



**STATE SUPER**  
SAS Trustee Corporation

2014–15

# Report to **Members**





**STATE SUPER**  
SAS Trustee Corporation







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# SASS at a glance

<b>Contributors at 30 June 2014</b>		<b>31,548</b>
Plus transfers		9
Less exits		-2,888
<b>Contributors at 30 June 2015</b>		<b>28,669</b>
<b>Deferred benefit members at 30 June 2015</b>		<b>10,358</b>
<b>Pension members at 30 June 2015</b>		<b>4,156</b>
<b>Member contributions</b>	Members elect to contribute between 1% and 9% of their salary.  59% of member contributions were recieved via salary sacrifice.	
<b>Type of benefits</b>	<b>Retirement/withdrawal benefit</b> – lump-sum benefit based on average contribution rate, final average salary and years of membership. The benefit includes member contributions and investment earnings, less fees and insurance premiums (if applicable).  <b>Pensions</b> – some members of superseded schemes also have a pension option.  <b>Additional benefit cover</b> – this is optional cover that provides a benefit which is payable on top of the standard benefits available to contributors where retirement is due to total and permanent invalidity or death before a contributor reaches the normal retirement age.	
<b>Membership</b>	SASS commenced on 1 April 1988 and was closed to new members on 19 December 1992.	
<b>Legislation</b>	SASS was established under the <i>State Authorities Superannuation Act 1987</i> .	
<b>Scheme eligibility</b>	New employees in the NSW public sector were eligible to join the scheme and members of the Public Authorities Superannuation Scheme (PASS) were transferred to SASS from 1 April 1988.  By 1990, a number of other public sector superannuation schemes were closed and members of these schemes were transferred to SASS. These schemes included, amongst others, the State Public Services Superannuation Fund (SPSSF), the Transport Gratuity Scheme and the Government Railways Superannuation Fund.	
<b>SANCS</b> – in addition to the SASS benefits outlined above, all members receive the lump-sum basic benefit. The SANCS benefit is 100% employer-funded and, depending on the reason for exiting employment, accrues at the rate of up to 3% of either final or final average salary for each year of service from 1 April 1988 (or employment commencement date if later). SANCS is governed by the <i>State Authorities Non-contributory Superannuation Act 1987</i> and was closed to new members in 1992.		
<b>Under the <i>Superannuation Administration Act 1996</i>, SASS is administered by the SAS Trustee Corporation (STC). STC acts as Trustee and holds in trust all assets of the Fund. The assets of the STC schemes are held in the Pooled Fund.</b>		

# SSS and PSS at a glance

	SSS	PSS
<b>Contributors at 30 June 2014</b>	<b>8,902</b>	<b>1,388</b>
Less exits	-1,788	-107
<b>Contributors at 30 June 2015</b>	<b>7,114</b>	<b>1,281</b>
<b>Deferred benefit members at 30 June 2014</b>	<b>2,047</b>	<b>114</b>
<b>Pension members at 30 June 2015</b>	<b>53,452</b>	<b>6,550</b>
<b>Member contributions</b>	Members generally contribute on a rate for age basis for individual pension units.  77% of member contributions were received via salary sacrifice.	Members contribute 6% of their salary.  60% of member contributions were received via salary sacrifice.
<b>Type of benefits</b>	Mainly pension benefits, with a lump-sum commutation option.	Mainly pension benefits, with a lump-sum commutation option.
<b>Membership</b>	SSS commenced on 1 July 1919 and was closed to new members from 1 July 1985.	PSS commenced on 1 February 1907 and was closed to new members from 1 April 1988.
<b>Legislation</b>	SSS was established under the <i>Superannuation Act 1916</i> .	PSS was established under the <i>Police Regulation (Superannuation) Act 1906</i> .
<b>Scheme eligibility</b>	Salaried employees of the NSW public service and teaching service, and a number of statutory authorities scheduled in the <i>Superannuation Act 1916</i> (NSW), were eligible to join SSS.	Members of the NSW Police Service employed prior to 1 April 1988.

**SANCS** – in addition to the SSS and PSS benefits outlined above, all members receive the lump-sum basic benefit. The SANCS benefit is 100% employer-funded and, depending on the reason for exiting employment, accrues at the rate of up to 3% of either final or final average salary for each year of service from 1 April 1988 (or employment commencement date if later). SANCS is governed by the *State Authorities Non-contributory Superannuation Act 1987* and was closed to new members in 1992.

**Under the *Superannuation Administration Act 1996*, SSS and PSS are administered by the SAS Trustee Corporation (STC). STC acts as Trustee and holds in trust all assets of the Fund. The assets of the STC schemes are held in the Pooled Fund.**



# Chairperson's report



I would like to take this opportunity to say how delighted and honoured I am to have been appointed to the role of Chairperson of the State Super Board. I look forward to working with my fellow Board members and the executive team at State Super to ensure everything we do results in the best possible outcome for the Fund and most importantly for members.

## Funds amalgamation

In March 2014, the NSW Government announced that they would amalgamate the funds management activities of State financial assets within NSW Treasury Corporation (TCorp). The intent of this project was to enable the pooling of investment management expertise within an integrated platform.

In May 2015, the State Super Board resolved to accept a proposal to appoint TCorp as a provider of funds management services to State Super, effective 15 June 2015. This was the culmination of, what was a huge endeavour in successfully delivering our part of the NSW Government's Amalgamation project. This could not have been delivered without the dedication, diligence and hard work undertaken by the State Super Board members and staff.

The key responsibilities of State Super going forward will be the delivery of member services and investment governance processes (including setting investment objectives, strategies, risk management and asset allocation) for all the State Super investment strategies. State Super will also continue to manage the four member investment choice strategies (in which SASS Defined Contribution assets are primarily invested) and the two university investment strategies in which Universities' employer reserves are invested, which equates to over \$8 billion in assets.

It is important to note that as a result of the Amalgamation project, State Super has consolidated its organisational structure focussing on maintaining staff with the skills required to ensure the State Super Board has the support needed to execute its fiduciary duties to independently assess what is in the best interest of members.

## Board changes

There have been a number of Board changes this year. First and foremost, on behalf of the State Super Board, I would like to thank former Chairperson Michael Carapiet for his significant contribution to State Super during his term.

The terms of Employer Representatives Michael Lambert and Paul Scully and Employee Representative Sue Walsh ended this year and I thank them for their valuable

contributions. Mr Lambert served as a Board member since 2004, Mr Scully since 2004 and Ms Walsh since 2011.

I would like to welcome Roslyn Ramwell and Simone Constant to the State Super Board. Roslyn was appointed as an Employer Representative in June 2015 and brings with her a depth of experience in the Superannuation industry. Simone was appointed as an Employer Representative in August 2015 and has significant experience working in Investments and Treasury, including working with Infrastructure Funds Management.

## Fund returns

Employer reserves invested in the Trustee Selection Strategy achieved a return of 11.1%. The four member investment choice strategies that SASS members have the option of investing in all met their return objectives once again this year. For 2014–15 the annual after-tax returns achieved were 10.2% for Growth, 8.9% for Balanced, 6.9% for Conservative and 2.4% for the Cash Strategy.

## Member services

Our Member Services team has continued to deliver quality services to our members. Confirming this was the pleasing overall member satisfaction with the Fund which increased from the previous year and when benchmarked against specific services we outperformed our peers.

The team continues to work hard to ensure our member communications are continually improving and this is evidenced through improved marketing campaigns, reduction in complaints and our process improvements in dispute management. Some of the initiatives for next year include launching new tailored member statements, improving seminar delivery, continuing to improve accessibility of the State Super website and member services overall. State Super is also in the process of assessing the level of involvement required to ensure that our member services are enhanced by the new Pillar Administration systems replacement.

Finally, I would like to again acknowledge the tremendous work the staff at State Super undertakes every day to ensure we continue to achieve our objectives and I look forward to the next phase of State Super and being a part of that journey.

**Nicholas Johnson**  
Chairperson  
October 2015

# CEO's report



This past year has been one of enormous change at State Super. We enter the new financial year with the appointment of a new Chairperson – Mr Nicholas Johnson who was officially appointed the Chairperson to the State Super Board on 26 June 2015. I wish to extend a warm welcome to Nicholas and together with the State Super Executive team we look forward to working with him to achieve State Super's objectives.

## Looking forward

Going forward, State Super will focus on two key pillars within the organisation – member services and investments.

