receivable	1.6	1.5
	202.6	147.8

The Fund is exempt from tax payable on investment income set aside for the payment of pensions. In addition, the Fund is able to offset pre 1 July 1988 Funding Credits (PJFC) against the tax payable on employer contributions made during the year. The balance of PJFC available for use at 30 June 2006 amounted to \$1,030.6 million (30 June 2005: \$983.4 million). The tax benefit of these amounts has not been recognised as a deferred tax asset because the Fund has not yet received employer contributions that exceed the PJFC use threshold.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

8. NET ASSETS

	2006				Total \$'m
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	
Member Reserves (1)					
Balance at Beginning of Financial Year	3,850.7	-	4,571.9	388.4	8,811.0
Increase/(Decrease) in Net Assets	520.9	-	398.2	19.2	938.3
Balance at End of Financial Year	4,371.6	-	4,970.1	407.6	9,749.3
Employer Reserves (2)					
Balance at Beginning of Financial Year	1,283.5	147.0	13,836.4	631.8	15,898.7
Increase/(Decrease) in Net Assets	1,775.9	736.7	(925.8)	(76.9)	1,509.9
Balance at End of Financial Year	3,059.4	883.7	12,910.6	554.9	17,408.6
Death or Invalidation Reserves (3)					
Balance at Beginning of Financial Year	16.8	-	-	-	16.8
Increase/(Decrease) in Net Assets	3.2	-	-	-	3.2
Balance at End of Financial Year	20.0	-	-	-	20.0
Deferred Benefits Reserves (4)					
Balance at Beginning of Financial Year	954.3	219.1	-	-	1,173.4
Increase/(Decrease) in Net Assets	185.0	41.8	-	-	226.8
Balance at End of Financial Year	1,139.3	260.9	-	-	1,400.2
Net Assets Available to Pay Benefits	8,590.3	1,144.6	17,880.7	962.5	28,578.1

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

8. NET ASSETS (Continued)

	2005				Total \$'m
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	
Member Reserves (1)					
Balance at Beginning of Financial Year	3,484.9	-	4,393.5	378.0	8,256.4
Increase/(Decrease) in Net Assets	365.8	-	178.4	10.4	554.6
Balance at End of Financial Year	3,850.7	-	4,571.9	388.4	8,811.0
Employer Reserves (2)					
Balance at Beginning of Financial Year	1,437.6	286.8	12,472.8	718.4	14,915.6
Increase/(Decrease) in Net Assets	(154.1)	(139.8)	1,363.6	(86.6)	983.1
Balance at End of Financial Year	1,283.5	147.0	13,836.4	631.8	15,898.7
Death or Invalidation Reserves (3)					
Balance at Beginning of Financial Year	13.8	-	-	-	13.8
Increase/(Decrease) in Net Assets	3.0	-	-	-	3.0
Balance at End of Financial Year	16.8	-	-	-	16.8
Deferred Benefits Reserves (4)					
Balance at Beginning of Financial Year	842.5	186.9	-	-	1,029.4
Increase/(Decrease) in Net Assets	111.8	32.2	-	-	144.0
Balance at End of Financial Year	954.3	219.1	-	-	1,173.4
Net Assets Available to Pay Benefits	6,105.3	366.1	18,408.3	1,020.2	25,899.9

(1) The Member Reserve represents members' accounts that comprise the balance of members' contributions and net investment income earned less benefits paid that are attributable to contributor-financed benefits. Only the contributors under the *State Authorities Superannuation Scheme* are required to pay scheme administration fees.

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

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

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

8. NET ASSETS (Continued)

As described at Note 3 SASS and SASS Deferred members are able to elect an investment strategy for their member contributed balances.

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

	2006				
	Growth \$'m	Conservative Growth \$'m	Balanced \$'m	Cash \$'m	Total \$'m
SASS Member	4,267.1	24.8	66.6	13.1	4,371.6
Deferred Benefit	1,105.5	7.0	22.8	4.0	1,139.3
	5,372.6	31.8	89.4	17.1	5,510.9

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

	2006 \$'m	2005 \$'m
9. RECEIVABLES		
Contributions Receivable	31.5	30.1
Accrued Income	60.1	99.4
Margin Call Deposits	76.7	69.1
Investment Sales	90.6	43.5
Other Receivables	31.4	0.7
	290.3	242.8

Within receivables is an impairment allowance of \$148,865 (2005 \$150,000).

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

10. RESERVE UNITS

Reserve Units are units held by certain SSS members. They represent units purchased in advance at a rate which is the *rate for age* at the date purchased with an option to convert to full rate units in SSS at any future date. On conversion they are no longer recognised as a liability but as part of member funds.

	2006 \$'m	2005 \$'m
11. PAYABLES		
Superannuation Benefits	40.2	34.4
Investment Purchases	112.4	48.6
Investment – Other Creditors	54.5	36.7
Provision for Contribution Surcharges	115.0	102.2
Amount Payable–STC	4.2	1.8
Investment Fees Payable	-	7.7
Other Payables	2.0	17.0
	328.3	248.4

Movements in the Provision for Contribution Surcharge were as follows –

	2006 \$'m
Opening Balance	102.2
Add -	
Assessments Received	16.5
Annual indexation	6.1
Less -	
Payments made to the Australian Taxation Office	(9.8)
Closing Balance	115.0

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

12. ACCRUED BENEFITS

(a) Liability for Accrued Benefits

The amount of accrued benefits has been determined on the basis of the present value of expected future payments which arise from membership of the Fund up to the measurement date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. For 2006 the non financial assumptions have been determined from a comprehensive review of the Pooled Fund experience by the actuary in the three years to 30 June 2005. The financial assumptions that have been applied for the calculations are:

	Accrued Benefits 2006 % pa.	Accrued Benefits 2005 % pa.
Valuation Assumptions		
Investment Return Rate		
- asset backing current pension liabilities	7.7	7.0
- other	7.0	7.0
Salary Increase Rate	4.0	4.0
CPI Increase Rate	2.5	2.5

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

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

	2006			2005		
	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	11,600.0	8,590.3	(3,009.7)	10,566.5	6,105.3	(4,461.2)
State Authorities Non-contributory Superannuation Scheme	2,354.2	1,144.6	(1,209.6)	2,230.7	366.1	(1,864.6)
State Superannuation Scheme	26,142.7	17,880.7	(8,262.0)	26,203.1	18,408.3	(7,794.8)
Police Superannuation Scheme	5,672.9	962.5	(4,710.4)	5,065.4	1,020.2	(4,045.2)
	45,769.8	28,578.1	(17,191.7)	44,065.7	25,899.9	(18,165.8)

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

As noted at Note 2 a non-superannuation investment fund (the General Government Liability Management Fund (GGLMF)) has been established to accumulate Crown employer superannuation contributions. The net assets held in the GGLMF at 30 June 2006 were \$6.3 billion (2005 \$4.1 billion).

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

12. ACCRUED BENEFITS (Continued)

(b) Movement in the Liability for Accrued Benefits

Accrued benefits increase due to the cost of accruing benefits and the imputed cost of interest, and reduce as benefits are paid, and may vary due to changes in valuation bases and changes in experience from previous assumptions. Based on current assumptions, the value of Accrued Benefits should not start to decline until after 2015.

