



ANNUAL REPORT

2018 - 19

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.

2018–19 HIGHLIGHTS

- The State Super Pooled Fund is one of the largest superannuation funds in Australia with assets totalling \$44 billion (excluding the Employer Sponsor Receivable) at 30 June 2019.
- The Pooled Fund's net investment revenue for 2018–19 was \$3.5 billion.
- The Trustee Selection Strategy for the Pooled Fund earned net investment revenue that resulted in an estimated effective average rate of return credited to Crown employers of 9.2% (after adjustment for exempt current pension income tax). In addition, the Trustee credited a 7.6% return to members in the Growth Strategy (after tax).
- At 30 June 2019, net Fund assets (excluding the Employer Sponsor Receivable) covered 74% of accrued liabilities (actuarially measured using the assumed earning rate of the Fund).
- State Super's annual member satisfaction rating from the 2018/2019 survey remained consistently high at 7.9 out of a possible 10.
- Investment initiatives undertaken include completion of the Triennial Actuarial investigation; a comprehensive review of all the investment objectives and strategic asset allocations and working closely with TCorp on several portfolio initiatives to enhance the management of State Super's Defined Benefits (DB) assets.
- A new Responsible Investment Policy was introduced, and State Super became a signatory to the Australian Asset Owner Stewardship Code to help promote active ownership and transparency by investors.
- Member publications including SuperViews and Pension Newsletters were produced to inform, educate and engage members on the State Super schemes with an increase in readership.
- State Super developed a set of five Member Beliefs that are currently being launched to members and stakeholders.
- A new and improved contract with Allianz was finalised, delivering a saving of over half a million dollars each year.
- State Super commissioned an independent HOGA review. For all 21 principles there were no material gaps identified by KPMG.
- State Super has developed a new website that is currently in final stages of implementation.
- Over 2000 SASS and SSS members attended free education seminars on their schemes.

Report to the Minister

October 2019

The Hon. Dominic Perrottet, 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 2018 to 30 June 2019.

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 *Public Finance and Audit Act 1983*, 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



Claire Keating
Board member and Chairperson,
Risk, Audit and Compliance Committee
SAS Trustee Corporation

Annual Report: 2018-19

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Part A

About State Super

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A message from the Chairperson

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

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

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

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

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

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

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

Member Services

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

In this year we have developed a set of Member Beliefs. These Member Beliefs were part of our corporate plan and we undertook a robust process to ensure that our members, board and committees were part of the development process. Our Member Beliefs

consist of a group of five promises that we make to our members which set out how we conduct ourselves in delivering relevant and reliable member experiences. The beliefs align to our mission, purpose and objectives, but most importantly they will guide us when we need to take decisions that may impact our members.

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

Investment overview

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

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

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

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

State Super's Purpose remains consistent

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

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

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

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

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

A handwritten signature in black ink, appearing to read 'N Johnson', with a horizontal line underneath.

Nicholas Johnson
Chairperson
October 2019

Chief Executive Officer's report

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

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

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

Our members

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

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

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

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

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

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

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

Our investments

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

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

in the first or second quartile of returns for funds with comparable investment strategies over the same periods.

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

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

Looking forward

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

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

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

Environmental, Social and Governance (ESG) Risks

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

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

Scholarship

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

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

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

Thank you

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



John Livanas
Chief Executive Officer
October 2019

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 \$44 billion at 30 June 2019.

Membership

With 99,312 members at 30 June 2019, a large portion of the membership has reached or is approaching retirement age. The State Super schemes are closed to new members.

The following table contains a summary of each scheme.

State Authorities Superannuation Scheme (SASS)

Commencement	1 April 1988, under the <i>State Authorities Superannuation Act 1987</i> .
Scheme eligibility	<p>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.</p> <p>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.</p>
Closed to new members	19 December 1992
Members at 30 June 2019	Contributing members: 18,875 Deferred benefit members: 9,293 Pension members: 4,620 Total members: 32,788
Financial position at 30 June 2019	Net assets: \$12,911 million Accrued benefits: \$14,598 million* Unfunded liabilities: \$1,687 million
Member benefits	Lump sum of employee contributions accumulated with earnings, plus an employer-financed, lump sum defined benefit based on final average salary or final salary, membership period and level of employee contributions.

State Superannuation Scheme (SSS)

Commencement	1 July 1919, under the <i>Superannuation Act 1916</i> .
Scheme eligibility	Salaried employees of the NSW public service and teaching service were eligible to join SSS, as well as a number of statutory authorities scheduled in the <i>Superannuation Act 1916 (NSW)</i> .
Closed to new members	1 July 1985
Members at 30 June 2019	Contributing members: 2,313 Deferred benefit members: 1,228 Pension members: 55,455 Total members: 58,996

*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 2019	<p>Net assets: \$23,817 million</p> <p>Accrued benefits: \$34,473 million*</p> <p>Unfunded liabilities: \$10,656 million</p>
Member benefits	<p>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.</p> <p>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.</p>

Police Superannuation Scheme (PSS)

Commencement	1 February 1907 under the <i>Police Regulation (Superannuation) Act 1906</i> .
Scheme eligibility	Members of the NSW Police Service employed prior to 1 April 1988.
Closed to new members	1 April 1988
Members at 30 June 2019	<p>Contributing members: 784</p> <p>Deferred benefit members: 85</p> <p>Pension members: 6,659</p> <p>Total members: 7,528</p>
Financial position at 30 June 2019	<p>Net assets: \$5,153 million**</p> <p>Accrued benefits: \$7,507 million*</p> <p>Unfunded liabilities: \$2,354 million</p>
Member benefits	On retirement, a defined benefit (pension or lump sum), the level of which depends on the member's final average salary and membership period.

State Authorities Non-contributory Scheme (SANCS)

Commencement	1 April 1988 under the <i>State Authorities Non-contributory Superannuation Act 1987</i> .
Scheme eligibility	Members of SASS, SSS and PSS.
Closed to new members	19 December 1992
Members at 30 June 2019	<p>Current active members: 21,971</p> <p>Deferred benefit members: 10,043</p> <p>Total members: 32,014</p>
Financial position at 30 June 2019	<p>Net assets: \$1,893 million</p> <p>Accrued benefits: \$2,199 million*</p> <p>Unfunded liabilities: \$306 million</p>
Member benefits	<p>SASS, SSS and PSS members receive the SANCS benefit in addition to their main scheme benefit.</p> <p>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).</p> <p>Members may also be eligible for the Additional Employer Contribution (AEC), an accumulation style superannuation benefit.</p>

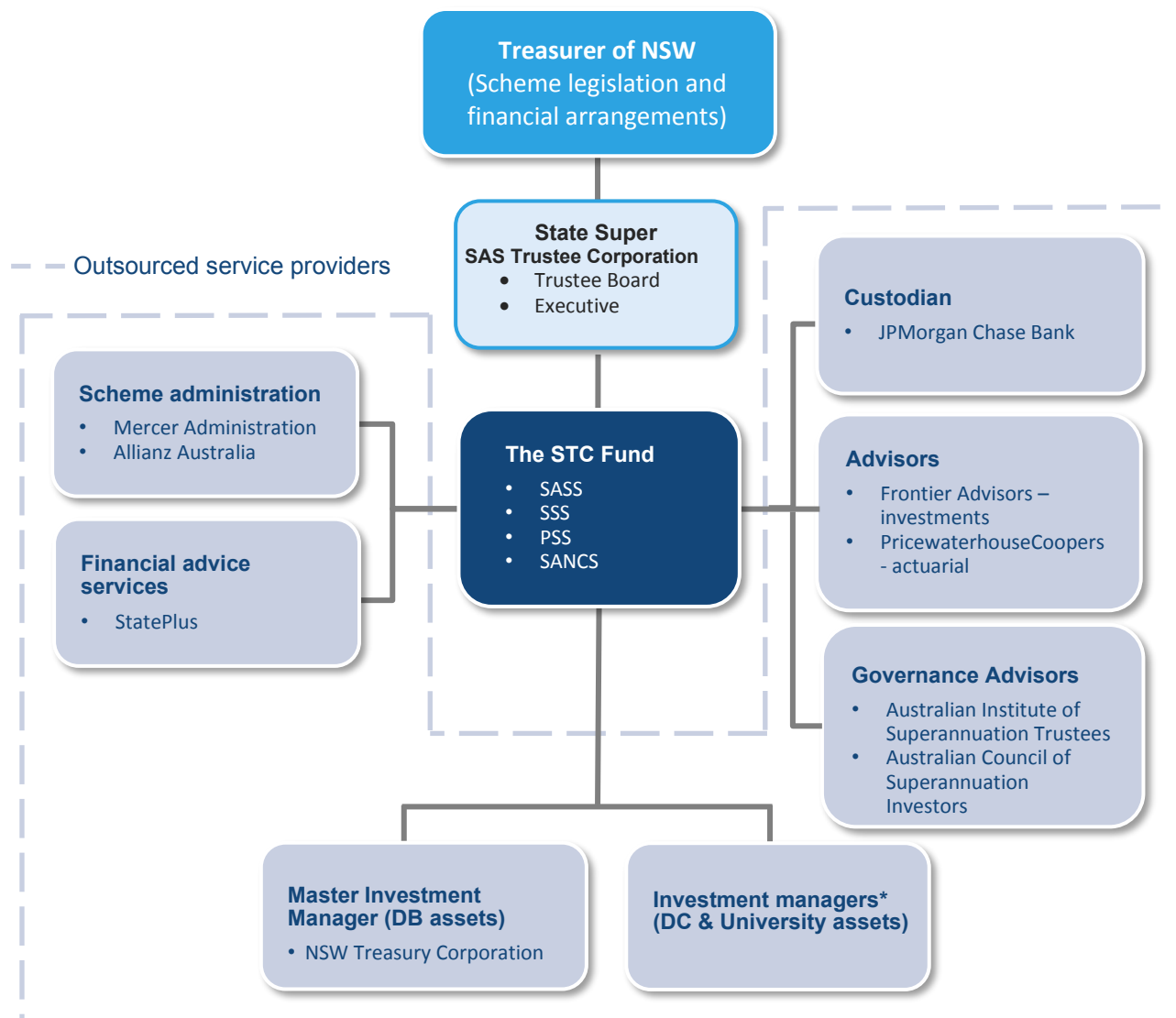
*Accrued benefits as measured by the actuary using the assumed earning rate of the Fund as the discount rate. Accounting standards require employers to report accrued benefits in their financial statements using a risk-free discount rate that results in a higher estimate of accrued benefits.

** 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 2019 are set out below:



* Refer to pages 46 and 47 for a full list of investment managers at 30 June 2019.

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:

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

Mr Johnson is a member of the Board of The Sydney Institute and a Member of the NSW Generations Fund Advisory Board. His previous appointments include Chairman of Pillar Administration (a provider of administrative services to the superannuation industry, including to State Super) and Chairman of the National Art School, 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

Company Director

Appointed June 2018

Ms Austin has over thirty years' experience in the finance industry and is currently a Non-Executive Director of HSBC Bank Australia Ltd 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. Ms Austin is also a Commissioner with the NSW Independent Planning Commission.

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'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.

Catherine Bolger – Employee Representative

Professionals Australia

Appointed September 2015

Ms Bolger has extensive experience as a professional trustee director, having served on a range of industry fund and related boards for the last 15 years. She is currently a Director of Professionals Australia and the President of the Australian Institute of Superannuation Trustees and a trustee of Unions NSW.

Ms Bolger is also non-executive Director of Powercoal Employees' Entitlements Fund and was a member of the Insurance in Superannuation Industry Working Group, responsible for developing the Insurance in Superannuation Voluntary Code of Practice.

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

NSW Rail, Tram and Bus Union

Appointed November 2012; reappointed November 2016

Mr Claassens is currently State Secretary and National Executive Member of the NSW Rail, Tram and Bus Union, Director of Endeavour Mutual Bank and is a member of its Risk Committee. Other current positions are Director of Transport Heritage NSW, Alternative Board Member of the Sydney Alliance for Community Building and a member of the NSW Rail Regulator-NSW Branch Operations Forum. He has a passion for the transport industry, having begun his career driving trains on the NSW rail network.

Mr Claassens is an experienced board member having held numerous positions including Director of Encompass Credit Union before it merged with Select and was subsequently reappointed to the merged organisation, Select Encompass Credit Union and as a member of its Risk Committee until February 2018. Mr Claassens has also been

part of the Sydney Alliance Community Building Board since 2013. He was an employee representative Board Member of State Super Financial Services and was also involved in their transition to becoming StatePlus.

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 still drives passenger trains and heritage steam locomotives on a regular basis.

Swati Dave – Employer Representative

Company Director

Appointed May 2016; reappointed May 2019

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. 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.

Claire Keating – Employer Representative

Company Director

Appointed November 2016

Ms Keating is an experienced non-executive director and independent consultant with over 25 years' experience in superannuation and funds management.

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 is a director of Yooralla (Disability), CARE Super, the NAB Wealth Responsible Entity Boards comprising MLC Investments Ltd, Navigator Australia Ltd, Antares Capital Partners Ltd and National Asset Management Ltd and is a Board Member of the Judicial Commission of Victoria.

She 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.

George Maniatis – Employee Representative

NSW Fire Brigade Employees' Union

Appointed September 2015

Mr Maniatis was the Senior Industrial Officer for the Fire Brigade Employees' Union (FBEU) of New South Wales, from 2009 to 2019. He has over 25 years' experience in the union movement, mainly as an Industrial Officer and advocate appearing before State and Federal industrial tribunals and courts.

Mr Maniatis was involved in the creation and establishment of NSW Fire Brigades Superannuation Pty Limited, the corporate trustee of the NSW Fire, Death and Disability Super Fund, including drafting the trust deed on behalf of the FBEU, and was the union-nominated Director of the Trustee from 2005 to 2007.

Mr Maniatis holds Bachelor of Economics and Master of Labour Law and Relations from the University of Sydney, and a Bachelor of Laws from the University of Technology, Sydney. He was admitted as a legal practitioner of the Supreme Court of New South Wales in 2003.

