



2018-2019 Report to **Members**



Our Member Beliefs

State Super
promises to:

Act with fairness,
integrity and
openness



Help members
maximise their
State Super
benefits



Act in
members'
best interests



Make it easy
for members to
understand their
unique scheme



Be a trusted
guardian of
members'
funds



We listen, learn and grow with you.



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SASS at a glance

Contributors at 30 June 2019	Contributing members: 18,875 Deferred benefit members: 9,293 Pension members: 4,620 Total members: 32,788
Member contributions	Members elect to contribute between 1% and 9% of their salary. 72% of member contributions were received via salary sacrifice.
Type of benefits	<p>Retirement/withdrawal benefit – a lump-sum benefit based on average contribution rate, final average salary and years of membership. The benefit includes member contributions and investment earnings less fees and insurance premiums (where applicable).</p> <p>Pensions – some members of superseded schemes also have a pension option.</p> <p>Additional benefit cover – optional cover provides a benefit payable on top of the standard benefits available to contributors where retirement is due to total and permanent invalidity or death before the contributor reaches the statutory retirement age.</p>
Membership	SASS commenced 1 April 1988 and was closed to new members 19 December 1992.
Legislation	SASS was established under the <i>State Authorities Superannuation Act 1987</i> .
Scheme eligibility	New employees in the NSW public sector were eligible to join the scheme and members of the Public Authorities Superannuation Scheme (PASS) were transferred to SASS from 1 April 1988. By 1990, a number of other public sector superannuation schemes were closed and members of these schemes were transferred to SASS. These schemes included, among others, the State Public Services Superannuation Fund (SPSSF), the Transport Gratuity Scheme and the Government Railways Superannuation Fund.
SANCS	In addition to the SASS benefits outlined above, all members receive the SANCS lump-sum basic benefit. The benefit is 100% employer-funded and, depending on the reason for exiting employment, accrues at the rate of up to 3% of either final or final average salary for each year of service from 1 April 1988 (or employment commencement date if later). SANCS was closed to new members in 1992. A members' SANCS benefit also consists of any applicable Additional Employer Contribution, Commonwealth Government Co-contribution and Low-Income Super Tax Offset (LISTO) amounts. <i>The State Authorities Non-contributory Superannuation Act 1987</i> is the establishing legislation.

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

SSS and PSS at a glance

	SSS	PSS
Contributors at 30 June 2019	Contributing members: 2,313 Deferred benefit members: 1,228 Pension members: 55,455 Total members: 58,996	Contributing members: 784 Deferred benefit members: 85 Pension members: 6,659 Total members: 7,528
Member contributions	<p>Members generally contribute towards individual pension units on a rate-for-age basis.</p> <p>79% of member contributions were received via salary sacrifice.</p>	<p>Members contribute 6% of their salary.</p> <p>70% of member contributions were received via salary sacrifice.</p>
Type of benefits	Mainly pension benefits, with a lump-sum commutation option.	Mainly pension benefits, with a lump-sum commutation option.
Membership	SSS commenced 1 July 1919 and was closed to new members 1 July 1985.	PSS commenced 1 February 1907 and was closed to new members 1 April 1988.
Legislation	SSS was established under the <i>Superannuation Act (NSW) 1916</i> (Superannuation Act).	PSS was established under the <i>Police Regulation (Superannuation) Act 1906</i> .
Scheme eligibility	Salaried employees of the NSW public service, including teachers and a number of statutory authorities scheduled in the Superannuation Act were eligible to join SSS.	Members of the NSW Police Service employed prior to 1 April 1988.
SANCS	<p>In addition to the SSS and PSS benefits outlined above, all members receive the SANCS lump-sum basic benefit. The SANCS benefit is 100% employer-funded and, depending on the reason for exiting employment, accrues at a rate of up to 3% of either final or final average salary for each year of service from 1 April 1988 (or employment commencement date, if later). A members' SANCS benefit also consists of any applicable Additional Employer Contribution, Commonwealth Government Co-contribution and Low-Income Super Tax Offset (LISTO) amounts. SANCS is governed by the <i>State Authorities Non-contributory Superannuation Act 1987</i> and was closed to new members in 1992.</p>	

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



A message from the **Chairperson**

One hundred years ago visionary leaders took the bold step of establishing a fund to provide retirement income for NSW public servants. This decision was taken against the backdrop of a young nation struggling to recover from the ravages of war. The efforts of State Super's members over the century have contributed to the prosperity that our State enjoys today.

Today State Super is still serving nearly 100,000 members and continues to manage their funds, which have grown to \$44b over the past year.

It has been a successful year for State Super on a number of fronts. Each of the Member Investment Choice Strategies exceeded their performance benchmark and ranked either in the first or second quartile returns for funds with comparable investment strategies for the same time period.

This has resulted in increased financial benefits to our members and has helped State Super reduce the unfunded liability. If we continue to deliver this positive impact, we will be on track to be fully funded by 2030.

For 100 years we have looked after the public sector workers who have served the people of NSW. Our members remain highly satisfied and our purpose to pay member benefits as they fall due and provide a positive member experience will never change.

As one of the largest funds in Australia, State Super has carefully monitored the developments and recommendations arising from the Royal and Productivity Commissions at the Board and management level, to ensure we remain closely aligned to APRA and ASIC regulations. Our obligations under HOGA (Heads of Government Agreement) were independently reviewed and it was pleasing to see that we meet the standards expected of us.

Last year I said that State Super had settled into its new structure but in late 2018, we made a minor change to our structure to ensure that we continue to meet our obligations in managing external suppliers. I believe that the management and outcome of this change was primarily positive and our employee engagement score in the recent People Matter survey supports this view with an even higher score than last year- going from 77% to 80%.

Member Services

Providing an excellent service to our members during their working phase and beyond paid work is one of two core purposes of the Trustee. Our overall service to members continues to outperform our peer group. One area that we have focused on improving which was identified from our annual satisfaction survey is our website. We are in the process of finalising our improved website, which we tested with our members to ensure that we were on the right track in meeting their expectations.

In this year we have developed a set of Member Beliefs. These Member Beliefs were part of our corporate plan and we undertook a robust process to ensure that our members, board and committees were part of the development process. Our Member Beliefs consist of a group of five promises that we make to our members which set out how we conduct ourselves in delivering relevant and reliable member experiences. The beliefs align to our mission, purpose and objectives, but most importantly they will guide us when we need to take decisions that may impact our members.