Our 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. These two areas will continue to be of the utmost importance in the future state of State Super as we continue to strive to deliver positive outcomes for all of our stakeholders while transitioning to a 'head office' style organisation.

Following the Amalgamation project, State Super will continue to focus on three key responsibilities in order to achieve our mission.

1. Manage our key outsourced providers, including TCorp, Pillar and JP Morgan
2. Develop and oversee member and investment strategies
3. Provide appropriate governance support to the State Super Board

State Super's structure has been reconfigured in order to better meet new organisational requirements which are associated with becoming a more outsourced organisation. Key supplier management including improved oversight of contracts and service level agreements along with relationship management which is required to facilitate the continued provision of improved services to members and other stakeholders of State Super.

We have also retained the people in our organisation to ensure that we can continue to meet our fiduciary duties in relation to investments management. This includes oversight of the Defined Benefit reserves outsourced to TCorp and the management of funds for Defined Contributions and University reserves.

I am confident that the capabilities of the staff at State Super will allow us to meet new challenges and deliver superior member experience, and targeted investment returns.

## Performance

As mentioned in the Chairperson's report, State Super has achieved competitive investment returns for the year ending 30 June 2015.

Our member investment choice strategies which are available to SASS members performed admirably across the board with returns ranging from 2.4% for the Cash Strategy to over 10% for the Growth Strategy. In comparison with our peer group, State Super achieved greater returns with lower risk through implementing State Super's investment strategies, processes and risk management practices.

During 2014–15, net assets of the State Super Pooled Fund increased by \$1.7 billion to approximately \$42.0 billion, once again placing State Super in the top ten superannuation funds in Australia.

## Member research

We conducted our member satisfaction survey for the second year running with some notable improvements on last year. Our members reported they are very satisfied with the services State Super provides with an overall satisfaction rating of 7.7 out of 10. Member satisfaction can be seen even more clearly through the results of the 2015 Omnibus Study which compares satisfaction with State Super to other superannuation funds. State Super scored higher than the average superannuation fund overall as well as in areas such as service, communications and financial planning services offered.

## We appreciate your feedback

Your feedback is important to us and we value any comments you have about State Super's services. To provide your feedback, please email State Super at **[enquiries@stc.nsw.gov.au](mailto:enquiries@stc.nsw.gov.au)** or call Customer Service (telephone details are located on the back cover of this report).

**John Livanas**

Chief Executive Officer  
October 2015

# Your Trustee Board

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

- an independent Chairperson
- four employer representatives, one of whom is to be appointed on the recommendation of the Treasurer
- two employee representatives, nominated by Unions NSW.

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



**Nicholas Johnson**  
Chairperson  
Appointed June 2015

## Employer representatives



**Karen Moses**  
Company Director  
Appointed March 2012



**George Venardos**  
Company Director  
Appointed November 2012



**Roslyn Ramwell**  
Company Director  
Appointed June 2015



**Simone Constant**  
NSW Treasury  
Appointed August 2015

## Employee representatives



**Alex Claassens**  
NSW Rail, Tram and  
Bus Union  
Appointed November  
2012



**Tony O'Grady**  
NSW Nurses and  
Midwives' Association  
Appointed June 2013

### Thank you

State Super would like to take this opportunity to thank the below former Board members for their valuable contributions during their terms:

**Michael Carapiet** (former  
Chairperson)  
Appointed August 2011,  
resigned 31 March 2015

**Sue Walsh** (former Employee  
Representative)  
Appointed March 2011,  
term ended 24 March 2015

**Paul Scully** (former Employee  
Representative)  
Appointed February 2004,  
term ended 9 August 2015

**Michael Lambert** (former  
Employer Representative)  
Appointed February 2004,  
term ended 16 June 2015

### New to the STC Board

State Super would also like to take this opportunity to welcome the following Board members who were appointed just prior to the publication of this report.

**Catherine Bolger** (Employee Representative)  
Appointed 25 September 2015

**George Maniatis** (Employee Representative)  
Appointed 25 September 2015





# Function and role of the Board

The principal functions of the Trustee Board as set out in section 50(1) of the *Superannuation Administration 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 the persons entitled to receive benefits under the State Super schemes are paid in accordance with the Acts under which the schemes are established or constituted
- determine disputes under those Acts
- exercise such other functions with respect to 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 to outsource its principal functions of administration, investment and custody.

The State Super Executive supports the Trustee Board in carrying out the day to day functions as well as managing the contracts with external service providers.

## The Trustee Board

The Trustee Board meets approximately monthly.

Attendance of Board members at Board meetings is set out below:

Meetings attended during 2013-15 (actual/possible)	
Mr N Johnson (Chairperson)**	0 / 0
Mr M Carapiet (Chairperson)***	9 / 9
Employer representatives	
Ms K Moses	12 / 13
Ms R Ramwell**	0 / 0
Mr P Scully	12 / 13
Mr G Venardos	13 / 13
Mr M Lambert***	13 / 13
Employee representatives	
Mr A Claassens	13 / 13
Mr T O'Grady	12 / 13
Ms S Walsh***	9 / 9

\*The full-time Employee Representative and one part-time Employee Representative positions remained vacant at 30 June 2015.

\*\*During the year:

- Mr Johnson was appointed Chairperson
- Ms Ramwell was appointed Employer Representative

\*\*\*During the year:

- Mr Carapiet resigned from his position of Chairperson
- Mr Lambert's term as an Employer Representative ended
- Ms Walsh's term as an Employee Representative ended.

# Function and role of the Board – continued

## State Super Committees

STC has established a number of Board Committees to assist with the performance of its functions and to monitor the compliance of external service providers against their contractual requirements. The Committees and their membership as at 30 June 2014 are listed below.

- **Investment Committee**

Mr M Carapiet (Chairperson)\*  
Mr M Lambert  
Mr P Scully (Chairperson)\*  
Mr G Venardos\*\*  
Mr A Claassens\*\*  
Ms K Moses\*\*\*  
Mr T O'Grady\*\*\*

*\* Mr Carapiet resigned from the Board on 31 March 2015. Mr Scully was appointed as Chairperson of the Committee following Mr Carapiet's resignation.*

*\*\*Mr Venardos was appointed to the Committee from February 2015.*

*\*\*\*Ms Moses and Messers O'Grady and Claassens were appointed to the Committee from June 2015.*

- **Risk, Audit and Compliance Committee**

Mr G Venardos (Chairperson)  
Mr M Lambert\*  
Mr P Scully  
Ms K Moses\*\*  
Mr T O'Grady\*\*

*\*Mr Lambert's term ended part way through the reporting period*

*\*\*Ms Moses and Mr O'Grady were appointed part way through the reporting period.*

- **Member Services Committee**

Mr A Claassens (Chairperson)  
Mr M Lambert\*  
Mr P Scully  
Ms S Walsh\*  
Mr T O'Grady  
Ms K Moses\*\*  
Mr G Venardos\*\*

*\*Ms Walsh's and Mr Lambert's terms ended part way through the reporting period*

*\*\*Ms Moses and Mr Venardos were appointed part way through the reporting period.*

- **Human Resources and Nominations Committee**

Mr M Carapiet (Chairperson)\*  
Ms K Moses  
Ms S Walsh (Chairperson)\*  
Mr A Claassens\*\*  
Mr G Venardos\*\*

*\*Mr Carapiet resigned and Ms Walsh's term ended part way through the reporting period.*

*\*\*Messers Claassens and Venardos were appointed part way through the reporting period.*

*Ms Walsh was the Chairperson of the Committee part way through the reporting period and Mr Claassens was appointed as Chairperson after Ms Walsh's term ended.*

- **Police Superannuation Advisory Committee**

The Police Superannuation Advisory Committee is a statutory committee established under Part 2H of the Police Regulation (*Superannuation*) Act 1906 to exercise certain powers delegated by the Trustee Board. Mr Lambert was the Chairperson until his retirement in February 2015. Following Mr Lambert's retirement, Ms Ramwell was appointed as Chairperson of PSAC with her term commencing 21 August 2015 and Mr Claassens was appointed Deputy Chairperson of PSAC with his term commencing 1 September 2015.

For more information about each of the Trustee Board Committees, refer to the STC Annual Report to Parliament, which is available on the State Super website at [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au).



## Investment performance

Part of the benefits payable to SASS members are accumulation benefits.

Accumulation benefits are directly affected by investment returns and include the personal account balance for SASS contributory members and the whole benefit for deferred SASS members.