	2006				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Balance at Beginning of Financial Year	10,566.5	2,230.7	26,203.1	5,065.4	44,065.7
Benefits Paid	(728.7)	(177.4)	(1,259.6)	(292.1)	(2,457.8)
	9,837.8	2,053.3	24,943.5	4,773.3	41,607.9
Increase in Accrued Benefits	1,762.2	300.9	1,199.2	899.6	4,161.9
Balance at End of Financial Year	11,600.0	2,354.2	26,142.7	5,672.9	45,769.8

	2005				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Balance at Beginning of Financial Year	9,823.8	2,096.5	24,887.6	4,761.4	41,569.3
Benefits Paid	(758.9)	(180.6)	(1,182.9)	(275.6)	(2,398.0)
	9,064.9	1,915.9	23,704.7	4,485.8	39,171.3
Increase in Accrued Benefits	1,501.6	314.8	2,498.4	579.6	4,894.4
Balance at End of Financial Year	10,566.5	2,230.7	26,203.1	5,065.4	44,065.7

13. VESTED BENEFITS

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership at the reporting date.

	2006			2005		
	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	8,584.9	8,590.3	5.4	7,564.7	6,105.3	(1,459.4)
State Authorities Non-contributory Superannuation Scheme	2,866.4	1,144.6	(1,721.8)	2,675.8	366.1	(2,309.7)
State Superannuation Scheme	23,374.4	17,880.7	(5,493.7)	23,392.1	18,408.3	(4,983.8)
Police Superannuation Scheme	3,902.1	962.5	(2,939.6)	3,767.9	1,020.2	(2,747.7)
	38,727.8	28,578.1	(10,149.7)	37,400.5	25,899.9	(11,500.6)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

13. VESTED BENEFITS (Continued)

Vested benefits exceeded net assets at 30 June 2006 and 30 June 2005. The Trustee is working with the NSW Treasury and the Actuary to facilitate the Government's stated objective to fully fund the schemes by 2030.

14. CONTROLLED ENTITIES

The following entities comprise the Pooled Fund economic entity:

Parent Entity

Pooled Fund

	Activity	Ownership Interest	
		2006 %	2005 %
Controlled Entities			
State Super Financial Services Australia Limited (SSFSAL) [incorporated in Australia]	Financial planning and funds management	82.4	85
The following entities are managed by Deutsche Asset Management (Australia) Ltd			
Valley Commerce Pty Limited [incorporated in Australia]	Dormant	100	100
Buroba Pty Limited [incorporated in Australia]	Dormant	100	100

Voting power held in the above entities is the same as the ownership interest.

During the year the Controlled Entities paid dividends and trust distributions to the Parent Entity of \$12.0 million (2005 \$8.8 million).

The controlled entities are all audited by the NSW Auditor-General.

15. RELATED PARTY INFORMATION

The Trustee of the Fund is STC. The names of the Board members of STC in office during the year ended 30 June 2006 and up to the date of signing these accounts are as follows:

Mr I Blair
Mr M Cole
Mr R Davis
Ms A De Salis (term commenced 1 February 2006)
Mr R Harty
Mr M Lambert
Mr N Lewocki
Ms M O'Halloran
Ms O Sananikone (term completed 31 January 2006)
Mr P Scully

(a) Board Members' Remuneration

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

15. RELATED PARTY INFORMATION (Continued)

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

All income received is disclosed in the financial report of each controlled entity.

(c) Transactions entered into during the year with Board Members and their Related Entities

All transactions entered into during the year with Board members and their related entities are disclosed in the financial statements of STC.

(d) Transactions with Other Related Parties

	2006 \$'m	2005 \$'m
Property rental received from SSFSAL on normal commercial terms and conditions	0.9	1.1

16. SEGMENT REPORTING

The Fund operates in the superannuation and investment management industry in New South Wales. All revenue, expenses, assets and liabilities are as shown in the Statement of Changes in Net Assets and the Statement of Net Assets.

17. CONTINGENT LIABILITIES

In managing the investment portfolio the investment managers enter into various types of investment contracts that can give rise to contingent liabilities. Investment contracts are detailed in Note 19.

Two other classes of contingent liabilities potentially exist in relation to either the Trustee in its capacity as Trustee of the Pooled Fund, or the Fund itself:

- (i) Legal Costs in relation to member benefit entitlement disputes, notified, but not resolved.
- (ii) Legal Costs and damages arising from claims relating to the ownership and operation of physical assets.

In both cases it is impractical to estimate the financial effect or the amount of any possible recovery from third parties relating to these contingent liabilities. The Trustee is indemnified out of the assets of the Fund.

18. SECURITIES LENDING PROGRAM

The Fund participates in a Securities Lending Program managed by the custodian, JP Morgan Investor Services. The Fund received \$5.4 million (2005 \$4.7 million) additional fee income from this program, which adds to the Fund's overall yearly return.

At 30 June 2006, the total value of the loaned securities was \$3.5 billion (2005 \$3.0 billion) while the total value of the Collateral was \$3.6 billion (2005 \$3.2 billion). The loaned securities represented about 12.1% of the Fund's total investment, which was within the allowable limit of 25%.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS

Disclosures for the year ended 30 June 2006 comply with the requirements of AASB 132 – *Financial Instruments: Disclosure and Presentation* and AASB 139 – *Financial Instruments: Recognition and Measurement*.

This financial report uses the exemption provided in AASB 1 paragraph 36A and presents details of financial instruments as at 30 June 2005 in accordance with generally accepted accounting principles that applied as at 30 June 2005. Thus, information pertaining to financial instruments as at 30 June 2005 is in accordance with the provisions of AAS 33 – *Presentation and Disclosure of Financial Instruments*. The significant difference between AAS 33 and AASB 132/139 is that under AAS 33 amounts are expressed at net market value, while under A-IFRS amounts are expressed at fair value. Also, AAS 33 allows amounts to be presented in currencies other than Australian Dollar. Under A-IFRS amounts are to be expressed only in Australian Dollars.

From the year ending 30 June 2008 the financial report will adopt AASB 7 – *Financial Instruments: Disclosures* in place of AASB 132. AASB 7 requires a greater level of disclosure than AASB 132.

For the purpose of this financial report, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps).

The Fund is invested in a variety of financial instruments, as shown below. The investments are in accordance with a carefully determined investment strategy. The investment strategy is subject to regular review to ensure its continued relevance to the Fund's activities and to prevailing investment markets. An objective of the investment strategy is to avoid undue concentrations of risk.

(i) Accounting Policies

Recognised instruments	Accounting policies	Terms and conditions
1. Receivables	Receivables include income receivable and unsettled sales of securities. They are carried at nominal amounts.	Sales of securities are made on various terms for different securities and in different countries. Income receivable is also settled on varying terms depending on the security and country.
2. Futures	Futures are stated at market value using the daily closing price.	The futures are share price index futures and Fixed Interest futures.
3. Unlisted Trusts	The Net Market Value of Unlisted Trusts is determined on the basis of the withdrawal unit prices as advised by the relevant fund manager.	The terms and conditions are set out in the applicable trust constitution.
4. Listed Shares	Listed shares are carried at market value, less an amount for selling costs which would be incurred if the investments were sold. The basis for valuation of listed securities is the last sale price quoted at close of business on the last day of the period on the relevant securities exchange. Certain costs incurred in acquiring the investment, such as brokerage and stamp duty, are capitalised in the cost of the investments. Dividend income is recognised on the ex-date.	N/A

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(i) Accounting Policies (Continued)