Tony O'Grady – Employee Representative
NSW Nurses and Midwives' Association
Appointed June 2013; reappointed September 2017

Mr O'Grady has over 11 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 and also as a Director of StatePlus (formerly State Super Financial Services) between May and November 2015.

He 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.

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.

Former Trustee Board members

Roslyn Ramwell – Employer Representative
Company Director
Appointed June 2015; term ended June 2019

Ms Ramwell was the CEO of the Harwood Superannuation Fund for 12 years. She has more than 20 years' experience in superannuation in both Government and private sectors and has also worked for QSuper and the Insurance and Superannuation Commission (now APRA).

Ms Ramwell is a Director of First State Super (appointed in May 2019) and TAL Superannuation Limited and chairs its Audit, Compliance and Risk Management Committee as well as its Remuneration Committee. She is a Life Member of the Association of Superannuation Funds of Australia Limited, having served as a director for 12 years and chaired its Finance & Risk Committee for six years.

Ms Ramwell has a Bachelor of Business (Accounting), is a CPA, a Chartered Secretary, an ASFA Accredited Investment Fiduciary and a Trustee Fellow. She has a Diploma of Superannuation, a Graduate Diploma in Applied Corporate Governance, and is a Graduate of the Australian Institute of Company Directors.

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 2018–19 reporting period are listed in the table below.

	Appointed	Term end date	Meetings attended during 2018–19 (actual / possible)
Mr N Johnson (<i>Chairperson</i>)*	26 Jun 2015	25 Jun 2023	6 / 6
Employee representatives			
Mr A Claassens	5 Nov 2012	4 Nov 2020	6 / 6
Mr T O'Grady	14 Sep 2017	13 Sep 2021	4 / 6
Ms C Bolger	25 Sep 2015	24 Sep 2019	5 / 6
Mr G Maniatis	25 Sep 2015	24 Sep 2019	4 / 6
Employer representatives			
Ms C Austin	28 Jun 2018	27 Jun 2022	5 / 6
Ms R Ramwell*	26 Jun 2015	25 Jun 2019	6 / 6
Ms S Dave*	26 May 2016	25 May 2022	5 / 6
Ms C Keating	10 Nov 2016	9 Nov 2019	6 / 6

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 Johnson was reappointed as Chair*
- *Ms Ramwell's term as Employer Representative expired on 25 June 2019*
- *Ms Dave was reappointed as Employer Representative*

Trustee Board and other committees

Investment Committee members during the reporting period

Ms Ramwell, Ms Dave, Ms Austin, Ms Bolger and Mr Johnson (Chairperson). Mr Gerard Parlevliet's appointment as specialist expert to the Investment Committee expired on 25 April 2019. On 14 December, Ms Ramwell and Ms Dave stepped down from the Investment Committee and Ms Bolger was appointed. 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 effecting 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 2018–19

Member	Attendance actual / possible
Mr N Johnson (<i>Chairperson</i>)	4 / 4
Ms C Austin*	3 / 3
Ms R Ramwell**	2 / 2
Ms S Dave**	2 / 2
Ms C Bolger***	2 / 2
Mr Parlevliet****	3 / 3

*Ms Austin was appointed to the Committee on 4 October 2018

** Ms Ramwell and Ms Dave stepped down from the Committee effective 14 December 2018

*** Ms Bolger was appointed to the Committee effective 14 December 2018

**** Mr Parlevliet's appointment expired on 25 April 2019

Risk, Audit and Compliance Committee members during the reporting period

Ms Keating (Chairperson), Ms Bolger, Ms Ramwell and Mr O'Grady. Ms Bolger stepped down from the Committee on 14 December 2018 and returned to the Committee on 21 June 2019. Ms Ramwell was appointed on 14 December 2018 and left the Committee following the expiry of her term on 25 June 2019.

Members of the executive, the Audit Office of New South Wales, 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 2018–19

Member	Attendance actual / possible
Ms C Keating (<i>Chairperson</i>)	5 / 5
Mr T O'Grady	5 / 5
Ms C Bolger [#]	3 / 3
Ms R Ramwell ^{##}	2 / 2

[#]Ms Bolger stepped down from the Committee effective 14 December 2018 and was re-appointed to the Committee on 21 June 2019.

^{##} Ms Ramwell was appointed to the Committee effective 29 January 2019 and left the Committee following the expiry of her term on 25 June 2019.

Member Services Committee members during the reporting period

Messrs Claassens (Chairperson), Maniatis and O'Grady and Ms Dave. 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 2018–19

Member	Attendance actual / possible
Mr A Claassens (<i>Chairperson</i>)	4 / 4
Mr T O'Grady	4 / 4
Mr G Maniatis	4 / 4
Ms S Dave	4 / 4

Statutory Committee – Police Superannuation Advisory Committee

The committee is a statutory committee established under Part 2H of the *Police Regulation (Superannuation) Act 1906* to exercise certain powers delegated by the Trustee Board.

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

Purpose

The purpose of the Police Superannuation Advisory Committee is to determine entitlement to medical discharge for members of the NSW Police Force, entitlement to 'Hurt on Duty' pension increases and other benefits under the Police Superannuation Scheme, and to advise State Super on matters relating to administration of the *Police Regulation (Superannuation) Act 1906* that are referred to it by the Trustee Board.

Meetings attended during 2018-19

Member	Attendance actual / possible
Ms R Ramwell (<i>Chairperson</i>)*	8 / 11
Mr A Claassens (<i>Chairperson</i>)*	1/1

*Mr A Claassens was appointed deputy Chairperson effective 5 December 2018

*A Chair was appointed from members for 2 meetings

Human Resources and Nominations Committee members during the reporting period

Ms Bolger and Messrs Claassens (Chairperson), Maniatis and Johnson. 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 oversight responsibilities in relation to human resource matters including:

- managing of human resource governance frameworks
- determining remuneration structure and levels of staff
- determining any performance criteria for the Executive and the CEO
- monitoring human resource obligations under relevant policies, including the Code of Conduct and Ethics.

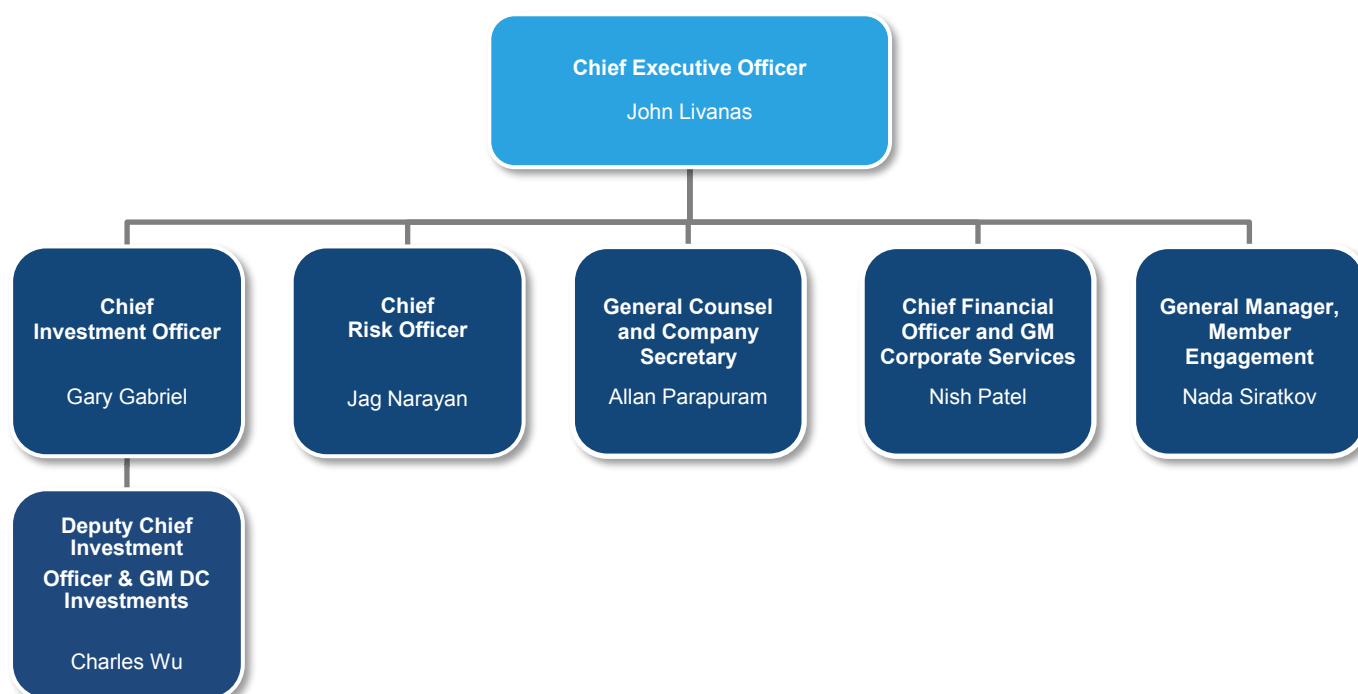
Meetings attended during 2018–19

Member	Attendance actual / possible
Mr A Claassens (<i>Chairperson</i>)	2 / 2
Ms C Bolger	2 / 2
Mr G Maniatis	2 / 2
Mr N Johnson	2 / 2

State Super Executive team

The State Super Executive team comprises the Chief Executive Officer and six senior executives and is responsible for implementing State Super's corporate strategies and managing the organisation's day-to-day operational activities.

The State Super Executive at 30 June 2019 was as follows:



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 \$44 billion of assets.

Mr Livanas has over 25 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 in October 2011, Mr Livanas was the Chief Executive Officer of AMIST Super (2008–11) and the General Manager of FuturePlus Financial Services (2002–08). He was a Director of ISPT and ISPT Grosvenor International Property Trust from 2010–12 and in August 2013 was appointed to the Board of the Australian Council of Superannuation Investors.

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 of the Australian Institute of Company Directors.

Gary Gabriel

Chief Investment Officer

Mr Gabriel leads State Super's internal Investment and Actuarial teams and is responsible for determining and executing the Fund's investment strategies. This includes developing investment policies and objectives, determining asset allocation, and implementing and monitoring the Fund's investment arrangements. Mr Gabriel is also responsible for overseeing the Fund's key partnerships with its investment advisors, managers and other related service providers.

Mr Gabriel has more than 25 years' experience in institutional investment, spanning investment strategy formulation, portfolio construction and risk management, and investment management across global listed and unlisted asset classes. Prior roles include General Manager of Portfolio Strategy and Risk at HESTA, Managing Director (Asia Pacific) for Wilshire Associates, Head of Private Markets at the Future Fund, and Head of Private Markets at UniSuper.

Mr Gabriel holds a Bachelor of Economic Science from the University of Witwatersrand and a Certificate in Actuarial Techniques from the Institute of Actuaries. He is also a CFA Charter holder and is a Graduate of the Australian Institute of Company Directors.

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 and Certified Internal Auditor. He holds a Bachelor of Commerce (Accounting) from the University of Western Sydney.

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, and a member of the State Super/StatePlus Steering Group, the central reference point for the oversight and management of the StatePlus relationship.

Mr Parapuram has held senior legal roles at State Super for the last seven 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.

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.

Nada Siratkov

General Manager, Member Engagement

Ms Siratkov is responsible for the development and 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 has responsibility for leading the direction and oversight of outsourced providers including negotiation of contracts that maximise value to State Super and its' members. In addition, Ms Siratkov is responsible for member product development, legislation and its interpretation and policy, marketing and communications, stakeholder engagement, 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/StatePlus Steering Group and is on State Super's WHS Committee.

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

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

Charles Wu

Deputy Chief Investment Officer & General Manager, Defined Contribution Investments

Mr Wu joined State Super in 2015. In his role as Deputy Chief Investment Officer and General Manager, Defined Contribution Investments, Mr Wu is responsible for formulating investment strategy to assist members to achieve return objectives on a risk-adjusted basis. He was previously an Investment Manager at Media Super and an analyst at Mercer.

Mr Wu holds a Master of Commerce and a Bachelor of Computer Engineering and is a Chartered Financial Analyst holder. He also serves as Vice President and Director of University Outreach at Chartered Financial Analyst Society Sydney.

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Part B

Corporate performance

State Super's performance against Corporate Plan objectives

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State Super's performance against its Corporate Plan objectives

State Super has set five key strategies for 2018-19 to 2022-23. These strategies cover the two fundamental aspects of State Super's business – investment strategy and member experience – supported by three crucial enablers – governance, stakeholder relationships and people. These strategies are basically unchanged from the previous financial year (2017-18). STC has made minor refinements to the specific strategies that sit underneath each of the five strategies.

State Super's 2018–19 Corporate Plan identified five key objectives for the financial year

1. **Investment.** Set and meet our risk/return objectives.
2. **Member.** Deliver relevant and reliable member experiences.
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

Challenges faced during the year include:

1. To maintain a high level of employee engagement, and to ensure that the capabilities required in the organisation are retained
2. Ensuring compliance with the requirements of the ATO, HOGA and APRA, and maintaining a high degree of awareness of developments from the Royal Commission
3. To appropriately oversee TCorp
4. First triennial review with newly appointed Actuary, PricewaterhouseCoopers
5. Implementation of annual audit plan with new Internal Auditor, Deloitte Touche Tohmatsu
6. Providing ongoing governance oversight of Mercer Administration Services, including the systems transition program

1. Investment: Set and meet risk/return objectives

Over the 2018-19 financial year, State Super has continued to work closely with TCorp and our scheme actuary, PwC, to continually improve the alignment of the investment strategy for our defined benefit assets with our actuarial projections of future member liabilities. This alignment will increase in importance as we move closer to the target date of 30 June 2030 set down in the Fiscal Responsibility Act 2012 to achieve full funding of State Super's defined benefit liabilities.

As noted in the 2018-19 Budget Papers (section 7.4), the Government remains committed to fully funding its superannuation liabilities by June 2030, consistent with the Fiscal Responsibility Act 2012. The Government's long-term funding program for State Super, which involved contributions of \$1.6 billion in the 2018-19 financial year and annual contributions thereafter increasing at a rate of five per cent per annum until 2030, is a key factor in determining both the investment strategy and actuarial projections.