SASS members have a choice of four investment strategies which they may select for their accumulation benefit. These strategies are Growth, Balanced, Conservative and Cash. The Growth Strategy is the default strategy that applies if a SASS member does not make an investment choice.

For both SASS contributory and deferred benefit members, investment choice does not apply to their lump-sum SANCS basic benefit, Commonwealth Government contributions account and any Superannuation Guarantee shortfall amount.

Crediting rates for all of the investment strategies are shown below. The crediting rates shown below have been rounded to one decimal point and are shown as an annual rate. Actual crediting rates are declared monthly to four decimal places. The annual rate is the compounded monthly rate.

Year ending	Crediting rate to members (%p.a.)							CPI (% p.a.)
	Growth Strategy	Balanced Strategy	Conservative Strategy	Cash Strategy	Trustee Selection	University Diversified Conservative	University Cash	
30 June 2015	10.2	8.9	6.9	2.4	11.1	4.2	1.6	2.2
30 June 2014	12.3	10.7	8.1	2.5	12.3	n/a	n/a	3.0
30 June 2013	17.1	13.7	9.2	3.2	17.1	n/a	n/a	2.4
30 June 2012	0.4	2.6	4.6	4.2	0.4	n/a	n/a	1.2
30 June 2011	8.7	7.7	6.7	4.5	8.7	n/a	n/a	3.6
<b>Average annual compound rate (% p.a.)</b>								
Over 3 years	13.2	11.1	8.1	2.7	13.5	n/a	n/a	
Over 5 years	9.6	8.6	7.1	3.3	9.8	n/a	n/a	
Over 10 years	6.7	6.6	6.0	4.1	6.8	n/a	n/a	

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



## Management of investments

### Asset allocation of each strategy

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

Category	Asset Class
<b>Liquid growth</b>	Australian equities
	International equities
<b>Alternatives</b>	Property
	Infrastructure
	Other alternatives
<b>Liquid defensive</b>	Australian fixed interest
	International fixed interest
	Cash

**Liquid growth** is expected to make a large contribution to long-term returns, but returns are likely to be highly volatile. The allocation to liquid growth, as well as the allocation between Australian equities and international equities within the liquid growth 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 CPI + 4.5% p.a. which is the objective for the Trustee Selection and Growth Strategies. Other asset classes within the alternatives category are expected to have a dual objective of providing CPI + 4.5% p.a., but with the ability to provide downside protection when markets are turbulent.

**Liquid defensive** represents asset classes that tend to do well when markets are turbulent. These asset classes provide capital protection when most other strategies are not performing well, but they are not expected to generate CPI + 4.5% over the long term.

State Super can dynamically allocate assets between liquid defensives 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.

### Downside protection

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

### Exposure management

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

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



# Investment strategies

## Defined Benefit investment strategies

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

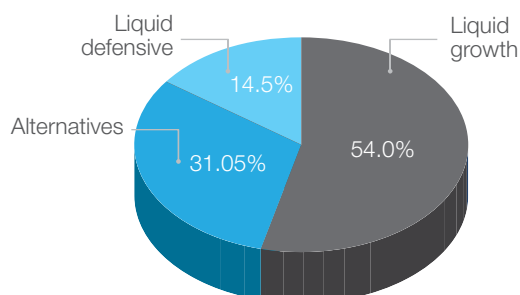
### Trustee Selection Strategy

**Investment objective:** The objective of the Trustee Selection Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 4.5% p.a. over rolling 10-year periods.

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

**Net asset value at 30 June 2015:** \$33,693.1 million

#### Strategic asset allocation at 30 June 2015



#### Asset allocation as at 30 June 2015:

	Strategic %	Actual %
<b>Liquid growth</b>	<b>54.0</b>	<b>52.9</b>
Australian equities	27.0	23.5
International equities	27.0	29.4
<b>Alternatives</b>	<b>31.5</b>	<b>25.3</b>
Property	10.0	11.1
Infrastructure	9.0	8.8
Other alternatives	12.5	5.4
<b>Liquid defensive</b>	<b>14.5</b>	<b>21.8</b>
Australian fixed interest	5.0	6.3
International fixed interest	2.0	2.6
Cash	7.5	12.9
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

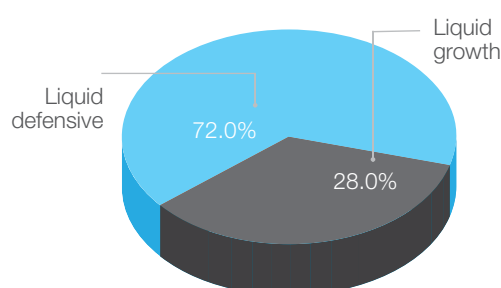
### University Diversified Conservative Strategy\*

**Investment objective:** The investment objective of the University Diversified Conservative Strategy is to maximise the earnings rate subject to a greater than 60% probability of exceeding CPI + 2.0% p.a. over rolling 3-5 year periods.

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

**Net asset value at 30 June 2015:** \$737.7 million

#### Strategic asset allocation at 30 June 2015



#### Asset allocation as at 30 June 2015:

	Strategic %	Actual %
<b>Liquid growth</b>	<b>28.0</b>	<b>30.2</b>
Australian equities	14.0	14.7
International equities	14.0	15.5
<b>Alternatives</b>	<b>0.0</b>	<b>0.0</b>
<b>Liquid defensive</b>	<b>72.0</b>	<b>69.8</b>
Australian fixed interest	6.0	6.9
International fixed interest	2.0	2.2
Cash	64.0	60.7
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

\*Prior to 1 September 2015 the University Conservative Diversified Strategy was called University Diversified

During 2014–15 efforts were made in the Trustee Selection Strategy to close the gap between the strategic allocation target and the actual asset allocation. Identifying the right assets and building the targeted exposures across the relevant strategies takes time however, the process is well underway. In the coming year State Super will continue to identify the right opportunities to narrow the gap between the actual asset allocation and the strategic target. In the meantime, cash levels will be held at higher than long-term levels.

# Investment strategies

## Defined Benefit investment strategies – continued

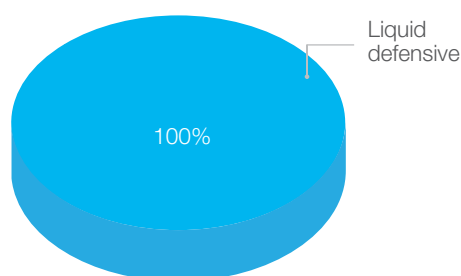
### Universities Cash Strategy

**Investment objective:** Investment objective of the Universities Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding CPI + 0.25% p.a. over 3 year rolling periods.

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

**Net asset value at 30 June 2015:** 82.2 million

#### Strategic asset allocation at 30 June 2015



#### Asset allocation as at 30 June 2015:

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

## Member investment choice (MIC) strategies

The four State Super MIC investment strategies are used to invest Defined Contribution assets within the STC Pooled Fund that support contributions to the STC Pooled Fund that support contributions made to the Fund by members.

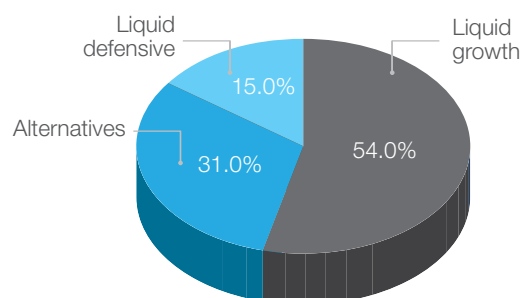
### Growth Strategy

**Investment objective:** The objective of the Growth Strategy is to maximise the earnings rate subject to a greater than 50% probability of exceeding CPI + 4.5% p.a. over rolling 10-year periods.

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

**Net asset value at 30 June 2015:** \$6,281.6 million

#### Strategic asset allocation at 30 June 2015



#### Asset allocation as at 30 June 2015:

	Strategic %	Actual %
<b>Liquid growth</b>	<b>54.0</b>	<b>53.2</b>
Australian equities	27.0	24.2
International equities	27.0	29.0
<b>Alternatives</b>	<b>31.0</b>	<b>30.0</b>
Property	10.5	10.1
Infrastructure	7.5	7.0
Other alternatives	13.0	11.0
<b>Liquid defensive</b>	<b>15.0</b>	<b>16.8</b>
Australian fixed interest	5.5	5.1
International fixed interest	2.0	1.8
Cash	7.5	9.9
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>



## Balanced Strategy

**Investment objective:** The objective of the Balanced Strategy is to maximise the earnings rate subject to a greater than 60% probability of exceeding CPI + 3.0% p.a. over rolling 7-year periods.