Our member education is being ramped up, via improved and additional channels. This engagement will help members in this later phase of their working lives and beyond. There are numerous member campaigns that will help them better understand the benefits of their schemes.

Our members remain highly satisfied and our purpose to pay member benefits as they fall due and provide a positive member experience will never change.

¹ After adjustment for exempt current pension income tax.



Investment overview

Over the first half of this calendar year investors enjoyed a pleasing recovery in the share market after a sharp slide towards the end of 2018. Having said that, the next year will be challenging and this is primarily driven by the geopolitical tensions, high debt levels with moderation in confidence and investment spending threatening growth - but these are still balanced by supportive policy positions.

The share market outlook for the remainder of the year may continue to benefit from stimulatory monetary policy and solid employment, but we still expect market volatility. We will continue to monitor the environment closely for any rising risks and manage the downside risks to the portfolio using several levers, including diversification and portfolio protection.

This year State Super expanded its responsible investing initiatives and resourcing, introduced a new policy to manage exposure to the environment, social and governance risks and active management across the Pooled Fund. In addition, we have joined the Australian Sustainable Finance Initiative, taken steps to increase our active ownership and undertaken climate risk analysis to inform asset management plans and future investment decisions.

Very importantly we engaged with our members to understand their sustainability preferences which showed strong support for us to continue being an active owner in the investment process.

State Super's Purpose remains consistent

Our purpose is to pay member benefits as they fall due and provide a positive member experience. This is supported by the highly skilled and engaged State Super staff and CEO, the oversight of our external suppliers and our strategy all aligning and contributing to our corporate plan to ensure we achieve the right member outcomes. We have been working closely with TCorp who undertake all manager activities for Trustee Selection. During this year we have reviewed the performance of investment managers to ensure the risk/return characteristics of the investment strategies were in line with investment objectives.

Our consistent and careful monitoring of State Super's administrator Mercer is critical to ensuring that the risks of the planned system migration programme to State Super membership are mitigated.

This year we will be conducting a review of our administration services to ensure they are fit for purpose and in line with community and member expectations.

As the financial year ended, we farewelled Roslyn Ramwell, whose term as an Employer Representative expired on 25th June 2019. Roslyn's contribution to the Board has been tremendous and on behalf of the Board and State Super, I want to thank her and wish her great success in the future.

On a final note I thank and am very appreciative of the dedication of my fellow Board members and want to congratulate our CEO John Livanas for successfully leading a team of highly skilled and engaged professionals.

Nicholas Johnson
Chairperson
October 2019



Chief Executive Officer's **report**

We celebrate our organisation's 100th year in 2019 with the knowledge that, as an instrument of many far-sighted NSW governments, we have served members into their retirement, who having served our state, can enjoy the benefits that our fund can bring them.

To do this, we must continuously respond to the challenges in the investment markets, and the evolving member and community expectations.

This past year has been another successful year for State Super with great investment returns, positive member satisfaction and exceptional employee engagement results. This is a significant achievement for State Super, in an environment with various inquiries into superannuation, as well as challenging investment markets and global tensions.

Our members

The top-line result of our annual independent member satisfaction research continues to exceed peer groups and the national average. Furthermore, our member satisfaction results for services offered to our members such as our contact centre, financial planning and seminars, were all well above those of other funds.

Our focus for the past year has been to enhance and improve the member experience by providing relevant and reliable information, targeted campaigns to inform members reaching specific milestones or with specific areas of interest and improving access to information.

This year we have seen an increase in website visits by members and in response to increasing member expectations, we have redeveloped our website.

Our commitment to providing members with multiple ways to access information includes face to face interviews as well as access to seminars, the latter through StatePlus at locations around NSW.

Our administrator has embarked on a full migration of our membership to a new administration platform. We have identified this as a significant risk, both during and after implementation, and have been oversighting and managing this cautiously.

We have continued our work with Treasury to assist in the amendment of the State Super Scheme legislation to meet the more contemporary needs of our membership.

We are in the process of launching our five member beliefs which will serve as a guide whenever we consider changes and our member outcomes.

Our investments

Over the past year State Super has continued to work closely with TCorp and our scheme actuary PwC, to improve the increasingly important alignment of assets to liabilities, especially as we get closer to the 2030 date of achieving full funding of our defined benefit liabilities.

This year the Trustee Selection option, investing the employer funded assets, exceeded performance benchmarks with an estimated effective average rate of return to Crown employers of 9.2% (after all tax adjustments). In addition, the option's return over one, three, five and ten year periods to 30 June 2019 ranked in the first or second quartile of returns for funds with comparable investment strategies over the same periods.

This outstanding performance was repeated in the Member Choice funds, who all met their respective investment return targets and were also in the first or second quartile of returns.

However, the increasingly volatile investment markets and escalating geo-political uncertainties, mean that our challenges become ever greater. This is compounded with the expectation that members will retire and take a lump sum benefit over the next 5 to 10 years.



This past year has been another successful year for State Super with great investment returns, positive member satisfaction and exceptional employee engagement results.

Looking forward

Our priority is to enhance member satisfaction and in doing so we will always consider the best interest of members both in terms of risk/returns and in accordance with member service expectations. The coming 2 years are crucial, and the success of our organisation will rely on State Super maintaining a culture of high performance and adaptability.

Coming out of the financial enquiries report, organisational culture was identified as a core theme. Last year, our employee engagement score was amongst the highest when compared to others in our cluster, and our measurement of our risk culture gave us comfort that we are well placed to respond to future challenges.

These challenges will include maintaining a high performing workplace with all necessary support for training and staff development.

Environmental, Social and Governance (ESG) Risks

Our approach to evaluating the ESG risks within the portfolio and ensuring we are investing responsibly, has been supported by adding significant skills to our team. Our continued association with organisations such as ACSI, and the support of TCorp ensures greater engagement with the boards of companies to better protect our investments.

Notably, climate change risk is an increasingly important factor in determining our investment approach and we will continue to enhance our capability in this area.

Scholarship

We are proud of the institutions we have created and people who have worked with State Super over the last 100 years. However, recognising that challenges we will face over the next 50 years will test our resilience, it is important to build upon our knowledge to prepare for the challenges to come. We believe that one of the best ways of doing this, in addition to providing our emerging leaders with support, is by introducing the State Super Scholarship program.