Recognised instruments	Accounting policies	Terms and conditions
5. Bills of exchange and other discount securities	Carried as net market value using market rates as at 30 June 2006.	Average maturity of 54 days with effective interest rates in the range of 5.795% to 5.979%.
6. Promissory Notes	Carried at net market value as at 30 June 2006.	Average maturity of 38 days with effective interest rates in the range of 5.82% to 6.009%
7. Loans to co-operative housing societies	Loans to co-operative housing societies are stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	Loans to co-operative housing societies have an average effective interest rate of 7.57%.
8. Bank Deposits	Stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	Bank deposits represent 11AM call deposits and uninvested cash and has no fixed maturity dates. Deposits have effective interest rates in the range of 0% to 5.76%.
9. Government Bonds	Carried at net market value based on discounted cash flow.	Government bonds on average mature on 3/4/2012 and have effective interest rates in the range of 5.77% to 6.025%.
10. Semi Government Bonds	Carried at net market value based on discounted cash flow.	Semi Government bonds on average mature on 5/9/2011 and have effective interest rates in the range of 5.95% to 6.08%.
11. International Bonds	Carried at net market value based on discounted cash flow.	International Bonds on average mature on 27/11/2016 and have effective interest rates in the range of 0.666% to 5.323%.
12. Council Loans	Carried at net market value based on discounted cash flow.	Council Loans on average mature on 5/12/2013 and have effective interest rates in the range of 6.02% to 6.026%.
13. Direct Property	Reported at net market value based on independent valuations.	N/A
14. Options	Options are stated at market value using the daily closing price.	The options are all Australian Exchange Traded options.
15. Investment Purchases	Liabilities are recognised for amounts to be paid for under investment commitments.	Settlement for securities is made in accordance with investment agreements between counterparties.
16. Foreign exchange forward contracts	Foreign exchange forward contracts are undertaken to hedge against adverse foreign exchange movements. Gains or losses on these contracts are recognised through the translation of underlying transactions and/or instruments at hedge rates.	At balance date the Fund has various forward exchange contracts open in its international portfolios.
17. Payables	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund.	Liabilities are settled on receipt of invoices in accordance with terms thereof.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(ii) Use of Derivative Financial Instruments

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

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

The following table summarises the aggregate notional amounts of the futures and options contracts, their net market value and fair value at 30 June 2006 and net market value for 2005.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(ii) Use of Derivative Financial Instruments (Continued)

Futures and Options Contracts

All amounts stated in Australian Dollars

Type of Contract	2006				2006				2005				
	Contract/Notional \$'m	Fair Value		Contract/Notional \$'m	Net Market Value		Contract/Notional \$'m	Net Market Value		Contract/Notional \$'m	Net Market Value		
		Assets \$'m	Liabilities \$'m		Assets \$'m	Liabilities \$'m		Assets \$'m	Liabilities \$'m				
Buy													
Futures in respect of money market securities	-	-	-	-	-	-	-	-	-	-	-	-	-
International exchange traded options	-	-	-	-	-	-	-	-	-	-	-	-	-
Australian share price index futures	102.8	-	-	102.8	-	-	174.2	-	-	0.7	-	0.2	-
International share price index futures	6.6	-	-	6.6	-	-	491.6	-	-	2.8	-	2.6	-
Over the counter options	-	-	-	-	-	-	-	-	-	-	-	-	-
Options in respect of fixed interest securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Australian fixed interest futures	90.4	-	0.4	90.4	-	0.4	87.9	-	-	-	-	-	-
International fixed interest futures	461.6	-	2.9	461.7	-	2.8	453.9	-	-	2.8	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-	-
Cross currency swaps	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Buys	661.4	-	3.3	661.5	-	3.2	1,207.6	-	6.3	6.3	-	2.8	-
Sell													
Futures in respect of money market securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Australian exchange traded options Call	(2.2)	-	0.3	(2.2)	-	0.3	(3.6)	-	-	-	-	0.4	-
Australian exchange traded options Put	1.0	-	-	1.0	-	-	1.2	-	-	-	-	-	-
International exchange traded options	-	-	-	-	-	-	-	-	-	-	-	-	-
Australian share price index futures	(562.3)	-	18.1	(562.3)	-	18.1	(800.3)	-	-	-	-	7.1	-
International share price index futures	(41.0)	-	1.4	(41.0)	-	1.4	-	-	-	-	-	-	-
Over the counter options	-	-	-	-	-	-	-	-	-	-	-	-	-
Options in respect of fixed interest securities	-	-	-	-	-	-	-	-	-	-	-	-	-
Australian fixed interest futures	-	-	-	-	-	-	-	-	-	-	-	-	-
International fixed interest futures	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-	-	-	-	-	-	-	-
Cross currency swaps	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Sells	(604.5)	-	19.8	(604.5)	-	19.8	(802.7)	-	-	-	-	7.5	-
	56.9	-	23.1	57.0	-	23.0	404.9	-	6.3	6.3	-	10.3	-

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(iii) Credit Risk

Credit (or counterparty) risk is the risk that counterparty will fail to perform contractual obligations to a financial instrument and causes the Fund to incur a financial loss. In the normal course of its operations the Fund accepts credit risk on the majority of its non-equity investments.

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

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

The Fund's maximum credit risk exposure in relation to foreign exchange forward contracts is the full amount of the foreign currency it will be required to pay when settling the forward exchange contract, should the counterparty not deliver the Australian dollar amounts to the Fund. At 30 June 2006 this amount was \$2,627.3 million (2005: \$2,587.1million). During the year the average maximum credit risk exposure for foreign exchange forward contracts was \$3,504.0 million (2005: \$2,598.2 million).

Credit risk is monitored and controlled through credit approval procedures and the setting of forward and daily limits for each counterparty.

The Fund does not have a concentration of credit risk that arises from an exposure to a single counterparty. Furthermore, the Fund does not have a material exposure to a group of counterparties which are expected to be affected similarly by changes in economic or other conditions.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(iv) Currency Risk

The Fund's exposure at 30 June 2006 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. These foreign exchange forward contracts are carried at their net market value. The obligations arising under these contracts will be realised between 7th July 2006 to 27th September 2006 for the International Portfolios.

YEAR ENDED 30 JUNE 2006
FOREIGN EXCHANGE RISK DISCLOSURE

	2006 NET MARKET VALUE								
	USD \$'m	CAD \$'m	JPY \$'m	CHF \$'m	SEK \$'m	EUR \$'m	GBP \$'m	OTHER \$'m	TOTAL \$'m
Assets									
Cash and cash equivalents	18.0	2.2	0.8	0.2	0.2	3.5	3.4	1.0	29.3
Financial assets held at net market value	3,505.5	242.9	1,055.3	187.5	72.1	1,471.1	690.6	138.3	7,363.3
Derivative financial instruments	-	-	-	-	-	-	-	-	-
FFX	-	-	-	-	-	-	-	-	-
Other assets	32.9	1.2	5.6	1.0	1.1	9.0	10.2	3.0	64.0
Total assets	3,556.4	246.3	1,061.7	188.7	73.4	1,483.6	704.2	142.3	7,456.6
Liabilities									
Financial liabilities held at net market value	-	-	-	-	-	-	-	-	-
Derivative financial instruments	1.2	0.1	0.4	0.2	-	1.8	0.4	-	4.1
FFX	942.9	63.7	451.9	3.5	5.8	847.0	285.0	27.5	2,627.3
Other liabilities	25.9	1.0	4.9	1.6	1.0	5.3	5.0	3.0	47.7
Total liabilities	970.0	64.8	457.2	5.3	6.8	854.1	290.4	30.5	2,679.1
Net Assets	2,586.4	181.5	604.5	183.4	66.6	629.5	413.8	111.8	4,777.5

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(iv) Currency Risk (Continued)

YEAR ENDED 30 JUNE 2005
FOREIGN EXCHANGE RISK DISCLOSURE

	2005 NET MARKET VALUE								
	USD \$'m	CAD \$'m	JPY \$'m	CHF \$'m	SEK \$'m	EUR \$'m	GBP \$'m	OTHER \$'m	TOTAL \$'m
Assets									
Cash and cash equivalents	11.4	2.8	0.4	0.5	0.4	0.5	1.8	0.7	18.5
Financial assets held at net market value	3,384.2	172.6	918.6	189.6	66.5	1,355.7	637.7	133.0	6,857.9
Derivative financial instruments	0.7	0.3	1.9	-	-	1.7	1.0	-	5.6
FFX	-	-	-	-	-	-	-	-	-
Other assets	11.2	-	0.7	2.0	-	3.5	3.3	-	20.7
Total assets	3,407.5	175.7	921.6	192.1	66.9	1,361.4	643.8	133.7	6,902.7
Liabilities									
Financial liabilities held at net market value	-	-	-	-	-	-	-	-	-
Derivative financial instruments	2.6	-	-	-	-	-	-	-	2.6
FFX	979.5	65.8	515.0	37.1	12.4	731.9	213.8	31.5	2,587.0
Other liabilities	10.6	2.4	1.3	-	-	0.6	0.2	-	15.1
Total liabilities	992.7	68.2	516.3	37.1	12.4	732.5	214.0	31.5	2,604.7
Net Assets	2,414.8	107.5	405.3	155.0	54.5	628.9	429.8	102.2	4,298.0

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(v) Interest Rate Risk

The Fund's investments in debt and short term money market instruments are subject to interest rate risks and the return on these investments will fluctuate in accordance with movements in the interest rates.