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

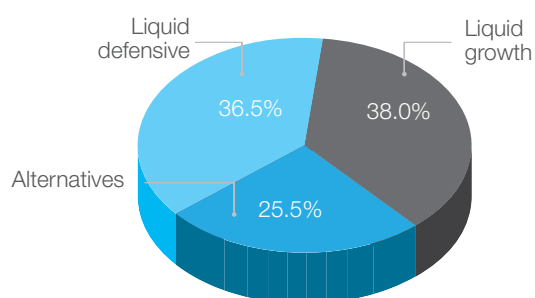
## Conservative Strategy

**Investment objective:** The objective of the Conservative Strategy is to maximise the earnings rate subject to a greater than 70% probability of exceeding CPI + 2.0% p.a. over rolling 4-year periods.

**Risk:** Low (SRM risk band 2: from 0.5 to less than 1 negative annual return estimated over any 20-year period).

**Net asset value at 30 June 2015:** \$531.8 million

### Strategic asset allocation at 30 June 2015

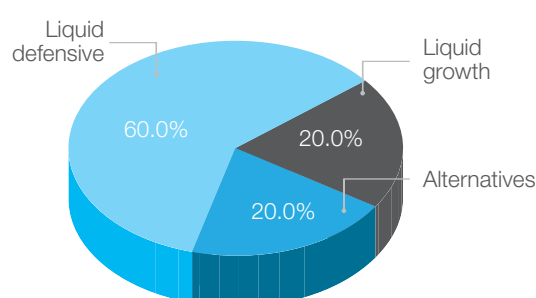


### Asset allocation as at 30 June 2015:

	Strategic %	Actual %
<b>Liquid growth</b>	<b>38.0</b>	<b>36.9</b>
Australian equities	19.0	18.3
International equities	19.0	18.6
<b>Alternatives</b>	<b>25.5</b>	<b>25.5</b>
Property	9.0	9.0
Infrastructure	8.5	8.5
Other alternatives	8.0	7.5
<b>Liquid defensive</b>	<b>36.5</b>	<b>37.6</b>
Australian fixed interest	13.5	13.4
International fixed interest	4.0	4.0
Cash	19.0	20.2
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

**Net asset value at 30 June 2015:** \$493.0 million

### Strategic asset allocation as at 30 June 2015



### Asset allocation as at 30 June 2015:

	Strategic %	Actual %
<b>Liquid growth</b>	<b>20.0</b>	<b>19.5</b>
Australian equities	10.0	9.7
International equities	10.0	9.8
<b>Alternatives</b>	<b>20.0</b>	<b>20.0</b>
Property	6.0	6.0
Infrastructure	7.5	7.5
Other alternatives	6.5	6.0
<b>Liquid defensive</b>	<b>60.0</b>	<b>60.5</b>
Australian fixed interest	11.5	11.5
International fixed interest	4.0	4.0
Cash	44.5	45.0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

Further information about the Standard Risk Measures and investment objectives is included in SASS Fact Sheet 15: *Choosing an investment strategy*, which is available on the State Super website at [www.statesuper.nsw.gov.au/sass/tools-and-resources/factsheets](http://www.statesuper.nsw.gov.au/sass/tools-and-resources/factsheets).

# Investment strategies – continued

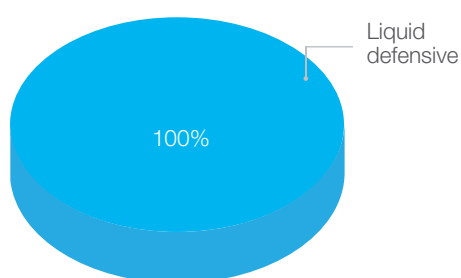
## Cash Strategy

**Investment objective:** The objective of the Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding CPI + 0.25% p.a. over rolling 3-year periods.

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

**Net asset value at 30 June 2015:** \$118.6 million

### Strategic asset allocation as at 30 June 2015



### Asset allocation as at 30 June 2015:

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

# Investment updates and changes

In June 2015, State Super undertook its annual review of the investment strategy for the Pooled Fund and made the following changes effective 1 July 2015.

## Changes to the return objectives

State Super revised the return objective for the Cash and University Cash Strategy, from CPI + 0.25% p.a. over rolling three-year periods to CPI p.a. over rolling three-year periods. This change reflects that official cash rates have been coming down, and State Super's view that the expected return for the asset class and therefore the Cash Strategy is expected to be lower than historically experienced.

## A new name for the University Diversified Strategy

Effective 1 September 2015, the University Diversified Strategy was renamed to the University Conservative Diversified Strategy. The name change was made to better reflect the nature of the strategy.

## Strategic asset allocation changes

State Super decreased the allocation to Liquid Growth in favour of Alternatives within the Trustee Selection and Growth Strategies. Also within Liquid Growth, the strategic asset allocation to Australian equities was decreased in favour of international equities across all four diversified strategies (Trustee Selection, Growth, Balanced and Conservative). These asset allocation changes do not adversely affect the risk and return profiles (Standard Risk Measures) of any of the strategies over their respective time horizons.

Strategic asset allocation target levels and dynamic asset allocation ranges effective from 1 July 2015 for the three Defined Benefit strategies and the four member investment choice strategies are shown on the following page.

## Strategic asset allocations for Defined Benefit strategies

### Trustee Selection Strategy

Effective from 1 July 2015, the strategic asset allocation for the Trustee Selection Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
<b>Liquid growth</b>	<b>50.0</b>	<b>34.0 – 66.0</b>
Australian equities	22.0	
International equities	28.0	
<b>Alternatives</b>	<b>35.5</b>	<b>25.5 – 45.5</b>
Property	10.0	
Infrastructure	12.0	
Other alternatives	13.5	
<b>Liquid defensive</b>	<b>14.5</b>	<b>10.0 – 30.5</b>
Australian fixed interest	5.0	
International fixed interest	2.0	
Cash	7.5	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### University Diversified Conservative Strategy

Effective from 1 July 2015, the strategic asset allocation for the University Diversified Conservative Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
<b>Liquid growth</b>	<b>28.0</b>	<b>20.0 – 36.0</b>
Australian equities	12.0	
International equities	16.0	
<b>Alternatives</b>	<b>0.0</b>	<b>N/A</b>
<b>Liquid defensive</b>	<b>72.0</b>	<b>64.0 – 80.0</b>
Australian fixed interest	6.0	
International fixed interest	2.0	
Cash	64.0	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### University Cash Strategy

Effective from 1 July 2015, the strategic asset allocation for the University Cash Strategy was revised to:

	Strategic asset allocation %
<b>Liquid growth</b>	<b>0.0</b>
<b>Alternatives</b>	<b>0.0</b>
<b>Liquid defensive</b>	<b>100.0</b>
Australian fixed interest	0.0
International fixed interest	0.0
Cash	100.0
<b>TOTAL</b>	<b>100.00</b>

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





# Investment updates and changes – continued

## Strategic asset allocations for Member Investment Choice strategies

### Growth Strategy

Effective from 1 July 2015, the strategic asset allocation of the Growth Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
<b>Liquid growth</b>	<b>50.0</b>	<b>34.0 – 66.0</b>
Australian equities	22.0	
International equities	28.0	
<b>Alternatives</b>	<b>34.0</b>	<b>26.0 – 42.0</b>
Property	7.5	
Infrastructure	11.0	
Other alternatives	15.5	
<b>Liquid defensive</b>	<b>16.0</b>	<b>10.0 – 32.0</b>
Australian fixed interest	6.0	
International fixed interest	2.0	
Cash	8.0	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### Balanced Strategy

Effective from 1 July 2015, the strategic asset allocation of the Balanced Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
<b>Liquid growth</b>	<b>38.0</b>	<b>28.0 – 48.0</b>
Australian equities	16.0	
International equities	22.0	
<b>Alternatives</b>	<b>25.5</b>	<b>17.5 – 33.5</b>
Property	8.5	
Infrastructure	9.0	
Other alternatives	8.0	
<b>Liquid defensive</b>	<b>36.5</b>	<b>26.5 – 46.5</b>
Australian fixed interest	13.5	
International fixed interest	4.0	
Cash	19.0	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### Conservative Strategy