The scholarship program will provide 12 months funding to support four Honours' or Masters' scholarships and one PhD scholarship.

The research should relate to the future of pensions, superannuation or investing. It could consider the risks our members or other employees face in retirement, and how the work environment itself might change.

Thank you

In closing, I want to congratulate the staff of State Super and thank them for the work they do to ensure that State Super remains a great place to work. I also wish to extend my thanks to the support and tireless work of our Chairman Nick Johnson and our Trustee Board past and present. I am delighted to be here during State Super's 100th year anniversary and I look forward to the next phase of its evolution.

John Livanas
Chief Executive Officer
October 2019

Your Trustee Board

Trustee Board members are appointed by the Treasurer of NSW and comprises:

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

Trustee Board and each Board member are indemnified through the Treasury Managed Fund created by the NSW government.

Chairperson



Nicholas Johnson
Chairperson
Appointed June 2015;
reappointed June 2019

Employer representatives



Carol Austin
Company Director
Appointed June 2018



Swati Dave
Company Director
Appointed May 2016
reappointed May 2019



Claire Keating
Company Director
Appointed November 2016

Employee representatives



Catherine Bolger
Professionals Australia
Appointed September 2015



Alex Claassens
NSW Rail, Tram and
Bus Union
Appointed November 2012;
reappointed November 2016



George Maniatis
NSW Fire Brigade
Employees' Union
Appointed September 2015



Tony O'Grady
Company Director
Appointed June 2013;
reappointed September 2017

Thank you

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

Roslyn Ramwell, Company Director
(former Employer Representative)
Appointed June 2015; term ended June 2019.



Function & role of State Super & the Board

State Super

The principal functions of State Super as set out in s. 50(1) of the *Superannuation Administration Act* (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:

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

The Board

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

- monitoring the State Super schemes and the Pooled Fund, including its control and accountability systems
- appointing and removing the Chief Executive Officer

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

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



The role of the Trustee Board extends to strategy, corporate governance, risk management, policy making and monitoring.

Function & role of **State Super & the Board** – continued

State Super committees

A number of Board Committees assist with the performance of State Super's functions and monitor the compliance of external service providers against their contractual requirements. The Committees and their membership at 30 June 2019 are listed below.

Investment Committee

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

Risk, Audit and Compliance Committee

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

Member Services Committee

Mr A Claassens (Chairperson)
Mr T O'Grady
Mr G Maniatis
Ms S Dave

Human Resources and Nominations Committee

Mr A Claassens (Chairperson)
Ms C Bolger
Mr G Maniatis
Mr N Johnson

Police Superannuation Advisory Committee

Mr A Claassens (Chairperson)

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

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

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



Member services update

Member Beliefs confirm our promise to members

At State Super part of our mission is to provide high quality superannuation services to members to maximise their superannuation benefits.

We decided to confirm our mission to our members with a set of beliefs to clearly set out the way we conduct ourselves in delivering relevant and reliable member experiences

Your input in this process has been invaluable – both in group research discussions and in the online survey where over 1,000 of our members participated.

The purpose of this research was to gauge your overall feelings about State Super in its role as a trustee, your expectations on what we deliver to members of the funds, and importance and relevance of the proposed beliefs.

Most members we spoke to display a good understanding of the role of the trustee in managing investments on behalf of members. Our research showed that the proposed beliefs were seen as both appropriate and personally important to members.

The results were positive and with some minor revisions we have been able to finalise these member beliefs.

New look website

In October we launched our new look State Super website. This followed an extensive review of the website architecture and content as well as member user testing.

You can still keep track of your scheme benefits online via the secure Member Login Area.

Online access allows you to:

- update your contact details
- view and download your last Annual Statement
- access an online benefit quote for SASS members

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

Make the most of your super seminars

State Super seminars are presented by qualified financial planners from StatePlus (formerly known as State Super Financial Services), who can help you understand how to maximise your benefit and plan for the future.

Our seminars will help you to:

- learn more about your scheme – how it works, what your choices are and how to make the most of your benefits
- understand how and when the decisions you make about your employment and superannuation now may affect your retirement benefits in the future
- understand Centrelink rules and the benefits you're eligible for
- find out how a financial plan can help you make the most of your super.

To make a booking for one of our seminars, simply visit our website where you'll find dates and locations for all events. Or, if you prefer, call **1800 620 305**.

Online bookings:

www.statesuper.nsw.gov.au/help-centre/seminars

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

State Super celebrates 100 years



In 1919 the NSW Government established the State Superannuation Scheme under the Superannuation Act 1916 (the Act).

The scheme was managed by the State Provident Fund Management Board. Originally it was provided that the fund should come into being on “the first day of the financial year next after the expiration of a period of six months after the proclamation of peace between Great Britain and Germany and her Allies”. Then the first amendment of the original legislation specified that operation was to commence 1st July 1919. The board set up their premises in Challis House, Martin Place where they remained for many years.

It was compulsory for permanent salaried employees of the NSW public service and teaching service – and a number of statutory authorities – to join. It provided for a pension in the event of invalidity or death before retirement and a pension at retirement with reversionary pension for the female spouses of male members. The widow’s pension was half her deceased husband’s entitlement.

At the time, the average weekly wage for men is 3 pounds, 14 shillings, 11 pence and for women 1 pound, 17 shillings, 1 penny.

The Sun newspaper, Sunday 15 June 1919 wrote a helpful article outlining the structure of the scheme “Superannuation – The Scheme Explained” which ended with the comment....

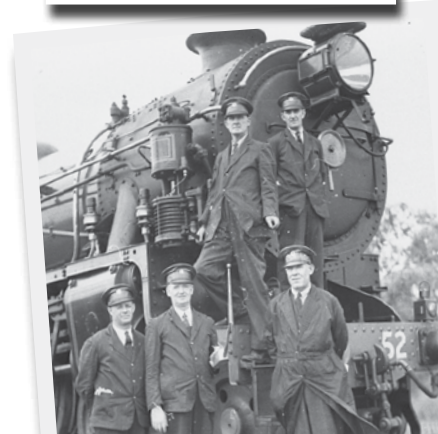
“...The passing of this Act has so long and anxiously been awaited by the public servants that it is felt that the call upon the service to meet the necessary deductions will be met in the best spirit. The reflection that pension rights include reversionary interest to widows and children up to 16 years of age should go far to convince the thrifty that the sacrifice called for in the shape of contributions will be amply repaid by the comforting assurance that in addition to a pension during his declining years, provision is made for himself or his family in the event of his previous breakdown or death”

At the end of its first year of operation, the Fund consisted of approximately \$800,000 which was invested in State, local government and Commonwealth securities, and placed at call with the Colonial Treasurer. The fund at the time had around 18,000 contributors.

