



**STATE SUPER**  
SAS Trustee Corporation

# ANNUAL REPORT

## 2022-23

## Acknowledgement of Country

We acknowledge that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices and recognise our responsibility to work together, with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

# Letter of Submission

October 2023

The Hon. Daniel Mookhey MLC  
NSW Treasurer  
52 Martin Place  
SYDNEY NSW 2000

Dear Treasurer,

We have pleasure in submitting to you, for presentation to Parliament, the Annual Report of the SAS Trustee Corporation for the period 1 July 2022 to 30 June 2023.

The Annual Report contains reports for the:

- SAS Trustee Corporation; and
- SAS Trustee Corporation Pooled Fund.

These have been prepared in accordance with the provisions of Division 7.3 of the *Government Sector Finance Act 2018*, the associated regulations and the Treasurer's directions.

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

Yours sincerely



**Nicholas Johnson**  
Chair of the Board  
SAS Trustee Corporation



**Catherine Bolger**  
Board Member and Chair,  
Risk, Audit and Compliance Committee  
SAS Trustee Corporation

# Annual Report: 2022-23

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# 1. Overview

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## MISSION

**State Super's mission is to provide high quality superannuation services to members to maximise their superannuation benefits and to support the NSW Government in meeting its funding objective.**

## 2022-23 HIGHLIGHTS

### Members

- State Super's inaugural Annual Member Meeting was held in December 2022 and included presentations from the Chair, CEO, CIO and CXO. There were 821 members registered with 445 logging in to participate on the day. By comparison to the industry this is a significantly higher engagement.
- Our annual member satisfaction rating remains high with scores given out of 10 for Telephone Service (8.1), Interview Service (7.9), Financial Planning (7.8) and Seminars (7.6). Pension members were the most satisfied, scoring our Telephone Service a 9.0 (compared to the national average of 8.1).
- An audit of the State Super website identified key areas for improvement in design, navigation and content which were implemented in 2022-23 to enhance the online member experience. An average of 14,000 users visit our website each month which is an increase of 1,000 from last year. We have continued to enhance the secure member site using two-factor authentication.
- Over 3,110 members attended one of the 62 free education webinars on their schemes. Topics now also include the important areas of Aged Care and Estate Planning to assist members as they enter retirement.
- Our Member Advisory Forums White Paper was published in 2023 – summarising key insights from the program to date. Media interest was generated from a press release, including an article in Investment Magazine.
- The State Super Academic Scholarship program continues to provide funding support for applicants to pursue research into innovative solutions for superannuation, pensions, retirement or responsible investment. Going forward, the program will give greater emphasis to ESG research.

### Stakeholders

- State Super has worked with the NSW Government to ensure members' best interests are represented and to support Treasury in the future funding of the schemes.
- Our continuous participation in forums and engagement with industry bodies has included IIGCC AGM panel (Barcelona), PRI in Person (Barcelona), Australian Institutional Forum (Melbourne), Australian Investment Conference (Melbourne), IBR Conference on Asset Allocation Performance Management (Sydney), i3 Decarbonising Australian Equities (online), Sustainability in Practice Forum (Harvard, US), Australia EQD Conference (Sydney), Superannuation Risk Conference (Sydney), Net Zero Investment Forum (Melbourne), i3 Alternatives Forum (Sydney) and the Fiduciary Investors Symposium (Singapore).
- Awarded the Rainmaker ESG Leader rating for 2022.
- An independent stakeholder review on the perception of State Super found that the organisation is seen as reliable, professional and a trusted government entity with exceptionally high levels of integrity.

## People

- State Super's staff retention remains high and has been maintained at over 90% for the period.
- The latest Employee Engagement score for State Super remained very high at 78% with risk and innovation at 93%, ethics and values at 90% and flexible working at 97%. Unfortunately, with the Superannuation industry's competition on resources, our pay satisfaction has fallen to less than 50%.
- Hybrid work arrangements continue to work well, and the Trustee being encouraged with the responsiveness of staff and the maturity of our business model to benefit from such an arrangement.
- Recruiting is still a challenge but our strong culture and employee value proposition enables staff to be exposed to broader challenges and experiences. People at State Super can build capabilities that are transferrable to the broader financial services sector.

## Investments

- The State Super Pooled Fund had assets totalling \$38 billion (excluding the Employer Sponsor Receivable) on 30 June 2023 and is ranked in the top 20 largest superannuation funds by total FUM in Australia.
- Trustee Selection and Defined Contribution (DC) options continued to outperform their respective return objectives to 30 June 2023, except for the DC Conservative option which fell slightly short of its return objective over its shorter investment horizon of 4 years.
- DC Growth, Balanced and Conservative options secured top quartile returns vs their respective SuperRatings cohorts. State Super credited a 9.9% return to members in the DC Growth (after superannuation tax), a 8.0% return for DC Balanced and a 6.1% return for the DC Conservative for the year to 30 June 2023.
- The Trustee Selection Strategy for the Pooled Fund earned net investment revenue that resulted in an estimated rate of return credited to Crown employers of -1.1% (after adjustment for exempt current pension income tax).
- State Super continues to work towards its objective of Net-Zero Co2e emissions by 2050, with a medium-term milestone of 45% reduction in the weighted-average intensity of CO2e by 2030 against a CO2e baseline for the Pooled Fund as at December 2020 (CO2e is a short-hand term for greenhouse gases, which include, for example, carbon dioxide, nitrous oxide and methane). We continue to use specific metrics to monitor investment managers' approach to Environmental, Social and Governance (ESG) including Modern Slavery.
- At 30 June 2023, net Fund assets (excluding the Employer Sponsor Receivable) covered 65% of accrued liabilities (actuarially measured using the assumed earning rate of the Fund).

## Governance

- State Super has adopted the AIST Governance Code and annually benchmarks its governance framework against AIST's industry governance code. We maintain their independent assessment that good governance practices are in place.
- State Super also received independent assurance that it continues to adhere to the terms and principles of the Heads of Government Agreement for and on behalf of the NSW Treasurer.

## Overview of State Super

SAS Trustee Corporation (STC but also known as State Super) is a statutory body representing the Crown and incorporated under the *Superannuation Administration Act 1996 (NSW)* (SA Act).

As trustee of four NSW superannuation schemes within the public sector, State Super oversees the State Super schemes:

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

### Assets

The State Super Pooled Fund, which comprises the assets of all four schemes, had net assets of approximately \$38 billion at 30 June 2023.

### Membership

With 86,840 members at 30 June 2023, a large portion of the membership has reached or is approaching retirement age. The State Super schemes are closed to new members.

The following table contains a summary of each scheme.

#### State Authorities Superannuation Scheme (SASS)

Commencement	1 April 1988, 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 were transferred to SASS. The schemes transferred included the State Public Services Superannuation Fund (SPSSF), the Transport Gratuity Scheme and the Government Railways Superannuation Fund, among others.
Closed to new members	19 December 1992
Members at 30 June 2023	Contributing members: 11,763 Deferred benefit members: 7,802 Pension members: 5,025 Total members: 24,590
Financial position at 30 June 2023	Net assets: \$10,586 million Accrued benefits: \$13,284 million* Unfunded liabilities: \$2,698 million
Member benefits	Lump sum of employee contributions accumulated with earnings, plus an employer-financed, lump sum defined benefit based on final average salary or final salary, membership period and level of employee contributions.

#### State Superannuation Scheme (SSS)

Commencement	1 July 1919, under the <i>Superannuation Act 1916</i> .
Scheme eligibility	Salaried employees of the NSW public service and teaching service were eligible to join SSS, as well as a number of statutory authorities scheduled in the <i>Superannuation Act 1916 (NSW)</i> .
Closed to new members	1 July 1985
Members at 30 June 2023	Contributing members: 674 Deferred benefit members: 729 Pension members: 53,726 Total members: 55,129

\*Accrued benefits as measured by the Actuary using the assumed earning rate of the Fund as the discount rate. Accounting standards require employers to report accrued benefits in their financial statements using a risk-free discount rate that results in a higher estimate of accrued benefits.

## State Superannuation Scheme (SSS) continued

Financial position at 30 June 2023	Net assets: \$21,126 million Accrued benefits: \$36,979 million* Unfunded liabilities: \$15,853 million
Member benefits	On retirement, a defined benefit (pension or lump sum), the amount of which depends on the number of units purchased. Members contribute towards fortnightly pension units throughout their membership. The number of units' members are entitled to contribute toward is determined by their salary.  Contributions that members make depend on their age, when the units were granted, the member's gender and, if female, whether they elected to retire at age 55 or 60.

## Police Superannuation Scheme (PSS)

Commencement	1 February 1907 under the <i>Police Regulation (Superannuation) Act 1906</i> .
Scheme eligibility	Members of the NSW Police Force employed prior to 1 April 1988.
Closed to new members	1 April 1988
Members at 30 June 2023	Contributing members: 304 Deferred benefit members: 57 Pension members: 6,760 Total members: 7,121
Financial position at 30 June 2023	Net assets: \$4,770 million** Accrued benefits: \$8,498 million* Unfunded liabilities: \$3,728 million
Member benefits	On retirement, a defined benefit (pension or lump sum), the level of which depends on the member's final average salary and membership period.

## State Authorities Non-contributory Scheme (SANCS)

Commencement	1 April 1988 under the <i>State Authorities Non-contributory Superannuation Act 1987</i> .
Scheme eligibility	Members of SASS, SSS and PSS.
Closed to new members	19 December 1992
Members at 30 June 2023	Current active members: 12,741 Deferred benefit members: 8,167 Total members: 20,908
Financial position at 30 June 2023	Net assets: \$1,641 million Accrued benefits: \$1,832 million* Unfunded liabilities: \$191 million
Member benefits	SASS, SSS and PSS members receive the SANCS benefit in addition to their main scheme benefit.  The SANCS benefit is 100% employer funded. The benefit is generally a lump sum of upto 3% of members' final salary or final average salary, for each year of service from 1 April 1988 (or, if later, the employment commencement date).  Members may also be eligible for the Additional Employer Contribution (AEC), an accumulation style superannuation benefit.

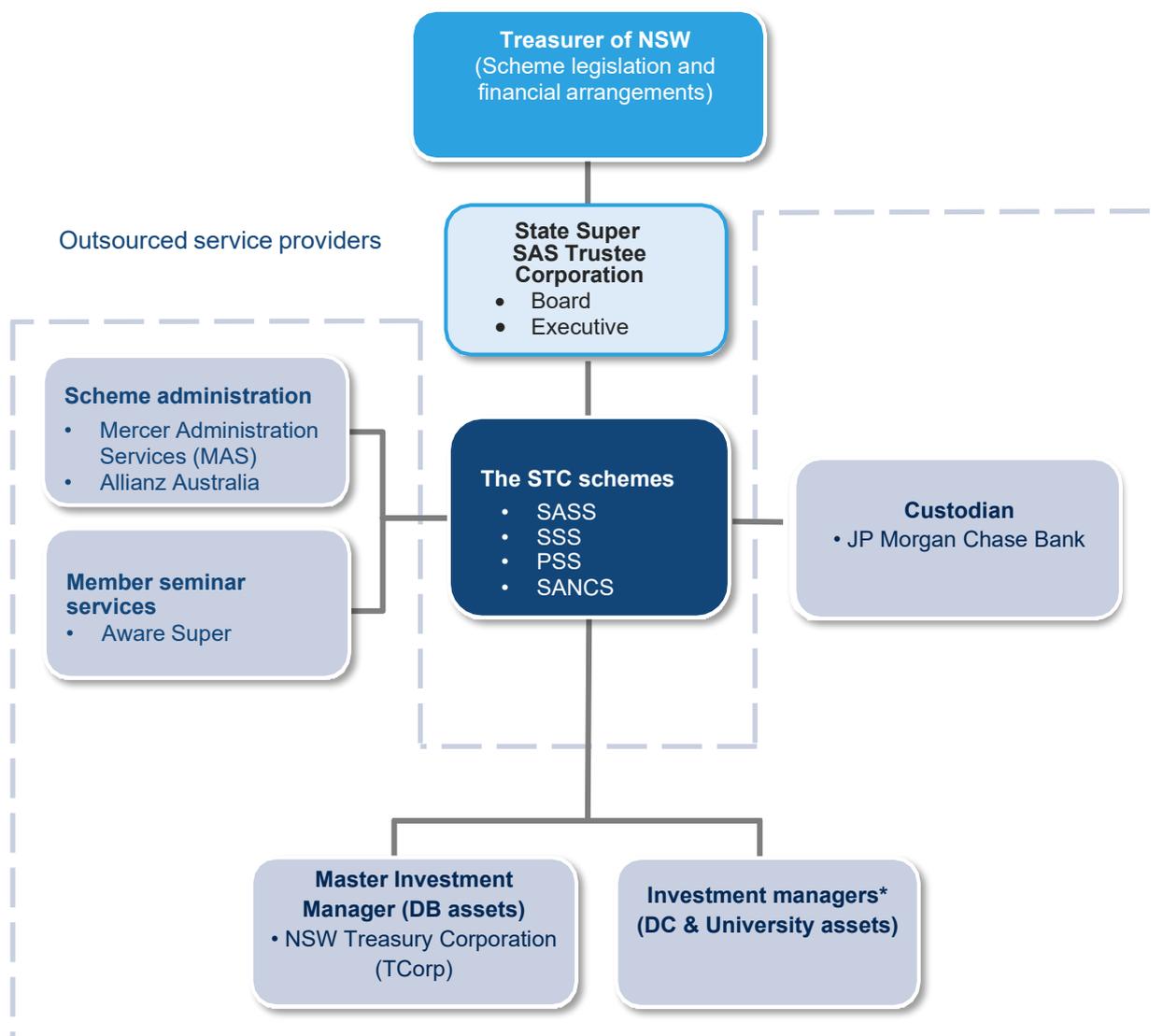
\*Accrued benefits as measured by the Actuary using the assumed earning rate of the Fund as the discount rate. Accounting standards require employers to report accrued benefits in their financial statements using a risk-free discount rate that results in a higher estimate of accrued benefits.

\*\*Excludes Employer Sponsor Receivable.

## Management and structure

State Super operates under the *Superannuation Administration Act 1996* (SA Act) which establishes its functions, duties, powers and obligations. The SA Act also specifies requirements regarding Board composition and appointments. The minister responsible for the administration of the SA Act is the Treasurer of NSW, who also has powers to monitor the operations of State Super.

State Super's operational arrangements at 30 June 2023 are set out below:



\* Refer to pages 60, 61 and 62 for a full list of investment managers at 30 June 2023.

# State Super Board

## Function and role of 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.

Under s.69(5) of the SA Act the State Super Board (the Board) manages and controls the affairs of State Super. The role of the Board extends to strategy, corporate governance, risk management, policy making and monitoring. Accordingly, the 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 Strategic 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 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, State Super's management and State Super's service providers.

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

## Board member profiles

### Nicholas Johnson – Chair

**Appointed June 2015; reappointed June 2019 and June 2023**

Mr Johnson has extensive experience in financial services management in Australia and overseas. He retired from Barclays Capital in 2012 after serving as Chief Executive Officer for Australia from 1998 to 2009 and as Managing Director, Senior Relationship Management. He had previously held senior positions with the Commonwealth Bank, Morgan Stanley, and Credit Suisse. His financial sector experience includes roles as Head of Operations and of IT systems development in major investment banks as well as extensive involvement with investing in Unlisted Asset sectors.

Mr Johnson's previous appointments include a member of the NSW Generations Fund Advisory Board, Chair of Pillar Administration (a provider of administrative services to the superannuation industry, including to State Super), Chair of the National Art School, Chair of The Sydney Institute and an Advisory Board Member of the North-West Rail Link project.

Mr Johnson holds a Master of Arts from Oxford University and is a Member of the Australian Institute of Company Directors.

### Carol Austin – Employer Representative, Board Member

**Appointed June 2018; reappointed June 2022**

Ms Austin has over thirty years' experience in the finance industry and is currently the Chair of the National Housing Finance and Investment Corporation, a Non-Executive Director of Infoxchange and the Grattan Institute, Chair of the ACT Investment Advisory Board and a member of the Investment, Audit and Risk Committee of the General Sir John Monash Foundation. She recently served as member of the Independent Panel appointed to review the Australian Energy Regulator's draft 2022 Rate of Return Instrument.

Ms Austin's past directorships include the Future Fund and the Tasmanian Public Finance Corporation. She has also served on the advisory boards of the Australian Office of Financial Management and the Melbourne Institute of Applied Economic and Social Research. Ms Austin was also a Commissioner with the NSW Independent Planning Commission.

Ms Austin's executive career included economic research/senior management roles with the Reserve Bank of Australia, BHP and Contango Asset Management.

Ms Austin holds a Bachelor of Science from Monash University and a Bachelor of Economics (Hons) from ANU. She is a Fellow of the Australian Institute of Company Directors and a member of Chief Executive Women.

### Catherine Bolger – Employee Representative, Board Member

**Professionals Australia**

**Appointed September 2015; reappointed October 2019 and September 2023**

Ms Bolger has extensive experience as a professional trustee director, having served on a range of industry fund and related boards for the last 20 years. She is currently a Director of Professionals Australia and the President of the Australian Institute of Superannuation Trustees and a Director of the Centre for Workers Capital and Indara Corporation. Ms Bolger is also a trustee of Unions NSW.

Ms Bolger is actively involved in helping shape superannuation policy to improve outcomes for working Australians. As President of AIST she oversaw the development and implementation of the Governance Code for Boards of Industry Superannuation funds. Ms Bolger chaired the ACTU Group responsible for developing the ACTU Guide on Just Transition for investors and asset managers providing guidance and measures on how to secure a just transition for workers.

Ms Bolger holds a Bachelor of Economics and a Master of Labour Law and Relations from the University of Sydney, an RG146 Qualification and Super Springboard Level 1 from the Australian Institute of Superannuation Trustees. She is also a Graduate Member of the Australian Institute of Company Directors.

**Alex Claassens – Employee Representative, Board Member  
NSW Rail, Tram and Bus Union  
Appointed November 2012; reappointed November 2016 and November 2020**

Mr Claassens has been on our board since 2012 and is the Chair of the Member Services Committee, Chair of the People & Culture Committee and appointed Deputy Chair of the Police Superannuation Advisory Committee (PSAC). He is currently the State Secretary and National Executive Member of the NSW Rail, Tram and Bus Union, Director of Australian Mutual Bank and is an Elected Director of Transport Heritage NSW where he is the Deputy Chair of the Transport Heritage Board and is also the Chair of its Safety Committee.

Mr Claassens is an experienced board member having held numerous positions in the Mutual Credit Union sector and has been involved in several mergers. He is currently serving on the Board of Australian Mutual Bank and as a member of its Risk Committee. Mr Claassens has been part of the Sydney Alliance Community Building Board since 2013. He is a member of the Australian Institute of Company Directors and the Australian Institute of Superannuation Trustees.

Mr Claassens has a passion for the transport industry, having begun his career driving trains on the NSW rail network and still drives passenger trains and heritage steam locomotives on a regular basis.

**Thomas Costa – Employee Representative, Board Member  
Unions NSW  
Appointed February 2023**

Mr Costa is the Assistant Secretary of Unions NSW, where his responsibilities include managing the NSW peak union's communications and digital team and also its research and industrial strategy.

Mr Costa is also responsible for the coordination of Unions NSW's Visa Assist Project. A partnership with the Immigration Advice and Rights Centre (IARC), Visa Assist was launched in 2019 to assist unions in representing and advocating for migrants and in particular the project provides free immigration legal support and advice to migrants who are union members.

Prior to his role at Unions NSW, Mr Costa worked as an industrial officer and lawyer with the national offices of the Australian Rail, Tram and Bus Industry Union and the Australian Workers' Union. He has also worked as a solicitor for Slater & Gordon Lawyers and the HIV Aids Legal Centre (HALC).

**Russell Mason – Employer Representative, Board Member  
Appointed November 2022**

Mr Mason has over 40 years advisory experience in the superannuation industry, having previously held senior roles with Mercer for 24 years and most recently a Partner with Deloitte for 11 years. At Deloitte he was the Lead Superannuation Advisory Partner for the firm.

Mr Mason is a qualified solicitor, having graduated from Macquarie University with a BA/LLB, and was previously a director of the Association of Superannuation Funds of Australia (ASFA). Following over 30 years active involvement in both the Board and NSW Executive he was made a Life Member of ASFA in 2018. In addition, he is the Chair of the Editorial Board of Superfunds magazine and a member of the ASFA Member Engagement Committee.

His experience in superannuation includes advising Boards of large public sector, corporate and industry funds in areas including outsourcing, governance, insurance and strategy. Since joining Deloitte Mr Mason has advised some of Australia's largest funds in setting strategic directions and developing new products and services for members.

**Tony O'Grady – Employee Representative, Board Member  
Formerly NSW Nurses and Midwives' Association  
Appointed June 2013; reappointed September 2017 and September 2021**

Mr O'Grady has over 15 years' experience as a trustee director of superannuation funds. Initially, between 2005 and 2010, with Private Hospitals Superannuation Pty Ltd – the trustee for Health Industry Plan and with State Super since June 2013.

Mr O'Grady has more than 30 years' experience in the union movement, having worked for the New South Wales Nurses and Midwives' Association between 1987 and 2018. He worked as an organiser, industrial officer, team manager and projects manager. In 2004 he moved into administrative roles, initially as

Manager Administrative Services, and from August 2006 to August 2018 as Manager Projects and Compliance. This latter role involved responsibility for managing the Finance, Information Technology, and Records and Information Teams with a focus on budget, audit, risk and compliance. He also served as the Association's Privacy Officer during this period.

Mr O'Grady served on the Risk and Audit Committee whilst a Director of HIP. He has been a member of State Super's Member Services Committee since 2013 and a member of State Super's Risk, Audit and Compliance Committee since December 2014.

Mr O'Grady holds a Graduate Diploma in Employment Relations from the University of Technology, Sydney and a Certificate in Nursing, which he completed at Royal North Shore Hospital.

### **Lisbeth Rasmussen – Employer Representative, Board Member** **Appointed March 2020**

Ms Rasmussen is a senior investment professional who brings to the board more than 35 years' experience in managing large, complex funds. Over this period Ms Rasmussen has held the following senior roles: CIO, Deputy CIO, Head of Strategy, Investment Manager, Investment Advisor and Economist in Europe and Australia.

For much of her career, Ms Rasmussen worked with State Super and its predecessors, before retiring as CIO in 2016, and was instrumental in establishing the principles that underpin the portfolios.

Ms Rasmussen is currently the Chief Executive, Investments for the Coal Mining Industry (Long Service Leave Funding) Corporation where she is responsible for overseeing their investment portfolio. She is also a former Director of Equip and Together Trustees, which was formed following the joint venture between Equip and Catholic Super.

Ms Rasmussen has an economics degree from the University of Copenhagen and a M.Sc. from the University of Bath in Development Studies and is a graduate of the Australian Institute of Company Directors.

### **Cathy Yuncken – Employer Representative, Board Member** **Appointed May 2022**

Ms Yuncken has over thirty years' commercial and executive leadership experience in the financial services industry. She is currently a Non-Executive Director of FleetPartners Group Limited (ASX:FPR); and Managing Director of See Y Pty Ltd, a commercial and financial advisory consultancy that provides advisory services to government and business clients.

Ms Yuncken's past directorships include Chair of BT Private Nominees, Chair of the St George and Sutherland Medical Research Foundation, Executive Director of the Advisory Boards of BankSA and Bank of Melbourne, and Non-Executive Director of Fitted for Work.

Ms Yuncken's executive career included corporate finance and investment banking roles at Bank of America and Barclays Capital, and senior commercial leadership roles at GE Capital, Commonwealth Bank's institutional bank, and the multi-brand business banking and private wealth businesses of Westpac Group.

Ms Yuncken holds Bachelor of Laws and Bachelor of Commerce degrees from UNSW, an Executive Certificate of Strategy and Innovation from MIT Sloan Business School and is a Graduate member of the Australian Institute of Company Directors.

### **Former Board members**

### **Claire Keating – Employer Representative, Board Member** **Appointed November 2016; reappointed November 2019, resigned from the Board effective 31 October 2022**

Ms Keating is an experienced non-executive director and independent consultant with over 30 years' experience in superannuation and funds management.

Ms Keating is a director of Australian Super, Charter Hall Direct Property Management Limited and the Victorian Managed Insurance Authority. She is a member of the Advisory Board for Scale Facilitation LLC and the Compliance Committee for Franklin Templeton. Ms Keating is also a Board Member of the Judicial Commission of Victoria.

Ms Keating was formerly a registered company auditor and partner of PricewaterhouseCoopers (2002-2016) and her roles at PwC included leadership of the Melbourne Financial Services Assurance practice

and as National leader of the Investment Management Assurance practice. She is also a former director of the PwC Superannuation Fund.

Ms Keating holds a Bachelor of Business (Accountancy) from RMIT, a Diploma in Superannuation Management from ASFA and Macquarie University, is a Chartered Accountant and a Graduate Member of the Australian Institute of Company Directors.

### **Stewart Little – Employee Representative, Board Member**

#### **Public Service Association of NSW**

#### **Appointed September 2019, resigned from the Board effective 1 December 2022**

Mr Little has represented the interests of public sector workers for more than 18 years. He understands the workings of government and has excellent relationships with ministerial and department staff, most recently providing leadership to the Public Service Association executive and senior management teams.

Mr Little was previously Senior Industrial Officer, and Industrial Officer for the Public Service Association of NSW (PSA). In 2016 he was elected General Secretary and is now responsible for the industrial representation of more than 39,000 public sector employees. Prior to that, Mr Little also held senior roles with the Police Association of NSW.

Mr Little has a Bachelor of Applied Science in Information Science from the University of Technology Sydney and is a Graduate Member of the Australian Institute of Superannuation Trustees.

## Board membership and meeting attendance

The Board consists of a Chair, four employer representatives and four employee representatives nominated by Unions NSW. All Board members are appointed by the Minister on a part-time basis.

Board memberships and the current term of appointment for each member during the 2022-23 reporting period are listed in the table below.

	Appointed	Term end date	Meetings attended during 2022-23 (actual / possible)
Mr N Johnson ( <i>Chair</i> )	26 Jun 2015	25 Jun 2025	7 / 7
<b>Employee representatives</b>			
Mr A Claassens	5 Nov 2012	4 Nov 2024	5 / 7
Mr T O'Grady	14 Sep 2017	13 Sep 2025	7 / 7
Ms C Bolger	25 Sep 2015	29 Sep 2027	7 / 7
Mr S Little*	30 Sep 2019	1 Dec 2022	3 / 3
Mr T Costa*	13 Feb 2023	12 Feb 2027	2 / 3
<b>Employer representatives</b>			
Ms C Austin	28 Jun 2018	27 Jun 2025	6 / 7
Ms L Rasmussen	12 Mar 2020	11 Mar 2024	7 / 7
Mr R Mason*	1 Nov 2022	31 Aug 2026	4 / 4
Ms C Keating*	10 Nov 2016	31 Oct 2022	3 / 3
Ms C Yuncken	26 May 2022	25 May 2025	6 / 7

*The full-time employee representative position was vacant at 30 June 2014 and has since been filled by a part-time Board member.*

*\*During the year:*

- *Mr Little resigned from the Board effective on 1 December 2022*
- *Ms Keating resigned from the Board effective on 31 October 2022*
- *Mr Mason was appointed to the Board as Employer Representative from 1 Nov 2022*
- *Mr Costa was appointed to the Board as Employee Representative from 13 Feb 2023*

## Board and other committees

### Investment Committee members during the reporting period

Ms Austin, Ms Bolger, Ms Rasmussen and Mr Johnson (Chair). Members of the executive and other invited visitors attend committee meetings.

#### Purpose

The purpose of the Investment Committee includes:

- supporting the Board in determining and monitoring the investment objectives and strategy
- monitoring the appointment or termination of investment managers for Pooled Fund investments, reviewing their performance and monitoring asset allocation
- monitoring the developments and activities in the Responsible Investments program, and the ESG performance of the Pooled Fund including State Super's 2050 net-zero greenhouse emissions objective and other climate change related initiatives
- receiving other information as may be required to improve the investment management decisions of State Super
- monitoring the asset and risk profile of the investment options so that they align with the investment strategy.

### Meetings attended during 2022-23

Member	Attendance actual / possible
Mr N Johnson ( <i>Chair</i> )	6 / 6
Ms C Austin	6 / 6
Ms C Bolger	6 / 6
Ms Rasmussen	6 / 6

### Risk, Audit and Compliance Committee members during the reporting period

Ms Bolger was appointed as the Chair from 22 June 2022. Ms Keating having stepped down as the Chair on 21 June 2022, remained as a member of this committee until her resignation from the Board on 31 October 2022, and was succeeded by Ms Yuncken from 1 November 2022.

Mr O'Grady was a member of this committee for the entire period.

Members of the executive, the Audit Office of New South Wales (and their delegates), the internal auditor and other invited visitors also attended committee meetings.

#### Purpose

The purpose of the Risk, Audit and Compliance Committee is to provide independent assistance and advice to the Board on State Super's:

- risk management, internal and external control frameworks and compliance framework
- internal and external audit, actuarial matters
- financial reporting and accountability
- emerging data security and cyber risk.

### Meetings attended during 2022-23

Member	Attendance actual / possible
Ms C Bolger ( <i>Chair</i> )	6 / 6
Ms C Keating	2 / 2
Ms C Yuncken	4 / 4
Mr T O'Grady	6 / 6

### Member Services Committee members during the reporting period

Ms Yuncken and Messrs Claassens (Chair), Little and O'Grady.

Ms Yuncken was appointed as a member of the committee on 23 June 2022 and Mr Little stepped off this committee having resigned from the Board effective on 1 December 2022.

Members of the executive and other invited visitors also attended committee meetings.

#### Purpose

The purpose of the Member Services Committee includes:

- making recommendations to the Board on matters relating to the administration of State Super schemes and policies affecting stakeholders including dispute-related matters
- exercising a Board delegation to determine disputes involving State Super schemes
- monitoring member communications and research to assess member satisfaction with the services provided to them and how well the services meet member needs.

### Meetings attended during 2022-23

Member	Attendance actual / possible
Mr A Claassens (Chair)	4 / 4
Mr S Little	0 / 2
Mr T O'Grady	4 / 4
Ms Yuncken	4 / 4

### Statutory Committee – Police Superannuation Advisory Committee

The committee is a statutory committee established under Part 2H of the *Police Regulation (Superannuation) Act 1906* to exercise certain powers delegated to it by the State Super Board and to advise the Board on certain matters.

#### Members during the reporting period

This committee consists of a Chair 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, the State Insurance Regulatory Authority, the Minister for Police, and State Super. The State Super nominee is a member of the State Super Executive.