Effective from 1 July 2015, the strategic asset allocation of the Conservative Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
<b>Liquid growth</b>	<b>20.0</b>	<b>12.0 – 28.0</b>
Australian equities	8.0	
International equities	12.0	
<b>Alternatives</b>	<b>20.0</b>	<b>12.0 – 28.0</b>
Property	7.5	
Infrastructure	6.0	
Other alternatives	6.5	
<b>Liquid defensive</b>	<b>60.0</b>	<b>52.0 – 68.0</b>
Australian fixed interest	11.5	
International fixed interest	4.0	
Cash	44.5	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### Cash Strategy

Effective from 1 July 2015, the strategic asset allocation for the Cash Strategy was revised to:

	Strategic asset allocation %
<b>Liquid growth</b>	<b>0.0</b>
<b>Alternatives</b>	<b>0.0</b>
<b>Liquid defensive</b>	<b>100.0</b>
Australian fixed interest	0.0
International fixed interest	0.0
Cash	100.0
<b>TOTAL</b>	<b>100.00</b>

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

# Investment governance

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The Trustee Board has approved the State Super Investment Governance Framework which covers the systems, structures, policies, processes and people which support the selection, management and monitoring of the investment decisions made for the Pooled Fund. State Super's Investment Governance Structure consists of a combination of Legislative requirements, Ministerial, Board and Board Sub-Committee oversight and management and monitoring by the State Super Executive and the appointed Master Investment Manager.

## Key components of the State Super Investment Governance Framework

**Investment Committee** – The Trustee Board established an Investment Committee to support the Board in determining and affecting the investment strategy; to conduct the process of appointing and replacing investment managers and other investment service providers; and to ensure that asset and liability matching is taken into account in investment management decisions.

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

**Asset and Liability Team** – This team is responsible for executing State Super's Investment Policy Statement by recommending Strategic Asset Allocation (SAA) and Dynamic Asset Allocation (DAA) decisions, reviewing and monitoring recommendations provided by the Master Investment Manager, managing liquidity in the fund to meet liability requirements and managing the investment decisions and processes for the Defined Contribution and University assets.

**Master Investment Manager** – In March 2014, the NSW Government announced its intention to amalgamate the funds management activities of the State's financial assets within NSW Treasury Corporation (TCorp). The State Super Board has, after a full due diligence process, resolved to appoint TCorp as Master Investment Manager for the Defined Benefit assets. This arrangement is governed by a written contract, the Master Financial Services Agreement, which sets out the services and functions provided by TCorp. The appointment of TCorp commenced effective 15 June 2015.

**Asset Consultant** – Frontier Advisors Pty Limited are the appointed Asset Consultant for State Super providing a

range of services which include the review of objectives, strategic asset allocation and the risk/return profile of investment options.

**Appointed Actuary** – Mercer Consulting (Australia) Pty Limited is State Super's Appointed Actuary and provides advice on the triennial actuarial review which projects the profile of the Fund's assets and liabilities to the funding position and requirements of the Schemes.

**Master custodian** – The Trustee Board has appointed JPMorgan Chase Bank, NA, as master custodian to hold the Pooled Fund's assets. The master custodian also values the Fund daily and monitors each investment manager's daily activity to ensure compliance with its investment mandate.

**Investment managers** – As required by the *Superannuation Administration Act 1996*, all of the Pooled Fund's assets are managed by external fund managers appointed by State Super. Each manager operates under a written agreement and investment mandate. The performance of the various fund managers is monitored throughout the year and new managers may be added or existing managers replaced.

**Policies** – State Super has a range of policies which support the Investment Governance Framework these include:

- Investment Policy Statement (incorporating the Investment Beliefs)
- Derivative Risk Statement
- Liquidity Policy
- ESG/Proxy Voting Policy
- Large Exposure and Counterparty Policy.

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

**Currency hedging policy** – The Trustee's policy for currency hedging at 30 June 2015 was:

- international equities are hedged from 0% to 80% into Australian dollars
- international property, infrastructure and alternative assets are hedged from 0% to 100% into Australian dollars
- international fixed interest assets (sovereign and corporate debt) are hedged from 0% to 100% into Australian dollars.

# Investment managers at 30 June 2015

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

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
<b>Australian equities</b>			
Balanced Equity Management Pty Limited	✓	–	–
BlackRock Asset Management Australia Limited	✓	–	–
BT Investment Management (Institutional) Limited	✓	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Cooper Investors Pty Limited	✓	–	–
Ellerston Capital Limited	✓	–	–
Hyperion Asset Management Limited	✓	–	–
Lazard Asset Management Pacific Co	✓	–	–
Macquarie Investment Management Limited	✓	–	–
Maple-Brown Abbott Limited	✓	–	–
Northcape Capital Pty Ltd	✓	✓	–
Perennial Value Management Limited	✓	✓	–
Platypus Asset Management Pty Ltd	✓	✓	–
State Street Bank & Trust Company	✓	✓	–
State Street Global Advisors, Australia, Limited	✓	✓	–
UBS Securities Australia Limited	✓	✓	–
<b>International equities</b>			
Altrinsic Global Advisors LLC	✓	✓	–
AQR Capital Management, LLC	✓	✓	–
Arrowstreet Emerging Markets Fund	✓	✓	–
Artisan Partners Limited Partnership	✓	–	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Goldman Sachs Australia Pty Ltd	✓	–	–
Harris Associates Limited Partnership	✓	–	–
Hexavest Inc.	✓	–	–
Investec Asset Management Limited	✓	✓	–
Lazard Asset Management Pacific Co	✓	–	–
Morgan Stanley Investment Management Ltd	✓	–	–
Realindex Investments Pty Limited	✓	–	–
State Street Bank & Trust Company	✓	✓	–
State Street Global Advisors, Australia, Limited	✓	✓	–
The Genesis Emerging Markets Investment Company C/O Genesis Asset Managers, LLP	✓	–	–
Trilogy Global Advisors, LLC	✓	✓	–
UBS Securities Australia Limited	✓	✓	–
<b>Property</b>			



	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Dexus Funds Management Limited	✓	✓	–
EG Funds Management Pty Ltd	✓	✓	–
Franklin Templeton Investments Australia Limited	✓	✓	–
SG Hiscock & Company Limited	✓	–	–
Vanguard Investments Australia Ltd	✓	✓	–
LaSalle Investment Management (via Equity Trustees Ltd)	✓	✓	–
<b>International fixed interest</b>			
State Street Global Advisors, Australia, Limited	✓	✓	–
Wellington International Management Company Pty Ltd	✓	✓	–
<b>Australian fixed interest &amp; cash</b>			
Dexus Funds Management Limited	✓	✓	–
EG Funds Management Pty Ltd	✓	✓	–
Franklin Templeton Investments Australia Limited	✓	✓	–
SG Hiscock & Company Limited	✓	–	–
<b>Alternative assets</b>			
AMP Capital Investors Limited	✓	✓	–
Deutsche Australia Limited	✓	✓	–
GMO Australia Limited	✓	✓	–
Hastings Investment Management Limited	–	✓	–
Kaplan Funds Management Pty Limited	✓	–	–
Macquarie Investment Management Limited	✓	✓	–
Macquarie Specialised Asset Management Limited	✓	–	–
RARE Infrastructure Limited	✓	✓	–
Schroder Investment Management Australia Limited	✓	✓	–
Siguler Guff Distressed Opportunities Fund III (F), LP	✓	–	–
Siguler Guff Distressed Opportunities Fund IV (F), LP	✓	–	–
UBS Global Asset Management (Australia) Ltd	✓	✓	–
Whitehelm Capital Pty Ltd		–	–
<b>Currency</b>			
Pareto Investment Management Limited	✓	✓	–
State Street Global Advisors, Australia, Limited	✓	✓	–
<b>Universities</b>			
State Street Global Advisors, Australia, Limited	–	–	✓

## Keep track of your scheme benefits online

It couldn't be easier to keep track of your scheme benefits online via the Member Login Area.

Online access enables you to:

- view latest news and updates
- update your contact details
- view and download your last Annual Statement
- access an online benefit quote
- register for upcoming seminars
- and much more!

To register for online access to your scheme, please contact customer service.