50 years later, in June 1969 the Fund’s total assets amounted to \$427 million and we had over 66,000 contributors. By this time, we also had more than 13,000 members receiving their pension

Today, 100 years since we began, State Super manages \$44 billion in assets. Our 100,000 members are primarily made up of members receiving a pension - 66,000 in total.

We are one of Australia’s largest superannuation schemes and continue our commitment to support our members. Our focus is to ensure delivery of their benefits and pension entitlements for many years into the future.



Our “DNA”

July to Dec 1919

State Provident Fund Management Board

1919 – 1985

State Superannuation Board

1985 – 1988

State Public Service Superannuation Board

1988 – 1996

State Authorities Superannuation Board

1996 – present

State Super also known as SAS Trustee Corporation (STC)

*Today, 100 years since we began,
State Super manages
44 billion in assets.
Our 100,000 members
are primarily made up of
members receiving
a pension -
66,000 in total*



State Super announces Academic Scholarship



About the Scholarship

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

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

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

Who should apply?

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

What fields of research are applicable for the scholarship?

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

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

What is included in the State Super Scholarship?

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

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

Successful applicants may apply for the scholarship in subsequent years.

Which universities are participating?

All NSW Universities that are scheduled employers in State Super:

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

Students from regional or emerging Universities are encouraged to apply.

Key dates

Applications open	9 October 2019
Applications close	31 January 2020
Scholarships awarded	29 February 2020
Scholarships commence	31 March 2020

Note: Applicants must commence postgraduate study in the 2020 calendar year.

Application

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

A photograph of a man and a woman walking a large, fluffy dog on a beach at sunset. The woman is wearing a wide-brimmed hat and a light blue shirt, and the man is wearing a light blue shirt and shorts. They are walking away from the camera towards the ocean. The text "Retire Life Rich" is overlaid in a large, white, cursive font.

Retire Life Rich

**We'll help you navigate your superannuation,
so you can make the most of your retirement.**

State Super defined benefit schemes can set you up for a comfortable retirement, but they can be complicated and difficult to navigate. Getting the right advice could make a big difference for you and your family in the future.

At StatePlus, our experts are trained to understand these complexities, so you can focus on what's important to you – a fulfilling retirement.

We have over 26 years of experience helping hard-working Australians just like you maximise their superannuation. Talk to a StatePlus expert today so we can help you be free to live a life fully engaged with the people, interests and causes that you care about.

Visit stateplus.com.au today or call 1800 841 633.



StatePlus

*Formerly State Super
Financial Services*

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Investment performance

The 2018-19 financial year saw all the major asset classes provide a positive contribution to performance. Unhedged international equities were the strongest performer, while Australian equities produced lower but still solid returns for the year. Infrastructure, property and other unlisted assets also performed well and made strong contributions to total returns for the year. Defensive assets like Australian and international bonds also made a meaningful contribution to performance, as long-term yields fell to historic lows.

State Super undertakes an active investment tilting process throughout the year in order to opportunistically crystallise returns and more effectively manage downside risk, given the negative cash flow position of each of the strategies. This process benefited the Growth Strategy during the year.

Over the twelve-month reporting period, we made use of downside protection periodically to better protect against possible falls in equity markets at times of heightened global geopolitical and economic risk. Whilst this protection did provide some mitigation most notably in December 2018 when markets fell, the strong positive returns over the full year meant that the strategy marginally detracted from performance over the 2018-19 financial year.

The Trustee Selection and all diversified investment option strategies have 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.

State Super's approach to navigating investment market conditions has been to take profit at regular intervals when equity and bond markets have performed well and invest back into such markets at regular intervals when they are falling.

Year ending	Crediting rate to members (%p.a.)						
	Growth Strategy	Balanced Strategy	Conservative Strategy	Cash Strategy	Trustee Selection	University Diversified Conservative	University Cash
30 June 2019	7.6	5.9	4.7	1.9	8.5	4.0	1.8
30 June 2018	9.4	6.9	5.0	1.7	8.2	3.3	1.6
30 June 2017	9.0	6.9	4.4	1.9	9.5	4.4	1.6
30 June 2016	5.0	5.3	4.6	2.0	3.6	1.9	2.0
30 June 2015	10.2	8.9	6.9	2.4	11.1	4.2	1.6
Average annual compound rate (% p.a.)							
Over 3 years	8.6	6.5	4.7	1.9	8.7	3.9	1.7
Over 5 years	8.2	6.8	5.1	2.0	8.2	n/a	n/a
Over 10 years	8.8	7.7	6.1	2.8	8.8	n/a	n/a

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

Investment management

Strategic asset allocation

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

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

The liquid growth category of assets consists of Australian and international listed equities. The liquid defensive category consists of Australian and international fixed interest, inflation-linked bonds, defensive strategies and cash. Property, infrastructure, corporate debt, absolute return strategies and private equity comprise the alternatives category.

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

Alternatives serve a dual purpose. Some of the asset classes in this category are expected to generate returns in line with or higher than return objective. Other asset classes within the alternatives category are expected to have the dual objective of providing return, and the ability to provide downside protection when markets are turbulent.

Liquid defensive represents asset classes that tend to do well when markets are turbulent. 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.

State Super can dynamically allocate assets between liquid defensive and liquid growth strategies based on changes in the investment environment. The allocation to alternatives, on the other hand, is strategic in nature and generally illiquid, with investments being held over the medium to long term.

State Super reviews the strategic asset allocation of each investment strategy annually in conjunction with its advisers. For the Member Investment Choice and University investment strategies State Super considers quarterly whether any dynamic asset allocation tilts are appropriate given current valuations. For Trustee Selection, dynamic asset allocation is undertaken by TCorp.

MARKET RISK PROTECTION STRATEGIES

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

Exposure management – In the case of the Trustee Selection and Growth 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.