The Fund's exposure to interest rate risk, including contractual repricing or maturity dates (whichever dates are earlier) and the weighted average effective interest rates associated with these financial instruments as at 30 June 2006 and as at 30 June 2005, are shown in the tables below. All other financial assets and liabilities are non-interest bearing.

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(v) Interest Rate Risk (Continued)

	FLOATING INTEREST RATE \$'m	FIXED INTEREST - TIME TO MATURITY NET MARKET VALUE					TOTAL (PER STATEMENT OF NET ASSETS) \$'m	WEIGHTED AVERAGE INTEREST RATE (%pa)
		LESS THAN 12 MONTHS \$'m	1 - 5 YEARS \$'m	OVER 5 YEARS \$'m	NON INT BEARING \$'m			
Assets	476					476	5.16%	
Cash and cash equivalents	-	-	-	-	-	-		
Financial assets held at net market value	-	-	-	-	-	-		
Government Bonds – Domestic	-	695	505	-	-	1,309	5.80%	
Semi Government Loans	-	78	434	-	-	1,337	6.01%	
Mortgaged Backed Securities	-	68	51	230	-	349	4.58%	
International Fixed Interest	-	574	843	-	-	1,417	3.58%	
Other Fixed Interest	-	-	2	-	-	2	6.02%	
Discount Securities	1,044	-	-	-	-	1,044	5.93%	
Unlisted Unit Trusts	-	-	-	5,943	-	5,943	N/A	
Direct Property	-	-	-	2,529	-	2,529	N/A	
Equity	-	-	-	14,392	-	14,392	N/A	
Derivative financial instruments	-	-	-	-	-	-	N/A	
FFX	-	-	-	2,628	-	2,628	N/A	
Other assets	-	-	-	215	-	215	N/A	
Cash at bank	-	3	-	-	-	3	5.10%	
Current tax asset	-	-	-	120	-	120	N/A	
Total assets	1,520	258	2,145	2,014	25,827	31,764		
Liabilities								
Financial liabilities held at net market value	-	-	-	-	-	-	N/A	
Derivative financial instruments	-	-	-	23	-	23	N/A	
FFX	-	-	-	2,627	-	2,627	N/A	
Superannuation contributions	115	-	-	-	-	115	5.77%	
surcharge payable	-	-	-	213	-	213	N/A	
Other liabilities	-	-	-	203	-	203	N/A	
Deferred tax	-	-	-	5	-	5	N/A	
Reserve Units	-	-	-	3,071	-	3,186	N/A	
Total liabilities	115	-	-	3,071	-	3,186		
Net assets	1,405	258	2,145	2,014	22,756	28,578		

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ending 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(v) Interest Rate Risk (Continued)

	FLOATING INTEREST RATE \$'m	FIXED INTEREST - TIME TO MATURITY NET MARKET VALUE					TOTAL (PER STATEMENT OF NET ASSETS) \$'m	WEIGHTED AVERAGE INTEREST RATE (%pa)
		LESS THAN 12 MTHS \$'m	1 - 5 YEARS \$'m	OVER 5 YEARS \$'m	NON INT BEARING \$'m			
2005								
Assets	727	-	-	-	-	727	4.77%	
Cash and cash equivalents	-	-	-	-	-	-	-	
Financial assets held at net market value	-	-	-	-	-	-	-	
Government Bonds – Domestic	-	643	549	-	-	1,316	5.15%	
Semi Government Loans	-	183	682	-	-	1,417	5.37%	
Mortgaged Backed Securities	-	-	1	-	-	1	5.74%	
International Fixed Interest	-	659	761	-	-	1,420	2.47%	
Other Fixed Interest	-	-	-	-	-	-	N/A	
Discount Securities	2,035	-	-	-	-	2,035	5.64%	
Unlisted Unit Trusts	-	-	-	-	3,534	3,534	N/A	
Direct Property	-	-	-	-	1,350	1,350	N/A	
Equity	-	-	-	-	14,211	14,211	N/A	
Derivative financial instruments	-	-	-	-	6	6	N/A	
FFX	-	-	-	-	2,629	2,629	N/A	
Other assets	-	-	-	-	174	174	N/A	
Cash at bank	3	-	-	-	-	3	-	
Sundry assets	-	-	-	-	16	16	4.85%	
Current tax asset	-	-	-	-	59	59	N/A	
Total assets	2765	307	1,854	1,993	21,979	28,898	N/A	
Liabilities								
Financial liabilities held at net market value	-	-	-	-	-	-	N/A	
Derivative financial instruments	-	-	-	-	10	10	N/A	
FFX	-	-	-	-	2,587	2,587	N/A	
Superannuation contributions surcharge payable	102	-	-	-	-	102	5.11%	
Other liabilities	-	-	-	-	146	146	N/A	
Deferred tax	-	-	-	-	148	148	N/A	
Reserve Units	-	-	-	-	5	5	N/A	
Total liabilities	102	-	-	-	2,896	2,998	N/A	
Net assets	2,663	307	1,854	1,993	19,083	25,900		

SAS TRUSTEE CORPORATION POOLED FUND

Noted to and forming part of the financial statements

for the year ended 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(vi) Liquidity risk management

The Fund manages liquidity risk by maintaining adequate banking facilities and through continuous monitoring of forecast and actual cash flows.

(vii) Net Fair Value Disclosures

The Statement of Net Assets is prepared in accordance with AAS 25 – *Financial reporting by Superannuation Plans*. All investment assets are valued at net market value at 30 June 2006. All other assets and other liabilities are recorded at historical cost which, in the opinion of the Trustees, approximates their net market value.

The following table is the requirement of AASB 132 stating the net market values and fair values of assets and liabilities at 30 June 2006 and 2005.

