



STAYING Connected

REPORT TO MEMBERS

2020

2019 - 2020 SNAPSHOT

\$42
billion **in assets**
in pooled fund
at 30 June 2020



\$647
million

net investment
revenue in
pooled fund



96,000 members
across three schemes –
SASS, SSS and PSS

100
Years

since the trustee
was established
on 1 July 1919



5

Member Beliefs
launched to articulate
our promise to members



8.0+
SCORE

for **MEMBER**
SATISFACTION
in 7 KEY AREAS

2K
members



attended one of
57 free educational
seminars or webinars

66K pension
members



migrated to new streamlined administration platform





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A message from the Chairperson

COVID-19 challenges and responses

My review of 2019/20 must start with an acknowledgement of the impact and consequences of COVID-19 on our members, all our various stakeholders, our service suppliers and the resulting difficult financial markets.

The Board sends sincere condolences to everyone whose lives have been affected by this serious and continuing pandemic.

The Chief Executive Officer's report discusses many of the specific resultant challenges which State Super has faced. I am delighted to state that the Board has been very pleased with the proactive responses by management throughout the year.

Structure of Chairman's Report

I will comment on three important themes which the Board has concentrated on over the past year. These are, the consequences of the Banking Royal Commission, State Super's reliance on external service suppliers, and the much-heightened Board engagement with Responsible Investment issues.

Consequences of the Banking Royal Commission

Often referred to as the Hayne Royal Commission, this inquiry highlighted multiple examples of poor practices and behaviours which were detrimental to customers' interests and which were common across the financial services sector. The Final Report set out recommendations in respect of expected standards that all financial service organisations should comply with in order to deliver service that the community should reasonably expect.

The State Super Board considered those recommendations very carefully and was determined to satisfy itself that the organisation meets or exceeds

these benchmarks of community expectations. In that context the Board commissioned an independent review of Board performance and skills necessary to meet our statutory oversight obligations.

The Board approved a review of the organisation's full compliance with all the recommendations contained in the Hayne Final Report. The Board also approved an independent review of the organisation's compliance with the regulatory framework applied under the relevant Heads of Government Agreement ('HOGA') and satisfied itself that this framework was substantially similar to that applied by APRA to superannuation funds. Finally, the operating behaviour and culture within the organisation was re-examined through the regular staff survey.

These various independent reports have been thoroughly discussed by the Board, which is satisfied that State Super operates in a manner wholly consistent with the best-practices expected both by the Hayne Final Report and by the community.

Maintaining excellent governance will continue to receive high attention from the Board and Management.

Reliance on external service suppliers

State Super has a high level of reliance on external service suppliers covering most elements of the fund's operations including registry and call centre services, custodial services, strategic financial advice, and asset management.

The benefits flowing to State Super from these outsourced arrangements include lower member costs as a result of substantial economies of scale in administrative services, access to world-class perspectives and advice on investment strategies, best-practice investment execution, and early access to latest technology advances.



The Board recognises that reliance on external service providers can bring associated indirect risks that are not always immediately evident, but which may have a negative impact on the overall business of State Super and, thereby, on members.

The Board and its Sub-Committees have devoted significant attention to regularly reviewing, and where necessary updating, the appropriateness of the contractual relationships with each service supplier. Specific issues regularly addressed include the status quo performance of service suppliers, their capacity to manage changes and upgrades in their systems supporting State Super, the depth and quality of talent committed to support the services delivered to State Super, and the level of proactive engagement by suppliers to help State Super evolve to best practices.

The Board and its Committees meet with senior officers from our material service providers to satisfy ourselves that the fund is receiving high quality, value for money services from organisations that share our core values and commitment to best governance practices.

Board engagement with Responsible Investment

Responsible investing is commonly used to encapsulate such sensitive and high-profile issues as climate change, corporate treatment of their customers and suppliers, non-discriminatory work practices and governance, and meeting community expectations of best corporate behaviour.

These issues are at the very core of State Super's approach to business. With \$42 billion of assets, we are in a position to influence the responsible behaviour of companies in which we invest.

Our website gives much detail on the specific initiatives we have taken in respect of responsible investing. But given its central role in the Board's oversight of the fund it seems timely to summarise our overall approach.

The Board holds a strong belief in the need to make, and to monitor, the fund's investment decisions using transparent, responsible environmental, social, and governance (ESG) criteria.

The Board believes that ESG criteria have a direct measurable impact on the value of assets held in the fund. Equally, the Board believes that the societal and ethical values reflected in the ESG criteria are important, should be carefully developed, and should be adhered to in our investment decisions.

The Board believes that our members and our stakeholders, including the NSW public sector employers and the NSW Government, hold similar strong commitment to responsible investing based on both the values underpinning ESG criteria and the potential impact on asset value from investing in companies with poor ESG standards.

Board changes

Firstly, I'd like to extend gratitude to my fellow Directors for their dedication and support. This year there have been a number of Board changes.

The term of Employee Representative George Maniatis ended this year. I thank George for his valuable contributions.

I welcome Lisbeth Rasmussen and Stewart Little to the State Super Board. Lisbeth was appointed as an Employer Representative in March 2020 and has a long successful career in the funds management industry. Stewart was appointed as an Employee Representative in September 2019 and brings valuable public sector employment experience.

Finally, I would like to again acknowledge the outstanding work the State Super staff have undertaken every day of this challenging year on behalf of our members. Thank you.

Nicholas Johnson
Chairperson
October 2020



Chief Executive Officer's report

There are no words to describe the impact of the SARS COV-2 Coronavirus, and its disease COVID-19, on our organisation and our members.

Our thoughts go out to all our members and everyone who has lost loved ones during this time. We grieve with you.

Our thanks go out to our members on the front-line including health service staffs, police, teachers and others in the service of our great state of NSW. We appreciate all your efforts and your diligence, holding the front line while the State is challenged by this pandemic. We stand with you.

And thanks also go to our staff, who have continued to work and deliver the member services and investment returns that our members need and expect. Adjusting to our new regime of working remotely, without any pause. We appreciate it.

Our members

Our focus for the past year has been to enhance and improve the member experience. One aspect of this, is to ensure that our back-office systems are contemporary and up to the task. Mercer Administration Services (MAS) has agreed to transition IT systems to a new platform "Acurity", with the aim to provide improved back office operations, and lead to a better customer experience.

IT system transitions generally tend to be difficult, risky and poorly delivered. In our case, we have assertively managed the risk of this transition by instituting a formal governance structure (and Committee), bringing in experts from PwC to alert State Super of risk. Our management of risks has worked very well and has seen MAS migrate the nearly 67,000 pensioners successfully to the new platform. Further transitions are expected in 2021-22.

Nevertheless, the lockdown created severe stresses for MAS in working remotely, and our capacity to respond to member enquiries fell markedly. We have been working closely with MAS to rectify this, and as of the date of this report, most services have returned to normal.

After extensive member research we have articulated 5 Member Beliefs that reflect what we do every day in the interest of our members. In keeping with the Member Beliefs this was a year where we worked to minimise the impact to our members. Many would be familiar that

the Annual CPI for Sydney was reported at -1% for the year ended 30 June 2020. And yet, the headline number belied the effects felt by pensioners. The composition of this Index includes items like child-care, which are less relevant for pensioners.

Our legislation clearly required us to pass this on to our pensioners, but following support of change by our Board, and extensive representations to government and other stakeholders, Parliament amended State Super's legislation for this requirement, and there was no decrease in pensions in October 2020.

Our investments

Given that State Super's mission requires us to pay out more than we receive, a fall in financial markets disproportionately affects our portfolios. And yet, we need to deliver on aggressive return targets. This requires careful portfolio construction for growth, as well as an extensive portfolio downside protection to moderate the impact of market falls.

In this year of massive negative financial market returns in March and April, the downside protection worked as expected and significantly protected the portfolios such that our portfolios were never more than 3% negative on a financial year to date basis.

As at 30 June 2020, all portfolios recorded positive returns for the year, resulting in State Super being in the top 10¹ funds in Australia, all the while taking significantly less risk. More importantly we maintained our target returns over each of our objectives, as shown on Page 17.

Commitment to meet all liabilities

State Super is working with the NSW Treasury to facilitate the Government's stated objective to fully fund the superannuation liabilities of the General Government Sector (excluding Universities).

The COVID-19 pandemic has placed unprecedented pressure on the State's finances over the medium term, however, in recognition of providing clarity to the Trustee about its obligations to its members and employer sponsors, the Treasurer has written to the Trustee reiterating the Government's commitment to achieving the objective of fully funding the State's defined benefit liabilities.