The Balanced and Conservative Strategies are currently rebalanced back to their respective target allocations monthly. If an asset class has deviated away from the target asset allocation the exposure management process may involve the use of derivatives.

Investment strategies at 30 June 2019

RESPONSIBLE INVESTMENT

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

State Super acknowledges climate change presents significant long-term investment risks. A climate risk assessment was undertaken in June 2019 to identify potential vulnerabilities across the Pooled Fund. The results of this assessment will be used to inform future investment and asset management decisions.

Key responsible investment related activities that occurred during the year include:

- ESG integration – responsible investment parameters were further integrated into the selection, appointment and monitoring of investment managers through the inclusion of ESG criteria in new manager research and due diligence processes, and the integration of additional Responsible Investment components in new Investment Management Agreements.
- Active ownership – In June 2019, the Trustee Board endorsed State Super becoming a signatory to the ACSI Australian Asset Owner Stewardship Code to help promote increased active ownership and transparency by investors. During the year, ACSI engaged with 190 Australian listed companies on State Super's behalf on a range of ESG issues. Proxy voting was delegated to investment managers over the year, with a view to implement a new strategy from 1st July 2019. State Super contributed to the development of submissions on policy, regulation and standard setting to government and regulators through its involvement with the Principles for Responsible Investment, ACSI, the Responsible Investment Association Australasia and the Investor Group on Climate Change.
- Exclusions – State Super continued to exclude investments in tobacco and controversial weapon manufacturers from the Pooled Fund following the Trustee Board's decision to divest in 2012-13

Defined benefit investment strategies

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

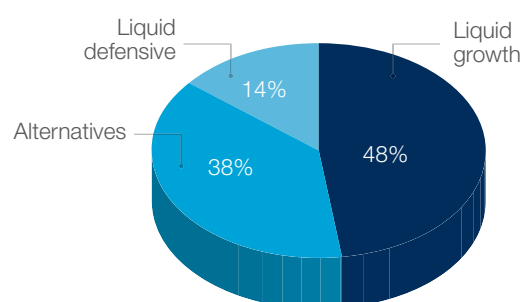
Trustee Selection Strategy

Investment objective: The objective of the Trustee Selection Strategy is to maximise the earnings rate, subject to a greater than 50% probability of exceeding CPI + 4.0% p.a. over rolling 10-year periods.

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

Net asset value at 30 June 2019: \$35,406 million

Strategic asset allocation at 30 June 2019



Asset allocation as at 30 June 2019

	Strategic %	Actual %
Liquid growth	48.0	49.1
Australian equities	20.0	19.7
International equities	28.0	29.4
Alternatives	38.0	36.1
Infrastructure	11.0	11.9
Property	7.0	6.9
Other alternatives	20.0	17.3
Liquid defensive	14.0	14.8
Australian fixed interest	5.0	7.1
International fixed interest	0.0	0.0
Other defensive strategies	5.0	3.8
Cash	4.0	3.9
TOTAL	100.0	100.0

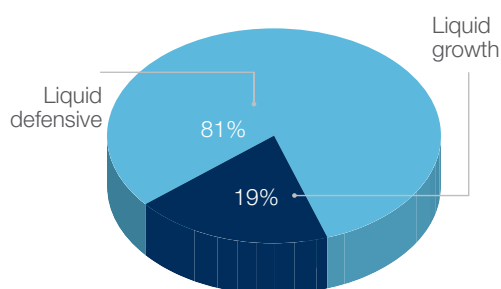
University Diversified Conservative Strategy

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

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

Net asset value at 30 June 2019: \$111 million

Strategic asset allocation at 30 June 2019



Asset allocation as at 30 June 2019

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

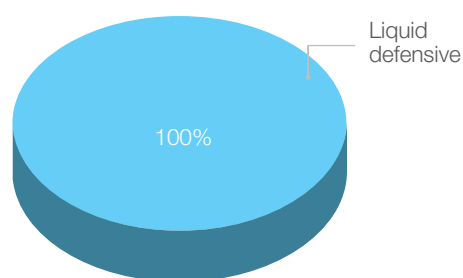
University Cash Strategy

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

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

Net assets at 30 June 2018: \$359 million

Strategic asset allocation at 30 June 2019



Asset allocation as at 30 June 2019

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

Investment strategies at 30 June 2019 – continued

Member investment choice (MIC) strategies

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

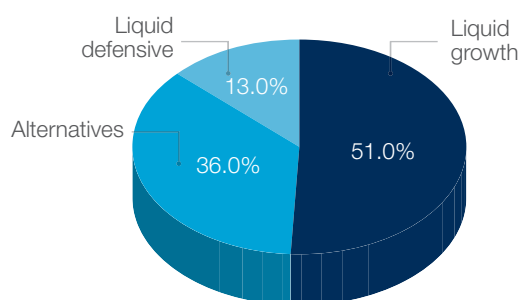
Growth Strategy

Investment objective: The objective of the Growth Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 3.5% p.a. over rolling 7-year periods.

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

Net asset value at 30 June 2019: \$6,193 million

Strategic asset allocation at 30 June 2019



Asset allocation as at 30 June 2019

	Strategic %	Actual %
Liquid growth	51.0	52.2
Australian equities	22.5	21.0
International equities	28.5	31.2
Alternatives	36.0	28.9
Infrastructure	10.5	9.0
Property	8.0	7.4
Other alternatives	17.5	12.5
Liquid defensive	13.0	18.9
Australian fixed interest	4.0	2.4
International fixed interest	2.0	3.4
Defensive Strategies	0.5	0.2
Cash	6.5	12.9
TOTAL	100.0	100.0

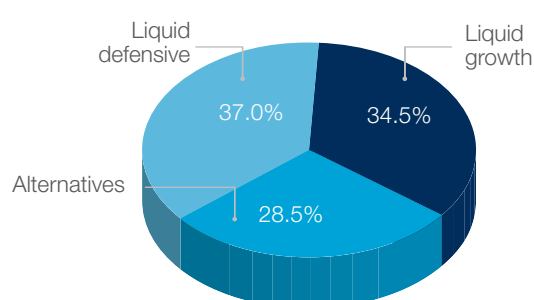
Balanced Strategy

Investment objective: The objective of the Balanced Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 2.25% p.a. over rolling 7-year periods.

