STATE SUPER
SAS Trustee Corporation

ANNUAL REPORT
2021 - 22

www.statesuper.nsw.gov.au

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.

2021-22 HIGHLIGHTS

Members

- State Super's annual member satisfaction rating remains consistently high with scores given out of 10 for Seminars (8.5), Financial Planning (8.4) and our Interview Service (8.3).
- Our publications maintain high levels of engagement, with **85%** of members reading our newsletters, signifying success in informing and educating members.
- An audit of the State Super website identified key areas for improvement in design, navigation and content which are being implemented in 2022 to greatly enhance the online member experience. An average of 13,000 users visit our website each month. Enhanced security has also been introduced on the secure member site using two-factor authentication.
- Over 3,177 members attended one of the 75 free education webinars on their schemes. New specialist webinar topics now also include the important areas of Aged Care and Estate Planning to assist members as they enter retirement.
- Our Member Advisory Forums were run online for a broader group of Public Sector employees. More than 100 members have participated in the program to date, interacting with senior executives and board members of State Super, and helping generate key insights to be published in a White Paper in 2022.
- 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. This year saw 48 requests for an application form, 3 applications submitted, and 1 PhD scholarship awarded.

Stakeholders

- State Super continues to closely engage with the NSW Government to ensure members' best interests are represented and to support Treasury in its endeavours to fully fund the schemes.
- We regularly engage with industry bodies and participate in forums with other like funds to enhance common learnings and support the integrity of superannuation in Australia.
- 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 continued to maintain workforce stability in a volatile market with a retention rate of 92%.
- Employee engagement continues to be high at 79% which compares favourably against the Treasury Cluster (-10) and Sector (-12).
- Hybrid work arrangements continued over the review period and support measures for staff included flexible working, a comprehensive Employee Assistance Programme (EAP) service and ergonomic assessments for the home office.

Investments

- The State Super Pooled Fund had assets totalling $38 billion (excluding the Employer Sponsor Receivable) on 30 June 2022 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 2022, except for the DC Conservative option which fell slightly short of its return objective over its shorter investment horizon of 4 years. However, the DC Conservative option successfully preserved capital for members looking for a defensive option.
- 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).
- The Trustee credited a -1.7% return to members in the DC Growth option (after superannuation tax), a -0.9% return for DC Balanced option and a 1.1% return for the DC Conservative option for the year to 30 June 2022.
- In turbulent markets over the past year, the Trustee's strategy of preserving capital was relatively more successful than the median super fund return for each of the DC Growth, Balanced and Conservative options.
- The Trustee has committed to a 'net zero by 2050' carbon objective with an interim target at 45% CO2e reduction by 2030 (CO2e is a short-hand term for greenhouse gases, which include, for example, carbon dioxide, nitrous oxide and methane). We have also developed specific metrics to monitor investment managers' approach to Environmental, Social and Governance (ESG) including Modern Slavery.
- At 30 June 2022, net Fund assets (excluding the Employer Sponsor Receivable) covered 65% of accrued liabilities (actuarially measured using the assumed earning rate of the Fund).
- Key investment activities were undertaken to increase resilience in the post Covid-19 pandemic world. These included:
  - An additional emphasis on liquidity modelling of the Fund's liquidity requirements
  - Enhancement in the Fund's risk management framework including further scenario testing
  - The implementation of a carbon reduction strategy within the equities portfolios.

Governance

- During the year State Super's governance arrangements performed effectively under significant interruption caused by the ongoing COVID-19 pandemic. The Board and Executive were seamlessly able to work face to face or virtually.
- State Super has adopted the AIST Governance Code and annually benckmarks its governance framework against AIST's industry governance code. We have received an independent assessment suggesting that good governance practices are in place.
- State Super assessed its alignment with the APRA Prudential Standard (SPS 515) for Member Outcomes and determined that STC complies with the majority of the standard as set out for Defined Benefit schemes.

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Report to the Minister

October 2022

The Hon. (Matt) Matthew John Kean,
MP NSW Treasurer
GPO Box 5341
SYDNEY NSW 2001

Dear Minister,

We have pleasure in submitting to you, for presentation to Parliament, the Annual Report of the SAS Trustee Corporation for the period 1 July 2021 to 30 June 2022.

The Annual Report contains reports for:

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

These have been prepared in accordance with the provisions of the *Annual Reports (Statutory Bodies) Act 1984*, the *Government Sector Finance Act 2018*, associated regulations and the Treasurer's directions.

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

Yours sincerely

Nicholas Johnson
Chairperson of the Trustee Board
SAS Trustee Corporation

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

Annual Report: 2021-22

Contents

Part A – About State Super	**7**
Part B – Corporate performance	**25**
Part C – Operations overview	**29**
Part D – Corporate governance	**51**
Part E – Five-year membership and financial statistical tables	**67**
Part F – Financial Statements	**71**
SAS Trustee Corporation	73
SAS Trustee Corporation Pooled Fund	103
Appendix 1 – Statistical information about GIPA access applications	**143**
Compliance index for disclosure requirements	146
Glossary	147

Part A
About State Super

Chairperson's report	9
Chief Executive Officer's report	11
Overview of State Super	12
Organisational structure	14
Trustee Board	15
Function and role of State Super	15
Trustee Board member profiles	16
Trustee Board membership and meeting attendance	19
Trustee Board and other Committees	20
State Super Executive team	22

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A message from the Chairperson

The operating conditions, risks and financial results of the 2021/22 financial year can be regarded as a direct continuation of the challenging 'long' year of 2020/21, with all of its COVID-19 related challenges and other characteristics.

Unsurprisingly the focus of the State Super Board has, therefore, remained broadly unchanged over that long period; as COVID-19 global economic stimuli were implemented and then progressively withdrawn; as new remote working conditions were developed and still widely continued; and as Governmental and community concerns around climate change have steadily risen.

The difficulties associated with those underlying conditions and trends were intensified in 2022 by the Ukraine war, with its well documented global economic impacts.

In this challenging environment State Super has benefited from the impressive strong commitment of its staff, which resulted in top quartile investment performance, excellent member service levels and strict management of the many associated operational and governance risks.

Structure of Chair's report

As in previous years, I will comment on three themes which have been the focus of particular attention from the Board over the past year.

Two of these are similar to last year, firstly Responsible Investment related issues, and secondly consequences of worldwide governmental policy responses to COVID-19. Thirdly, I touch on the early strategic thinking being done in anticipation of the natural progression in State Super's operating model over the next four years.

Responsible Investment

The Board recognises and endorses the consistent desire of members that State Super should adopt a strong proactive approach to environmental, social and governance issues (together referred to as 'Responsible Investing' or 'ESG' issues), while still delivering above average investment returns to members.

With that ESG approach, the Board supported management during the year in its work plan towards establishing tangible benchmarks to measure the carbon footprint associated with the Pooled Fund's current and prospective investment footprint.

The outcome of that work is discussed more fully later in this report. In essence, State Super now has a robust framework and benchmarks against which to measure the carbon footprint associated with its investment portfolio. With the benefit of that framework State Super has developed its first working version of a credible investment 'road map' to a net zero carbon footprint in its portfolio by 2050, with an interim target of a 45% reduction in carbon emissions over 2020 levels by 2030. The roadmap will be subject to regular review at both management and Board level, to ensure that it remains both genuinely effective and delivers optimal results for members.

Various superannuation funds have been vocal in implementing ESG policies based on immediately selling their interests in companies which are high carbon emitters. State Super has considered the merit of similar policies for its funds but has concluded that member and community interests are served better through a policy of active engagement around ESG issues with the companies in which we invest.

We believe that such proactive and transparent engagement results in earlier action by management in high carbon footprint companies, as compared to having the equity in such companies being held by other investors with much lower levels of transparency and community accountability.

We are also reluctant to adopt short-term equity sale programs when, often, the potential buyers of higher carbon emitting companies are offering a highly discounted price to the underlying long-term value of the various companies. But we do not rule out later sales of shares in companies which do not respond to encouragement to reduce their carbon emissions.

Worldwide governmental policy responses to COVID-19

I commented last year that major governments and their agencies responded to the potential adverse economic consequences of COVID-19 by sharply increasing money supply and setting interest rates at very low rates. There was a consequential strong recovery in global stock markets during 2020/21 as investors used those abnormally high levels of liquidity in conjunction with ultra-low-cost debt to purchase higher yielding or growth stocks.

Unsurprisingly in 2021/22 the COVID-19 driven strategies were paused and then reversed, with monetary authorities moving to curtail growth in the money supply and to increase interest rates to manage the global economy's desired return to 'normal' inflation, growth and employment levels.

And equally unsurprisingly, higher interest rates and less liquidity resulted in generally lessened demand for equities, with the prices of shares in some sectors like technology falling significantly.

State Super has a core investment strategy of holding an above average level of downside protection in the portfolio while holding high levels of liquidity. Consequently, the Pooled Fund performed relatively well in the expected less favourable investment trading conditions of 2021/22 and the Board is satisfied that the Pooled Fund continues to deliver very good risk-adjusted returns to members.

Following another related theme from last year, the Board and management continues to focus on unlisted assets like property and infrastructure held in the various funds.

Last year I noted the potential for these unlisted asset values to be subject to substantial movement, tending to increase as a result of low interest rates and high market liquidity. With the changed interest rate and liquidity trends of the last twelve months the Board now recognises the potential for unlisted asset values to decline, especially given the prospect for further increases in inflation and interest rates coupled with monetary policy changes.

Evolution in State Super's operating model

Over the next five years almost all of State Super members will have moved into or be close to their retirement phase. This natural evolution will be accompanied by the expected reduction in the Defined Contribution funds from approximately $7.3 billion today to approximately $4 billion in 2027, although the Defined Benefit funds will still be substantial with a forecast value of around $25 billion.

At that stage our total members are expected to have reduced from the current level of 90,123 to around 73,000, with pension members of around 62,000, SSS active members dropping from 1,790 currently to 190 with most transferring to a pension and SASS from 21,794 to 10,000.

Of course, the central activities of State Super of overseeing the investment activities, of paying pensions and of carefully managing members' interests will continue for many years. But the change in member demographics and in their associated needs may offer opportunities for changing the way we operate both directly through the State Super team and indirectly through our important outsourced service partners such as Mercer, TCorp and JP Morgan. We will keep members briefed on developments.

Team commitment

The State Super team has performed at the highest levels during another challenging year. The commitment and positive attitude of each individual is recognised and sincerely appreciated.

The leadership and support provided by my fellow 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.

Thank you.

Nicholas Johnson
Chairperson
October 2022

Chief Executive Officer's report

The year in review

Our last financial year reminded us of the speed with which change can happen, and how seemingly unconnected events can create significant disruption: the devasting effects of climate change becoming apparent with floods and droughts wrecking lives; the war in the Ukraine destroying the promise of peace; dramatic increases in energy and food costs driving inflation, and the rise in geopolitical tensions and deglobalisation. The year also evidenced State Super's resilience by design, and thereby our ability to deliver on our member promises, in services and in investment returns.

Net Zero and our Environmental, Social and Governance (ESG) commitments

In December 2021, State Super announced a far-reaching and comprehensive program to achieve net-zero in the carbon intensity of our portfolio by 2050. Prior to making this announcement, the team undertook an extensive assessment of the carbon intensity in our current portfolio and developed a path to progressively and effectively reduce this carbon intensity, with specific milestones along the way. We also ensured we were consistent with the Paris Agreement on climate change, that committed countries to a path of decarbonisation.

In setting the plan, we ensured that we would maintain our member return objectives by identifying the risks created when our investments were not decarbonising. In addition, we assessed and invested in strategies that would help others decarbonise. We also remain active investors, engaging with companies in areas regarding good governance, gender equality, social responsibility and risks relating to Modern Slavery and Anti-money Laundering.

We believe our considered approach will achieve superior risk adjusted investment outcomes.

We are delighted that our net-zero program was recognised by Rainmaker as an *Environmental, Social and Governance Leader in 2022.*

Our investments

The investment returns continued to perform above the objectives for the Growth and Balanced options. While our Conservative Option just missed its objective, it was nevertheless the best performing fund of all peers.

Our investment approach has its objective to minimise the risks of loss in down markets because many of our members can chose to retire at any time. As a result, our investment options all performed in the top quartile (and in some cases top 10) of funds in Australia.

Inflation is likely to have a significant effect on economies over the next few years. Whether the rapid interest rate rises will result in recessions, is an open question. In Australia, I remain optimistic that inflation will come back to the Reserve Banks range over the medium term. In part this will be due to increased migration of people assisting to fill our job shortages, a hopeful moderation in the more extreme weather patterns, enabling food prices to stabilise and by a moderation of energy prices as a result of Australia increasingly diversifying its energy mix.

Our members

State Super continues to support our pensioners and our members retiring, and we assisted some 2,000 members retire in this financial year alone. We pay over 66,000 members' pensions each fortnight, with over $3.4bn paid over the financial year. Again, we saw an increase in the age at which members chose to retire, and as 30 June we had 109 members over the age of 100!

Mercer Administration Services (MAS) provides all the administrative support of member benefits, with State Super continuing to oversight the way these services are delivered. State Super continues to closely monitor the transition of the software system underpinning the administration of our member benefits. We believe our administration system is central to the reliable delivery of services.

Our employees

After the two years of COVID-19, we are rotating to a hybrid work arrangement, with most people coming into the office 2 or 3 days a week. We remain fully committed to supporting and accommodating people's needs for flexibility. We also recognise that an office environment helps newer employees acclimatise to the State Super culture and create that camaraderie that sometimes is best evidenced through unexpected conversations.

We continue to encourage self-development, and like other Superannuation Funds, are exposed to the significant competition for talent. Our employee value proposition (EVP) enables our people to actively engage and be supported in challenging work activities, and our open-door policy continues to lead to high retention of our key talent. Most of our Executive Team has been together for well over 5 years, ensuring that skills required to support our new generation leaders are retained.

Looking ahead and innovations

State Super has developed a unique set of skills responding to more than a decade of challenges. These skills and State Super's culture have become State Super's 'DNA'. The benefits include successfully managing a portfolio of investments with negative cashflow; balancing an objective of net-zero with ambitious investment objectives; successfully overseeing a complete administration systems transition; transacting on real assets and infrastructure and managing within significant constraints to achieve superior member and employee engagement and investment returns. We believe we can harness this for the benefit to members.

What a year (again). A special thank you to all our people for their hard work in making 2021/22 a great year again. I'd also like to give a special thanks to our Board members who have provided me and the organisation with the support and guidance to navigate these challenges.

John Livanas
Chief Executive Officer

October 2022

Overview of State Super

SAS Trustee Corporation (STC) 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 Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- Police Superannuation Scheme (PSS), and the
- 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 2022.

Membership

With 90,123 members at 30 June 2022, 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 *State Authorities Superannuation Act 1987*.
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 2022	Contributing members: 13,447 Deferred benefit members: 8,347 Pension members: 4,927 Total members: 26,721
Financial position at 30 June 2022	Net assets: $11,058 million Accrued benefits: $13,505 million* Unfunded liabilities: $2,447 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 *Superannuation Act 1916*.
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 *Superannuation Act 1916 (NSW)*.
Closed to new members	1 July 1985
Members at 30 June 2022	Contributing members: 946 Deferred benefit members: 844 Pension members: 54,391 Total members: 56,181

**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 2022	Net assets: $21,077 million Accrued benefits: $35,511 million* Unfunded liabilities: $14,434 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 *Police Regulation (Superannuation) Act 1906*.
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 2022	Contributing members: 394 Deferred benefit members: 64 Pension members: 6,763 Total members: 7,221
Financial position at 30 June 2022	Net assets: $4,702 million** Accrued benefits: $8,049 million* Unfunded liabilities: $3,347 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 *State Authorities Non-contributory Superannuation Act 1987*.
Scheme eligibility	Members of SASS, SSS and PSS.
Closed to new members	19 December 1992
Members at 30 June 2022	Current active members: 14,787 Deferred benefit members: 8,796 Total members: 23,583
Financial position at 30 June 2022	Net assets: $1,525 million Accrued benefits: $1,935 million* Unfunded liabilities: $410 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 up to 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.