The Treasurer has further committed to maintaining an ongoing funding plan that will ensure all benefits continue to be paid when they fall due.

¹ SuperRatings End of Financial Year Performance



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Our staff

We have been working remotely since the middle of March but have implemented Covid-safe processes in our office, to allow people to work in the office where they wish to. Most importantly, we have actively supported our staff remotely, helping them with equipment, ergonomics of their home set-up and to focusing on their mental health. We have instituted frequent 'touch-base' calls and regular online all staff meetings.

Our technology has worked well, providing clear validation of the decisions we took over the last several years: to invest in remote solutions, to equip all staff members with laptops, and to move our operations to electronic processing.

The future

Our priority now is to work our way to a recovery from COVID-19. Having said this, the work practices during this lockdown have reinforced my belief that flexibility in working pays off and it is inconceivable we will revert entirely to our old practices.

We are also working closely with MAS to ensure that the systems and processes to improve member services continue, and we will continue to be assertive to protect member interests.

Our team has been amazing, and I am proud of our culture. If there is one thing I hope to achieve going forward, it is to maintain the exemplary employee engagement, risk management and member first attitudes of our staff, while we transition to post COVID-19 'normal'.

Environmental, Social and Governance (ESG) Risks

This year, in spite of all the challenges, we also implemented the next stage in our Responsible Investment approach. This entailed voting our shares, engaging with companies (with ACSI and TCorp) such as AMP and Rio Tinto to show our displeasure, and reporting the Climate Risk impact on our portfolios.

Scholarship

I am also proud that we have now issued two Scholarships. The topics are :

- 'The exercise of voting rights by superannuation funds across different investment options', and
- 'Workplace Exit: Cause for Reflection'

Congratulations to both recipients! We are considering several more applications.

Thank you

In closing, I want to thank all our people at State Super, our Board and Chairperson Nick Johnson, and our broader partners who work for our members: Mercer Administration Services, TCorp, JPMorgan, Frontier, Allianz, Aware Super, and our many suppliers.

What an extraordinary and challenging year it has been for everyone.

John Livanas
Chief Executive Officer
October 2020

Your Trustee Board

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The Trustee Board is appointed by the Treasurer of NSW and comprises:

- an independent Chairperson
- four employer representatives
- four employee representatives nominated by Unions NSW.

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

Chairperson



Nicholas Johnson

Chairperson

Appointed June 2015;
reappointed June 2019

Employer representatives



Carol Austin

Company Director

Appointed June 2018



Swati Dave

Company Director

Appointed May 2016;
reappointed May 2019



Claire Keating

Company Director

Appointed November 2016;
reappointed November 2019



Lisbeth Rasmussen

Company Director

Appointed March 2020

Employee representatives



Catherine Bolger

Professionals Australia

Appointed September 2015;
reappointed October 2019



Alex Claassens

NSW Rail,
Tram and Bus Union

Appointed November 2012;
reappointed November 2016



Stewart Little

Public Service
Association of NSW

Appointed September 2019



Tony O'Grady

Company Director

Appointed June 2013;
reappointed September 2017

Thank you

State Super would like to take this opportunity to thank the following former Board member for their valuable contribution during their term:

**George Maniatis,
NSW Fire Brigade
Employees' Union**

(former Employee
Representative)

Appointed September 2015;
term ended September 2019

Function and role of State Super and the Board

State Super

The principal functions of State Super as set out in s.50(1) of the SA Act are to:

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

State Super is required by the SA Act to outsource the following principal functions for the State Super schemes:

- superannuation scheme administration services
- superannuation investment management services
- custodian services.

The Board

Under s. 69(5) of the SA Act the State Super Board (the Trustee Board) manages and controls the affairs of State Super. The role of the Trustee Board extends to strategy, corporate governance, risk management, policy making and monitoring. Accordingly, the Trustee Board is responsible for:

- monitoring the State Super schemes and the Pooled Fund, including the control and accountability systems
- appointing and removing the Chief Executive Officer
- providing input to, and final approval of, the long-term strategy for the State Super schemes and annual Corporate and Business Plan
- approving and monitoring the annual budget and any extraordinary expenditure
- approving and monitoring State Super's risk management, compliance and control systems and policies
- approving and monitoring policies and procedures for the management of the Fund, including:
 - business plans, policies and processes for the proper direction, control and performance measurement of the Fund
 - standards to assess the performance of State Super's service providers
- setting the objectives, strategies and risk for investments, approving major investment decisions and monitoring and assessing investment performance
- approving and monitoring State Super's governance procedures for the Trustee Board and the staff of State Super, including work health and safety, and the Code of Conduct and Ethics
- monitoring the performance of the Pooled Fund, the Trustee Board's activities, State Super management and State Super's service providers.

Trustee Board members are remunerated in accordance with the NSW Government's Classification and Remuneration Framework for NSW Government Boards and Committees.

Function and role of State Super and the Board – continued

State Super committees

A number of Board Committees assist with the performance of State Super's functions and monitor the compliance of external service providers against their contractual requirements. The Committees and their membership at 30 June 2020 are listed below.

Investment Committee

Mr N Johnson (Chairperson)
Ms C Austin
Ms C Bolger
Ms L Rasmussen

Risk, Audit and Compliance Committee

Ms C Keating (Chairperson)
Ms C Bolger
Ms S Dave
Mr T O'Grady

Member Services Committee

Mr A Claassens (Chairperson)
Mr S Little
Mr T O'Grady

Human Resources and Nominations Committee

Mr A Claassens (Chairperson)
Ms C Bolger
Mr N Johnson
Mr S Little

Police Superannuation Advisory Committee

Mr A Claassens (Chairperson)

The Police Superannuation Advisory Committee (PSAC) comprises a Chairperson appointed by the Minister, three nominees of the Police Association of New South Wales and one nominee each from the Commissioned Officers' Branch of the Public Service Association of New South Wales, State Insurance Regulatory Authority, the Minister for Police, and State Super. The State Super nominee is a member of the State Super Executive.

The PSAC determines entitlements to medical discharge for members of the NSW Police Force, to 'Hurt on Duty' pension increases and other benefits under the Police Superannuation Scheme and advises State Super on administrative matters of the *Police Regulation (Superannuation) Act 1906* that are referred to it by the Trustee Board.

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



Member services update



Our Centenary year comes to a close

On 1 July 2019 we commemorated our 100-year anniversary with a staff celebration and re-

enactment of a 1919 board meeting. State Super (then known as the State Provident Fund Management Board) was launched at that board meeting at a momentous time in history, with the end of the Great War and the introduction of social programs for returning veterans.

Throughout the last 12 months we met with some of our centenarians, State Super members who were celebrating turning 100, and we showcased the stories of their amazing (and long!) lives in SuperViews, on our website and LinkedIn. Every member turning 100 throughout the year received a bouquet of flowers from us on their birthday. Some told us they enjoyed this gesture as much as the letter they received from the Queen.

Our 100-year birthday celebration culminated in a reception at the Mitchell Galleries at the State Library of New South Wales. Business partners, members, staff and media attended the event, including one very special guest member, Dr Elizabeth (Betty) Hall, one of our centenarians.

NSW Treasurer, the Hon. Dominic Perrottet, was guest speaker. He spoke warmly of the history of State Super and the lessons that can be learned about the very nature of public service, and the peace of mind that comes from a secure future.

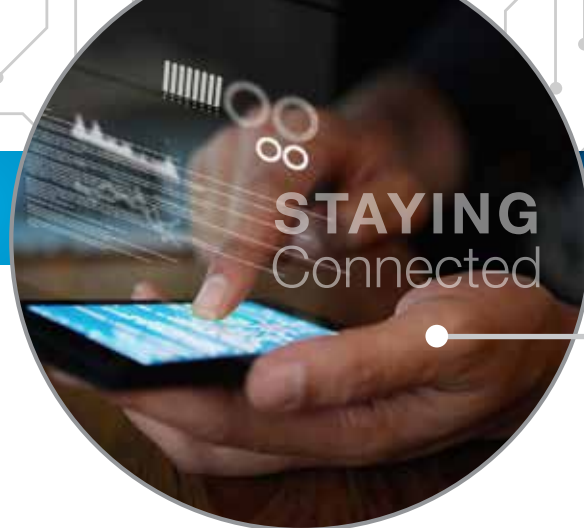
To learn more about the history of State Super visit our website to view a detailed historical timeline and short video at www.statesuper.nsw.gov.au/about-us/our-history.

Inaugural Member Advisory Forum

In October we were delighted to host our inaugural Member Advisory Forum with current and retired employees of the Department of Education.

It was an opportunity for our members to come together with likeminded peers to discuss their concerns and opinions and share their views with us on superannuation, retirement and more.