Disclosure of Financial Assets held at Fair Value Comparable to Net Market Value

	Fair Value 30-Jun-06 \$'m	Net Market Value 30-Jun-06 \$'m	Net Market Value 30-Jun-05 \$'m
Held for trading			
Derivatives	-	-	6
Total held for trading	-	-	6
Designated assets through profit or loss			
Equity securities	14,376	14,392	14,211
Fixed interest securities	4,412	4,414	4,154
Unlisted unit trusts	5,943	5,943	3,534
Direct Property	2,526	2,529	1,350
Money market securities	1,044	1,044	2,035
Total designated assets through profit or loss	28,301	28,322	25,284
Total financial assets held through profit or loss	28,301	28,322	25,290

SAS TRUSTEE CORPORATION POOLED FUND

Noted to and forming part of the financial statements
for the year ended 30 June 2006

19. FINANCIAL INSTRUMENTS (Continued)

(vii) Net fair value disclosures (Continued)

Disclosure of Financial Liabilities held at Fair Value Comparable to Net Market Value

	Fair Value 30-Jun-06 \$'m	Net Market Value 30-Jun-06 \$'m	Net Market Value 30-Jun-05 \$'m
Held for trading			
Derivatives	23	23	10
Total held for trading	23	23	10
Designated liabilities through profit or loss			
Equity securities	-	-	-
Fixed interest securities	-	-	-
Unlisted unit trusts	-	-	-
Money market securities	-	-	-
Total designated liabilities through profit or loss	-	-	-
Total financial liabilities held through profit or loss	23	23	10

20. EVENT AFTER REPORTING DATE

The Fund's custodian has advised that as at 31 August 2006 the net investment assets of the Fund were \$28,624.3 million. Since 30 June 2006 the Fund's investments have made a return of approximately –

- Growth 1.0%
- Conservative Growth 1.3%
- Balanced 1.3%
- Cash 0.8%

SAS TRUSTEE CORPORATION POOLED FUND

Noted to and forming part of the financial statements

for the year ended 30 June 2006

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

This is the Fund's first financial report prepared under A-IFRS.

The following adjustments were required to opening balances on transition to A-IFRS –

	30 June 2005	1 July 2004
	\$'m	\$'m
Net Assets Available to Pay Benefits	25,901.0	24,215.2
Adjustment on transition to A-IFRS (refer note below)	(1.1)	(0.6)
Net Assets Available to Pay Benefits under A-IFRS	25,899.9	24,214.6

The Adjustment on transition comprised –

- A. Amount charged by the Fund Trustee for administration services (The Trustee is required to recover all its administration costs from the Fund. As A-IFRS resulted in different measurement of certain employee liabilities and lease costs by the Trustee, the amount the Trustee was required to recover from the Fund changed).
- B. Doubtful debts were previously expressed as a general estimate. On transition to A-IFRS the provision was recalculated by reviewing each debt separately. The difference resulting from the revised method was a \$20,000 reduction at 30 June 2005.

End of Audited Financial Report

PART C

TRIENNIAL ACTUARIAL VALUATION

Note: An actuarial valuation of the STC Schemes as at 30 June 2006 is currently being carried out. The actuary's report on the valuation will be available late in 2006. Consequently, the following is a summary of the latest completed valuation as at 30 June 2003.

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

Triennial Actuarial Valuation

Introduction

As requested by the SAS Trustee Corporation (the Corporation) I have carried out an actuarial valuation of the following Schemes as at 30 June 2003 in accordance with the relevant legislation governing each of the Schemes:

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

The previous actuarial investigation of SASS, SANCS, SSS and PSS was carried out by myself as at 30 June 2000 and the results were set out in a report dated December 2000.

This report conforms to the requirements of Professional Standard 400 of the Institute of Actuaries of Australia.

For funding purposes and in accordance with legislation distinctions are made between groups of employers as set out in the following table.

Scheme	Employers
SASS	Employers are separated into Parts 1 and 3 in accordance with legislation. Part 1 includes the Crown and other employers, Part 3 includes Hospitals and other bodies.
SANCS	Employers are subdivided in the same manner as above.
SSS	Employers under SSS are essentially equivalent to Part 1 employers under SASS.
PSS	No subdivision necessary.

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

Triennial Actuarial Valuation

The **number of contributors** in each of the Schemes at the current and previous investigation dates is set out below:

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

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

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

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

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

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

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

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

Long-term assumptions	This valuation % per annum	Last valuation % per annum
Rate of investment return	7.0%	7.0%
Rate of general salary escalation	4.0%	4.0%
Rate of increase in CPI	2.5%	2.5%

These assumptions are the same as at the previous valuation.

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

Triennial Actuarial Valuation

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

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

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

Results

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

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

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

Employer contributions towards meeting unfunded liabilities must be grossed up to allow for tax on contributions. Wherever employer contribution rates have been calculated in this report, the contribution rates have been grossed up accordingly.

Triennial Actuarial Valuation

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

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

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

Unfunded liability under varying assumptions (\$million)

Basis	SASS	SANCS	SSS	PSS	GGLMF	Total
Standard	3,621.9	1,450.7	8,099.4	3,489.0	(1,654.4)	15,006.6
Investment return plus 1%	3,247.2	1,316.7	5,385.8	3,085.6	(1,654.4)	11,380.9
Investment return minus 1%	4,056.2	1,603.5	11,490.1	3,977.6	(1,654.4)	19,473.0
Salary increases plus 1%	4,044.6	1,604.8	8,597.9	3,636.7	(1,654.4)	16,229.6
Salary increases minus 1%	3,251.3	1,313.4	7,642.0	3,356.8	(1,654.4)	13,909.1
CPI increases plus 1%	3,639.7	1,450.8	10,958.4	3,850.0	(1,654.4)	18,244.5
CPI increases minus 1%	3,608.8	1,450.8	5,724.5	3,185.4	(1,654.4)	12,315.1
Risk free discount rate of 5.1%	4,508.0	1,758.6	14,884.0	4,519.0	(1,654.4)	24,015.2
Discount at the corporate bond rate of 5.5%	4,300.8	1,687.6	13,186.2	4,267.2	(1,654.4)	21,787.4

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

Triennial Actuarial Valuation

Major items contributing to current results

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

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

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



MA Stevenson
Fellow of the Institute of Actuaries of Australia

PART D

**SAS Trustee Corporation
Statutory Information**

SAS Trustee Corporation Statutory Information

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

Board membership and frequency of meetings	32
The Trustee Board Committees	33
– Board member attendance at STC Committee meetings	35
Consumer response — disputes and appeals	36
2005–06 legislation changes	37
Account payment performance	42
Payments to consultants during 2005–06	42
Human Resource management	43
Representation of Equal Employment Opportunity target groups	44
Risk management and insurance	45
Freedom of Information	45
– Statement of Affairs	46
– Summary of Affairs	48
Ethnic Affairs Priorities Statement	49
Disability Plan	49
Overseas visits	49
Privacy and use of member information	50
Codes of Conduct	50
Property Transactions	50
Action Plan for Women	51
Waste Reduction and Purchasing Policy	51
Annual Report Production Details	51
Publications Produced	52
Compliance Index	54

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

Board membership and frequency of meetings

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

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

The Trustee Board generally meets on a monthly basis and ten ordinary meetings were held during the period from 1 July 2005 to 30 June 2006.

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

	Appointed	Termination date	Meetings attended	Possible attendance
Chairperson				
Mr M Cole	1 April 2000	30 Sept 2007	10	10
Employer Representatives				
Mr I Blair	1 Sept 1998	31 Jan 2008	8	10
Mr P Scully	1 Feb 2004	31 Jan 2010	9	10
Ms O Sananikone	1 Feb 2004	31 Jan 2006	1	5
Mr M Lambert	1 Feb 2004	31 Jan 2010	8	10
Ms A De Salis	1 Feb 2006	31 Jan 2008	5	5
Employee Representatives				
Mr R Davis	1 July 1996	31 Dec 2009	10	10
Mr R Harty	1 Jan 2002	31 Aug 2006	10	10
Ms M O'Halloran	1 Sept 2002	31 Aug 2006	8	10
Mr N Lewocki	1 Sept 1998	31 Aug 2006	6	10

The Trustee Board Committees

The Committees and details of their functions and membership at 30 June 2006 are:

Actuarial Committee

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

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

Administration Committee*

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

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

**The Administration Committee was discontinued upon completion of the administration contract negotiations in September 2005. The functions of the committee have been absorbed by the Board.*

Audit and Compliance Committee

Members Messrs Blair (chairperson), and Davis and Mses Sananikone (until December 2005), De Salis (from February 2006) and O'Halloran; Mr Cole is ex officio member; also attended by officers of STC, Audit Office of New South Wales and the Administrator.