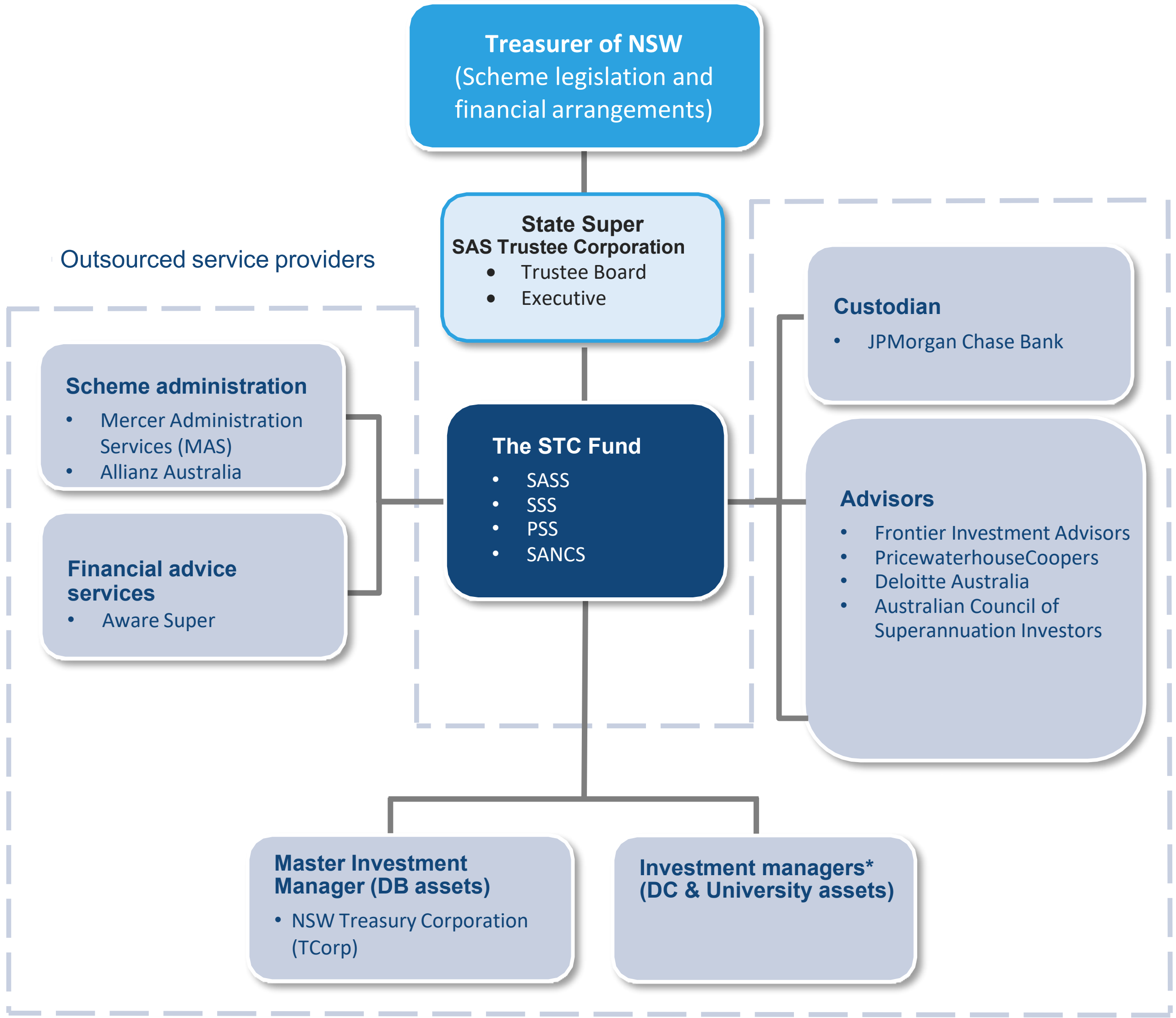
**Accrued benefits as measured by the Actuary using the assumed earning rate of the Fund as the discount rate. Accounting standards require employers to report accrued benefits in their financial statements using a risk-free discount rate that results in a higher estimate of accrued benefits.*

***Excludes Employer Sponsor Receivable.*

Organisational 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 Trustee 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 2022 are set out below:



* Refer to pages 45, 46 and 47 for a full list of investment managers at 30 June 2022.

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

- monitoring the State Super schemes and the Pooled Fund, including the control and accountability systems
- appointing and removing the Chief Executive Officer
- providing input to, and final approval of, the long-term strategy for the State Super schemes and annual 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 Trustee Board and the staff of State Super, including work health and safety, and the Code of Conduct and Ethics
- monitoring the performance of the Pooled Fund, the Trustee Board's activities, State Super management and State Super's service providers.

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

Trustee Board member profiles

Nicholas Johnson – Chairperson

Appointed June 2015; reappointed June 2019

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, Chairman of Pillar Administration (a provider of administrative services to the superannuation industry, including to State Super), Chairman of the National Art School, Chairman 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 a Non-Executive Director of Infoxchange and the Grattan Institute, Chairman 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

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. 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 HR & Nominations 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, Australian Institute of Superannuation Trustees and the Association of Superannuation Funds of Australia.

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.

Claire Keating – Employer Representative, Board Member

Appointed November 2016; reappointed November 2019

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

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.

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 13 years’ experience as a trustee director. In addition to his role as an employee representative on State Super, he served as a Director for Private Hospitals Superannuation Pty Limited – the Trustee for the Health Industry Plan – between 2005 and 2010.

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 included responsibility for managing budget and audit.

Mr O’Grady served on the Risk and Audit Committee whilst a Director of HIP and has been 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 30 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 Togethr 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 and member of the Audit and Risk, and People, Culture, Remuneration and Nominations Committees of Eclipx Group Limited (ASX:ECX); Chairman of the St George and Sutherland Medical Research Foundation; 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, 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 Trustee Board member

Swati Dave – Employer Representative

Company Director
Appointed May 2016; reappointed May 2019, term ended May 2022

Ms Dave is the Managing Director and CEO of Export Finance Australia (formerly known as Export Finance and Insurance Corporation). She is an experienced senior banking executive and non-executive director with an established track record of successfully leading and growing complex P&L businesses in Australia, the UK, Hong Kong and Singapore.

Ms Dave has over 30 years' banking and finance experience across a number of sectors including infrastructure, energy and utilities, renewable energy and property. She has held senior positions at National Australia Bank, Deutsche Bank, AMP Henderson Global Investors, Bankers Trust and Westpac.

Ms Dave currently serves on the Board of Asia Society Australia and the Advisory Board of the National Foundation for Australia-China Relations. From July 2021, she is also a member of the QIC Global Infrastructure Investment Committee. She has served as a former Director of Australian Hearing, Great Western Bancorp Inc.(USA) and the NAB Wealth Responsible Entities Boards.

Ms Dave holds a Bachelor of Commerce from the University of Newcastle and is a Graduate Member of the Australian Institute of Company Directors and the Australian Institute of Superannuation Trustees.

Trustee Board membership and meeting attendance

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

Trustee Board memberships and the current term of appointment for each member during the 2021-22 reporting period are listed in the table below.

	Appointed	Term end date	Meetings attended during 2021-22 (actual / possible)
Mr N Johnson *(Chairperson)*	26 Jun 2015	25 Jun 2023	9 / 9
Employee representatives			
Mr A Claassens	5 Nov 2012	4 Nov 2024	8 / 9
Mr T O'Grady*	14 Sep 2017	13 Sep 2025	9 / 9
Ms C Bolger	25 Sep 2015	16 Oct 2023	9 / 9
Mr S Little	30 Sep 2019	29 Sep 2023	8 / 9
Employer representatives			
Ms C Austin*	28 Jun 2018	27 Jun 2025	9 / 9
Ms L Rasmussen	12 Mar 2020	11 Mar 2024	9 / 9
Ms S Dave*	26 May 2016	25 May 2022	7 / 8
Ms C Keating	10 Nov 2016	4 Nov 2022	9 / 9
Ms C Yuncken*	26 May 2022	25 May 2025	1/1

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

**During the year:*

- *Mr O'Grady's term as Employee Representative expired on 13 September 2021 and was reappointed*
- *Ms Austin's term as Employer Representative expired on 27 June 2022 and was reappointed*
- *Ms Dave's term as Employer Representative expired on 25 May 2022*
- *Ms Yuncken was newly appointed to the Board as Employer Representative from 26 May 2022*

Trustee Board and other committees

Investment Committee members during the reporting period

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

Purpose
The purpose of the Investment Committee includes:

- supporting the Trustee 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
- 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 2021-22

Member	Attendance actual / possible
Mr N Johnson *(Chairperson)*	9 / 9
Ms C Austin	9 / 9
Ms C Bolger	9 / 9
Ms Rasmussen	9 / 9

Risk, Audit and Compliance Committee members during the reporting period

Ms Keating having reached the maximum allowable 5-year tenure as the Chairperson (*under TPP20-08 - Internal Audit and Risk Management Policy for the General Government Sector*), stepped down on 21 June 2022 and became a committee member. Ms Bolger was appointed as the Chairperson from 22 June 2022.

Ms Dave's term on the Board expired on 25 May 2022 and her tenure on the committee ended.

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 Trustee 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.

Meetings attended during 2021-22

Member	Attendance actual / possible
Ms C Keating *(Chairperson until 21 June 2022)*	6 / 6
Ms C Bolger *(Chairperson from 22 June 2022)*	Nil
Ms S Dave	5 / 5
Mr T O'Grady	6 / 6

Member Services Committee members during the reporting period

Messrs Claassens (Chairperson), Little and O'Grady. 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 Trustee Board on matters relating to the administration of State Super schemes and policies affecting stakeholders including dispute-related matters
- exercising a Trustee 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 2021-22

Member	Attendance actual / possible
Mr A Claassens *(Chairperson)*	4 / 4
Mr S Little	4 / 4
Mr T O'Grady	3 / 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 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, 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 2021-22

Member	Attendance actual / possible
Mr A Claassens *(Acting Chairperson)**	9/11

**A Chair was appointed from Committee members for 2 meetings*

Human Resources and Nominations Committee members during the reporting period

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

Purpose
The purpose of the Human Resources and Nominations 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
- monitoring human resource obligations under relevant policies, including the Code of Conduct and Ethics
- Board training strategies and renewal.

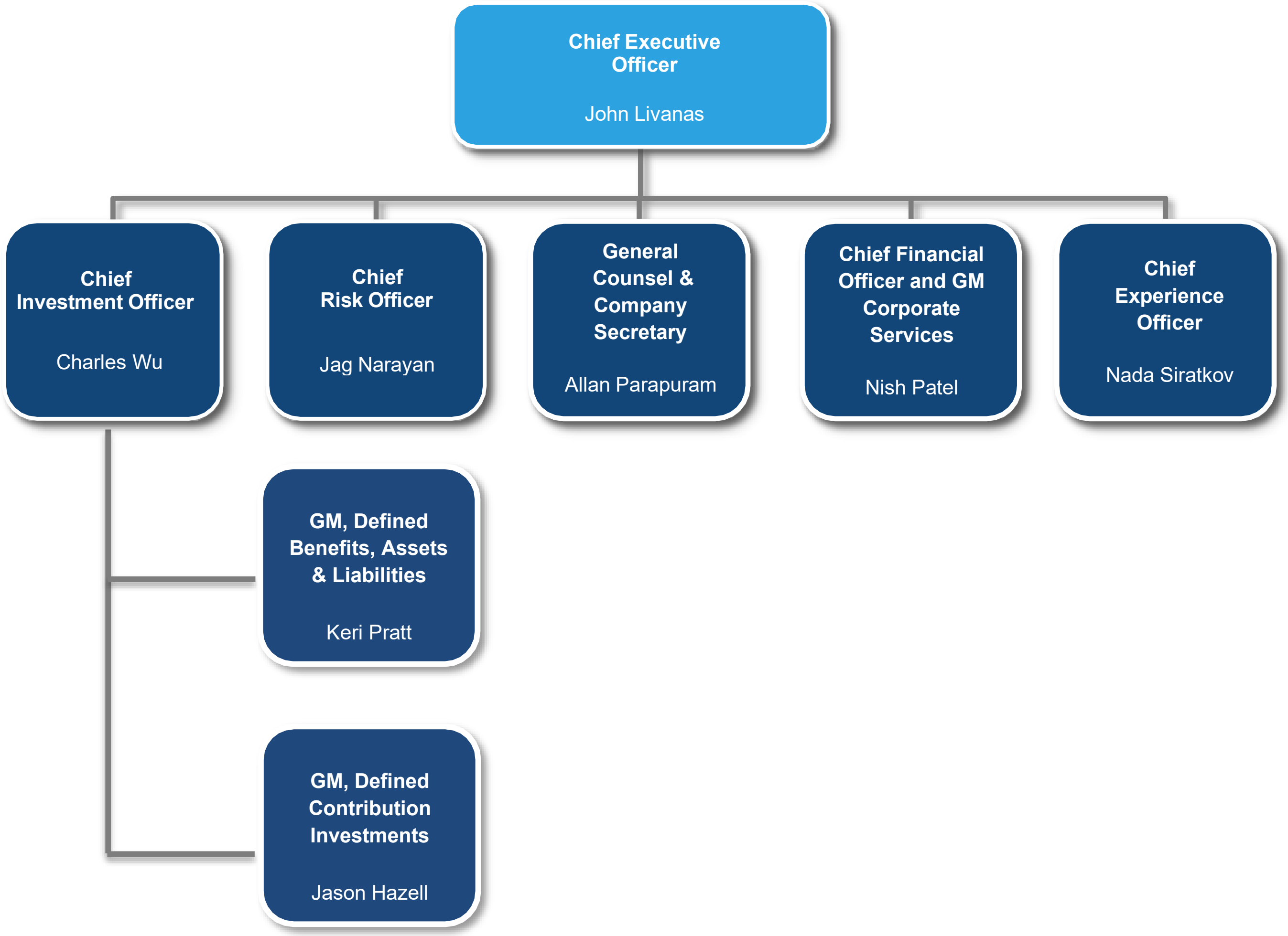
Meetings attended during 2021-22

Member	Attendance actual / possible
Mr A Claassens *(Chairperson)*	4 / 4
Ms C Bolger	4 / 4
Mr N Johnson	4 / 4
Mr S Little	4 / 4

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 2022 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 Trustee Risk, Audit and Compliance Committee and the Trustee 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 eight 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 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 experience 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.

Part B
Corporate performance

State Super's performance against Corporate Plan objectives 26

State Super's performance against Corporate Plan objectives

The 20221-22 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 2021-22 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 2021-22 strategy period, State Super has focused on maintaining best in class member experience and satisfaction. State Super members continue to report high levels of satisfaction for the services we provide, including benefit payments, member engagement forums and our communication during the COVID-19 pandemic.

State Super continues to engage closely with MAS to monitor its administration platform migration. State Super continues to regularly assess other risk mitigation strategies to ensure continued delivery of high-quality member administration services.

To ensure that we continue to meet member needs and our obligations as a trustee we have replaced face-to-face seminars with a hybrid version that has been successfully implemented. We have also conducted the Member Outcomes review and confirmed that we have satisfied the requirements. State Super has worked closely with Treasury to amend SANCS Additional Employer Contribution (AEC) benefit legislation which now has flexibility to implement AEC rate change quickly as the SG rate increases.

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

2. Investment: Set and meet risk/return objectives

Over the 2021-22 financial year, State Super has continued to work closely with TCorp and our independent scheme actuary, PwC, to carefully monitor and continually improve the alignment of the investment strategy for our defined benefit assets with our actuarial projections of future member liabilities.

The Treasurer has further committed to maintaining an ongoing funding plan and has recommenced employer contributions from 1 July 2022.

The Trustee Selection Investment option exceeded its primary investment objective over a ten-year period to 30 June 2022, although it fell short of the objective over shorter term periods. It should be noted that the focus of the option is to deliver the best risk-adjusted return for the schemes given the aging membership, negative cashflow profile and the challenge of managing sequencing risk, all of which result in stronger performance in down markets and weaker performance in up markets.

Each of the DC Growth, Balanced and Conservative options delivered top quartile returns versus funds with comparable allocations to growth assets over a one-year period and each delivered strong returns over the longer term.

The scheme actuary, PwC, undertook the triennial actuarial review as at 30 June 2021. The review included an updated assessment of all key assumptions underlying the calculation of the liabilities, updated funding position and contribution plans, as well as the appropriateness of the investment strategy. During the year, employer funding plan changes were recommended and approved by Treasury and communicated to employers. In addition, in between the 3 yearly reviews, an annual asset/liability model is used to assess and monitor the impact of changes in actual experience on liabilities and the funding position.