We'll share the learnings from the forum in detail on our website and will also be calling for more participants throughout 2021. There is no obligation to participate but we hope you will consider joining us and contributing to this exciting new initiative.



State Super seminars go virtual

State Super seminars were presented as online webinars during 2020.

These are presented on our behalf by qualified financial planners from Aware Super* (previously known as StatePlus).

They can help you understand how to maximise your superannuation and plan for the future. Aware Super financial planners are specifically trained in your superannuation scheme.

Our webinar is presented in two one-hour sessions and will help you to:

- learn about what you need to do now to maximise your super
- determine when is the right time to retire
- understand Centrelink rules and the benefits you could be eligible for
- find out how a financial plan can help you make the most of your super

Easy-to-follow instructions are provided on how to join and participate online from the comfort of home. To make a booking to attend one of our webinars, call **1800 620 305** or go to **www.statesuper.nsw.gov.au/help-centre/seminars** where you can view dates and times that are convenient for you.

*For more information on the relationship between State Super and Aware Super, refer to page 39 of this document.

New secure Member Login

The secure Member Login area has been redesigned to make it much easier for members to use.

You can keep track of your scheme benefits online, allowing you to:

- update your contact details
- view and download your last Annual Statement
- access an online benefit quote
- register for upcoming seminars

To register for online access to your scheme, please contact customer service on the numbers provided on page 38 of this report or register on our website.

Our Member Beliefs

State Super
promises to:

Act with fairness,
integrity and
openness



Help members
maximise their
State Super
benefits



Act in
members'
best interests



Make it easy
for members to
understand their
unique scheme



Be a trusted
guardian of
members'
funds



We listen, learn and grow with you.

State Super Academic Scholarships for 2021



We're pleased to confirm that two scholarships have now been awarded during the year by the review panel to an Honours student from Macquarie University and a Masters student from the University of NSW.

About the Scholarship

The State Super Scholarship was established as a legacy to acknowledge the organisation's 100-year anniversary on 1 July 2019.

The scholarship provides funding support for successful applicants to pursue research in fields related to public sector employees and their retirement, supported by pensions and superannuation.

The scholarship will support those seeking to complete research at postgraduate level – either **Honours/Masters (by Research)** or **Doctor of Philosophy (PhD)**.

Who should apply?

Any post-graduate student who has a desire to contribute to a vision for the future of superannuation and retirement incomes and has demonstrated academic excellence in their field.

What fields of research are applicable for the scholarship?

The proposed research must contribute to the knowledge base for future planning by the NSW government in one of State Super's priority areas: public sector retirement, pensions and superannuation:

- The future of pensions in the public sector
- Attracting and retaining talent in the public sector through superannuation/retirement solutions
- Innovation in superannuation around the globe
- Other related fields in pensions, public service and financial services

What is included in the State Super Scholarship?

The successful applicants will receive financial support for a period of 12 months as follows:

Study	Amount	Number of scholarships
Honours/Masters (by Research) Scholarship	\$16,000	4 per year
PhD Scholarship	\$36,000	1 per year

Successful applicants may apply for the scholarship in subsequent years.

Which universities are participating?

All NSW Universities that are scheduled employers in State Super:

The University of Sydney	University of New South Wales
Macquarie University	The University of Newcastle
Southern Cross University	University of Technology Sydney
University of New England	Western Sydney University
University of Wollongong	Charles Sturt University

Students from regional or emerging Universities are encouraged to apply.

Key dates

Applications open	1 October 2020
Applications close	31 December 2020
Scholarships awarded	31 January 2021

Note: Applicants must commence postgraduate study in the 2021 calendar year.

Application

Visit the State Super website to apply
www.statesuper.nsw.gov.au/

SASS at a glance

	SASS
Members at 30 June 2020	Contributing members: 17,009 Deferred benefit members: 9,004 Pension members: 4,737 Total members: 30,750
Member contributions	<p>Members elect to contribute between 1% and 9% of their salary.</p> <p>71% of member contributions were received via salary sacrifice.</p>
Type of benefits	<p>Retirement/withdrawal benefit – a lump-sum benefit based on average contribution rate, final average salary and years of membership. The benefit includes member contributions and investment earnings less fees and insurance premiums (where applicable).</p> <p>Pensions – some members of superseded schemes also have a pension option.</p> <p>Additional benefit cover – optional cover provides a benefit payable on top of the standard benefits available to contributors where retirement is due to total and permanent invalidity or death before the contributor reaches the statutory retirement age.</p>
Membership	SASS commenced 1 April 1988 and was closed to new members 19 December 1992.
Legislation	SASS was established under the <i>State Authorities Superannuation Act 1987</i> .
Scheme eligibility	New employees in the NSW public sector were eligible to join the scheme and members of the Public Authorities Superannuation Scheme (PASS) were transferred to SASS from 1 April 1988. By 1990, a number of other public sector superannuation schemes were closed and members of these schemes were transferred to SASS. These schemes included, among others, the State Public Services Superannuation Fund (SPSSF), the Transport Gratuity Scheme and the Government Railways Superannuation Fund.
SANCS	<p>In addition to the SASS benefits outlined above, all members receive the SANCS lump-sum basic benefit. The benefit is 100% employer-funded and, depending on the reason for exiting employment, accrues at the rate of up to 3% of either final or final average salary for each year of service from 1 April 1988 (or employment commencement date if later). SANCS was closed to new members in 1992. A members' SANCS benefit also consists of any applicable Additional Employer Contribution, Commonwealth Government Co-contribution and Low-Income Super Tax Offset (LISTO) amounts.</p> <p><i>The State Authorities Non-contributory Superannuation Act 1987</i> is the establishing legislation.</p>

SASS is administered by the SAS Trustee Corporation (STC) under the *Superannuation Administration Act 1996*. As Trustee, STC holds all Fund assets in trust in the Pooled Fund.

SSS and PSS at a glance

	SSS	PSS
Members at 30 June 2020	Contributing members: 1,741 Deferred benefit members: 1,094 Pension members: 55,170 Total members: 58,005	Contributing members: 649 Deferred benefit members: 79 Pension members: 6,697 Total members: 7,425
Member contributions	<p>Members generally contribute towards individual pension units on a rate-for-age basis.</p> <p>78% of member contributions were received via salary sacrifice.</p>	<p>Members contribute 6% of their salary.</p> <p>70% of member contributions were received via salary sacrifice.</p>
Type of benefits	Mainly pension benefits, with a lump-sum commutation option.	Mainly pension benefits, with a lump-sum commutation option.
Membership	SSS commenced 1 July 1919 and was closed to new members 1 July 1985.	PSS commenced 1 February 1907 and was closed to new members 1 April 1988.
Legislation	SSS was established under the <i>Superannuation Act (NSW) 1916</i> (Superannuation Act).	PSS was established under the <i>Police Regulation (Superannuation) Act 1906</i> .
Scheme eligibility	Salaried employees of the NSW public service, including teachers and a number of statutory authorities scheduled in the Superannuation Act were eligible to join SSS.	Members of the NSW Police Service employed prior to 1 April 1988.
SANCS	<p>In addition to the SSS and PSS benefits outlined above, all members receive the SANCS lump-sum basic benefit. The SANCS benefit is 100% employer-funded and, depending on the reason for exiting employment, accrues at a rate of up to 3% of either final or final average salary for each year of service from 1 April 1988 (or employment commencement date, if later). A members' SANCS benefit also consists of any applicable Additional Employer Contribution, Commonwealth Government Co-contribution and Low-Income Super Tax Offset (LISTO) amounts. SANCS is governed by the <i>State Authorities Non-contributory Superannuation Act 1987</i> and was closed to new members in 1992.</p>	

SSS and PSS are administered by the SAS Trustee Corporation (STC) under the *Superannuation Administration Act 1996*. As Trustee, STC holds all Fund assets in trust in the Pooled Fund.

Aware of the difference advice can make

Aware Super is a new name for First State Super and a new brand for StatePlus.

We have always been aware of the important role high-quality, affordable financial advice can play in helping you achieve your retirement goals.

With Australia's largest member owned advice network, we have over 250 advisers across hundreds of locations.

We are dedicated to helping you plan for your future with the right guidance and advice when and where you need it.

We provide retirement income products to meet your needs, with strong long-term performance* and among the lowest fees in the market^.

We know that looking ahead is the best way to ensure no one is left behind.

Plan for your future by getting the right help today.