The Scheme Actuary, PwC, completed its triennial actuarial review for 30 June 2018 which assessed the current funding plan and investment strategy against the 2030 funding target, considering demographic changes and economic drivers, such as inflation and investment returns. The triennial review confirmed an improvement in the overall funding position as at 30 June 2018, and this position is monitored using the actuary's asset/liability model until the next triennial review. In the 2018-19 financial year, the Trustee Selection Investment Option exceeded the target rate of return as determined in the triennial review.

Each of the diversified Member Investment Choice Strategies exceeded their performance benchmark over one, three, five and ten year periods to 30 June 2019, and ranked in the first or second quartile of returns for funds with comparable investment strategies over the same periods.

Risk settings and asset allocation 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 of this diversification is to reduce the expected volatility associated with achieving the target level of returns and risk management plays a crucial role in this process.

2. Member: Deliver relevant and reliable member experiences

State Super has continued to deliver positive member experiences over the reporting period. Our annual research shows overall member satisfaction rated at 7.9, a consistently high score for the fourth year running. Satisfaction scores for the various member services also rated highly, with seminars and financial advice service rated above 8.0 – substantially higher than the national average of 7.1.

There have been a number of new digital marketing campaigns with StatePlus, including a series of emails encouraging members over 60 to plan for their retirement. Another series, tailored to the under 60s, focuses on education about the schemes. The introduction of a new “Last Chance Advice” campaign offered an obligation free appointment with a planner prior to taking a SASS benefit. The one-on-one Super Health Check program is now embedded as an alternative to member seminars and provides a service to members in regional areas.

Legislative product changes to bring the schemes in line with Commonwealth Superannuation legislation have been submitted to Industrial Relations and NSW Treasury for consideration, including the development of Trustee discretion options to address complex disputes in relation to spouse entitlements.

Member research was completed to test proposed “Member Beliefs” and a launch plan developed to introduce the beliefs to members and other key stakeholders in 2019/20.

State Super participated in a number of Member Annual Conferences – NSW Nurses and Midwives Association, NSW Secondary Deputy Principals, NSW Primary Principals, and NSW Teachers Federation, and provided timely resolution of member enquiries.

A website performance audit has resulted in a project to launch a new State Super website in 2019/20 with improved information architecture and design, navigation and readability.

The new member disputes process is being monitored to ensure effective management of disputes.

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 the Skills Matrix and internal Board Assessments.

A formal governance and delegations framework enables appropriate oversight and monitoring of the organisation.

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.

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 NSW Treasury Corporation, its investment consultant, Frontier, its Scheme administrator, Mercer Administration Services and its custodian, JP Morgan.

4. Stakeholders: Maintain positive relationships with stakeholders

Maintaining and engaging stakeholders is important to the success of State Super in delivering on its purpose for members. A new stakeholder engagement framework, including a broadened contact group and a process for recording meeting objectives and outcomes was launched.

A media monitoring programme, media reporting and quick response strategy was implemented. We also subscribed to the Meltwater influencer database to improve access to specialist media contacts.

Presentations were made to the Public Sector Superannuation Forum in Sydney, the EQ Derivatives Asia Pacific Quant Forum and an i3 Conference. State Super contributed to industry debate and thought leadership via participation in various forums such as the AIST CIO Forum and AIST Customer Symposium.

Planning is well underway for a program of member, media and stakeholder initiatives to celebrate the centenary of the organisation. New branding has been launched, key themes agreed for a series of press stories and a historical video produced. NSW Treasury has also been briefed on the centenary celebration event in October 2019 and the announcement of a State Super Scholarship.

5. People: Strengthen State Super 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.

1) Improving workforce sustainability: Further realignments to the organisation structure were implemented during the reporting period. Collectively, these changes aim to ensure State Super remains fit for purpose for the medium term. For the functions impacted, the changes enabled an uplift of capabilities required, addressed attraction and retention issues, and better aligned roles to strategic outcomes.

State Super's industrial instrument has been extended to 30th June 2020 whilst the organisation continues to progress plans for a longer-term State Super Enterprise Agreement.

2) Building capability and knowledge retention to enable high performance: State Super's continued focus on performance development is evidenced by the 2019 People Matter Employee Survey results, with 97% of staff stating that they understand what is expected of them to do well in their role and 91% reporting they received useful feedback in the last 12 months to enable them to deliver required results. Additionally, 71% of staff agree the organisation is committed to developing its employees.

3) Developing a workplace culture that promotes employee wellbeing and engagement; The organisation's success in this area is highlighted in the 2019 People Matter Employee Survey which shows State Super's Employee Engagement at 80%, Diversity & Inclusion at 92% and perception of High Performance at 85%.

Part C

Operations overview

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Investments

This section provides an overview of State Super's investment management structure and its performance and management activities during 2018–19.

Investment management structure

On 15 June 2015, pursuant to a Master Financial Services Agreement (MFSA), TCorp became the Master Investment Manager for the Trustee Selection Strategy, which primarily invests employer funded (defined benefit) assets. The MFSA was updated to comply with the Ministerial Orders and executed on 28 October 2016. It was again reviewed in 2018 and an updated consolidated agreement was executed in December 2018.

State Super retains responsibility for oversight of all State Super investment strategies, including setting investment objectives, investment policies, strategic asset allocation and portfolio overlay strategies. TCorp is responsible to State Super for implementing the investment strategy for the Trustee Selection Strategy, including dynamic asset allocation, portfolio construction, investment risk management and investment manager selection. State Super continues to be responsible for the governance and 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 two University investment strategies (University Diversified Conservative and University Cash) in which the Universities' Employer reserves are invested.

Investment market overview

Another solid year for equities and bonds

The key driver of capital markets over the year to 30 June 2019 was further reductions in interest rates by Central Banks globally. This drove solid returns for both equities and bonds during the review period.

The ASX200 ended up 11.5% over the year, while the S&P500 increased by 10.4% over the year in US dollar terms. The MSCI World Index returned 6.7%, while the MSCI Emerging Markets Index returned 1.8% over the year in local currency terms. These results mask a volatile path over the year, most notably late in 2018 when equity markets corrected on a confluence of a deterioration in the US-China trade war, hawkish US Federal Reserve statements and evidence of global growth slowing.

The Bloomberg Ausbond Index returned 9.6% for the year on the back of yields falling even further, to a new historic low in Australia. In the US, the yield on 10-year Treasuries fell from 2.9% to 2%. These very low yields reflect investors' expectations of sustained low inflation and ongoing low interest rates.

Low bond yields typically indicate investors are concerned with the economic outlook. Headwinds to the global economy include ongoing trade tensions and broader geopolitical risks, weakening business investment and production, high debt levels and slowing corporate earnings. However, this cautious view in bond markets is at odds with stock markets trading around all-time highs, indicating confidence in the economic outlook.

The year ahead

The IMF has downgraded its forecast for global growth in 2020 from 3.6% a year ago to its current forecast of 3.5%. Further monetary easing is now expected in most major economies, given low and slowing growth despite historically low interest rates (negative in Europe) and low levels of unemployment. This is likely to provide ongoing support for equity, and to a lesser extent bond markets, in the near term. Beyond that, the key challenge for investors will be weighing up whether easy monetary policy will be effective in reigniting growth, or whether the risks to the global economy will ultimately drive a further global slowdown.

In Australia, growth has slowed as both household consumption and business investment have weakened. Growth is likely to remain challenged due to high levels of household debt, soft commodity prices (with the exception of iron ore), rising unemployment, and a housing market correction that has seen house prices fall by 8% over the year across the eight capital cities. The RBA now believes that unemployment needs to fall to 4.5%, below the current level of 5%, for any wage growth to come through. Therefore, the market expects further interest rate cuts in 2019 and even into 2020. The benefits of a weaker AUD have been muted by weak commodity prices, and interest rate cuts in the US may work against any further falls in the AUD.

The US has entered its longest ever growth phase (120 months), although it has also been one of the shallowest growth phases. Concerns for a US recession have fluctuated, but caution in this respect still remains on the back of ongoing trade tensions, wavering economic growth, and no further one-off fiscal stimuli.

In Europe, growth overall is forecast to fall further to very low, albeit positive, levels, driven by geopolitical uncertainty within countries and from Brexit, the impact of global trade tensions, rising unemployment, and weakening sentiment. Further interest rate reductions by the ECB and the commencement of another asset purchasing program are expected by the market, and the transfer of the ECB Presidency from Mario Draghi to Christine Lagarde will be key to watch.

China continues to slow, although a 'soft landing' is the most likely scenario with Government support from both monetary and fiscal policy. This policy support may offset the impact of potential new trade tariffs and a broader global slowdown, however, the easy monetary policy needs to be balanced with already high levels of debt and the ongoing clean-up of the shadow banking system.

Investment performance

2018–19 performance

The 2018–19 annual crediting rates for the various investment options were as follows:

Strategy	Crediting rate p.a. %
Defined Benefit	
Trustee Selection	8.5
University Diversified Conservative	4.0
University Cash	1.8
Member Investment Choice	
Growth	7.6
Balanced	5.9
Conservative	4.7
Cash	1.9

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

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

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

Long-term performance

Meeting long-term goals requires investments to be actively managed to minimise the impact of losses in turbulent market conditions. Given the nature of the Fund cash flow, 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.

Crediting rates for the period ended 30 June 2019 against investment objectives for each of the State Super strategies are provided in the table below.

Strategy	Objective (at 30 June 2019)	Period	Average annual compound crediting rate p.a. %	Objective p.a. %
Defined Benefit				
Trustee Selection	CPI + 5.0%	10 years	8.8	6.7
University Diversified Conservative	CPI + 0.5%	4 years	3.4	2.7
University Cash	Cash	3 years	1.7	2.0
Member Investment Choice				
Growth	CPI + 3.5%	7 years	10.0	6.1
Balanced	CPI + 2.25%	7 years	8.3	4.7
Conservative	CPI + 1.0%	4 years	4.7	3.2
Cash	Cash	3 years	1.9	2.0

*University Diversified Conservative return is over a 3-year period.

The Trustee Selection and all diversified investment option strategies have delivered returns above their long-term performance objectives.

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

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

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

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 2019	8.5
30 June 2018	8.2
30 June 2017	9.5
30 June 2016	3.6
30 June 2015	11.1
Average annual compound crediting rate (p.a.)	
Over 3 years	8.7
Over 5 years	8.2
Over 10 years	8.8

University Diversified Conservative Strategy

Year ending	Crediting rate to employer reserves (p.a.) %
30 June 2019	4.0
30 June 2018	3.3
30 June 2017	4.4
30 June 2016	1.9
30 June 2015	4.2
Average annual compound crediting rate (p.a.)	
Over 3 years	3.9
Over 5 years	N/A
Over 10 years	N/A

University Cash Strategy

Year ending	Crediting rate to employer reserves (p.a.) %
30 June 2019	1.8
30 June 2018	1.6
30 June 2017	1.6
30 June 2016	2.0
30 June 2015	1.6
Average annual compound crediting rate (p.a.)	
Over 3 years	1.7
Over 5 years	N/A
Over 10 years	N/A

Trustee Selection returns for Crown employers after the benefit of ECPI tax	Crediting rate including ECPI * benefit to employer reserves (p.a.) %
30 June 2019	9.2
30 June 2018	9.3
30 June 2017	10.5
30 June 2016	4.2
30 June 2015	12.5
Average annual compound crediting rate (p.a.)	
Over 3 years	9.7

*Tax benefit arising from Exempt Current Pension Income

Crediting rates for member investment choice strategies

SASS is a hybrid scheme, with the member-financed benefit component being the accumulation of member contributions, while investment earnings and an employer-financed benefit component are defined benefits. 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 2019	7.6
30 June 2018	9.4
30 June 2017	9.0
30 June 2016	5.0
30 June 2015	10.2
Average annual compound crediting rate (p.a.)	
Over 3 years	8.6
Over 5 years	8.2
Over 10 years	8.8

Balanced Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2019	5.9
30 June 2018	6.9
30 June 2017	6.9
30 June 2016	5.3
30 June 2015	8.9
Average annual compound crediting rate (p.a.)	
Over 3 years	6.5
Over 5 years	6.8
Over 10 years	7.7

Conservative Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2019	4.7
30 June 2018	5.0
30 June 2017	4.4
30 June 2016	4.6
30 June 2015	6.9
Average annual compound crediting rate (p.a.)	
Over 3 years	4.7
Over 5 years	5.1
Over 10 years	6.1

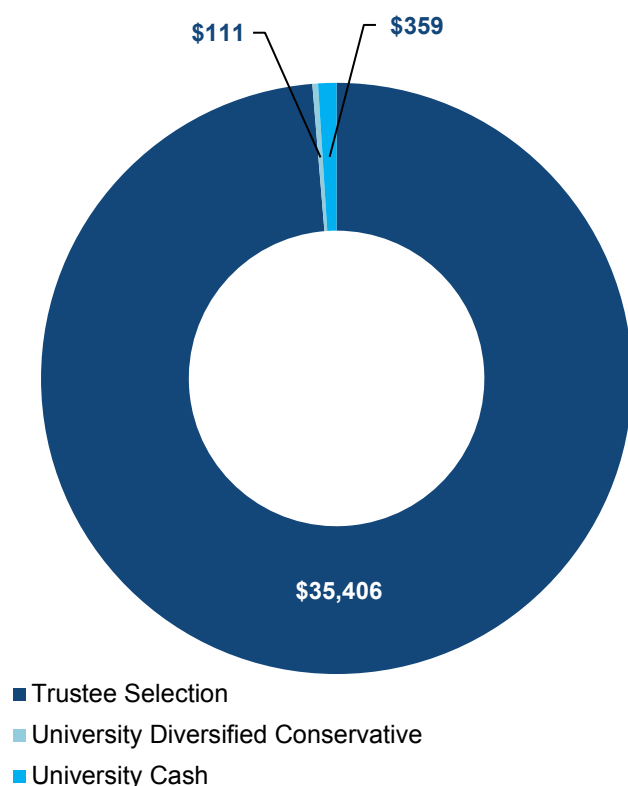
Cash Strategy

Year ending	Crediting rate to members (p.a.) %
30 June 2019	1.9
30 June 2018	1.7
30 June 2017	1.9
30 June 2016	2.0
30 June 2015	2.4
Average annual compound crediting rate (p.a.)	
Over 3 years	1.9
Over 5 years	2.0
Over 10 years	2.8