Risk settings and asset allocation for the Fund investment options are reviewed regularly, and heightened monitoring continues given the greater demands on liquidity and increased market volatility. The asset allocation for each investment strategy is well diversified across asset classes, risk premia, investment managers and individual securities. The aim of this diversification is to reduce the expected volatility associated with achieving the target level of return. In addition, tail risk protection strategies and foreign currency exposure are utilised to provide additional protection against the possibility of any large market drawdowns.

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, which continues to be well represented and provides continuity. The internal Board annual performance assessment for FY2021 concluded that the Board continues to perform well and discharges the obligations set for it.

A formal governance and delegations framework enables appropriate oversight and monitoring of the organisation. This framework is regularly reviewed to address issues arising from new remote working arrangements to comply with pandemic restrictions including facilitation of remote meetings.

State Super complies with the HOGA requirements, conforming to the prescribed Commonwealth Retirement Income principles to the best of our endeavours. These include the principles of Trustee Governance, Audit and Risk Management and reporting to the ATO and APRA as required.

In addition, State Super assessed its alignment with the APRA Prudential Standard (SPS 515) for Member Outcomes and determined that STC complies with the majority of the standard as set out for Defined Benefit schemes.

The Funds 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

Our stakeholder management framework has been fully operationalised with regular and productive relationships in place with Treasury, Treasury Managed Fund (TMF), our suppliers, other government agencies and more connectivity with broader agency groups including employers.

We have increased our engagement with industry forums and policy groups with other like funds in other states. We have initiated the development of the data science narrative and participated at conferences. We have released website content relating to Responsible Investing, outlining key initiatives across Climate Scenario modelling, Physical Climate Risk Assessment, Carbon Footprint Analysis and Shareholder Voting. At the end of 2021 State Super announced its net-zero CO_2e goal across the investment portfolio by 2050 through a media campaign with articles in financial and investment media.

Our engagement with universities has raised the profile of the State Super Academic Scholarship. Participation in the Scholarship has both improved in terms of quality of proposals and the number of submissions with Phase 4 generating 48 requests for an application and one PhD scholarship awarded.

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.

Improving workforce sustainability: State Super's workforce 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 2021 People Matter Employee Survey and while the results show slight falls in a few categories, State Super's overall results continue to be strong. Employee engagement at 79% was marginally lower than the previous year (-3%) but compared favourably against the Treasury Cluster (-10%) and Sector (-12%). Improvement actions based on our survey results are part of our business-as-usual activities.

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Part C
Operations overview

Investments

Investment management structure	30
Investment market overview	30
Investment performance	31
Crediting rates for defined benefit reserves	33
Crediting rates for member investment choice strategies	34
Funds under management (FUM)	35
Investment policies and practices	35
Defined benefit investment strategies at 30 June 2022	37
Member investment choice strategies at 30 June 2022	38
Investment expenses	40
Changes to investment strategies effective 1 July 2022	41
Investment managers at 30 June 2022	45

Member engagement

Overview of scheme membership	48
The next five years	48
Benefits for members	49

Investments

This section provides an overview of State Super's investment management structure and its performance and management activities during 2021–22.

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 market overview

A difficult year for financial markets

The 2021-22 financial year was a difficult year for financial markets which saw heightened volatility driven by the emergence of new strains of COVID-19, the war in Ukraine, rising inflation, tightening of monetary policy worldwide and strict COVID-19 restrictions in China.

Global equity markets delivered negative returns over the financial year due to concerns on inflation, higher interest rates and rising prospect of recession. Chinese equities were the worst performing market due to regulatory actions across a number of sectors, China's COVID zero policy and the ongoing property market crisis. There is now a broader concern over economic growth within China as these issues persist.

The increases in interest rates and inflation have also negatively impacted bond prices as major bond indices also posted negative performance over the year. Long term government bond yields are at their highest levels in the past 10 years, particularly in the USA and Australia.

In currencies, the Australian dollar fell against the US Dollar over the year as market uncertainty and fears of a possible recession led to investors rotating capital towards safe haven assets.

The year ahead

The investment environment will remain challenging with investors faced with some key uncertainties globally. The path of inflation and the thrust of central bank moves to control it will be the key drivers for markets in the year ahead. A key element of current elevated inflation is due to supply shocks which central banks have limited ability to mitigate through monetary policy actions.

Markets will also be challenged by rising geopolitical risks, especially related to the war in Ukraine and its implications on the risk appetite for financial assets as well as its impact on energy and food prices.

However, these shorter-term disruptions mask several positive underlying secular trends including massive investments required to achieve the Paris Agreement by 2050 as well as the push for diversification of global supply chains as the pandemic exposed concentration risks.

Investment performance

2021-22 performance

The 2021-22 annual crediting rates for the various investment options were as follows:

Strategy	Crediting rate p.a.* %
Defined Benefit	
Trustee Selection	-0.6**
University Cash	0.1
Member Investment Choice	
Growth	-1.7
Balanced	-0.9
Conservative	1.1
Cash	0.1

**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.*

The 2021-22 financial year saw broad declines in both equities and fixed income markets offset by stronger performance in alternative asset classes including infrastructure, property and private markets. This resulted in a small negative return to Trustee Selection, DC Growth and DC Balanced options while DC Conservative maintained a positive return for the year.

Despite the negative returns, the defensive positioning of our funds helped to mitigate the drawdown and deliver strong risk adjusted returns compared to our peers with all diversified investment options delivering top quartile returns versus funds with comparable allocations to growth assets.

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 2022 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. %
Defined Benefit				
Trustee Selection	CPI + 4.5%*	10 years	8.3	7.0
University Cash	Cash	3 years	0.3	1.0
Member Investment Choice				
Growth	CPI + 3.0%	7 years	6.3	5.9
Balanced	CPI + 2.0%	7 years	5.1	4.7
Conservative	CPI + 1.0%	4 years	3.6	3.8
Cash	Cash	3 years	0.4	0.3

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, 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.

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 2022	-0.6
30 June 2021	13.1
30 June 2020	1.3
30 June 2019	8.5
30 June 2018	8.2
Average annual compound crediting rate (p.a.)	
Over 3 years	4.4
Over 5 years	6.0
Over 10 years	8.3

Trustee Selection returns for Crown employers after the benefit of ECPI tax	Crediting rate including ECPI * effect on employer reserves (p.a.) %
30 June 2022	-1.1
30 June 2021	14.9
30 June 2020	1.6
30 June 2019	9.2
30 June 2018	9.3
Average annual compound crediting rate (p.a.)	
Over 3 years	5.1
Over 5 years	6.8
Over 10 years	9.4

*Tax effect arising from Exempt Current Pension Income

University Diversified Conservative Strategy

Year ending	Crediting rate to employer reserves (p.a.) %
30 June 2021**	3.3
30 June 2020	0.3
30 June 2019	4.0
30 June 2018	3.3
Average annual compound crediting rate (p.a.)	
Over 3 years	1.2
Over 5 years	2.2
Over 10 years	N/A

**The University Conservative Option closed on 28 February 2021

University Cash Strategy

Year ending	Crediting rate to employer reserves (p.a.) %
30 June 2022	0.1
30 June 2021	0.1
30 June 2020	0.8
30 June 2019	1.8
30 June 2018	1.6
Average annual compound crediting rate (p.a.)	
Over 3 years	0.3
Over 5 years	0.9
Over 10 years	N/A

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 2022	-1.7
30 June 2021	14.3
30 June 2020	1.5
30 June 2019	7.6
30 June 2018	9.4
Average annual compound crediting rate (p.a.)	
Over 3 years	4.5
Over 5 years	6.1
Over 10 years	8.3

Conservative Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2022	1.1
30 June 2021	5.6
30 June 2020	3.0
30 June 2019	4.7
30 June 2018	5.0
Average annual compound crediting rate (p.a.)	
Over 3 years	3.2
Over 5 years	3.9
Over 10 years	5.2

Balanced Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2022	-0.9
30 June 2021	8.9
30 June 2020	2.7
30 June 2019	5.9
30 June 2018	6.9
Average annual compound crediting rate (p.a.)	
Over 3 years	3.5
Over 5 years	4.6
Over 10 years	6.8

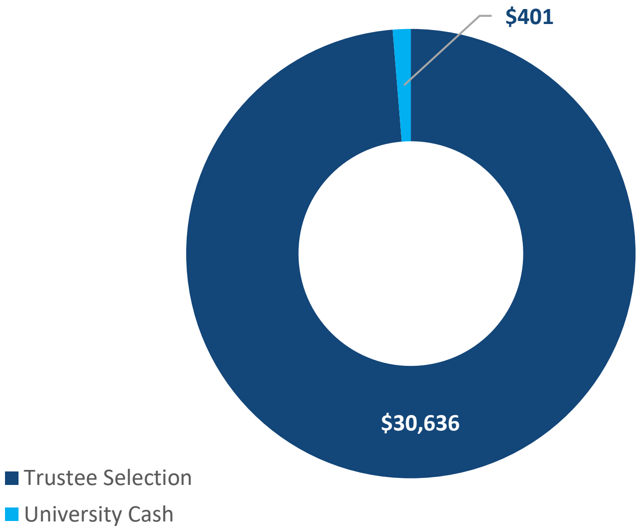
Cash Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2022	0.1
30 June 2021	0.1
30 June 2020	0.9
30 June 2019	1.9
30 June 2018	1.7
Average annual compound crediting rate (p.a.)	
Over 3 years	0.4
Over 5 years	0.9
Over 10 years	1.7

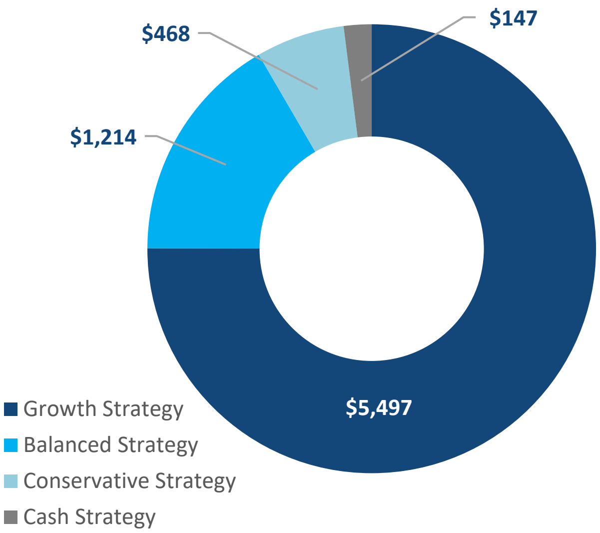
Funds under management (FUM)

FUM per investment strategy at 30 June 2022 ($ millions) *

DEFINED BENEFIT STRATEGIES



MEMBER INVESTMENT CHOICE STRATEGIES



*Excludes Employer Sponsor Receivable

Investment policies and practices

STRATEGIC ASSET ALLOCATION

State Super allocates assets into three categories – Liquid Growth, Alternatives and Liquid Defensive – to more closely 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, inflation-linked bonds, other defensive strategies, cash and income. Alternatives comprises property, infrastructure, corporate 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 in this category are expected to generate returns in line with or higher than the return objective. Other asset classes within Alternatives are expected to have the dual objective of providing a good level of return, whilst also reducing the volatility of returns, especially when equity markets fall.

Liquid Defensive represents asset classes that tend to do well when equity markets are turbulent or fall. These asset classes provide capital protection when most other strategies are not performing well but are not expected to significantly contribute to the return over the long term. However, the historically low interest rates mean that the returns 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 can dynamically allocate assets between Liquid Defensive and Liquid Growth, based on changes in the investment environment. The allocation to Alternatives, on the other hand, is strategic in nature and generally illiquid, with investments being held over the medium to long term.

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

MARKET RISK PROTECTION STRATEGIES

The Trustee 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 – 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, 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, retaining and realising 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 2022 financial year and published a new Responsible Investment Policy, Climate Change Statement and updated Stewardship Statement.

Significant developments in this respect include:

- Net-Zero – State Super announced in December its net-zero CO_2e goal across its investment portfolio, in its Pooled Fund, by 2050. 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_2e 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 is directed by State Super and TCorp respectively. For DC Options voting is based on a bespoke policy. Proxy voting for Trustee Selection has been delegated to TCorp and international voting is based on a consistent policy. 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.
- 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.
- Modern Slavery – State Super continues to engage with investment managers regarding modern slavery risks and has 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. This will form part of the ongoing management of ESG risk. At reporting date, TCorp have also implemented 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 and controversial weapon manufacturers from the Pooled Fund.
- Diversity - We think that diverse backgrounds and diverse thinking contribute to better member outcomes and we hire diverse teams. We encourage and value diversity and inclusion at State Super and have 56% female representation at the Board and 40% at the Executive Leadership Committee. This is an engagement theme of ours with our investee companies, not only at board level but with the executive. Our expectation is that there is a minimum 30% female representation on our investee company boards and support a move towards 40, 40, and 20 gender balance.

Defined Benefit investment strategies at 30 June 2022

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 2022: $30,636 million

Asset allocation at 30 June 2022:

	Strategic %	Actual %
Liquid growth	**53.0**	**47.7**
Australian equities	16.0	12.4
International equities	37.0	35.3
Alternatives	**37.0**	**42.0**
Infrastructure	12.0	14.1
Property	7.0	10.1
Alternatives - Other	18.0	17.8
Liquid defensive	**10.0**	**10.2**
Australian fixed interest	2.0	1.7
International fixed interest	0.0	0.0
Defensive Strategies	4.0	4.1
Cash	4.0	4.4
TOTAL	**100.0**	**100.0**

**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 2022: $401 million

Asset allocation at 30 June 2022:

	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**

Member Investment Choice strategies at 30 June 2022

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 2022: $5,497 million

Asset allocation at 30 June 2022:

	Strategic %	Actual %
Liquid growth	**55.5**	**56.7**
Australian equities	24.0	22.7
International equities	31.5	34.0
Alternatives	**35.5**	**32.9**
Infrastructure	9.0	8.4
Property	5.0	7.0
Alternatives - Other	21.5	17.5
Liquid defensive	**9.0**	**10.4**
Australian fixed interest	3.0	2.8
International fixed interest	0.0	0.0
Income	2.0	2.9
Defensive Strategies	0.25	0.4
Cash	3.75	4.3
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% p.a. over rolling 7-year periods.

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

Net assets at 30 June 2022: $1,214 million

Asset allocation at 30 June 2022:

	Strategic %	Actual %
Liquid growth	**43.0**	**44.5**
Australian equities	15.5	14.6
International equities	27.5	29.9
Alternatives	**27.0**	**24.8**
Infrastructure	9.0	8.4
Property	5.0	7.0
Alternatives - Other	13.0	9.4
Liquid defensive	**30.0**	**30.8**
Australian fixed interest	7.0	6.4
International fixed interest	0.0	0.0
Income	8.0	8.2
Defensive Strategies	0.25	0.4
Cash	14.75	15.8
TOTAL	**100.0**	**100.0**

CONSERVATIVE STRATEGY

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

Risk: Medium (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 2022: $468 million

Asset allocation at 30 June 2022:

	Strategic %	Actual %
Liquid growth	**24.0**	**25.5**
Australian equities	9.5	9.0
International equities	14.5	16.5
Alternatives	**23.0**	**20.8**
Infrastructure	9.0	8.4
Property	5.0	7.0
Alternatives - Other	9.0	5.4
Liquid defensive	**53.0**	**53.7**
Australian fixed interest	9.0	8.3
International fixed interest	0.0	0.0
Income	19.0	18.0
Defensive Strategies	0.25	0.4
Cash	24.75	27.0
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 (standard risk measure risk band 1: less than 0.5 negative annual returns estimated over any 20-year period).