We are Aware Super.



 aware.com.au

aware 
SUPER

Consider our PDS to determine the product's appropriateness to you before making a decision. Issued by Aware Super Pty Ltd ABN 11 118 202 672, AFSL 293340, trustee of Aware Super ABN 53 226 460 365. Financial planning advice is provided by Aware Financial Services Australia Limited ABN 86 003 742 756 AFSL No. 238430. A wholly owned company of Aware Super Pty Ltd. *Our Retirement Income Stream Balanced Growth option delivered a 10 year return to 30 September 2020 of 7.66% (SuperRatings Pension Fund Crediting Rate Survey for the SR25 Conservative Balanced (41-59) Index), compared to the 10 year return of the Super Ratings SR25 Conservative Balanced (41-59) Index median (23 funds) of 6.97% for the same period. Returns are net of investment fees, tax and implicit asset-based administration fees. Past performance is not a reliable indicator of future performance. ^The total annual fee (inclusive of admin and investment fees) for our Balanced Growth option is 0.98% p.a., the industry average is 1.06% p.a., Chant West Pension Fund Fee Survey, June 2020, based on a \$250,000 balance in the Balanced Growth option.

Investment performance



Global equity markets experienced both one of the sharpest falls and sharpest recoveries in history. A continued strong market rally in the first half of the financial year gave way to circa 35% fall in markets, arguably the sharpest equities market drawdown in history, as the Covid-19 pandemic shut down economies around the world. Unhedged international equities were protected as the Australian dollar fell. After hitting a low on 23 March, equity markets recovered in one of the sharpest recoveries in history, on the back of unprecedented global fiscal and monetary support. Somewhat belying a period of enormous market volatility, equity markets finished the year with only modest negative returns.

Bonds continued to make a positive contribution to performance as long-term yields fell to historic lows, although the extent to which they offset the equity drawdown was limited by the low yields prevailing when the pandemic hit.

The Covid-19 pandemic has had a dramatic impact on the air travel industry, effectively halting more than 95% of air travel during the initial global shutdown of business and borders. It has also significantly impaired shopping centre traffic and created uncertainty about the prospect for office space. State Super therefore applied a large write down to its unlisted infrastructure and property assets in the 2019-20 financial year.

Over the 2019-20 financial year, the use of downside protection provided a meaningful boost to portfolio returns and liquidity during the sharp equity market fall.

The Trustee Selection and all diversified investment option strategies, with the exception of the Cash options, have delivered returns above their long-term performance objectives. The Cash Options' returns reflect historically low interest rates.

State Super implements its investment strategies through investment managers, with TCorp undertaking all manager selection activities for Trustee Selection. Over the course of the financial year investment managers' performances in each of the investment strategies were reviewed and adjustments made to ensure the risk return characteristics of each investment strategy were in line with investment objectives. State Super continues to maintain prudent liquidity requirements to fund its liabilities and a focus on liquidity management remains a priority for the investment team.

Risk and asset allocation settings for the Fund are reviewed regularly. The asset allocation for each investment strategy is well diversified across asset classes, risk premiums, investment managers and individual securities. The aim is to generate returns with substantially reduced volatility. Risk management plays a crucial role in this process.

Year ending	Crediting rate to members (%p.a.)						
	Growth Strategy	Balanced Strategy	Conservative Strategy	Cash Strategy	Trustee Selection	University Diversified Conservative	University Cash
30 June 2020	1.5	2.7	3.0	0.9	1.3	0.3	0.8
30 June 2019	7.6	5.9	4.7	1.9	8.5	4.0	1.8
30 June 2018	9.4	6.9	5.0	1.7	8.2	3.3	1.6
30 June 2017	9.0	6.9	4.4	1.9	9.5	4.4	1.6
30 June 2016	5.0	5.3	4.6	2.0	3.6	1.9	2.0
Average annual compound rate (% p.a.)							
Over 3 years	6.1	5.1	4.2	1.5	6.0	2.5	1.4
Over 5 years	6.4	5.5	4.3	1.7	6.2	2.8	1.6
Over 10 years	8.0	7.1	5.7	2.5	8.0	n/a	n/a

Note: The figures above are after allowance for tax and investment management expenses. Past returns are no guarantee of future returns. The value of a SASS member's personal account, Commonwealth Government contribution accounts and deferred benefits are not guaranteed and can fluctuate with investment gains or losses. SASS members should seek professional financial advice to help them select an investment strategy that best suits their personal circumstances. For up-to-date investment returns information, visit the State Super website at www.statessuper.nsw.gov.au.

Investment management

STRATEGIC ASSET ALLOCATION

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

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

Liquid Growth consists of Australian and international listed equities. Liquid Defensive consists of Australian and international fixed interest, inflation-linked bonds, other defensive strategies, cash and income. The latter is a newly introduced asset class for the member investment choice strategies. Alternatives comprises property, infrastructure, corporate debt, absolute return strategies and private equity.

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

Alternatives serve a dual purpose. Some of the asset classes in this category are expected to generate returns in line with or higher than the return objective. Other asset classes within Alternatives are expected to have the dual objective of providing a good level of return, whilst also reducing the volatility of returns, especially when equity markets fall.

Liquid Defensive represents asset classes that tend to do well when equity markets are turbulent or fall. These asset classes provide capital protection when most other strategies are not performing well but are not expected to significantly contribute to the return over the long term. However, the historically low interest rates mean that the returns for these assets are likely to be below inflation over the short to medium term. This led to the addition of the income asset class that aims to deliver yield above cash with strong capital preservation characteristics.

State Super can dynamically allocate assets between Liquid Defensive and Liquid Growth, based on changes in the investment environment. The allocation to Alternatives, on the other hand, is strategic in nature and generally illiquid, with investments being held over the medium to long term.

State Super reviews the strategic asset allocation of each investment strategy annually in conjunction with its advisers. Critical areas of focus include setting the investment risk and return objectives, having regard to the expected investment environment over each Option's investment timeframe, and liquidity requirements over the short- and medium-term to ensure member benefits can be readily paid as and when they fall due.

For the Member Investment Choice and University investment strategies State Super considers quarterly whether any dynamic asset allocation tilts are appropriate given current valuations. For Trustee Selection, TCorp's mandate includes DAA decisions.



MARKET RISK PROTECTION STRATEGIES

The Trustee is focused on mitigating the risks of a large drawdown in equity markets; however, downside protection strategies typically requires a premium to be paid for that protection and could also mean giving up some return in strong equity markets. State Super carefully weighs up this trade-off in managing its downside risk.

Downside protection – The Trustee may employ a series of investment strategies to manage downside risk, which could include a combination of derivatives for hedging and exposure management, rotation of assets and managers, centralised managed currency overlay, option strategies and manager benchmarking focused on downside risk management.

Exposure management – In the case of the Trustee Selection and all DC Strategies, the listed asset classes can be tilted away from their respective asset allocation weights in a disciplined manner. The portfolios are tilted using dynamic asset allocation ranges set for each of the strategies to capture upside potential gains and provide a degree of downside protection..

RESPONSIBLE INVESTMENT

State Super's Investment Beliefs recognise that "environmental, social and governance (ESG) factors may materially impact investment risk and returns, particularly over the long term". State Super is committed to the integration of responsible investment and ESG factors in the selection, retaining and realising of investments, and the adoption of an active ownership approach across the Pooled Fund. To enable effective integration, a new Responsible Investment Policy was approved by the Trustee Board in June 2019.

State Super implemented its new Responsible Investment Policy over the 2020 financial year. Significant developments in this respect include:

- **Proxy voting** – All proxy voting for DC Options has transitioned from the managers to State Super, with voting based on the ACSI (Australian Council of Superannuation Investors) guidelines. Proxy voting for Trustee Selection has been delegated to TCorp. State Super also published its first proxy voting activities report on its website on 20 July 2020.
- **Climate modelling** – With its advisors, State Super modelled alternative climate change scenarios in order to assess the impact of climate change on the expected risk and return characteristics for different asset classes and reflect its impact in the annual investment strategy review.
- **Climate risk assessment** – Analysis was commissioned and received in 2019 to identify potential vulnerabilities to climate change in State Super's unlisted property and infrastructure assets across the Pooled Fund. The analysis was extended in 2020 to include an assessment of the vulnerability of the physical assets within State Super's listed equities portfolio. The results of this assessment are being used to inform future investment and asset management decisions.
- **Carbon footprint analysis** – State Super implemented analysis to measure and monitor the carbon footprint of its listed equities portfolios of the DC fund. This will form part of the ongoing management of ESG risk.
- **Exclusions** – State Super continued to exclude investments in tobacco and controversial weapon manufacturers from the Pooled Fund.

Investment strategies at 30 June 2020



DEFINED BENEFIT INVESTMENT STRATEGIES

Defined benefit investment strategies are used to invest assets within the State Super Pooled Fund that support employer reserves. Such reserves are held in order to meet the New South Wales Government's obligation to provide defined superannuation benefits.