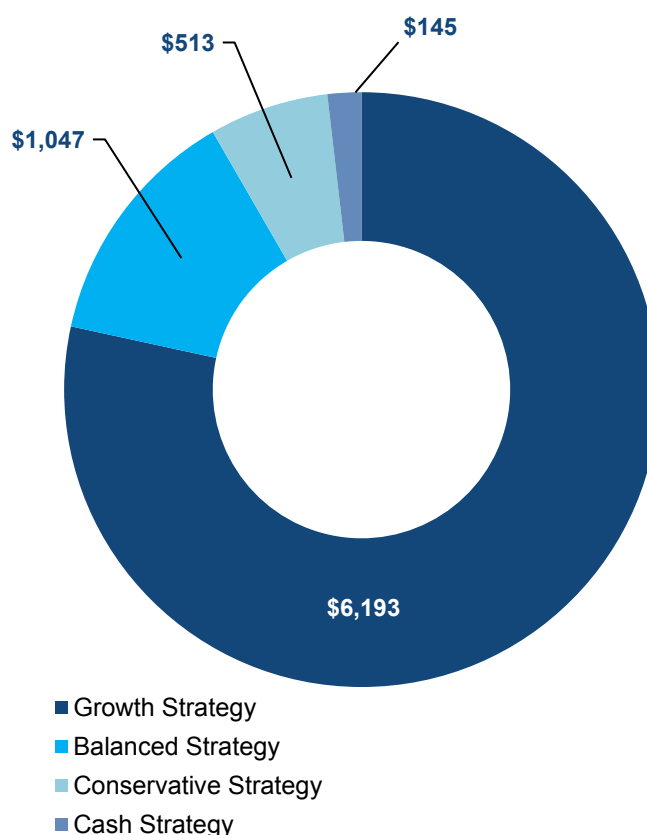
Funds under management (FUM)

FUM per investment strategy at 30 June 2019 (\$ millions) *

DEFINED BENEFIT STRATEGIES



MEMBER INVESTMENT CHOICE STRATEGIES



*Excludes Employer Sponsor Receivable

Investment policies and practices

STRATEGIC ASSET ALLOCATION

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

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

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

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

Liquid defensive represents asset classes that tend to do well when markets are turbulent. These asset classes provide capital protection when most other strategies are not performing well but are not expected to significantly contribute to the return over the long term.

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

State Super reviews the strategic asset allocation of each investment strategy annually in conjunction with its advisers. For the Member Investment Choice and University investment strategies State Super considers quarterly

whether any dynamic asset allocation tilts are appropriate given current valuations. For Trustee Selection, dynamic asset allocation is undertaken by TCorp.

MARKET RISK PROTECTION STRATEGIES

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

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

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

RESPONSIBLE INVESTMENT

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

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

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

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

INVESTMENT GOVERNANCE FRAMEWORK

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

Key components of the Framework include:

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

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

Management Investment Committee – The Management Investment Committee was established as the governing body to support the CEO in executing investment related delegations from the Board for the Member Choice and University portfolios. The Committee also oversees the development and implementation of the

investment strategy for the Trustee Selection portfolio and develops investment related policies and processes for the Pooled Fund.

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

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

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

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

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

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

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

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

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

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

Defined Benefit investment strategies at 30 June 2019

TRUSTEE SELECTION STRATEGY

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

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

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

Asset allocation at 30 June 2019:

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

UNIVERSITY DIVERSIFIED CONSERVATIVE STRATEGY

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

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

Net assets at 30 June 2019: \$111 million

Asset allocation at 30 June 2019:

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

UNIVERSITY CASH STRATEGY

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

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

Net assets at 30 June 2019: \$359 million

Asset allocation at 30 June 2019:

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

Member Investment Choice strategies at 30 June 2019

GROWTH STRATEGY

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

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

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

Asset allocation at 30 June 2019:

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

BALANCED STRATEGY

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

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

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

Asset allocation at 30 June 2019:

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

CONSERVATIVE STRATEGY

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

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

Net assets at 30 June 2019: \$513 million

Asset allocation at 30 June 2019:

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

CASH STRATEGY

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

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

Net assets at 30 June 2019: \$145 million

Asset allocation at 30 June 2019:

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

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 seven investment strategies for 2019-20 are shown below. These estimates are broadly similar to the previous year. (Note, the indirect cost percentages for 2019-20 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 2018–19	Estimated 2018–19	Estimated 2019–20
Defined benefit investment strategies			
Trustee Selection	0.46%	0.48%	0.50%
University Diversified Conservative	0.05%	0.09%	0.06%
University Cash	0.04%	0.04%	0.04%
Member Investment Choice investment strategies			
Growth	0.34%*	0.46%*	0.48%*
Balanced	0.26%	0.34%	0.37%
Conservative	0.22%	0.29%	0.30%
Cash	0.03%	0.04%	0.04%
	*0.34% + nil performance fee paid	*estimated 0.38% + 0.08% performance fee	*estimated 0.40% + 0.08% performance fee

Changes to investment strategies effective 1 July 2019

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

Investment Options	Return Objectives effective 1 July 2018	Return Objectives effective 1 July 2019
Growth Strategy	CPI + 3.5% p.a. over rolling 7-year periods	CPI + 3.0% p.a. over rolling 7-year periods
Balanced Strategy	CPI + 2.25% 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 + 5.0% p.a. over rolling 10-year periods	CPI + 5.0% p.a. over rolling 10-year periods
University Diversifies Conservative Strategy	CPI + 0.5% p.a. over rolling 4-year periods	CPI + 0.5% p.a. over rolling 4-year periods
University Cash Strategy	Cash return over rolling 3-year periods	Cash return over rolling 3-year periods

Strategic asset allocation changes

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

Growth, Balanced and Conservative Strategy

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

Trustee Selection Strategy

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

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

STRATEGIC ASSET ALLOCATIONS FOR DEFINED BENEFIT STRATEGIES

Trustee Selection Strategy

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

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

University Diversified Conservative Strategy

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

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

University Cash Strategy

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

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

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

STRATEGIC ASSET ALLOCATIONS FOR MEMBER INVESTMENT CHOICE STRATEGIES

Growth Strategy

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

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

Balanced Strategy

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

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

Conservative Strategy

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

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

Cash Strategy

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

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

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

Investment managers at 30 June 2019

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

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
Property			
AEW Capital Management, LP (via Equity Trustees Ltd)	—	✓	—
AMP Capital Investors Limited	—	✓	—
Charter Hall Investment Management Limited	—	✓	—
Dexus Funds Management Limited	✓	—	—
EG Funds Management Pty Ltd	✓	—	—
Franklin Templeton Investments Australia Limited	✓	—	—
Invesco Real Estate (via Equity Trustees Ltd)	—	✓	—
Investa Property Group	—	✓	—
ISPT Pty Ltd	—	✓	—
LaSalle Investment Management (via Equity Trustees Ltd)	—	✓	—
New South Wales Treasury Corporation	✓	—	—
Vanguard Investments Australia Ltd	✓	—	—
International Fixed Interest			
State Street Global Advisors Australia Limited	—	✓	✓
Australian Fixed Interest & Cash			
Colonial First State Asset Management (Australia) Limited	✓	—	—
New South Wales Treasury Corporation	✓	—	—
Pendal Group Limited	✓	✓	—
State Street Global Advisors Australia Limited	✓	✓	✓
Alternative Assets			
Challenger Investment Partners Limited	—	✓	—
Challenger Investment Solutions Pty Ltd	—	✓	—
Fulcrum Asset Management LLP	✓	✓	—
GAM International Management Limited	—	✓	—
GMO Australia Limited	✓	—	—
Kohlberg Kravis Roberts & Co. L.P.	—	✓	—
Macquarie Investment Management Limited	✓	—	—
MAN Group plc	—	✓	—
New South Wales Treasury Corporation	✓	—	—
Perennial Value Management Limited	—	✓	—
PIMCO Australia Pty Ltd	✓	—	—
PineBridge Investments LLC	✓	✓	—
Pyrford International	✓	—	—
Siguler Guff Distressed Opportunities Fund III (F) LP	✓	—	—
Siguler Guff Distressed Opportunities Fund IV (F) LP	—	—	—
Currency			
AQR Capital Management LLC	✓	—	—
PIMCO Australia Pty Ltd	✓	—	—
State Street Global Advisors Australia Limited	—	✓	—

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
High Yield/Bank Loans/EMD			
Brigade Capital Management LP	✓	—	—
Intermediate Capital Group Limited	✓	—	—
Investec Asset Management Australia Pty Ltd	✓	—	—
KKR Australia Investment Management Pty Limited	✓	—	—
Lazard Asset Management Pacific Co	✓	—	—
PineBridge Investments LLC	✓	—	—
Infrastructure			
AMP Capital Funds Management Limited	✓	—	—
Colonial First State Global Asset Management (Australia) Ltd	—	✓	—
H.R.L. Morrison & Co Limited	—	✓	—
IFM Investors	—	✓	—
Lazard Asset Management Pacific Co	✓	—	—
Macquarie Specialised Asset Management Limited	✓	—	—
New South Wales Treasury Corporation	✓	✓	—
QIC Limited	—	✓	—
Whitehelm Capital Pty Ltd	✓	—	—
Diversified			
State Street Global Advisors Australia Limited	—	—	✓

Member engagement

Overview of scheme membership

The membership of the State Super schemes at 30 June 2019 is set out below.

Scheme	At 30 June 2014	At 30 June 2019	Movement % over 5 years
Active members			
SASS	31,548	18,875	-40%
SSS	8,902	2,313	-74%
PSS	1,388	784	-44%
Total	41,838	21,972	-47%
Deferred benefit members			
SASS	10,478	9,293	-11%
SSS	2,274	1,228	-46%
PSS	120	85	-29%
Total	12,872	10,606	-18%
Pension members			
SASS	4,037	4,620	14%
SSS	52,317	55,455	6%
PSS	6,551	6,659	2%
Total	62,905	66,734	6%
Total	117,615	99,312	-16%

The State Super schemes are closed to new members. Over the past five years, the number of active members fell by 19,866, while the number of pension members increased by 3,829. Refer to page 70 for membership statistics for the past five years.

The next five years

Over the coming five-year period to 30 June 2024, the membership of the State Super schemes will continue to fall to a projected 81,031 members, while the contributory or active membership will halve to 9,882 members. This rapid reduction in contributors reflects the age profile of the membership as well as the SSS benefit design, which encourages retirement by age 60. Over the period to 2024, the deferred benefit membership is projected to fall to 5,947 members, as these members reach the age when they can claim their benefit.

The number of pension members is projected to fall slightly from 66,734 to 65,202 in 2024 after peaking in 2020. Over the longer term, pension members will be the only remaining State Super members.

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.

	2016–17	2017–18	2018–19
Telephone calls	90,662	78,845	75,322
Letters	5,214	4,795	4,949
Emails	16,997	23,210	23,026
Seminar attendance	1,693	1,681	2,092
Personal interviews	694	473	208
Financial planning advice	24,434	15,442	13,994

Member contact

Over 103,000 phone calls, letters and emails were managed by our external administrator. State Super carefully manages member services delivered by Mercer Administration Services.

There were more than 133,000 website visits by members, who spent an average 2:48 minutes per website session.

Personal interview service

Personal interviews are available for current and deferred State Super members. Members are provided with general advice about their scheme and general superannuation information. During 2018–19 State Super provided over 208 personal interviews, mainly at their Sydney CBD office, with the remainder held in regional offices of StatePlus.

Financial planning advice

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

State Super carefully monitors and works with StatePlus 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 2018–19, StatePlus made 13,994 financial planner appointments for State Super members or relatives of State Super members.

Retirement planning seminars

During 2018–19, StatePlus delivered 73 retirement planning seminars across NSW metropolitan and regional areas on behalf of State Super. Of these, 62 were SASS-based seminars and 11 were SSS based. These were attended by 2,092 SASS and SSS members.

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 from 1 July 2016 to 30 June 2019 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	2016–17 %	2017–18 %	2018–19 %
SASS	71	74	72
SSS	82	81	79
PSS	67	69	70

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 2018 \$ million	%	30 June 2019 \$ million	%
Growth	6,267	80	6,193	79
Balanced	948	12	1,047	13
Conservative	504	6	513	6
Cash	138	2	145	2
Total	7,857	100	7,898	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*.

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Corporate governance

Fit-for-purpose and effective governance arrangements are the foundation of high-quality performance. In 2018–19, State Super continued to refine its governance arrangements to increase its organisational governance capability. The governance team will, in the coming year, work to support implementation of a new risk and compliance reporting system and ensure a seamless transition for the Board whilst six out of the nine board members terms expire during the 2019 calendar year.

State Super is monitoring regulatory developments arising from the 2018 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (RC). While we are not APRA regulated, we nevertheless have an obligation through HOGA (Heads of Government Agreement) to remain closely aligned with the APRA requirements on a 'best endeavours' basis.

As a trustee which outsources many of its responsibilities, State Super will also consider the implications of the RC on our major outsourcing providers, Mercer and TCorp, as well as on StatePlus.

State Super commissioned KPMG to report on State Super's HOGA compliance. KPMG issued its final report after the year-end and State Super is pleased to confirm that KPMG have stated that "nothing has come to KPMG's attention that would indicate State Super do not have appropriate policies and procedures in place to comply with the HOGA principles".

During the year, State Super formally adopted the AIST Governance Code and will comply with the material requirements of the Code.

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 2018/19, State Super's overall employee engagement was significantly higher than the public sector equivalent averages. In addition, State Super conducts annual risk culture surveys which note a strong risk culture. State Super has also arranged for an external consultant to conduct a specific culture survey of staff to assess culture on a more granular basis in a way that is consistent with the recommendations of the RC. This work is expected to be completed in the 2019/20 financial year.

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 and that those exempt schemes will, on a best endeavours basis, conform to the principles of the Commonwealth's retirement income policy as reflected in the attachment to the HOGA and from time to time in Commonwealth legislation. State Super considers that the Commonwealth legislation (and the Australian Prudential Regulation Authority (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.