#### Functions

The functions of the Police Superannuation Advisory Committee include determining whether:

- a PSS member may be eligible for an invalidity pension payable from PSS;
- a PSS 'Hurt on Duty' pensioner is entitled to

an increase to their pension and if so, how much of an increase and for what period;

- after periodic review, a 'Hurt on Duty' invalidity pension should be reduced because the pensioner has recovered a capacity for work; and
- various benefits are payable upon the 'Hurt on Duty' death of a PSS member, and
- to advise State Super on matters relating to the administration of the *Police Regulation (Superannuation) Act 1906* that are referred to the Board.

### Police Superannuation Advisory Committee meetings attended by Board members during 2022-23

Member	Attendance actual / possible
Mr A Claassens (Acting Chair)*	9/12

\*A Chair was appointed from Committee members for 3 meetings

### People and Culture Committee (previously Human Resources and Nominations Committee) members during the reporting period

Ms Bolger and Messrs Claassens (Chair), Johnson and Little. Members of the executive and invited visitors also attended committee meetings.

Mr Little stepped off this committee having resigned from the Board effective on 1 December 2022.

#### Purpose

The purpose of the People and Culture Committee is to support the Board in fulfilling its responsibilities in relation to human resource matters and corporate culture including:

- overseeing the human resource governance framework
- oversee the framework to embed an ethical corporate culture
- reviewing and developing the ongoing performance assessment methodology to assess the performance of the Board and its committees
- to set and review the remuneration, performance objectives and criteria for the CEO
- Board training strategies and renewal.

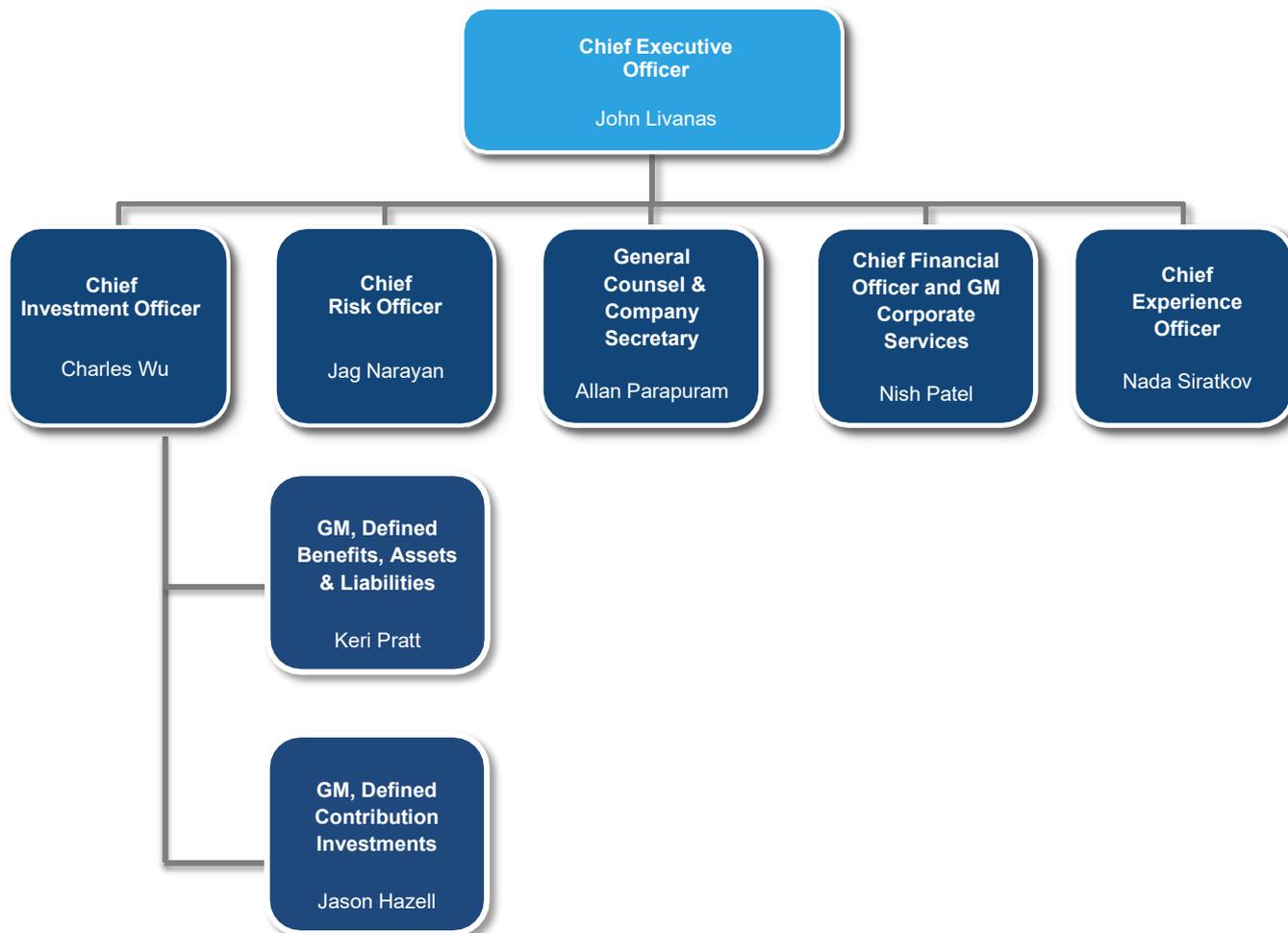
### Meetings attended during 2022-23

Member	Attendance actual / possible
Mr A Claassens ( <i>Chair</i> )	4 / 4
Ms C Bolger	4 / 4
Mr N Johnson	4 / 4
Mr S Little	2 / 2

## State Super Executive team

The State Super Executive comprises the Chief Executive Officer and seven senior executives. Together they are responsible for implementing State Super's corporate strategies and managing the day-to-day activities of the business.

The structure of the State Super Executive team as at 30 June 2023 is shown below:



## Executive team profiles

### John Livanas

#### Chief Executive Officer

Mr Livanas leads a team of experienced senior executives in managing the provision of member services and the investment of approximately \$38 billion of assets.

Mr Livanas has over 30 years' industry experience, having worked in organisations including Deloitte South Africa, the South African Government Employees Pension Fund – the precursor to the country's sovereign fund – and several Australian superannuation funds.

Prior to his appointment at State Super, Mr Livanas was the Chief Executive Officer of AMIST Super and the General Manager of FuturePlus Financial Services. He was a Director of ISPT and ISPT Grosvenor International Property Trust and has been appointed to the Board of the Australian Council of Superannuation Investors, holding the position of Financial, Risk and Audit Committee Chair (FRAC). He is also an external member of the University of Sydney's Investment Subcommittee.

Mr Livanas holds a Bachelor of Science in Engineering and an MBA from the University of Witwatersrand and a Graduate Diploma of Finance and Investments from the Financial Services Institute of Australia. He is an ASFA-accredited Investment Fiduciary and a Graduate Member of the Australian Institute of Company Directors.

## Jason Hazell

### General Manager, Defined Contribution Investments

Mr Hazell was appointed General Manager, Defined Contribution Investments effective 1 September 2021. He has responsibility for oversight of the defined contributions portfolio and team. He works closely with fund managers, the investment consultant and custodian to ensure that State Super meets its obligations to members.

Mr Hazell has over two decades of experience in the superannuation and investment management industry. He was previously the Chief Investment Officer of the Crescent Wealth Super fund, a Sydney based ethical superannuation fund. Prior to this he held senior investment and leadership roles within the MLC Asset Management business over a tenure of 18 years.

Mr Hazell holds a Master of Finance from the University of New South Wales, a Bachelor of Science from the University of Sydney, a Diploma of Financial Services from the Financial Planning Association and is a Graduate of the Australian Institute of Company Directors (GAICD).

Mr Hazell spent time in the Australian Army during the 1990s and now serves as a volunteer non-executive director on the RSL NSW Board. The RSL NSW's charitable purpose is to provide assistance, care and relief for current and former members of the Australian Defence Force and their families.

## Jag Narayan

### Chief Risk Officer

Mr Narayan is responsible for developing and implementing the organisation's risk, compliance and internal audit strategy. The role encompasses embedding a risk culture within State Super, setting and monitoring strategic and operational risks and reporting to the Risk, Audit and Compliance Committee and the Board.

Mr Narayan has over 20 years' experience in risk management, with more than 15 years in financial services organisations. His previous employers include the Territory Insurance Office (TIO), Insurance Australia Group (IAG), Caltex Australia and Westpac Banking Corporation. Prior to his appointment in October 2015, Mr Narayan led the Audit, Risk and Compliance function and reported to the CEO and the Audit and Risk Committee/Board of the Territory Insurance Office in Darwin.

Mr Narayan is a qualified Chartered Accountant, Certified Internal Auditor and Certified Compliance and Risk Professional. He holds a Bachelor of Commerce (Accounting) from the University of Western Sydney. He is a Graduate Member of the Institute of Company Directors.

## Allan Parapuram

### General Counsel and Company Secretary

Mr Parapuram provides State Super with legal and governance counsel, overseeing the legal and governance framework and secretarial matters of the Board.

Mr Parapuram is a member of the Police Superannuation Advisory Committee which determines entitlement to medical discharge for members of the NSW Police Force under the Police Superannuation Scheme. He is a member of the State Super/Aware Super Steering Group, the central reference point for the oversight and management of the Aware Super relationship.

Mr Parapuram has held senior legal roles at State Super for the last ten years and was previously Head of Legal, Risk and Compliance at Qantas Superannuation. He has more than twenty years' experience in superannuation and financial services law, trustee and investment governance, audit and compliance and risk management in financial services generally. Mr Parapuram holds a current legal practising certificate, a Master of Laws, a Bachelor of Laws, and a Bachelor of Economics. He is a Fellow of the Governance Institute of Australia and is a Graduate Member of the Australian Institute of Company Directors.

## Nish Patel

### Chief Financial Officer and GM Corporate Services

Mr Patel is the Chief Financial Officer and General Manager Corporate Services, responsible for directing and managing the financial, investment and operational activities of the organisation and ensuring the implementation of the overall organisational strategy.

Mr Patel has over 25 years' senior executive experience in funds management, investment banking and financial services. Prior to joining the organisation, he was AMP Capital's Chief Financial Officer and later Chief Operating Officer, Asia. He has held senior finance, strategy and M&A roles with leading ASX 100 companies. He commenced his career with Arthur Andersen in London and has worked extensively in Europe and Asia.

Mr Patel is a qualified Chartered Accountant and holds a Bachelor of Science (Honours) degree in Economics.

## **Keri Pratt**

### **General Manager, Defined Benefits, Assets & Liabilities**

Ms Pratt is responsible for ensuring that State Super meets its asset-liability management objectives in negotiation with State and Federal governments and working with the CIO and the Prime Advisor (TCorp) to develop investment strategies. Ms Pratt also oversees implementation and effectiveness of the \$35 billion investment outsourcing arrangement with TCorp, manages key stakeholder relationships, and leads State Super's actuarial function.

Ms Pratt joined State Super in 2017, and prior to that time was Head of Institutional, Australia & NZ, at global asset manager, Franklin Templeton Investments, held an equivalent role and was a partner at GMO Australia Ltd, as well as working in superannuation, product and consulting roles with NAB, MLC & Lend Lease.

Ms Pratt holds a MBA (Exec.) and a Graduate Diploma in Applied Finance & Investment, TFASFA and is a Graduate Member of the Australian Institute of Company Directors. She is also a Non-Executive Director of Guild Trustee Services Ltd (Guild Super) and ACT Government DSSF Advisory Board and served on several industry associations and investment committees.

## **Nada Siratkov**

### **Chief Experience Officer**

Ms Siratkov is responsible for directing and managing the delivery of member services and engagement strategies. This includes setting the direction of Member Engagement and ensuring that there is an integrated approach to managing the member experience. Ms Siratkov is responsible for negotiating and managing material service contracts, including administration of the fund to maximise value to State Super and its members. In addition, Ms Siratkov is responsible for driving scheme legislative and product changes, interpretation of scheme legislation and policies and ensuring, where relevant and required, its alignment to Commonwealth superannuation legislation. Ms Siratkov has overall accountability for the services provided to all members, marketing and communications, stakeholder engagement, media, disputes and the management of State Super's profile and brand.

Ms Siratkov is responsible for the Member Services Committee, is a member of the State Super/Aware Super Steering Group and is on State Super's WHS Committee.

Prior to joining State Super, Ms Siratkov held commercial and executive leadership roles in the financial services industry including Aon, Zurich and Westpac and has an extensive knowledge of the superannuation, insurance and banking environments.

Ms Siratkov holds a Bachelor of Arts from the University of Sydney, a Master of Business majoring in Marketing from the University of Technology and is a Graduate Member of the Australian Institute of Company Directors.

## **Charles Wu**

### **Chief Investment Officer**

Mr Wu leads State Super's internal Investment team. He is responsible for determining and executing the Fund's investment policies and objectives, determining asset allocation, and implementing and monitoring the Fund's investment arrangements. Mr Wu is acknowledged across the industry for his expertise in the use of machine learning (artificial intelligence) within pension funds and has helped bring State Super to the forefront of this exciting development.

Mr Wu joined State Super in 2015 and was previously an Investment Manager at Media Super and an analyst at Mercer. He holds a Master of Commerce and a Bachelor of Computer Engineering and is a Chartered Financial Analyst holder. In 2020 he was appointed President of the Chartered Financial Analyst (CFA) Society Sydney.

# Regulatory and Compliance framework

## State Super's regulatory framework

State Super is governed by the *Superannuation Administration Act 1996* (NSW) (the SA Act). The SA Act expressly provides that State Super is a trustee for the purposes of the *Trustee Act 1925* (NSW).

The State Super schemes are exempt public sector superannuation schemes for the purposes of the *Superannuation Industry Supervision Act 1993* (Cth) (the SIS Act) and are not regulated under the SIS Act. However, the SIS Act is relevant because the State of NSW is a party to HOGA with the Commonwealth Government. The HOGA contains an undertaking by the State of NSW that it will ensure that members' accrued benefits in exempt schemes are fully protected. Exempt schemes on a best endeavours basis, are required to conform to the principles of the Commonwealth's retirement income policy. These requirements are reflected in the attachment to the HOGA and from time to time in Commonwealth legislation. State Super considers that the Commonwealth legislation (and APRA Superannuation Prudential Standards made under that legislation) provide significant guidance as to the exercise of its statutory and fiduciary functions. Accordingly, State Super aspires to be compliant with Commonwealth legislation including the SIS Act (and the APRA Superannuation Prudential Standards) on a best endeavours basis.

The Treasurer of NSW has specific responsibilities under the SA Act for overseeing State Super's prudential regulation.

## Compliance framework

State Super's formal compliance framework outlines the processes adopted by the Board to ensure compliance with the regulatory obligations that apply to State Super's operations. The framework is a structured set of systems, policies, processes and people within State Super's business operations that identify, assess and manage compliance obligations. The Board receives ongoing reporting and actively participates in the monitoring process to ensure the adequacy of the plans and policies, both directly and through its Committees. Internal Audit reviewed the State Super Compliance Framework in 2021 as part of its tri-ennial review and raised no material issues.

State Super's compliance processes include:

- The review and maintenance of plans and policies required by NSW legislation for public sector agencies.
- The review and maintenance of plans and policies that comply (on a best endeavours basis) with the SIS Act and the APRA Superannuation Prudential Standards.
- The review and maintenance of compliance obligation registers that identify State Super's legislative and contractual obligations.
- Ongoing self-assessment of compliance with the compliance obligations register and reporting of results to the Risk, Audit and Compliance Committee.
- Obtaining annual formal verification from State Super's outsourced service providers confirming they have complied with their contractual and legislative obligations in relation to their services to State Super.
- Periodic internal audits of compliance with relevant plans and policies.
- Regular Board appraisals to assess governance and control practices along with other key elements to support continuous improvement and performance management for the Board.

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## 2. Strategy

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# State Super's strategic objectives and outcomes

The 2022-23 to 2026-27 Strategic and Business Plan outlines State Super's strategy across five key corporate priorities. These priorities cover two fundamental aspects of State Super's business: its investment strategy and member experience. These are supported by three crucial enablers: governance; stakeholders; and operating model.

## State Super's 2022-23 Corporate Plan identified five key objectives for the financial year

1. **Member.** Deliver relevant and reliable member experiences.
2. **Investment.** Set and meet our risk/return objectives.
3. **Governance.** Maintain an effective governance framework.
4. **Stakeholders.** Maintain positive relationships with stakeholders.
5. **People.** Strengthen State Super's operating model and workforce.

## Overview

### 1. Member: Deliver relevant and reliable member experiences

Alongside investment performance, ensuring a positive member experience is fundamental to State Super's success. During the 2022-23 strategy period, State Super has remained focused on maintaining best in class member experience and satisfaction – whilst at the same time oversighting and managing the risk associated with the final phase of the administration system implementation and managing the introduction of various legislative and regulatory changes.

Considering the significant changes in member profiles over the next decade, State Super continued to conduct research, review data and engage members to understand changes in their behaviours and expectations and thereby continue to evolve our products and service provision accordingly. State Super continued the implementation of the holistic and integrated member engagement program.

A comprehensive review of member data and behaviour has guided the development of a data analytics framework to guide service strategies for various member cohorts. The analysis of this has also led to a review of the future services that will be required for the changing member cohorts. We have also drawn on this analytics to formulate a new Member Experience Framework to ensure the member engagement operating model evolves and remains fit-for-purpose over the next ten years.

In 2022-23 State Super continued to engage closely with Mercer to oversee its administration, the successful administration platform migration, including the effective monitoring of the new State Super hub in Wollongong near MAS. We continued to assess other risk mitigation strategies to ensure continued delivery of high-quality member administration services.

### 2. Investment: Set and meet risk/return objectives

Throughout the 2022-23 financial year, State Super maintained its close collaboration with TCorp and our independent scheme actuary, PwC. Our focus remained on diligent monitoring and the ongoing enhancement of investment strategy alignment for defined benefit assets and actuarial projections of member liabilities. Notably, the Treasurer reaffirmed dedication to an ongoing funding plan, with employer contributions resuming from July 1, 2023.

The Trustee Selection Investment option surpassed its primary objective over the ten-year period ending June 30, 2023. However, it slightly missed this objective during shorter-term periods. It's important to acknowledge that the option's emphasis lies in achieving optimal risk-adjusted returns for the schemes, taking into account factors like our aging membership, negative cashflow profile, and the complexity of sequencing risk management. Consequently, this approach yields stronger performance in declining markets and comparatively weaker performance during market upswings.

The DC Growth, Balanced, and Conservative options all achieved returns in the top quartile when compared to funds with similar allocations to growth assets over a one-year period. Furthermore, each of these options consistently delivered returns above the median over their respective investment horizons.

We regularly review the risk settings and asset allocation for the Fund's investment options. Given the current market volatility and liquidity demands, we maintain an attentive approach to monitoring. Our investment strategies include well-rounded diversification across different types of assets, risk factors, investment managers, and individual securities. This approach is designed to lower the fluctuations in returns, aiming for a steady target level. Additionally, we use strategies to safeguard against significant market declines, like tail risk protection, and exposure to foreign currencies for added protection.

### **3. Governance: Maintain an effective governance framework**

The Board is served by highly skilled individuals who meet the requirements of the organisation as reflected by internal and external Board Assessments. State Super maintains a skills matrix for the Board and Executive, which is published on the website along with the Board's gender diversity and tenure, reflects a highly skilled and diverse board that provides continuity. The internal Board annual performance assessment for FY2022 concluded that the Board continues to be a high performing Board.

State Super's governance and delegations framework enables appropriate oversight and monitoring of the organisation. This framework is regularly reviewed to make sure it is fit for purpose and reflects better practice.

State Super complies with the HOGA requirements, conforming to the prescribed Commonwealth Retirement Income principles to the best of our endeavours. These include principles around trustee governance, risk management and regulatory reporting. Adherence to the HOGA principles was assessed and reviewed by an external expert in 2023 with no adverse findings. State Super has adopted the AIST Governance Code and benchmarks its compliance with the Code. AIST reviews adherence annually and confirmed for FY2022 that State Super fully meets most of the requirements of the Code, suggesting good governance practices are in place.

The Fund and State Super schemes are audited annually by the Auditor General and the outcomes of the annual audit are contained in the Annual Accounts that are part of this Annual Report.

Staff capabilities are regularly assessed against the skills required in the organisation with appropriate training and development programs implemented.

State Super continues to focus on monitoring its outsourced arrangements with its mandated investment manager TCorp, its Scheme administrator, MAS and its custodian, JP Morgan.

### **4. Stakeholders: Maintain positive relationships with stakeholders**

State Super stakeholders (as measured by an independent survey) continue to hold State Super in high regard for their dedicated focus on member needs, and especially noted integrity and reliability. There was wide acknowledgement of State Super for its professional team and leadership and their dedication to working within stated process and adhering to good governance. Furthermore, our stakeholder's say that the State Super brand evokes safety and trust.

Continuing our focus on understanding the Australian renewable energy transition, and Just Transition, post-year end our ESG Associate attended an IGCC facilitated delegation in the Hunter Valley engaging with local leaders across government, industry, unions and community groups. The delegation visited a heat-resistant lithium battery factory and abatement plant for nitrous oxide and strongly aligns with our corporate engagement and policy advocacy activities, which are a fundamental pillar in our Stewardship and engagement approach.

In expanding our direct policy engagement activities, we aim to be one of many voices advocating for policy certainty for an orderly transition to net-zero in Australia. Policy certainty, technology investment and ensuring there is a Just Transition to a net-zero economy provides resilience to our Australian based corporate, sovereign, and semi-sovereign investments which we consider provided stronger risk-adjusted returns for members and aligns with our net-zero ambition.

We reported to the board against a scorecard of multiple quantitative and qualitative climate metrics in line with our net-zero ambition. Given the challenges with deriving common metrics across different asset classes, we will endeavour to engage a third party to verify these metrics (where possible) prior to sharing with members.

We published a Member Engagement White Paper which discussed key themes and insights from the Member Advisory forums. Titled "Member Perspectives" the white paper was promoted via media and featured in Investment Magazine.

Our engagement with universities has raised the profile of the State Super Academic Scholarship. To ensure the program remains relevant we will re-focus the scholarship to promote ESG and net-zero topics as areas of study. The newly branded “*State Super ESG for Impact Scholarship*” will be launched in late 2023.

## 5. People: Strengthen State Super’s operating model and workforce

State Super’s workforce strategies continue to focus on three key areas and supporting initiatives have been refined to address business requirements during the reporting period.

*Minimising workforce turnover:* State Super’s headcount remained stable over the reporting period with a lower turnover relative to industry peers.

*Building capability and knowledge retention to enable high performance:* To maintain and build on the organisation’s strong performance, State Super has continued to focus on a blended approach to learning and professional development during the reporting period to support staff.

*Developing a workplace culture that promotes employee wellbeing and engagement:* State Super achieved full participation in the 2022 People Matter Employee Survey and while the results show slight falls in a few categories, State Super’s overall results relative to its public sector cluster continue to be strong. Employee engagement at 78% was marginally lower than the previous year (-1%) but compared favourably against the Treasury Cluster (-8%) and Sector (-14%). Improvement actions based on our survey results are part of our ongoing business activities.

### Objective of controlled entity

State Super has one controlled entity – SAS Trustee Corporate Staff Agency. The principal activity and objective of the SAS Trustee Corporate Staff Agency is to provide personnel services to State Super and the SAS Trustee Corporation Pooled Fund.

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# 3. Operations and Performance

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## A message from the Chair

The consequences of COVID-19 continued to have a significant influence on the operations, the risks and the investment strategies of State Super throughout the 2022/23 financial year.

Specifically, the sharp rise in global inflation had its origins in the monetary and fiscal policies adopted by many governments and central banks across the world to stimulate their economies during, and after, the pandemic. Massive liquidity injections were matched by a period of extraordinary low interest rates which, combined, have had both desirable and undesirable consequences.

Those actions introduced a period of 'cheap money' that underpinned a wave of investment in real assets, of devaluation of cash balances, and resulted in a spiral of inflation as workers and businesses sought to protect their 'real' financial position through higher prices for goods, services and labour.

State Super's priorities, therefore, have been heavily influenced by our concerns to protect members' funds from the potential adverse consequences of the inflationary environment. We focused on specific strategies to minimise the risk of members' real capital being eroded by the relatively high inflation rate.

I am therefore pleased to report another year of top-quartile investment performance in this last challenging year. But to illustrate my comments about the impact of inflation, the strong nominal return of 9.9% in the Defined Benefits Growth portfolio has to be considered in the context of the Australian inflation rate of 6.0% for the financial year. In short, the erosive power of inflation was contained, well-managed, but not eliminated.

I will highlight three themes to which the Board has given particular attention during the year.

### Responsible investment

Environmental, social and governance issues (together referred to as 'ESG' or 'Responsible Investment' issues) remain a priority for the Board, if anything receiving even more attention than in the previous year.

In my last year's report, I wrote about the work being done to establish a workable framework to measure the carbon footprint associated with our investment portfolio.

The framework is now fully functional, and the Board receives regular reports on the carbon footprint. The Board is satisfied that the portfolio aggregate emissions and carbon intensity are reducing in line with a trajectory consistent with achieving our interim 2030 objective of a 45% reduction in emissions across our portfolio over 2010 levels by 2030.

I said last year that we are strongly committed to engaging with the companies in which we invest for the purpose of stimulating meaningful improvement where necessary across all environmental, social and governance issues. Our investment team takes that commitment seriously and has continued to build that engagement, working closely with our portfolio asset managers and with our proxy advisors including ACSI.

State Super holds direct interests in various unlisted infrastructure projects whose ESG performance are reported individually to the Board. Given the potentially lessened transparency into some of these privately held companies, the Board and the Board Investment Committee gives additional scrutiny to their ESG reports. The Board is satisfied that overall the unlisted portfolio is performing to satisfactory ESG standards. However I should note one infrastructure investment, Kelda Holdings ('Kelda'), that has caused concern for the Board.

Kelda is a private company which wholly owns a regulated UK water utility, Yorkshire Water PLC. Prior to June 2023 State Super owned 12.75% of Kelda. Much of Yorkshire Water's infrastructure dates back to the 19th century and is increasingly less able to meet 21st century environmental standards.

In 2022/23 the UK Water Regulator, OFWAT, directed Yorkshire Water to undertake various upgrades of its water treatment network to improve the quality of its services. The Regulator also required the capital structure of Yorkshire Water be strengthened by the injection of additional equity funds.

With that background, in June State Super subscribed GBP 105.5 million of additional equity (through Kelda) to enable Yorkshire Water to strengthen its capital structure and to undertake the necessary network improvements to improve its environmental performance, increasing State Super's ownership to 15.60% (post year-end).

This support for Kelda is a tangible example of State Super's commitment to action on ESG matters. Kelda will of course now be subject to an enhanced level of oversight and reporting to the Board as they implement the major upgrades to their network.

### Cyber security

There have been several high-profile incidents of cyber-attack on major Australian organisations which have resulted in significant breaches of security and the loss of sensitive customer data.

The State Super Board and Management team devotes attention and resources to identifying potential cyber risk that may be inherent in our operations and to minimising the risk of associated adverse consequences from cyber attack. In this regard some of the actions taken by us over the past year include

an external review of the magnitude of our potential exposure to cyber attack, completion of a project to map and to separate all member data elements retained across our systems, and a full scale simulation of a cyber attack with subsequent Management/Board actions.

We are also in regular dialogue with our external service suppliers to seek assurances that their cyber security measures are no less strong and comprehensive than our own.

### **State Super operating model**

I wrote last year about the early planning being done in regard to identifying the optimal operating model to meet the needs of the changing State Super member base.

As that long term planning develops we have become increasingly aware of the tangible benefits that may be associated with the growing availability and sophistication of artificial intelligence, both in lowering the cost of routine transaction processing and, equally, in how we interact with members. AI is still in its relative infancy but we are ensuring that new system designs should be sufficiently open-ended to allow the subsequent future easy introduction of AI processes where beneficial.

Of more immediate impact, I am pleased to report that our administration partner, Mercer, has completed the migration of all the State Super administration process to a new IT platform. All our Schemes are now on the one platform, and we are now in the process of entering the commercial renegotiations with Mercer – which was always in the equation post IT migration.

I must also highlight the commissioning of a new State Super office in Wollongong. This small 'hub' is located in the same building as Mercer and has strengthened our interaction with our administrator leading to improved communications with faster, more efficient issue resolution.

### **Team commitment**

I say it every year, but again the State Super team has consistently performed at the highest levels. The commitment and effort of each individual is recognised and sincerely appreciated. Similarly, the leadership and support provided by the Board members and by the State Super executive team has been central to the success of the business in a difficult environment.

I offer my sincere thanks to all members of this outstanding organisation.



Nicholas Johnson  
Chair  
October 2023

# Chief Executive Officer's report

## The year in review

Each year feels different as we adapt in response to the continually changing environment; to realise the foresight of our founders to deliver a superior retirement for our frontline workers and other members, supported by excellent investment returns and with robust governance. And prepare for the future!

## Members

Our 86,000 members are teachers, nurses, police, firefighters – frontline workers and people who have dedicated their lives to support our community and our State. For our pension members, we have a relationship that is likely to extend for life. And many of our members live to be centenarians! The rich relationships we have created over their journey has enabled us to focus specifically on the needs of our members. These relationships have also meant that when we had our first Annual Member Meeting in December 2022, we had over 800 members register to join us! A level that funds with ten times as many members could not achieve! And that's on top of the hundreds of members that have joined us in our regular member forum.

It has also meant that members are comfortable to talk to us, such as when they discussed the value of a lifetime pension in *keeping* them in the public service. This inspired us to wonder, and then test, whether a modern, fiscally sustainable interpretation of a lifetime pension might again retain our young frontline workers in the future. State Super adapting to the needs of the 21<sup>st</sup> century.

Of course, delivering services also means ensuring that the basic administration is done well. Our current administrator, Mercer, just finalised the transition of the last group of members to the latest system in May 2023 – a process that has spanned over 5 years. At every step, in line with our firm governance focus, State Super has reviewed progress and devoted significant resources to managing risks and respond to issues as they arose. Albeit within the significant legislative constraints to date. We are hoping to address these constraints shortly.

The challenge of inflation has gratefully been dampened for our pension members who have their pensions indexed in accordance with inflation. It was only a few years ago, during Covid that State Super intervened to prevent a negative inflation indexing being passed on to members!