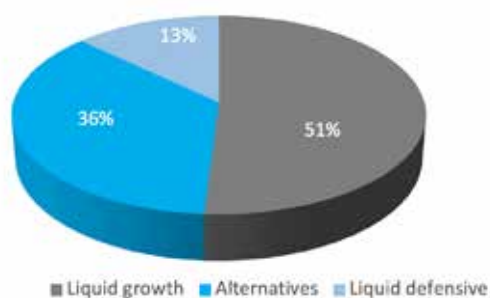
Trustee Selection Strategy

Investment objective: The objective of the Trustee Selection Strategy is to maximise the earnings rate, subject to a greater than 50% probability of exceeding CPI + 5.0% p.a. over rolling 10-year periods.

Risk: High (standard risk measure (SRM)

risk band 6: from 4 to less than 6 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2020: \$33,692 million



Asset allocation at 30 June 2020:

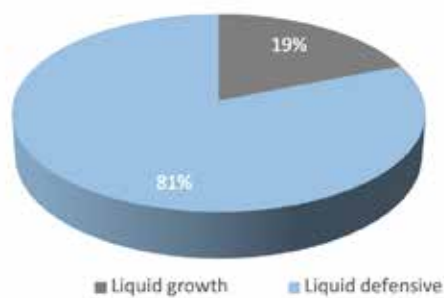
	Strategic %	Actual %
Liquid growth	51.0	50.6
Australian equities	18.0	17.3
International equities	33.0	33.3
Alternatives	36.0	36.7
Infrastructure	12.0	12.0
Property	7.0	7.8
Other alternatives	17.0	16.9
Liquid defensive	13.0	12.7
Australian fixed interest	3.0	3.0
International fixed interest	0.0	0.0
Defensive Strategies	6.0	6.0
Cash	4.0	3.7
TOTAL	100.0	100.0

University Diversified Conservative Strategy

Investment objective: The investment objective of the University Diversified Conservative Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 0.5% p.a. over rolling 4-year periods.

Risk: Low to medium (SRM risk band 3: from 1 to less than 2 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2020: \$49 million



Asset allocation as at 30 June 2020

	Strategic %	Actual %
Liquid growth	19.0	20.3
Australian equities	8.0	8.7
International equities	11.0	11.6
Alternatives	0.0	0.0
Liquid defensive	81.0	79.7
Australian fixed interest	4.0	1.6
International fixed interest	2.0	4.2
Cash	75.0	73.9
TOTAL	100.0	100.0



MEMBER INVESTMENT CHOICE (MIC) STRATEGIES

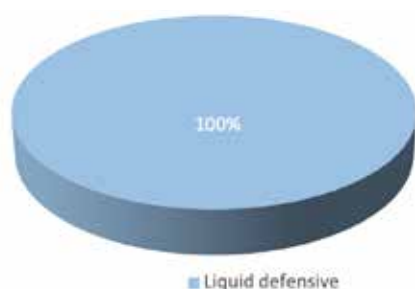
The four State Super MIC strategies are used to invest defined contribution assets within the State Super Pooled Fund.

University Cash Strategy

Investment objective: The investment objective of the University Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding cash p.a. over rolling three-year periods.

Risk: Very Low (SRM risk band 1: less than 0.5 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2020: \$374 million



Asset allocation as at 30 June 2020

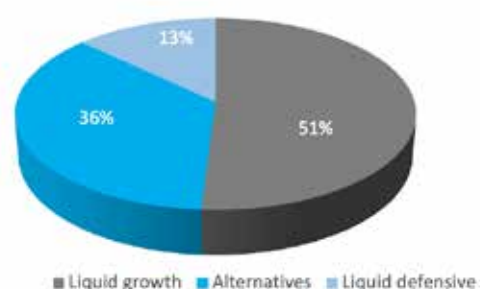
	Strategic %	Actual %
Liquid growth	0.0	0.0
Alternatives	0.0	0.0
Liquid defensive	100.0	100.0
Australian fixed interest	0.0	0.0
International fixed interest	0.0	0.0
Cash	100.0	100.0
TOTAL	100.0	100.0

Growth Strategy

Investment objective: The objective of the Growth Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 3% p.a. over rolling 7-year periods.

Risk: High (SRM risk band 6: from 4 to less than 6 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2020: \$5,713 million



Asset allocation as at 30 June 2020

	Strategic %	Actual %
Liquid growth	51.0	48.6
Australian equities	22.5	23.0
International equities	28.5	25.6
Alternatives	36.0	33.7
Infrastructure	10.5	10.2
Property	8.0	7.8
Other alternatives	17.5	15.7
Liquid defensive	13.0	17.7
Australian fixed interest	4.0	1.6
International fixed interest	2.0	3.8
Defensive Strategies	0.5	0.5
Cash	6.5	11.8
TOTAL	100.0	100.0

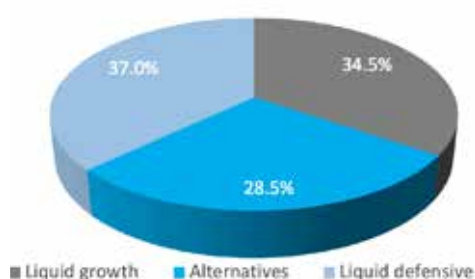
Investment strategies at 30 June 2020 – continued

Balanced Strategy

Investment objective: The objective of the Balanced Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 2% p.a. over rolling 7-year periods.

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

Net assets at 30 June 2020: \$1,090 million



Asset allocation at 30 June 2020:

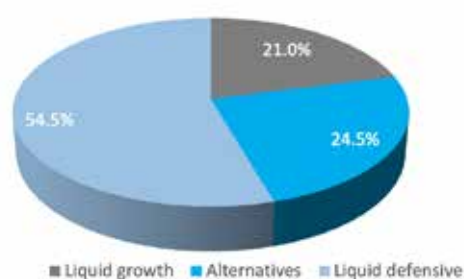
	Strategic %	Actual %
Liquid growth	34.5	31.4
Australian equities	12.5	12.4
International equities	22.0	19.0
Alternatives	28.5	27.8
Infrastructure	10.5	10.3
Property	8.0	7.8
Other alternatives	10.0	9.7
Liquid defensive	37.0	40.8
Australian fixed interest	7.5	4.2
International fixed interest	2.5	4.8
Defensive Strategies	0.5	0.1
Cash	26.5	28.2
TOTAL	100.0	100.0

Conservative Strategy

Investment objective: The objective of the Conservative Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 1.0% p.a. over rolling 4-year periods.

Risk: Medium (SRM risk band 4: from 2 to less than 3 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2020: \$525 million



Asset allocation at 30 June 2020:

	Strategic %	Actual %
Liquid growth	21.0	19.4
Australian equities	8.5	8.9
International equities	12.5	10.5
Alternatives	24.5	23.1
Infrastructure	10.5	10.2
Property	8.0	7.8
Other alternatives	6.0	5.1
Liquid defensive	54.5	57.5
Australian fixed interest	6.0	3.7
International fixed interest	3.0	5.3
Defensive Strategies	0.5	0.1
Cash	45.0	48.4
TOTAL	100.0	100.0

Further information about the Standard Risk Measures and investment objectives is included in SASS Fact Sheet 15: Choosing an investment strategy, which is available on the State Super website at www.statesuper.nsw.gov.au

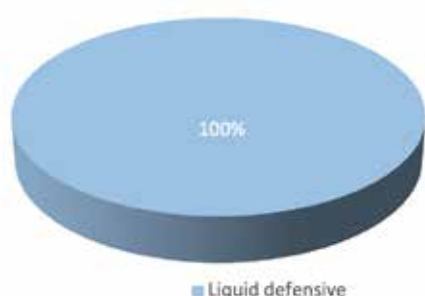


Cash Strategy

Investment objective: The objective of the Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding Cash p.a. over rolling 3-year periods.

Risk: Very low (SRM risk band 1: less than 0.5 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2020: \$230 million



Asset allocation at 30 June 2020:

	Strategic %	Actual %
Liquid growth	0.0	0.0
Alternatives	0.0	0.0
Liquid defensive	100.0	100.0
Cash	100.0	100.0
TOTAL	100.0	100.0



Investment updates and changes

In June 2020, State Super undertook its annual detailed review of the investment strategies and objectives for each investment option of the Pooled Fund.

Strategic asset allocation changes

As part of the review, several strategic asset allocation changes have been made to the Trustee Selection Strategy. We continue to harmonise illiquid assets across different options to enhance portfolio liquidity. These changes have been implemented by re-weighting the allocations to the impacted asset classes. While we continue to maintain a constructive longer-term outlook, we are mindful of the heightened risk in the shorter term and these changes are intended to further improve the diversification and provide additional downside risk protection.