State Super's prudential responsibilities are monitored by the New South Wales Government, with the Treasurer of NSW having specific responsibilities.

State Super will continue to collaborate on the Government's amalgamation of investment management within the public sector.

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 day-to-day operations. The framework is the totality of the systems, structures, 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.

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, the APRA Superannuation Prudential Standards and the relevant provisions of the *Corporations Act 2001* (Cth).
- 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 the reporting of results to the Risk, Audit and Compliance Committee.
- Obtaining annual formal verification from State Super's outsourced service providers confirming they have complied with their contractual and legislative obligations in relation to their services to State Super.
- Periodic internal audits of compliance with relevant plans and policies.
- Regular Board appraisals to assess governance and control practices along with other key elements for Board success.

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 and which 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 and representatives of the NSW Audit Office. 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. It represents the systems, structures, policies, processes and people within State Super's business operations that identify, assess, manage, mitigate and monitor all internal and external sources of inherent 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 APRA Prudential Standard SPS 220 Risk Management and includes the following:

- Risk Appetite Statement (including Risk Tolerances)
- Risk Management Strategy
- All risk management policies, procedures and controls to identify, assess, monitor, report on, mitigate and manage each material risk
- 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 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 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 Protected Disclosures Reporting Policy, which encourage proactive risk management and compliance with regulatory obligations.

Insurance

During the 2018–19 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 2018–19 Financial Year for the SAS Trustee Corporation

The Board of SAS Trustee Corporation (the Board) is of the opinion that SAS Trustee Corporation and its controlled entity, the SAS Trustee Corporate Staff Agency (STC) have internal audit and risk management processes in operation that are compliant with the eight (8) core requirements set out in the *Internal Audit and Risk Management Policy for the NSW Public Sector*, specifically:

Core Requirements

Risk Management Framework

- | | | |
|-----|---|-----------|
| 1.1 | The Board is ultimately responsible and accountable for risk management in STC | COMPLIANT |
| 1.2 | A risk management framework that is appropriate to STC has been established and maintained and the framework is consistent with AS/NZS ISO 31000:2009 | COMPLIANT |

Internal Audit Function

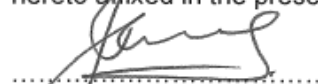
- | | | |
|-----|--|-----------|
| 2.1 | An internal audit function has been established and maintained | COMPLIANT |
| 2.2 | The operation of the internal audit function is consistent with the International Standards for the Professional Practice of Internal Auditing | COMPLIANT |
| 2.3 | STC has an Internal Audit Charter that is consistent with the content of the 'model charter' | COMPLIANT |

Audit and Risk Committee

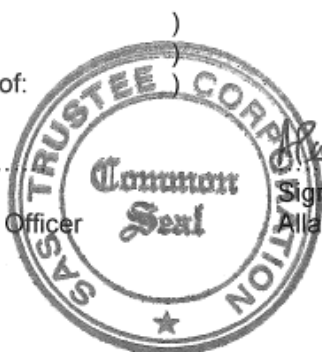
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|-----|--|-----------|
| 3.1 | An independent audit and risk committee with appropriate expertise has been established | COMPLIANT |
| 3.2 | The STC Risk, Audit and Compliance Committee is an advisory committee providing assistance to the Board on STC governance processes, risk management and control frameworks, and its external accountability obligations | COMPLIANT |
| 3.3 | The STC Risk, Audit and Compliance Committee has a Charter that is consistent with the content of the 'model charter' | COMPLIANT |

This ATTESTATION was executed on 25 September 2019, following a resolution of the Board on 23 September 2019

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



Signature of John Livanas
John Livanas, Chief Executive Officer





Signature of Witness
Allan Parapuram, General Counsel and 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 Mercer. 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 Mercer 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 2018-19 year nor were there any finalised during that year.

Significant judicial decisions

On 14 November 2018, the High Court of Australia handed down a decision (*SAS Trustee Corporation v Miles* [2018] HCA 55) in favour of State Super. The decision overturned a NSW Court of Appeal decision from May 2017 and confirmed the eligibility criteria for an increase to a PSS pension. The decision reinstates the eligibility criteria for an increase to a PSS pension that applied prior to the NSW Court of Appeal decision from May 2017 and will have no material impact on the number of pensioners that can successfully apply for an increase to a Hurt on Duty (HOD) pension up to a maximum of 85% of attributed salary of office in accordance with the confirmed criteria.

Consumer 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.

At 30 June 2018, a total of 7 disputes were pending. During the year ending 30 June 2019, 5 new disputes were lodged, and 6 disputes were determined by the Member Services Committee (including disputes carried over from the previous year). 3 disputes were withdrawn or discontinued during 2018-19, with 3 still pending as at 30 June 2019.

Disputes on hand at 30 June 2018	7
Disputes lodged in 2018–19	5
Disputes determined in 2018–19	
Confirmation of State Super delegate's decision	(0)
Delegate's decision set aside and new decision made	(6)
Settled	0
Dispute's withdrawn or discontinued in 2018–19	(3)
Disputes on hand at 30 June 2019	3

Appeals to the Supreme Court

There were no appeals from the Member Services Committee's determinations of disputes to the Supreme Court in the 2018-19 year.

Decided in favour of State Super	-
Decided in favour of the member/beneficiaries	-
Withdrawn or discontinued	-
Settled	-
Transferred to District Court	-

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 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 in PSS and
- 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.

These applications to the District Court resulted in outcomes in the 2018-19 year as set out below:

	PSAC	Allianz
Decided in favour of State Super	1	-
Decided in favour of the member/beneficiaries	2	-
Withdrawn or discontinued	1	-
Settled	14	4

As at 30 June 2019 there were 12 applications to the District Court where the legal proceedings were still ongoing, although in one of those matters the plaintiff had agreed to discontinue the proceedings.

As mentioned above, in 2018-19 there was a case (*SAS Trustee Corporation v Miles*) where the High Court decided in favour of State Super after appeal from the decision of the NSW Court of Appeal that reversed a decision in State Super's favour in the District Court about a PSS HOD matter. This case is not included in the table above, because the relevant District Court decision occurred prior to 2018-19.

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 “Open Access 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 2018-19 review 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 “Open Access 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 “Open Access 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 2018-19 year, State Super did not directly receive any formal application for access to information under the GIPA Act (as opposed to applications received on behalf of State Super by Mercer – see below). In 2018-19 State Super did receive two applications for internal review of decisions made by Mercer (for State Super) about applications under the GIPA Act. State Super carried out these two internal reviews and they are included in Appendix 1 in the statistics relating to applications made to State Super for access to information under the GIPA Act in the 2018-19 year.

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 (Mercer) maintains, on behalf of State Super, in relation to their scheme membership.

Mercer 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. Mercer processes these applications as authorised delegate for and on behalf of State Super, which is the owner of the government information held by Mercer 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 Mercer. The forms for such an application are available on the State Super website under "About Us" and then "Open Access Information" or by calling a Mercer Information Access Officer on 1800 779 068. The applications are made to Mercer, who process them as a delegate for and on behalf of State Super. An application fee of \$30 must be paid to Mercer 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 Mercer at:

Information Access Co-ordinator

Mercer Administration Services

PO Box 1229

Wollongong NSW 2500

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

During the 2018-19 year, there were:

- 295 formal applications for information (under the GIPA Act) received by or on behalf of State Super, (including withdrawn applications, but excluding invalid applications)
- 285 applications processed
- 28 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 28 applications, all were only refused in part.
- There were 20 applications still in progress as at 30 June 2019 (there had been 10 applications in progress at 1 July 2018).

Refer to Appendix 1 for statistical information about applications to State Super (either directly or via Mercer) under the GIPA Act for access to information in the 2018-19 year.

Relevant legislative changes

The only changes to State Super's constituent legislation and the governing legislation of the State Super schemes in the 2018-19 year were as set out below:

Principal Act or regulation	Description
<i>Superannuation Administration Act 1996</i> (NSW)	Changes to reflect the repealing of the <i>Public Authorities (Financial Arrangements) Act 1987</i> (NSW) and the commencement of the <i>Government Sector Finance Act 2018</i> (NSW). Some further minor changes
<i>Police Regulation (Superannuation) Act 1906</i> (NSW)	No changes
<i>Police Association Employees (Superannuation) Act 1969</i> (NSW)	No changes
<i>State Authorities Superannuation Act 1987</i> (NSW)	Minor or incidental changes
<i>State Authorities Non-contributory Superannuation Act 1987</i> (NSW)	Minor or incidental changes
<i>Superannuation Act 1916</i> (NSW)	Minor or incidental changes.

Human resource management

The SAS Trustee Corporation Conditions of Employment Determination 2018 (Determination) was extended for a further 12 months to 30 June 2020 and will continue to govern staff remuneration and employment conditions. State Super is continuing to progress requirements towards finalising an industrial instrument that will replace the Determination on a longer-term basis.

Key employee services including salary administration, reporting and recruitment continue to be provided by Mercer and other specialist providers.

Salary movement

In line with the NSW Government's Public Sector Wages Policy 2011, a 2.5% remuneration increase was awarded to State Super's non-executive staff, effective 1 July 2019. The Statutory and Other Offices Remuneration Tribunal similarly provided for a 2.5% remuneration increase for senior executive staff, effective 1 July 2019.

Employee remuneration levels

The table below shows remuneration levels and number of staff by gender and salary range as at 30 June 2019. The salary ranges for 2019 are in accordance with the Determination.

Salary range	2017			Salary range	2018			Salary range	2019		
	Men	Womer	Total staff		Men	Women	Total staff		Men	Women	Total staff
\$61,500 - \$87,125	0	2	2	\$63,037 - \$89,303	0	4	4	\$64,613 - \$91,536	0	4	4
\$87,126 - \$110,700	1	0	1	\$89,304 - \$113,467	0	0	0	\$91,537 - \$116,304	0	0	0
\$110,701 - \$122,488	1	1	2	\$113,468 - \$125,550	0	1	1	\$116,305 - \$128,689	1	1	2
\$122,489 - \$143,500	1	2	3	\$125,551 - \$147,087	0	4	4	\$128,690 - \$150,764	3	2	5
\$143,501 - \$168,537	8	7	15	\$147,088 - \$172,750	10	9	19	\$150,765 - \$177,069	9	9	18
Totals	11	12	23		10	18	28		13	16	29
	48%	52%			36%	64%			45%	55%	

Executive remuneration levels

The table below shows remuneration levels and the number of senior executive staff by salary band and gender at 30 June 2019.

In 2019 31.01% of State Super's employee-related expenditure related to senior executives, compared to 30.6% in 2018.

Band* and salary range	2017				2018				2019			
	Men	Women	Total	Average Remune -ration	Men	Women	Total	Average Remune -ration	Men	Women	Total	Average Remune -ration
Band 4 (Secretary) >\$475,151	0	0	0	N/A	0	0	0	N/A	0	0	0	N/A
Band 3 (Deputy Secretary) \$337,101 - \$475,150	0	0	0	N/A	0	0	0	N/A	1	0	1	\$420,000
Band 2 (Executive Director) \$268,001 - \$337,100	3	0	3	\$302,371	3	0	3	\$309,930	3	0	3	\$315,305
Band 1 (Director) \$187,900 - \$268,000	2	2	4	\$247,025	2	2	4	\$253,208	1	1	2	\$261,657
	5	2	7		5	2	7		5	1	6	

Industrial relations

Industrial coverage for State Super and its non-executive staff was provided by Public Sector Industrial Relations. During the review period, the SAS Trustee Corporation Conditions of Employment Determination 2018 was extended for a further 12 months to 30 June 2020 and while this instrument is operational, no award will apply.

Training and development

State Super recognises the importance of professional development in building capability, enhancing performance and ensuring the organisation is up to date with changes and best practice within the superannuation industry. Annual performance evaluations of the senior executives were undertaken during the year.

Staff are encouraged to participate in a range of technical, interpersonal and leadership development programs as identified in their performance development plans and reviewed in ongoing discussions with their managers. Development options include attendance at courses, seminars and conferences as well as one on one coaching which is provided to the leadership team.

Over the reporting period a number of company-wide programs were rolled out including: Baseline Writing Skills, Editing for Managers, Presenting with Impact and various Work Health and Safety courses.

Work health and safety

Employee health and wellbeing continues to be a key focus for State Super and in December 2018, STC undertook an audit of its Work Health and Safety Management System (WHSMS), to assess compliance against industry best practice, establish a baseline for comparison and identify areas for further improvement. State Super achieved a 90% compliance rating against industry best practice which was a significant (+50%) improvement over the previous audit conducted in June 2017.

Initiatives rolled out during the reporting period included training modules on Workplace Security and Personal Safety, a refresher on WHS Awareness and Responsibility for all staff as well as specific WHS Committee Training. Ergonomic awareness and assessments as well as on-site flu vaccinations were made available to staff and both programs were well attended.

The WHSMS, its implementation and program of works is led by a WHS Committee and updates are reported to the CEO on a monthly basis. The success of State Super's Work Health and Safety Management program is highlighted in the 2019 People Matter Employee Survey which found that 100% of staff know how to address workplace health and safety issues.

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

Table A: Trends in the representation of workforce diversity groups¹

Workforce diversity group	Benchmark or target	% of total staff ²		
		2017	2018	2019
Women	50%	45.16%	55.26%	50.00%
Aboriginal people and Torres Strait Islanders	2.6%	0%	0%	0%
People whose first language is not English	19%	19.35%	21.05%	22.22%
People with a disability	N/A ³	3.23%	2.63%	2.78%
People with a disability requiring work-related adjustment		0%	0%	0%

Table B: Trends in the distribution of workforce diversity

Workforce diversity group	Benchmark or target	Distribution Index ⁴		
		2017	2018	2019
Women	100	N/A	83	79
Aboriginal and Torres Strait Islander people	100	N/A	N/A	N/A
People whose first language was not English	100	N/A	87	92
People with a disability	100	N/A	95	95
People with a disability requiring work-related adjustment	100	N/A	N/A	N/A

¹ Staff numbers at 30 June 2019.

² Excludes casual employees.