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

Net asset value at 30 June 2019: \$1,047 million

Strategic asset allocation at 30 June 2019



Asset allocation as at 30 June 2019

	Strategic %	Actual %
Liquid growth	34.5	36.9
Australian equities	12.5	12.6
International equities	22.0	24.3
Alternatives	28.5	24.8
Infrastructure	10.5	9.0
Property	8.0	7.4
Other alternatives	10.0	8.4
Liquid defensive	37.0	38.3
Australian fixed interest	7.5	6.3
International fixed interest	2.5	3.6
Defensive Strategies	0.5	0.2
Cash	26.5	28.2
TOTAL	100.0	100.0

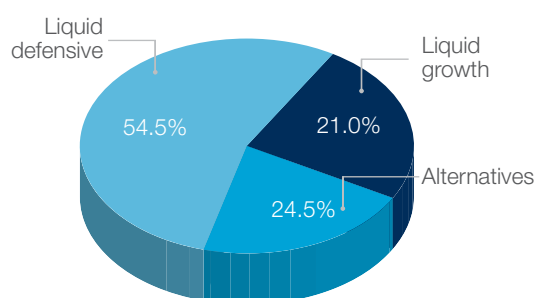
Conservative Strategy

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

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

Net asset value at 30 June 2018: \$ 513 million

Strategic asset allocation as at 30 June 2019



Asset allocation as at 30 June 2019

	Strategic %	Actual %
Liquid growth	21.0	21.9
Australian equities	8.5	8.2
International equities	12.5	13.7
Alternatives	24.5	23.1
Infrastructure	10.5	9.3
Property	8.0	7.7
Other alternatives	6.0	6.1
Liquid defensive	54.5	55.0
Australian fixed interest	6.0	5.6
International fixed interest	3.0	3.7
Defensive Strategies	0.5	0.3
Cash	45.0	45.4
TOTAL	100.0	100.0

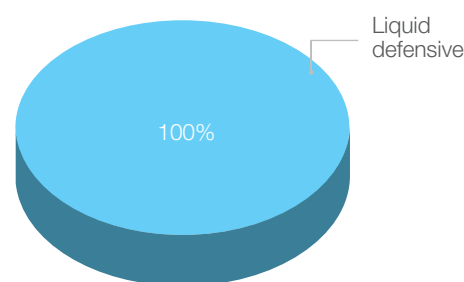
Cash Strategy

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

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

Net asset value at 30 June 2019: \$145 million

Strategic asset allocation as at 30 June 2019



Asset allocation as at 30 June 2019

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

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

Investment updates & changes

In June 2019, State Super undertook its annual detailed review of the investment strategies and objectives for each investment option of the Pooled Fund. The investment objectives for the Growth and Balanced Investment Options were reduced to reflect lower return expectations over their investment periods.

Strategic asset allocation changes

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

Growth, Balanced and Conservative Strategy

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

Trustee Selection Strategy

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

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

Investment strategies from 1 July 2019

Strategic asset allocations for Defined Benefit strategies

Trustee Selection Strategy

Effective from 1 July 2019, the strategic asset allocation for the Trustee Selection Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	51.0	35.0 – 67.0
Australian equities	18.0	
International equities	33.0	
Alternatives	36.0	26.0 – 46.0
Infrastructure	12.0	
Property	7.0	
Other alternatives	17.0	
Liquid defensive	13.0	10.0 – 29.0
Australian fixed interest	3.0	
International fixed interest	0	
Other	6.0	
Cash	4.0	
TOTAL	100.0	100.0

University Diversified Conservative Strategy

Effective from 1 July 2019, the strategic asset allocation for the University Diversified Conservative Strategy remains as follows:

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

University Cash Strategy

Effective from 1 July 2019, the strategic asset allocation for the University Cash Strategy remains as follows:

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

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

Strategic asset allocations for member investment choice strategies

Growth Strategy

Effective from 1 July 2019, the strategic asset allocation for the Growth Strategy remains as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	51.0	35.0 – 67.0
Australian equities	22.5	
International equities	28.5	
Alternatives	36.0	28.0 – 44.0
Infrastructure	10.5	
Property	8.0	
Other alternatives	17.5	
Liquid defensive	13.0	10.0 – 29.0
Australian fixed interest	4.0	
International fixed interest	2.0	
Defensive strategies	0.5	
Cash	6.5	
TOTAL	100.0	100.0

Investment strategies from 1 July 2019 – continued

Balanced Strategy

Effective from 1 July 2019, the strategic asset allocation for the Balanced Strategy remains as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	34.5	24.5 – 44.5
Australian equities	12.5	
International equities	22.0	
Alternatives	28.5	20.5 – 36.5
Infrastructure	10.5	
Property	8.0	
Other alternatives	10.0	
Liquid defensive	37.0	27.0 – 47.0
Australian fixed interest	7.5	
International fixed interest	2.5	
Defensive strategies	0.5	
Cash	26.5	
TOTAL	100.0	100.0

Conservative Strategy

Effective from 1 July 2019, the strategic asset allocation for the Conservative Strategy remains as follows:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	21.0	13.0 – 29.0
Australian equities	8.5	
International equities	12.5	
Alternatives	24.5	16.5 – 32.5
Infrastructure	10.5	
Property	8.0	
Other alternatives	6.0	
Liquid defensive	54.5	46.5 – 62.5
Australian fixed interest	6.0	
International fixed interest	3.0	
Defensive strategies	0.5	
Cash	45.0	
TOTAL	100.0	100.0

Cash Strategy

Effective from 1 July 2019, the strategic asset allocation for the Cash Strategy remains as follows:

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

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



Investment governance framework

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

Key components of the Framework include:

Board Investment Committee – The Trustee Board established an Investment Committee to support the Board in determining the investment strategy and risk settings for the Trustee Selection, Member Choice and University portfolios. The Committee oversees the process of appointing and replacing investment managers for the Member Choice and University portfolios, and receives advice from NSW Treasury Corporation, PwC and others, on investment strategy and asset/liability management for the Trustee Selection portfolio.

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

Management Investment Committee – The Management Investment Committee was established as the governing body to support the CEO in executing

investment related delegations from the Board for the Member Choice and University portfolios. The Committee also oversees the development and implementation of the investment strategy for the Trustee Selection portfolio and develops investment related policies and processes for the Pooled Fund.