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

Disputes Committee

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

Purpose To consider and make recommendations on disputes received from persons under section 67 of the *Superannuation Administration Act 1996* (the Act); monitor and authorise settlement of appeals under section 85 of the Act and report to the Board; monitor death and disability benefit decisions made by the Administrator; and appoint and review medical consultants.

The Trustee Board Committees continued

Remuneration Committee

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

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

Statutory Committee – Police Superannuation Advisory Committee

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

Members Mr Davis as nominee of STC.

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

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

Board Member attendance at STC Committee meetings

	Meetings Attended	Possible Attendance
Actuarial Committee		
R Davis	3	5
M Cole (<i>ex officio</i>)	5	5
P Scully	5	5
M Lambert	3	5
R Harty	2	2
Administration Committee		
R Harty	2	2
R Davis	2	2
M Cole (<i>ex officio</i>)	2	2
O Sananikone	-	-
M Lambert	1	2
P Scully (<i>as an alternate for O Sananikone</i>)	2	2
Audit and Compliance Committee		
I Blair	4	4
R Davis	4	4
M Cole (<i>ex officio</i>)	3	3
O Sananikone	0	2
M O'Halloran	2	3
A De Salis	2	2
R Harty (<i>as an alternate for M O'Halloran</i>)	1	1
Disputes Committee		
N Lewocki	7	7
R Davis	6	7
P Scully	7	7
I Blair	4	7
Remuneration Committee		
M Cole	2	2
I Blair	2	2
R Harty	2	2
Police Superannuation Advisory Committee		
R Davis	11	12

Consumer response — disputes and appeals

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

At 30 June 2005, 32 disputes were current. During the year ending 30 June 2006, STC received 41 new disputes and 54 disputes were concluded (including disputes carried over from the previous year). Of those disputes:

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

At the end of the reporting year, 19 disputes were current.

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

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

At the end of the reporting year, 6 appeals remained to be concluded.

The Police Superannuation Scheme provides for appeals to the District Court of NSW from decisions of the Police Superannuation Advisory Committee, as delegate of STC. These relate to lump sum payments for duty-related permanent impairments and pension increases. During the financial year 2005–06, these appeals resulted as follows:

- 4 were decided against the appellant,
- 8 were decided in favour of the appellant,
- 21 were withdrawn or discontinued, and
- 43 were settled.

At the end of the reporting year, 44 appeals remained to be concluded.

2005–06 Legislation changes

Schemes:

SASS — State Authorities Superannuation Scheme

SSS — State Superannuation Scheme

PSS — Police Superannuation Scheme

SANCS — State Authorities Non-contributory Superannuation Scheme

Notes:

- 1) where there are multiple new or amended provisions the section(s) listed is the major or 'primary' provision affected;
- 2) legislation (chiefly Orders and Regulations) that amends the various schedules listing participating Scheme employers are not shown in this schedule; nor are any minor technical changes made by way of statute law revision.

Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section	Description
8.7.05	PSS	<i>Police Superannuation Regulation 2000</i>	<i>Police Superannuation Amendment (Hurt on Duty Gratuity) Regulation 2005</i>	Cl. 25	Validation of prior 'hurt-on-duty' decisions Consequent on the enactment of the <i>Superannuation Legislation Amendment Act 2005</i> , the Regulation introduced a transitional provision that enables STC, when determining whether to grant a gratuity under section 12 of the principal Act, to rely on a 'hurt-on-duty' decision made by the Commissioner of Police before that section's amendment, whether or not the Commissioner's decision was made at the request of STC.
24.11.05	SANCS	<i>State Authorities Non-contributory Superannuation Act 1987</i>	<i>First State Superannuation Legislation Amendment (Conversion) Act 2005 (No. 91)</i>	3, 27AD	Benefit transfers to FSS Ancillary amendments relating to the transfer of certain benefits to the First State Superannuation Fund, which were needed as a result of conversion of the fund to a 'public offer' superannuation fund regulated under Commonwealth legislation.
	SASS	<i>State Authorities Superannuation Act 1987</i>		3, 46AE	
	SSS	<i>Superannuation Act 1916</i>		3, 20AB	
	PSS	<i>Police Regulation Superannuation Act 1906</i>		1, 5B	

2005–06 Legislation changes continued

Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section	Description
25.11.05	SASS	<i>State Authorities Superannuation (Transport Officers' Gratuity Scheme Transfer) (Savings and Transitional) Regulation 1989</i>	<i>State Authorities Superannuation (Transport Officers' Gratuity Scheme Transfer) (Savings and Transitional) Amendment Regulation 2005</i>	CI 9	Retention of benefits for certain transferred members Provides for the retention of special Gratuity Scheme benefits for certain transport officers who were formerly members of that scheme and whose employment is transferred to Railcorp.
1.7.05	PSS	<i>Police Superannuation Regulation 2005</i>	<i>Police Superannuation Amendment (Surcharge Deduction Amount) Regulation 2005</i>	CI 31	Surcharge tax abolition Complements Commonwealth legislation to abolish the superannuation surcharge with effect from 1.7.05. The maximum surcharge applying to the employer financed portion of a member or former member's benefit that accrues from 1.7.05 onwards is 0%.
1.7.05	SASS	<i>State Authorities Superannuation Regulation 2005</i>	<i>State Authorities Superannuation Amendment (Surcharge Deduction Amount) Regulation 2005</i>	CI 19	Surcharge tax abolition Complements Commonwealth legislation to abolish the superannuation surcharge with effect from 1.7.05. The maximum surcharge applying to the employer financed portion of a member or former member's benefit that accrues from 1.7.05 onwards is 0%.
1.7.05	SSS	<i>Superannuation Regulation 2001</i>	<i>Superannuation Amendment (Surcharge Deduction Amount) Regulation 2005</i>	CI 12	Surcharge tax abolition Complements Commonwealth legislation to abolish the superannuation surcharge with effect from 1.7.05. The maximum surcharge applying to the employer financed portion of a member or former member's benefit that accrues from 1.7.05 onwards is 0%.

2005–06 Legislation changes continued

Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section	Description
30.1.06	SASS	<i>State Authorities Superannuation Act 1987</i>	<i>Police Amendment (Death and Disability) Act 2005 (No. 112)</i>	Pt 5D	<p>New death or incapacity benefit cover for Police Officers The amendments provide for the making of regulations (see below) to give effect to the provisions of a specified industrial award under which police officers are entitled to death or incapacity benefits. Does not apply to members of the Police Superannuation Scheme.</p> <p>The Regulation facilitates the administration of new death or incapacity benefit cover provisions for police officers introduced by the above-mentioned Act. It authorises STC to provide relevant information regarding police officers (with the permission of the member) to NSW Police or the First State Superannuation Trustee Corporation (FTC). It also specifies rules governing eligibility for, or continuation of, Additional Benefit cover in SASS for police officers who are members of that scheme.</p>
30.1.06	SASS	<i>State Authorities Superannuation Regulation 2005</i>	<i>State Authorities Superannuation Amendment (Police Officers) Regulation 2006</i>	Pt 4A	<p>New death or incapacity benefit cover for Police Officers The amendments provide for the making of regulations (see below) to give effect to the provisions of a specified industrial award under which police officers are entitled to death or incapacity benefits. Does not apply to members of the Police Superannuation Scheme.</p> <p>The Regulation facilitates the administration of new death or incapacity benefit cover provisions for police officers introduced by the above-mentioned Act. It authorises STC to provide relevant information regarding police officers (with the permission of the member) to NSW Police or the First State Superannuation Trustee Corporation (FTC). It also specifies rules governing eligibility for, or continuation of, Additional Benefit cover in SASS for police officers who are members of that scheme.</p>
20.6.06	SSS	<i>Superannuation Act 1916</i>	<i>Statute Law (Miscellaneous Provisions) Act 2006</i>	61RB	<p>Election to receive pension in a form that complies with Commonwealth standards The right of a member to elect to make their pension a 'complying' pension for tax purposes is extended to persons in receipt of invalidity pensions from the fund.</p>