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

⁴ A distribution index of 100 indicates that the centre of the distribution of the workforce diversity group across salary levels is equivalent to that of other staff. Values of less than 100 mean that the workforce diversity group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases, the index may be more than 100, indicating that the workforce diversity group is less concentrated at lower salary levels. The distribution index is not calculated where the workforce diversity group or non-workforce diversity group numbers are less than 20.

Budgets

State Super's budget for the year ended 30 June 2019 and 2020

	Budget FY 2020 \$'000	Budget FY 2019 \$'000	Actual FY 2019 \$'000
Income (reimbursement)			
Income (reimbursement)	43,135	43,666	37,658
Expenditure			
Member administration costs	24,875	24,690	22,716
Executive and Board			
Board expenses	802	875	647
Staff related costs	5,800	5,925	6,749
Accommodation/premises	1,381	1,331	1,121
Other administration expenses	6,524	6,437	4,613
Regulatory, governance and process improvement initiatives	3,753	4,408	1,812
Total Executive and Board expenses	18,260	18,976	14,942
Total expenditure	43,135	43,666	37,658
Net income/loss	-	-	-

Expenditure disclosure information

Overseas visits

There were no overseas visits made by employees of State Super during the 2018–19 financial year where the airline travel was funded by State Super.

Payments to consultants

Area	Project	Consultant	Total Cost \$
STC			
Member Engagement	IT advisory for Administration Platform Transition	PWC Consulting (Australia) Pty Ltd	\$341,403
Total			\$341,403

Account payment performance

Accounts paid on time within each quarter

Measure	Sep-18	Dec-18	Mar-19	Jun-19
All suppliers				
Number of accounts due for payment	314	324	355	394
Number of accounts paid on time	314	324	355	394
Actual percentage of accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment	\$9,477,000	\$15,446,000	\$14,320,000	\$12,155,000
Dollar amount of accounts paid on time	\$9,477,000	\$15,446,000	\$14,320,000	\$12,155,000
Actual percentage of accounts paid on time (based on \$)	100%	100%	100%	100%
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	21	16	29	21
Number of accounts due to small businesses paid on time	21	16	29	21
Actual percentage of small business accounts paid on time (based on number of accounts)	100%	100%	100%	100%
Dollar amount of accounts due for payment to small businesses	\$22,000	\$38,000	\$20,000	\$51,000
Dollar amount of accounts due to small businesses paid on time	\$22,000	\$38,000	\$20,000	\$51,000
Actual percentage of small business accounts paid on time (based on \$)	100%	100%	100%	100%
Number of payments to small business for interest on overdue accounts	0	0	0	0
Interest paid to small businesses on overdue accounts	0	0	0	0

Land disposal

No land disposal was undertaken during the reporting period.

Credit card use

State Super's policy for the use of corporate credit cards by executive staff is in accordance with the Treasury Policy and Guidelines Paper TPP 17-09. 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 had an Information Security Management System in place during the 2018-19 financial year that is consistent with the Core Requirements of the NSW Government Information Security Policy.

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

There is no agency under the control of State Super which is required to develop an independent Information Security Management System in accordance with the *NSW Government Digital Information Security Policy*.

State Super has maintained certified compliance with *ISO 27001 Information technology - Security techniques - Information security management systems - Requirements by an Accredited Third Party* during the 2018-19 financial year.

In addition, I am also of the opinion that State Super has managed cyber security risks in a manner consistent with the Mandatory Requirements set out in the NSW Government Cyber Security Policy as at February 2019:

- State Super has assessed its cyber security risks
- Cyber security is appropriately addressed as part of State Super's governance framework
- State Super's Cyber Security response plans are integrated within its business continuity arrangements, and have been tested over the previous 12 months (involving senior business executives)
- Certification of the State Super's Information Security Management System (ISMS) is in place
- An internal audit of Cyber Security Assessment and effectiveness of controls was undertaken by Ernst & Young in May 2018 and found to be adequate.

Controlled entities

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

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Part E

Five-year membership and financial statistical tables

Five years at a glance – to 30 June 2019

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Five years at a glance – to 30 June 2019

Member statistics	2015	2016	2017	2018	2019
Active members – SASS	28,669	26,076	23,394	21,038	18,875
Active members – SSS	7,114	5,653	4,219	3,080	2,313
Active members – PSS	1,281	1,166	1,043	913	784
Total active members	37,064	32,895	28,656	25,031	21,972
Deferred benefit members – SASS	10,358	10,112	9,852	9,606	9,293
Deferred benefit members – SSS	2,047	1,838	1,607	1,412	1,228
Deferred benefit members – PSS	114	107	99	93	85
Total deferred benefit members	12,519	12,057	11,558	11,111	10,606
Pension members – SASS	4,156	4,241	4,353	4,479	4,620
Pension members – SSS	53,452	54,230	54,934	55,403	55,455
Pension members – PSS	6,550	6,557	6,569	6,610	6,659
Total pension members	64,158	65,028	65,856	66,492	66,734

Gender ratios – active members	2015	2016	2017	2018	2019
Females – SASS	51%	51%	50%	50%	50%
Males – SASS	49%	49%	50%	50%	50%
Females – SSS	36%	37%	39%	42%	43%
Males – SSS	64%	63%	61%	58%	57%
Females – PSS	12%	12%	13%	13%	14%
Males – PSS	88%	88%	87%	87%	86%

Contributions – \$ million	2015	2016	2017	2018	2019
Employer contributions	217	281	357	420	400
Employee contributions	366	330	305	255	226
Crown contributions	1,264	1,376	1,431	1,502	1,577
Total contributions	1,847	1,987	2,093	2,177	2,203
Benefits paid – \$ millions	4,436	4,529	4,825	4,794	4,872
Net contributions – \$ millions	(2,589)	(2,542)	(2,732)	(2,617)	(2,669)
Investment revenue – \$ millions	4,499	1,645	3,887	3,681	3,483

Assets/liabilities*	2015	2016	2017	2018	2019
Accrued benefits – SASS	14,521	14,436	14,597	14,693	14,598
Net assets to pay benefits	12,719	12,688	13,358	12,950	12,911
Over (under) funding – SASS	(1,802)	(1,748)	(1,239)	(1,743)	(1,687)
Accrued benefits – SSS	32,618	34,887	34,787	34,556	34,473
Net assets to pay benefits	22,686	21,901	22,626	23,226	23,817
Over (under) funding – SSS	(9,932)	(12,986)	(12,161)	(11,330)	(10,656)
Accrued benefits – PSS	7,034	7,373	7,402	7,445	7,507
Net assets to pay benefits	4,591	4,501	4,661	4,900	5,153
Over (under) funding – PSS	(2,443)	(2,872)	(2,741)	(2,545)	(2,354)
Accrued benefits – SANCS	2,382	2,425	2,367	2,293	2,199
Net assets to pay benefits	1,991	1,949	1,499	1,945	1,893
Over (under) funding – SANCS	(391)	(476)	(868)	(348)	(306)
Total accrued benefits	56,555	59,121	59,153	58,987	58,777
Total net assets to pay benefits	41,987	41,039	42,144	43,021	43,774
Over (under) funding – Total	(14,568)	(18,082)	(17,009)	(15,966)	(15,003)

*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

Triennial Actuarial Valuation Report

The Triennial Actuarial Valuation of the State Super Pooled Fund and each of the individual schemes at 30 June 2018 was carried out by Catherine Nance FIAA, Janice Jones FIAA and Mike Clough FIA of PricewaterhouseCoopers Securities Ltd. A summary of this valuation is provided, and a full version of the Actuarial Valuation Report is available on the State Super website, www.statesuper.nsw.gov.au.

Triennial Actuarial Valuation as at 30 June 2018

Introduction

As requested by the SAS Trustee Corporation (STC) we have carried out a triennial review as at 30 June 2018 to report on the operation and state of funding of the State Super Pooled Fund and its constituent Schemes:

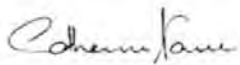
- the State Authorities Superannuation Scheme (SASS)
- the State Superannuation Scheme (SSS)
- the Police Superannuation Scheme (PSS)
- the State Authorities Non-contributory Superannuation Scheme (SANCS)

The previous report as at 30 June 2015, dated December 2015, was prepared by Richard Boyfield and Christopher Brown of Mercer Consulting (Australia) Pty Ltd.

Our advice to STC constitutes Prescribed Actuarial Advice as defined in the Code of Professional Conduct (the Code) issued by the Institute of Actuaries of Australia and our advice complies with the Code in this respect.

The figures in this report are calculated in accordance with the Australian Accounting Standards AASB1056 – Superannuation Entities, which replaced AAS25 from 1 July 2016.

This report together with the accompanying work, has been prepared in accordance with Professional Standards 400, 404 and 410 issued by the Institute of Actuaries of Australia.



Catherine Nance FIAA

Retirement Incomes and Asset Consulting
*Authorised Representative (#265248) of
PricewaterhouseCoopers Securities Ltd*



Janice Jones FIAA

Retirement Incomes and Asset Consulting
*Authorised Representative (#283988) of
PricewaterhouseCoopers Securities Ltd*



Mike Clough FIA

Retirement Incomes and Asset Consulting
Director

Funding position by Scheme at 30 June 2018

The total assets for the State Super Pooled Fund as at 30 June 2018 are \$43.0bn:

Scheme	Assets			
	Employer Reserve (\$m)	Contributor Reserve (\$m)	Deferred Reserve (\$m)	Total (\$m)
SASS	5,625.0	4,784.3	2,533.0	12,942.3
SSS	22,062.7	1,163.8	-	23,226.5
PSS	4,565.3	335.1	-	4,900.4
SANCS	1,311.7 ²	94.2 ²	539.1	1,945.0
Total Assets ¹	33,564.7	6,377.4	3,072.1	43,014.2

¹ Total State Super Pooled Fund assets of \$43,014.2m are based on the total net assets from the audited draft financial statements (\$45,566m), less the allowance for the Employer Sponsor Receivable which relates to the PSS deficiency (\$2,545m) and the SASS Additional Benefits Reserve (\$7.4m). These adjustments are made for consistency with the liabilities. The SASS Additional Benefit Reserve is a self-insurance arrangement to cover the member's proportion of the SASS Additional Benefits and this is subject to a further actuarial investigation.

² We have adjusted the presentation of the assets above by moving the SANCS Other Accounts (estimated to be \$45.9m) from the SANCS employer reserves to the SANCS member reserves as they relate to accumulation-style benefits and do not count towards the funding of employer past service liabilities.

The total past service liabilities as at 30 June 2018 are \$59.0bn. This is made up of \$49.5bn employer past service liabilities, \$6.4bn contributor reserves and \$3.1bn deferred reserves:

Scheme	Past Service Liabilities (Accrued Benefits)			
	Employer (\$m)	Contributor Reserve (\$m)	Deferred Reserve (\$m)	Total (\$m)
SASS	7,375.8	4,784.3	2,533.0	14,693.1
SSS	33,391.8	1,163.8	-	34,555.6
PSS	7,110.1	335.1	-	7,445.2
SANCS	1,660.1	94.2	539.1	2,293.4
Total Past Service Liabilities	49,537.8	6,377.4	3,072.1	58,987.3

The employer past service liabilities by Scheme for each type of membership are as follows:

Scheme	Employer Past Service Liabilities (Accrued Benefits)			
	Contributors (\$m)	Deferred (\$m)	Pensioners (\$m)	Total (\$m)
SASS	5,980.0	-	1,395.7	7,375.8
SSS	1,418.2	249.1	31,724.5	33,391.8
PSS	933.8	14.4	6,161.9	7,110.1
SANCS	1,660.1	-	-	1,660.1
Total Past Service Liabilities	9,992.2	263.5	39,282.1	49,537.8

The Scheme-level assets and liabilities for the employer reserve are compared in the table below, at both 30 June 2018 and 30 June 2015 (the date of the previous triennial review):

Scheme	30 June 2018				30 June 2015			
	Employer Past Service Liabilities (\$m) A	Employer Reserve (\$m) B	Employer Unfunded Liabilities (\$m) B-A	Asset coverage B/A	Employer Past Service Liabilities (\$m) A	Employer Reserve (\$m) B	Employer Unfunded Liabilities (\$m) B-A	Asset coverage B/A
SASS	7,375.8	5,625.0	(1,750.8)	76%	7,562.9	5,691.9	(1,871.0)	75%
SSS	33,391.8	22,062.7	(11,329.1)	66%	32,386.1	20,353.4	(12,032.7)	63%
PSS	7,110.1	4,565.3	(2,544.8)	64%	6,950.6	4,231.4	(2,719.2)	61%
SANCS	1,660.1	1,311.7	(348.4)	79%	1,990.9	1,487.7	(503.2)	75%
Total	49,537.8	33,564.7	(15,973.1)	68%	48,890.5	31,764.4	(17,126.1)	65%

The asset cover for employer past service liabilities has improved from 65% at 30 June 2015, to 68% at 30 June 2018.

The main reason for the improvement has been the payment of \$5.4bn employer contributions which is in excess of the cost of new benefits accrued over the period and has improved the funding by \$3.7bn. This has been partially offset by a \$3.4bn deterioration in the employer unfunded liabilities as a result of interest at a rate of 6.8% p.a. (previous Triennial investment return assumption) being added to the 2015 unfunded liabilities to bring them to today's dollars.

A more detailed reconciliation of the movement in unfunded liabilities from 30 June 2015 to 30 June 2018 is set out in a later section.