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

Master Investment Manager – In March 2014, the NSW Government announced its intention to amalgamate the funds management activities of the State's financial assets within NSW Treasury Corporation (TCorp). After a full due diligence process, the State Super Board appointed TCorp as Master Investment Manager for the Trustee Selection portfolio. This arrangement is governed by a written contract, the MFSA, which establishes the services and functions of TCorp. The appointment of TCorp commenced 15 June 2015. The MFSA was updated to comply with the Ministerial Orders and executed on 28 October 2016.



Investment governance framework - continued

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

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

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

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

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

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

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

Foreign currency exposure policy: The Trustee's policy as at 30 June 2019 is to set the target foreign currency exposure at the overall Option level and compare this exposure to the foreign currency exposure arising from the total unhedged foreign assets held by the Option. Any further foreign currency hedging required to achieve the target exposure is attained by hedging a portion of the Option's unhedged foreign assets back to Australian dollars

Investment managers at 30 June 2019

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

Investment managers at 30 June 2019	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Australian equities			
Aberdeen Standard Investments	–	✓	–
Balanced Equity Management Pty Limited	✓	–	–
BlackRock Asset Management Australia Limited	✓	–	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Cooper Investors Pty Limited	✓	–	–
Hyperion Asset Management Limited	✓	–	–
Lazard Asset Management Pacific Co	–	✓	–
Macquarie Group Limited	✓	✓	–
Maple-Brown Abbott Limited	–	–	–
Martin Currie Investment Management Ltd	✓	✓	–
New South Wales Treasury Corporation	✓	–	–
Northcape Capital Pty Ltd	✓	–	–
Omega Global Investors	✓	✓	–
Pendal Group Limited	✓	✓	–
Platypus Asset Management Pty Ltd	✓	✓	–
State Street Bank & Trust Company	✓	✓	–
State Street Global Advisors Australia Limited	✓	–	–
UBS Securities Australia Ltd	✓	–	–
International equities			
AQR Capital Management LLC	✓	✓	–
AXA Rosenberg (via Equity Trustees Ltd)	✓	–	–
Arrowstreet Emerging Markets Fund	–	✓	–
Artisan Partners Limited Partnership	✓	–	–
C Worldwide Asset Management Fondsmæglerselskab A/S	✓	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Genesis Investment Management, LLP	✓	✓	–
Harris Associates Limited Partnership	✓	–	–
Investec Asset Management Limited	✓	✓	–
Lazard Asset Management Pacific Co	✓	–	–
Morgan Stanley Investment Management Ltd	✓	–	–
New South Wales Treasury Corporation	✓	✓	–
Realindex Investments Pty Limited	✓	–	–
Sanders Capital LLC	–	✓	–
State Street Bank & Trust Company	✓	✓	–

Investment managers at 30 June 2019 – continued

Investment managers at 30 June 2019	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
State Street Global Advisors Australia Limited	✓	✓	✓
UBS Securities Australia Ltd	✓	–	–
Veritas Asset Management LLP	✓	–	–
Property			
AEW Capital Management, LP (via Equity Trustees Ltd)	–	✓	–
AMP Capital Investors Limited	–	✓	–
Charter Hall Investment Management Limited	–	–	–
Dexus Funds Management Limited	✓	–	–
EG Funds Management Pty Ltd	✓	–	–
Franklin Templeton Investments Australia Limited	✓	–	–
Invesco Real Estate (via Equity Trustees Ltd)	–	✓	–
Investa Property Group	–	✓	–
ISPT Pty Ltd	–	✓	–
LaSalle Investment Management (via Equity Trustees Ltd)	–	✓	–
New South Wales Treasury Corporation	✓	–	–
Vanguard Investments Australia Ltd	✓	–	–
International fixed interest			
State Street Global Advisors, Australia, Limited	–	✓	✓
Australian fixed interest & cash			
Colonial First State Asset Management (Australia) Limited	✓	–	–
New South Wales Treasury Corporation	✓	–	–
Pendal Group Limited	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	✓
Alternative assets			
Challenger Investment Partners Limited	–	✓	–
Challenger Investment Solutions Pty Ltd	–		
Fulcrum Asset Management LLP	✓	✓	–
GAM International Management Limited	–	✓	–
GMO Australia Limited	✓	–	–
Kohlberg Kravis Roberts & Co. L.P.	–	✓	–
Macquarie Investment Management Limited	✓	✓	–
MAN Group plc	–	✓	–
New South Wales Treasury Corporation	✓	✓	–
Perennial Value Management Limited	–	✓	–
PIMCO Australia Pty Ltd	✓	–	–
PineBridge Investments LLC	✓	–	–

Investment managers at 30 June 2019	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Pyrford International	✓	–	–
Siguler Guff Distressed Opportunities Fund III (F) LP	✓	–	–
Siguler Guff Distressed Opportunities Fund IV (F) LP	–	–	–
Currency			
AQR Capital Management LLC	✓	–	–
PIMCO Australia Pty Ltd	✓	–	–
State Street Global Advisors Australia Limited	–	✓	–
High Yield/Bank Loans/EMD			
Brigade Capital Management LP	✓	–	–
Intermediate Capital Group Limited	✓	–	–
Investec Asset Management Australia Pty Ltd	✓	–	–
KKR Australia Investment Management Pty Limited	✓	–	–
Lazard Asset Management Pacific Co	✓	–	–
PineBridge Investments LLC	✓	–	–
Infrastructure			
AMP Capital Funds Management Limited	✓	–	–
Colonial First State Global Asset Management (Australia) Ltd	–	✓	–
H.R.L. Morrison & Co Limited	–	✓	–
IFM Investors	–	✓	–
Lazard Asset Management Pacific Co	✓	–	–
Macquarie Specialised Asset Management Limited	✓	–	–
New South Wales Treasury Corporation	✓	✓	–
QIC Limited	–	✓	–
Whitehelm Capital Pty Ltd	✓	–	–
Diversified			
State Street Global Advisors Australia Limited	–	–	✓

Abridged financial statements

Financial reports at 30 June 2019

The following tables provide abridged financial information about all of the State Super schemes for the last two financial years. The full financial statements for the year to 30 June 2019 have been audited by the Auditor General and will be available on the website after State Super's Annual Report has been tabled in the NSW Parliament.