2005–06 Legislation changes continued

Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section	Description
30.6.06	PSS	<i>Police Regulation Superannuation Act 1906</i>	<i>Superannuation Legislation Amendment Act 2006</i>	23D	<p>Deferral of Pension Commencement Date (election to nominate a later commencement date) The amendments enable a person entitled to a pension benefit to nominate a pension payment commencement date that is later than that on which benefit payment would otherwise commence.</p>
	SSS	<i>Superannuation Act 1916</i>		61VA	
30.6.06	SASS	<i>State Authorities Superannuation Act 1987</i>	<i>Superannuation Legislation Amendment Act 2006</i>	4	<p>Salary for superannuation purposes The Regulations under the various Acts may be amended to provide that the salary of an employee or class of employees (other than an executive officer) for the purposes of the Acts is to be determined in the manner prescribed by the regulations if the basis on which the remuneration of the employee or class of employees is determined has been changed to an annualised basis. Regulations can only be made with the agreement of the Minister and Treasurer.</p>
	SSS	<i>Superannuation Act 1916</i>		3A	
	SANCS	<i>State Authorities Non-contributory Superannuation Act 1987</i>		4	
30.6.06	SASS	<i>State Authorities Superannuation Act 1987</i>	<i>Superannuation Legislation Amendment Act 2006</i>	28	<p>Variations of contribution rates: hardship STC may, at any time, accept a contributor's election to reduce their personal rate of contributions to SASS (to a rate of 0% or more) if it is satisfied that continuation of the current rate would result in financial hardship for the contributor. Acceptance of a 0% contribution rate may be given for a limited period only.</p>

2005–06 Legislation changes continued

Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section	Description
30.6.06	PSS	<i>Police Regulation Superannuation Act 1906</i>	<i>Superannuation Legislation Amendment Act 2006 (No. 53)</i>	8 9A 10A 10B 10(1BA)	<p>Police officer incapacity provisions</p> <p>The various amendments provide that:</p> <p>(a) the duties of a member of the police force, for the purposes of assessing whether an officer is incapable, due to a hurt-on-duty injury, of discharging their duties, includes the general duties imposed on all police officers (and, as a consequence, to validate previous certificates given on that basis),</p> <p>(b) a hurt-on-duty pension payable to a former member is payable from the date the former member lodged the application for the benefit or an earlier date determined by STC in exceptional circumstances,</p> <p>(c) both the NSW Police and injured police officers have mutual obligations in relation to participation in an injury management program,</p> <p>(d) hurt-on-duty benefits are payable to a former member of the police force only if the former member actually was incapable of discharging the duties of the member's office at the time of the member's resignation or retirement,</p> <p>(e) a hurt-on-duty superannuation allowance or additional amount under the Act is not payable unless an application is made before the member reaches the age of 60 years or not later than 5 years after the member resigns or retires, whichever is the later.</p>
30.6.06	PSS	<i>Police Regulation Superannuation Act 1906</i>	<i>Superannuation Legislation Amendment Act 2006 (No. 53)</i>	14J, 14K	<p>Police officer commutation provisions</p> <p>Commutation of an incapacity pension to a lump sum may now be made after a member reaches the age of 55 years (previously 60), and partial (previously only full) commutation is allowed. The right to commute all or part of a pension is again available at age 60 if not utilised earlier. The partial commutation and age 60 further right options are also extended to early voluntary and normal retirement pensions. A spouse pension payable on the death of a retired member is adjusted proportionately where the member's pension was partially commuted.</p>
To be proclaimed	SASS	<i>State Authorities Superannuation Act 1987</i>	<i>Superannuation Legislation Amendment Act 2006</i>	Part 3	<p>Facility to make 'salary sacrifice' contributions</p> <p>An employer of a contributor to SASS is authorised to be able to make 'salary sacrifice' (before tax) contributions to SASS on an employee's behalf. Any such contributions do not affect a member's superable salary for benefit purposes.</p>
	SANCS	<i>State Authorities Non-contributory Superannuation Act 1987</i>		4B	

Account payment performance

Aged analysis at end of each quarter

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

Accounts paid on time within each quarter

Quarter	Total accounts paid on time		Total amount paid \$
	Target %	Actual %	
September 2005	100%	100%	8,940,970
December 2005	100%	100%	8,338,750
March 2006	100%	100%	8,196,308
June 2006	100%	100%	8,553,881
Total			34,029,909

Payments to consultants during 2005–06

Fees exceeding \$30,000

Project	Consultant	Total Cost \$
Legal	Minter Ellison Consulting	351,086
Investment Consulting	Chant West Financial Services	52,250
Investment Consulting	JANA Investment Advisers	33,000
Total Fees Exceeding \$30,000		436,336

Fees Less Than \$30,000

Project	Consultant	Total Cost \$
Investment Consulting	Mercer Investment Consulting	17,721
Actuarial	Russell Investment Group	5,391
Total Fees Less Than \$30,000		23,112

Human Resource management

For the period up to 17 March 2006, staff of the Executive were employed directly by STC. However, following the proclamation of the *Public Sector Employment Legislation Amendment Act 2006*, all executive staff are now employed by the SAS Trustee Corporation Division of the Government Service of NSW. However, executive staff continue to work solely on the business of STC.

The administration of payroll and human resource services are provided by Pillar Administration. The table below shows the STC Executive, male, female and total staff numbers by salary band at 30 June 2006.

Salary Range	Men	Women	Total staff (number)
< \$30,146	0	0	0
\$30,146 - \$39,592	0	0	0
\$39,593 - \$44,264	0	1	1
\$44,265 - \$56,012	0	3	3
\$56,013 - \$72,434	1	2	3
\$72,435 - \$90,543	1	4	5
> \$90,543 (non SES)	5	3	8
> \$90,543 (SES)	1	0	1
Totals	8	13	21
	38.1%	61.9%	

Senior Executive Service (SES)

STC employs one SES officer, the CEO, Mr Don McLean, at Grade 5 level. The total annual remuneration package for this position at 30 June 2006 was \$237,800, plus a retention allowance of \$27,000. The criteria used for assessing the CEO's remuneration package is set out in *Premier's Memorandum no. 99-25*.

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

Salary movement

In the period from July to December 2005, the remuneration costs of the investment team were shared between STC and FTC. All other staff costs were met fully by STC.

Salaries for contract staff are reviewed annually as part of a formal performance appraisal system. Award staff are covered under the *Crown Employees (Public Sector — Salaries June 2002) Award*. Staff under this award received an incremental salary increase of 4% on 1 July 2005.

Industrial relations

The Public Service Association of New South Wales provided industrial coverage for staff of the Executive. No time was lost during 2005-06 through industrial action.

Training and development

The Trustee recognises the need for the ongoing development of staff and has developed a training program to enable all appropriate members to meet PS146 training requirements. In addition, staff may attend training designed by external providers and they may keep up-to-date with changes in the superannuation industry by attending seminars, short courses and conferences.

Occupational health and safety

During the reporting period, the STC experienced one work related injury under the *Occupational Health and Safety Act 1993*. This occurred when a staff member was travelling on STC business.