## Investments

As with members, our investment challenges are unique. None more so than because our pension payout exceeds our contributions. An inflation environment exacerbates this, but we've adapted and responded such that State Super delivered an investment return for 'Growth' that would put it well in the Top 10 of funds in Australia. With *significantly* lower risk, which translates into more dollars for members. Our knowledge will be very valuable for the overall Superannuation industry who are likely to experience the same profile in the near future.

And of course, for the Defined Benefit fund, delivering superior returns has meant we work closely with TCorp, ensuring we can utilise the talent that they have within a robust governance framework to deliver superior returns.

Our commitment to Responsible Investment continues, and we have been working closely in aligning our Investment Managers and TCorp to provide a robust process from investments. Furthermore, we are maintaining commitment to Net Zero by 2050 and will be providing updates as they become pertinent.

2022/23 was also a year where a combination of inflation and lower than target returns during Covid, meant that we were likely to be off mission to achieving full funding by 2040. Our fruitful discussions with government have meant that we have been allocated an additional \$400m each year, on top of current government contributions. The vagaries of inflation and investment markets however have meant that the path to full funding moves around each year. In addition, our liquidity constraints also impinge investment strategy. In response, State Super and Treasury are working to develop a Sustainable Funding Framework (SFF) providing clearer guidelines to funding ratios and liquidity, and possibly relaxing a constraint in the way the Trustee sets Investment Strategy.

## People

Our exceptional Employee Engagement scores continue to reflect a strong relationship between staff and State Super. There was no greater interpretation of this, than the 90% response to voting for our latest Enterprise Agreement, with complete unanimity!

However, State Super operates in financial services, and specifically superannuation. Our staff's skills are the envy of many Superannuation Funds and keeping them at State Super is a key focus for the next year.

## **Our governance**

We regularly conduct an independent external review of our governance performance against the Heads of Government Agreement (HOGA), which provides for alignment with APRA prudential standards on a 'best endeavours' basis. Again this year, the results were comforting.

Furthermore as part of our review of suppliers of internal audit services, we appointed BDO (subsequent to 30 June 2023) for the next 5 years.

We are delighted that the Auditor General has provided a satisfactory Independent Auditors Report, which can be read in the body of this Annual Report.

## **Our way forward**

With the Minns government in office from March 2023, we have maintained strong relationships with Treasury and all government departments, as well as the new government – and specifically the Treasurer, the Hon Daniel Mookhey – who is our Minister and our regulator under HOGA.

We have an ambitious legislative program with changes requested to enable State Super to adapt to realities in Administration, Investments and People. In addition, we are working with government to leverage State Super's decades long knowledge of frontline workers to help NSW retain nurses, teachers and police.

## **Thank you!**

Our successes and our ambitious plans are not possible without the dedication of our people who deliver on our promises to members. This comes about through application and talent, but most importantly because our people care! Thank you!

I would also like to thank the members of our Board, and in particular my Chair, Nicholas Johnson, who have provided me and the organisation with the support and guidance that has resulted in our successes.

Thank you!



John Livanas  
Chief Executive Officer  
October 2023

# State Super's activities

## Overview of scheme membership

The membership of the State Super schemes at 30 June 2023 is set out below.

Scheme	At 30 June 2018	At 30 June 2023	Movement % over 5 years
<b>Active members</b>			
SASS	21,038	11,763	-44%
SSS	3,080	674	-78%
PSS	913	304	-67%
<b>Total</b>	<b>25,031</b>	<b>12,741</b>	<b>-49%</b>
<b>Deferred benefit members</b>			
SASS	9,606	7,802	-19%
SSS	1,412	729	-48%
PSS	93	57	-39%
<b>Total</b>	<b>11,111</b>	<b>8,588</b>	<b>-23%</b>
<b>Pension members</b>			
SASS	4,479	5,025	12%
SSS	55,403	53,726	-3%
PSS	6,610	6,760	2%
<b>Total</b>	<b>66,492</b>	<b>65,511</b>	<b>-1%</b>
<b>Total</b>	<b>102,634</b>	<b>86,840</b>	<b>-15%</b>

The State Super schemes are closed to new members. Over the past five years, the number of active members decreased by 12,290 and pension members decreased by 981. Refer to page 40 for membership statistics over the past five years.

## The next five years

Over the coming five-year period to 30 June 2028, the membership of the State Super schemes will continue to fall to a projected 69,639 members, while the contributory or active membership is expected to more than halve to 5,201 members.

This rapid reduction in contributors reflects the age profile of the membership. Over the period to 2028, the deferred benefit membership is projected to fall to 3,582 members, as these members reach the age when they can claim their benefit.

The number of pension members is projected to fall from 65,511 to 60,856 in 2028. Over the longer term, pension members will be the only remaining State Super members with many having reversionary spouse pension entitlements.

## Benefits for members

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

### INFORMATION, EDUCATION AND ADVICE SERVICES

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

	2020-21	2021-22	2022-23
Telephone calls	84,397	69,007	66,950
Letters	5,912	3,825	3,606
Emails	29,195*	15,147	15,375
Webinar attendance	2,635	3,177	3,110
Personal interviews	63	69	67
Financial planning advice	12,573	9,321	7,607

*\*In 2020-21, the increase in emails received was due to Centrelink Schedule enquiries.*

#### Member contact

Over 85,000 phone calls, letters and emails were managed by our external administrator Mercer Administration Services (MAS). State Super has an oversight framework which carefully monitors the service levels against performance of both core and critical member services that are delivered by MAS through an administration contract.

There were 193,015 users who visited the State Super website 338,157 times and spent an average 2:22 minutes per session. Our members clicked the link to login to view their account 171,344 times, clicked to call us from a mobile 7,490 times and submitted 2,641 enquiry forms. There were also 405 views of videos on the site, 3,087 clicks on calculators, 4,223 clicks on seminar information and 1,137 clicks on financial planning information.

#### Personal interview service

Personal interviews are available for current and deferred State Super members. Members are provided with general information about their scheme and superannuation rules. During 2022-23, State Super provided 67 personal interviews. Personal interview services are still being conducted by video calls.

#### Financial planning advice

Aware Super provides financial planning advice to members of the State Super schemes and their relatives.

State Super carefully monitors and works with Aware Super to ensure that State Super scheme members continue to have access to high quality information and advice about their scheme entitlements and financial planning. During 2022-23, Aware Super made 7,607 financial planner appointments for State Super members or relatives of State Super members. Over the last few years Aware has been transitioning its advice service to a fee for service model. Aware has transitioned from providing ongoing advice to their clients through a relationship agreement that requires a review appointment with their planner every year. Aware has moved to an "advice on demand" arrangement where Aware clients see financial planners as and when their circumstances change which has reduced the financial appointment frequency. Our members continue to rate the Aware financial planning service highly in our annual member satisfaction research.

#### Education webinars

During 2022-23, Aware Super delivered webinars on our behalf across the NSW metropolitan and regional areas. Webinar topics were Retirement Planning (SASS and SSS), Ageing Care Journey and Estate Planning. There were 62 webinars hosted, of these, 38 were SASS based webinars, 10 SSS based, 6 Ageing Care and 8 Estate Planning.

These were attended by 3,110 members in total, with 2,142 Retirement Planning, 473 Ageing Care and 495 Estate Planning. The education webinar programs are split into 2 sessions – each one-hour duration.

## OTHER BENEFITS FOR MEMBERS

### Salary sacrifice contributions

All members have the option of contributing their compulsory member contributions on a post or pre-tax (salary sacrifice) basis. The majority of members in all schemes make salary sacrifice contributions. The percentage of member contributions received via salary sacrifice for 30 June 2023 is shown in the following table, with a breakdown per scheme.

#### Percentage of member contributions received via salary sacrifice over the last three years

Scheme	2020-21 %	2021-22 %	2022-23 %
SASS	71	73	71
SSS	77	79	79
PSS	70	72	73

### SASS member investment choice

SASS members can choose single or multiple investment strategies for their personal account balance and future contributions.

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

	Account balances			
	30 June 2022	%	30 June 2023	%
	\$ million		\$ million	
Growth	5,497	75	5,422	75
Balanced	1,214	17	1,209	17
Conservative	468	6	446	6
Cash	147	2	160	2
<b>Total</b>	<b>7,326</b>	<b>100</b>	<b>7,237</b>	<b>100</b>

A large majority of account balances continue to be invested in the Growth Strategy (the default strategy) for member investment choice.

## Five years at a glance – to 30 June 2023

Member statistics	2019	2020	2021	2022	2023
Active members – SASS	18,875	17,009	15,269	13,447	11,763
Active members – SSS	2,313	1,741	1,260	946	674
Active members – PSS	784	649	534	394	304
<b>Total active members</b>	<b>21,972</b>	<b>19,399</b>	<b>17,063</b>	<b>14,787</b>	<b>12,741</b>
Deferred benefit members – SASS	9,293	9,004	8,688	8,347	7,802
Deferred benefit members – SSS	1,228	1,094	948	844	729
Deferred benefit members – PSS	85	79	70	64	57
<b>Total deferred benefit members</b>	<b>10,606</b>	<b>10,177</b>	<b>9,706</b>	<b>9,255</b>	<b>8,588</b>
Pension members – SASS	4,620	4,737	4,848	4,927	5,025
Pension members – SSS	55,455	55,170	54,919	54,391	53,726
Pension members – PSS	6,659	6,697	6,735	6,763	6,760
<b>Total pension members</b>	<b>66,734</b>	<b>66,604</b>	<b>66,502</b>	<b>66,081</b>	<b>65,511</b>

Gender ratios – active members	2019	2020	2021	2022	2023
Females – SASS	50%	49%	49%	49%	49%
Males – SASS	50%	51%	51%	51%	51%
Females – SSS	43%	46%	48%	49%	51%
Males – SSS	57%	54%	52%	51%	49%
Females – PSS	14%	14%	15%	16%	17%
Males – PSS	86%	86%	85%	84%	83%

Contributions – \$ million	2019	2020	2021	2022	2023
Employer contributions	400	442	451	523	398
Employee contributions	226	206	173	145	133
Crown contributions	1,577	1,656	31	0	1,198
<b>Total contributions</b>	<b>2,203</b>	<b>2,304</b>	<b>655</b>	<b>668</b>	<b>1,729</b>
Benefits paid – \$ millions	4,872	4,871	4,857	5,159	5,340
Net contributions – \$ millions	(2,669)	(2,567)	(4,202)	(4,491)	(3,611)
Investment revenue – \$ millions	3,483	647	5,698	(497)	3,531

Assets/liabilities*	2019	2020	2021	2022	2023
Accrued benefits – SASS	14,598	14,194	14,441	13,505	13,284
Net assets to pay benefits	12,911	12,104	12,554	11,058	10,586
<b>Over (under) funding – SASS</b>	<b>(1,687)</b>	<b>(2,090)</b>	<b>(1,887)</b>	<b>(2,447)</b>	<b>(2,698)</b>
Accrued benefits – SSS	34,473	34,589	34,644	35,511	36,979
Net assets to pay benefits	23,817	22,805	23,620	21,077	21,126
<b>Over (under) funding – SSS</b>	<b>(10,656)</b>	<b>(11,784)</b>	<b>(11,024)</b>	<b>(14,434)</b>	<b>(15,853)</b>
Accrued benefits – PSS	7,507	7,621	7,769	8,049	8,498
Net assets to pay benefits	5,153	5,034	5,257	4,702	4,770
<b>Over (under) funding – PSS</b>	<b>(2,354)</b>	<b>(2,587)</b>	<b>(2,512)</b>	<b>(3,347)</b>	<b>(3,728)</b>
Accrued benefits – SANCS	2,199	2,145	2,079	1,935	1,832
Net assets to pay benefits	1,893	1,731	1,747	1,525	1,641
<b>Over (under) funding – SANCS</b>	<b>(306)</b>	<b>(414)</b>	<b>(332)</b>	<b>(410)</b>	<b>(191)</b>
Total accrued benefits	58,777	58,549	58,933	59,000	60,593
Total net assets to pay benefits	43,774	41,674	43,178	38,362	38,123
<b>Over (under) funding – Total</b>	<b>(15,003)</b>	<b>(16,875)</b>	<b>(15,755)</b>	<b>(20,638)</b>	<b>(22,470)</b>

\*Net asset figures above exclude Employer Sponsor Receivable

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

## Account payment performance

### Accounts due or paid within each quarter

Measure	Sep-22	Dec-22	Mar-23	Jun-23
<b>All suppliers</b>				
Number of accounts due for payment	383	394	351	381
Number of accounts paid on time	383	394	344	374
Actual percentage of accounts paid on time (based on number of accounts)	100.00%	100.00%	98.01%	98.16%
Dollar amount of accounts due for payment	\$10,415,000	\$13,447,000	\$7,988,000	\$11,946,000
Dollar amount of accounts paid on time	\$10,415,000	\$13,447,000	\$7,842,000	\$11,836,000
Actual percentage of accounts paid on time (based on \$)	100.00%	100.00%	98.16%	99.08%
Number of payments for interest on overdue accounts	0	0	0	0
Interest paid on overdue accounts	0	0	0	0
<b>Small business suppliers</b>				
Number of accounts due for payment to small businesses	2	6	7	1
Number of accounts due to small businesses paid on time	2	6	7	1
Actual percentage of small business accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment to small businesses	\$1,000	\$1,000	\$2,000	\$1,000
Dollar amount of accounts due to small businesses paid on time	\$1,000	\$1,000	\$2,000	\$1,000
Actual percentage of small business accounts paid on time (based on \$)	100%	100%	100%	100%
Number of payments to small business for interest on overdue accounts	0	0	0	0
Interest paid to small businesses on overdue accounts	0	0	0	0

## Land disposal

No land disposals were undertaken during the reporting period.

## Budgets

### State Super's budget for the year ended 30 June 2024 and 2023

	Budget FY 2024 \$'000	Budget FY 2023 \$'000	Actual FY 2023 \$'000
<b>Income (reimbursement)</b>			
Income (reimbursement)	42,233	41,236	35,596
<b>Expenditure</b>			
<b>Member administration costs</b>	<b>22,074</b>	<b>22,005</b>	<b>21,043</b>
<b>Overheads, Executive and Board</b>			
Board expenses	775	784	660
Staff related costs	*7,248	*6,530	*6,244
Accommodation/premises costs	1,480	1,410	1,429
Other administration expenses	7,166	7,089	4,745
<b>Total Overheads, Executive and Board expenses</b>	<b>20,159</b>	<b>19,231</b>	<b>14,553</b>
<b>Total expenditure</b>	<b>42,233</b>	<b>41,236</b>	<b>35,596</b>
<b>Net income/loss</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Includes Superannuation re-measurement gains or losses which is determined by the Actuary in compliance with AASB119.

# State Super's investment structure, policies and strategies

## Investment management structure

TCorp is the Master Investment Manager for the Trustee Selection Strategy, which primarily invests employer funded (defined benefit) assets.

State Super retains responsibility for setting and overseeing all State Super investment strategies, including risk and return objectives, investment policies, strategic asset allocation and ranges, and portfolio risk overlay strategies.

TCorp is responsible to State Super for implementing the investment strategy for Trustee Selection in accordance with State Super's policies. TCorp's responsibilities include dynamic risk management, portfolio construction, investment risk management and investment manager selection. State Super continues to be responsible for the investment management of the four Member Investment Choice strategies (Growth, Balanced, Conservative and Cash) in which the SASS defined contribution assets are primarily invested, and the University Cash strategy in which the Universities' Employer reserves are invested.

## Investment policies and practices

### STRATEGIC ASSET ALLOCATION

State Super allocates assets into three categories – Liquid Growth, Alternatives and Liquid Defensive – to reflect the role of each type of asset within the portfolio.

Liquid Growth consists of Australian and international listed equities. Liquid Defensive consists of Australian and international fixed interest, income, cash and other defensive strategies. Alternatives comprises property, infrastructure, alternative debt and absolute return strategies.

**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 within this category are expected to generate returns that are in line with or higher than the return objective. Other asset classes within Alternatives aim to provide good returns while also reducing volatility, particularly during periods of equity market declines.

**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 on 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 dynamically allocates assets between different asset classes, based on changes in the investment environment. The allocation to Alternatives, on the other hand, tends to be strategic in nature and generally illiquid, with investments being held over the medium to long term.

State Super conducts annual reviews of the strategic asset allocation in collaboration with its advisers. These reviews prioritise critical areas such as defining the investment risk and return objectives, taking into consideration the expected investment environment for each investment option's timeframe, and evaluating liquidity requirements for the short-and medium-term to ensure timely payment of member benefits.

## MARKET RISK PROTECTION STRATEGIES

State Super is focused on mitigating the risks of a large drawdown in equity markets; however, downside protection strategies typically require 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** – State Super 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, centrally 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, retention and realisation of investments, and the adoption of an active ownership approach across the Pooled Fund.

State Super continued to enhance its Responsible Investment Policy over the 2023 financial year in line with its new Responsible Investment Policy, Climate Change Statement and updated Stewardship Statement.

Significant developments in this respect include:

- **Net-Zero** – State Super continues to make progress on its net-zero CO<sub>2</sub>e goal across its investment portfolio, in its Pooled Fund, by 2050. Progress against a suite of metrics was reported to the State Super Board, with STC having the intention to disclose externally verified metrics to members for the year end 2023. In December 2022, the Board-approved plan was formulated with input from TCorp and MAS, with State Super setting a milestone of a 45% reduction in the weighted-average intensity of CO<sub>2</sub>e emissions by 2030 by revenue against an end of calendar 2020 baseline, on the way to the 2050 net-zero objective.
- **Proxy voting** – All proxy voting for DC and DB Options voted by State Super and TCorp respectively. For DC Options voting is based on a bespoke policy for international equities, with a change made during the year to re-appoint the Australian Council of Superannuation Investors as our prime advisor for domestic votes. Proxy voting for Trustee Selection has been delegated to TCorp. State Super continues to publish six-monthly proxy voting activities on its website.
- **Engagement** – State Super continues to engage with companies and collectively on climate and ESG policy through organisations such as The Australian Council of Superannuation Investors, Hermes EOS, Investor Group on Climate Change, the Principles for Responsible Investment and the Australian Sustainable Finance Institute. During the year, a State Super representative travelled to Canberra to discuss domestic sustainable finance matters with various federal Ministers.
- **Climate modelling** – With its advisors, State Super continues to model 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. Our last climate modelling was undertaken for FY 21/22 as part of the preparatory work ahead of setting the Net-Zero ambition. This year, the DC Option has commenced an initial research project to understand climate modelling in great depth. The intention is for the outcomes to be applicable to the DC Option in FY 23/24.
- **Modern Slavery** – State Super continues to engage with investment managers regarding modern slavery risks and has again requested reporting from them to assist in monitoring and addressing this on an annual basis. We include reporting requirements in our contracts as well as our expectations of compliance with the regulatory requirements to modern slavery. We actively engage with investee companies regarding their approach to modern slavery.
- **Carbon footprint analysis** – State Super continues to measure and monitor the carbon footprint of the listed equities portfolios within the DC fund through our Responsible Investment Risk dashboard and has implemented carbon reduction strategies for quantitative equities strategies, for which further reductions were implemented this year. This will form part of the ongoing management of ESG risk. At reporting date, TCorp continue to invest with reference to a low carbon benchmark for the passively managed developed market equities portion of the DB portfolio.
- **Exclusions** – State Super continued to exclude investments in tobacco (GICS Code: 30203010) and controversial weapon manufacturers from the Pooled Fund, based on specific thresholds for investment and provided by a third party researcher.

- Diversity – We firmly believe that individuals from various backgrounds and with diverse perspectives contribute to better member outcomes, which is why we actively recruit diverse teams. At State Super, we highly promote and cherish diversity and inclusion. We have a significant female presence, with strong representation, both at the Board level and within the Executive Leadership Committee. Our commitment to this extends to our investee companies, where we advocate for increased diversity, not only on the board but also among the executive team and expect them to maintain a balanced gender composition.

## Defined Benefit investment strategies at 30 June 2023

### 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 + 4.5%\* p.a. over rolling 10-year periods.

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

**Net assets at 30 June 2023:** \$30,525 million

#### Asset allocation at 30 June 2023:

	Strategic %	Actual %
<b>Liquid growth</b>	<b>55.0</b>	<b>53.0</b>
Australian equities	11.0	11.0
International equities	44.0	42.0
<b>Alternatives</b>	<b>37.0</b>	<b>41.0</b>
Infrastructure	12.0	16.0
Property	7.0	10.0
Alternatives - Other	18.0	15.0
<b>Liquid defensive</b>	<b>8.0</b>	<b>6.0</b>
Australian fixed interest	0.0	0.0
International fixed interest	0.0	0.0
Defensive Strategies	4.0	3.0
Cash	4.0	3.0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

\*This is calculated after pension tax

### UNIVERSITY CASH STRATEGY

**Investment objective:** The 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 (standard risk measure risk band 1: less than 0.5 negative annual returns estimated over any 20-year period).

**Net assets at 30 June 2023:** \$381 million

#### Asset allocation at 30 June 2023:

	Strategic %	Actual %
<b>Liquid growth</b>	<b>0.0</b>	<b>0.0</b>
<b>Alternatives</b>	<b>0.0</b>	<b>0.0</b>
<b>Liquid defensive</b>	<b>100.0</b>	<b>100.0</b>
Australian fixed interest	0.0	0.0
International fixed interest	0.0	0.0
Cash	100.0	100.0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## Member Investment Choice strategies at 30 June 2023

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

**Net assets at 30 June 2023:** \$5,422 million

**Asset allocation at 30 June 2023:**

	Strategic %	Actual %
<b>Liquid growth</b>	<b>60.0</b>	<b>58.7</b>
Australian equities	24.0	25.1
International equities	36.0	33.6
<b>Alternatives</b>	<b>30.0</b>	<b>32.6</b>
Infrastructure	7.0	5.7
Property	2.0	6.1
Alternatives - Other	21.0	20.8
<b>Liquid defensive</b>	<b>10.0</b>	<b>8.7</b>
Fixed Interest	4.0	3.9
Income	3.0	2.6
Defensive Strategies	0.25	0.2
Cash	2.75	2.0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### 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 (standard risk measure risk band 5: from 3 to less than 4 negative annual returns estimated over any 20-year period).

**Net assets at 30 June 2023:** \$1,209 million

**Asset allocation at 30 June 2023:**

	Strategic %	Actual %
<b>Liquid growth</b>	<b>48.0</b>	<b>46.1</b>
Australian equities	17.5	17.9
International equities	30.5	28.2
<b>Alternatives</b>	<b>22.0</b>	<b>25.1</b>
Infrastructure	7.0	5.7
Property	2.0	6.1
Alternatives - Other	13.0	13.3
<b>Liquid defensive</b>	<b>30.0</b>	<b>28.8</b>
Fixed Interest	7.0	6.7
Income	8.0	6.8
Defensive Strategies	0.25	0.2
Cash	14.75	15.1
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## 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 (standard risk measure risk band 4: from 2 to less than 3 negative annual returns estimated over any 20-year period).

**Net assets at 30 June 2023:** \$446 million

**Asset allocation at 30 June 2023:**

	Strategic %	Actual %
<b>Liquid growth</b>	<b>30.0</b>	<b>28.0</b>
Australian equities	10.5	11.1
International equities	19.5	16.9
<b>Alternatives</b>	<b>18.0</b>	<b>21.4</b>
Infrastructure	7.0	5.7
Property	2.0	6.1
Alternatives - Other	9.0	9.6
<b>Liquid defensive</b>	<b>52.0</b>	<b>50.6</b>
Fixed Interest	9.0	8.7
Income	19.0	16.3
Defensive Strategies	0.25	0.2
Cash	23.75	25.4
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## 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 (standard risk measure risk band 1: less than 0.5 negative annual returns estimated over any 20-year period).

**Net assets at 30 June 2023:** \$160 million

**Asset allocation at 30 June 2023:**

	Strategic %	Actual %
<b>Liquid growth</b>	<b>0.0</b>	<b>0.0</b>
<b>Alternatives</b>	<b>0.0</b>	<b>0.0</b>
<b>Liquid defensive</b>	<b>100.0</b>	<b>100.0</b>
Cash	100.0	100.0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## Changes to investment strategies effective 1 July 2023

In June 2023, State Super undertook its annual detailed review of the investment strategies and objectives for each investment option of the Pooled Fund.

Investment Options	Return Objectives effective 1 July 2022	Return Objectives effective 1 July 2023
Growth Strategy	CPI + 3.0% p.a. over rolling 7-year periods	CPI + 3.0% p.a. over rolling 7-year periods
Balanced Strategy	CPI + 2.0% p.a. over rolling 7-year periods	CPI + 2.0% p.a. over rolling 7-year periods
Conservative Strategy	CPI + 1.0% p.a. over rolling 4-year periods	CPI + 1.0% p.a. over rolling 4-year periods
Cash Strategy	Cash return over rolling 3-year periods	Cash return over rolling 3-year periods
Trustee Selection Strategy	CPI + 4.5%* p.a. over rolling 10-year periods	CPI + 3.7% p.a. over rolling 10-year periods

*\*This is calculated after pension tax*

### Strategic asset allocation changes

As part of the review, several strategic asset allocation changes have been made to the DC Member Investment Choice options. We continue to harmonise illiquid assets across different Member Investment Choice 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

As part of the review, we made only minor changes to the Strategic Asset Allocation. These changes did not affect the allocation at the liquid growth, alternatives, and liquid defensive levels.

Within the liquid growth category, we reduced the allocation to emerging markets equities and increased the allocation to global decarbonisation enablers.

In the Alternatives category, we made adjustments by reducing the allocation to infrastructure and alternative debt. At the same time, we increased the allocation to private markets and alternatives. These changes were made to ensure the portfolio maintains liquidity in the face of negative cash flow while also aligning with our investment strategies and goals.

#### Trustee Selection Strategy

Trustee Selection is a defined benefit scheme with a different investment time horizon to DC options. No changes were made to the Strategic Asset Allocation for the Trustee Selection strategy this year.

## STRATEGIC ASSET ALLOCATIONS FOR DEFINED BENEFIT STRATEGIES

### Trustee Selection Strategy

Effective from 1 July 2023, the strategic asset allocation for the Trustee Selection Strategy is as follows:

	Strategic asset allocation %	Asset allocation range %
<b>Liquid growth</b>	<b>55.0</b>	<b>32.0 – 67.0</b>
Australian equities	11.0	
International equities	44.0	
<b>Alternatives</b>	<b>37.0</b>	<b>15.0 – 49.0</b>
Infrastructure	12.0	
Property	7.0	
Alternatives - Other	18.0	
<b>Liquid defensive</b>	<b>8.0</b>	<b>1.0 – 33.0</b>
Australian fixed interest	0.0	
International fixed interest	0.0	
Other defensive strategies	4.0	
Cash	4.0	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### University Cash Strategy

Effective from 1 July 2023, the strategic asset allocation for the University Cash Strategy is as follows:

	Strategic asset allocation %
<b>Liquid growth</b>	<b>0.0</b>
<b>Alternatives</b>	<b>0.0</b>
<b>Liquid defensive</b>	<b>100.0</b>
Cash	100.0
<b>TOTAL</b>	<b>100.0</b>

*Note: 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 2023, the strategic asset allocation for the Growth Strategy is as follows:

	Strategic asset allocation %	Asset allocation range %
<b>Liquid growth</b>	<b>60.0</b>	<b>44.0 – 76.0</b>
Australian equities	24.0	
International equities	36.0	
<b>Alternatives</b>	<b>30.0</b>	<b>18.0 – 42.0</b>
Infrastructure	5.0	
Property	2.0	
Alternatives - Other	23.0	
<b>Liquid defensive</b>	<b>10.0</b>	<b>1.0 – 20.0</b>
Fixed Interest	4.0	
Income	3.0	
Defensive strategies	0.25	
Cash	2.75	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### Balanced Strategy

Effective from 1 July 2023, the strategic asset allocation for the Balanced Strategy is as follows:

	Strategic asset allocation %	Asset Allocation range %
<b>Liquid growth</b>	<b>48.0</b>	<b>32.0 – 64.0</b>
Australian equities	17.5	
International equities	30.5	
<b>Alternatives</b>	<b>22.0</b>	<b>10.0 – 34.0</b>
Infrastructure	5.0	
Property	2.0	
Alternatives - Other	15.0	
<b>Liquid defensive</b>	<b>30.0</b>	<b>20.0 – 40.0</b>
Fixed Interest	7.0	
Income	8.0	
Defensive strategies	0.25	
Cash	14.75	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## Conservative Strategy

Effective from 1 July 2023, the strategic asset allocation for the Conservative Strategy is as follows:

	Strategic asset allocation %	Asset allocation range %
<b>Liquid growth</b>	<b>30.0</b>	<b>14.0 – 46.0</b>
Australian equities	10.5	
International equities	19.5	
<b>Alternatives</b>	<b>18.0</b>	<b>6.0 – 30.0</b>
Infrastructure	5.0	
Property	2.0	
Alternatives – Other	11.0	
<b>Liquid defensive</b>	<b>52.0</b>	<b>42.0 – 62.0</b>
Fixed Interest	11.0	
Income	17.0	
Defensive strategies	0.25	
Cash	23.75	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

## Cash Strategy

Effective from 1 July 2023, the strategic asset allocation for the Cash Strategy is as follows:

	Strategic asset allocation %
<b>Liquid growth</b>	<b>0.0</b>
Australian equities	0.0
International equities	0.0
<b>Alternatives</b>	<b>0.0</b>
<b>Liquid defensive</b>	<b>100.0</b>
Cash	100.0
<b>TOTAL</b>	<b>100.0</b>

*Note: Asset allocation ranges are not used in the Cash Strategy.*

# Investment Performance

This section provides an overview of State Super's investment performance and activities during 2022-23.

## Investment market overview

### Year in review – Financial Year ending 30 June 2023

The financial year ending on 30 June 2023 can be characterised as a period of surprisingly positive performance in investment markets, defying initial expectations. Despite facing some challenging conditions and uncertainties, equity markets demonstrated remarkable resilience and delivered impressive returns.

The Australian share market returned 14.4%, while international equities delivered a return of over 18.3%. Bonds had mixed performance, with Australian bonds returning 1.2% and international bonds losing 1.2%. On the other hand, cash investments had their strongest year in a decade, delivering a return of 2.9% thanks to rising interest rates.

At the beginning of the financial year, there were concerns regarding high inflation, rising interest rates, and geopolitical tensions, all of which contributed to periods of market volatility. Heightened inflationary pressures and the impact of increased mortgage costs and rising living expenses on household budgets further weighed on investor sentiment.

The underlying reason behind the economy's resilience turned out to be better-than-expected performance in economic growth. Despite the challenges and uncertainties, economic growth held up relatively well, leading to improved performance and earnings for companies worldwide. Additionally, labour markets remained strong, resulting in historically low unemployment rates in selected developed economies.