Statement of net assets		
	2019 (\$ million)	2018 (\$ million)
Assets		
Cash	32	20
Receivables	375	414
Investments		
Short term securities	3,011	3,890
Australian fixed interest	2,338	2,256
International fixed interest	185	171
Australian equities	8,577	8,968
International equities	11,723	10,682
Property - indirect	1,601	1,730
Investment properties - direct	2,138	2,049
Infrastructure and other alternatives	14,033	13,196
Derivatives	87	96
Employer sponsor receivable	2,354	2,545
Total assets	46,454	46,017
Liabilities		
Payables	154	111
Derivatives	20	90
Income tax payable	56	173
Deferred tax liabilities	96	77
Total liabilities excluding member liabilities	326	451
Net assets available for member benefits	46,128	45,566
Member liabilities		
Defined benefit member liabilities	(58,777)	(58,987)
Total member liabilities	(58,777)	(58,987)
Total net liabilities	(12,649)	(13,421)
Equity		
Defined benefit deficit	(12,649)	(13,421)
Total equity	(12,649)	(13,421)



Fees and charges

Direct fees

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

Fees and charges – continued

Indirect fees

Investment management costs

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

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

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

Indirect fees and costs for SSS and PSS members

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

Investment expenses

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

Note, the expense ratios for 2019-20 are estimates and may change as the year unfolds due to market circumstances or changes in the structure of the asset sectors.

Investment management expense ratio of average total assets		
Strategy	Actual 2018–19	Estimated 2019–20
Defined benefit investment strategies		
Trustee Selection	0.46%	0.50%
University Diversified Conservative	0.05%	0.06%
University Cash	0.04%	0.04%
Member Investment Choice strategies		
Growth	0.34%	0.48%
Balanced	0.26%	0.37%
Conservative	0.22%	0.30%
Cash	0.03%	0.04%

Complaints, disputes and appeals

Complaints

If you are dissatisfied with an administrative matter relating to something other than a decision on a benefit entitlement, e.g. the slow processing of a claim or the provision of incorrect information, you may lodge a complaint with the scheme administrator, Mercer Administration (Mercer).

If you are still unsatisfied with the resolution of the matter, you may direct your complaint to the trustee, SAS Trustee Corporation (State Super).

Disputes

If you are dissatisfied with a decision relating to a benefit entitlement, e.g. a decision by Mercer (made on behalf of State Super) to refuse a claim for a disability benefit, you may dispute that decision directly with State Super.

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

Appeals

If you are dissatisfied with the decision of State Super following the dispute process, you may appeal to the Supreme Court of NSW within six months of being notified of State Super's decision or within such further period as the Court allows.

PSS 'Hurt on Duty' appeals:

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

There is also a right to apply to the District Court against a decision made by the Commissioner of Police as to whether a member or former member of the Police Force was hurt on duty in relation to a particular infirmity (or death).

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

All STC schemes are exempt from the Commonwealth superannuation regulatory regime and as such, members are not able to lodge a complaint with the Australian Financial Complaints Authority (AFCA) as that body has no jurisdiction over decisions made by STC.

Contacts

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

SASS – 1300 130 095

SSS – 1300 130 096

PSS – 1300 130 097

Deferred benefit members – 1300 130 094

Pension members – 1300 652 113

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

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

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

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

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

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



Privacy, compliance & the Government Information Public Access Act

Privacy

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

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

State Super has a Privacy Statement, which was updated in May 2019, and:

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

State Super endeavours to ensure its records of members' personal details are up-to-date and accurate. Members may contact Mercer Administration to advise of changes to their personal and health details.

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

Compliance

State Super schemes are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS legislation treats exempt public sector superannuation schemes as complying funds for concessional taxation and Superannuation Guarantee purposes.

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

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



Government Information Public Access Act 2009

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

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

- policy documents
- State Super's Agency Information Guide, which describes the structure and functions of STC, the types of government information it holds, how that government information is made publicly available, and whether or not there is a cost to access that information;
- a Disclosure Log of any information it has released in response to an application for access under the *GIPA Act* that it believes should be made available to the general public;

- a register of State Super's contracts with private sector organisations that are worth more than \$150,000; and
- documents that have been tabled in Parliament by or on behalf of State Super.

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

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

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



Customer Service

SASS 1300 130 095

SSS 1300 130 096

PSS 1300 130 097

Deferred members 1300 130 094

Pension members 1300 652 113

You can contact customer service from 8.30am to 5.30pm, Monday to Friday AEST for the cost of a local call unless calling from a mobile, pay phone or from overseas. If calling from overseas please call +61 2 4298 6005.

Fax service 02 4298 6688

Email enquiries@stc.nsw.gov.au

Mailing addresses

Customer service and Mercer Administration:

PO Box 1229
Wollongong NSW 2500

SAS Trustee Corporation (the Trustee Board)

PO Box N259
Grosvenor Place NSW 1220

Website www.statesuper.nsw.gov.au

Personal interview service

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

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



Need help with English?

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

Arabic

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

Chinese

會員如果閱讀英語有困難，諮詢服務部可安排發放資料的譯本。

Greek

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

Italian

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

Vietnamese

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

Financial planning advice

State Super Financial Services Australia Limited trading as StatePlus ABN 86 003 742 756, AFSL No. 238430

Telephone 1800 620 305

You can contact StatePlus from 8.45am to 5.15pm, Monday to Friday.

Website www.stateplus.com.au



2018-2019

Report to **Members**



State Super Financial Services Australia Limited, trading as StatePlus, is the holder of an Australian Financial Services Licence 238430, ABN 86 003 742 756. StatePlus is a 'for profit' financial services organisation which also provides financial planning advice. StatePlus is wholly owned by FSS Trustee Corporation (ABN 11 118 202 672 and AFSL 293340) as trustee of the First State Superannuation Scheme (ABN 53 226 460 365). StatePlus has its own Board and Management team. State Super does not pay any fees to StatePlus for the financial advice and member seminar services it provides to State Super members. State Super is not a representative of StatePlus and receives no commission when making referrals to StatePlus for financial planning services. Neither State Super nor the New South Wales Government take any responsibility for the services offered by StatePlus, nor do they or StatePlus guarantee the performance of any service or product provided by StatePlus.

www.statesuper.nsw.gov.au