Growth, Balanced and Conservative Strategy

There were no asset allocation changes for these investment options. The permitted range for foreign currency exposure was widened due to the desirable downside protection properties that foreign currency exposure can offer.

Trustee Selection Strategy

Trustee Selection is a defined benefit scheme with a different investment time horizon to DC options. This allows Trustee Selection to benefit from additional premium by investing into less liquid assets. This is reflected in the further small increase in the allocation to unlisted infrastructure. Additionally, we have included Defensive strategies to mitigate sequencing risk associated with Trustee Selection. Other changes were also made to the strategic asset allocations to improve the diversification and portfolio efficiency, along with an increased allocation to foreign currency.

No changes have been made to the asset allocations for Cash and University Cash Strategies.

Investment strategies from 1 July 2020

STRATEGIC ASSET ALLOCATIONS FOR DEFINED BENEFIT STRATEGIES

Trustee Selection Strategy

Effective from 1 July 2020, the strategic asset allocation for the Trustee Selection Strategy was revised as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	55.0	39.0 – 71.0
Australian equities	19.0	
International equities	36.0	
Alternatives	33.0	23.0 – 43.0
Infrastructure	12.0	
Property	7.0	
Other alternatives	14.0	
Liquid defensive	12.0	10.0 – 28.0
Australian fixed interest	2.0	
International fixed interest	0	
Other defensive strategies	6.0	
Cash	4.0	
TOTAL	100.0	100.0

University Diversified Conservative Strategy

Effective from 1 July 2020, the strategic asset allocation for the University Diversified Conservative Strategy remains as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	19.0	11.0 – 27.0
Australian equities	8.0	
International equities	11.0	
Alternatives	0.0	N/A
Liquid defensive	81.0	73.0 – 89.0
Australian fixed interest	4.0	
International fixed interest	2.0	
Cash	75.0	
TOTAL	100.0	100.0

University Cash Strategy

Effective from 1 July 2020, the strategic asset allocation for the University Cash Strategy remains as follows:

	Strategic asset allocation %
Liquid growth	0.0
Alternatives	0.0
Liquid defensive	100.0
Cash	100.0
TOTAL	100.0

Note: Dynamic asset allocation ranges are not used in the University Cash Strategy.



STRATEGIC ASSET ALLOCATIONS FOR MEMBER INVESTMENT CHOICE STRATEGIES

Growth Strategy

Effective from 1 July 2020, the strategic asset allocation for the Growth Strategy remains as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	51.0	35.0 – 67.0
Australian equities	22.5	
International equities	28.5	
Alternatives	36.0	28.0 – 44.0
Infrastructure	10.5	
Property	8.0	
Other alternatives	17.5	
Liquid defensive	13.0	10.0 – 29.0
Australian fixed interest	4.0	
International fixed interest	2.0	
Income	2.0	
Defensive strategies	0.5	
Cash	4.5	
TOTAL	100.0	100.0

Balanced Strategy

Effective from 1 July 2020, the strategic asset allocation for the Balanced Strategy remains as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	34.5	24.5 – 44.5
Australian equities	12.5	
International equities	22.0	
Alternatives	28.5	20.5 – 36.5
Infrastructure	10.5	
Property	8.0	
Other alternatives	10.0	
Liquid defensive	37.0	27.0 – 47.0
Australian fixed interest	7.5	
International fixed interest	2.5	
Income	8.0	
Defensive strategies	0.5	
Cash	18.5	
TOTAL	100.0	100.0

Investment strategies from 1 July 2020 - continues

STRATEGIC ASSET ALLOCATIONS FOR MEMBER INVESTMENT CHOICE STRATEGIES - CONTINUED

Conservative Strategy

Effective from 1 July 2020, the strategic asset allocation for the Conservative Strategy remains as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	21.0	13.0 – 29.0
Australian equities	8.5	
International equities	12.5	
Alternatives	24.5	16.5 – 32.5
Infrastructure	10.5	
Property	8.0	
Other alternatives	6.0	
Liquid defensive	54.5	46.5 – 62.5
Australian fixed interest	6.0	
International fixed interest	3.0	
Income	18.0	
Defensive strategies	0.5	
Cash	27.0	
TOTAL	100.0	100.0

Cash Strategy

Effective from 1 July 2020, the strategic asset allocation for the Cash Strategy remains as follows:

	Strategic asset allocation %
Liquid growth	0.0
Australian equities	0.0
International equities	0.0
Alternatives	0.0
Liquid defensive	100.0
Cash	100.0
TOTAL	100.0

Note: Dynamic asset allocation ranges are not used in the Cash Strategy.

Investment governance framework

The Trustee Board has approved State Super's Investment Governance Framework which covers the policies, procedures and organisational structure which support the implementation of investment decisions for the Pooled Fund. The investment governance structure comprises a combination of legislative requirements, Ministerial Orders, Board and Board Sub-Committee oversight, and is implemented by State Super's Executive and NSW Treasury Corporation as Master Investment Manager.

Key components of the Framework include:

Board Investment Committee – The Trustee Board has an established Investment Committee to support the Board in determining the investment strategy and risk settings for the Trustee Selection, Member Choice and University portfolios.

Risk, Audit and Compliance Committee – The Trustee Board has an established Risk, Audit and Compliance Committee to support the Board by reviewing and monitoring State Super's governance, risk and compliance frameworks, including audit arrangements, selection of the Appointed Actuary, the triennial actuarial review of the Pooled Fund and the review of policies and procedures.

Management Investment Committee – The Management Investment Committee is the governing body to support the CEO in executing investment related delegations from the Board for the Member Investment Choice and University portfolios. The Committee also oversees the development and implementation of the investment strategy for the Trustee Selection portfolio and develops investment related policies and processes for the Pooled Fund.

Investment Team – This team is responsible for executing State Super's Investment Policy Statement and other investment-related policies by recommending the strategic asset allocation and risk management strategies for each of the investment options within the Pooled Fund, and dynamic asset allocation decisions for the Member Investment Choice and Universities strategies, reviewing and monitoring the performance of the Master Investment Manager, implementing a responsible investment program, managing liquidity to ensure each Member Investment Choice strategy can meet its liability requirements, and managing all the investment decisions and processes for the Member Investment Choice and Universities investment strategies.

Master Investment Manager – NSW Treasury Corporation (TCorp) was appointed as Master Investment Manager for the Trustee Selection portfolio. This arrangement is governed by a written contract, the MFSA (Master Financial Services Agreement), which establishes the services and functions of TCorp. The appointment of TCorp commenced 15 June 2015. The MFSA was updated to comply with the Ministerial Orders and executed on 28 October 2016.

Asset Consultant – Frontier Advisors Pty Limited, as Asset Consultant for the Member Investment Choice and Universities investment strategies, provides a range of advisory services that include the review of investment objectives, strategic asset allocation and the risk/return profile of investment options.



Investment governance framework - continued

Scheme Actuary – PricewaterhouseCoopers Securities Limited is State Super's Appointed Scheme Actuary. The Scheme Actuary is appointed to conduct the triennial actuarial review of the schemes, which projects the profile of the Fund's assets and liabilities to the funding position and schemes' requirements. It also includes asset and liability modelling to test sensitivities to different funding, return, salary, inflation and longevity assumptions. The Scheme Actuary is required to report on the triennial review to State Super.

Master Custodian – JP Morgan Chase Bank NA (JP Morgan) is the master custodian for the Pooled Fund. The master custodian holds the assets of the Pooled Fund and performs a range of investment administration functions including valuation of assets, fund accounting, performance reporting and investment mandate monitoring. JP Morgan has also been contracted to operate a securities lending program over the assets of the Pooled Fund.

Investment Managers – As required by the Superannuation Administration Act 1996 (NSW), all the Pooled Fund's investments are managed by external investment managers appointed by State Super or its agent, the Master Investment Manager TCorp. Each manager operates under a written agreement which can take the form of an Investment Management Agreement, Side Letter or Subscription Agreement as appropriate. Investment managers' performance is monitored throughout the year and new managers may be added or existing managers replaced.

Policies – State Super has a range of policies supporting the Investment Governance Framework. These include the:

- Investment Beliefs
- Investment Policy Statement
- Liquidity Policy
- Responsible Investment Policy
- Exposure and Counterparty Policy
- Securities Lending Policy

Derivatives – Derivatives, including futures, options and total return swap, can be used by the Pooled Fund's investment managers. Each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or investment portfolio gearing.