### The year ahead – Financial Year 2024

As we look ahead to the next financial year, it is likely that we will continue to navigate a similar economic landscape to the previous year. It is uncertain whether interest rates, particularly in the US, have peaked and the persistence of high inflation and ongoing geopolitical tensions worldwide may contribute to occasional market volatility and impact investment returns.

It is crucial to recognise that economic cycles, characterised by periodic expansions and contractions, are a normal aspect of investing. Moreover, markets are forward-looking entities that anticipate potential slowdowns and adjust their valuations accordingly.

As we move forward, our investment strategy will maintain a longer-term focus while considering prevailing market conditions and emerging themes that may influence our outlook for the future. Staying attuned to economic trends, global developments, and the actions of central banks and governments will guide our decision-making process.

## Investment performance for 2022/23

### 2022-23 performance

The 2022-23 annual crediting rates for the various investment options were as follows:

Strategy	Crediting rate p.a.* %
<b>Defined Benefit</b>	
Trustee Selection	8.8**
University Cash	2.5
<b>Member Investment Choice</b>	
Growth	9.9
Balanced	8.0
Conservative	6.1
Cash	2.7

\*Net of fees and taxes

\*\*This excludes the benefit of the ECPI, please refer to the table on page 33 for the inclusion of ECPI returns.

In FY23, all investment options experienced impressive returns. Specifically, the Member Investment Choice options DC Growth, Balanced and Conservative outperformed their respective SuperRatings cohorts, securing top quartile performance in the 12-month period leading up to 30 June 2023.

The primary factor responsible for generating returns was the performance of liquid growth assets, which benefited from the strength of equity markets. Additionally, most other asset classes also made positive contributions to the overall returns. However, the performance of liquid defensive assets had a negative impact on returns. In a rising interest rates environment, fixed interest investments experienced a slight decline. Similarly, downside equity hedges detracted from returns given the strong equity markets.

## Long-term performance

Meeting long-term goals requires investments to be actively managed to capture the returns offered for taking on risk, whilst controlling the impact of losses in more turbulent market conditions. Given the Fund's negative cash flow and different investment horizons for different investment options, State Super (either directly or via TCorp for Trustee Selection) will reallocate assets as it deems necessary to increase the probability of all investment strategies achieving their respective investment objectives and ensuring appropriate liquidity levels.

Crediting rates for the period ended 30 June 2023 against investment objectives for each of the State Super strategies are provided in the table below.

Strategy	Objective (at 30 June 2022)	Objective Period	Average annual compound crediting rate p.a.** %	Objective p.a. %
<b>Defined Benefit</b>				
Trustee Selection	CPI + 4.5%*	10 years	7.5	7.2
University Cash	Cash	3 years	0.9	1.0
<b>Member Investment Choice</b>				
Growth	CPI + 3.0%	7 years	7.0	6.3
Balanced	CPI + 2.0%	7 years	5.4	5.2
Conservative	CPI + 1.0%	4 years	3.9	4.9
Cash	Cash	3 years	1.0	1.0

\* Objective based on returns after pension tax.

\*\* Over the objective period.

The Trustee Selection and all diversified investment option strategies, with the exception of the Conservative option, delivered returns above their long-term performance objectives.

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.

## Crediting rates for defined benefit reserves

The crediting rates provided in the following tables for defined benefit reserves are prior to adjustments for the varying rates of exempt current pension income (ECPI) tax. As a result of the ECPI tax adjustment, each of the defined benefit reserves (including those relating to Crown and other Government enterprises with pension members) is credited with an additional amount over and above that shown below.

### Trustee Selection Strategy

Year ending	Crediting rate to employer reserves (p.a.) %
30 June 2023	8.8
30 June 2022	-0.6
30 June 2021	13.1
30 June 2020	1.3
30 June 2019	8.5
<b>Average annual compound crediting rate (p.a.)</b>	
Over 3 years	6.9
Over 5 years	6.1
Over 10 years	7.5

### University Cash Strategy

Year ending	Crediting rate to employer reserves (p.a.) %
30 June 2023	2.5
30 June 2022	0.1
30 June 2021	0.1
30 June 2020	0.8
30 June 2019	1.8
<b>Average annual compound crediting rate (p.a.)</b>	
Over 3 years	0.9
Over 5 years	1.0
Over 10 years	N/A

Trustee Selection returns for Crown employers after the benefit of ECPI tax	Crediting rate including ECPI *effect on employer reserves (p.a.) %
30 June 2023	10.0
30 June 2022	-1.1
30 June 2021	14.9
30 June 2020	1.6
30 June 2019	9.2
<b>Average annual compound crediting rate (p.a.)</b>	
Over 3 years	7.9
Over 5 years	6.9
Over 10 years	8.5

\*Tax effect arising from Exempt Current Pension Income

## Crediting rates for member investment choice strategies

SASS is a hybrid scheme, with the member-financed benefit component being an accumulation of member contributions with investment earnings and the employer-financed benefit component being a defined benefit. On deferral, both the member and employer-financed components are accumulated with investment earnings from the investment strategy or strategies selected by the member.

SASS members have a choice of four investment strategies – Growth, Balanced, Conservative and Cash. The Growth Strategy is the default strategy that applies if a member does not make an investment choice.

The crediting rates for the four investment strategies are shown below. Given as an annual rate and rounded to one decimal point, they are credited to members' accounts at the end of the financial year. Actual crediting rates are declared monthly to four decimal places. The annual rate is the compounded monthly rates.

### Growth Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2023	9.9
30 June 2022	-1.7
30 June 2021	14.3
30 June 2020	1.5
30 June 2019	7.6
<b>Average annual compound crediting rate (p.a.)</b>	
Over 3 years	7.3
Over 5 years	6.2
Over 10 years	7.7

### Conservative Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2023	6.1
30 June 2022	1.1
30 June 2021	5.6
30 June 2020	3.0
30 June 2019	4.7
<b>Average annual compound crediting rate (p.a.)</b>	
Over 3 years	4.2
Over 5 years	4.1
Over 10 years	4.9

### Balanced Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2023	8.0
30 June 2022	-0.9
30 June 2021	8.9
30 June 2020	2.7
30 June 2019	5.9
<b>Average annual compound crediting rate (p.a.)</b>	
Over 3 years	5.3
Over 5 years	4.9
Over 10 years	6.3

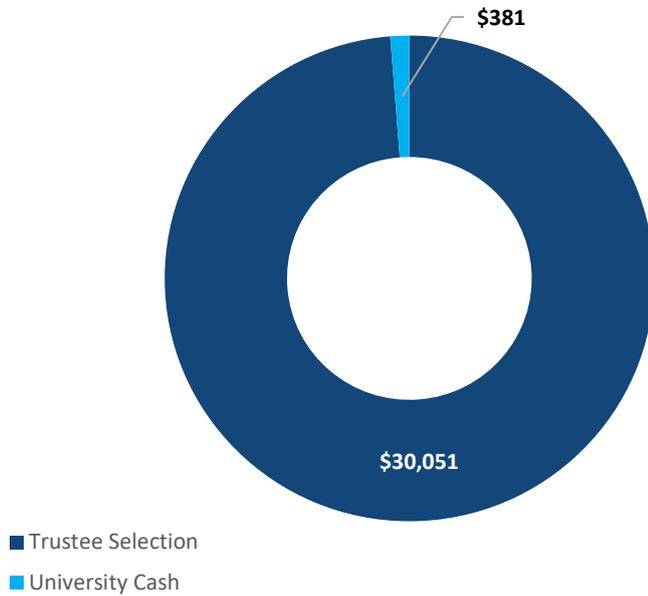
### Cash Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2023	2.7
30 June 2022	0.1
30 June 2021	0.1
30 June 2020	0.9
30 June 2019	1.9
<b>Average annual compound crediting rate (p.a.)</b>	
Over 3 years	1.0
Over 5 years	1.1
Over 10 years	1.6

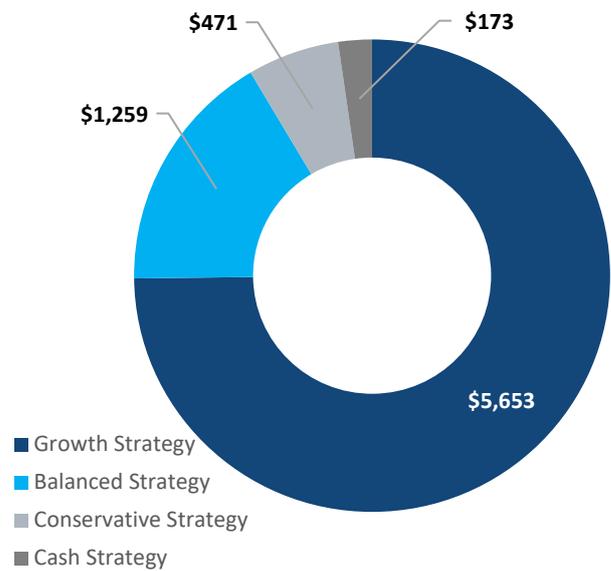
## Funds under management (FUM)

FUM per investment strategy at 30 June 2023 (\$ millions) \*

### DEFINED BENEFIT STRATEGIES



### MEMBER INVESTMENT CHOICE STRATEGIES



\*Excludes Employer Sponsor Receivable

## Investment expenses

The indirect cost percentage 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 estimated indirect cost percentages for the six investment strategies for 2023-24 are shown below. These estimates are broadly similar to the previous year. (Note, the indirect cost percentages for 2023-24 are estimates only and may change due to market circumstances or changes in the structure of the asset sectors as the year unfolds).

Investment indirect cost ratio of average total assets		
Strategy	Actual 2022-23	Estimated 2023-24
<b>Defined benefit investment strategies</b>		
Trustee Selection	0.41%	0.37%
University Cash	0.05%	0.05%
<b>Member Investment Choice investment strategies</b>		
Growth	0.31%*	0.40%**
Balanced	0.28%	0.32%
Conservative	0.24%	0.29%
Cash	0.03%	0.04%
	*0.31% + nil performance fee paid	**estimated 0.35% + 0.05% performance fee

## Investment managers at 30 June 2023

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
<b>Australian Equities</b>			
Alphinity Investment Management Pty Ltd	✓	–	–
Ausbil Investment Management Limited	✓	–	–
BlackRock Asset Management Australia Limited	✓	–	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Macquarie Group Limited	✓	✓	–
Martin Currie Investment Management Ltd	–	✓	–
Northcape Capital Pty Ltd	✓	–	–
Pendal Group Limited	✓	✓	–
Plato Investment Management Limited (previously Omega)	–	✓	–
Platypus Asset Management Pty Ltd	✓	–	–
Perennial Value Management Ltd	–	✓	–
State Street Bank & Trust Company	–	✓	–
UBS Securities Australia Limited	–	✓	–
<b>International Equities</b>			
Ardevora Asset Management LLP	✓	–	–
Artisan Partners Limited Partnership	✓	–	–
AQR Capital Management LLC	–	✓	–
BlackRock Asset Management Australia Limited	✓	–	–
BNP Paribas Management UK Ltd	–	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
C Worldwide Asset Management Fondsmæglerselskab A/S	–	✓	–
Harris Associates Limited Partnership	✓	–	–
MFS International Australia Pty Ltd	✓	–	–
Ninety One UK Limited	✓	✓	–
Northcape Capital Pty Ltd	✓	–	–
Northern Trust Company of Hong Kong Limited	✓	–	–
Perennial Value Management Ltd	–	✓	–
Robeco Hong Kong Limited	✓	–	–
Schroder Investment Management Australia Limited	✓	–	–
State Street Bank & Trust Company	–	✓	–
State Street Global Advisors Australia Limited	–	✓	–
<b>Property</b>			
AEW Capital Management, LP (via Equity Trustees Ltd)	–	✓	–
Brookfield Premier Real Estate Partners L.P	✓	–	–
Charter Hall Investment Management Limited	–	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
EG Funds Management Pty Ltd	✓	–	–
Franklin Templeton Investments Australia Limited	✓	–	–

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
<b>Property con't</b>			
Invesco Real Estate (via Equity Trustees Ltd)	–	✓	–
Investa Property Group	–	✓	–
ISPT Pty Ltd	–	✓	–
LaSalle Investment Management (via Equity Trustees Ltd)	–	✓	–
LendLease Investment Management (AFSL) Pty Limited	✓	–	–
New South Wales Treasury Corporation	✓	–	–
<b>Australian Fixed Interest &amp; Cash</b>			
Ardea Investment Management Pty Ltd	–	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	–	–
Macquarie Group Limited	✓	–	–
Pendal Group Limited	✓	–	–
State Street Global Advisors Australia Limited	✓	✓	✓
<b>Alternative Assets</b>			
Bentham Asset Management Pty Limited	–	✓	–
Challenger Investment Partners Limited	–	✓	–
Citigroup Global Markets Australia Pty Ltd	–	✓	–
Fulcrum Asset Management LLP	–	✓	–
HarbourVest Partners, LLC	–	✓	–
Kohlberg Kravis Roberts & Co. L.P.	–	✓	–
MAN Group plc	–	✓	–
Neuberger Berman Australia Ltd	–	✓	–
New South Wales Treasury Corporation	✓	–	–
Pendal Group Limited	–	✓	–
Perennial Value Management Limited	–	✓	–
Resolution Life Group Holdings LP	✓	–	–
PineBridge Investments LLC	–	✓	–
Siguler Guff Distressed Opportunities Fund IV (F) LP	✓	–	–
York Distressed Asset Holdings IV, LLC	–	✓	–
<b>Currency &amp; Overlay</b>			
Challenger Management Solutions Pty Ltd	–	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	–	–
Macquarie Investment Management Global Limited	✓	–	–
Mesirow Financial Investment Management, Inc.	–	✓	–
New South Wales Treasury Corporation	✓	–	–
Perennial Value Management Limited	✓	–	–
PIMCO Australia Pty Ltd	✓	–	–
State Street Global Advisors Australia Limited	–	✓	–

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
<b>High Yield/Bank</b>			
Intermediate Capital Group Limited	✓	–	–
KKR Australia Investment Management Pty Limited	✓	–	–
Lazard Asset Management Pacific Co	✓	–	–
New South Wales Treasury Corporation	✓	–	–
Ninety One UK Limited	✓	–	–
PineBridge Investments LLC	✓	–	–
<b>Infrastructure</b>			
Citigroup Global Markets Australia Pty Ltd	–	✓	–
Whitehelm Capital Pty Ltd	✓	–	–
H.R.L. Morrison & Co Limited	–	✓	–
Macquarie Specialised Asset Management Limited	✓	–	–
New South Wales Treasury Corporation	✓	–	–
QIC Limited	–	✓	–

## 4. Management and Accountability

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# Human resource management

## Numbers and remuneration of senior executives

The table below shows remuneration levels and the number of senior executive staff by salary band and gender at 30 June 2023.

In FY 2023, 30% of State Super's employee-related expenditure related to senior executives, compared to 32% in FY 2022. The variance is driven by an increase in headcount of non-executive staff.

Band and salary range  2022-23 SOORT determination	2023				2022				2021			
	Men	Women	Total	Average Remuneration	Men	Women	Total	Average Remuneration	Men	Women	Total	Average Remuneration
Band 4 (Secretary) >\$509,251	1	0	1	\$594,105 <sup>(1)</sup>	1	0	1	\$568,250 <sup>(2)</sup>	1	0	1	\$568,250 <sup>(3)</sup>
Band 3 (Deputy Secretary) \$361,301 - \$509,250	1	0	1	\$428,655	1	0	1	\$420,250	1	0	1	\$410,000
Band 2 (Executive Director) \$287,201 - \$361,300	2	0	2	\$337,327	2	0	2	\$337,327	2	0	2	\$322,647
Band 1 (Director) \$201,350 - \$287,200	2	2	4	\$278,992	2	2	4	\$273,522	1	2	3	\$266,467
	6	2	8		6	2	8		5	2	7	

<sup>(1)</sup> 2022-23 A performance bonus of \$191,665 was paid.

<sup>(2)</sup> 2021-22 A performance bonus of \$186,386 was paid.

<sup>(3)</sup> 2020-21 A performance bonus of \$183,324 was paid.

## Salary movement

The State Super Enterprise Agreement 2020-2022 continued to govern the employment terms for the organisation's non-executive staff during the reporting period, despite the fact that it notionally expired on 9 August 2022. A new State Super Enterprise Agreement 2023-2024 is currently being negotiated with staff.

State Super applied a 3% increase for its non-executive employees effective 1 July 2022, with the increase applied administratively in November 2022 with retrospective effect.

## Employee remuneration levels

The table below shows remuneration levels and number of staff by gender and salary range as at 30 June 2023. The salary ranges for 2023 are before any increase effective at 1 July 2023.

2023			Salary range	2022			Salary range	2021			Salary range
Men	Women	Total staff		Men	Women	Total staff		Men	Women	Total staff	
4	4	4	\$72,018 – \$102,026	4	4	4	\$69,920 – \$99,054	5	5	5	\$67,884 – \$96,169
1	1	1	\$102,027 – \$129,593	1	1	1	\$99,024 – \$125,818	0	0	0	\$96,170 – \$122,191
1	1	1	\$129,595 – \$143,392	2	1	3	\$125,820 – \$139,216	1	1	1	\$122,193 – \$135,203
5	7	12	\$143,395 – \$167,990	4	4	8	\$139,218 – \$163,097	1	5	6	\$135,205 – \$158,396
12	10	22	\$167,991 – \$197,302	12	9	21	\$163,098 – \$191,555	11	9	20	\$158,397 – \$186,033
<b>17</b>	<b>23</b>	<b>40</b>		<b>18</b>	<b>19</b>	<b>37</b>		<b>13</b>	<b>19</b>	<b>32</b>	
<b>43%</b>	<b>57%</b>			<b>49%</b>	<b>51%</b>			<b>41%</b>	<b>59%</b>		

# Payments to consultants

## Payments to consultants in accordance with TPG 23-03

Area	Project	Consultant	Total Cost \$
Member Engagement	IT advisory for Administration Platform Transition*	PwC Consulting (Australia) Pty Ltd	\$397,485
Member Engagement	Member Experience Framework**	Nous Group Pty Ltd	\$126,775
<b>Consultancies equal to or more than \$50,000</b>			<b>\$524,260</b>
<b>Consultancies less than \$50,000 (2 engagements)</b>			<b>\$69,864</b>

\*Subject to procurement process including probity auditor

\*\*Subject to competitive quote process

## Promotion

### Overseas visits

#### Charles Wu, Chief Investment Officer

Mr Wu attended a 'Sustainability in Practice: Navigating the impact revolution' Forum held at Harvard University (Massachusetts) as a guest speaker between 13-15 September 2022.

Mr Wu also met with peer funds and service providers in the United States (Boston and New York), London and Singapore between 17-22 September 2022.

The total cost incurred by State Super was \$22,569.

#### Sarah Gallard, Senior Manager Responsible Investment

Between 20-26 November 2022, Ms Gallard met with peer funds and service providers in London. Ms Gallard attended the ACSI Delegation to London from 27-29 November 2022 followed by the PRI in Person Conference in Barcelona from 30 November – 2 December 2022.

The total cost incurred by State Super was \$11,176.

#### John Livanas, Chief Executive Officer

Mr Livanas attended the ACSI Delegation to London from 27-29 November 2022, followed by the PRI in Person Conference in Barcelona from 30 November – 2 December 2022.

The total cost incurred by State Super was \$16,844.

# Legal change

## Relevant legislative changes

There were only minor or incidental changes to State Super's constituent legislation and the governing legislation of the State Super schemes in the 2022-23 year (the relevant pieces of legislation are set out below).

Apart from the change that is described below, the minor changes concerned the change of name of First State Superannuation to Aware Super (as this fund is stipulated in the scheme legislation to receive the transfer of benefits from the schemes in certain circumstances) and changes and additions to the schedule of employers for some of the schemes.

### Changes to Acts governing the State Super schemes

Principal Act	Description
<i>Superannuation Administration Act 1996 (NSW)</i>	Some changes were made to add Parts 6-8 to the Act, to incorporate some successor fund provisions after it was announced that EISS, which up until the late 1990s had been part of the State Super schemes, was merging with another fund. Various existing provisions were moved to the new parts of the Act.
<i>Police Regulation (Superannuation) Act 1906 (NSW)</i>	Only minor changes during year.
<i>Police Association Employees (Superannuation) Act 1969 (NSW)</i>	No changes during year.
<i>State Authorities Superannuation Act 1987 (NSW)</i>	Only minor changes during year.
<i>State Authorities Non-contributory Superannuation Act 1987 (NSW)</i>	Only minor changes during year.
<i>Superannuation Act 1916 (NSW)</i>	Only minor changes during year.

## Changes to regulations made under Acts governing the schemes

Regulations have been made under some of the Acts listed above.

The minor changes to the Acts concerning Aware Super as noted above also required related changes to the following scheme regulations:

*Police Superannuation Regulation 2020.*

*State Authorities Superannuation Regulation 2020*

*Superannuation Regulation 2022*

The *Superannuation Regulation 2022* was remade (previously it was the *Superannuation Regulation 2016*) in the 22/23 year in accordance with the staged repeal and replacement process for NSW sub-ordinate legislation.

## Significant judicial decisions or cases

In the 2022-23 year, there were no significant judicial decisions in cases involving State Super.

## Disputes and appeals

The superannuation schemes administered by State Super provide members with a two-stage system of review of certain decisions made by a delegate of State Super that they wish to dispute. The first stage is State Super's Member Services Committee, and the second stage is an appeal to the Supreme Court of NSW. It should be noted that decisions in certain matters relating to PSS can be appealed directly to the District Court of NSW (see *District Court* section below).

There were no disputes lodged during the 2022 – 2023 financial year.

<b>Disputes on hand at 1 July 2022</b>	0
<b>Disputes lodged in 2022-23</b>	0
<b>Disputes determined in 2022-23</b>	
Confirmation of State Super delegate's decision	0
Delegate's decision set aside and new decision made	0
Settled	0
Disputes withdrawn or discontinued in 2022-23	0
<b>Disputes on hand at 30 June 2023</b>	0

## Appeals to the Supreme Court

There were no appeals made to the Supreme Court during the 2022-23 year from any determination by the Member Services Committee of a dispute. There was one Supreme Court matter involving State Super in the 2022-23; a family provision matter in relation to death benefits payable from its schemes. The plaintiffs discontinued the proceedings against State Super (as 2nd defendant) once all the relevant parties agreed with State Super's decision about to whom the death benefits would be paid.

## District Court

The *Police Regulation (Superannuation) Act 1906 (NSW)* (the PRS Act) provides for a right to apply directly to the District Court of NSW (with no requirement to first lodge a dispute with State Super) from decisions of:

- The Police Superannuation Advisory Committee (PSAC) as the delegate of State Super, concerning applications by PSS hurt on duty (HOD) pensioners for increases to their pensions and/or changes to the commencement dates of their pensions.
- PSAC or the CEO of State Super, as the delegate of State Super, concerning applications by current or former members of the Police Force who are in PSS for a certificate of incapacity under s.10B of the PRS

Act.

- PSAC as the delegate of State Super, concerning applications for benefits upon the HOD death of any current or former member of the Police Force who was in PSS.
- The CEO of State Super as the delegate of State Super, concerning whether an application for a certificate of incapacity under s.10B of the PRS Act or for an increase to a HOD pension which was received outside of the legislatively prescribed timeframe should be accepted.
- Allianz Insurance Australia Limited as the delegate of State Super, concerning applications by current or former members of the Police Force who are in PSS for lump sum payments for HOD-related permanent impairments or for reimbursement of HOD-related medical expenses.

Applications to the District Court against a decision of State Super or its delegates resulted in outcomes in the 2022-23 year as set out below:

	PSAC/CEO as delegate	Allianz as delegate
Decided in favour of State Super	2	-
Decided in favour of the member/beneficiaries	2	-
Withdrawn or discontinued	2	-
Settled	14	3
<b>Total</b>	<b>20</b>	<b>3</b>

As at 30 June 2023 there were eighteen (18) applications to the District Court in matters involving State Super where the legal proceedings were still ongoing. None of these matters involved a decision made by Allianz as a delegate for State Super.

In the 2022-23 year, there were two (2) matters involving State Super that were decided by the Court of Appeal of NSW.

	PSAC/CEO	Allianz
Decided in favour of State Super	1	-
Decided in favour of the member/beneficiaries	1	-
Withdrawn or discontinued	-	-
Settled	-	-
<b>Total</b>	<b>2</b>	<b>-</b>

At 30 June 2023, there was one (1) appeal to the Court of Appeal from a decision of the District Court in a matter involving State Super where the appeal had been heard but the decision had not been handed down. It is expected that the Court of Appeal will hand down this decision in the 2nd half of 2023.

In the Court of Appeal matter listed in the table above that was decided in favour of State Super, the member who had brought the unsuccessful appeal then sought special leave to appeal against the decision to the High Court. This application for special leave was declined.

## Access to information

State Super is, for the purposes of the *Government Information (Public Access) Act 2009* (NSW) (the GIPA Act), an agency and as such must release “government information” unless there is an overriding public interest against disclosure. Government information is anything contained in a record held by an agency or held on behalf of an agency by a private sector entity, to which the agency has right of access.

State Super holds (either itself or via a service provider) information that is classed as “government information” about:

- itself as a corporation – such as information relating to its business operations, financial situation and dealings, staff and structure and property and equipment and
- the superannuation schemes that it is trustee of, including a superannuation membership file for each of the members of the schemes.

Information about the investment functions performed by State Super is excluded for the purposes of the GIPA Act.

### Open access information about State Super

The GIPA Act obliges agencies to release “open access information” (as defined in the GIPA Act) and State Super’s “open access information” is set out on the website [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au) (under “About Us” and then “Access to Information”).

State Super reviews annually the types of government information it holds for the purpose of determining what government information should be made publicly available. The result of the review in 2022-23 was that State Super believes that it has made publicly available all the government information it holds that should, in the public interest, be available and that can be made available without imposing unreasonable costs on itself.

### Access to information about State Super

Information about State Super, including its open access information, is available from the website [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au) (under “About Us” and then “Access to Information”). The website also contains State Super’s Agency Information Guide, which amongst other things describes the types of government information held by State Super, the types of information that is available to the public and how to access that information.

Access to some government information about State Super may be able to be released after an informal application for the information, and such an application can be made by contacting State Super’s Information Access Officer on 02 9238 5906. However, State Super may impose reasonable conditions on the release of information informally, or it may require an applicant to make a formal application for access under the GIPA Act.

A formal application under the GIPA Act may be required where the requested information is of a type that is costly to make available or where the decision about access may have to be formally made because of the nature of the information sought. A formal application can be made using the form available from the website [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au) (under “About Us” and then “Access to Information”). The completed form should be addressed to State Super at:

Information Access Officer

SAS Trustee Corporation

PO Box N259

Grosvenor Place NSW 1220

A formal application under the GIPA Act requires an application fee of \$30 and State Super also has the right to charge a processing fee of \$30 per hour in addition to the application fee. Processing charges may be reduced by 50% for a pensioner holding a health care card, a full-time student or where an applicant is suffering financial hardship.

During the 2022-23 year, State Super did not **directly** receive any formal valid applications for access to information under the GIPA Act. All of the formal valid applications for access to information under the GIPA Act received by State Super in the 2022-23 year were received on behalf of State Super by MAS. The statistics for the applications for access to information received by or on behalf of State Super in the 2022-23 year are set out in Appendix 1 to this Annual Report.

## **Member access to their superannuation file**

State Super members can apply for access under the GIPA Act for part or all the information held in the superannuation membership file that the scheme administrator (MAS) maintains, on behalf of State Super, in relation to their scheme membership.

MAS is contractually obliged to State Super to process these applications and has responsibility for handling the processing of certain functions of State Super relating to applications for access to information made by members of the State Super schemes. MAS processes these applications as authorised delegate for and on behalf of State Super, which is the owner of the government information held by MAS that comprises the members' superannuation files.

A formal application under the GIPA Act is required for a member of a State Super scheme to access part or all the information in their superannuation membership file held by MAS. The forms for such an application are available on the State Super website under "About Us" and then "Access to Information" or by calling a MAS Information Access Officer on 1800 779 068. The applications are made to MAS, who process them as a delegate for and on behalf of State Super. An application fee of \$30 must be paid to MAS and processing fees of \$30 an hour may apply (although the first 20 hours of processing is free of charge). Processing charges may be reduced by 50% for a pensioner holding a health care card, a full-time student or where an applicant is suffering financial hardship.

A formal application, once completed on the appropriate form, should be addressed to MAS at:

Information Access Co-ordinator

Mercer Administration Services (MAS)

GPO Box 2181

Melbourne VIC 3001

## **Applications to State Super (either directly or via MAS) under the GIPA Act for access to information**

During the 2022-23 year, there were:

- 200 formal applications for information (under the GIPA Act) received by or on behalf of State Super, (including withdrawn applications, but excluding invalid applications).
- 200 applications processed.
- 27 applications refused, in whole or in part, because the application was for information for which there is a conclusive presumption of overriding public interest against disclosure (categories referred to in Schedule 1 of the GIPA Act). Of those 27 applications, all were only refused in part.
- There were 9 applications still in progress as at 30 June 2023 (there had been 9 applications in progress at 1 July 2022).

Refer to Appendix 1 for statistical information about applications to State Super (either directly or via MAS) under the GIPA Act for access to information in the 2022-23 year.

# Risk management

## Risk management and insurance

State Super has established and maintains a risk management framework appropriate to the size, business mix and complexity of the State Super schemes. This enables it to effectively manage the material risks presented by its environment and objectives.

The Risk, Audit and Compliance Committee (RACC) of State Super monitors and reviews the risk management framework holding regular meetings attended by members of the Executive, Internal Audit and representatives of the NSW Audit Office (External Audit). Material outsourced providers, including the Administrator, Custodian and Master Investment Manager, also attend RACC meetings when required.

### Risk Management Framework and associated documents

State Super's Risk Management Framework sets out the Board's approach to risk management. It represents the systems, structures, policies, processes and people within State Super's business operations that identify, assess, manage, and mitigate risks. This includes the monitoring of internal and external sources of risk that could have a material impact on State Super's business operations or the interests of beneficiaries.