Net assets at 30 June 2022: $147 million

Asset allocation at 30 June 2022:

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

Investment 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 2022-23 are shown below. These estimates are broadly similar to the previous year. (Note, the indirect cost percentages for 2022-23 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 2021-22**	**Estimated 2022-23**
Defined benefit investment strategies		
Trustee Selection	0.33%	0.35%
University Cash	0.05%	0.05%
Member Investment Choice investment strategies		
Growth	0.36%*	0.42%*
Balanced	0.32%	0.35%
Conservative	0.30%	0.33%
Cash	0.03%	0.04%
	***0.36% + nil performance fee paid**	***estimated 0.37% + 0.05% performance fee**

Changes to investment strategies effective 1 July 2022

In June 2022, 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 2021	Return Objectives effective 1 July 2022
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 Trustee Selection Strategy. 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, a number of strategic asset allocation changes have been made to the DC Options. This includes an increase in Liquid Growth funded by a modest reduction in alternatives. Particularly, we have reduced illiquid assets such as infrastructure and property to ensure we continue to maintain the portfolio liquidity in the face of negative cashflow.

Trustee Selection Strategy

Trustee Selection is a defined benefit scheme with a different investment time horizon to DC options. We have increased allocation to growth assets to take advantage of dislocation in valuation created by COVID-19. This has been funded by a modest reduction in Fixed Income.

STRATEGIC ASSET ALLOCATIONS FOR DEFINED BENEFIT STRATEGIES

Trustee Selection Strategy

Effective from 1 July 2022, the strategic asset allocation for the Trustee Selection Strategy was revised as follows:

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

University Cash Strategy

Effective from 1 July 2022, 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: 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 2022, the strategic asset allocation for the Growth Strategy remains as follows:

	Strategic asset allocation %	Asset allocation range %
Liquid growth	**60.0**	**44.0 – 76.0**
Australian equities	24.0	
International equities	36.0	
Alternatives	**30.0**	**22.0 – 38.0**
Infrastructure	7.0	
Property	2.0	
Alternatives - Other	21.0	
Liquid defensive	**10.0**	**1.0 – 20.0**
Fixed Interest	4.0	
Income	3.0	
Defensive strategies	0.25	
Cash	2.75	
TOTAL	**100.0**	**100.0**

Balanced Strategy

Effective from 1 July 2022, the strategic asset allocation for the Balanced Strategy remains as follows:

	Strategic asset allocation %	Asset allocation range %
Liquid growth	**48.0**	**38.0 – 58.0**
Australian equities	17.5	
International equities	30.5	
Alternatives	**22.0**	**14.0 – 30.0**
Infrastructure	7.0	
Property	2.0	
Alternatives - Other	13.0	
Liquid defensive	**30.0**	**20.0 – 40.0**
Fixed Interest	7.0	
Income	8.0	
Defensive strategies	0.25	
Cash	14.75	
TOTAL	**100.0**	**100.0**

Conservative Strategy

Effective from 1 July 2022, the strategic asset allocation for the Conservative Strategy remains as follows:

	Strategic asset allocation %	Asset allocation range %
Liquid growth	**30.0**	**22.0 – 38.0**
Australian equities	10.5	
International equities	19.5	
Alternatives	**18.0**	**10.0 – 26.0**
Infrastructure	7.0	
Property	2.0	
Alternatives - Other	9.0	
Liquid defensive	**52.0**	**42.0 – 62.0**
Fixed Interest	9.0	
Income	19.0	
Defensive strategies	0.25	
Cash	23.75	
TOTAL	**100.0**	**100.0**

Cash Strategy

Effective from 1 July 2022, 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: Asset allocation ranges are not used in the Cash Strategy.

Investment managers at 30 June 2022

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Australian Equities			
Abrdn Investment Management (name change previously Aberdeen)	–	✓	–
Alphinity Investment Management Pty Ltd	✓	–	–
Ausbil Investment Management Limited	✓	–	–
BlackRock Asset Management Australia Limited	✓	–	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Lazard Asset Management Pacific Co	–	✓	–
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	✓	✓	–
State Street Bank & Trust Company	–	✓	–
UBS Securities Australia Limited	–	✓	–
International Equities			
Ardevora Asset Management LLP	✓	–	–
Artisan Partners Limited Partnership	✓	–	–
AQR Capital Management LLC	–	✓	–
AXA Rosenberg (via Equity Trustees Ltd)	✓	–	–
BlackRock Asset Management Australia Limited	✓	–	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
C Worldwide Asset Management Fondsmaeglerselskrab A/S	–	✓	–
Harris Associates Limited Partnership	✓	–	–
MFS International Australia Pty Ltd	✓	–	–
Neuberger Berman Australia Ltd	–	✓	–
Ninety One UK Limited	✓	✓	–
Northcape Capital Pty Ltd	✓	–	–
Northern Trust Company of Hong Kong Limited	✓	–	–
Robeco Hong Kong Limited	✓	–	–
Schroder Investment Management Australia Limited	✓	–	–
State Street Bank & Trust Company	–	✓	–
State Street Global Advisors Australia Limited	–	✓	–
Property			
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	✓	✓	–
Dexus Property Group	–	✓	–
EG Funds Management Pty Ltd	✓	–	–
Franklin Templeton Investments Australia Limited	✓	–	–

Property con't	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
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	✓	–	–
International Fixed Interest			
State Street Global Advisors Australia Limited	–	✓	–
Australian Fixed Interest & Cash			
Ardea Investment Management Pty Ltd	–	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	–	–
Macquarie Group Limited	✓	–	–
Pendal Group Limited	✓	–	–
State Street Global Advisors Australia Limited	✓	✓	✓
Alternative Assets			
Bentham Asset Management Pty Limited	–	✓	–
Challenger Investment Partners Limited	–	✓	–
Citigroup Global Markets Australia Pty Ltd	–	✓	–
Fulcrum Asset Management LLP	–	✓	–
GMO Australia Limited	✓	–	–
HarbourVest Partners, LLC	–	✓	–
K2/D&S Management Co, 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	–	✓	–
PIMCO Australia Pty Ltd	✓	–	–
PineBridge Investments LLC	–	✓	–
Resolution Life Group Holdings L.P	✓	–	–
Siguler Guff Distressed Opportunities Fund III (F) LP	✓	–	–
Siguler Guff Distressed Opportunities Fund IV (F) LP	✓	–	–
York Distressed Asset Holdings IV, LLC	–	✓	–
Currency & Overlay			
CIP Asset Management Pty Ltd	–	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	–	–
Macquarie Investment Management Global Limited	✓	–	–
New South Wales Treasury Corporation	✓	–	–

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Currency & Overlay cont'd			
PIMCO Australia Pty Ltd	✓	–	–
State Street Global Advisors Australia Limited	–	✓	–
High Yield/Bank Loans/EMD			
Brigade Capital Management LP	✓	–	–
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	✓	–	–
Infrastructure			
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Challenger Investment Partners Limited	✓	–	–
First Sentier Investors	–	✓	–
H.R.L. Morrison & Co Limited	–	✓	–
Macquarie Specialised Asset Management Limited	✓	–	–
New South Wales Treasury Corporation	✓	–	–
QIC Limited	–	✓	–

Member Engagement

Overview of scheme membership

The membership of the State Super schemes at 30 June 2022 is set out below.

Scheme	At 30 June 2017	At 30 June 2022	Movement % over 5 years
Active members			
SASS	23,394	13,447	-43%
SSS	4,219	946	-78%
PSS	1,043	394	-62%
Total	**28,656**	**14,787**	**-48%**
Deferred benefit members			
SASS	9,852	8,347	-15%
SSS	1,607	844	-47%
PSS	99	64	-35%
Total	**11,558**	**9,255**	**-20%**
Pension members			
SASS	4,353	4,927	13%
SSS	54,934	54,391	-1%
PSS	6,569	6,763	3%
Total	**65,856**	**66,081**	**0.3%**
Total	**106,070**	**90,123**	**-15%**

The State Super schemes are closed to new members. Over the past five years, the number of active members fell by 13,869, while the number of pension members increased by 225. Refer to page 68 for membership statistics over the past five years.

The next five years

Over the coming five-year period to 30 June 2027, the membership of the State Super schemes will continue to fall to a projected 72,955 members, while the contributory or active membership is expected to more than halve to 6,363 members.

This rapid reduction in contributors reflects the age profile of the membership. Over the period to 2027, the deferred benefit membership is projected to fall to 4,385 members, as these members reach the age when they can claim their benefit.

The number of pension members is projected to fall from 66,081 to 62,207 in 2027. 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.

	2019-20	2020-21	2021-22
Telephone calls	75,835	84,397	69,007
Letters	5,491	5,912	3,825
Emails*	13,456	29,195	15,147
Webinar attendance	1,971	2,635	3,177
Personal interviews	183	63	69
Financial planning advice	13,263	12,573	9,321

**In 2019-20 the method to calculate email enquiries was changed to include only emails sent to the administrator. In 2020-21, the increase in emails received was due to Centrelink Schedule enquiries.*

Member contact

Over 87,000 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 144,840 users who visited the State Super website 276,044 times and spent an average 2:30 minutes per session. Our members clicked the link to login to view their account 104,515 times, clicked to call us from a mobile 3,540 times and submitted 2,867 enquiry forms. There were also 273 views of videos on the site, 1,081 clicks on calculators, 2,407 clicks on seminar information and 864 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 2021–22, State Super provided 69 personal interviews. Due to the risk posed by COVID-19, personal interview services are 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 2021–22, Aware Super made 9,321 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 2021-22, 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 75 webinars hosted, of these, 48 were SASS based webinars, 13 SSS based, 10 Ageing Care and 4 Estate Planning.

These were attended by 3,177 members in total, with 2,171 Retirement Planning, 844 Ageing Care and 162 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 2022 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	2019-20 %	2020–21 %	2021–22 %
SASS	71	71	73
SSS	78	77	79
PSS	70	70	72

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 2021 $ million	%	30 June 2022 $ million	%
Growth	6,102	76	5,497	75
Balanced	1,260	16	1,214	17
Conservative	505	6	468	6
Cash	147	2	147	2
Total	**8,014**	**100**	**7,326**	**100**

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

Part D
Corporate Governance

The following information is provided in accordance with the *Annual Reports (Statutory Bodies) Regulation 2015*.

Corporate governance

State Super's regulatory framework	52
Compliance framework	52

Risk management

Risk management and insurance	53
Internal audit and risk management attestation statement	54
Privacy and use of member information	55
Public interest disclosures	55
Significant judicial decisions	55
Disputes and appeals	56
Access to information	58
Relevant legislative changes	60

Human resource management

Salary movement	61
Employee remuneration levels	61
Industrial relations	62
Training and development	62
Work health and safety	62

Budgets

State Super budget for financial years ended 30 June 2023 and 2022	63

Expenditure and disclosure information

Overseas visits	64
Payments to consultants	64
Account payment performance	65
Land disposal	66
Credit card use	66
Grants to non-government community organisations	66
Annual report production details	66
Digital information and security policy attestation	66
Controlled entities	66

Corporate governance

Fit-for-purpose and effective governance arrangements are the foundation of high-quality performance. In 2021–22, State Super's governance arrangements performed effectively under significant interruption caused by the ongoing COVID-19 pandemic. The AIST Governance Code Panel provided positive feedback on State Super's governance arrangements noting State Super fully met almost all of the requirements of the AIST Governance Code, suggesting good governance practices are in place.

As APRA have postponed their major policy review program that arose from the 2018 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (RC) due to the COVID-19 pandemic, our work implementing any material outcomes from that review has been put on hold awaiting APRA to re-commence their review program. However, there have been a range of changes to the federal regulation of superannuation funds which, although we are not APRA-regulated, we nevertheless have an obligation through HOGA (Heads of Government Agreement) to remain closely aligned with on a 'best endeavours' basis.

A key theme from the RC relates to the culture of financial services organisations. State Super evaluates employee satisfaction and attitudes through surveys and key metrics. For 2021/22, State Super performed its biennial comprehensive risk culture survey which included all staff, executive and Board members. Results indicated that State Super's risk culture is in good health. The survey trend analysis indicates an overall upwards / improvement trend in responses compared to the 2019 comprehensive risk culture survey results, in particular, risk leadership, risk awareness and risk capability. The risk culture results continue increased positive sentiment year on year since the first survey in 2017.

State Super's overall employee engagement was significantly higher than the public sector equivalent averages.

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 NSW Government, and in particular the Treasurer of NSW, has specific responsibilities for overseeing State Super's prudential regulation.

Compliance framework

State Super's formal compliance framework outlines the processes adopted by the Trustee 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 Trustee 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 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 Trustee appraisals to assess governance and control practices along with other key elements to support continuous improvement and performance management for the Board.

Risk management

Risk management and insurance

The Trustee Board is responsible for having a Risk Management Framework that is appropriate to the size, business mix and complexity of the State Super schemes. This enables the Trustee to effectively manage the material risks presented by its environment and objectives.

The Risk, Audit and Compliance Committee (RACC) assists State Super to monitor and review the Risk Management Framework. Held at least quarterly, the RACC meetings are also 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 Trustee 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 Trustee 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 Trustee 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 risk mitigation, including the Code of Conduct and Ethics and Public Interest Disclosure Policy as well as relevant risk and compliance training, which encourages proactive risk management and compliance with regulatory obligations.

State Super has an independent review of its Risk Management Framework every three years. The most recent review was carried out by the Internal Auditor in February 2020 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 2021/22, Internal Audit reviewed State Super control frameworks in relation to fraud management, conflicts of interest, business continuity and investment governance over defined benefit funds. No major issues were raised.

Insurance

During the 2021–22 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).

Internal Audit and Risk Management Attestation Statement for the 2021–22 Financial Year for the SAS Trustee Corporation

Internal Audit and Risk Management Attestation Statement for the 2021 - 2022 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 NSW Public Sector TPP 20-08*, specifically:

Core Requirements

Risk Management Framework		
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 13 October 2022, following a resolution of the STC Board on 6 October 2022

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

SAS TRUSTEE CORPORATION Common Seal

Signature of John Livanas

Signature of Allan Parapuram

John Livanas
Chief Executive Officer

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**.

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 2021-22 year nor were there any finalised during that year.

Significant judicial decisions or cases

In the 2021-22 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).

At 1 July 2021, there were no disputes pending. During the year ending 30 June 2022, one (1) new dispute was lodged. The dispute was determined by the Member Services Committee during the year. No disputes were withdrawn or discontinued.

Disputes on hand at 1 July 2021	0
Disputes lodged in 2021–22	1
Disputes determined in 2021–22	
Confirmation of State Super delegate's decision	0
Delegate's decision set aside and new decision made	1
Settled	0
Disputes withdrawn or discontinued in 2021-22	0
Disputes on hand at 30 June 2022	0

Appeals to the Supreme Court

There was one (1) appeal to the Supreme Court from a determination by the Member Services Committee of a dispute that was outstanding at the beginning of the 2021-22 year. That appeal was settled by the parties during the year. There were no other Supreme Court matters involving State Super in the 2021-22 year.

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 2021-22 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	4	-
Settled	9	-
Total	**17**	**-**

As at 30 June 2022 there were eighteen (18) applications to the District Court in matters involving State Super where the legal proceedings were still ongoing. Only one (1) of these matters involved a decision made by Allianz.

In the 2021-22 year, there were no matters involving State Super that were decided by the Court of Appeal of NSW.

	PSAC/CEO	Allianz
Decided in favour of State Super	-	-
Decided in favour of the member/beneficiaries	-	-
Withdrawn or discontinued	-	-
Settled	-	-
Total	**-**	**-**

At 30 June 2022, there were two (2) appeals to the Court of Appeal from decisions of the District Court in matters involving State Super where the appeal had not been heard. Both of those appeals are scheduled to be heard in the second half of 2022.

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.

It must be noted that 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 (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 2021-22 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 (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 (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 2021-22 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 2021-22 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 2021-22 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 2021-22 year, there were:

- 252 formal applications for information (under the GIPA Act) received by or on behalf of State Super, (including withdrawn applications, but excluding invalid applications).
- 250 applications processed.
- 14 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 14 applications, all were only refused in part.
- There were 9 applications still in progress as at 30 June 2022 (there had been 7 applications in progress at 1 July 2021).

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 2021-22 year.

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 2021-22 year (the relevant pieces of legislation are set out 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 schemes

Principal Act	Description
Superannuation Administration Act 1996 (NSW)	No changes during year.
Police Regulation (Superannuation) Act 1906 (NSW)	Only minor changes during year.
Police Association Employees (Superannuation) Act 1969 (NSW)	No changes during year.
State Authorities Superannuation Act 1987 (NSW)	Only minor changes during year.
State Authorities Non-contributory Superannuation Act 1987 (NSW)	Only minor changes during year.
Superannuation Act 1916 (NSW)	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 2016

There was a minor change made during the year to the following Regulation to reflect the increase effective 1 July 2022 in the Superannuation Guarantee rate to 10.5%.