Foreign currency exposure policy – The Trustee's policy as at 30 June 2020 is to set the target foreign currency exposure at the overall Option level and compare this exposure to the foreign currency exposure arising from the total unhedged foreign assets held by the Option. Any further foreign currency hedging required to achieve the target exposure is attained by hedging a portion of the Option's unhedged foreign assets back to Australian dollars.



Investment managers

As required by the *Superannuation Administration Act 1996*, all of the Pooled Fund's assets are managed by external fund managers appointed by State Super.



Investment managers at 30 June 2020	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Australian equities			
Aberdeen Standard Investments	–	✓	–
BlackRock Asset Management Australia Limited	✓	–	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Cooper Investors Pty Limited	✓	–	–
Hyperion Asset Management Limited	✓	–	–
Lazard Asset Management Pacific Co	✓	✓	–
Macquarie Group Limited	✓	✓	–
Martin Currie Investment Management Ltd	–	✓	–
New South Wales Treasury Corporation	✓	–	–
Northcape Capital Pty Ltd	✓	–	–
Omega Global Investors	–	✓	–
Pendal Group Limited	✓	✓	–
Platypus Asset Management Pty Ltd	✓	✓	–
State Street Bank & Trust Company	✓	✓	–
State Street Global Advisors Australia Limited	✓	–	✓
UBS Securities Australia Ltd	✓	–	–
International equities			
AQR Capital Management LLC	✓	✓	–
AXA Rosenberg (via Equity Trustees Ltd)	✓	–	–
Artisan Partners Limited Partnership	✓	–	–
BlackRock Asset Management Australia Limited	✓	–	–
C Worldwide Asset Management Fondsmæglerelskab A/S	✓	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Harris Associates Limited Partnership	✓	–	–
Neuberger Berman Australia Ltd	–	✓	–
Northcape Capital Pty Ltd	✓	–	–
Ninety One Plc (Previously known as Investec)	✓	✓	–
State Street Bank & Trust Company	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	✓
UBS Securities Australia Ltd	✓	–	–
Veritas Asset Management LLP	✓	–	–
Schroder Investment Management Australia Limited	✓	–	–

Investment managers - continued

Investment managers at 30 June 2020	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Property			
AEW Capital Management, LP (via Equity Trustees Ltd)	–	✓	–
AMP Capital Investors Limited	–	✓	–
Brookfield Premier Real Estate Partners L.P	✓	–	–
Charter Hall Investment Management Limited	–	✓	–
Dexus Funds Management Limited	✓	–	–
EG Funds Management Pty Ltd	✓	–	–
Franklin Templeton Investments Australia Limited	✓	–	–
Invesco Real Estate (via Equity Trustees Ltd)	–	✓	–
Investa Property Group	–	✓	–
ISPT Pty Ltd	–	✓	–
LaSalle Investment Management (via Equity Trustees Ltd)	–	✓	–
New South Wales Treasury Corporation	✓	–	–
Vanguard Investments Australia Ltd	✓	–	–
International fixed interest			
State Street Global Advisors, Australia, Limited	–	✓	✓
Australian fixed interest & cash			
First Sentier Investors (previously Colonial)	✓	✓	–
New South Wales Treasury Corporation	✓	–	–
Pendal Group Limited	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	✓
Alternative assets			
Challenger Investment Partners Limited	–	✓	–
Challenger Investment Solutions Pty Ltd	–	✓	–
Fulcrum Asset Management LLP	–	✓	–
GAM International Management Limited	–	✓	–
GMO Australia Limited	✓	–	–
K2/D&S Management Co. L.P	✓	–	–
Kohlberg Kravis Roberts & Co. L.P.	–	✓	–
Macquarie Investment Management Limited	✓	–	–
MAN Group plc	–	✓	–



Investment managers at 30 June 2020	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
New South Wales Treasury Corporation	✓	–	–
Perennial Value Management Limited	–	✓	–
PIMCO Australia Pty Ltd	✓	–	–
PineBridge Investments LLC	–	✓	–
Resolution Life Group Holdings L.P	✓	–	–
Siguler Guff Distressed Opportunities Fund III (F) LP	✓	–	–
Siguler Guff Distressed Opportunities Fund IV (F) LP	✓	–	–
York Distressed Asset Holdings IV, LLC	–	✓	–
Currency			
State Street Global Advisors Australia Limited	–	✓	–
High Yield/Bank Loans/EMD			
Brigade Capital Management LP	✓	–	–
Intermediate Capital Group Limited	✓	–	–
Ninety One UK Limited	✓	–	–
KKR Australia Investment Management Pty Limited	✓	–	–
Lazard Asset Management Pacific Co	✓	–	–
PineBridge Investments LLC	✓	–	–
Infrastructure			
AMP Capital Funds Management Limited	✓	–	–
First Sentier Investors (previously Colonial)	–	✓	–
H.R.L. Morrison & Co Limited	–	✓	–
IFM Investors	–	✓	–
Macquarie Specialised Asset Management Limited	✓	–	–
New South Wales Treasury Corporation	✓	✓	–
QIC Limited	–	✓	–
Whitehelm Capital Pty Ltd	✓	–	–
Diversified			
State Street Global Advisors Australia Limited	–	–	✓

Abridged financial statements

Financial reports at 30 June 2020

The following tables provide abridged financial information about all of the State Super schemes for the last two financial years. The full financial statements for the year to 30 June 2020 have been audited by the Auditor General and will be available on the website after State Super's Annual Report has been tabled in the NSW Parliament.

Statement of Financial Position As at 30 June 2020	2020 (\$ million)	2019 (\$ million)
Assets		
Cash	30	32
Receivables	269	375
Investments		
Short term securities	2,842	3,011
Australian fixed interest	1,091	2,338
International fixed interest	214	185
Australian equities	7,570	8,577
International equities	12,360	11,723
Property - indirect	1,835	1,601
Investment properties - direct	1,993	2,138
Infrastructure and other alternatives	13,568	14,033
Derivatives	305	87
Employer sponsor receivable	2,587	2,354
Total assets	44,664	46,454
Liabilities		
Payables	102	154
Derivatives	19	20
Income tax payable	236	56
Deferred tax liabilities	46	96
Total liabilities excluding member liabilities	403	326
Net assets available for member benefits	44,261	46,128
Member liabilities		
Defined benefit member liabilities	(58,549)	(58,777)
Total member liabilities	(58,549)	(58,777)
Total net liabilities	(14,288)	(12,649)
Equity		
Defined benefit deficit	(14,288)	(12,649)
Total equity	(14,288)	(12,649)

Fees and charges



DIRECT FEES

	SASS	SSS and PSS
Management charge	<p>Contributing members pay an annual administration fee of \$45 p.a.</p> <p>Deferred benefit members pay an annual administration fee of \$45 p.a., plus an additional annual administration fee of \$20 p.a. if they have a deferred SANCS benefit.</p> <p>These fees are deducted in equal monthly instalments from the member's personal account.</p>	<p>Generally, the direct fees and costs associated with SSS and PSS are met by the employer.</p> <p>Deferred benefit members with a deferred SANCS benefit pay an annual administration fee of \$20 p.a.</p>
Investment switch fees	<p>A member can switch between investment strategies once each year ending 30 June without incurring a fee. A switch fee of \$25 is applied for each additional switch in the year and is deducted from the member's personal account at the time of the switch.</p> <p>For further details, please refer to SASS Fact Sheet 15: <i>Choosing an investment strategy</i>.</p>	Not applicable
Additional benefit cover	Where a member has additional benefit cover, the amount deducted each month from the personal account will vary based on the member's age, amount of cover and type of employment.	Not applicable
Family law fees	<p>An additional service fee applies if information is requested for the purposes of a Family Law split. If a member or a member's spouse or de facto partner has requested information during the year, a fee of \$275 for contributing members and \$110 for deferred and pension members must be paid by the requesting party as a separate cheque to the Fund. The amount is not deducted from the member's account.</p> <p>A benefit split fee of \$1,347.50 is payable when a member's benefit is split and is generally divided equally between the member and their spouse or de facto partner. However, if the spouse or de facto partner is entitled to all of the member's benefit, the fee is payable by the spouse. The benefit split fee can be deducted from the final amount or paid by way of a separate cheque to the Fund.</p>	

Fees and charges – continued

INDIRECT FEES

Investment management costs

Investment management expenses are deducted from investment gains or losses before determining the declared rate. They are borne indirectly by members via a reduced rate of investment return but are not charged directly as a fee.

For **contributory members**, investment gains or losses affect the balance of the personal account (and the balance of reserve unit accounts for SSS members), the Commonwealth Government Contribution account and the Additional Employer Contribution account. Any amounts deducted from your investment include reductions in the return on your investment but are not charged directly to you as a fee.