State Super's Risk Management Framework has been developed having regard to the APRA Superannuation Prudential Standard SPS220 Risk Management and includes the following:

- Risk Appetite Statement (including Risk Tolerances)
- Risk Management Strategy
- Other supporting risk management policies, procedures and controls to identify, assess, monitor, report on, mitigate and manage material risks
- Clearly defined and documented roles, responsibilities and formal reporting structures for the management of material risks throughout State Super's business operations
- A designated risk management function
- A review, monitoring, and reporting process to ensure that the risk management framework remains effective

The Risk Appetite Statement articulates the Board's acceptable risk limits within which staff and consultants, whether internal or external, and at all levels of State Super business operations, must operate; while material risks, control methods and ongoing monitoring procedures are set out in State Super's Risk Management Strategy. State Super's Risk Management Framework details:

- Risks that have been identified by the Board as material
- Methods adopted to minimise and/or mitigate material risks
- A methodology for monitoring and reporting material risks on an ongoing basis.

In addition to the Risk Management Framework, State Super has procedures in relation to:

- The management and monitoring of adequate human, technical and financial resources to enable State Super to carry out its obligations effectively
- The management and control of fraud and corruption
- Insurance cover in the event of an unexpected occurrence affecting its operations or resources.

State Super also has policies to deal with conduct risk, including State Super's Code of Conduct and Ethics and Public Interest Disclosure Policy as well as risk and compliance training to encourage proactive risk management and regulatory compliance.

State Super arranges an independent review of its Risk Management Framework every three years. The most recent review was carried out by the Internal Auditor in March 2023 and found our framework to be relatively mature, balancing the challenges of a large fund with high member base and a highly outsourced business model.

In 2022-23, Internal Audit reviewed State Super control frameworks in relation to outsourcing, tax governance, investment governance over defined contribution funds and fund accounting controls. No major issues were raised.

### Insurance

During the 2022-23 financial year, insurance for State Super was maintained with the NSW Government self-insurance scheme called the Treasury Managed Fund (TMF), which covers the NSW Government's insurable risks. TMF provides cover for the following classes of risk:

- Workers Compensation
- Property (full replacement, new for old, including consequential loss)
- Liability (including, but not limited to, professional indemnity and directors' and officers' liability)
- Miscellaneous (e.g. personal accident).
- Motor Vehicle

# Internal Audit and Risk Management Attestation Statement for the 2022-23 Financial Year for the SAS Trustee Corporation

## Internal Audit and Risk Management Attestation Statement for the 2022 - 2023 Financial Year for SAS Trustee Corporation

The Board of SAS Trustee Corporation (STC) is of the opinion that STC and its controlled entity, the SAS Trustee Corporate Staff Agency has internal audit and risk management processes in operation that are compliant with the seven (7) core requirements set out in the *Internal Audit and Risk Management Policy for the General Government Sector TPP 20-08*, specifically:

### Core Requirements

- |     |  |           |
|-----|--|-----------|
| 1.1 | The STC Board is ultimately responsible and accountable for risk management in STC and its controlled agency.                                      | COMPLIANT |
| 1.2 | A risk management framework that is appropriate to STC has been established and maintained and the framework is consistent with AS ISO 31000:2018. | COMPLIANT |

### Internal Audit Function

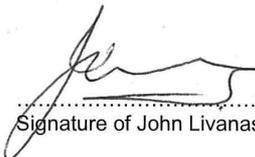
- |     |   |           |
|-----|---|-----------|
| 2.1 | STC has established and maintained an internal audit function that is appropriate and fit for purpose.  | COMPLIANT |
| 2.2 | The operation of the internal audit function for STC is consistent with the International Standards for the Professional Practice of Internal Auditing. | COMPLIANT |
| 2.3 | STC has an Internal Audit Charter that is consistent with the content of the 'model charter' in line with TPP 20-08.                                    | COMPLIANT |

### Audit and Risk Committee

- |     |  |           |
|-----|--|-----------|
| 3.1 | STC has established and maintained efficient and effective arrangements for an independent Risk, Audit and Compliance Committee. The Committee provides advice and guidance to the STC Board, based on its oversight of STC's governance processes, risk management and control frameworks, and external accountability obligations. | COMPLIANT |
| 3.2 | The STC Risk, Audit and Compliance Committee has a Charter that is consistent with the content of the 'model charter' in line with TPP 20-08.  | COMPLIANT |

This ATTESTATION was executed on 12 September 2023, following a resolution of the STC Board on 12 September 2023.

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

  
.....  
Signature of John Livanas

John Livanas  
Chief Executive Officer



  
.....  
Signature of Allan Parapuram

Allan Parapuram  
General Counsel & Company Secretary

## Privacy and use of member information

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

State Super has a Privacy Management Plan that is administered with the assistance of MAS. State Super has also developed a Privacy Statement 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 the 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](http://www.statesuper.nsw.gov.au).

## Public interest disclosures

State Super has a Public Interest Disclosures Policy which ensures that State Super's processes are compliant with the *Public Interest Disclosures Act 1994* (NSW) (the PID Act). State Super facilitates staff awareness of its Public Interest Disclosures Policy and the relevant protections under the PID Act in a number of ways, including providing staff access to the Policy and conducting staff awareness training.

There were no public interest disclosures made to State Super during the 2022-23 year nor were there any finalised during that year.

## Credit card use

State Super's policy for the use of corporate credit cards by Executive staff is in accordance with the Treasury Policy and Guidelines Paper TPP 21-02. No irregularities in the use of corporate credit cards were recorded during the year.

## Annual report production details

The production of this report, including its writing, editing, typesetting and printing, was undertaken internally and no external costs were incurred. This report is available online at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au) in PDF format. Hard copies can be provided upon request.

## Cyber security policy attestation

I, John Livanas, the Chief Executive Officer of State Super, am of the opinion that State Super has managed cyber security risks in a manner that is consistent with the Mandatory Requirements of the NSW Cyber Security Policy.

The controls in place to mitigate identified risks to the digital information and digital information systems of State Super are adequate.

- State Super has assessed its cyber security risks.
- Cyber security is appropriately addressed as part of State Super's governance framework.
- State Super's cyber security response plans are integrated within its business continuity arrangements and have been tested over the previous 12 months (involving senior business executives).
- An internal audit of Cyber Security Assessment and effectiveness of controls was undertaken in August 2021 as part of a tri-ennial review and they were found to be adequate.

## 5. Sustainability

Compliance with Modern Slavery legislation	79
Work Health and Safety	79
Workforce Diversity	80

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## Compliance with Modern Slavery legislation

State Super has engaged with its service providers, including its investment managers, to have the respective service provider or investment management agreements amended, or the process for amendment commenced, to provide to the effect that each service provider:

- warrants and represents to State Super that it does not, and will not, engage in any activity that constitutes or involves Modern Slavery (as defined in the relevant legislation);
- warrants and represents to State Super that it has not been convicted of any Modern Slavery offence or has not been, and is not currently, the subject of any investigation or proceedings relating to Modern Slavery;
- will regularly and upon request provide information to State Super about its reporting in accordance with Modern Slavery legislation and to enable State Super to comply with any requirements it has under Modern Slavery legislation.

State Super will take all reasonable steps to ensure that the service provider or investment management agreement for any new service provider contains provisions to the effect of what is set out above.

During the year, State Super liaised with its service providers and informed its staff as to the importance of ensuring that no services procured by or for it were the product of Modern Slavery.

## Work health and safety

During the 2022/23 year, there was a gradual easing of the restrictions that the NSW government had implemented during the Covid-19 pandemic. As the restrictions eased, State Super reviewed the safety measures that it had implemented during the pandemic. After a risk assessment the previous year, State Super management concluded that vaccinations were a key risk mitigant and required staff to be fully vaccinated if they wanted to work in the State Super office. It also encouraged adherence to strict Covid safety protocols both in the office and the home office. Flexible working continued to be the norm with the majority of staff choosing to work from home for some part of the week.

In February 2023, on the back of recommendations in a further risk assessment report, State Super commenced rolling back its processes and protocols to a pre-Covid state. Its Sydney office was opened up to allow visitors to the reception area without a security pass. State Super continues to support good hygiene practises in the office and encourages all staff to keep their desks (and hands) clean and sanitised.

During the year, State Super facilitated an annual on-site flu vaccination which was well attended. The Work Health & Safety (WHS) Committee also updated the organisation's Work Health and Safety Management System (WHSMS) to ensure documentation and safety practices remain current and fit for purpose. The WHS Committee, which meets at least quarterly, regularly inspects State Super's offices and provides regular updates to employees and reports to the CEO.

During the reporting period, State Super had no work-related injuries, illnesses or prosecutions under the *Work Health and Safety Act 2011*.

## Workforce Diversity

Diversity and inclusion is a key component of State Super's corporate planning process. The focus of its Diversity and Inclusion Policy and Plan is on embedding a culture of inclusivity and respect through awareness programs and clear behavioural expectations; data collection, analysis and reporting; identifying and removing barriers to merit based recruitment, professional development and career progression.

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

Workforce diversity group	% of total staff <sup>2</sup>			
	Benchmark or target	2021	2022	2023
Women	50%	53.85%	46.67%	52.08%
Aboriginal people and Torres Strait Islanders	2.6%	0%	0%	0%
People whose first language is not English	19%	30.77%	24.44%	31.25%
People with a disability	N/A <sup>3</sup>	2.56%	2.22%	2.08%
People with a disability requiring work-related adjustment	N/A	0%	0%	0%

**Table B: Trends in the distribution of workforce diversity**

Workforce diversity group	Distribution Index <sup>4</sup>			
	Benchmark or target	2021	2022	2023
Women	100	67	83	84
Aboriginal and Torres Strait Islander people	100	N/A	N/A	N/A
People whose first language was not English	100	97	99	95
People with a disability	100	97	97	99
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A

Our leadership team is fully committed to integrating diversity and inclusion strategies into our people programs. Our recruitment advertisements highlight our commitment to inclusivity, and we maintain balanced gender representation in our interview panels to ensure fairness.

With strong backing from our Board of Directors and Executive team, we've effectively coached and empowered our female employees, enabling their professional growth and positively impacting gender diversity at senior levels. Earlier this year, we celebrated *Harmony Week*, fostering appreciation for our diverse team members and their rich cultural backgrounds.

We acknowledge existing gaps and pledge to continually address them. We're thrilled to announce the upcoming launch of a mentorship program exclusively for our female employees, where they'll have the opportunity to be mentored by one of our *Directors* to enhance their professional and industry knowledge.

<sup>1</sup> Staff numbers at 30 June 2023.

<sup>2</sup> Excludes casual employees.

<sup>3</sup> Per cent employment levels are reported but a benchmark level has not been set.

<sup>4</sup> A distribution index of 100 indicates that the centre of the distribution of the workforce diversity group across salary levels is equivalent to that of other staff. Values of less than 100 mean that the workforce diversity 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 workforce diversity group is less concentrated at lower salary levels. The distribution index is not calculated where the workforce diversity group or non-workforce diversity group numbers are less than 20.

## 6. Financial statements of the SAS Trustee Corporation

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## INDEPENDENT AUDITOR'S REPORT

### SAS Trustee Corporation

To Members of the New South Wales Parliament

### Opinion

I have audited the accompanying financial statements of SAS Trustee Corporation (the Corporation), which comprise the Statement by the Accountable Authority, the Statement of Comprehensive Income for the year ended 30 June 2023, the Statement of Financial Position as at 30 June 2023, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Corporation and the consolidated entity. The consolidated entity comprises the Corporation and the entities it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the financial position, financial performance and cash flows of the Corporation and the consolidated entity.

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

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **The Trustee Board's Responsibilities for the Financial Statements**

The Trustee Board is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulation and Treasurer's Directions. The Trustee Board's responsibility also includes such internal control as the Trustee Board determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee Board is responsible for assessing the ability of the Corporation and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Corporation and the consolidated entity carried out their activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

15 September 2023  
SYDNEY

**SAS TRUSTEE CORPORATION**

**ABN 29 239 066 746**

**Statement by the Accountable Authority  
for the year ended 30 June 2023**

Pursuant to section 7.6(4) of the *Government Sector Finance Act 2018* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we state that in our opinion the financial statements:

1. present fairly the financial position of the SAS Trustee Corporation as at 30 June 2023, the financial performance and cash flows for the year then ended, and
2. have been prepared in accordance with the Australian Accounting Standards including Australian Accounting Interpretations, and other mandatory and statutory reporting requirements, including the applicable requirements of the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018* and the Treasurer's Directions.

Signed at Sydney this 12<sup>th</sup> day of September 2023.



**Nicholas Johnson**  
*Chair of the Board*  
*SAS Trustee Corporation*



**Catherine Bolger**  
*Board Member and Chair of the Risk, Audit*  
*and Compliance Committee*  
*SAS Trustee Corporation*

**SAS TRUSTEE CORPORATION**

<b>Consolidated Statement of Comprehensive Income for the year ended 30 June 2023</b>	<b>Note</b>	<b>Economic Entity 2023 \$'000</b>	<b>Economic Entity 2022 \$'000</b>	<b>Parent Entity 2023 \$'000</b>	<b>Parent Entity 2022 \$'000</b>
<b>Revenue</b>					
Operating Revenue	3	<b>38,888</b>	36,698	<b>35,596</b>	33,325
<b>Expense excluding Losses</b>					
Operating Expenses	3	<b>(39,211)</b>	(39,081)	<b>(35,531)</b>	(33,284)
Finance Costs	3	<b>(65)</b>	(41)	<b>(65)</b>	(41)
<b>Net Result</b>		<b>(388)</b>	(2,424)	-	-
<b>Other Comprehensive Income</b>					
<b>Items that will not be reclassified into Net Result in subsequent periods:</b>					
Net superannuation actuarial re-measurement gains	13	<b>388</b>	2,424	-	-
<b>Total Other Comprehensive Income</b>		<b>388</b>	2,424	-	-
<b>Total Comprehensive Income</b>		<b>-</b>	-	-	-

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

**SAS TRUSTEE CORPORATION**

<b>Consolidated Statement of Financial Position as at 30 June 2023</b>	<b>Note</b>	<b>Economic Entity 2023 \$'000</b>	<b>Economic Entity 2022 \$'000</b>	<b>Parent Entity 2023 \$'000</b>	<b>Parent Entity 2022 \$'000</b>
<b>Current Assets</b>					
Cash and Cash Equivalents		<b>8,295</b>	4,110	<b>8,295</b>	4,110
Receivables	4	<b>5,012</b>	5,723	<b>5,012</b>	5,723
Other Current Assets		<b>442</b>	835	<b>442</b>	835
Right-of-Use Assets	5	<b>1,541</b>	1,350	<b>1,541</b>	1,350
<b>Total Current Assets</b>		<b>15,290</b>	12,018	<b>15,290</b>	12,018
<b>Non-Current Assets</b>					
Right-of-Use Assets	5	<b>1,023</b>	1,687	<b>1,023</b>	1,687
Plant and Equipment	9	<b>371</b>	-	<b>371</b>	-
<b>Total Non-Current Assets</b>		<b>1,394</b>	1,687	<b>1,394</b>	1,687
<b>Total Assets</b>		<b>16,684</b>	13,705	<b>16,684</b>	13,705
<b>Current Liabilities</b>					
Payables	6	<b>9,676</b>	6,179	<b>10,787</b>	7,660
Lease Liabilities	7	<b>1,467</b>	1,292	<b>1,467</b>	1,292
Provisions	8	<b>3,605</b>	3,459	<b>2,981</b>	2,824
<b>Total Current Liabilities</b>		<b>14,748</b>	10,930	<b>15,235</b>	11,776
<b>Non-Current Liabilities</b>					
Lease Liabilities	7	<b>1,399</b>	1,855	<b>1,399</b>	1,855
Provisions	8	<b>537</b>	920	<b>50</b>	74
<b>Total Non-Current Liabilities</b>		<b>1,936</b>	2,775	<b>1,449</b>	1,929
<b>Total Liabilities</b>		<b>16,684</b>	13,705	<b>16,684</b>	13,705
<b>Net Assets</b>		-	-	-	-
<b>Equity</b>					
<b>Accumulated Funds</b>		-	-	-	-
<b>Total Equity</b>		-	-	-	-

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

**SAS TRUSTEE CORPORATION**

<b>Consolidated Statement of Changes in Equity for the year ended 30 June 2023</b>	<b>Note</b>	<b>Economic Entity 2023 \$'000</b>	<b>Economic Entity 2022 \$'000</b>	<b>Parent Entity 2023 \$'000</b>	<b>Parent Entity 2022 \$'000</b>
<b>Balance at 1 July</b>		-	-	-	-
Net Result for the year		<b>(388)</b>	<b>(2,424)</b>	-	-
<b>Other Comprehensive Income</b>					
Net superannuation actuarial re-measurement gains	13	<b>388</b>	2,424	-	-
<b>Total Other Comprehensive Income</b>		<b>388</b>	2,424		
<b>Total Comprehensive Income for the year</b>		-	-	-	-
<b>Balance at 30 June</b>		-	-	-	-

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

**SAS TRUSTEE CORPORATION**

<b>Consolidated Statement of Cash Flows for the year ended 30 June 2023</b>	<b>Note</b>	<b>Economic Entity 2023 \$'000</b>	<b>Economic Entity 2022 \$'000</b>	<b>Parent Entity 2023 \$'000</b>	<b>Parent Entity 2022 \$'000</b>
<b>Cash Flows from Operating Activities</b>					
Receipts from SAS Trustee Corporation Pooled Fund		<b>39,554</b>	36,513	<b>36,262</b>	33,140
Interest Received		<b>224</b>	13	<b>224</b>	13
Payments to Suppliers and Employees		<b>(33,880)</b>	(36,231)	<b>(30,588)</b>	(32,858)
<b>Net Cash Flows from Operating Activities</b>	14	<b>5,898</b>	295	<b>5,898</b>	295
<b>Cash Flows from Investing Activities</b>					
Purchases of plant and equipment		<b>(410)</b>	-	<b>(410)</b>	-
<b>Net Cash Flows from Investing Activities</b>		<b>(410)</b>	-	<b>(410)</b>	-
<b>Cash Flows from Financing Activities</b>					
Payments of the principal portion of Lease Liabilities		<b>(1,303)</b>	(1,281)	<b>(1,303)</b>	(1,281)
<b>Net Cash Flows from Financing Activities</b>		<b>(1,303)</b>	(1,281)	<b>(1,303)</b>	(1,281)
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>4,185</b>	(986)	<b>4,185</b>	(986)
Opening Cash & Cash Equivalents		<b>4,110</b>	5,096	<b>4,110</b>	5,096
<b>Closing Cash &amp; Cash Equivalents</b>		<b>8,295</b>	4,110	<b>8,295</b>	4,110

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

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

#### 1. OPERATIONS

Under the terms of the *Superannuation Administration Act 1996* (the Act), the SAS Trustee Corporation (STC) is trustee for all assets of the SAS Trustee Corporation Pooled Fund (“the Pooled Fund”). STC is economically dependent on the Pooled Fund. STC is a statutory body and a NSW Government Agency domiciled and incorporated in NSW Australia. Its registered address is Level 16, 83 Clarence Street, Sydney, NSW, 2000.

Scheme administration services for the Pooled Fund are carried out by Mercer Administration Services (Mercer Administration). Mercer Administration charges fees for the services it provides.

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

The STC Staff Agency provides personnel services to STC and the Pooled Fund and is wholly owned by STC. The STC Economic Entity includes all transactions of STC and the STC Staff Agency. The principles of consolidation are described in note 2(b) below. STC is consolidated as part of the NSW Total State Sector Accounts.

#### 2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

##### a) Statement of Compliance and Basis of Preparation

The financial statements are general purpose financial statements and are prepared in accordance with;

- the *Government Sector Finance Act 2018*
- the *Government Sector Finance Regulation 2018*
- the Treasurer’s Directions, and
- Australian Accounting Standards and Interpretations.

Both the Economic Entity and the Parent Entity are not-for-profit entities.

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

The financial statements items are prepared in accordance with the historical cost convention, except where specified otherwise.

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 and rounded to the nearest thousand dollars.

The financial statements are prepared on the basis that the economic entity will continue to operate as a going concern.

The financial statements were authorised for issue by the Trustee Board on 12<sup>th</sup> September 2023.

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

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

##### b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and the operating results of the Parent Entity (STC) and its controlled entity, the STC Staff Agency.

In the process of preparing the consolidated financial statements for the economic entity, consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

The Parent Entity and its controlled entity are referred to in these financial statements as the "Economic Entity". The STC Staff Agency is exempted from preparing standalone financial statements under the Government Sector Finance Regulation 2018.

##### c) Revenue Recognition

In accordance with AASB 15 *Revenue from Contracts with Customers*, 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. Revenue is measured at fair value of the consideration received for the rendering of services.

Management fees are the reimbursement from the Pooled Fund for all costs relating to scheme administration and management incurred by STC and comprise of the direct expenses of the Parent Entity and administration fees from Mercer Administration. Under the terms of the Act, STC must recover the costs it incurs from the Pooled Fund. Revenue from rendering of services is recognised when STC satisfies the performance obligation by transferring the promised services.

##### d) Cash and cash equivalents

Cash and cash equivalents with a maturity of three months or less comprise of cash at bank and in hand, which are subject to an insignificant risk of changes in value.

For the purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash as defined above.

##### e) Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities. The instruments include cash at bank, receivables and payables. All classes of instruments are initially recorded at cost and receivables and payables are subsequently measured at amortised cost. As such, inputs for valuing the receivables and payables are not based on observable market data. Such measurement provides a reliable estimate of the instrument. Any impairment loss occurring on financial instruments is treated as an expense in the period in which it occurs.

STC recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

STC derecognises a financial asset or a financial liability when the rights or obligation under the asset or liability is discharged, transferred, cancelled or expires.

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

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

##### f) Taxation

STC is exempt from income tax under the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997*.

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

- amount of GST incurred by the entity as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

##### g) Leases

The Trustee assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

###### (i) Right-of-use assets

The Trustee recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment on an annual basis.

###### (ii) Lease liabilities

At the commencement date of the lease, the Trustee recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. In calculating the present value of lease payments, the entity uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The entity applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

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

##### h) Plant and equipment

Plant and equipment comprising leasehold improvements, office furniture and equipment and computer hardware are stated at cost less accumulated depreciation and impairment which approximates fair value. Cost includes expenditure that is directly attributable to the acquisition or construction of the item.

Depreciation is calculated on a straight-line-basis, from the date the assets are commissioned, over their estimated useful lives as follows:

- Leasehold improvements – the shorter of the contractual term of the lease or economic useful life of the assets.
- Furniture and Equipment - two years.

The assets' residual values, useful lives and depreciation method are reviewed on a regular basis with the effects of any changes recognised on a prospective basis. Where indicators of impairment are present, the carrying amount will be written down to the recoverable amount of the asset if necessary.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

##### i) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that became effective for the first time for the Trustee for the annual reporting period ended 30 June 2023 and their impact on the financial statements is outlined below.

###### AASB 2020-3 Amendments to Australian Accounting Standards: Annual Improvements 2018-2020 and Other Amendments

The standard is effective for the year ended 30 June 2023. The standard covers the annual amendments to various 2018-2020 standards including amendments to AASB 3 *Reference to the Conceptual Framework*. There were no material changes to these financial statements.

###### AASB 2022-3 Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15.

The standard is effective for the year ended 30 June 2023. The standard adds an illustrative example to AASB 15 on accounting for upfront fees received by Not-for-Profit entities. There were no material changes to these financial statements.

##### j) Accounting standards issued but not yet effective

###### AASB 2022-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

The standard amends AASB 101 Presentation of Financial Statements to require a liability be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period. AASB 2022-6 defers the mandatory effective date of amendments that were originally made in AASB 2020-1, so that the amendments are required to be applied for annual reporting periods ending 30 June 2024 instead of 30 June 2023. No material changes to these financial statements are expected.

###### AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

The standard is effective for the year ending 30 June 2024. The amendments provide a definition of and clarifications on accounting estimates and clarifies the concept of materiality in the context of disclosure of accounting policies. No material changes to these financial statements are expected.

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

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

##### j) Accounting standards issued but not yet effective (Continued)

###### AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback

The standard is effective for the year ending 30 June 2025. The amendments add subsequent measurement requirements for sale and leaseback transactions. No material changes to these financial statements are expected.

###### AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

The standard is effective for the year ending 30 June 2025. The amendments provide implementation guidance on non-financial assets for not-for-profit public sector entities. No material changes to these financial statements are expected.

##### k) Comparative Figures

Where there have been changes in presentation in the current financial year, the comparatives have been restated to improve the presentation.

##### l) Use of Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements for the year ended 30 June 2023. The defined benefit superannuation liabilities have been actuarially determined. The key assumptions are disclosed in note 13.

**SAS TRUSTEE CORPORATION**

**Notes to the Financial Statements  
for the year ended 30 June 2023**

<b>3. OPERATING RESULT</b>	<b>Economic Entity 2023 \$'000</b>	Economic Entity 2022 \$'000	<b>Parent Entity 2023 \$'000</b>	Parent Entity 2022 \$'000
<b>Revenue</b>				
Management Fees	<b>38,280</b>	36,515	<b>34,988</b>	33,142
Interest revenue	<b>224</b>	13	<b>224</b>	13
Other revenue	<b>384</b>	170	<b>384</b>	170
<b>Total Revenue</b>	<b>38,888</b>	36,698	<b>35,596</b>	33,325
<b>Overheads, Executive and Board Expenses</b>				
Employee Related Expenses	<b>8,805</b>	8,491		
Superannuation	<b>933</b>	821		
Total Employee Expenses	<b>9,738</b>	9,312	<b>6,058</b>	3,515
Depreciation charge for Right-of-Use Assets	<b>1,429</b>	1,350	<b>1,429</b>	1,350
Other Overhead Expenses	<b>2,236</b>	2,389	<b>2,236</b>	2,389
Board Expenses	<b>660</b>	631	<b>660</b>	631
<b>Total Overheads, Executive and Board Expenses</b>	<b>14,063</b>	13,682	<b>10,383</b>	7,885
<b>Fund Expenses</b>				
Scheme Administration Fees	<b>20,111</b>	20,411	<b>20,111</b>	20,411
Regulatory, Governance & Process Improvement Initiatives	<b>1,475</b>	1,731	<b>1,475</b>	1,731
Professional Fees*	<b>2,732</b>	2,652	<b>2,732</b>	2,652
Other Administration Fees	<b>830</b>	605	<b>830</b>	605
<b>Total Fund Expenses</b>	<b>25,148</b>	25,399	<b>25,148</b>	25,399
<b>Total Operating Expenses</b>	<b>39,211</b>	39,081	<b>35,531</b>	33,284
<b>Finance Costs</b>				
Interest expense on Lease Liabilities	<b>65</b>	41	<b>65</b>	41
<b>Total Finance Costs</b>	<b>65</b>	41	<b>65</b>	41
<b>Net Result</b>	<b>(388)</b>	(2,424)	-	-

\* External audit fees of \$26,250 (2022: \$25,500) in relation to the audit of the financial statements for STC is included in the Professional Fees.

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

4. RECEIVABLES	Economic Entity 2023 \$'000	Economic Entity 2022 \$'000	Parent Entity 2023 \$'000	Parent Entity 2022 \$'000
<b>Current</b>				
Receivables from Pooled Fund	3,045	3,687	3,045	3,687
Reimbursement of Investment Expenses	1,621	1,677	1,621	1,677
GST Receivables	346	359	346	359
	<b>5,012</b>	<b>5,723</b>	<b>5,012</b>	<b>5,723</b>

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

5. RIGHT-OF-USE ASSETS	Economic Entity 2023 \$'000	Economic Entity 2022 \$'000	Parent Entity 2023 \$'000	Parent Entity 2022 \$'000
<b>Current</b>				
Office Leases	1,541	1,350	1,541	1,350
	<b>1,541</b>	<b>1,350</b>	<b>1,541</b>	<b>1,350</b>

#### Non-current

Office Leases	1,023	1,687	1,023	1,687
	<b>1,023</b>	<b>1,687</b>	<b>1,023</b>	<b>1,687</b>

The entity has recognised right-of-use assets and associated lease liabilities (note 7) for its business premises. The discount rate in the range of 0.94% to 3.70% (FY 2022: 0.94%) were adopted as published by NSW Treasury for agencies that do not borrow from the market. The rates are updated bi-annually on 1 January and 1 July, for new leases (including replacement leases), applicable lease liability re-assessment and lease modifications. No impairment recognised during the year and the comparative year.

Right-of-Use Assets	Economic Entity 2023 \$'000	Economic Entity 2022 \$'000	Parent Entity 2023 \$'000	Parent Entity 2022 \$'000
<b>Premises</b>				
As at 1 July	3,037	1,547	3,037	1,547
Addition	956	-	956	-
Lease Modification	-	2,840	-	2,840
Depreciation expense	(1,429)	(1,350)	(1,429)	(1,350)
<b>As at 30 June</b>	<b>2,564</b>	<b>3,037</b>	<b>2,564</b>	<b>3,037</b>

**SAS TRUSTEE CORPORATION**

**Notes to the Financial Statements  
for the year ended 30 June 2023**

<b>6. PAYABLES</b>	<b>Economic Entity 2023 \$'000</b>	<b>Economic Entity 2022 \$'000</b>	<b>Parent Entity 2023 \$'000</b>	<b>Parent Entity 2022 \$'000</b>
<b>Current</b>				
Administration Fees Payables	5,217	1,911	5,217	1,911
Investment Expenses Payables	3,424	3,254	3,424	3,254
Trustee Related Expenses Payables	1,035	1,014	1,035	1,014
Intercompany Payable – STC Staff Agency	-	-	1,111	1,481
	<b>9,676</b>	<b>6,179</b>	<b>10,787</b>	<b>7,660</b>

Payables represent liabilities for goods and services provided to the entity and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

<b>7. LEASE LIABILITIES</b>	<b>Economic Entity 2023 \$'000</b>	<b>Economic Entity 2022 \$'000</b>	<b>Parent Entity 2023 \$'000</b>	<b>Parent Entity 2022 \$'000</b>
<b>Current</b>				
Office Leases	1,467	1,292	1,467	1,292
	<b>1,467</b>	<b>1,292</b>	<b>1,467</b>	<b>1,292</b>
<b>Non-current</b>				
Office Leases	1,399	1,855	1,399	1,855
	<b>1,399</b>	<b>1,855</b>	<b>1,399</b>	<b>1,855</b>

<b>Lease Liabilities</b>	<b>Economic Entity 2023 \$'000</b>	<b>Economic Entity 2022 \$'000</b>	<b>Parent Entity 2023 \$'000</b>	<b>Parent Entity 2022 \$'000</b>
<b>Premises</b>				
As at 1 July	3,147	1,788	3,147	1,788
Addition	956	-	956	-
Lease Modification	-	2,599	-	2,599
Interest expense	65	41	65	41
Lease Payments	(1,302)	(1,281)	(1,302)	(1,281)
<b>As at 30 June</b>	<b>2,866</b>	<b>3,147</b>	<b>2,866</b>	<b>3,147</b>

<b>Future Lease Payments</b>	<b>Economic Entity 2023 \$'000</b>	<b>Economic Entity 2022 \$'000</b>	<b>Parent Entity 2023 \$'000</b>	<b>Parent Entity 2022 \$'000</b>
<b>Premises</b>				
Within one year	1,484	1,304	1,353	1,304
Later than one year and not later than five years	1,118	1,895	1,249	1,895
Less than five years	418	-	418	-
<b>Total</b>	<b>3,020</b>	<b>3,199</b>	<b>3,020</b>	<b>3,199</b>

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

8. PROVISIONS	Economic Entity 2023 \$'000	Economic Entity 2022 \$'000	Parent Entity 2023 \$'000	Parent Entity 2022 \$'000
<b>Current</b>				
Trustee Related Expenses Provisions	1,280	1,303	1,280	1,303
Employee Benefits				
- Annual Leave	1,298	1,344	931	918
- Long Service Leave	1,027	812	770	603
	<b>3,605</b>	<b>3,459</b>	<b>2,981</b>	<b>2,824</b>
<b>Non-current</b>				
Employee Benefits				
- Long Service Leave	111	135	50	74
Defined Benefit Superannuation Fund (refer Note 13)				
- State Superannuation Scheme (SSS)	426	785	-	-
	<b>537</b>	<b>920</b>	<b>50</b>	<b>74</b>

#### Employee Benefits and related on-costs

##### **Salaries and wages, annual leave and sick leave**

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value. All annual leave is classified as a current liability even where the entity does not expect to settle the liability within 12 months as the entity does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

##### **Long service leave**

The unconditional entitlements to long service leave (where employees have completed the required period of service or where employees are entitled to pro-rata payments in certain circumstances) are presented as current liabilities. The entity does not have an unconditional right to defer settlement for any of these obligations. However, based on experience, the entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

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**

The Economic Entity participates in the State Superannuation Scheme (SSS) closed defined benefit superannuation scheme for some of its past employees. For the purposes of determining the level of funding of the defined benefits superannuation liability, *AASB 119 Employee Benefits* requires the amount of accrued liabilities to be determined based on the present value of expected future payments which arise from membership of the Fund up to the measurement date. This is determined by the application of the Government Bond Rate (provided by NSW Treasury) as the discount rate, and other relevant actuarial assumptions (refer to note 13).