Representation of Equal Employment Opportunity (EEO) target groups

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

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

Table A: Trends in the Representation of EEO Groups

EEO GROUP	Benchmark or target	% of total staff			
		2003	2004	2005	2006
Women	50%	60%	67%	64%	62%
Aboriginal people and Torres Strait Islanders	2%	0%	0%	0%	0%
People whose first language was not English	19%	11%	18%	23%	24%
People with a disability	12%	0%	0%	0%	0%
People with a disability requiring work related adjustment	7%	0%	0%	0%	0%

Table B: Trends in the Distribution of EEO Groups

EEO GROUP	Benchmark or target	Distribution Index			
		2003	2004	2005	2006
Women	100	N/A	N/A	N/A	N/A
Aboriginal people and Torres Strait Islanders	100	N/A	N/A	N/A	N/A
People whose first language was not English	100	N/A	N/A	N/A	N/A
People with a disability	100	N/A	N/A	N/A	N/A
People with a disability requiring work related adjustment	100	N/A	N/A	N/A	N/A

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

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

Risk management and insurance

Audit and Compliance Committee

STC'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, Pillar Administration.

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

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

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

Insurance

During the financial year 2005–06, insurance for STC was continued with the Treasury Managed Fund, which covers all the NSW Government's insurable risks. The Treasury Managed Fund provides unlimited cover for the following classes of risk:

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

Freedom of Information

All enquiries and requests under the *Freedom of Information Act 1989* (the Act) for the period 1 July 2005 to 30 June 2006 were handled on behalf of STC by the scheme administrator, Pillar Administration (Pillar). Statistical information for FOI requests is contained in Pillar's annual report.

In accordance with section 14(1)(a) of the Act, an up to date *Statement of Affairs* was published on 30 June 2006 and appears on page 46.

In accordance with section 14(1)(b) of the Act, a *Summary of Affairs* was published in the Gazette in December 2005 and June 2006 and is published as part of this Annual Report on page 48.

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

Statement of Affairs

of the SAS Trustee Corporation pursuant to section 14(1)(a) and (3) of the Freedom of Information Act 1989 at 30 June 2006

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

Structure and functions

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

Effect of functions on members of the public

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

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

Public participation in policy and exercise of functions

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

In keeping with the principles of good corporate governance, and because of the complexity of the statutory and regulatory environment in which STC operates, a number of Trustee Board committees assist STC in the performance of its functions. These committees are identified in STC's *Annual Report*, together with details of their membership and role.

STC and its Executive also consult with the Premier's Department and Treasury in the formulation and development of scheme policy.

Policy documents held

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

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

Statement of Affairs continued

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

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

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

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

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

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

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

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

Freedom of Information contact

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

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

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

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

Summary of Affairs

of the SAS Trustee Corporation pursuant to Section 14(1)(b) & (3) of the Freedom of Information Act 1989 at 30 June 2006

Section 1: Policy Documents

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

Policy documents for STC that are available for inspection are:

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

Section 2: Statement of Affairs

The most recent *Statement of Affairs* for STC is published in June 2005 in STC's Annual Report. The Statement is available on the website at www.statesuper.nsw.gov.au. A copy of the *Statement of Affairs* can also be obtained (free of charge) by contacting the Freedom of Information Co-ordinator.

Section 3: Freedom of Information Contact Point

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

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

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

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

Ethnic Affairs Priorities Statement

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

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

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

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

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

Disability Plan

STC has developed a *Disability Plan* as part of a whole-of-government disability framework. The administrator of the STC Schemes, Pillar Administration, also has a *Disability Plan* which covers the Fund's members.

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

STC last revised its *Disability Plan* in 2000 in conjunction with the NSW Ageing and Disability Department to update the Plan in line with current standards. Another review of the Plan will be completed in the second half of 2006.

Overseas visits

No overseas visits were undertaken by officers or employees of STC during the financial year 2005–06.

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) and the *Health Records and Information Privacy Act 2002* (HRIP Act).

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

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

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

Codes of Conduct

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

The Codes were updated on 27 July 2005 to remove all embargoes in place at that time.

In addition, during the year the Codes were revised with a view to simplifying and clearly explaining the obligations of both Board members and the Executive Staff.

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

Property transactions

There were no acquisitions or disposals of property during the financial year 2005–06.

Action Plan for Women

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

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

STC recognises these considerations in its corporate planning and policy development and supports these initiatives.

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

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

Waste Reduction and Purchasing Policy

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

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

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

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

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

Annual Report Production Details

300 copies of this publication have been printed at an estimated maximum cost of \$3,500. This cost includes artwork and print production costs. This publication is available on the State Super website at www.statesuper.nsw.gov.au (see under *Publications*).

Publications produced

at 30 June 2006

SASS Scheme Fact Sheets

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

SSS Scheme Fact Sheets

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

PSS Scheme Fact Sheets

1. Overview
2. Contributions and Superable Salary
3. Benefits on Normal Retirement
4. Benefits on Early Voluntary Retirement
5. Invalidity Retirement (Medical Discharge)
6. Death Benefits
7. Resignation/Dismissal Benefit and Voluntary Benefit Deferral
8. 2006 Amendments to PSS Legislation
9. Taxation
10. Complaints, Disputes and Freedom of Information

All Scheme Fact Sheets

1. Information about the Commonwealth Contributions Surcharge Tax
2. Early Release of superannuation benefit on grounds of severe financial hardship
4. When can I be paid my superannuation benefits?
5. Retiring or resigning? What you need to know for payment of your benefit
6. Early release of a superannuation benefit on compassionate grounds
7. Complaints, Disputes, Appeals and Freedom of Information (FOI)
8. Calculation of superable salary oncost liability and membership options for members of the Chief and Senior Executive Service (SES)
9. Freedom of Information and Privacy
10. Basic Benefit
11. Reasonable Benefit Limits (RBLs)
12. Payment of Surcharge Assessments received after being paid a benefit or pension commencement
13. Information about the Commonwealth Government's Superannuation Co-contributions

Flyers

SASS Member Investment Choice flyer
Information About Exit Statements
Superannuation Contacts

Other Communications

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

Website

www.statesuper.nsw.gov.au

Compliance index for disclosure requirements 2005–06

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

A	Access	Back cover
	Actuarial valuations	24
	Achievements and objectives	6
	Annual report production details	51
	Audited financial statements	21,22,23
	Auditor-General's opinion	21,22,23
B	Board / Board members	4
C	Chairperson's report	3
	Charter	1
	Codes of Conduct	50
	Committees	33
	Compliance	10
	Consumer response/disputes	36
	Consultants	42
	Corporate governance	10
D	Disability Plan	49
E	Economic and other factors affecting achievements	15
	Equal employment opportunity	44
	Employees	43
	Ethnic affairs priorities statement	49
F	Freedom of Information	45
H	Human resource management	43
I	Insurance arrangements	45
L	Legislation and rule changes	11
	Letter of submission to the Minister	Front Page
M	Management, structure and activities	5
	Mission statement	1
O	Objectives	6
	Organisation chart	2
	Overseas visits	49
	Occupational health & safety	43
P	Payment of accounts	42
	Privacy	50
	Publications	52
	Property transactions	50
R	Risk management	45
S	Senior officers	43
	Service standards	8
	Statement of Affairs	46
	Summary review of operations	6
W	Women, Action Plan	51
	Waste Reduction and Purchasing Policy	51

CONTACT DETAILS



STATE SUPER
SAS Trustee Corporation

ABN: 29 239 066 746



CUSTOMER SERVICE

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

ABN: 80 976 223 967

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

PERSONAL INTERVIEW SERVICE

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

You can also arrange interviews at:

Newcastle	(telephone: 1800 807 855)
Parramatta	(telephone: 1800 626 000)
Port Macquarie	(telephone: 1800 676 839)
Wollongong	(telephone: 1800 060 166)

FAX SERVICE

(02) 4253 1688

INTERNET

www.statesuper.nsw.gov.au

EMAIL

enquiries@stc.nsw.gov.au

MAILING ADDRESS

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

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

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

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

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

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

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

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

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