State Authorities Non-contributory Superannuation Regulation 2020

Human resource management

Throughout the reporting period, State Super supported employees by maintaining a highly flexible hybrid work model and encouraged employees to utilise the extensive range of support services provided by our Employee Assistance Program. We maintained enhanced employee communication, with fortnightly all-staff meetings to provide updates as well as manager and HR check-ins with staff.

The State Super Enterprise Agreement 2020-2022, continued to govern the employment terms for the organisation's non-executive staff during the reporting period and a new Enterprise Agreement is currently being negotiated.

Salary movement

Negotiations are still underway between the NSW Government and the Public Services Association and as a result the annual increase for non-executive staff has not been finalised. It is noted that once approved the increases will be backdated to 1 July 2022.

Employee remuneration levels

The table below shows remuneration levels and number of staff by gender and salary range as at 30 June 2022. The salary ranges for 2022 are in accordance with the State Super Enterprise Agreement 2020 – 2022.

Salary range	2022			Salary range	2021			Salary range	2020		
	Men	Women	Total staff		Men	Women	Total staff		Men	Women	Total staff
$69,920 - $99,054		4	4	$67,884 - $96,196		5	5	$66,228 - $93,823		4	4
$94,024 - $125,818		1	1	$96,170 - $122,191			0	$93,824 - $119,211			0
$125,820 - $139,216	2	1	3	$122,193 - $135,203	1		1	$119,213 - $131,905	1		1
$139,218 - $163,097	4	4	8	$135,205 - $158,396	1	5	6	$131,907 - $154,533	1	4	5
$163,098 - $191,555	12	9	21	$158,397 - $186,033	11	9	20	$155,534 - $181,496	11	9	20
	18	**19**	**37**		**13**	**19**	**32**		**13**	**17**	**30**
	49%	**51%**			**41%**	**59%**			**43%**	**57%**	

Executive remuneration levels

The table below shows remuneration levels and the number of senior executive staff by salary band and gender at 30 June 2022.

In FY 2022, 32% of State Super's employee-related expenditure related to senior executives, compared to 35% in FY 2021.The variance is driven by an increase in headcount of non-executive staff.

Band and salary range 2021/22 SOORT determination	2022				2021				2020			
	Men	Women	Total	Average Remune-ration	Men	Women	Total	Average Remune-ration	Men	Women	Total	Average Remune-ration
Band 4 (Secretary) >$499,250	1	0	1	$582,456[(1)]	1	0	1	$568,250[(2)]	1	0	1	$568,250[(3)]
Band 3 (Deputy Secretary) $354,201 - $499,250	1	0	1	$420,250	1	0	1	$410,000	1	0	1	$430,500
Band 2 (Executive Director) $281,551 - $354,200	2	0	2	$330,713	2	0	2	$322,647	3	0	3	$323,187
Band 1 (Director) $197,400 - $281,550	2	2	4	$273,522	1	2	3	$266,467	1	1	2	$274,700
	6	2	8		5	2	7		6	1	7	

(1) 2021-22 A performance bonus of $186,386 was paid.
(2) 2020-21 In line with NSW government policy there was no increase to remuneration for senior executives. A performance bonus of $183,324 was paid.
(3) 2019-20 A performance bonus of $143,987 was paid.

Industrial relations

Public Sector Industrial Relations continued to provide industrial coverage for State Super during the review period and they are currently working on extending the current Enterprise Agreement for a further term. There were no disputes or industrial issues during the year.

Training and development

State Super continued to maintain its focus on developing employee and organisational capability throughout the reporting period. Performance and coaching conversations are now embedded as business as usual activities across the organisation. Programs were available to address the majority of training requirements across all functions. Development options are varied and generally take a blended approach which includes attendance at courses either in person or online, participation and presenting at industry seminars and conferences, executive coaching and practical on the job training.

Work health and safety

As the pandemic continued, the awareness of its impacts on employee health and wellbeing has developed. To support employees State Super prioritised a regular rhythm and frequency of employee communication, providing information and resources on maintaining safety, health and wellbeing for employees and also their extended families.

To minimise the risk of employee infection and community transmission, State Super implemented covid vaccination requirements for staff and encouraged adherence to strict COVID safety protocols both in the office and the home office. Flexible working continued to be the norm with majority of staff choosing to work from home for some part of the week, outside of lockdown.

In April, State Super facilitated the annual on-site flu vaccination which was well attended. During the reporting period, the WHS Committee regularly updated the organisation's Work Health and Safety Management System (WHSMS) to ensure documentation and safety practices remain current and fit for purpose.

The WHSMS, its implementation and program of works is led by State Super's WHS Committee which provide regular updates to employees and reports to the CEO on a monthly basis.

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

Budgets

State Super's budget for the year ended 30 June 2023 and 2022

Income (reimbursement)	**Budget FY 2023 $'000**	**Budget FY 2022 $'000**	**Actual FY 2022 $'000**
Income (reimbursement)	41,236	41,359	33,325
Expenditure			
Member administration costs	**22,005**	**22,791**	**20,985**
Overheads, Executive and Board			
Board expenses	784	711	631
Staff related costs	*6,530	*6,692	*3,947
Accommodation/premises costs	1,410	1,410	1,391
Other administration expenses	7,089	6,786	4,640
Regulatory, governance and process improvement initiatives	3,418	2,969	1,731
Total Overheads, Executive and Board expenses	**19,231**	**18,568**	**12,340**
Total expenditure	**41,236**	**41,359**	**33,325**
Net income/loss	**-**	**-**	**-**

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

Expenditure disclosure information

Overseas visits

No overseas travel expenditure was incurred for the 2021/2022 financial year period.

Payments to consultants

Area	Project	Consultant	Total Cost $
Member Engagement	IT advisory for Administration Platform Transition*	PwC Consulting (Australia) Pty Ltd	$248,600
Investment	Data Science Business Case**	Nous Group Pty Ltd	$30,800
CEO	Assessment of Strategic Options**	Nous Group Pty Ltd	$21,725
Actuarial	DB Long Service Benefit**	PwC Securities Ltd	$15,674
Total			**$316,799**

*Subjected to procurement process including probity auditor

**Subject to competitive quote process

Account payment performance

Accounts due or paid within each quarter

Measure	Sep-21	Dec-21	Mar-22	Jun-22
All suppliers				
Number of accounts due for payment	229	324	346	409
Number of accounts paid on time	222	324	344	409
Actual percentage of accounts paid on time (based on number of accounts)	96.94%	100.00%	99.42%	100.00%
Dollar amount of accounts due for payment	$10,038,000	$10,679,000	$13,551,000	$14,295,000
Dollar amount of accounts paid on time	$9,935,000	$10,697,000	$13,482,000	$14,295,000
Actual percentage of accounts paid on time (based on $)	98.97%	100.00%	99.50%	100.00%
Number of payments for interest on overdue accounts	0	0	0	0
Interest paid on overdue accounts	0	0	0	0
Small business suppliers				
Number of accounts due for payment to small businesses	0	0	4	6
Number of accounts due to small businesses paid on time	0	0	4	6
Actual percentage of small business accounts paid on time (based on number of accounts)	N/A	N/A	100%	100%
Dollar amount of accounts due for payment to small businesses	-	-	$1,000	$1,000
Dollar amount of accounts due to small businesses paid on time	-	-	$1,000	$1,000
Actual percentage of small business accounts paid on time (based on $)	N/A	N/A	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.

Credit card use

STC'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.

Grants to non-government community organisations

No grants to non-government community organisations were made during the reporting period.

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** in PDF format. Hard copies can be provided upon request.

Information and security policy attestation

I, John Livanas 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.
- An internal audit of Cyber Security Assessment and effectiveness of controls was undertaken by Deloitte in August 2021 and found to be adequate.

Controlled entities

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.

Part E

Five-year membership and financial statistical tables

Five years at a glance – to 30 June 2022 68

Five years at a glance – to 30 June 2022

Member statistics	2018	2019	2020	2021	2022
Active members – SASS	21,038	18,875	17,009	15,269	13,447
Active members – SSS	3,080	2,313	1,741	1,260	946
Active members – PSS	913	784	649	534	394
Total active members	**25,031**	**21,972**	**19,399**	**17,063**	**14,787**
Deferred benefit members – SASS	9,606	9,293	9,004	8,688	8,347
Deferred benefit members – SSS	1,412	1,228	1,094	948	844
Deferred benefit members – PSS	93	85	79	70	64
Total deferred benefit members	**11,111**	**10,606**	**10,177**	**9,706**	**9,255**
Pension members – SASS	4,479	4,620	4,737	4,848	4,927
Pension members – SSS	55,403	55,455	55,170	54,919	54,391
Pension members – PSS	6,610	6,659	6,697	6,735	6,763
Total pension members	**66,492**	**66,734**	**66,604**	**66,502**	**66,081**

Gender ratios – active members	2018	2019	2020	2021	2022
Females – SASS	50%	50%	49%	49%	49%
Males – SASS	50%	50%	51%	51%	51%
Females – SSS	42%	43%	46%	48%	49%
Males – SSS	58%	57%	54%	52%	51%
Females – PSS	13%	14%	14%	15%	16%
Males – PSS	87%	86%	86%	85%	84%

Contributions – $ million	2018	2019	2020	2021	2022
Employer contributions	420	400	442	451	523
Employee contributions	255	226	206	173	145
Crown contributions	1,502	1,577	1,656	31	0
Total contributions	**2,177**	**2,203**	**2,304**	**655**	**668**
Benefits paid – $ millions	4,794	4,872	4,871	4,857	5,159
Net contributions – $ millions	(2,617)	(2,669)	(2,567)	(4,202)	(4,491)
Investment revenue – $ millions	3,681	3,483	647	5,698	(497)

Assets/liabilities*	2018	2019	2020	2021	2022
Accrued benefits – SASS	14,693	14,598	14,194	14,441	13,505
Net assets to pay benefits	12,950	12,911	12,104	12,554	11,058
Over (under) funding – SASS	**(1,743)**	**(1,687)**	**(2,090)**	**(1,887)**	**(2,447)**
Accrued benefits – SSS	34,556	34,473	34,589	34,644	35,511
Net assets to pay benefits	23,226	23,817	22,805	23,620	21,077
Over (under) funding – SSS	**(11,330)**	**(10,656)**	**(11,784)**	**(11,024)**	**(14,434)**
Accrued benefits – PSS	7,445	7,507	7,621	7,769	8,049
Net assets to pay benefits	4,900	5,153	5,034	5,257	4,702
Over (under) funding – PSS	**(2,545)**	**(2,354)**	**(2,587)**	**(2,512)**	**(3,347)**
Accrued benefits – SANCS	2,293	2,199	2,145	2,079	1,935
Net assets to pay benefits	1,945	1,893	1,731	1,747	1,525
Over (under) funding – SANCS	**(348)**	**(306)**	**(414)**	**(332)**	**(410)**
Total accrued benefits	58,987	58.777	58,549	58,933	59,000
Total net assets to pay benefits	43,021	43,774	41,674	43,178	38,362
Over (under) funding – Total	**(15,966)**	**(15,003)**	**(16,875)**	**(15,755)**	**(20,638)**

**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.

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Part F
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 2022, the Statement of Financial Position as at 30 June 2022, 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).

I have fulfilled my other ethical responsibilities in accordance with 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 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 members of the Trustee Board are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulations and Treasurer's Directions. The members of the Trustee Board's responsibility also includes such internal control as the members of the Trustee Board determine 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 members of the Trustee Board are 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. The description forms part of my auditor's report.

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

- that the Corporation or 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 Services

Delegate of the Auditor-General for New South Wales

4 October 2022
SYDNEY

SAS TRUSTEE CORPORATION

ABN 29 239 066 746

Statement by the Accountable Authority
for the year ended 30 June 2022

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 2022, 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.

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 4th day of October 2022.

Nicholas Johnson
Chair
SAS Trustee Corporation

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

Consolidated Statement of Comprehensive Income for the year ended 30 June 2022	Note	**Economic Entity 2022 $'000**	Economic Entity 2021 $'000	**Parent Entity 2022 $'000**	Parent Entity 2021 $'000
Revenue					
Operating Revenue	3	**36,698**	36,780	**33,325**	33,815
Expense excluding Losses					
Operating Expenses	3	**(39,081)**	(38,158)	**(33,284)**	(33,773)
Finance Costs	3	**(41)**	(42)	**(41)**	(42)
Net Result		**(2,424)**	(1,420)	**-**	-
Other Comprehensive Income					
Items that will not be reclassified into Net Result in subsequent periods:					
Net superannuation actuarial re-measurement gains	12	**2,424**	1,420	**-**	-
Total Other Comprehensive Income		**2,424**	1,420	-	-
Total Comprehensive Income		**-**	-	**-**	-

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

SAS TRUSTEE CORPORATION

Consolidated Statement of Financial Position as at 30 June 2022	**Note**	**Economic Entity 2022 $'000**	Economic Entity 2021 $'000	**Parent Entity 2022 $'000**	Parent Entity 2021 $'000
Current Assets					
Cash and Cash Equivalents		**4,110**	5,096	**4,110**	5,096
Receivables	4	**5,723**	5,754	**5,723**	5,754
Other Current Assets		**835**	549	**835**	549
Right-of-Use Asset	5	**1,350**	1,238	**1,350**	1,238
Total Current Assets		**12,018**	12,637	**12,018**	12,637
Non-Current Assets					
Right-of-Use Asset	5	**1,687**	309	**1,687**	309
Total Non-Current Assets		**1,687**	309	**1,687**	309
Total Assets		**13,705**	12,946	**13,705**	12,946
Current Liabilities					
Payables	6	**7,482**	6,256	**8,963**	9,939
Lease Liability	7	**1,292**	1,273	**1,292**	1,273
Provisions	8	**2,156**	1,544	**1,521**	1,079
Total Current Liabilities		**10,930**	9,073	**11,776**	12,291
Non-Current Liabilities					
Lease Liability	7	**1,855**	515	**1,855**	515
Provisions	8	**920**	3,358	**74**	140
Total Non-Current Liabilities		**2,775**	3,873	**1,929**	655
Total Liabilities		**13,705**	12,946	**13,705**	12,946
Net Assets		**-**	**-**	**-**	**-**
Equity					
Accumulated Funds		**-**	**-**	**-**	**-**
Total Equity		**-**	**-**	**-**	**-**

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

Consolidated Statement of Changes in Equity for the year ended 30 June 2022	Note	Economic Entity 2022 $'000	Economic Entity 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Balance at 1 July		**-**	-	**-**	-
Net Result for the year		**(2,424)**	(1,420)	**-**	-
Total Other Comprehensive Income					
Net superannuation actuarial re-measurement gains	12	2,424	1,420	**-**	-
Total Comprehensive Income for the year		**-**	-	**-**	-
Balance at 30 June		**-**	-	**-**	-

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

Consolidated Statement of Cash Flows for the year ended 30 June 2022	Note	Economic Entity 2022 $'000	Economic Entity 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Cash Flows from Operating Activities					
Receipts from Pooled Fund		**36,513**	38,213	**33,140**	35,248
Interest Received		**13**	15	**13**	15
Payments to Suppliers and Employees		**(36,231)**	(36,081)	**(32,858)**	(33,116)
Net Cash Flows from Operating Activities	13	**295**	2,147	**295**	2,147
Cash Flows from Financing Activities					
Payments of the principal portion of Lease Liability		**(1,281)**	(1,232)	**(1,281)**	(1,232)
Net Cash Flows from Financing Activities		**(1,281)**	(1,232)	**(1,281)**	(1,232)
Net Increase/(Decrease) in Cash & Cash Equivalents		**(986)**	915	**(986)**	915
Opening Cash & Cash Equivalents		**5,096**	4,181	**5,096**	4,181
Closing Cash & Cash Equivalents		**4,110**	5,096	**4,110**	5,096

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

Notes to the financial Statements
for the year ended 30 June 2022

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.

Coronavirus (COVID-19)

The past year has seen further challenges and uncertainty for the global economy and the general business environment as we began to learn to live with COVID-19. Given the nature of the pandemic and its associated economic and financial market implications, the Trustee has continued to consider the impact of COVID-19 in preparing its financial statements and related disclosures. There were no significant impacts on financial outcomes for the year ended 30 June 2022.