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

#### 8. PROVISIONS (Continued)

##### Superannuation (Continued)

Any unfunded superannuation liability is recognised as a liability in the Statement of Financial Position and amounts representing pre-paid superannuation contributions are recognised as an asset. For the year ended 30 June 2023 the AASB119 Employee Benefits unfunded liability was \$426,000.

In compliance with AASB 119 Employee Benefits requirements, any actuarial gains and losses arising from changes to demographic assumptions, financial assumptions, and liability experience, are recognised in comprehensive income in the year in which the gain or loss occurs (refer to note 13).

Contributions made to superannuation funds are charged against the operating result.

9. PLANT AND EQUIPMENT	Economic and Parent Entity					
	Leasehold Improvements		Furniture and Equipment		Total Plant and Equipment	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<b>Opening carrying amount</b>	-	-	-	-	-	-
<i>Changes during the year</i>						
Additions	333	-	77	-	410	-
Depreciation expense	(13)	-	(26)	-	(39)	-
<b>Closing carrying amount</b>	<b>320</b>	<b>-</b>	<b>51</b>	<b>-</b>	<b>371</b>	<b>-</b>
Closing	333	-	77	-	410	-
Closing accumulated depreciation	(13)	-	(26)	-	(39)	-
<b>Carrying amount at year end</b>	<b>320</b>	<b>-</b>	<b>51</b>	<b>-</b>	<b>371</b>	<b>-</b>

#### 10. FAIR VALUE AND FINANCIAL RISKS

STC is exposed to minimal financial risk as its governing legislation permits STC to recover all its costs from the Pooled Fund.

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

#### 11. KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL COMPENSATION

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

##### *Non-executive Trustees*

Ms C Austin  
Ms C Bolger  
Mr A Claassens  
Mr T Costa (term commenced 13 February 2023)  
Ms S Dave (term completed 25 May 2022)  
Mr N Johnson  
Ms C Keating (term completed 31 October 2022)  
Mr S Little (term completed/resigned 1 December 2022)  
Mr R Mason (term commenced 1 November 2022)  
Mr T O'Grady  
Ms L Rasmussen  
Ms C Yuncken (term commenced 26 May 2022)

##### *Executive Officers*

Mr J Hazell (from 1 September 2021)  
Mr J Livanas  
Mr J Narayan  
Mr A Parapuram  
Mr N Patel  
Ms K Pratt  
Ms N Siratkov  
Mr C Wu

<b>The key management personnel compensation in relation to services to STC is as follows</b>	<b>Economic Entity 2023 \$'000</b>	<b>Economic Entity 2022 \$'000</b>
Board member compensation	524	569
Short-term employee benefits	2,998	3,113
Other long-term employee benefits	4	4
	<b>3,526</b>	<b>3,686</b>

#### 12. RELATED PARTY INFORMATION

- a) The following Board Member was a member of the Fund schemes during the reporting period or up to the date of the financial statements (including comparative year): A Claassens. His membership terms and conditions were the same as those applied to other members of the Fund schemes.
- b) For other related party transactions, STC has receivables from SAS Trustee Corporation Pooled Fund of \$3,045,000 (2022: \$3,687,000) refer to note 4 and payables to STC Staff Agency of \$1,111,000 (2022: \$1,481,000) refer to note 6.
- c) STC leases office space at 83 Clarence Street, Sydney on normal commercial terms from the Fund which owns the building. Refer to note 7 outlining lease payments made during the year which were fully reimbursed by the Fund.
- d) During the reporting period, Mr R Mason was appointed to the Board. Prior to Mr Mason's appointment, he was also a partner of Deloitte Australia. Deloitte Australia was appointed by STC to act as Internal Auditor in August 2018 following a tender process on arm's length terms and conditions. The Deloitte internal audit team has not involved Mr Mason in the delivery of internal audit services to STC and has reported to the Chief Audit Executive and the Board Risk, Audit and Compliance Committee. Following a tender process run in 2023, Deloitte Australia has completed their tenure as supplier of internal audit services with effect from 25 July 2023. BDO Australia have been appointed with effect from 1 September 2023.

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

#### 12. RELATED PARTY INFORMATION (Continued)

- e) Directors are required to advise the Board on an ongoing basis of any interest they believe could conflict with State Super's interests. If a potential conflict does arise, either the director concerned may choose not to, or the Board may decide that he or she should not, receive documents or take part in Board discussions while the matter is being considered. Conflicts of interest, including related party transactions, are a standing agenda item and are considered by the Board at each Board meeting.

#### 13. SUPERANNUATION

The Economic Entity participates in the State Superannuation Scheme (SSS) closed defined benefit superannuation scheme for some of its past employees.

The scheme is a defined benefit scheme, whereby the benefit on retirement is directly related to a members' unit entitlement as dictated by their final salary. Members receive a pension on retirement and disablement. Upon death, there is provision for a reversionary pension benefit to an eligible spouse. If a member elects payment of a withdrawal benefit, this is paid as a lump sum and there is no further benefit payable.

The SSS scheme is closed to new members.

##### Description of risks

There are a number of risks to which the Fund exposes STC as a participating employer. The more significant risks relating to the defined benefits are;

- investment risk - The risk that investment returns will be lower than assumed and the participating employer will need to increase contributions to offset this shortfall
- longevity risk – The risk that pensioners live longer than assumed, increasing future pensions
- salary growth risk - The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional contributions from the participating employer
- CPI risk – The risk that CPI will be higher than assumed, increasing CPI related pension payments
- legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit Fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

##### Description of significant events

There were no Fund amendments, curtailments or settlements during the year.

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

#### 13. SUPERANNUATION (Continued)

##### Net defined benefit liability movement

The Scheme actuary calculates the defined benefit obligations based on two separate methodologies, an Accounting basis and the Funding basis:

- Under the Accounting basis *AASB 119* (used for financial reporting purposes), the Scheme's actuary determines the present value of the defined benefit obligations by discounting the future benefits payable to members at the yield on high quality government bonds of a similar maturity at the end of the reporting period.
- Under the Funding basis *AASB 1056*, the Scheme's actuary determines the value of the accrued benefits as the value of future benefits payable to members (allowing for future salary increases), discounted using the expected rate of return on the assets to fund the benefits.

The Funding basis is used to determine the level of employer contributions needed to be provided by each employer to meet the defined benefit obligations. For the year ended 30 June 2023, in accordance with *AASB 1056* the economic entity as a participating employer has met in full its funding contribution rates for its past employees as determined by the Fund Trustee.

The *AASB 1056* surplus will be higher than the *AASB 119* net defined benefit asset recognised in the Statement of Financial Position, because the expected after-tax rate of return on Fund assets is typically higher than the long-term government bond rate.

The following information has been prepared by the Scheme actuary under the Accounting basis ***AASB 119 Employee Benefits***.

##### *Reconciliation of the Net Defined Benefit Liability/(Asset)*

SSS	Economic Entity	Economic Entity
	2023 \$'000	2022 \$'000
<b><i>Net Defined Benefit Liability/(Asset) at start of year</i></b>	<b>785</b>	3,162
Current service cost	-	-
Net interest on the net defined benefit liability/(asset)	<b>29</b>	47
Past service cost	-	-
(Gains)/losses arising from settlements	-	-
Actual returns on Fund assets less interest income	<b>(300)</b>	134
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	<b>(157)</b>	(1,166)
Actuarial (gains)/losses arising from liability experience	<b>69</b>	(1,392)
Adjustment for effect of asset ceiling	-	-
Employer contributions	-	-
<b><i>Net Defined Benefit Liability/(Asset) at end of year</i></b>	<b>426</b>	785

The Superannuation actuarial re-measurement gain of \$388,000 (2022 gain of \$2,424,000) comprises of actuarial gains/losses arising from changes to actual returns on Fund assets, financial assumptions and liability experience.

This amount is disclosed under Other Comprehensive Income in compliance with *AASB119* requirements.

**SAS TRUSTEE CORPORATION**

**Notes to the Financial Statements  
for the year ended 30 June 2023**

**13. SUPERANNUATION (Continued)**

*Reconciliation of the fair value of Fund assets*

<b>SSS</b>	<b>Economic Entity</b>	<b>Economic Entity</b>
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Fair value of Fund assets at beginning of the year</i>	<b>5,405</b>	5,763
Interest income	<b>192</b>	83
Actual return on Fund assets less interest income	<b>300</b>	(134)
Employer contributions	-	-
Contributions by participants	-	-
Benefits paid	<b>(374)</b>	(356)
Taxes, premiums and expenses paid	<b>28</b>	49
Transfers in	-	-
Contributions to accumulation section	-	-
Settlements	-	-
Exchange rate changes	-	-
<i>Fair value of Fund assets at end of the year</i>	<b>5,551</b>	5,405

*Reconciliation of the Defined Benefit Obligation*

<b>SSS</b>	<b>Economic Entity</b>	<b>Economic Entity</b>
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Present value of defined benefit obligation at beginning of the year</i>	<b>6,190</b>	8,925
Current service cost	-	-
Interest cost	<b>221</b>	131
Contributions by participants	-	-
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	<b>(157)</b>	(1,166)
Actuarial (gains)/losses arising from liability experience	<b>69</b>	(1,392)
Benefits paid	<b>(373)</b>	(356)
Taxes, premiums and expenses paid	<b>28</b>	48
Transfers in	-	-
Contributions to accumulation section	-	-
Past service cost	-	-
Settlements	-	-
Exchange rate changes	-	-
<i>Present value of defined benefit obligation at end of the year</i>	<b>5,978</b>	6,190

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

#### 13. SUPERANNUATION (Continued)

*Reconciliation for the effect of the asset ceiling*

SSS	Economic Entity	Economic Entity
	2023 \$'000	2022 \$'000
<i>Adjustment for effect of asset ceiling at beginning of the year</i>	-	-
Change in the effect of asset ceiling	-	-
<i>Adjustment for effect of asset ceiling at end of the year</i>	-	-

*Fair value of Fund assets*

All of the Fund's assets are invested by STC (in its capacity as the Trustee Board) at arm's length through independent fund managers and assets are not separately invested for each participating employer. As such, the following disclosures relate to the Pooled Fund's total assets.

Year ended 30 June 2023	%	Total (\$m)	Level 1 (\$m)	Level 2 (\$m)	Level 3 (\$m)
<b>Asset category</b>					
Short term securities	14%	5,331	2,897	2,434	-
Australian fixed interest	1%	100	-	100	-
International fixed interest	4%	1,301	-	1,289	12
Australian equities	26%	9,678	4,352	797	4,529
International equities	37%	14,138	13,943	155	40
Property	2%	770	-	-	770
Alternatives	16%	6,059	-	1,206	4,853

<b>Total</b>	<b>100%</b>	<b>37,377</b>	<b>21,192</b>	<b>5,981</b>	<b>10,204</b>
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Year ended 30 June 2022	%	Total (\$m)	Level 1 (\$m)	Level 2 (\$m)	Level 3 (\$m)
<b>Asset category</b>					
Short term securities	13%	5,041	1,855	3,186	-
Australian fixed interest	1%	245	-	245	-
International fixed interest	4%	1,440	4	1,415	21
Australian equities	18%	6,519	5,894	623	2
International equities	33%	12,174	12,002	169	3
Property	6%	2,362	-	-	2,362
Alternatives	25%	9,096	-	2,160	6,936
<b>Total</b>	<b>100%</b>	<b>36,877</b>	<b>19,755</b>	<b>7,798</b>	<b>9,324</b>

Note

- Level 1 refers to assets and liabilities for which there are quoted prices in active markets for identical assets and liabilities. The assets in this level are short term securities; listed shares; listed unit trusts.

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

#### 13. SUPERANNUATION (Continued)

##### Note (Continued)

- Level 2 refers to assets and liabilities that have significant valuation inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets and liabilities in this level are notes; government, semi-government and corporate bonds; unlisted trusts where quoted prices are not available in active markets for identical assets or liabilities.
- Level 3 refers to assets and liabilities that are not based on observable market data. The assets and liabilities in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cashflow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such, managers make limited use of derivatives.

The Fund does not hold any financial instruments issued by STC.

##### *Significant actuarial assumptions as at 30 June AASB 119 Employee Benefits*

	2023*	2022*
Discount rate	4.07%	3.69%
Salary increase rate (excluding promotional increases)	<b>4.45% pa 23/24, 2.95% pa 24/25, 2.74% pa 25/26, 3.20% pa thereafter</b>	3.15% pa 22/23, 3.62% pa 23/24, 2.87% pa 24/25, 2.74% pa 25/26; 3.2% pa thereafter
Rate of CPI increase	<b>6.65% for 22/23, 3.5% for 23/24, 3.00% for 24/25, 2.5% pa thereafter</b>	4.00% for 21/22; 5.50% for 22/23; 3.00% for 23/24 and 24/25; 2.75% for 25/26 and 26/27; 2.50% pa thereafter
Pensioner mortality	<b>as per the 2021 Actuarial investigation of the Pooled Fund</b>	as per the 2021 Actuarial Investigation of the Pooled Fund

\* All assumptions are long-term in nature, for the duration of the Fund life, and may differ from short-term variations.

**SAS TRUSTEE CORPORATION**

**Notes to the Financial Statements  
for the year ended 30 June 2023**

**13. SUPERANNUATION (Continued)**

*Sensitivity analysis AASB 119 Employee Benefits*

In accordance with AASB 119, the total defined benefit obligation as at 30 June 2023 under several scenarios is presented below. Scenarios A to F relate to the sensitivity of the total defined benefit obligation to economic assumptions. Scenarios G and H relate to sensitivity to demographic assumptions.

	Base Case	Scenario A Change in Discount rate	Scenario B Change in Discount rate
Discount rate		-0.5%	+0.5%
Defined benefit obligation (\$'000)	5,978	6,295	5,683

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	Base Case	Scenario C Change in Rate of CPI increase	Scenario D Change in Rate of CPI increase
Rate of CPI increase		+0.5%	-0.5%
Defined benefit obligation (\$'000)	5,978	6,306	5,671

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	Base Case	Scenario E Change in Salary increase rate	Scenario F Change in Salary increase rate
Salary increase rate		+0.5%	-0.5%
Defined benefit obligation (\$'000)	5,978	5,978	5,978

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	Base Case	Scenario G Lower Pensioner mortality rates	Scenario H Higher Pensioner mortality rates
Defined benefit obligation (\$'000)	5,978	6,046	5,894

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

#### 13. SUPERANNUATION (Continued)

##### *Funding arrangements for the Economic Entity under AASB 1056 Superannuation Entities*

The funding arrangements for the purposes of determining contribution levels for past employees of the defined benefits scheme are reviewed based on *AASB 1056 Superannuation Entities* requirements. The amount of accrued benefits for *AASB 1056* purposes is based on the present value of expected future payments which arise from membership of the Fund up to the measurement date. This is determined by the application of a market-based, risk-adjusted discount rate and other relevant actuarial assumptions.

For the year ended 30 June 2023, in accordance with *AASB 1056* the economic entity as a participating employer has met in full its funding contribution rates for its past employees as determined by the Fund Trustee.

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. The last triennial review as at 30 June 2021 was completed in October 2021. Contribution rates are set after discussions between STC in its capacity as trustee of the Scheme and NSW Treasury. STC in its capacity of trustee of the scheme reviews funding positions annually and contributions may be adjusted in response to the review.

##### *Surplus/deficit AASB 1056 Superannuation Entities*

The following is a summary of the 30 June financial position of the scheme calculated in accordance with *AASB 1056*.

SSS	Economic Entity	Economic Entity
	2023 \$'000	2022 \$'000
Accrued benefits	4,691	4,475
Net market fair value of Fund assets	(5,552)	(5,405)
<b>Net (surplus)/deficit</b>	<b>(861)</b>	<b>(930)</b>

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

SSS	Economic Entity	Economic Entity
	2023 Multiple of member contributions	2022 Multiple of member contributions
	-	-

**SAS TRUSTEE CORPORATION**

**Notes to the Financial Statements  
for the year ended 30 June 2023**

**13. SUPERANNUATION (Continued)**

*Additional notes*

In light of the current environment, there is increased volatility in terms of expected outcomes especially in the short to medium term. The sensitivity analysis information on page 22 under *AASB 119* Paragraph 145 provides a guide to how this could affect the defined benefit obligation.

The assumptions for CPI, Salary and demographics are broadly the same under both reporting standards. While the underlying liability amounts for *AASB 1056* are lower than for *AASB 119*, the sensitivity of results under *AASB 119* gives an indication to the directional and proportional impact of the changes in these assumptions.

In accordance with *AASB 1056*, scenarios A and B relate to sensitivity of the total accrued benefits as presented below.

**30 June 2023**

	Base Case*	Scenario A -0.5% change in Discount rate	Scenario B +0.5% change in Discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.0%	6.5%	7.5%
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.2%	5.7%	6.7%
Rate of CPI increase	6.65%	as base case	as base case
Salary inflation rate	4.45%	as base case	as base case
Accrued benefits (\$,000)	4,691	4,875	4,518

**30 June 2022**

	Base Case*	Scenario A -0.5% change in Discount rate	Scenario B +0.5% change in Discount rate
Expected rate of return on Fund assets backing current pension liabilities (discount rate)	7.0%	6.5%	7.5%
Expected rate of return on Fund assets backing other liabilities (discount rate)	6.2%	5.7%	6.7%
Rate of CPI increase	4.8%	as base case	as base case
Salary inflation rate	3.15%	as base case	as base case
Accrued benefits (\$'000)	4,475	4,657	4,304

\* All assumptions are long-term in nature, for the duration of the Fund life, and may differ from short-term variations.

**SAS TRUSTEE CORPORATION**

**Notes to the Financial Statements  
for the year ended 30 June 2023**

**13. SUPERANNUATION (Continued)**

*Funding arrangements for employer contributions – Economic Assumptions AASB 1056 Superannuation Entities*

Weighted average assumptions*	2023 and following
Expected rate of return on Fund assets backing current pension liabilities	7.0%
Expected rate of return on Fund assets backing other liabilities	6.2%
Expected salary increase rate	4.45% for 23/24, 2.95% for 24/25, 2.74% for 25/26, and 3.20% pa thereafter
Expected rate of CPI increase	6.65% for 22/23, 3.5% for 23/24, 3.00% for 24/25, 2.50% pa thereafter

Weighted average assumptions*	2022 and following
Expected rate of return on Fund assets backing current pension liabilities	7.0%
Expected rate of return on Fund assets backing other liabilities	6.2%
Expected salary increase rate	3.15% for 22/23, 3.62% for 23/24, 2.87% for 24/25, 2.74% for 25/26 and 3.2% pa thereafter
Expected rate of CPI increase	4.8% for 21/22 and 2.5% pa thereafter

\* All assumptions are long-term in nature, for the duration of the Fund life, and may differ from short-term variations

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

#### 13. SUPERANNUATION (Continued)

*Funding arrangements for employer contributions AASB 1056 – Nature of asset/liability:*

If a surplus exists in the Economic Entity's interest in the Fund, the Economic Entity may be able to take advantage of it in the form of a reduction in required contribution rate. STC in its capacity as the schemes' trustee and NSW Treasury must approve such a reduction. If a deficiency exists, the Economic Entity recoups any difference between its share of scheme assets and the defined benefit obligation from the Pooled Fund.

The weighted average duration of the defined benefit obligation is 8.9 years (2022: 9.5) years.

#### *Expected contributions*

SSS	Economic Entity	Economic Entity
	2023	2022
Expected Employer Contributions	-	-

#### 14. CASH FLOW INFORMATION

##### Reconciliation of the Net Result to Net Cash Used in Operating Activities

	Economic Entity 2023 \$'000 Inflows/ (Outflows)	Economic Entity 2022 \$'000 Inflows/ (Outflows)	Parent Entity 2023 \$'000 Inflows/ (Outflows)	Parent Entity 2022 \$'000 Inflows/ (Outflows)
<b>Net Result</b>	-	-	-	-
<b>Changes in Assets and Liabilities:</b>				
<b><u>(Increase)/Decrease in Assets</u></b>				
Other Current Assets	394	(286)	394	(286)
Receivables				
- Pooled Fund	642	889	642	889
- Right-of-Use Asset/Lease Liability	1,494	1,151	1,494	1,151
- Other	68	(868)	68	(868)
<b><u>Increase/(Decrease) in Liabilities</u></b>				
Payables				
- Mercer Administration	3,305	106	3,305	106
- Other	(1,110)	1,129	(1,324)	(697)
Provisions	1,105	(1,826)	1,319	-
<b>Net Cash From/(Used) in Operating Activities</b>	<b>5,898</b>	<b>295</b>	<b>5,898</b>	<b>295</b>

## SAS TRUSTEE CORPORATION

### Notes to the Financial Statements for the year ended 30 June 2023

#### 15. CONTINGENT LIABILITIES

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

- (i) Legal costs and related future benefit payments, if any, 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, there are no material exposures relating to these potential contingent liabilities at 30 June 2023 to the best of the economic entity's knowledge.

The Trustee is indemnified out of the assets of the Fund, and in the case of Police Superannuation Scheme (PSS), by the legislation of the scheme which allows the Trustee to make a call on NSW Government Consolidated Revenues.

Effective 1 January 2022, changes to Federal superannuation legislation narrowed the circumstances in which the Trustee can seek indemnity out of the assets of the Fund to exclude any liabilities imposed by a Federal regulator or under a Federal law. As this Federal legislative policy change was not intended to apply to these NSW closed defined benefit schemes, NSW Treasury have indicated in writing that such penalties up to a maximum of \$10,000 that would otherwise have been indemnified out of the assets of the Fund will be indemnified out of Consolidated Revenue and any other amount that exceeds the value of \$10,000 will be determined on a case-by-case basis.

#### 16. EVENTS AFTER THE REPORTING DATE

There have been no events between 30 June 2023 and the date of approval of these financial statements that would significantly impact the financial statements.

**End of Audited Financial Statements**



## 6. Financial statements of the SAS Trustee Corporation Pooled Fund

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## INDEPENDENT AUDITOR'S REPORT

### SAS Trustee Corporation Pooled Fund

To the Treasurer and Members of the Trustee Board

#### Opinion

I have audited the accompanying financial statements of SAS Trustee Corporation Pooled Fund (the Fund), which comprise the Statement of Financial Position as at 30 June 2023, the Income Statement for the year ended 30 June 2023, the Statement of Changes in Member Benefits, the Statement of Changes in Equity and the Statement of Cash Flows, for the year then ended, notes comprising Significant Accounting Policies and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act) and the *Government Sector Finance Regulation 2018* (GSF Regulation)
- presents fairly the Fund's financial position, financial performance and cash flows.

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

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Fund in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2023. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the matter
<p><b>Valuation of unlisted investment assets</b></p> <p>At 30 June 2023, the Fund reported \$16.2 billion (\$17.1 billion at 30 June 2023) of unlisted investments valued without reference to market quoted prices. Of this total, \$10.4 billion (\$10.0 billion at 30 June 2022) were categorised within Level 3 of the fair value hierarchy under Australian Accounting Standards.</p> <p>I considered this to be a key audit matter because of the:</p> <ul style="list-style-type: none"> <li>• high level of judgement and estimation involved in the valuation approach, including determination of future cash flows, discount rates and other assumptions, with limited comparable market information available</li> <li>• complexities in applying the requirements of AASB 13 'Fair Value Measurement'</li> <li>• financial significance of the assets valued, which are a key driver of the Fund's net asset value and total return.</li> </ul> <p>A description of the valuation techniques, inputs and assumptions is disclosed in Notes 19.</p>	<p>Key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• obtained an understanding of the Fund's processes, policies and methodologies, including the use of industry specific measures for valuing unlisted investments</li> <li>• obtained independent valuation reports and compared assumptions applied to ranges for comparable infrastructure and property investments</li> <li>• tested the mathematical accuracy of the valuation models and consistency with the Fund's documented methodology and assumptions</li> <li>• engaged valuation specialists, for those investments with higher risk characteristics, to: <ul style="list-style-type: none"> <li>– assess the reasonableness of management's judgements and valuation inputs against industry information/indices of comparable market transactions</li> <li>– determine whether the methodologies used to value the investments were consistent with methods commonly used by market participants for those types of investments</li> <li>– assess the competence, qualifications and objectivity of the external valuation experts used by the Trustee</li> </ul> </li> <li>• obtained valuation statements provided by external investment managers in respect of unit trusts and hedge funds, and assessed the reliability of the information received</li> <li>• obtained independent assurance reports prepared for the existence and valuation of certain unitised investments</li> <li>• assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.</li> </ul>
<p><b>Valuation of defined benefit member liabilities</b></p> <p>At 30 June 2023, the Fund reported total defined benefit member liabilities of \$60.6 billion (\$59.0 billion at 30 June 2022).</p> <p>I considered this to be a key audit matter because of the:</p> <ul style="list-style-type: none"> <li>• high level of judgement and estimation involved in the valuation approach, including determination of discount rates, Consumer Price</li> </ul>	<p>With the assistance of audit actuarial specialists, key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• assessed the effectiveness of key controls and processes over the: <ul style="list-style-type: none"> <li>– accuracy and completeness of member data used in the valuation model</li> <li>– mathematical accuracy of the valuation model</li> </ul> </li> </ul>

Key Audit Matter	How my audit addressed the matter
<p>Index, salary inflation, mortality and other assumptions</p> <ul style="list-style-type: none"> <li>financial significance of the member liabilities, which impact the estimate of required future contributions and investment returns to fund future outflows</li> <li>sensitivity of the defined benefit liabilities balance to small changes in any of the valuation inputs.</li> </ul> <p>A description of the measurement, key assumptions and sensitivity analysis of these liabilities are disclosed in Note 8.</p>	<ul style="list-style-type: none"> <li>assessed the reasonableness of the methodology, assumptions and judgement used by the Fund's independent actuary in valuing the defined benefit liabilities, including comparison against accepted industry benchmarks and practices, and accounting standards</li> <li>evaluated the competence of the Fund's actuary by confirming they are appropriately qualified, experienced and registered with the Institute of Actuaries</li> <li>assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.</li> </ul>

## Trustee Board's Responsibilities for the Financial Statements

The Trustee Board is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act and GSF Regulation. The Trustee Board's responsibility also includes such internal control as the Trustee Board determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee Board is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar6.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar6.pdf) . The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

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



Weini Liao  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

20 September 2023  
SYDNEY

## SAS TRUSTEE CORPORATION POOLED FUND

ABN 29 239 066 746

### Statement by Members of the Trustee Board

#### For the year ended 30 June 2023

Pursuant to section 7.6 (4) of the *Government Sector Finance Act 2018* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we state that in our opinion the financial statements:

1. present fairly the SAS Trustee Corporation Pooled Fund's financial position as at 30 June 2023 and income statement, statement of changes in member benefits, statement of changes in equity and statement of cash flows for the year ended 30 June 2023, and
2. have been prepared in accordance with the Australian Accounting Standards and Interpretations, the provisions of the *Government Sector Finance Act 2018* and the Government Sector Finance Regulation 2018.

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 12<sup>th</sup> day of September 2023.