<b>SASS</b>	<b>1300 130 095</b>
<b>SSS</b>	<b>1300 130 096</b>
<b>PSS</b>	<b>1300 130 097</b>
<b>Deferred members</b>	<b>1300 130 094</b>
<b>Pension members</b>	<b>1300 652 113</b>

## Make the most of your super seminars

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

### Our seminars will help you to:

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

To make a booking to attend one of our seminars, simply visit our website where you can view the dates and locations of all seminars or call 1800 620 305.

### Online bookings:

SASS: [www.statesuper.nsw.gov.au/seminarsass](http://www.statesuper.nsw.gov.au/seminarsass)

SSS: [www.statesuper.nsw.gov.au/seminarsss](http://www.statesuper.nsw.gov.au/seminarsss)

## Personal interview service

As a member of a State Super scheme, a free personal interview service is available to you. The service is available to current, deferred benefit and pension members, allowing them to meet face-to-face with customer service staff. At interviews, members are provided with general advice about their scheme and superannuation generally.

For details about the locations where personal interviews are conducted please see the back cover of this report.



# Financial planning



Formerly State Super Financial Services

*“Quality financial planning advice changes lives. It improves wellbeing and fulfils personal and financial goals that would otherwise go unachieved. The right advice can reduce feelings of uncertainty, providing peace of mind for individuals throughout their life.”*

*Michael Monaghan, Managing Director  
State Super Financial Services*



StatePlus, formerly known as State Super Financial Services (SSFS), was established over 25 years ago by the SAS Trustee Corporation to provide financial planning services to current and former members of the State Super schemes and their relatives.

From over-the-phone advice to face-to-face meetings with a professional financial planner, StatePlus offers a range of services to help ensure you and your family remain on track to achieve the lifestyle you want now and in the future.

The StatePlus website provides various calculators and educational tools which can also assist you with your financial decisions.

These include:

- a SASS scheme calculator
- a budget and savings calculator
- an investment property purchase calculator
- basic advice series videos which cover a range of topics.

Advice about your super scheme is without cost or obligation. If you require advice beyond questions on your super scheme or wish to partner with StatePlus for ongoing planning, then product and advice fees may apply.

**For more information about the services provided by StatePlus, or to book an appointment, call 1800 620 305 or visit [stateplus.com.au](http://stateplus.com.au).**

State Super Financial Services Australia Limited (SSFS), trading as StatePlus, is the holder of the Australian Financial Services Licence 238430, ABN 86 003 742 756. SSFS/StatePlus is a 'for profit' financial planning organisation wholly owned by the State Super Schemes as an asset held within the STC Pooled Fund. However, SSFS/StatePlus has its own Board and Management team which is separate from the State Super Trustee. State Super does not pay any fees to SSFS/StatePlus for the financial advice and member seminar services it provides to State Super members. State Super is not a representative of SSFS/StatePlus and receives no commission when making referrals to SSFS/StatePlus for financial planning or member seminar services. Neither State Super nor the New South Wales Government take any responsibility for the services offered by SSFS/StatePlus, nor do they or SSFS/StatePlus guarantee the performance of any service or product provided by SSFS/StatePlus.



# Important Fund updates

## The NSW Government's Amalgamation Project

As previously communicated, the NSW Government announced its intent to amalgamate the funds management activities of the State's financial assets within NSW Treasury Corporation (TCorp) in March 2014. For State Super, this relates to the Defined Benefit<sup>1</sup> (DB) assets within the State Super Pooled Fund.

In response to this, over the past year, State Super has been assessing the benefit and suitability of outsourcing certain funds management activities to TCorp. After a full due diligence process, the State Super Board resolved to appoint TCorp as an outsourced service provider of certain funds management activities in relation to DB assets. This arrangement became effective on 15 June 2015. TCorp now provide funds management services in relation to the Trustee Selection Strategy (formerly called the Growth Strategy), which primarily invests the DB assets. TCorp's services include undertaking functions such as recommending investment managers, conducting due diligence, funds administration and operations and reporting activities. State Super will maintain the resources and staff required to continue to meet our regulatory and fiduciary obligations, which include retaining responsibility for member services and investment governance (including setting investment objectives and strategies, risk management and asset allocation) for all the State Super investment strategies. State Super will also continue to manage the four member investment choice strategies (Growth, Balanced, Conservative and Cash) in which SASS Defined Contribution<sup>2</sup> (DC) assets are primarily invested and the two university investment strategies (University Conservative Diversified<sup>3</sup> and University Cash) in which university employer reserves are invested.

### What does this mean for members?

There is no change to benefit design or entitlement and all benefits will continue to be paid in accordance with the relevant scheme legislation. All assets, whether they are member or employer funded will remain in the State Super Pooled Fund and the strategy they are currently allocated to (other than the DB assets which sit within the Trustee Selection Strategy).

### About TCorp

New South Wales Treasury Corporation (known as TCorp) is the central borrowing authority for the State of New South Wales. In addition to TCorp's role as the central financing authority for the State of New South Wales, TCorp is also a manager of asset and liability portfolios on behalf of clients, providing financial risk management and investment management services to the NSW Government and its constituent businesses.

## Important information about the additional SANCS benefit

In December 2014, the NSW Government proclaimed legislation that provided for an additional State Authorities Non-contributory Superannuation (SANCS) benefit of 0.25% p.a. of salary from 1 July 2013, increasing to 0.5% p.a. of salary from 1 July 2014, to eligible employees who are active members<sup>4</sup> of a State Super scheme.

The additional benefit, plus any accrued interest owing due to the late payment of the additional SANCS benefit, will be paid retrospectively to all eligible employees. The accompanying statement does not include these amounts.

There is significant work which needs to be undertaken in order to develop and implement the system and process changes required to facilitate the necessary benefit adjustments. It is anticipated that this work will be completed so that all entitlements for eligible employees will be reflected in full in their 2016 Annual Statement. We will continue to keep members informed of progress in this matter via the 'Latest News' section of the State Super website.

### KEEP AN EYE ON THE NEWS!

State Super updates and announcements are provided to members as they become available via the State Super website, [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au).

1. Defined Benefit assets are the assets within the State Super Pooled Fund that support employer reserves which are held in order to meet the New South Wales (NSW) Government's obligation to provide defined superannuation benefits.

2. Defined Contribution assets are the assets within the State Super Pooled Fund that support contributions made by members.

3. Prior to 1 September 2015 the University Conservative Diversified Strategy was called University Diversified.

4. This includes relevant employees who were active members and who exited the Scheme after 1 July 2013.

# Commonwealth Government changes

The Commonwealth Government has introduced a number of changes that may affect some State Super members.

## Defined Benefit income stream amendments

Following the 2014–15 federal budget announcement, the Commonwealth Government passed legislation to ensure that a fairer proportion of a superannuant's actual Defined Benefit (DB) income is taken into account when applying the social security income test. From 1 January 2016, the deductible amount (that is, the amount that can be excluded from the income test) for a DB income stream, excluding military Defined Benefit schemes, will be capped at a maximum 10% of the gross amount payable to an individual for the year. This will result in an increase to assessable income, for individuals with a deductible amount currently greater than 10%, for the purpose of determining the rate of income support the person receives.

This change may cause a reduction in Age Pension entitlements for many State Super pension members who are income tested, as current deductible amounts can be as high as 50%.

## Concessional contributions

The Federal Government did not introduce any changes to concessional (or pre-tax) contribution limits for the 2014–15 or 2015–16 financial years. This means the concessional contributions cap for members under the age of 50 remains at \$30,000 per financial year and the higher concessional contribution cap that applies to members who are 50 years of age or older remains at \$35,000 per financial year.

Concessional contributions in excess of the caps can be accepted by superannuation funds. The excess concessional contributions are included as part of an individual's assessable income and taxed at the individual's marginal tax rate. A tax offset is provided to account for the 15%\* contributions tax that is paid at the time the contribution is made. An interest charge may also be payable to reflect the delay in paying tax on the contributions.

## Non-concessional contributions

Non-concessional (or after-tax) contribution caps remained unchanged at \$180,000 per financial year. Individuals under age 65 can contribute up to \$540,000 in one financial year but non-concessional contributions made in the following two financial years will be limited so that no more than \$540,000 is contributed over the three years. Non-concessional contributions exceeding the limit are taxed at the top marginal tax rate of 49%.

The changes made to this legislation provide individuals with the ability to release from superannuation any non-concessional contributions made in excess of the cap plus 85% of any associated earnings on the amount. For income tax purposes, the full earnings amount earned on excess non-concessional contributions released from superannuation continues to be included in the individual's assessable income and taxed at the individual's marginal tax rate. The individual will be entitled to a non-refundable tax-offset equal to 15% of any associated earnings to recognise any tax paid by the super fund.