For **deferred benefit members**, investment gains or losses affect the amount of the immediate lump sum, deferred lump sum, SANCS basic benefit, the Commonwealth Government contribution account and the Additional Employer Contribution account. Any amounts deducted from your investment include reductions in the return on your investment but are not charged directly to you as a fee.

Indirect fees and costs for SSS and PSS members

These are not borne by members who receive a retirement benefit from the scheme, as retirement benefit calculations do not directly rely on the balance of the personal account or the reserve unit account (for SSS members).

Investment expenses

The investment management expense ratio for an investment strategy is the investment management expenses incurred by the strategy expressed as a percentage of the average net asset value of the strategy. The investment management expense ratios for the seven State Super investment strategies are shown below.

Note, the expense ratios for 2020-21 are estimates and may change as the year unfolds due to market circumstances or changes in the structure of the asset sectors.

Investment indirect cost ratio of average total assets

Strategy	Actual 2019-20	Estimated 2019-20	Estimated 2020-21
Defined benefit investment strategies			
Trustee Selection	0.40%	0.50%	0.45%
University Diversified Conservative	0.04%	0.06%	0.05%
University Cash	0.05%	0.04%	0.05%
Member Investment Choice investment strategies			
Growth	0.42%*	0.48%*	0.48%*
Balanced	0.32%	0.37%	0.37%
Conservative	0.28%	0.30%	0.31%
Cash	0.03%	0.04%	0.04%
	*0.34% + 0.08% performance fee paid	*estimated 0.40% + 0.08% performance fee	*estimated 0.40% + 0.08% performance fee

Complaints and disputes



COMPLAINTS

If you are dissatisfied with an administrative matter relating to something **other** than a **decision** about whether there is an entitlement, or who is entitled, to a benefit e.g. the calculation of the amount of a benefit, the slow processing of a claim or the provision of incorrect information, you may lodge a complaint with the scheme administrator, Mercer Administration Services (MAS).

If you are still not satisfied with the resolution of the matter by MAS, you may complain directly to the schemes' trustee, SAS Trustee Corporation (State Super). A complaint about a matter to do with the schemes but that does not concern the administration of the schemes can be made directly to State Super.

DISPUTES

If you are aggrieved with a **decision** about whether there is an entitlement, or who is entitled, to a benefit e.g. a decision by MAS as delegate for State Super to refuse a claim for a disability benefit (**except** where the decision concerns a member or former member of the Police Force being 'hurt on duty'), you may dispute that decision directly with State Super.

A notice of dispute must be served on State Super within two years after you have been notified in writing of the decision and of the right to dispute it. You may then be asked to clarify certain details relating to your dispute and to provide additional supporting evidence. Your dispute will then be referred to State Super's Member Services Committee for consideration and determination, and you will be notified in writing of the outcome of the determination.

APPEALS

Appeal right after determination of a dispute

If you are aggrieved with the determination of a dispute by State Super, you may appeal to the Supreme Court of NSW within six months of being notified of State Super's determination or within such further period as the Court allows.

Application to District Court from 'hurt on duty' decision

If you are a member or former member of PSS and are aggrieved by a decision made by State Super or one of its delegates, the CEO of State Super or the Police Superannuation Advisory Committee (PSAC), about a matter that arises by reason of you being 'hurt on duty', you have a right to apply to the District Court of NSW for a determination in relation to the decision.

Again, if you are a member or former member of PSS, you also have a right to apply to the District Court if you are aggrieved by a decision made by the Commissioner of Police as to whether you were 'hurt on duty' in relation to a particular certified infirmity. There is also a right to apply to the District Court if a person is aggrieved by a decision of the Commissioner about whether the death of a member or former member of PSS was caused by the deceased being 'hurt on duty'.

Section 21 of the *Police Regulation (Superannuation) Act 1906* (NSW) provides that if you are aggrieved by an applicable 'hurt on duty' decision you may, **within 6 months** after being notified of the decision, apply to the District Court for a determination in relation to the decision.

Complaints and disputes – continued

CONTACTS

To lodge a complaint with Mercer Administration Services please contact Customer Service on:

SASS – 1300 130 095

SSS – 1300 130 096

PSS – 1300 130 097

**Deferred benefit members –
1300 130 094**

**Pension members –
1300 652 113**

To lodge a dispute please contact State Super by writing to:

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

To lodge an appeal against a State Super decision (following the dispute process) please contact the Registry of the Supreme Court of NSW by telephoning 1300 679 272 or by writing to:

**Registry of the Supreme Court of NSW
GPO Box 3
Sydney NSW 2001**

To lodge an application with the District Court of NSW for a determination of a 'hurt on duty' decision, please contact the District Court Civil Registry (Residual Jurisdiction) by telephoning (02) 9377 5461 or by writing to:

**District Court Civil Registry (Residual
Jurisdiction)
PO Box K1026
Haymarket NSW 1240**

Privacy, compliance and the Government Information Public Access Act

Privacy

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

State Super has developed a Privacy Management Plan (Plan) and implements the Plan with the assistance of Mercer Administration Services (MAS).

State Super also has a Privacy Statement, which was updated in July 2019, that:

- details how State Super complies with the requirements of the NSW Privacy Act and the HRIP Act;
- explains how State Super deals with members' personal and health information that may be collected and used in the course of administering its schemes; and
- summarises the circumstances where State Super may provide a members' personal and health information to third parties.

State Super endeavours to ensure its records of members' personal details are accurate. Members may contact MAS to change their personal or health details.

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

Compliance

The State Super schemes are public sector superannuation schemes that are exempt from the *Superannuation Industry (Supervision) Act 1993 (Cth) (the SIS Act)*. The SIS Act provides that exempt public sector superannuation schemes are treated as complying funds for concessional taxation and Superannuation Guarantee purposes.

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

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

Government Information Public Access Act (2009)

Under the *Government Information (Public Access) Act 2009* (NSW) (the GIPA Act), State Super must review, at least annually, its program for the release of government information it holds that should in the public interest be made publicly available. The result of the latest review was that State Super believes that it has made publicly available all the government information about itself that it holds that should, in the public interest, be available and that can be made available without imposing unreasonable costs on itself. The information about State Super that is publicly available is accessible on its website at **www.statesuper.nsw.gov.au**, in particular under "About Us" and then "Access to Information".

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

- policy documents;
- State Super's Agency Information Guide, which describes the structure and functions of STC, the types of government information it holds, how that government information is made publicly available, and whether or not there is a cost to access that information;
- a Disclosure Log of any information it has released in response to an application for access under the GIPA Act that it believes should be made available to the general public;
- a register of State Super's contracts with private sector organisations that are worth more than \$150,000; and
- documents that have been tabled in Parliament by or on behalf of State Super.

State Super will also publish on its website whether it has decided that any of its open access information should not be disclosed due to an overriding public interest against disclosure.

Please contact Customer Service to confirm whether any other avenue for obtaining information about State Super exists before deciding to formally apply for access to the information under the GIPA Act.

For further information, please refer to STC Fact Sheet 9: *Government Information (Public Access) Act & Privacy*, which is available on the State Super website at **www.statesuper.nsw.gov.au**.





Customer service



STAYING Connected

SASS	1300 130 095
SSS	1300 130 096
PSS	1300 130 097
Deferred members	1300 130 094
Pension members	1300 652 113

Mailing addresses

Customer service and Mercer Administration Services:
PO Box 1229
Wollongong NSW 2500

SAS Trustee Corporation (the Trustee Board)
PO Box N259
Grosvenor Place NSW 1220

Website www.statesuper.nsw.gov.au

You can contact customer service from 8.30am to 5.30pm, Monday to Friday AEST for the cost of a local call unless calling from a mobile, pay phone or from overseas. If calling from overseas please call +61 2 4209 5438.

Fax service 02 4298 6688
Email enquiries@stc.nsw.gov.au

Personal interview service

Personal interviews are available by appointment only 9.00am to 5.00pm on Fridays at State Super, Level 16, 83 Clarence Street, Sydney, NSW 2000 and at selected Aware Super location (Parramatta, Newcastle and Wollongong).

To arrange an appointment call one of the Customer Service numbers on this page.



Need help with English?



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

Arabic

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

Chinese

會員如果閱讀英語有困難，諮詢服務部可安排發放資料的譯本。

Greek

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

Italian

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

Vietnamese

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

Financial planning advice



Aware Super provides our members and their families with access to comprehensive financial planning advice and investment management services.

You can contact Aware Super on:

1800 620 305

or visit

www.retire.aware.com.au/statesuper



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Report to Members

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