**Nicholas Johnson**  
*Chair of the Board*  
SAS Trustee Corporation



**Catherine Bolger**  
*Board Member and Chair of the Risk, Audit and Compliance Committee*  
SAS Trustee Corporation

**SAS TRUSTEE CORPORATION POOLED FUND**

Statement of Financial Position as at 30 June 2023	Note	2023 \$m	2022 \$m
<b>Assets</b>			
Cash		102	54
Receivables	3	134	730
Short term securities		2,802	2,216
Australian fixed interest		670	643
Australian equities		4,432	6,148
International equities		14,692	12,209
Property - indirect		3,311	1,789
Investment properties - direct	6(a)	207	1,804
Infrastructure and other alternatives		12,289	12,901
Derivatives	7	48	104
Employer sponsor receivable	4	3,728	3,347
Income tax receivable		-	137
Deferred tax asset	13(b)	3	6
<b>Total assets</b>		<b>42,418</b>	<b>42,088</b>
<b>Liabilities</b>			
Payables	5	93	144
Derivatives	7	319	235
Income tax payable		155	-
<b>Total liabilities excluding member benefits</b>		<b>567</b>	<b>379</b>
<b>Net assets available for member benefits</b>		<b>41,851</b>	<b>41,709</b>
<b>Member liabilities</b>			
Defined benefit member liabilities	8	(60,593)	(59,000)
<b>Total member liabilities</b>		<b>(60,593)</b>	<b>(59,000)</b>
<b>Total net liabilities</b>		<b>(18,742)</b>	<b>(17,291)</b>
<b>Equity</b>			
Defined benefit deficit	8	(18,742)	(17,291)
<b>Total equity</b>		<b>(18,742)</b>	<b>(17,291)</b>

*The above Statement of Financial Position should be read in conjunction with the accompanying Notes.*

**SAS TRUSTEE CORPORATION POOLED FUND**

<b>Income Statement for the year ended 30 June 2023</b>	<b>Note</b>	<b>2023 \$m</b>	<b>2022 \$m</b>
<b>Investment income</b>			
Interest revenue		<b>185</b>	134
Dividend revenue		<b>598</b>	865
Distribution revenue from unit trusts		<b>643</b>	364
Net rentals from investment property	6(b)	-	88
Other revenue		<b>29</b>	18
Change in fair value of investments	11	<b>2,254</b>	(1,812)
<b>Total revenue</b>		<b>3,709</b>	(343)
<b>Expenses</b>			
Direct investment expenses		<b>(129)</b>	(115)
Administration expenses	12	<b>(39)</b>	(39)
Net expenses from investment property	6(b)	<b>(8)</b>	-
<b>Total expenses</b>		<b>(176)</b>	(154)
<b>Operating result</b>		<b>3,533</b>	(497)
Net change in defined benefit member benefits		<b>(5,058)</b>	(3,794)
<b>Operating result before income tax expense</b>		<b>(1,525)</b>	(4,291)
Income tax benefit	13(a)	<b>74</b>	243
<b>Operating result after income tax</b>		<b>(1,451)</b>	(4,048)

*The above Income Statement should be read in conjunction with the accompanying Notes.*

**SAS TRUSTEE CORPORATION POOLED FUND**

<b>Statement of Changes in Member Benefits for the year ended 30 June 2023</b>	<b>Note</b>	<b>2023 \$m</b>	<b>2022 \$m</b>
<b>Opening balance at 1 July</b>		<b>59,000</b>	58,933
Employer contributions	10	<b>1,596</b>	523
Member contributions	10	<b>133</b>	145
Income tax on contributions		<b>(235)</b>	(71)
<b>Net after tax contributions</b>		<b>1,496</b>	597
Benefits paid to members		<b>(5,340)</b>	(5,159)
Net change in employer sponsor receivable	4	<b>381</b>	835
Net change in defined benefit member benefits		<b>5,058</b>	3,794
<b>Closing balance at 30 June</b>	<b>8</b>	<b>60,593</b>	59,000

*The above Statement of Changes in Member Benefits should be read in conjunction with the accompanying Notes.*

**SAS TRUSTEE CORPORATION POOLED FUND**

<b>Statement of Changes in Equity for the year ended 30 June 2023</b>	<b>2023 \$m Surplus/(deficiency)</b>	<b>2022 \$m Surplus/(deficiency)</b>
<b>Opening balance at 1 July</b>	<b>(17,291)</b>	<b>(13,243)</b>
Operating result after income tax	<b>(1,451)</b>	<b>(4,048)</b>
<b>Closing balance at 30 June</b>	<b>(18,742)</b>	<b>(17,291)</b>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes.*

**SAS TRUSTEE CORPORATION POOLED FUND**

<b>Statement of Cash Flows for the year ended 30 June 2023</b>	<b>Note</b>	<b>2023 \$m</b>	<b>2022 \$m</b>
<b>Cash flows from operating activities</b>			
Interest received		191	134
Dividends received		595	868
Distributions received from unit trusts		648	364
Net rentals/(expenses) received from investment property		(8)	82
Other receipts		27	17
Direct investment expenses paid		(131)	(109)
Trustee administration expenses paid		(36)	(35)
Income tax refund		205	62
<b>Net cash inflows/(outflows) from operating activities</b>	21	<b>1,491</b>	<b>1,383</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(24,730)	(22,205)
Proceeds from sale of investments		26,969	25,393
<b>Net cash inflows/(outflows) from investing activities</b>		<b>2,239</b>	<b>3,188</b>
<b>Cash flows from financing activities</b>			
Employer contributions received		1,572	519
Member contributions received		146	156
Benefits paid to members		(5,328)	(5,148)
Income tax paid on contributions		(72)	(71)
<b>Net cash inflows/(outflows) from financing activities</b>		<b>(3,682)</b>	<b>(4,544)</b>
<b>Net increase/(decrease) in cash</b>		<b>48</b>	<b>27</b>
<b>Cash at the beginning of the year</b>		<b>54</b>	<b>27</b>
<b>Cash at the end of the year</b>		<b>102</b>	<b>54</b>

*The above Statement of Cash Flows 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 ended 30 June 2023

#### 1. THE POOLED FUND

The SAS Trustee Corporation Pooled Fund (the Fund) was established under the *Superannuation Administration Act 1996* (the Act) and is governed by various Acts of the New South Wales Parliament. The schemes of the Fund comprise the State Authorities Non-contributory Superannuation Scheme (SANCS), the State Superannuation Scheme (SSS) and the Police Superannuation Scheme (PSS), which are defined benefit plans, and the State Authorities Superannuation Scheme (SASS), which has defined benefit members with some defined contribution components. All schemes in the Fund were closed by 1992.

These financial statements are general purpose financial statements of the Fund as a reporting entity. SAS Trustee Corporation (STC) is the trustee and holds in trust all assets of the Fund.

STC is responsible for the administration of the schemes. Mercer Administration Services (Australia) Pty Ltd provides the administration services.

NSW Treasury Corporation (TCorp) is the mandated investment manager and provides funds management services in relation to the Trustee Selection Option investment strategy. The Trustee has engaged investment managers to manage the Fund's remaining investments in accordance with the provisions set out in Investment Management Agreements.

JP Morgan Chase Bank NA is the Fund's custodian for investments and related cash.

The Fund is domiciled and incorporated in NSW Australia with a registered address at Level 16, 83 Clarence Street, Sydney, NSW, 2000. The Trustee Board has determined that the Fund is a not-for-profit entity for financial reporting purposes.

The financial statements were authorised for issue by the Trustee Board on 12 September 2023.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### a) Statement of Compliance

The financial statements are general purpose financial statements and are prepared in accordance with:

- the requirements of Australian Accounting Standard AASB 1056 *Superannuation Entities* (AASB 1056)
- the requirements of other Australian Accounting Standards and Interpretations
- the *Government Sector Finance Act 2018*
- the Government Sector Finance Regulation 2018.

All assets and liabilities are measured and recorded at fair value or an amount that approximates fair value except for the following:

- employer sponsor receivable which is measured at its intrinsic value as per AASB 1056. The intrinsic value is the difference between the defined benefit member liabilities and the amount of assets held to meet these liabilities
- defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at a reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at the date when they are expected to fall due, and
- income taxes which are in accordance with AASB 112.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2023

#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Fund has multiple investments it controls, as shown in Note 22. The Fund has determined that it is an investment entity under the definition in AASB 10 *Consolidated Financial Statements* as it meets the following criteria:

- the Fund obtains funds from members and employers for the purpose of providing those members and employers with investment management services
- the Fund commits to its members and employers that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both, and
- the Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

Therefore, these investments are not required to be consolidated and are valued at fair value with changes in the fair value recognised in the income statement.

The accounting policies adopted in preparing the financial statements are consistently applied in both the current and comparative year. For transactional accounting, financial instruments are recorded at the trade date. Assets and liabilities are recognised when STC becomes party to the instrument's contractual provisions.

Assets are derecognised when the contractual rights to cash flows from the asset expire or the risks and rewards are transferred to another party. Liabilities are derecognised when the contractual obligation relating to the liability is discharged, cancelled or expires.

#### b) Employer Sponsor Receivable

An employer sponsor receivable (ESR) is recognised for the difference between the defined benefit member liabilities and the fair value of the assets available to meet the liabilities, provided the receivable meets the definition and recognition criteria of an asset.

This would require specific contractual or statutory obligations between the superannuation fund and the relevant employer sponsor in relation to the funding of the defined benefit member liabilities. The asset is measured at its intrinsic value, being the difference between the defined benefit member liabilities and the amount of the recognised assets held to meet those liabilities.

#### 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. Monetary amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Resulting exchange differences are recognised in the Income Statement in the period in which they arise. The functional and presentation currency of the Fund is Australian Dollars.

#### d) Use of Judgements and Estimates

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements.

However, uncertainty implicit in these estimates and assumptions could result in outcomes that could require an adjustment to the carrying value of the affected asset or liability in the future.

In valuing assets for which there is no observable market, STC is guided on appropriate valuation techniques by its Valuation Policy and AASB 13 – *Fair Value Measurement*. The valuation techniques within the policies involve and rely on the expert judgement of independent valuers (refer Note 19).

In valuing deferred tax balances, STC applies the principles in AASB 112 – *Income Taxes* (refer Note 2e).

The amount of accrued and vested benefits/liabilities has been actuarially determined (refer Note 8 and 9).

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2023

#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### e) Income Tax

The Fund is an exempt Public Sector superannuation fund and as such is treated as a complying superannuation fund for the purposes of the *Income Tax Assessment Act 1997 (Cth)*. Accordingly, the concessional tax rate of 15% has been applied. Income tax on the net profit for the year comprises current and deferred tax.

Current tax is the expected tax payable or recoverable on the taxable income for the year using the concessional tax rate of 15% and the adjustment to tax payable in respect of exempt pension income. Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax provided uses the tax rate expected to apply when the benefit or liability is realised.

AASB 1056 *Superannuation Entities* requires that member related transactions are reflected separately from the Income Statement and are included in the Statement of Changes in Member Benefits. Income tax on contributions is therefore included in the Statement of Changes in Member Benefits with income tax on investment income included in the Income Statement.

##### f) Management Expenses

Management expenses charged to the Fund comprise:

**Direct Investment Expenses:** Investment manager and custody fee expenses are recognised on an accrual basis.

**Scheme Administration Expenses:** Expenses are allocated in accordance with Trustee policy and is based on the member numbers for each scheme and the level of scheme complexity.

##### g) Goods and services tax (GST)

Revenues are recognised net of the amount of GST where applicable. Expenses and assets are recognised net of the amount of GST to the extent that the GST is recoverable from the Australian Taxation Office as a reduced input tax credit (RITC). Where GST is not recoverable, it is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated inclusive of GST.

##### h) Rounding

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

##### i) Comparative Figures

Where there have been changes in presentation in the current financial year, the comparative figures for the previous year have been restated to improve the presentation. There have been no presentation changes from the prior year.

##### j) Revenue Recognition and Measurement

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. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognised.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2023

#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Interest Revenue**

Interest is recognised on an accrual basis when a right to receive exists.

##### **Dividend Revenue**

Dividends are recognised on the date the shares are quoted ex-dividend, and if not received at reporting date are recognised as a receivable in the Statement of Financial Position at fair value.

##### **Distributions from unit trusts**

Distributions from unit trusts are recognised on the date the unit values are quoted ex-distribution, and if not received at reporting date are recognised as a receivable in the Statement of Financial Position at fair value.

##### **Rental Revenue**

Rental revenue from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as part of total rental income.

##### **Changes in fair value of investments**

Changes in the fair value of investments are recognised as a gain/loss in the income statement.

##### **k) Benefit Payments**

Benefit payments are recognised when the payment becomes due under scheme legislation and a benefit application has been received.

##### **l) Superannuation Contributions**

Superannuation contributions are recognised when the Fund obtains the right to receive the contribution or when the Fund receives cash and are recorded in the period to which they relate.

##### **m) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is currently an enforceable legal right to offset the recognised amounts and there is an intention to settle or realise the assets and liabilities simultaneously.

##### **n) Defined benefit member liabilities**

Member liabilities are measured at the amount of accrued benefits. Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at a reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due.

##### **o) Cash and cash equivalents**

Cash and cash equivalents include cash at bank, deposits held at call with financial institutions and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### **p) Investment Properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions, at reporting date. The 30 June 2023 fair value is determined based on an annual evaluation performed by an accredited external independent valuer, applying a valuation model recommended by the International Valuation Standards Committee and which complies to *AASB 13 – Fair Value Measurement*. Interim valuations are also performed as and when required. Gains or losses arising from changes in the fair value of investment properties (see note 19) are recognised in the income statement in the period in which they arise.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2023

#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### q) New Accounting Standards and interpretations

There are no standards, interpretations or amendments to existing standards that became effective for the first time for the Pooled Fund for the annual reporting period ended 30 June 2023.

##### r) Standards issued applicable but not yet effective

###### AASB 2020-6 Amendments to AASB 101: Amendments to Australian Accounting Standards: Presentation of Financial Statements

The standard is effective for the year ending 30 June 2024. The amendment requires a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period. No material changes to these financial statements are expected.

###### AASB 2021-2 Amendments to Australian Accounting Standards: Disclosure of Accounting Policies and Definition of Accounting Estimates

The standard is effective for the year ending 30 June 2024. The amendments provide a definition of and clarifications on accounting estimates and clarifies the concept of materiality in the context of disclosure of accounting policies. No material changes to these financial statements are expected.

###### AASB 2021-5 Amendments to Australian Accounting Standards: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The standard is effective for the year ending 30 June 2024. The amendment reduces the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. No material changes to these financial statements are expected.

###### AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback

The standard is effective for the year ending 30 June 2025. The amendments add subsequent measurement requirements for sale and leaseback transactions. No material changes to these financial statements are expected.

###### AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

The standard is effective for the year ending 30 June 2025. The amendments provide implementation guidance on non-financial assets for not-for-profit public sector entities. No material changes to these financial statements are expected.

#### 3. RECEIVABLES

Receivables	2023 \$m	2022 \$m
Accrued income	70	73
Contributions receivable	12	2
Margin call deposits	30	452
Due from brokers – receivable for securities sold	22	203
<b>Total</b>	<b>134</b>	<b>730</b>

Trade receivables for securities sold are recognised on trade date and normally settled within three business days.

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2023

### 4. EMPLOYER SPONSOR RECEIVABLE

Employer Sponsor Receivable	2023 \$m	2022 \$m
Employer Sponsor Receivable - PSS	3,728	3,347

The Employer Sponsor Receivable (ESR) recognised in the financial statements relates to the deficiency in the Police Superannuation Scheme (see note 8). This scheme has a statutory obligation by the employer to meet the shortfall when the defined benefit member liabilities exceed the fair value of the scheme's assets.

### 5. PAYABLES

Payables	2023 \$m	2022 \$m
Superannuation benefits to members	25	13
Due to brokers – payable for securities purchased	32	89
Other creditors	19	22
Contribution surcharge	13	16
Payable to SAS Trustee Corporation	4	4
<b>Total</b>	<b>93</b>	<b>144</b>

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. All payables are non-interest bearing and generally short-term in nature. Payables are recognised at their nominal value which is equivalent to fair value.

### 6. INVESTMENT PROPERTIES

a) Investment Properties	2023 \$m	2022 \$m
At 1 July	1,804	2,049
Transfer to controlled unit trust	(1,569)	(360)
Changes in fair value	(27)	115
<b>Total</b>	<b>207</b>	<b>1,804</b>

b) Net Rental Income/(expenses)	2023 \$m	2022 \$m
Rental income from investment property	22	143
Direct operating expenses	(30)	(55)
<b>Net rentals/(expenses) from investment property</b>	<b>(8)</b>	<b>88</b>

**SAS TRUSTEE CORPORATION POOLED FUND**

**Notes to and forming part of the financial statements  
For the year ended 30 June 2023**

**7. DERIVATIVES – ASSETS AND LIABILITIES**

Derivatives	2023			2022		
	Derivative Assets \$m	Derivative Liabilities \$m	Net Derivatives \$m	Derivative Assets \$m	Derivative Liabilities \$m	Net Derivatives \$m
Foreign Exchange Forward Contracts	15	(296)	(281)	6	(217)	(211)
Futures	3	(3)	-	6	(7)	(1)
Options	26	(3)	23	80	(1)	79
Swaps	4	(17)	(13)	12	(10)	2
<b>Net Derivatives</b>	<b>48</b>	<b>(319)</b>	<b>(271)</b>	<b>104</b>	<b>(235)</b>	<b>(131)</b>

**8. DEFINED BENEFIT MEMBER LIABILITIES**

**Liability for Accrued Benefits**

The Fund engages actuaries on an annual basis to measure the defined benefit members' liabilities in each of the defined benefit schemes.

The amount of accrued benefits has been determined based on the present value of expected future payments which arise from membership of the Fund up to the measurement date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The valuation of accrued benefits was undertaken by the independent scheme actuary. The financial assumptions applied for the calculations were:

Valuation Assumptions*	2023 %	2022 %
Investment Return Rate		
- assets backing current pension liabilities	7.0	7.0
- other	6.2	6.2
CPI Increase Rate – (FY2023 applied to pensions in Oct 2023)	6.7	4.8
CPI Increase Rate – (FY2024)	3.5	2.5
CPI Increase Rate – (FY2025)	3.0	2.5
CPI Increase Rate – (applied thereafter)	2.5	2.5
Salary Increase Rates		
FY2023	3.2	3.2
FY2024	4.5	3.6
FY2025	3.0	2.9
FY2026	2.7	2.7
FY2027 and thereafter	3.2	3.2

The actuarial valuation estimate at the reporting date shows accrued liabilities of \$60,593 million and an unfunded liability of \$22,470 million (before inclusion of ESR). The key assumptions and sensitivity analysis to 30 June 2023 estimates are provided below.

**SAS TRUSTEE CORPORATION POOLED FUND**

Notes to and forming part of the financial statements  
For the year ended 30 June 2023

**8. DEFINED BENEFIT MEMBER LIABILITIES (Continued)**

**Sensitivity Analysis for 30 June 2023**

<b>Key Assumption*</b>	<b>Assumed at 30 June 2023</b>	<b>Sensitivity Change</b>	<b>(Increase)/Decrease in Liability for Accrued Benefits \$m</b>
Investment return/ discount rate	7.0% for all pensioners, 6.2% other members	+1.0pa	<b>4,111.1</b>
		-1.0pa	<b>(4,773.8)</b>
CPI increases	6.7% pa to 30 June 2023, 3.5% for FY2024, 3.0% for FY2025 and 2.5% p.a. thereafter	+1.0pa	<b>(4,757.9)</b>
		-1.0pa	<b>4,135.0</b>
Inflationary salary increases	4.5% for FY2024, 3.0% for FY2025, 2.7% for FY2026, 3.2% p.a. thereafter	+1.0pa	<b>(272.8)</b>
		-1.0pa	<b>256.8</b>
Pensioner mortality	Consistent with a life expectancy of 88.9 for a 65-year-old	+0.5 years	<b>(383.8)</b>
		-0.2 years	<b>379.2</b>

\* All assumptions are long-term in nature, for the duration of the fund life, and may differ from short-term variations.

**SAS TRUSTEE CORPORATION POOLED FUND**

Notes to and forming part of the financial statements  
For the year ended 30 June 2023

**8. DEFINED BENEFIT MEMBER LIABILITIES (Continued)**

**Sensitivity Analysis for 30 June 2022**

Key Assumption*	Assumed at 30 June 2023	Sensitivity Change	(Increase)/Decrease in Liability for Accrued Benefits \$m
Investment return/ discount rate	7.0% for all pensioners, 6.2% other members	+1.0pa	4,049
		-1.0pa	(4,716)
CPI increases	4.8% pa to 30 June 2022 and 2.5% pa thereafter	+1.0pa	(4,654)
		-1.0pa	4,031
		Alternative basis**	(761)
Inflationary salary increases	2.74% for FY2022, 3.15% for FY2023, 3.62% for FY2024 2.87% for FY2025, 2.74% for FY2026, 3.2% p.a. thereafter	+1.0pa	(319)
		-1.0pa	299
Pensioner mortality	Consistent with a life expectancy of 88.8 for a 65-year-old	+0.5 years	(337)
		-0.2 years	337

\* All assumptions are long-term in nature, for the duration of the fund life, and may differ from short-term variations.

\*\* The alternate basis for the CPI increase as at June 2022 assumes 3.5% p.a CPI increase for FY2023 and FY2024 (instead of 2.5% p.a in the base case).

**SAS TRUSTEE CORPORATION POOLED FUND**

**Notes to and forming part of the financial statements  
For the year ended 30 June 2023**

**8. DEFINED BENEFIT MEMBER LIABILITIES (Continued)**

	2023			2022		
	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	13,284	10,586	(2,698)	13,505	11,058	(2,447)
State Authorities Non-contributory Superannuation Scheme	1,832	1,641	(191)	1,935	1,525	(410)
State Superannuation Scheme	36,979	21,126	(15,853)	35,511	21,077	(14,434)
Police Superannuation Scheme	8,498	4,770	(3,728)	8,049	4,702	(3,347)
<b>Actuarial estimates of under-funded benefits at 30 June</b>	<b>60,593</b>	<b>38,123</b>	<b>(22,470)</b>	59,000	38,362	(20,638)
Employer Sponsor Receivable for PSS, in accordance with AASB 1056	-	3,728	3,728	-	3,347	3,347
<b>Under-funded benefits AASB 1056</b>	<b>60,593</b>	<b>41,851</b>	<b>(18,742)</b>	59,000	41,709	(17,291)

STC continues to work with the NSW Treasury to facilitate the Government's objective to fully fund the superannuation liabilities of the General Government Sector (excluding Universities).

As noted in last year's financial statements the Government has re-anchored its target for superannuation liabilities to be fully funded from 2030 to 2040, with the intention to progress amendments to the *Fiscal Responsibility Act 2012* to reflect the 2040 full funding target. The Government contributions recommenced in July 2022 once the two-year contribution holiday expired.

**Liquidity risk management**

STC's overall strategy to liquidity risk management is outlined in its Liquidity Policy. The Fund's liquidity risk exposures are managed in concert with the Fund's investment strategies. STC has set a number of minimum liquidity requirements which are tested at least annually.

These include maintaining a sufficient liquid asset buffer to meet two years' worth of projected benefit payments and an exposure of no less than 40% of assets invested in liquid asset classes at all times. STC continuously monitors forecast and actual cash flows, including amounts required to fund its scheme and investment transactions and amounts expected from the NSW Government.

**SAS TRUSTEE CORPORATION POOLED FUND**

**Notes to and forming part of the financial statements  
For the year ended 30 June 2023**

**9. 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. This is for disclosure purposes only.

	2023			2022		
	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	13,634	10,586	(3,048)	13,970	11,058	(2,912)
State Authorities Non-contributory Superannuation Scheme	1,965	1,641	(324)	2,096	1,525	(571)
State Superannuation Scheme	36,989	21,126	(15,863)	35,534	21,077	(14,457)
Police Superannuation Scheme	8,427	4,770	(3,657)	7,938	4,702	(3,236)
<b>Actuarial estimates of under-funded benefits at 30 June</b>	<b>61,015</b>	<b>38,123</b>	<b>(22,892)</b>	<b>59,538</b>	<b>38,362</b>	<b>(21,176)</b>
Employer Sponsor Receivable for PSS, in accordance with AASB 1056	-	3,728	3,728	-	3,347	3,347
<b>Under-funded benefits AASB 1056</b>	<b>61,015</b>	<b>41,851</b>	<b>(19,164)</b>	<b>59,538</b>	<b>41,709</b>	<b>(17,829)</b>

**10. EMPLOYER AND MEMBER CONTRIBUTIONS**

	2023				
	SASS \$m	SANCS \$m	SSS \$m	PSS \$m	Total \$m
Employer Contributions	232	68	1,065	231	1,596
Salary Sacrifice Contributions	82	-	8	3	93
Member Contributions	34	-	5	1	40
<b>Total Contributions</b>	<b>348</b>	<b>68</b>	<b>1,078</b>	<b>235</b>	<b>1,729</b>

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2023

### 10. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

	2022				Total \$m
	SASS \$m	SANCS \$m	SSS \$m	PSS \$m	
Employer Contributions	62	41	419	1	523
Salary Sacrifice Contributions	91	-	11	3	105
Member Contributions	32	-	7	1	40
<b>Total Contributions</b>	<b>185</b>	<b>41</b>	<b>437</b>	<b>5</b>	<b>668</b>

### 11. CHANGE IN FAIR VALUE OF INVESTMENTS

Asset class	2023 \$m	2022 \$m
Short term securities	10	4
Australian fixed interest	(13)	(155)
International fixed interest	-	8
Australian equities	557	(998)
International equities	2,311	(1,358)
Property - indirect	(66)	225
Investment properties - direct	20	107
Infrastructure and other alternatives	(565)	355
<b>Total</b>	<b>2,254</b>	<b>(1,812)</b>

Changes in fair value of investments are recognised in the Income Statement and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the year). From the above, \$2,227 million gains (2022: \$1,063 million losses) relates to investments still held at 30 June 2023.

### 12. SCHEME ADMINISTRATION EXPENSES

The *Superannuation Administration Act 1996* requires that STC recover its administration expenses from the Fund. Payments to STC totalled \$36 million (2022: \$33 million).

Included in administration expenses are the following items:

	2023 \$m	2022 \$m
Actuarial Fees	0.5	0.5
Audit Fees – The Audit Office of New South Wales	0.5	0.5
Scheme Administration Fees	20.1	20.4

**SAS TRUSTEE CORPORATION POOLED FUND**

**Notes to and forming part of the financial statements  
For the year ended 30 June 2023**

**13. INCOME TAX**

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

<b>a) Income Tax recognised in the Income Statement</b>	<b>2023 \$m</b>	<b>2022 \$m</b>
<b>Current tax benefit</b>		
Current income tax benefit	(77)	(202)
Under/(Over) provision of tax in prior years	-	1
	<b>(77)</b>	<b>(203)</b>
<b>Deferred tax liability</b>		
Decrease in deferred tax liabilities	3	(40)
<b>Total income tax (benefit) in Income Statement</b>	<b>(74)</b>	<b>(243)</b>
<b>Reconciliation between operating results before income tax and tax (benefit)</b>		
<b>Operating results before income tax</b>	<b>(1,525)</b>	<b>(4,291)</b>
Income tax expense (benefit) using the superannuation fund tax rate of 15%	(229)	(644)
<b>Change in tax expense/(benefit) due to:</b>		
- Non assessable investment income	(229)	374
- Exempt pension related investment income	(297)	(338)
- Tax credits	(77)	(203)
- Net change in defined benefit member liabilities	758	569
- (Over) provision of tax benefit in prior years	-	(1)
<b>Income tax (benefit) in Income Statement</b>	<b>(74)</b>	<b>(243)</b>

**13. INCOME TAX (Continued)**

<b>b) Deferred Tax Asset/(Liability)</b>	<b>2023 \$m</b>	<b>2022 \$m</b>
Unrealised franking credits	3	6
<b>Deferred Tax Asset/(Liability)</b>	<b>3</b>	<b>6</b>

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2023

#### 14. KEY MANAGEMENT PERSONNEL AND KEY MANAGEMENT PERSONNEL COMPENSATION

The Trustee of the Fund is STC. The names of the STC Board members and STC executive officers in office during the year ended 30 June 2023 and the comparative year are as follows:

##### **Non-executive Trustees**

Ms C Austin  
 Ms C Bolger  
 Mr A Claassens  
 Mr T Costa (term commenced 13 February 2023)  
 Ms S Dave (term completed 25 May 2022)  
 Mr N Johnson  
 Ms C Keating (term completed 31 October 2022)  
 Mr S Little (term completed/resigned 1 December 2022)  
 Mr R Mason (term commenced 1 November 2022)  
 Mr T O'Grady  
 Ms L Rasmussen  
 Ms C Yuncken (term commenced 26 May 2022)

##### **Executive Officers**

Mr J Hazell (from 1 September 2021)  
 Mr J Livanas  
 Mr J Narayan  
 Mr A Parapuram  
 Mr N Patel  
 Ms K Pratt  
 Ms N Siratkov  
 Mr C Wu

<b>The key management personnel compensation in relation to services to STC is as follows</b>	<b>2023 \$'000</b>	<b>2022 \$'000</b>
Board member compensation	524	569
Short-term employee benefits	2,998	3,113
Other long-term employee benefits	4	4
<b>Total</b>	<b>3,526</b>	<b>3,686</b>

#### 15. RELATED PARTY INFORMATION

- a) The following Board Member was a member of a Fund scheme during the reporting period or up to the date of the financial statements (including the comparative year): A Claassens. The membership terms and conditions were the same as those applied to other members of the Fund's schemes.
- b) The Fund reimbursed STC \$40 million (2022: \$37 million) for operating expenses including key management personnel compensation costs. The amount payable to STC at 30 June 2023 is disclosed in note 5.
- c) The Fund has an investment in a commercial office building at 83 Clarence Street, Sydney. Part of this building is leased on normal commercial terms to the Trustee.
- d) During the reporting period, Mr R Mason was appointed to the Board. Prior to Mr Mason's appointment, he was also a partner of Deloitte Australia. Deloitte Australia was appointed by STC to act as Internal Auditor in August 2018 following a tender process on arm's length terms and conditions. The Deloitte internal audit team has not involved Mr Mason in the delivery of internal audit services to STC and has reported to the Chief Audit Executive and the Board Risk, Audit and Compliance Committee. Following a tender process run in 2023, Deloitte Australia has completed their tenure as supplier of internal audit services with effect from 25 July 2023. BDO Australia have been appointed with effect from 1 September 2023.

Directors are required to advise the Board on an ongoing basis of any interest they believe could conflict with State Super's interests. If a potential conflict does arise, either the director concerned may choose not to, or the Board may decide that he or she should not, receive documents or take part in Board discussions while the matter is being considered. Conflicts of interest, including related party transactions, are a standing agenda item and are considered by the Board at each Board meeting.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2023

#### 16. CONTINGENT LIABILITIES

Contingent liabilities potentially exist in relation to either the Trustee in its capacity as Trustee of the Fund, or the Fund itself. Classes of contingent liabilities may include:

- a) Legal costs and related future benefit payments, if any, in relation to member benefit entitlement disputes, notified, but not resolved.
- b) Legal costs and damages arising from claims relating to the ownership and operation of physical assets.

In both cases, there are no material exposures relating to these potential contingent liabilities at 30 June 2023 to the best of the economic entity's knowledge. The Trustee is indemnified out of the assets of the Fund, and in the case of contingent liabilities arising from PSS, by the legislation of the scheme which allows the Trustee to make a call on NSW Government Consolidated Revenues.