## Government co-contribution

The only change made to the Commonwealth Government co-contribution initiative was to the income thresholds. The income threshold for 2015–16 is from \$35,454 to an upper limit of \$50,454. Those eligible to receive a co-contribution will continue to be entitled to up to \$500 per year. To find out if you are eligible for the Government co-contribution, please visit [www.ato.gov.au](http://www.ato.gov.au).

## Low Income Superannuation Contributions (LISC)

In the 2012–13 federal budget, the Commonwealth Government proposed that the LISC cease from 1 July 2014. The legislation was repealed in September 2014 however, the LISC will continue to be available to eligible individuals up to and including the 2016–17 financial year. The LISC is available to members whose adjusted taxable income is under \$37,000 and provides a rebate of the 15% tax paid on concessional contributions (up to a maximum payment of \$500). The rebate is paid directly into a members superannuation account by the Commonwealth Government.

## Superannuation Guarantee

The deferral of the increase in the Superannuation Guarantee (SG) from the current 9.5% to 12% has been delayed by a further year. The gradual increase of the SG will now be paused at the rate of 9.5% up to and including the 2020–21 financial year. From 1 July 2021, the SG rate will increase to 10% and then by half a percent each year until it reaches 12% by the 2025–26 financial year.

\*The concessional contributions tax rate for members with an adjusted taxable income in excess of \$300,000 was increased from the standard rate of 15% to 30% from 1 July 2012.

# Abridged financial statements

## Financial reports at 30 June 2015

The following tables provide abridged financial information about all of the State Super schemes for the last two financial years. The full financial statements for the year to 30 June 2015 have been audited by the Auditor General and will be available on the website after State Super's Annual Report has been tabled in the NSW Parliament.

Statement of net assets		
	2015 (\$ million)	2014 (\$ million)
<b>Investments</b>		
Short-term securities	6,049.4	5,722.7
Australian fixed interest	2,576.3	2,278.5
International fixed interest	1,028.2	881.3
Australian equities	9,523.0	10,468.9
International equities	11,688.3	10,548.1
Property	3,487.1	3,261.4
Alternatives	7,096.1	6,615.0
	<b>41,448.4</b>	<b>39,775.9</b>
<b>Other assets</b>		
Cash and cash equivalents	6.5	0.8
Receivables	998.8	820.8
Plant and equipment	0.9	1.0
Current tax asset	–	3.4
Deferred tax asset	6.5	73.7
	<b>1,012.7</b>	<b>899.7</b>
<b>Total assets</b>	<b>42,461.1</b>	<b>40,675.6</b>
<b>Liabilities</b>		
Reserve units	0.7	0.8
Payables	231.4	250.4
Current tax liability	54.6	–
Deferred tax liability	186.4	176.2
<b>Total liabilities</b>	<b>473.1</b>	<b>427.4</b>
<b>Net assets available to pay benefits</b>	<b>41,988.0</b>	<b>40,248.2</b>



Statement of changes in net assets		
	2015 (\$ million)	2014 (\$ million)
<b>Net assets available to pay benefits at beginning of financial year</b>	<b>40,248.2</b>	<b>38,209.0</b>
<b>Contribution revenue</b>		
Employer contributions	1,481.0	1,401.1
Member contributions	366.2	409.1
	<b>1,847.2</b>	<b>1,810.2</b>
<b>Transfers</b>		
Scheme mobility transfer	0.5	(1.0)
	<b>0.5</b>	<b>(1.0)</b>
<b>Investment revenue</b>		
Short-term securities	85.3	111.4
Australian fixed interest	128.8	108.9
International fixed interest	22.0	21.8
Australian equities	451.3	534.9
International equities	347.2	351.6
Property	168.6	208.3
Alternatives	436.4	442.1
	<b>1,639.6</b>	<b>1,779.0</b>
Changes in net market values of investments	2,985.4	3,145.8
	<b>4,625.0</b>	<b>4,924.8</b>
Direct investment expenses	(125.8)	(102.6)
Net investment revenue	<b>4,499.2</b>	<b>4,822.2</b>
Other revenue	8.4	10.3
<b>Total revenue</b>	<b>6,355.3</b>	<b>6,641.7</b>
Benefits paid	(4,435.6)	(4,456.1)
Scheme administration expenses	(46.2)	(38.0)
Other expenses	(7.2)	(2.0)
<b>Total expenses</b>	<b>(4,489.0)</b>	<b>(4,496.1)</b>
<b>Change in net assets before income tax</b>	<b>1,866.3</b>	<b>2,145.6</b>
Income tax benefit/(expense)	(126.5)	(106.4)
<b>Change in net assets available to pay benefits after income tax</b>	<b>1,739.8</b>	<b>2,039.2</b>
<b>Net assets available to pay benefits at end of financial year</b>	<b>41,988.0</b>	<b>40,248.2</b>