Funding position by Sector

The funding position results have been repeated below by sector:

Sector	Employer Past Service Liabilities (Accrued Benefits)			
	Contributors (\$m)	Deferred (\$m)	Pensioners (\$m)	Total (\$m)
General Government	8,236.2	207.8	34,143.0	42,587.0
Universities	323.9	24.5	3,191.4	3,539.8
PTEs/Other ¹	1,432.1	31.3	1,947.7	3,411.1
Total Past Service Liabilities	9,992.2	263.5	39,282.1	49,537.8

The sector-level assets and liabilities for the employer reserve are compared in the table below, at both 30 June 2018 and 30 June 2015 (the date of the previous triennial review):

Sector	30 June 2018				30 June 2015			
	Employer Past Service Liabilities (\$m) A	Employer Reserve (\$m) ³ B	Employer Unfunded Liabilities (\$m) B-A	Asset coverage B/A	Employer Past Service Liabilities (\$m) A	Employer Reserve (\$m) B	Employer Unfunded Liabilities (\$m) B-A	Asset coverage B/A
General Government	42,587.0	29,607.6	(12,979.3)	70%	41,746.7	27,627.4	(14,119.3)	66%
Universities	3,539.8	544.3	(2,995.5)	15%	3,736.4	828.2	(2,908.3)	22%
PTEs/Other ¹	3,411.1	3,412.8	1.7	100%	3,407.4	3,308.8	(98.6)	97%
Total	49,537.8	33,564.7	(15,973.1)	68%	48,890.5	31,764.4	(17,126.1)	65%

Notes relating to both tables in this section:

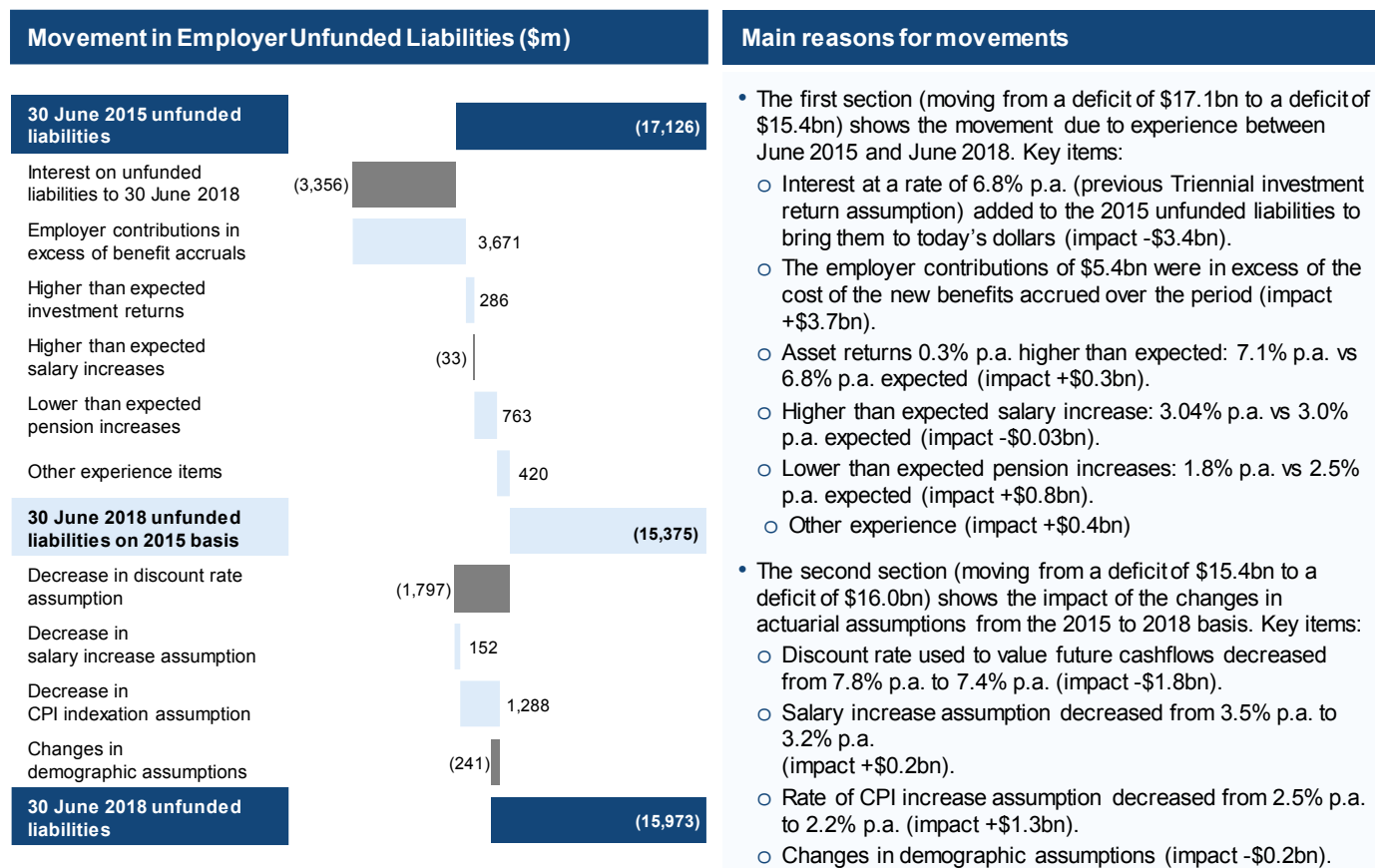
¹ Public Trading Enterprises, Public Financial Corporations and Other employers Sector (PTEs/Other)

² All deferred reserves have been included under General Government, consistent with treatment in the 2015 Triennial Review

³ The asset splits by sector have been estimated by taking the total assets from the audited draft financial statements and apportioning these in line with the asset splits taken from provisional asset data.

Reconciliation of unfunded liabilities, from 30 June 2015 to 30 June 2018

The employer funding position has improved since 2015 by \$1.1bn from a \$17.1bn deficit to a \$16.0bn deficit:



The table below shows the same movement in employer unfunded liabilities, broken down by Scheme:

Movement in Employer Unfunded Liabilities (\$m)						Additional Scheme-level commentary on movements	
	SASS	SSS	PSS	SANCS	Total		
30 June 2015 unfunded liabilities	(1,871)	(12,033)	(2,719)	(503)	(17,126)		
Interest on unfunded liabilities to 30 June 2018	(336)	(2,388)	(545)	(87)	(3,356)		
Employer contributions in excess of benefit accruals	693	2,290	468	220	3,671		
Higher than expected investment returns	47	188	39	12	286		
Higher than expected salary increases	1	(22)	(10)	(2)	(33)		
Lower than expected pension increases	23	615	125	-	763		
Other experience items	(163)	365	183	35	420		
30 June 2018 unfunded liabilities on 2015 basis	(1,606)	(10,985)	(2,459)	(325)	(15,375)		
Decrease in discount rate assumption	(199)	(1,232)	(332)	(34)	(1,797)		
Decrease in salary increase assumption	100	14	13	26	152		
Decrease in CPI indexation assumption	57	973	257	-	1,288		
Changes in demographic assumptions	(103)	(99)	(24)	(15)	(241)		
30 June 2018 unfunded liabilities	(1,751)	(11,329)	(2,545)	(348)	(15,973)		

- The main explanations above apply across all schemes. We discuss below the three items shown in grey, for which we have further Scheme-level commentary.
- The salary increase experience by Scheme over the 3 years was as follows: SASS 3.0% p.a. actual; SSS 3.2% p.a. actual; PSS: 3.3% p.a. actual; and Total 3.04% p.a. actual (all compared to 3.0% p.a. expected).
- The main items reflected in the Other experience items are:
 - SASS – higher than expected retirements and take up of the pension and preservation options, together with lower than expected mortality experience over the period, resulting in increased liabilities.
 - SSS and PSS – higher than expected pension mortality experience over the period resulting in decreased liabilities.
- The main items reflected in the Changes in demographic assumptions are:
 - SASS – changes in assumed rates of retirement and assumed take up of pension and preservation options, in line with recent experience. This change also impacts the assumed timing of SANCS payments for SASS members.
 - All Schemes – small impact of continuing to apply the method of allowing for short-term pensioner mortality improvement factors for 6 years following the valuation (i.e. these are now applied until 2024 whereas for the 2015 valuation they were only applied until 2021). Long-term pensioner mortality improvement factors are applied after this. The impact of this is mainly seen for SSS and PSS since there are limited pension options in SASS and no pension options in SANCS.

Recommended contribution rates

General Government sector

"The Government remains committed to fully funding its superannuation liabilities by June 2030, consistent with the Fiscal Responsibility Act 2012. To achieve this, the Government's long-term funding program involves contributing \$1.6 billion in the 2018-19 financial year towards funding the liabilities, with this amount to increase at a rate of five per cent per annum until 2030." (Source: 2018-19 NSW State Budget - Budget Paper 1 - Chapter 7 - Managing the State's Assets and Liabilities)

The Government's long-term funding program is projected to result in a \$0.3bn surplus for the General Government sector at 30 June 2030. However, it should be noted that there is significant variability in the projected funding level depending on unfolding experience (e.g. investment returns). We recommend that the current Crown funding plan is maintained and that STC continue to review the funding position annually and adjust as necessary.

Non-Crown General Government Sector employers are assumed to continue to contribute at recent levels of contributions.

Individual funding plans for Non-Crown General Government Sector employers were reviewed as at 30 June 2018 and recommendations were provided separately in October 2018.

Universities

The Commonwealth and NSW Governments entered into a Memorandum of Understanding (MoU) in December 2014 to provide financial assistance for the unfunded superannuation liabilities of the NSW Universities.

Under the agreement the Commonwealth and NSW Governments have agreed to assist the universities with their unfunded superannuation liabilities through the provision of funds on a 78/22 per cent basis. The universities will continue to contribute at their current rate of 17% of salaries per annum and further additional contributions in respect of 'Excess salaries' as set out in the MoU.

The Commonwealth and NSW Governments will make payments to the Fund on a pay-as-you-go basis with the aim of maintaining a one-year asset buffer at all times to meet expected benefit payments.

Public Trading Enterprises and other employers

Funding plans for each of these employers are reviewed annually. Individual employer funding plans were reviewed as at 30 June 2018 and recommendations were provided separately in October 2018.

Valuation assumptions

An experience review was carried out and reported on separately in order to inform the economic and demographic assumptions for the 2018 triennial valuation, which are set as a best estimate. The review considered the current long-term market outlook for future investment returns and CPI increases, actual vs expected experience for the Fund over recent years, and broader superannuation industry practices and research.

The economic assumptions remain unchanged since the 2017 annual valuation, when the discount rates, salary increase rates and CPI rates were reduced:

Economic assumption	30 June 2015 triennial valuation	30 June 2017 AASB1056 valuation	30 June 2018 triennial valuation
Discount rate			
Non-pensioner	6.8% p.a.	6.4% p.a.	6.4% p.a.
Pensioner	7.8% p.a.	7.4% p.a.	7.4% p.a.
General salary increase			
Short term	3.0% p.a. to 30 June 2019	2.7% p.a. to 30 June 2019	2.7% p.a. to 30 June 2019
Long term	3.5% p.a.	3.2% p.a.	3.2% p.a.
Rate of CPI increase	2.5% p.a.	2.2% p.a.	2.2% p.a.
Expenses	1.0% of benefit payments	1.0% of benefit payments	1.0% of benefit payments

The key economic driver of the valuation is the difference between the discount rate and the assumptions underlying liability growth (salary inflation and CPI increases). This difference has decreased by 0.1% p.a. from 5.3% p.a. to 5.2% p.a., based on the pensioner discount rate and the rate of CPI increase.

The table below shows the key demographic assumptions as well as brief commentary on some of the recent experience seen:

Demographic assumption	2018 triennial valuation updates
Pensioner mortality All schemes	Maintain 2015 valuation assumptions with the applicable mortality improvements from 2015 to 2018
Pensioner mortality future improvements All schemes	No change i.e. 6 years of ALT10-12 short-term improvement factors ¹ applied from the valuation date, and thereafter the ALT10-12 long-term improvement factors
Retirements SSS and SASS contributors	Actual exits continue to be higher than expected; increase SASS retirement rates in line with experience but no change to SSS retirement rates
Retirement and hurt on duty PSS contributors	No change
Pension take up SASS contributors	Increase assumption from 50% to 60% in line with experience
Other demographics SASS preservation	Increase assumption to 85%+ in line with experience

¹ The pensioner mortality future improvement factors allow for mortality rates to continue to improve into the future. The rates used have been taken from the latest Australia Life Tables 2010-12 (ALT10-12) produced by the Australian Government Actuary. The short-term improvement rates (which considered improvements seen over the past 25 years) have generally higher year-on-year mortality improvements than the long-term rates (which considered improvements seen over the past 125 years), with some differences by age

The demographic assumption changes above resulted in a \$241m (0.5%) increase in the employer past service liabilities of \$49.5bn.

Risks and sensitivities

A description of key risks as faced by the State Super Pooled Fund as well as sensitivity results which highlight the possible impact of changes in assumptions in these areas are shown below. The largest risks relate to investment risk and pension increase risk. Note that the sensitivities shown above reflect a possible alternative assumption rather than the size of the risk itself.