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 4th October 2022.

Notes to the financial Statements
for the year ended 30 June 2022

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 executive 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. Consequently, it recognises an amount equal to the costs incurred at the time the services are delivered.

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.

Notes to the financial Statements
for the year ended 30 June 2022

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.

Notes to the financial Statements
for the year ended 30 June 2022

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

h) 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 2022 and their impact on the financial statements is outlined below.

AASB 2020-8 Amendments to Australian Accounting Standards: Interest Rate Benchmark Reform – Phase 2
The standard is effective for the year ending 30 June 2022. The AASB made amendments to address issues that arise during the reform of an interest rate benchmark (IBOR), including the replacement of one benchmark with an alternative one. There were no material changes to these financial statements.

i) Accounting standards issued but not yet effective

AASB 2020-3 Amendments to AASB 3: Reference to the Conceptual Framework
The standard is effective for the year ending 30 June 2023. No material changes to these financial statements are expected.

AASB 2020-6 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 2020-6 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. No material changes to these financial statements are expected.

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 ending 30 June 2023. No material changes to these financial statements are expected.

j) Comparative Figures

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

k) 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 2022. The defined benefit superannuation liabilities have been actuarially determined. The key assumptions are disclosed in note 12.

Notes to the financial Statements
for the year ended 30 June 2022

3. OPERATING RESULT	Economic Entity 2022 $'000	Economic Entity 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Revenue				
Management Fees	**36,515**	36,490	**33,142**	33,525
Interest revenue	**13**	15	**13**	15
Other revenue	**170**	275	**170**	275
Total Revenue	**36,698**	36,780	**33,325**	33,815
Overheads, Executive and Board Expenses				
Employee Related Expenses	**8,491**	7,459		
Superannuation	**821**	668		
Total Employee Expenses	**9,312**	8,127	**3,515**	3,742
Depreciation charge for Right-of-Use Asset	**1,350**	1,238	**1,350**	1,238
Other Overhead Expenses	**2,389**	2,284	**2,389**	2,284
Board Expenses	**631**	601	**631**	601
Total Overheads, Executive and Board Expenses	**13,682**	12,250	**7,885**	7,865
Fund Expenses				
Scheme Administration Fees	**20,411**	20,688	**20,411**	20,688
Regulatory, Governance & Process Improvement Initiatives	**1,731**	1,379	**1,731**	1,379
Professional Fees*	**2,652**	3,417	**2,652**	3,417
Other Administration Fees	**605**	424	**605**	424
Total Fund Expenses	**25,399**	25,908	**25,399**	25,908
Total Operating Expenses	**39,081**	38,158	**33,284**	33,773
Finance Costs				
Interest expense on Lease Liability	**41**	42	**41**	42
Total Finance Costs	**41**	42	**41**	42
Net Result	**(2,424)**	(1,420)	-	-

* External audit fees of $25,500 (2021: $25,000) in relation to the audit of the financial statements for STC is included in the total expenses.

Notes to the financial Statements
for the year ended 30 June 2022

4. RECEIVABLES	Economic Entity 2022 $'000	Economic Entity 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Current				
Receivables from Pooled Fund	**3,687**	4,576	**3,687**	4,576
Reimbursement of Investment Expenses	**1,677**	746	**1,677**	746
GST Receivables	**359**	369	**359**	369
Other Receivables	**-**	63	**-**	63
	5,723	5,754	**5,723**	5,754

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 ASSET	Economic Entity 2022 $'000	Economic Entity 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Current				
Office Lease	**1,350**	1,238	**1,350**	1,238
	1,350	1,238	**1,350**	1,238
Non-current				
Office Lease	**1,687**	309	**1,687**	309
	1,687	309	**1,687**	309

The entity has recognised a right-of-use asset and an associated lease liability (note 7) for its business premises. The discount rate of 0.94% (2021:1.42%) was 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.

Right-of-Use Asset	Economic Entity 2022 $'000	Economic Entity 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Premises				
As at 1 July	**1,547**	2,785	**1,547**	2,785
Lease Modification	**2,840**	-	**2,840**	-
Depreciation expense	**(1,350)**	(1,238)	**(1,350)**	(1,238)
As at 30 June	**3,037**	1,547	**3,037**	1,547

Notes to the financial Statements
for the year ended 30 June 2022

6. PAYABLES	Economic Entity 2022 $'000	Economic Entity 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Current				
Administration Fees Payables	**1,911**	1,806	**1,911**	1,806
Investment Expenses Payables	**3,254**	2,193	**3,254**	2,193
Trustee Related Expenses Payables	**2,317**	2,257	**2,317**	2,257
Intercompany Payable – STC Staff Agency	**-**	-	**1,481**	3,683
	7,482	6,256	**8,963**	9,939

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.

7. LEASE LIABILITY	Economic Entity 2022 $'000	Economic Entity 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Current				
Office Lease	**1,292**	1,273	**1,292**	1,273
	1,292	1,273	**1,292**	1,273
Non-current				
Office Lease	**1,855**	515	**1,855**	515
	1,855	515	**1,855**	515

Lease Liability	Economic Entity 2022 $'000	Economic Entity 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Premises				
As at 1 July	**1,788**	2,978	**1,788**	2,978
Lease Modification	**2,599**	-	**2,599**	-
Interest expense	**41**	42	**41**	42
Lease Payments	**(1,281)**	(1,232)	**(1,281)**	(1,232)
As at 30 June	**3,147**	1,788	**3,147**	1,788

Future Lease Payments	Economic Entity 2022 $'000	Economic Entity 2021 $'000	Parent Entity 2022 $'000	Parent Entity 2021 $'000
Premises				
Within one year	**1,304**	1,291	**1,304**	1,291
Later than one year and not later than five years	**1,895**	526	**1,895**	526
Total	**3,199**	1,817	**3,199**	1,817

Notes to the financial Statements
for the year ended 30 June 2022

8. PROVISIONS	**Economic Entity 2022 $'000**	Economic Entity 2021 $'000	**Parent Entity 2022 $'000**	Parent Entity 2021 $'000
Current				
Employee Benefits				
- Annual Leave	**1,344**	1,002	**918**	682
- Long Service Leave	**812**	542	**603**	397
	2,156	1,544	**1,521**	1,079
Non-current				
Employee Benefits				
- Long Service Leave	**135**	196	**74**	140
Defined Benefit Superannuation Fund (refer Note 12)				
- State Superannuation Scheme (SSS)	**785**	3,162	**-**	-
	920	3,358	**74**	140

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.

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 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 12).

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 2022 the *AASB119 Employee Benefits* unfunded liability was $785,000.
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 12).

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

Notes to the financial Statements
for the year ended 30 June 2022

9. 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.

10. 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
Ms S Dave (term completed 25 May 2022)
Mr N Johnson
Ms C Keating
Mr S Little
Mr T O'Grady
Ms L Rasmussen
Ms C Yuncken (term commenced 26 May 2022)

Executive Officers

Mr G Gabriel (until 23 October 2020)
Mr J Hazell (from 1 September 2021)
Mr J Livanas
Mr J Narayan
Mr A Parapuram
Mr N Patel
Ms K Pratt (from 4 January 2021)
Ms N Siratkov
Mr C Wu

The key management personnel compensation in relation to services to STC is as follows	**Economic Entity 2022 $'000**	Economic Entity 2021 $'000
Board member compensation	569	525
Short-term employee benefits	3,113	2,887
Other long-term employee benefits	4	-
	3,686	3,412

Notes to the financial Statements
for the year ended 30 June 2022

11. 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) Refer to note 4 and note 6 for other related party transactions.

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.

12. 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.

Notes to the financial Statements
for the year ended 30 June 2022

12. 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 2022, in accordance with *AASB 1056* the economic entity met in full the total superannuation liabilities for its past employees.

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 2022 $'000**	Economic Entity 2021 $'000
Net Defined Benefit Liability/(Asset) at start of year	**3,162**	4,542
Current service cost	**-**	-
Net interest on the net defined benefit liability/(asset)	**47**	40
Past service cost	**-**	-
(Gains)/losses arising from settlements	**-**	-
Actual returns on Fund assets less interest income	**134**	(636)
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	(145)
Actuarial (gains)/losses arising from changes in financial assumptions	**(1,166)**	(378)
Actuarial (gains)/losses arising from liability experience	**(1,392)**	(261)
Adjustment for effect of asset ceiling	**-**	-
Employer contributions	**-**	-
Net Defined Benefit Liability/(Asset) at end of year	**785**	3,162

The Superannuation actuarial re-measurement gain of $2,424,000 (2021 gain of $1,420,000) 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.

Notes to the financial Statements
for the year ended 30 June 2022

12. SUPERANNUATION (Continued)

Reconciliation of the fair value of Fund assets

SSS	Economic Entity 2022 $'000	Economic Entity 2021 $'000
Fair value of Fund assets at beginning of the year	**5,763**	5,396
Interest income	**83**	45
Actual return on Fund assets less interest income	**(134)**	636
Employer contributions	**-**	-
Contributions by participants	**-**	-
Benefits paid	**(356)**	(384)
Taxes, premiums and expenses paid	**49**	70
Transfers in	**-**	-
Contributions to accumulation section	**-**	-
Settlements	**-**	-
Exchange rate changes	**-**	-
Fair value of Fund assets at end of the year	**5,405**	5,763

Reconciliation of the Defined Benefit Obligation

SSS	Economic Entity 2022 $'000	Economic Entity 2021 $'000
Present value of defined benefit obligation at beginning of the year	**8,925**	9,938
Current service cost	**-**	-
Interest cost	**131**	85
Contributions by participants	**-**	-
Actuarial (gains)/losses arising from changes in demographic assumptions	**-**	(145)
Actuarial (gains)/losses arising from changes in financial assumptions	**(1,166)**	(378)
Actuarial (gains)/losses arising from liability experience	**(1,392)**	(261)
Benefits paid	**(356)**	(384)
Taxes, premiums and expenses paid	**48**	70
Transfers in	-	-
Contributions to accumulation section	-	-
Past service cost	-	-
Settlements	-	-
Exchange rate changes	-	-
Present value of defined benefit obligation at end of the year	**6,190**	8,925

Notes to the financial Statements
for the year ended 30 June 2022

12. SUPERANNUATION (Continued)

Reconciliation for the effect of the asset ceiling

SSS	Economic Entity 2022 $'000	Economic Entity 2021 $'000
Adjustment for effect of asset ceiling at beginning of the year	**-**	-
Change in the effect of asset ceiling	**-**	-
Adjustment for effect of asset ceiling at end of the year	**-**	-

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 2022	**%**	**Total ($m)**	**Level 1 ($m)**	**Level 2 ($m)**	**Level 3 ($m)**
Asset category					
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**
Total	**100%**	**36,877**	**19,755**	**7,798**	**9,324**

Year ended 30 June 2021	%	Total ($m)	Level 1 ($m)	Level 2 ($m)	Level 3 ($m)
Asset category					
Short term securities	12%	5,108	2,398	2,710	-
Australian fixed interest	2%	904	-	904	-
International fixed interest	4%	1,755	45	1,710	-
Australian equities	20%	8,310	8,308	2	-
International equities	33%	13,890	13,885	5	-
Property	8%	3,288	627	-	2,661
Alternatives	21%	8,530	1	2,710	5,819
Total	100%	41,785	25,264	8,041	8,480

Notes to the financial Statements
for the year ended 30 June 2022

12. SUPERANNUATION (Continued)

Fair value of Fund assets (Continued)

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.
- 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

	2022*	2021*
Discount rate	**3.69%**	1.50%
Salary increase rate (excluding promotional increases)	**3.15% pa 22/23,3.62% pa 23/24, 2.87% pa 24/25, 2.74% pa 25/26; 3.2% pa thereafter**	2.74% pa 21/22 to 25/26; 3.2% pa thereafter
Rate of CPI increase	**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**	1.50% for 20/21; 1.75% for 21/22 and 22/23; 2.25% for 23/24, 24/25 and 25/26; 2.50% for 26/27; 2.75% for 27/28, 3.00% for 28/29; 2.75% for 29/30; 2.50% pa thereafter
Pensioner mortality	**as per the 2021 Actuarial Investigation of the Pooled Fund**	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.

Notes to the financial Statements
for the year ended 30 June 2022

12. SUPERANNUATION (Continued)

Sensitivity analysis AASB 119 Employee Benefits

In accordance with *AASB 119*, the total defined benefit obligation as at 30 June 2022 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)	6,190	6,539	5,867

	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)	6,190	6,548	5,855

	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)	6,190	6,190	6,190

	Base Case	Scenario G Lower Pensioner mortality rates	Scenario H Higher Pensioner mortality rates
Defined benefit obligation ($'000)	6,190	6,258	6,106

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

Notes to the financial Statements
for the year ended 30 June 2022

12. 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 2022, in accordance with *AASB 1056* the economic entity met in full the total superannuation liabilities for its past employees.

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 2022 $'000**	Economic Entity 2021 $'000
Accrued benefits	**4,475**	4,950
Net market fair value of Fund assets	**(5,405)**	(5,763)
Net (surplus)/deficit	**(930)**	(813)

Funding arrangements for employer contributions – Recommended contribution rates

SSS	**Economic Entity 2022 Multiple of member contributions**	Economic Entity 2021 Multiple of member contributions
	-	-

Notes to the financial Statements
for the year ended 30 June 2022

12. 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 20 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 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**

30 June 2021

	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)	6.50%	6.0%	7.0%
Expected rate of return on Fund assets backing other liabilities (discount rate)	5.7%	5.2%	6.2%
Rate of CPI increase	2.0%	as base case	as base case
Salary inflation rate	2.74%	as base case	as base case
Accrued benefits ($'000)	4,950	5,169	4,746

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

Notes to the financial Statements
for the year ended 30 June 2022

12. SUPERANNUATION (Continued)

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

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**

Weighted average assumptions*	2021 and following
Expected rate of return on Fund assets backing current pension liabilities	6.5%
Expected rate of return on Fund assets backing other liabilities	5.7%
Expected salary increase rate	2.74% pa 21/22 to 25/26; 3.2% pa thereafter
Expected rate of CPI increase	2.0%

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

Notes to the financial Statements
for the year ended 30 June 2022

12. 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 9.5 (2021:11.4) years.

Expected contributions

SSS	**Economic Entity 2022**	Economic Entity 2021
Expected Employer Contributions	**-**	-

13. CASH FLOW INFORMATION

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

	Economic Entity 2022 $'000 Inflows/ (Outflows)	Economic Entity 2021 $'000 Inflows/ (Outflows)	**Parent Entity 2022 $'000 Inflows/ (Outflows)**	Parent Entity 2021 $'000 Inflows/ (Outflows)
Net Result	-	-	-	-
Changes in Assets and Liabilities:				
(Increase)/Decrease in Assets				
Other Current Assets	**(286)**	(38)	**(286)**	(38)
Receivables				
- Pooled Fund	**889**	1,880	**889**	1,880
- Right-of-Use Asset/Lease Liability	**1,151**	1,163	**1,151**	1,163
- Other	**(868)**	(428)	**(868)**	(428)
Increase/(Decrease) in Liabilities				
Payables				
- Mercer Administration	**106**	46	**106**	46
- Other	**1,129**	404	**(697)**	(476)
Provisions	**(1,826)**	(880)	**-**	-
Net Cash From/(Used) in Operating Activities	**295**	2,147	**295**	2,147

Notes to the financial Statements
for the year ended 30 June 2022

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

15. EVENTS AFTER THE REPORTING DATE

There have been no events between 30 June 2022 and the date of approval of these financial statements that would significantly impact the financial statements.

End of Audited Financial Statements

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Part F
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 2022, the Income Statement for the year ended 30 June 2022, 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).

I have fulfilled my other ethical responsibilities in accordance with 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 believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney NSW 2000
GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | mail@audit.nsw.gov.au | audit.nsw.gov.au

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 2022. 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.