# Fees and charges

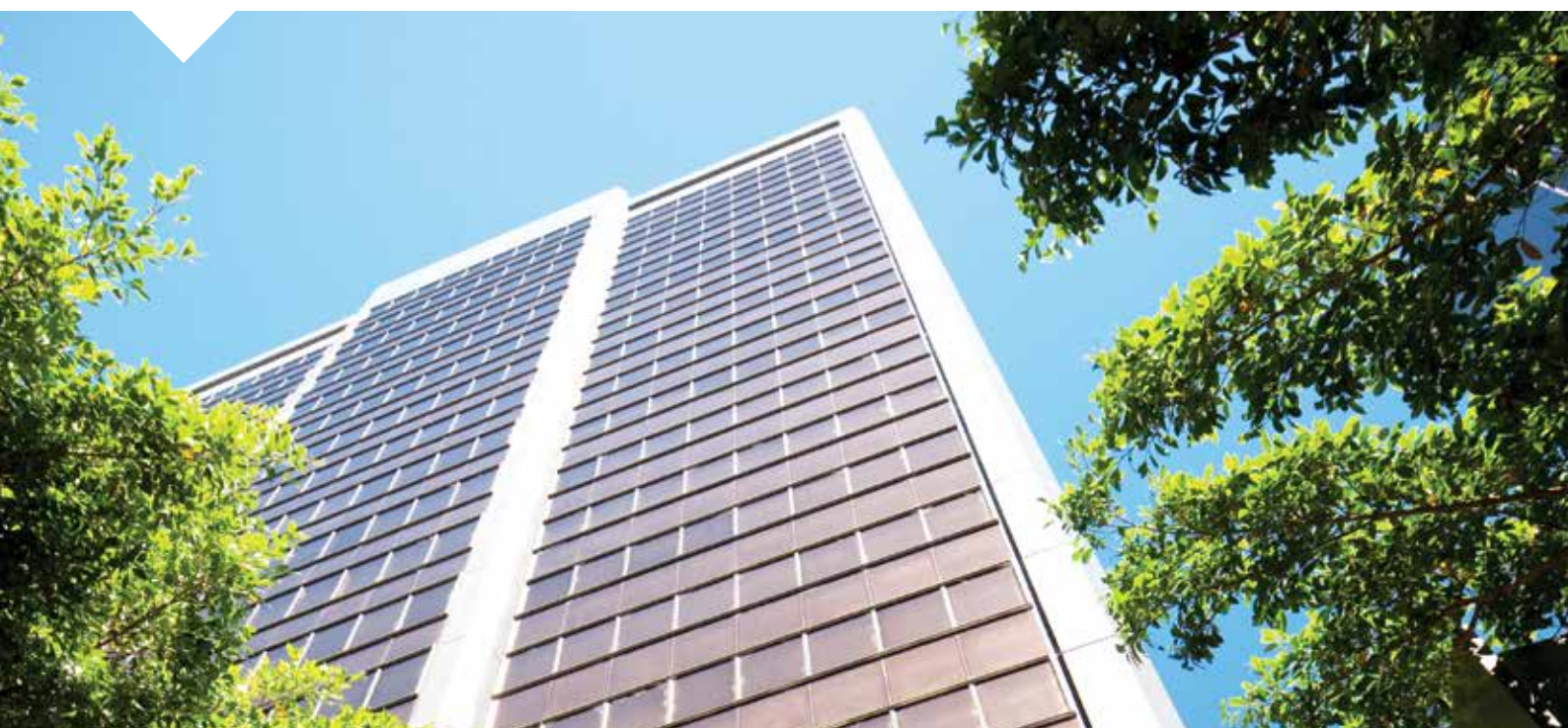
## Direct fees

Fee	Percentage of average total assets	
	SASS	SSS and PSS
<b>Management charge</b>	<p>Contributing members pay an annual administration fee of \$45 p.a.</p> <p>Deferred benefit members with a deferred SANCS benefit pay an annual administration fee of \$20 p.a.</p> <p>This fee is deducted in equal monthly instalments from the member's personal account.</p>	<p>Generally, the direct fees and costs associated with SSS and PSS are met by the employer. Deferred benefit members with a deferred SANCS benefit pay an annual administration fee of \$20.</p>
<b>Investment switch fees</b>	<p>A member can switch between investment strategies once each year ending 30 June without incurring any fee. A switch fee of \$25 is applied for each additional switch in the year. This fee is deducted from the member's personal account at the time of the switch.</p> <p>For further details, please refer to SASS Fact Sheet 15: <i>Choosing an investment strategy</i>.</p>	Not applicable
<b>Additional benefit cover</b>	<p>Where a member has additional benefit cover, the amount deducted each month from the personal account will vary based on the member's age, amount of cover and type of employment.</p>	Not applicable

## Family law fees

An additional service fee applies if information is requested for the purposes of a Family Law split. If a member or a member's spouse or de facto partner has requested information during the year, a fee of \$275 will be paid by the requesting party by way of a separate cheque to the Fund. The amount is not deducted from the member's account.

A benefit split fee of \$1,347.50 is payable when a member's benefit is split and is generally divided equally between the member and their spouse or de facto partner. However, if the spouse or de facto partner is entitled to all of the member's benefit, the fee is payable by the spouse. The benefit split fee can be deducted from the final amount or paid by way of a separate cheque to the Fund.



## Indirect fees

### Investment management costs

Investment management expenses are deducted from investment gains or losses before determining the declared rate, and are borne indirectly by members by way of a reduced rate of investment return.

For **contributory members**, investment gains or losses affect the balance of the personal account (and the balance of reserve unit accounts for SSS members) and the Commonwealth Government contribution account. The amount is deducted from your investment and includes amounts that have reduced the return on your investment but are not charged directly to you as a fee.

For **deferred benefit members**, investment gains or losses affect the amount of the immediate lump sum, deferred lump sum, SANCS basic benefit and the Commonwealth Government contribution account. The amount is deducted from your investment and includes amounts that have reduced the return on your investment but are not charged directly to you as a fee.

### Indirect fees and costs for SSS and PSS members

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

### Investment expenses

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

Investment management expense ratio of average total assets		
Strategy	Actual 2014–15	Estimated 2015–16
<b>Defined Benefit investment strategies</b>		
Trustee Selection	0.38%	0.42%
University Diversified Conservative	0.09%	0.09%
University Cash	0.16%	0.07%
<b>Member Investment Choice strategies</b>		
Growth	0.37%	0.39%
Balanced	0.33%	0.34%
Conservative	0.24%	0.25%
Cash	0.07%	0.07%

The University Cash option experienced high investment management expenses during the year, which was a result of high inception start-up costs. The level of fixed costs combined with the option being small also contributed to the costs associated with the option. Growth in the option is expected to drive down investment management expenses during 2015–16.

The indirect cost percentages for 2015–16 are estimates and may change due to market circumstances or changes in the structure of the asset sectors as the year unfolds. These estimates are slightly higher than the previous financial year due to a restructure of the mix of strategies being used.

# Complaints and disputes

## Complaints

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

If you are still not satisfied with the resolution of the matter, you may complain directly to the scheme Trustee, SAS Trustee Corporation (State Super).

### **To lodge a complaint with Pillar you can contact customer service on:**

SASS – 1300 130 095

SSS – 1300 130 096

PSS – 1300 130 097

Deferred benefit members – 1300 130 094

Pension members – 1300 652 113

## Disputes

If you are dissatisfied with a decision relating to a benefit entitlement, e.g. a decision by Pillar (made on behalf of State Super) to refuse a claim for a disability benefit, you may dispute that decision directly with State Super. A notice of dispute must be served on State Super within 2 years after you have been notified in writing of the right to dispute the decision.

You may then be requested to clarify certain details relating to your dispute and to provide additional supporting evidence. Your dispute will then be referred to the Trustee's Member Services Committee for consideration, and you will be notified of the outcome of the review.

### **To lodge a dispute with STC, please write to:**

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

### **PSS 'hurt on duty' disputes:**

Members or other claimants have a right of appeal to the District Court of NSW in regard to decisions made by State Super on entitlement to PSS 'hurt on duty' benefits. This includes decisions made by the Commissioner of Police as to whether a member was hurt on duty in relation to a particular infirmity (or death). Section 21 of the Police Regulation (Superannuation) Act 1906 is relevant to these appeals.

## Appeals

If you are still dissatisfied with the decision of State Super following the dispute process, you may appeal to the Industrial Court of NSW within 6 months of being notified of State Super's decision or within such further period as the Court allows.

As the schemes are exempt from the Commonwealth Regulatory regime, members cannot lodge a complaint with the Superannuation Complaints Tribunal as that body has no jurisdiction over decisions made by State Super.

### **To lodge an appeal against an STC decision (following the dispute process):**

Please contact the Industrial Court of NSW by telephoning (02) 9258 0866 or by writing to:

Industrial Court of NSW  
GPO Box 3670  
Sydney NSW 2001





# GIPA, privacy and compliance

## Government Information Public Access Act 2009

Under the *Government Information (Public Access) Act 2009* (GIPA Act), State Super must review, at least annually, its program for the release of information that should be made publicly available in the public interest without imposing unreasonable additional costs on State Super. The information that has been released on the website at **[www.statesuper.nsw.gov.au/corporate-governance/access-to-information-gipa](http://www.statesuper.nsw.gov.au/corporate-governance/access-to-information-gipa)** is reviewed and updated on a regular basis.

Under the GIPA Act, all government agencies must make certain information, known as 'open access information', publicly available, unless there is an overriding public interest against disclosure. Generally, open access information must be available on an agency's website, and at least one method of access must be free of charge.

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

- policy documents and procedure manuals
- State Super's agency information guide, which describes the structure and functions of the Trustee
- a disclosure register of formal applications that have been made by members requesting open access information
- a register of State Super's contracts with private sector organisations that are worth more than \$150,000
- documents that have been tabled in Parliament by or on behalf of State Super.

State Super will also publish on its website details about open access information that may not be disclosed due to an overriding public interest.

Please contact Customer Service to confirm that no other avenue for gaining information exists before deciding to apply under the GIPA Act. For further information, please refer to STC Fact Sheet 9: *Government Information (Public Access) Act & Privacy*, which is available on the State Super website at **[www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)**.

## Privacy

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

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

The Privacy Statement was last updated 1 July 2014 and:

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

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

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

## Compliance

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

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

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



## Customer service

<b>SASS</b>	<b>1300 130 095</b>
<b>SSS</b>	<b>1300 130 096</b>
<b>PSS</b>	<b>1300 130 097</b>
<b>Deferred members</b>	<b>1300 130 094</b>
<b>Pension members</b>	<b>1300 652 113</b>

You can contact customer service from 8.30am to 5.30pm, Monday to Friday for the cost of a local call unless calling from a mobile or pay phone.

**Fax service** 02 4253 6688

**Email** [enquiries@stc.nsw.gov.au](mailto:enquiries@stc.nsw.gov.au)

## Mailing addresses

Customer service and Pillar Administration:  
PO Box 1229  
Wollongong NSW 2500

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

**Website** [www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)

## Personal interview service

### To arrange an interview appointment call:

Sydney	02 9238 5540
Newcastle	1800 807 855
Parramatta	1800 626 000
Wollongong	1800 060 166

## Need help with English?

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

### Arabic

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

### Chinese

會員如果閱讀英語有困難，諮詢服務部可安排發放資料的譯本。

### Greek

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

### Italian

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

### Vietnamese

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



**StatePlus**

Formerly State Super Financial Services

## Financial planning advice

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

**Telephone** 1800 620 305

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

**Website** [www.stateplus.com.au](http://www.stateplus.com.au)

[www.statesuper.nsw.gov.au](http://www.statesuper.nsw.gov.au)



**STATE SUPER**  
SAS Trustee Corporation