Effective 1 January 2022, changes to Federal superannuation legislation narrowed the circumstances in which the Trustee can seek indemnity out of the assets of the Fund to exclude any liabilities imposed by a Federal regulator or under a Federal law. As this Federal legislative policy change was not intended to apply to these NSW closed defined benefit schemes, NSW Treasury have indicated in writing that such penalties up to a maximum of \$10,000 that would otherwise have been indemnified out of the assets of the Fund will be indemnified out of Consolidated Revenue and any other amount that exceeds the value of \$10,000 will be determined on a case-by-case basis.

#### 17. SECURITIES LENDING PROGRAM

The Fund participates in an indemnified Securities Lending Program managed by the custodian. The Fund received \$3.82 million (2022: \$3.82 million) fee income from this program, which adds to the Fund's overall yearly return.

At 30 June, the total value of the loaned securities was \$1.04 billion (2022: \$1.32 billion) while the total value of the collateral was \$1.14 billion (2022: \$1.42 billion). The lent securities represented 2.73% of the lendable assets (2022: 3.45%) and is within the Fund's allowable limit of 20% of the lendable assets.

The collateral comprised of non-cash sovereign securities of \$1.10 billion (2022: \$1.03 billion) and cash of \$42 million (2022: \$394 million). The collateral is invested in a fund managed by the custodian.

The custodian's indemnification of the program covers any shortfalls in securities collateral.

#### 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risk factors as a result of its investment activities. These risks include:

- (a) market risk (including currency risk; interest rate risk; and price risk)
- (b) credit risk
- (c) liquidity risk

The Fund's risk management and investment policies are designed to minimise the potential adverse effects of these risks on the Fund's financial performance. STC maintains a Risk Management Framework (RMF) and an anti-money laundering and counter terrorism financing program (AML/CTF program). These systems address material risks, both financial and non-financial that could potentially be faced by the Fund.

The Fund's assets are invested in accordance with the Fund's investment strategy. STC regularly reviews the investment strategy to ensure the strategy's continued relevance to the Fund's objectives given prevailing investment markets. An objective of the investment strategy is to avoid undue concentrations of risk.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2023

#### 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

STC ensures that the portfolio is diversified across and within asset classes, across investment managers, countries, individual asset types and risk factors. As required by its governing legislation, the investments of the Fund are managed by specialist fund managers. The activities of the fund managers are governed by investment instructions and investment constraints as set out in documented agreements with the fund managers or, in the case of a unit trust, a trust deed.

STC and TCorp (as the mandated investment manager for the Trustee Selection assets), constantly monitor the investment managers to ensure compliance with investment instructions and investment constraints. For the purpose of these financial statements, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables but excluding ESR, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps). Such derivative instruments are only used for hedging purposes and to efficiently implement asset allocation changes.

#### Accounting Policies

Assets and liabilities of the Fund are predominantly valued at reporting date at fair values in accordance with AASB13 *Fair Value Measurement*. Fair value comprises of market value but excludes estimated costs of disposal. Changes in fair values, representing gains or losses, are recognised in the Income Statement in the period in which they occur.

Accounting policies and valuation methods for each financial instrument are as follows:

Financial instruments	Accounting policies/valuation methods
1. Receivables	Receivables include income receivable and unsettled sales of securities.
2. Futures	Futures are stated at market value using the daily closing price.
3. Managed Trusts/Managed Property Trusts	The fair value of Managed Trusts is determined on the basis of the withdrawal or net asset value unit prices as advised by the relevant fund manager.
4. Unlisted Equity Interests	Unlisted Equity Interests are carried at fair value as determined by independent expert valuers. Valuations are done on a semi-annual basis and as required.
5. Listed Shares and Trusts	Listed shares and trusts are carried at fair value. The basis for valuation of listed securities is the last bid price quoted at close of business on the last day of the period on the relevant securities exchange. Dividend income and trust distributions are recognised on the ex-date.
6. Bills of exchange and other discount securities	Carried at fair value using market rates as at 30 June.
7. Promissory Notes	Carried at fair value as at 30 June.
8. Mortgages	Mortgages are stated at fair value. Interest income is recognised in the Income Statement when earned.
9. Bank Deposits	Stated at fair value. Interest income is recognised in the Income Statement when earned.
10. Government Bonds	Carried at fair value based on discounted cash flow.
11. Semi Government Bonds	Carried at fair value based on discounted cash flow.
12. Domestic Bonds	Carried at fair value based on discounted cash flow.
13. International Bonds	Carried at fair value based on discounted cash flow.
14. Options	Options are stated at market value using the daily closing price.
15. Investment Purchases	Liabilities are recognised for amounts to be paid for under investment commitments.
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 into Australian Dollars at the hedge rates.
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.
18. Investment Properties	The fair value of the Fund's investment property as at 30 June 2023 and 30 June 2022 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuers. All independent valuers were appropriately qualified and experienced and authorised to practise as a valuer. Valuations are done on a semi-annual basis and as required.

Notes to and forming part of the financial statements  
For the year ended 30 June 2023

**18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**Accounting Policies (Continued)**

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Changes in the fair value of the financial assets and liabilities are recognised from that date.

The Fund derecognises a financial asset or a financial liability when the rights or obligation under the asset or liability is discharged, transferred, cancelled or expires.

**a) Market Risk**

Market risk is the risk that changes in factors such as foreign currency exchange rates (currency risk), interest rates (interest rate risk) and equity prices (price risk) will affect the Fund's income or the value of its financial instruments. Through its management of market risk, STC seeks to manage and control its market risk exposures to within acceptable parameters while optimising risk adjusted returns.

In managing market risk, STC's fund managers trade in derivatives and securities. The fund managers also incur liabilities in the ordinary course of business. All such transactions are within the investment management mandates granted by STC to its managers.

For the purposes of these financial statements, the sensitivity factors applied to illustrate the extent of risk from possible changes in currency, interest rates and price risk were developed by the Fund's Asset Consultant. The Asset Consultant's recommended volatility factors have been determined after considering historical data series and are calculated by considering what is 'reasonably possible'. The analysis is calculated on the same basis for 2023 and 2022.

**a.i) Currency Risk**

Foreign Currency risk is the risk that the net market value of offshore assets and future cash flows derived from existing offshore financial instruments will fluctuate because of changes in foreign exchange rates.

The Fund is exposed to foreign currency risk on financial instruments, receivables and liabilities that are denominated in currencies other than Australian Dollars. The main currencies to which the Fund is exposed are:

- US Dollar (USD)
- Japanese Yen (JPY)
- Euro (EUR)
- British Pound (GBP)

The Fund's foreign currency risk is managed in accordance with strict parameters as set out in its investment policy. Under the policy, investments are hedged as follows:

- international equities – developed market equities are hedged from 0% to 100% in Australian dollars
- international equities – emerging market equities are unhedged
- international property, infrastructure and alternative assets are hedged from 0% to 100% in Australian dollars

STC's currency overlay manager uses a range of counterparties. If a counterparty failed to satisfy its contractual obligation to deliver on a currency hedging contract, the Fund would remain exposed to the foreign currency risk.

The hedging strategy is continually reviewed and refined for the management of risk factors faced by the Fund through foreign currency risk.

**SAS TRUSTEE CORPORATION POOLED FUND**

Notes to and forming part of the financial statements  
For the year ended 30 June 2023

**18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**a.i) Currency Risk (continued)**

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

	YEAR ENDED 30 JUNE 2023 FAIR VALUE						
	USD AUD\$m	JPY AUD\$m	EUR AUD\$m	GBP AUD\$m	AUD AUD\$m	Other AUD\$m	TOTAL AUD\$m
<b>Financial assets and liabilities at fair value through the income statement</b>	11,156	715	1,520	985	20,325	3,431	38,132
<b>Cash</b>						102	102
<b>Payables</b>	(67)	(4)	(6)	(3)	(3)	(10)	(93)

	YEAR ENDED 30 JUNE 2022 FAIR VALUE						
	USD AUD\$m	JPY AUD\$m	EUR AUD\$m	GBP AUD\$m	AUD AUD\$m	Other AUD\$m	TOTAL AUD\$m
<b>Financial assets and liabilities at fair value through the income statement</b>	9,538	527	1,292	955	22,387	3,091	37,790
<b>Cash</b>	-	-	-	-	54	-	54
<b>Payables</b>	(92)	(4)	(14)	(5)	(3)	(26)	(144)

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements  
For the year ended 30 June 2023**

### 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### a.i) Currency Risk (continued)

The currency risk disclosure reflects the Fund's assets that are subject to active currency management. These assets comprise both directly held investments and most of the assets held indirectly through unit trusts.

Assuming no hedging of international exposures, a reasonably possible 16% (2022: 16%) strengthening of the Australian Dollar against the following currencies at financial year end would have decreased the monetary assets (i.e. assets that are units of currency or assets that are to be received in a fixed or determinable number of units of currency) within the Fund's Income Statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In practice, STC partially hedges against the adverse effects of currency movements. The analysis is calculated on the same basis for 2023 and 2022.

All amounts are in Australian Dollars	Change in Net Assets 2023 \$m	Change in Net Assets 2022 \$m
USD	(151)	(188)
JPY	(1)	(1)
EUR	(20)	(19)
GBP	(16)	(18)
Other	(69)	(60)
<b>Total</b>	<b>(257)</b>	<b>(286)</b>

Assuming no hedging of international exposures, a reasonably possible 16% (2022: 16%) weakening of the Australian Dollar against the above currencies at financial year end would have the equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

#### a.ii) Interest Rate Risk

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

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

**SAS TRUSTEE CORPORATION POOLED FUND**

Notes to and forming part of the financial statements  
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**18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**a.ii) Interest Rate Risk (continued)**

**YEAR ENDED 30 JUNE 2023 – INTEREST RATE RISK DISCLOSURE**

	Floating Interest \$m	Fixed Interest \$m	Non- Interest- Bearing \$m	Total (per Statement of Financial Position) \$m
<b>Assets</b>				
Short Term Securities	168	2,736	-	2,904
Australian Fixed Interest	-	670	-	670
Australian Equities	-	-	4,432	4,432
International Equities	-	-	14,692	14,692
Property - indirect	-	-	3,311	3,311
Investment Properties - direct	-	-	207	207
Infrastructure and other alternatives	-	-	12,289	12,289
Derivatives assets	-	-	48	48
<b>Total Assets</b>	<b>168</b>	<b>3,406</b>	<b>34,979</b>	<b>38,553</b>
<b>Liabilities</b>				
Payables	-	-	93	93
Derivatives liabilities	-	-	319	319
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>412</b>	<b>412</b>
<b>Net Assets</b>	<b>168</b>	<b>3,406</b>	<b>34,567</b>	<b>38,141</b>

**YEAR ENDED 30 JUNE 2022 – INTEREST RATE RISK DISCLOSURE**

	Floating Interest \$m	Fixed Interest \$m	Non- Interest- Bearing \$m	Total (per Statement of Financial Position) \$m
<b>Assets</b>				
Short Term Securities	241	2,240	-	2,481
Australian Fixed Interest	-	643	-	643
International Fixed Interest	-	-	-	-
Australian Equities	-	-	6,148	6,148
International Equities	-	-	12,209	12,209
Property - indirect	-	-	1,789	1,789
Investment Properties - direct	-	-	1,804	1,804
Infrastructure and other alternatives	-	-	12,901	12,901
Derivatives assets	-	-	104	104
<b>Total Assets</b>	<b>241</b>	<b>2,883</b>	<b>34,955</b>	<b>38,079</b>
<b>Liabilities</b>				
Payables	-	-	144	144
Derivatives liabilities	-	-	235	235
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>379</b>	<b>379</b>
<b>Net Assets</b>	<b>241</b>	<b>2,883</b>	<b>34,576</b>	<b>37,700</b>

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2023

### 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### a.ii) Interest Rate Risk (continued)

The following tables illustrate the effect from possible changes in interest rates and price risk that were reasonably possible based on the risk to which the Fund was exposed.

The effect of a reasonably possible 350-basis point increase in variable rates and 100-basis point increase in fixed rates (2022: both 140-basis points) for variable rate financial assets and for fixed interest securities is as follows. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is calculated on the same basis for 2023 and 2022 and takes into consideration portfolio duration.

All amounts are in Australian Dollars	Change in Net Assets 2023 \$m	Change in Net Assets 2022 \$m
Fixed Interest	(89)	(74)
Floating Interest	6	3
<b>Total</b>	<b>(83)</b>	<b>(71)</b>

A reasonably possible 350-basis point (2022: 140-basis points) decrease in variable rates and a 100-basis point decrease in interest rates (2022: 140-basis points) at financial year end would have the equal but opposite effect on the amounts shown above, assuming that all other variables remain constant.

#### a.iii) Price Risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment and/or its issuer or all factors affecting all instruments traded in the market. As the majority of the Fund's financial instruments are carried at fair value in the Statement of Financial Position and all changes in fair value are recognised in the Income Statement, all changes in market conditions will directly affect net assets available for member benefits and operating results.

Price risk is mitigated by the Fund having a formal investment strategy which diversifies the Fund's investments across various sectors, managers, risk factors, asset classes and countries.

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2023

### 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### a.iii) Price Risk (continued)

The following tables illustrate the effect from possible changes in market prices that were reasonably possible based on the risk to which the Fund was exposed.

All amounts are in Australian Dollars	Change in Price Risk Variable	Change in Operating Results 2023 \$m	Change in Operating Results 2022 \$m
Australian Equities	+38.1%	1,689	2,342
International Equities	+38.2%	5,826	4,861
<b>Total</b>		<b>7,515</b>	<b>7,203</b>

All amounts are in Australian Dollars	Change in Price Risk Variable	Change in Operating Results 2023 \$m	Change in Operating Results 2022 \$m
Australia Equities	-22.1%	(979)	(1,359)
International Equities	-21.8%	(3,368)	(2,813)
<b>Total</b>		<b>(4,347)</b>	<b>(4,172)</b>

#### b) Credit Risk

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause the Fund to incur a financial loss. Counterparty risk is governed by the Exposure and Counterparty Limit Policy. The Fund primarily invests in debt securities which are rated by a known rating agency. The Fund manages its exposure to credit risk by setting minimum grade ratings by investment type and a minimum overall weighted average credit rating in its investment mandates.

The Fund is exposed to credit risk in the following areas:

- the holding of currency hedging contracts, derivatives, short term securities, Australian fixed interest securities and international fixed interest securities
- contributions receivable
- accrued income
- margin call deposits
- unsettled investment sales
- securities lending (refer to Note 17)

The Fund's maximum exposure to credit risk at balance date in relation to each of the above listed items is the carrying amount of those assets as stated in the Statement of Financial Position.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2023

#### 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

For short term securities, Australian fixed interest securities, international fixed interest securities and cash, STC controls credit risk by explicitly setting out in its investment instructions the assets that fund managers may invest in. The restrictions are based around rating agency assessments and/or the securities that make up the relevant industry benchmark for the sector being invested in. For forward foreign exchange contracts, investment managers must deal only with counterparties that have greater than nominated rating agency assessment and are also limited to relative dollar limits with any particular counterparty to ensure that credit risk is well diversified.

Credit risk associated with contributions receivable, margin call deposits and investment sales are minimal as all have a short settlement period and:

- contributions receivable comprises mainly Government Agency employer sponsors, hence risk is mitigated.
- for margin call deposits, STC transacts only with counterparties rated as credit worthy by credit rating agencies, and
- for investment sales, in line with market practice the Fund's custodian does not release the sold assets until full payment has been received from the purchaser.

The Fund does not have significant concentrations of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The net exposure of the Fund to a group of related entities has not been greater than ten percent of the Fund's net assets during the years ended 30 June 2023 or 30 June 2022. Also, STC ensures that in its hedging activities it diversifies its exposure to individual counterparties.

#### c) Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

The relevant statutes require that all benefits be paid in full when they fall due.

In managing liquidity risk STC continuously monitors forecast and actual cash flows, including amounts required to fund its scheme and investment transactions and amounts expected from the Crown. Forecast Fund cash flows are based around the triennial actuarial assessment of the Fund, adjusted for actual cash flows. STC is able to estimate benefit outflows because most members cannot roll out of the Fund at will, but rather must satisfy a condition of release. The Fund maintains funding facilities adequate to allow the payment of its obligations as they fall due (also refer Note 8).

The Fund's strategic asset allocations at 30 June 2023 targeted the following allocations to cash and short-term securities:

- DC Growth Option 2.8%
- DC Balanced Option 14.8%
- DC Conservative Option 23.8%
- Trustee Selection 4.0%

## SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements  
For the year ended 30 June 2023

### 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The following tables summarise the maturity profile of the Fund's financial liabilities.

2023 Financial liabilities	Less than 1 month \$m	1 – 12 months \$m	1+ years \$m	Fair Value \$m
Trade and other payables	80	13	-	93
Current tax liabilities	-	155	-	155
<b>Total financial liabilities (excluding derivatives)</b>	<b>80</b>	<b>168</b>	<b>-</b>	<b>248</b>
Net settled derivatives				
Forward foreign exchange contracts	(1)	(281)	-	(282)
Futures	-	-	-	-
Swaps	-	5	(17)	(12)
Options	-	22	1	23
<b>Total derivatives inflow/(outflow)</b>	<b>(1)</b>	<b>(254)</b>	<b>(16)</b>	<b>(271)</b>

2022 Financial liabilities	Less than 1 month \$m	1 – 12 months \$m	1+ years \$m	Fair Value \$m
Trade and other payables	128	16	-	144
Current tax liabilities	-	-	-	-
<b>Total financial liabilities (excluding derivatives)</b>	<b>128</b>	<b>16</b>	<b>-</b>	<b>144</b>
Net settled derivatives				
Forward foreign exchange contracts	(60)	(150)	-	(210)
Futures	-	(1)	-	(1)
Swaps	8	3	(10)	1
Options	7	72	-	79
<b>Total derivatives inflow/(outflow)</b>	<b>(45)</b>	<b>(76)</b>	<b>(10)</b>	<b>(131)</b>

### 19. FAIR VALUE DISCLOSURES

The Statement of Financial Position is prepared in accordance with AASB 1056 *Superannuation Entities*. All investment assets are valued at fair values at 30 June.

#### Assets and Liabilities by Measurement Hierarchy

For financial reporting, fair value measurements are categorised into Level 1, 2 or 3 based on whether inputs in determining fair value are observable and the significance to the measurement. The levels are described as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are short term securities; listed shares; listed unit trusts.
- Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are loan notes, government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.
- Level 3 – inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; and unlisted infrastructure.

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2023

#### 19. FAIR VALUE DISCLOSURES (Continued)

STC has a valuation policy that sets out how all the Fund's assets are to be valued to ensure that valuations are materially accurate, fair and equitable. The Policy reflects the requirements of APRA Prudential Practice Guide SPG 531 – *Valuation*.

The fair value of direct infrastructure and property assets are based on valuations performed by independent valuers. Each independent valuer is appointed in line with the valuation policy. The valuation models used are designed in accordance with the International Valuation Standards Committee's recommendations.

#### Valuation techniques and significant unobservable inputs

The unobservable inputs into the valuation of the Fund's level 3 assets are determined on the best information available. Examples of unobservable inputs include discount rates, cash flow forecasts and rental forecasts.

Investments held at fair value through profit and loss for which there is no active market are valued making as much use of available and supportable market data as possible whilst keeping judgemental inputs to a minimum.

The following summarises the quantitative information regarding the significant unobservable inputs used in the Fund's level 3 fair value valuation methodologies, and include where applicable:

- Discounted cash-flow methods – which estimate fair value by discounting future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. The discount rate used to equate the future cash flows to their net present value reflects the risk adjusted rate of return demanded by a hypothetical investor for the assets being valued. Selecting an appropriate discount rate is a matter of judgement having regard to relevant available market data and the risks and circumstances specific to the asset being valued
- Asset based methods – which estimate the fair value based on the realisable value of identifiable net assets assuming an orderly realisation

The analysis below indicates the effect on the income statement and statement of financial position arising from reasonably possible changes of the noted unobservable inputs to level 3 assets.

Asset Description	Unobservable inputs used in analysis	Sensitivity used	Effect on fair value 2023 \$m	Effect on fair value 2022 \$m	Relationship to fair value
Infrastructure	Discount rate	+/- 50bp	<b>(379)/437</b>	<b>(394)/461</b>	an increase in the discount rate will reduce fair value, a decrease in the discount rate will increase fair value
Investment Property	Discount rate	+/- 25bp	<b>(44)/45</b>	<b>(41)/42</b>	an increase in the discount rate will reduce fair value, a decrease in the discount rate will increase fair value
Investment Property	Capitalisation rate	+/- 25bp	<b>(95)/106</b>	<b>(110)/121</b>	an increase in the capitalisation rate will reduce fair value, a decrease in the capitalisation rate will increase fair value
Unlisted Unit Trusts	Unit price	+/- 5%	<b>143/(143)</b>	<b>143/(143)</b>	an increase in the unit price will increase fair value, a decrease in the unit price will decrease fair value

**SAS TRUSTEE CORPORATION POOLED FUND**

**Notes to and forming part of the financial statements  
For the year ended 30 June 2023**

**19. FAIR VALUE DISCLOSURES (Continued)**

The following tables categorise the Fund's assets using the above valuation hierarchy. All disclosures are at fair value and excludes cash balances of approximately \$676 million (2022: \$1.0 billion) which are embedded within the asset class portfolios, as cash is not subject to fair value considerations.

Year ended 30 June 2023	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Assets</b>				
Short Term Securities	2,857	2,397	-	5,254
Australian Fixed Interest	-	100	-	100
International Fixed Interest	-	1,257	-	1,257
Australian Equities	4,381	799	-	5,180
International Equities	14,004	32	-	14,036
Property	-	-	2,823	2,823
Infrastructure and other alternatives	-	1,143	7,584	8,727
<b>Total</b>	<b>21,242</b>	<b>5,728</b>	<b>10,407</b>	<b>37,377</b>

Year ended 30 June 2022	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
<b>Assets</b>				
Short Term Securities	1,855	3,186	-	5,041
Australian Fixed Interest	-	245	-	245
International Fixed Interest	4	1,449	-	1,453
Australian Equities	5,895	141	-	6,036
International Equities	12,001	173	-	12,174
Property	-	-	2,803	2,803
Infrastructure and other alternatives	-	1,965	7,174	9,139
<b>Total</b>	<b>19,755</b>	<b>7,159</b>	<b>9,977</b>	<b>36,891</b>

Reconciliation of level 3 fair value measurements of financial assets

Level 3 Fair Value Reconciliation	2023 \$m	2022 \$m
Balance at 1 July	9,977	8,495
Total gains and losses recognised in income statement	250	1,090
Purchases	702	1,360
Redemptions/Disposals	(620)	(1,073)
Transfer from Level 2 into Level 3	98	105
<b>Balance at 30 June</b>	<b>10,407</b>	<b>9,977</b>

Unrealised gains recognised in the 2023 income statement is \$198 million, (2022: \$1,090 million gains).

## SAS TRUSTEE CORPORATION POOLED FUND

### Notes to and forming part of the financial statements For the year ended 30 June 2023

#### 19. FAIR VALUE DISCLOSURES (Continued)

##### Climate Change Risk

State Super acknowledges climate change presents significant long-term investment risks.

State Super is committed to effectively integrating climate change risks and opportunities into its investment processes across the Pooled Fund and expects its investment managers and advisors to integrate these throughout their investment process.

##### Real assets and Fair value assessment incorporating climate risk:

In arriving at the fair value of our real assets (primarily Infrastructure and Property assets), climate related risks are incorporated in the valuation process. The management teams for each individual asset will consider climate-related risk matters when preparing business plans and long-term forecasts, including impact of climate change on revenues, operating expenses, capex and financing.

In addition to climate-related risks being incorporated into the forecasts for each individual asset, the independent valuer will also consider climate-related risks when undertaking the valuation of each individual asset. In this regard, we specifically request (and require) each independent valuer to consider and comment upon climate-related risks when undertaking their independent valuations.

The consideration of climate-related risks by the valuer is typically made when the valuer is determining the discount rate of the asset using the discounted cash flow methodology.

#### 20. COMMITMENTS

As at 30 June 2023, the Fund had commitments for uncalled additions to existing investments of \$368 million (2022: \$208 million). The amounts can be called at the discretion of the fund managers involved and will be funded from the cash holdings of the Fund's diversified investment options.

#### 21. NOTES TO CASH FLOW STATEMENT

Reconciliation of net cash flows from operating activities to the operating result after income

	2023 \$m	2022 \$m
Operating result after income tax for the year	(1,451)	(4,048)
Net change in fair value of investments	(2,254)	1,812
Net change in receivables and other assets	(184)	(35)
Net change in payables and other liabilities	30	4
Net change in defined benefit member benefits	5,058	3,794
Net change in provision for income tax	292	(144)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,491</b>	<b>1,383</b>

## SAS TRUSTEE CORPORATION POOLED FUND

**Notes to and forming part of the financial statements  
For the year ended 30 June 2023**

### 22. CONTROLLED ENTITIES

The entities that comprise the SAS Trustee Corporation Pooled Fund economic entity are detailed below. The entities are special purpose trusts established to hold some of the Fund's unlisted infrastructure and property investments.

Name	Country of Incorporation	Equity Holding		Commitments for Investment	
		2023 %	2022 %	2023 \$'m	2022 \$'m
Alfred Unit Trust	Australia	100	100	-	-
Southern Way Unit Trust	Australia	100	100	-	-
Duquesne Utilities Trust	Australia	100	100	-	-
Pisco STC Funds Unit Trust No.2	Australia	100	100	-	-
Valley Commerce Pty Limited	Australia	100	100	-	-
Buroba Pty Limited	Australia	100	100	-	-
State Infrastructure Trust	Australia	100	100	-	-
State Infrastructure Holdings 1 Pty Ltd	Australia	100	100	-	-
Project Cricket State Super Unit Trust	Australia	100	100	-	-
A-Train Trust	Australia	100	100	-	-
TCorplM Fund Q (Direct Property)	Australia	100	100	-	-

### 23. EVENTS AFTER THE REPORTING DATE

There have been no events between 30 June 2023 and the date of approval of these financial statements that would significantly impact the financial statements.

**End of Audited Financial Statements**

# Appendix 1

## Statistical information about GIPA access applications processed by or on behalf of StateSuper in 2022-23

Table A: Number of applications by type of applicant and outcome*								
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	0	0	0	0	0	0	0	0
Members of Parliament	0	0	0	0	0	0	0	0
Private sector business	0	0	0	0	0	0	0	0
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public - application by legal representative	10	64	0	0	0	0	0	0
Members of the public (others)	11	114	0	1	0	0	0	0

\* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B

Table B: Number of applications by type of application and outcome								
	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications*	21	178	0	1	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0
Access applications that are partly personal information and partly other	0	0	0	0	0	0	0	0

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

<b>Table C: Invalid applications</b>	
<b>Reason for invalidity</b>	<b>Number of Applications</b>
Application does not comply with formal requirements (section 41 of the Act)	2
Application is for excluded information of the agency (section 43 of the Act)	1
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	3
Invalid applications that subsequently became valid applications	0

<b>Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act</b>	
	<b>Number of times consideration used *</b>
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	27
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0
Information about complaints to Judicial Commission	0
Information about authorised transactions under <i>Electricity Network Assets (Authorised Transactions) Act 2015</i>	0
Information about authorised transaction under <i>Land and Property NSW (Authorised Transaction) Act 2016</i>	0

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

<b>Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act</b>	
	<b>Number of occasions when application not successful</b>
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial process and natural justice	171
Business interests of agencies and other persons	0
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

<b>Table F: Timeliness</b>	
	<b>Number of Applications</b>
Decided within the statutory timeframe (20 days plus any extensions)	186
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	14
Total	200

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

	Decision varied	Decision upheld	Total
Internal review	0	0	0
Review by Information Commissioner*	0	0	0
Internal review following recommendations under section 93 of Act	0	0	0
Review by NCAT	0	0	0
Total	0	0	0

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

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

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

**Table I: Applications transferred to other agencies under Division 2 of Part 4 of the Act (by type of transfer)**

	Number of Applications transferred
Agency - initiated transfers	0
Applicant - initiated transfers	0

## Compliance index for disclosure requirements

This index has been prepared in accordance with Division 7.3 of the *Government Sector Finance Act 2018*, the associated regulations and the Treasurer's directions to facilitate identification of compliance with disclosure requirements.

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## GLOSSARY

- **Board** means the Board of State Super, appointed under s. 69 of the *Superannuation Administration Act 1996*.
- **ECPI** means Exempt Current Pension Income.
- **Executive** means the executive staff of State Super.
- **HOGA** means the Heads of Government Agreement between the Federal and State Governments relating to state public sector superannuation schemes.
- **Mercer** means Mercer Administration Services (Australia) Pty Limited.
- **PSS** means Police Superannuation Scheme.
- **SANCS** means State Authorities Non-contributory Superannuation Scheme.
- **SASS** means State Authorities Superannuation Scheme.
- **SAS Trustee Corporation Pooled Fund** (also referred to as the STC Pooled Fund, Pooled Fund or Fund) means the amalgamated fund of the STC funds referred to in s. 81 of the *Superannuation Administration Act 1996*.
- **SSS** means State Superannuation Scheme.
- **State Super** means SAS Trustee Corporation.
- **STC** means SAS Trustee Corporation.
- **TCorp** means New South Wales Treasury Corporation.

## Customer service

Between 8:30am and 5:30pm, Monday to Friday for the cost of a local call (unless calling from a mobile or pay phone).

State Authorities Superannuation Scheme (SASS)	1300 130 095
State Superannuation Scheme (SSS)	1300 130 096
Police Superannuation Scheme (PSS)	1300 130 097
Deferred benefit members	1300 130 094
Pension members	1300 652 113

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**Fax** 02 4298 6688

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

**Postal address** GPO Box 2181  
Melbourne VIC 3001

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## Personal interview service

Personal interviews are available by appointment only 9.00am to 5.00pm Monday to Friday. Appointments are via telephone/Zoom video call and at selected Aware Super locations (Parramatta, Newcastle and Wollongong).

To arrange an appointment, call one of the Customer Service numbers above.

This report contains general information. Relevant information is subject to the *State Authorities Superannuation Act 1987*, the *Superannuation Act 1916*, the *Police Regulation (Superannuation) Act 1906* and the *State Authorities Non-contributory Superannuation Act 1987* that govern the schemes mentioned in this report and those Acts will prevail to the extent of any inconsistency. In preparing the report, SAS Trustee Corporation (STC) has not taken into account your objectives, financial situation or needs and you should consider your personal circumstances and possibly seek professional advice before making any decision that affects your future. To the extent permitted by law, STC, its Board members and employees do not warrant the accuracy, reliability or completeness of the information contained in or omitted in this report. STC cannot guarantee any particular rate of return and past investment performance is not a reliable guide to future investment performance.