<table>
<tr><th>Key Audit Matter</th><th>How my audit addressed the matter</th></tr>
<tr><td colspan="2">Valuation of unquoted investment assets</td></tr>
<tr><td>At 30 June 2022, the Fund reported $17.1 billion ($16.5 billion at 30 June 2021) of unquoted investments valued using unobservable inputs. Of this total, $10.0 billion ($8.5 billion at 30 June 2021) were categorised within Level 3 of the fair value hierarchy under Australian Accounting Standards.
I considered this to be a key audit matter because of the:
• 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
• complexities in applying the requirements of AASB 13 ‘Fair Value Measurement’
• financial significance of the assets valued, which are a key driver of the Fund’s net asset value and total return.
A description of the valuation techniques, inputs and assumptions is disclosed in Notes 1 and 19.</td><td>Key audit procedures included the following:
• obtained an understanding of the Fund’s processes, policies and methodologies, including the use of industry specific measures for valuing unquoted investments
• obtained independent valuation reports and compared assumptions applied to ranges for comparable infrastructure and property investments
• tested the mathematical accuracy of the valuation models and consistency with the Fund’s documented methodology and assumptions
• engaged valuation specialists, for those investments with higher risk characteristics, to:
- assess the reasonableness of management’s judgements and valuation inputs against industry information/indices of comparable market transactions
- determine whether the methodologies used to value the investments were consistent with methods commonly used by market participants for those types of investments
- assess the competence, qualifications and objectivity of the external valuation experts used by the Trustee
• obtained valuation statements provided by external investment managers in respect of unit trusts and hedge funds, and assessed the reliability of the information received
• obtained independent assurance reports prepared for the existence and valuation of certain unitised investments
• assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.</td></tr>
<tr><td colspan="2">Valuation of defined benefit member liabilities</td></tr>
<tr><td>At 30 June 2022, the Fund reported total defined benefit member liabilities of $59.0 billion ($58.9 billion at 30 June 2021).
I considered this to be a key audit matter because of the:
• high level of judgement and estimation involved in the valuation approach, including determination of discount rates, Consumer Price</td><td>With the assistance of audit actuarial specialists, key audit procedures included the following:
• assessed the effectiveness of key controls and processes over the:
- accuracy and completeness of member data used in the valuation model
- mathematical accuracy of the valuation model</td></tr>
</table>

Key Audit Matter	How my audit addressed the matter
Index, salary inflation, mortality and other assumptions • financial significance of the member liabilities, which impact the estimate of required future contributions and investment returns to fund future outflows • sensitivity of the defined benefit liabilities balance to small changes in any of the valuation inputs. A description of the measurement, key assumptions and sensitivity analysis of these liabilities are disclosed in Note 8.	• assessed the reasonableness of the methodology, assumptions and judgements used by the Fund's independent actuary in valuing the defined benefit liabilities, including comparison against accepted industry benchmarks and practices, and accounting standards • evaluated the competence of the Fund's actuary by confirming they are appropriately qualified, experienced and registered with the Institute of Actuaries • assessed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards.

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, the GSF Act and GSF Regulations. 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 . 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 Services

Delegate of the Auditor-General for New South Wales

4 October 2022
SYDNEY

SAS TRUSTEE CORPORATION POOLED FUND

ABN 29 239 066 746

Statement by Members of the Trustee Board

For the year ended 30 June 2022

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 2022 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 2022, 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 4th day of October 2022.

Nicholas Johnson
Chair
SAS Trustee Corporation

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

Statement of Financial Position as at 30 June 2022	**Note**	**2022 $m**	2021 $m
Assets			
Cash		**54**	27
Receivables	3	**519**	320
Short term securities		**2,427**	3,046
Australian fixed interest		**643**	1,043
International fixed interest		**-**	228
Australian equities		**6,148**	8,387
International equities		**12,209**	14,188
Property - indirect		**1,789**	1,901
Investment properties - direct	6(a)	**1,804**	2,049
Infrastructure and other alternatives		**12,901**	12,380
Derivatives	7	**104**	28
Employer sponsor receivable	4	**3,347**	2,512
Income tax receivable		**137**	-
Deferred tax asset	13(b)	**6**	-
Total assets		**42,088**	46,109
Liabilities			
Payables	5	**144**	249
Derivatives	7	**235**	129
Income tax payable		**-**	7
Deferred tax liabilities	13(b)	**-**	34
Total liabilities excluding member benefits		**379**	419
Net assets available for member benefits		**41,709**	45,690
Member liabilities			
Defined benefit member liabilities	8	**(59,000)**	(58,933)
Total member liabilities		**(59,000)**	(58,933)
Total net liabilities		**(17,291)**	(13,243)
Equity			
Defined benefit deficit	8	**(17,291)**	(13,243)
Total equity		**(17,291)**	(13,243)

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

Income Statement for the year ended 30 June 2022	**Note**	**2022 $m**	2021 $m
Investment income			
Interest revenue		**134**	126
Dividend revenue		**865**	461
Distribution revenue from unit trusts		**364**	407
Net rentals from investment property	6(b)	**88**	92
Other revenue		**18**	22
Change in fair value of investments	11	**(1,812)**	4,756
Total revenue		**(343)**	5,864
Expenses			
Direct investment expenses		**(115)**	(128)
Administration expenses	12	**(39)**	(38)
Total expenses		**(154)**	(166)
Operating result		**(497)**	5,698
Net change in defined benefit member benefits		**(3,794)**	(4,729)
Operating result before income tax expense		**(4,291)**	969
Income tax benefit	13(a)	**243**	76
Operating result after income tax		**(4,048)**	1,045

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

Statement of Changes in Member Benefits for the year ended 30 June 2022	Note	2022 $m	2021 $m
Opening balance at 1 July		**58,933**	58,549
Employer contributions	10	**523**	482
Member contributions	10	**145**	173
Income tax on contributions		**(71)**	(68)
Net after tax contributions		**597**	587
Benefits paid to members		**(5,159)**	(4,857)
Net change in employer sponsor receivable	4	**835**	(75)
Net change in defined benefit member benefits		**3,794**	4,729
Closing balance at 30 June	8	**59,000**	58,933

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

Statement of Changes in Equity for the year ended 30 June 2022	**2022** **$m** **Surplus/(deficiency)**	2021 $m Surplus/(deficiency)
Opening balance at 1 July	**(13,243)**	(14,288)
Operating result after income tax	**(4,048)**	1,045
Closing balance at 30 June	**(17,291)**	(13,243)

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

Statement of Cash Flows for the year ended 30 June 2022	**Note**	**2022 $m**	2021 $m
Cash flows from operating activities			
Interest received		**134**	128
Dividends received		**868**	445
Distributions received from unit trusts		**364**	406
Net rentals received from investment property		**82**	92
Other receipts		**17**	18
Direct investment expenses paid		**(109)**	(126)
Trustee administration expenses paid		**(35)**	(36)
Income tax refund		**62**	78
Net cash inflows/(outflows) from operating activities	21	**1,383**	1,005
Cash flows from investing activities			
Purchase of investments		**(22,205)**	(25,992)
Proceeds from sale of investments		**25,393**	29,489
Net cash inflows/(outflows) from investing activities		**3,188**	3,497
Cash flows from financing activities			
Employer contributions received		**519**	474
Member contributions received		**156**	181
Benefits paid to members		**(5,148)**	(4,849)
Income tax paid on contributions		**(71)**	(311)
Net cash inflows/(outflows) from financing activities		**(4,544)**	(4,505)
Net increase/(decrease) in cash		**27**	(3)
Cash at the beginning of the year		**27**	30
Cash at the end of the year		**54**	27

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

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 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 4 October 2022.

Coronavirus (COVID-19)

The past year has seen further challenges and uncertainty for the global economy and the general business environment as we began to learn to live with COVID-19. Given the nature of the pandemic and its associated economic and financial market implications, the Trustee has continued to consider the impact of COVID-19 in preparing its financial statements and related disclosures.

There were no significant impacts on financial outcomes for the year ended 30 June 2022 directly related to COVID-19 with the exception of the continuing contributions holiday during the financial year. The Fund continued to closely monitor its cash flows and liquidity levels to ensure benefits are paid as and when due. Refer to note 8 for disclosure on the recommencement of the Government contributions.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

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.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In valuing assets for which there is no observable market, STC is guided on appropriate valuation techniques by its Valuation Policy. 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).

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 any 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.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

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. 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. 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.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

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 2022 other than:

AASB 2020-8 Amendments to Australian Accounting Standards: Interest Rate Benchmark Reform – Phase 2
The standard is effective for the year ending 30 June 2022. The AASB made amendments to address issues that arise during the reform of an interest rate benchmark (IBOR), including the replacement of one benchmark with an alternative one. There were no material changes to these financial statements.

r) Standards issued applicable but not yet effective

AASB 2020-3 Amendments to Australian Accounting Standards: Annual Improvements 2018-2020
The standard is effective for the year ending 30 June 2023. The standard covers the annual amendments to various 2018-2020 standards including *AASB 9 Financial Instruments*. No material changes to these financial statements are expected.

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 Polices 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.

3. RECEIVABLES

Receivables	**2022 $m**	2021 $m
Accrued income	**73**	111
Contributions receivable	**2**	7
Margin call deposits	**-**	47
Due from brokers – receivable for securities sold	**444**	147
Other receivables	**-**	8
Total	**519**	320

Trade receivables for securities sold are recognised on trade date and normally settled within three business days. Within other receivables is an impairment allowance of $286,000 (2021: $264,000). This allowance relates to amounts due from members or the estates of members where it has been assessed that the prospect of the Fund recovering the amount due is reduced.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

4. EMPLOYER SPONSOR RECEIVABLE

Employer Sponsor Receivable	2022 $m	2021 $m
Employer Sponsor Receivable - PSS	**3,347**	2,512

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	2022 $m	2021 $m
Superannuation benefits to members	**13**	10
Due to brokers – payable for securities purchased	**89**	193
Other creditors	**22**	22
Contribution surcharge	**16**	19
Payable to SAS Trustee Corporation	**4**	5
Total	**144**	249

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**	2022 $m	2021 $m
At 1 July	**2,049**	1,993
Additions	**-**	80
Transfer to unit trust	**(360)**	-
Changes in fair value	**115**	(24)
Total	**1,804**	2,049

b) **Net Rental Income**	2022 $m	2021 $m
Rental income from investment property	**143**	158
Direct operating expenses	**(55)**	(66)
Net rentals from investment property	**88**	92

Notes to and forming part of the financial statements
For the year ended 30 June 2022

7. DERIVATIVES – ASSETS AND LIABILITIES

Derivatives	2022			2021		
	Derivative Assets $m	Derivative Liabilities $m	Net Derivatives $m	Derivative Assets $m	Derivative Liabilities $m	Net Derivatives $m
Foreign Exchange Forward Contracts	6	(217)	(211)	-	(118)	(118)
Futures	6	(7)	(1)	1	-	1
Options	80	(1)	79	27	(2)	25
Swaps	12	(10)	2	-	(9)	(9)
Net Derivatives	104	(235)	(131)	28	(129)	(101)

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*	2022 %	2021 %
Investment Return Rate		
- assets backing current pension liabilities	7.0	6.5
- other	6.2	5.7
CPI Increase Rate – (FY2022 applied to pensions in Oct 2022)	4.8	2.0
CPI Increase Rate – (applied thereafter)	2.5	
Salary Increase Rates		
FY2022	2.7	2.7
FY2023	3.2	
FY2024	3.6	
FY2025	2.9	
FY2026	2.7	

The actuarial valuation estimate at the reporting date shows accrued liabilities of $59,000 million and an unfunded liability of $20,638 million (before inclusion of ESR). The key assumptions and sensitivity analysis to 30 June 2022 estimates are provided below.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

8. DEFINED BENEFIT MEMBER LIABILITIES (Continued)

Sensitivity Analysis for 30 June 2022

Key Assumption*	Assumed at 30 June 2022	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).

Notes to and forming part of the financial statements
For the year ended 30 June 2022

8. DEFINED BENEFIT MEMBER LIABILITIES (Continued)

	2022			2021		
	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	**13,505**	**11,058**	**(2,447)**	14,441	12,554	(1,887)
State Authorities Non-contributory Superannuation Scheme	**1,935**	**1,525**	**(410)**	2,079	1,747	(332)
State Superannuation Scheme	**35,511**	**21,077**	**(14,434)**	34,644	23,620	(11,024)
Police Superannuation Scheme	**8,049**	**4,702**	**(3,347)**	7,769	5,257	(2,512)
Actuarial estimates of under-funded benefits at 30 June	**59,000**	**38,362**	**(20,638)**	58,933	43,178	(15,755)
Employer Sponsor Receivable for PSS, in accordance with AASB 1056	**-**	**3,347**	**3,347**	-	2,512	2,512
Under-funded benefits AASB 1056	**59,000**	**41,709**	**(17,291)**	58,933	45,690	(13,243)

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).

The NSW Budget papers for 2022-23 states the following:

"As noted in the 2020-21 Budget, the Government suspended contributions into its defined benefit schemes for two years. The Government also re-anchored its target for superannuation liabilities to be fully funded from 2030 to 2040, considering the pressure COVID-19 placed on the State's finances. Contributions into defined benefit schemes will resume in 2022-23".

"As of 30 June 2021, PricewaterhouseCoopers confirmed that the Government is on track to meet its commitment towards its 2040 full funding target in the latest triennial review of the Pooled Fund (which represents the vast majority of the Government's defined benefit superannuation liabilities). Once the current period of heightened uncertainty is over, the Government will progress amendments to the *Fiscal Responsibility Act 2012* to reflect the 2040 full funding target".

Notes to and forming part of the financial statements
For the year ended 30 June 2022

8. DEFINED BENEFIT MEMBER LIABILITIES (Continued)

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 60% of assets invested in liquid asset classes at all times. STC also maintains adequate funding facilities and continuously monitors forecast and actual cash flows, including amounts required to fund its scheme and investment transactions and amounts expected from the NSW Government.

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.

	2022			2021		
	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	**13,970**	**11,058**	**(2,912)**	14,881	12,554	(2,327)
State Authorities Non-contributory Superannuation Scheme	**2,096**	**1,525**	**(571)**	2,252	1,747	(505)
State Superannuation Scheme	**35,534**	**21,077**	**(14,457)**	34,675	23,620	(11,055)
Police Superannuation Scheme	**7,938**	**4,702**	**(3,236)**	7,610	5,257	(2,353)
Actuarial estimates of under-funded benefits at 30 June	**59,538**	**38,362**	**(21,176)**	59,418	43,178	(16,240)
Employer Sponsor Receivable for PSS, in accordance with AASB 1056		**3,347**	**3,347**		2,512	2,512
Under-funded benefits AASB 1056	**59,538**	**41,709**	**(17,829)**	59,418	45,690	(13,728)

Notes to and forming part of the financial statements
For the year ended 30 June 2022

10. EMPLOYER AND MEMBER CONTRIBUTIONS

	2022				
	SASS $m	**SANCS $m**	**SSS $m**	**PSS $m**	**Total $m**
Employer Contributions	**62**	**41**	**419**	**1**	**523**
Salary Sacrifice Contributions	**91**	**-**	**11**	**3**	**105**
Member Contributions	**32**	**-**	**7**	**1**	**40**
Total Contributions	**185**	**41**	**437**	**5**	**668**

	2021				
	SASS $m	SANCS $m	SSS $m	PSS $m	Total $m
Employer Contributions	141	42	298	1	482
Salary Sacrifice Contributions	104	-	17	4	125
Member Contributions	36	-	10	2	48
Total Contributions	281	42	325	7	655

11. CHANGE IN FAIR VALUE OF INVESTMENTS

Asset class	**2022 $m**	2021 $m
Short term securities	**4**	(1)
Australian fixed interest	**(155)**	(49)
International fixed interest	**8**	(9)
Australian equities	**(998)**	1,813
International equities	**(1,358)**	2,766
Property	**332**	190
Infrastructure and other alternatives	**355**	46
Total	**(1,812)**	4,756

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 $1,063 million losses (2021: $ 3,142 million gains) relates to investments still held at 30 June 2022.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

12. SCHEME ADMINISTRATION EXPENSES

The *Superannuation Administration Act 1996* requires that STC recover its administration expenses from the Fund. Recoveries totalled $33 million (2021: $35 million).

Included in Scheme Administration Expenses are the following items:

	2022 $m	2021 $m
Actuarial Fees	**0.5**	0.7
Audit Fees – The Audit Office of New South Wales	**0.5**	0.4
Scheme Administration Fees	**20.4**	20.7

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*.

a) Income Tax recognised in the Income Statement	**2022 $m**	2021 $m
Current tax benefit		
Current income tax benefit	**(202)**	(61)
Under/(Over) provision of tax in prior years	**1**	(3)
	(203)	(64)
Deferred tax liability		
Decrease in deferred tax liabilities	**(40)**	(12)
Total income tax (benefit) in Income Statement	**(243)**	(76)
Reconciliation between operating results before income tax and tax (benefit)		
Operating results before income tax	**(4,291)**	969
Income tax expense using the superannuation fund tax rate of 15%	**(644)**	145
Change in tax expense/(benefit) due to:		
- Non assessable investment income	**374**	(205)
- Exempt pension related investment income	**(338)**	(640)
- Tax credits	**(203)**	(82)
- Net change in defined benefit member liabilities	**569**	709
- (Over) provision of tax benefit in prior years	**(1)**	(3)
Income tax (benefit) in Income Statement	**(243)**	(76)

Notes to and forming part of the financial statements
For the year ended 30 June 2022

13. INCOME TAX (Continued)

b) Deferred Tax Asset/(Liability)	2022 $m	2021 $m
Unrealised capital gains	**-**	(43)
Unrealised loss/(gains) on traditional securities and foreign exchange	**-**	1
Unrealised franking credits	**6**	8
Deferred Tax Asset/(Liability)	**6**	(34)

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 2022 and the comparative year are as follows:

Non-executive Trustees

Ms C Austin
Ms C Bolger
Mr A Claassens
Ms S Dave (term completed 25 May 2022)
Mr N Johnson
Ms C Keating
Mr S Little
Mr T O'Grady
Ms L Rasmussen
Ms C Yuncken (term commenced 26 May 2022)

Executive Officers

Mr G Gabriel (until 23 October 2020)
Mr J Hazell (from 1 September 2021)
Mr J Livanas
Mr J Narayan
Mr A Parapuram
Mr N Patel
Ms K Pratt (from 4 January 2021)
Ms N Siratkov
Mr C Wu

The key management personnel compensation in relation to services to STC is as follows	2022 $'000	2021 $'000
Board member compensation	**569**	525
Short-term employee benefits	**3,113**	2,887
Other long-term employee benefits	**4**	-
Total	**3,686**	3,412

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 $39 million (2021: $38 million) for operating expenses including key management personnel compensation costs. The amount payable to STC at 30 June 2022 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.

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, it is impractical to estimate the financial effect or the amount of any possible recovery from third parties relating to these contingent liabilities. The Trustee is indemnified out of the assets of the Fund, 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 (2021: $3.2 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 $1.32 billion (2021: $1.5 billion) while the total value of the collateral was $1.42 billion (2021: $1.6 billion). The lent securities represented 3.45% of the lendable assets (2021: 6.53%) and is within the Fund's allowable limit of 20% of the lendable assets.

The collateral comprised of non-cash sovereign securities of $1.03 billion (2021: $1.4 billion) and cash of $394 million (2021: $138 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.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

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, and

(d) climate change 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. 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.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 an 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. Certain costs incurred in acquiring the investment, such as brokerage and stamp duty, are capitalised in the cost of the investments. 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 2022 and 30 June 2021 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 an annual basis and as required.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

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 2022 and 2021.

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
- International fixed interest assets (sovereign debt) 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.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

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 2022 FAIR VALUE						
	USD AUD$m	JPY AUD$m	EUR AUD$m	GBP AUD$m	AUD AUD$m	Other AUD$m	TOTAL AUD$m
Financial assets and liabilities at fair value through the income statement	**9,538**	**527**	**1,292**	**955**	**22,387**	**3,091**	**37,790**
Cash	**-**	**-**	**-**	**-**	**54**	**-**	**54**
Payables	**(92)**	**(4)**	**(14)**	**(5)**	**(3)**	**(26)**	**(144)**

	YEAR ENDED 30 JUNE 2021 FAIR VALUE						
	USD AUD$m	JPY AUD$m	EUR AUD$m	GBP AUD$m	AUD AUD$m	Other AUD$m	TOTAL AUD$m
Financial assets and liabilities at fair value through the income statement	11,002	710	1,642	1,076	24,904	3,787	43,121
Cash	-	-	-	-	27	-	27
Payables	(65)	(1)	(3)	(2)	(139)	(39)	(249)

Notes to and forming part of the financial statements
For the year ended 30 June 2022

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% (2021: 9%) 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 2022 and 2021.

All amounts are in Australian Dollars	**Change in Net Assets 2022 $m**	Change in Net Assets 2021 $m
USD	**(188)**	(123)
JPY	**(1)**	(1)
EUR	**(19)**	(11)
GBP	**(18)**	(13)
Other	**(60)**	(40)
Total	**(286)**	(188)

Assuming no hedging of international exposures, a reasonably possible 16% (2021: 9%) 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.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a.ii) Interest Rate Risk (continued)

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
Assets				
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**
Total Assets	**241**	**2,883**	**34,955**	**38,079**
Liabilities				
Payables	**-**	**-**	**144**	**144**
Derivatives liabilities	**-**	**-**	**235**	**235**
Total Liabilities	**-**	**-**	**379**	**379**
Net Assets	**241**	**2,883**	**34,576**	**37,700**

YEAR ENDED 30 JUNE 2021 – INTEREST RATE RISK DISCLOSURE

	Floating Interest $m	Fixed Interest $m	Non-Interest-Bearing $m	Total (per Statement of Financial Position) $m
Assets				
Short Term Securities	291	2,782	-	3,073
Australian Fixed Interest	-	1,043	-	1,043
International Fixed Interest	-	228	-	228
Australian Equities	-	-	8,387	8,387
International Equities	-	-	14,188	14,188
Property - indirect	-	-	1,901	1,901
Investment Properties - direct	-	-	2,049	2,049
Infrastructure and other alternatives	-	-	12,380	12,380
Derivatives assets	-	-	28	28
Total Assets	291	4,053	38,933	43,277
Liabilities				
Payables	-	-	249	249
Derivatives liabilities	-	-	129	129
Total Liabilities	-	-	378	378
Net Assets	291	4,053	38,555	42,899

Notes to and forming part of the financial statements
For the year ended 30 June 2022

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 140-basis point increase (2021: 100-basis points) in interest rates 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 2022 and 2021 and takes into consideration portfolio duration.

All amounts are in Australian Dollars	**Change in Net Assets 2022 $m**	Change in Net Assets 2021 $m
Fixed Interest	**(74)**	(128)
Floating Interest	**3**	3
Total	**(71)**	(125)

A 140-basis point (2021: 100-basis points) decrease in interest rates 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.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

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 2022 $m**	Change in Operating Results 2021 $m
Australian Equities	+38.10%	**2,342**	3,195
International Equities	+38.20%	**4,861**	5,653
Total		**7,203**	8,848

All amounts are in Australian Dollars	**Change in Price Risk Variable**	**Change in Operating Results 2022 $m**	Change in Operating Results 2021 $m
Australia Equities	-22.10%	**(1,359)**	(1,854)
International Equities	-21.80%	**(2,813)**	(3,273)
Total		**(4,172)**	(5,127)

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.

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 2022 or 30 June 2021. 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 2022 targeted the following allocations to cash and short-term securities:

- DC Growth Option 3.75%
- DC Balanced Option 14.75%
- DC Conservative Option 24.75%
- Trustee Selection 4%

Notes to and forming part of the financial statements
For the year ended 30 June 2022

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The following tables summarise the maturity profile of the Fund's financial liabilities.

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	**-**	**-**	**-**	**-**
Total financial liabilities (excluding derivatives)	**128**	**16**	**-**	**144**
Net settled derivatives				
Forward foreign exchange contracts	**(60)**	**(150)**	**-**	**(210)**
Futures	**-**	**(1)**	**-**	**(1)**
Swaps	**8**	**3**	**(10)**	**1**
Options	**7**	**72**	**-**	**79**
Total derivatives inflow/(outflow)	**(45)**	**(76)**	**(10)**	**(131)**

2021 Financial liabilities	Less than 1 month $m	1 – 12 months $m	1+ years $m	Fair Value $m
Trade and other payables	230	19	-	249
Current tax liabilities	-	7	-	7
Total financial liabilities (excluding derivatives)	230	26	-	256
Net settled derivatives				
Forward foreign exchange contracts	(43)	(75)	-	(118)
Futures	-	1	-	1
Swaps	(3)	(3)	(3)	(9)
Options	-	25	-	25
Total derivatives inflow/(outflow)	(46)	(52)	(3)	(101)

d) 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.

We acknowledge that our approach to climate change will continue to evolve over time and we continue to build on our approach to climate change. The research we have undertaken to incorporate climate risks and opportunities into the investment and valuation process, includes the following.

Rising temperature modelling:
State Super worked with specialist advisors to assess potential risk exposures under a 2-degree, 3-degree and 4-degree scenario test (including a 1.5-degree stress test), and what impact that may have on the strategic asset allocation as well as individual asset classes and assets. This research included consideration of potential climate related spending, transition costs to a lower carbon economy, development of technology and impact of physical risks like weather patterns. As a result of this research, our focus continues to be on public equities and real assets.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Climate Change Risk (continued)

Real assets and climate risks:
For our infrastructure and real estate assets the Fund has incorporated consideration of climate change risks and opportunities in several ways. Physical climate risk analysis was undertaken across all Infrastructure and real estate assets. Assets were assessed against exposure to Heat Stress, Water Stress, Floods, Sea Level Rise and Hurricanes & Typhoons. Of these assets, 5 of those most exposed (representing approx. $1,600 million) were further analysed and mitigation strategies raised with investment management teams.

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.

Listed assets and climate risk:
We have also undertaken physical climate risk analysis for our domestic and international listed equity holdings representing approximately $18,357 million. We measure the scope 1 and 2 carbon emissions of the Fund and have introduced carbon reduction strategies where applicable.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

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.

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

Notes to and forming part of the financial statements
For the year ended 30 June 2022

19. FAIR VALUE DISCLOSURES (Continued)

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 2022 $m	Effect on fair value 2021 $m	Relationship to fair value
Infrastructure	Discount rate	+/- 50bp	**(394)/461**	(341)/377	an increase in the discount rate will reduce fair value, a decrease in the discount rate will increase fair value
Direct property	Discount rate	+/- 25bp	**(41)/42**	(39)/40	an increase in the discount rate will reduce fair value, a decrease in the discount rate will increase fair value
Direct property	Capitalisation rate	+/- 25bp	**(110)/121**	(56)/64	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%	**143/(143)**	109/(109)	an increase in the unit price will increase fair value, a decrease in the unit price will decrease fair value

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 $1.0 billion (2021: $1.3 billion) which are embedded within the asset class portfolios, as cash is not subject to fair value considerations.

Year ended 30 June 2022	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
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**
Total	**19,755**	**7,159**	**9,977**	**36,891**

Notes to and forming part of the financial statements
For the year ended 30 June 2022

19. FAIR VALUE DISCLOSURES (Continued)

Year ended 30 June 2021	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Short Term Securities	2,399	2,710	-	5,109
Australian Fixed Interest	-	904	-	904
International Fixed Interest	45	1,710	-	1,755
Australian Equities	8,308	2	-	8,310
International Equities	13,885	5	-	13,890
Property	627	-	2,661	3,288
Infrastructure and other alternatives	1	2,694	5,834	8,529
Total	25,265	8,025	8,495	41,785

Reconciliation of level 3 fair value measurements of financial assets

Level 3 Fair Value Reconciliation	**2022 $m**	2021 $m
Balance at 1 July	**8,495**	9,043
Total gains and losses recognised in income statement	**1,090**	126
Purchases	**1,360**	309
Redemptions/Disposals	**(1,073)**	(973)
Transfer into Level 3	**105**	-
Transfer out of Level 3	**-**	(10)
Balance at 30 June	**9,977**	**8,495**

Unrealised gains recognised in the 2022 income statement is $1,090 million, (2021: $118 million gains).

20. COMMITMENTS

As at 30 June 2022, the Fund had commitments for uncalled additions to existing investments of $208 million (2021: $417 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.

Notes to and forming part of the financial statements
For the year ended 30 June 2022

21. NOTES TO CASH FLOW STATEMENT

Reconciliation of net cash flows from operating activities to the operating result after income tax

	2022 $m	2021 $m
Operating result after income tax for the year	**(4,048)**	1,045
Net change in fair value of investments	**1,812**	(4,756)
Net change in receivables and other assets	**(35)**	(95)
Net change in payables and other liabilities	**4**	311
Net change in defined benefit member benefits	**3,794**	4,729
Net change in provision for income tax	**(144)**	(229)
Net cash inflow/(outflow) from operating activities	**1,383**	1,005

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 2022 %	Equity Holding 2021 %	Commitments for Investment 2022 $'m	Commitments for Investment 2021 $'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	**-**	-

Notes to and forming part of the financial statements
For the year ended 30 June 2022

23. EVENTS AFTER THE REPORTING DATE

There have been no events between 30 June 2022 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 State Super in 2021-22

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	13	93	0	0	0	0	0	3
Members of the public (others)	25	116	0	0	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*	38	209	0	0	0	0	0	3
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).

Table C: Invalid applications Reason for invalidity	Number of Applications
Application does not comply with formal requirements (section 41 of the Act)	1
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	1
Invalid applications that subsequently became valid applications	1

Table D: Conclusive presumption of overriding public interest against disclosure: matters listed in Schedule 1 to Act	Number of times consideration used *
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	14
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 *Electricity Network Assets (Authorised Transactions) Act 2015*	0
Information about authorised transaction under *Land and Property NSW (Authorised Transaction) Act 2016*	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.

Table E: Other public interest considerations against disclosure: matters listed in table to section 14 of Act	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial process and natural justice	203
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

Table F: Timeliness	Number of Applications
Decided within the statutory timeframe (20 days plus any extensions)	248
Decided after 35 days (by agreement with applicant)	2
Not decided within time (deemed refusal)	0
Total	250

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

In accordance with the *Annual Reports (Statutory Bodies) Regulation 2015*, this index has been prepared to facilitate identificationof compliance with statutory disclosure requirements.

A	Access	Back cover
	After balance day events	99
	Annual Report production details	66
	Audited financial statements	Part F
	Auditor General's opinion	73 - 74, 103 - 106
B	Board and Board members	15 -19
	Budgets	63
C	Chairperson's Report	9-10
	Charter	15
	CEO's Report	11
	Committees	20-21
	Compliance framework	52
	Consultants	64
	Controlled entities	66
	Corporate governance	Part D
	Credit card use	66
D	Digital information security policy attestation	66
	Disputes and appeals	56-57
E	Economic and other factors affecting achievements	30-32
	Employee remuneration	61-62
	Employment arrangements	61
	Executives	22-24
F	Financial planning services	49
G	Government Information (GIPA)	58-59 and Appendix 1
	Grants to non-government community organisations	66
H	Human resources	61-62
I	Insurance arrangements	53
	Internal audit and risk management policy attestation	54
	Investment operations	30-47
	Investment performance	31-34
L	Land disposal	66
	Legal change	60
	Letter of submission	5
M	Management structure	22
	Mission statement	Inside cover
O	Objectives	26-27
	Operations and activities	Part C
	Organisational chart	14
	Overseas visits	64
P	Payment of accounts	65
	Privacy	55
	Public interest disclosures	55
R	Risk management	53-54

S	Senior executives	22-24
	Senior executives' remuneration	62
	Significant judicial decisions	55
W	Work health and safety	62
	Workforce diversity	n/a

GLOSSARY

- **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 or Fund) means the amalgamated fund of the State Super Schemes 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.
- **Trustee Board** means the Board of State Super, appointed under s. 69 of the *Superannuation Administration Act 1996*.

www.statesuper.nsw.gov.au
Pooled Fund ABN: 29 239 066 746

Level 16, 83 Clarence Street
Sydney, NSW 2000

PO Box N259
Grosvenor Place NSW 1220

02 9238 5906

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

Fax 02 4298 6688

Email enquiries@stc.nsw.gov.au

Postal address GPO Box 2181
Melbourne VIC 3001

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 during the COVID-19 crisis but will likely resume in-person in 2023 at State Super, Level 16, 83 Clarence Street, Sydney, NSW 2000 and at selected Aware Super locations (Parramatta, Newcastle and Wollongong).

To arrange an appointment, call one of the Customer Service numbers above.