	Comments	Sensitivity
Investment risk	<ul style="list-style-type: none"> A key risk faced by State Super Pooled Fund Moving to a more cautious investment strategy could reduce volatility to help mitigate this However this would also result in lower expected investment returns and increased employer liabilities and costs 	Increase in employer past service liabilities of \$49.5 billion
Pension increase risk	<ul style="list-style-type: none"> RBA has adopted inflation target of 2-3% Monetary policy used to keep within target Strong pensioner presence in State Super Pooled Fund (79% of liability) 	Investment risk 1% p.a. decrease in investment returns \$4.8bn 9.7%
Salary increase risk	<ul style="list-style-type: none"> Employer has control over this Historically been less volatile than investments Contributors make up small (20%) of liability so salary increase risk is relatively low 	Pension increase risk 1% p.a. increase in inflation \$4.5bn 9.2%
Longevity risk	<ul style="list-style-type: none"> Future life expectancies continue to increase Allowance has been made in assumptions Strong pensioner presence in State Super Pooled Fund (currently 79% of liability. This will also impact contributors who are eligible for pension benefits in the future in the Fund.) 	Salary increase risk 1% p.a. increase in salary increase \$0.5bn 1.0%
Catastrophe risk	<ul style="list-style-type: none"> Death and TPD self-insured Potential for catastrophic event to lead to multiple claims Offset by pensioners (who could also be impacted) 	
Legislative risk	<ul style="list-style-type: none"> Continual changes, such as increasing Superannuation Guarantee and APRA prudential standards could increase costs However, good governance may reduce risk 	Longevity risk Higher mortality improvements \$0.3bn 0.6%

Further details of the sensitivity results by Scheme are shown below:

Employer Past Service Liabilities (\$m)	SASS	SSS	PSS	SANCS	Total
Central assumptions	7,376	33,392	7,110	1,660	49,538
Investment return / Discount rate plus 1% (central assumption 7.4% p.a. / 6.4% p.a. ¹)	6,918 (-458 or 6.2%)	30,596 (-2,796 or 8.4%)	6,361 (-749 or 10.5%)	1,584 (-76 or 4.6%)	45,458 (-4,080 or 8.2%)
Investment return / Discount rate minus 1% (central assumption 7.4% p.a. / 6.4% p.a. ¹)	7,896 (+520 or 7.1%)	36,665 (+3,273 or 9.8%)	8,015 (+905 or 12.7%)	1,744 (+84 or 5.1%)	54,320 (+4,782 or 9.7%)
CPI increases plus 1% (central assumption 2.2% p.a.)	7,592 (+216 or 2.9%)	36,797 (+3,405 or 10.2%)	8,023 (+913 or 12.8%)	1,660 (no impact)	54,072 (+4,534 or 9.2%)
CPI increases minus 1% (central assumption 2.2% p.a.)	7,189 (-187 or 2.5%)	30,445 (-2,947 or 8.8%)	6,344 (-766 or 10.8%)	1,660 (no impact)	45,638 (-3,900 or 7.9%)
Salary increases plus 1% (central assumption 2.7% p.a. / 3.2% p.a. ²)	7,696 (+320 or 4.3%)	33,436 (+44 or 0.1%)	7,151 (+41 or 0.6%)	1,745 (+85 or 5.1%)	50,027 (+489 or 1.0%)
Salary increases minus 1% (central assumption 2.7% p.a. / 3.2% p.a. ²)	7,079 (-297 or 4.0%)	33,349 (-43 or 0.1%)	7,071 (-39 or 0.6%)	1,582 (-78 or 4.7%)	49,081 (-457 or 0.9%)
Short term pensioner mortality improvements ³	7,396 (+20 or 0.3%)	33,595 (+203 or 0.6%)	7,186 (+76 or 1.1%)	1,660 (no impact)	49,837 (+299 or 0.6%)
Long term pensioner mortality improvements ⁴	7,360 (-16 or 0.2%)	33,174 (-218 or 0.7%)	7,058 (-52 or 0.7%)	1,660 (no impact)	49,252 (-286 or 0.6%)

¹ Central assumption for discount rate is 7.4% p.a. for all pensioners / 6.4% p.a. for other members

² Central assumption of 2.7% p.a. to 30 June 2019 and 3.2% p.a. thereafter

³ Assumes the short term pensioner mortality improvement factors used for projection years 2018-2024, are also applied for years after 2024

⁴ Assumes the long term pensioner mortality improvement factors used for projection years post 2024, are also applied for years 2018 to 2024

The changes in each row above are applied individually, while leaving the other assumptions unchanged.

Membership

The table below shows the State Super Pooled Fund membership by Scheme and member type, and compares it with the membership at 2015. The total membership in the table below is based on the total of the SASS, SSS and PSS memberships. Contributor and deferred members in these Schemes are generally also members of SANCS (see note 4 below for more details).

Scheme	30 June 2018 ¹				30 June 2015			
	Contributors	Deferreds	Pensioners	Total	Contributors	Deferreds	Pensioners	Total
SASS	20,945	9,516	4,455	34,916	28,552	10,354	4,167	43,073
SSS	3,175	957 ²	55,233 ³	59,365	7,113	1,551 ²	53,498 ³	62,162
PSS	916	84	6,605	7,605	1,275	114	6,555	7,944
SANCS	25,034	10,436	-	35,470	36,933	11,763	-	48,696
Total⁴	25,036	10,557	66,293	101,886	36,940	12,019	64,220	113,179

¹ 2018 membership based on 30 April 2018 administrative data, projected to 30 June 2018 (as such, figures may differ slightly to Annual Accounts)

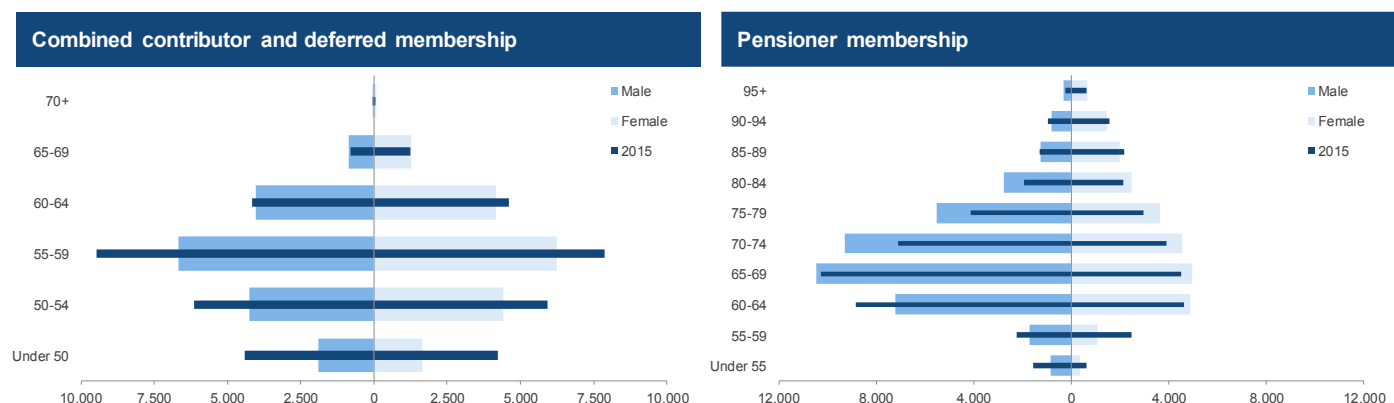
² SSS deferreds who are currently receiving pension payments have been excluded from deferreds and included in pensioners. There were 453 such members in 2018 and 496 in 2015

³ Excludes SSS fully commuted pensioners who are not currently in receipt of a pension payment. The spouses of these fully commuted pensioners are eligible for a reversionary pension and the past service liabilities for SSS include a liability provision for these spouse reversions. There were 16,809 such pensioners in 2018 and 17,277 in 2015

⁴ As noted above this total is based on the total of the SASS, SSS and PSS memberships. All SASS, SSS and PSS contributors are also members of SANCS (with the exception of Sydney Grammar). There are no SANCS contributory members who are not members of SASS, SSS or PSS. Nearly all of the SASS, SSS and PSS deferred members are also deferred members of SANCS. Thus the totals have been determined as the sum of SASS, SSS and PSS only.

The total membership has decreased by 10.0% from 113,179 to 101,886. Contributor membership has decreased by 32.2% from 36,940 to 25,036 which reflects the fact that the Fund is closed and members are leaving.

The charts below show an age profile of the combined contributor and deferred membership (35,593 people) and of the pensioner membership (66,293 people). The average age for both of these groups has increased since 2015, from 55.2 to 56.6 for contributors and deferreds, and from 70.1 to 71.3 for pensioners.



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Part G

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 the SAS Trustee Corporation (the Corporation), which comprise the Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, notes comprising a summary 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:

- give a true and fair view of the financial position of the Corporation and the consolidated entity as at 30 June 2019, and of their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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' (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.

Other Information

The Corporation's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The members of the Trustee Board are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by the Trustee Board under section 41C of the PF&A Act.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The 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 PF&A Act, and for such internal control as the members of the 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 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, unless it is not appropriate to do so.

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.

My opinion does *not* 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.



Nathan Carter
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 September 2019
SYDNEY

SAS TRUSTEE CORPORATION

ABN 29 239 066 746

**Statement by the Trustee Board
for the year ended 30 June 2019**

Pursuant to section 41C of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we state that in our opinion the financial statements:

1. give a true and fair view of the financial position of the SAS Trustee Corporation as at 30 June 2019 and financial performance for the year then ended, and
2. have been prepared in accordance with the Australian Accounting Standards, the provisions of the *Public Finance and Audit Act 1983*, the Public Finance and Audit Regulation 2015 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 23rd day of September 2019.



Nicholas Johnson
Chairperson
SAS Trustee Corporation



Claire Keating
Board Member and Chairperson of the
Risk, Audit and Compliance Committee
SAS Trustee Corporation

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

Consolidated Statement of Comprehensive Income for the year ended 30 June 2019	Note	Economic Entity 2019 \$'000	Economic Entity 2018 \$'000	Parent Entity 2019 \$'000	Parent Entity 2018 \$'000
Revenue					
Operating Revenue	3	40,147	38,488	37,658	36,622
Expenses					
Operating Expenses	3	(39,011)	(38,855)	(37,658)	(36,622)
Operating Result		1,136	(367)	-	-
Other Comprehensive Income					
Items that will not be reclassified into Operating Result:					
Superannuation actuarial re-measurement gains/(losses)	10	(1,136)	367	-	-
Total Comprehensive Income		-	-	-	-

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

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

Consolidated Statement of Financial Position as at 30 June 2019	Note	Economic Entity 2019 \$'000	Economic Entity 2018 \$'000	Parent Entity 2019 \$'000	Parent Entity 2018 \$'000
Current Assets					
Cash and Cash Equivalents		4,049	9,309	4,049	9,309
Receivables	4	6,978	4,593	6,978	4,593
Other Current Assets		421	432	421	432
Total Assets		11,448	14,334	11,448	14,334
Current Liabilities					
Payables	5	5,970	10,168	11,448	14,334
Provisions	6	721	656	-	-
Total Current Liabilities		6,691	10,824	11,448	14,334
Non-Current Liabilities					
Provisions	6	4,757	3,510	-	-
Total Non-Current Liabilities		4,757	3,510	-	-
Total Liabilities		11,448	14,334	11,448	14,334
Net Assets		-	-	-	-
Accumulated Funds		-	-	-	-

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

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

Consolidated Statement of Changes in Equity for the year ended 30 June 2019	Note	Economic Entity 2019 \$'000	Economic Entity 2018 \$'000	Parent Entity 2019 \$'000	Parent Entity 2018 \$'000
Balance at 1 July		-	-	-	-
Operating Result		1,136	(367)	-	-
Other Comprehensive Income					
Superannuation actuarial re-measurement gains/(losses)	10	(1,136)	367	-	-
Total Comprehensive Income		-	-	-	-
Balance at 30 June		-	-	-	-

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

SAS TRUSTEE CORPORATION

**Notes to the financial statements
for the year ended 30 June 2019**

Consolidated Statement of Cash Flows for the year ended 30 June 2019	Note	Economic Entity 2019 \$'000	Economic Entity 2018 \$'000	Parent Entity 2019 \$'000	Parent Entity 2018 \$'000
Cash Flows from Operating Activities					
Receipts from Pooled Fund Schemes		37,629	40,114	35,140	38,247
Interest Received		129	112	129	112
Payments to Suppliers and Employees		(43,018)	(38,404)	(40,529)	(36,537)
Net Cash Flows from Operating Activities	11	(5,260)	1,822	(5,260)	1,822
Net Increase/(Decrease) in Cash & Cash Equivalents		(5,260)	1,822	(5,260)	1,822
Opening Cash & Cash Equivalents		9,309	7,487	9,309	7,487
Closing Cash & Cash Equivalents		4,049	9,309	4,049	9,309

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

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

1. OPERATIONS

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

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

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

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

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance and Basis of Preparation

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

- the *Public Finance and Audit Act 1983*
- the Public Finance and Audit Regulation 2015
- 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 have been prepared on a historical cost basis, except for defined benefit assets/liabilities that have been measured at fair value.

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 were authorised for issue by the Trustee Board on 23rd September 2019.

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.

Transactions and balances between the Parent Entity and the controlled entity are eliminated on consolidation. The Parent Entity and its controlled entity are referred to in these financial statements as the "Economic Entity". For the year ended 30 June 2019, the STC Staff Agency was exempted from preparing standalone financial statements under the *Public Finance and Audit Act 1983*.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

c) Revenue Recognition

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 in the statement of financial position 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 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, and only when, it becomes a party to the contractual provisions of the instrument.

A financial asset is derecognised when either (a) STC has transferred substantially all the risks and rewards of the asset, or (b) STC has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

f) Income Tax

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

g) New accounting standards and interpretations

AASB 9 Financial Instruments

The standard has been implemented for the year ended 30 June 2019. This standard replaces the classification, measurement, recognition and de-recognition requirements in AASB 139 'Financial Instruments: Recognition and Measurement'. There were no material changes to these financial statements.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

h) Accounting standards issued but not yet effective

At the date of authorisation of the financial statements the following accounting standards have been issued but are not yet effective. The impact of these standards and interpretations are outlined below.

AASB 15 Revenue from Contracts with Customers

This standard includes the core principle that requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard first applies for the year ending 30 June 2020. No material changes to these financial statements are expected.

AASB 2016-8 Amendments to Australian Accounting Standards– Deferral of AASB 15 for Not-for-Profit Entities

The standard defers the application of AASB 15 for not-for-profit entities to the year ending 30 June 2020. No material changes to these financial statements are expected.

AASB 1058 Income of Not-for-profit Entities

The standard is effective for the year ending 30 June 2020. This standard applies to transactions where not-for-profit entities receive volunteer services or enter into other transactions to acquire an asset for consideration which is less than fair value. No material changes to these financial statements are expected.

AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement

The standard makes amendments to AASB 119 Employee Benefit in connection with accounting for plan amendments, curtailments and settlements. This standard is effective for the year ending 30 June 2020. No material changes to these financial statements are expected.

AASB 16 Leases

This standard replaces AASB 117 *Leases*. AASB 16 brings most long-term leases onto the balance sheet and would have the most impact on lessee accounting. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for leases of 12 months or less and leases of low-value assets. The standard first applies for the year ending on or after 30 June 2020.

STC has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements will depend on future economic conditions, including the borrowing rate to be published by the NSW Treasury for agencies that do not borrow from the market, the entity's latest assessment of whether STC will exercise any lease renewal options and the extent to which STC chooses to use practical expedients and recognition exemptions.

The existing STC office lease will expire on 30 September 2019 with the intention to renew the lease on a 12 month basis rather than to enter a long-term lease period. On the assumption that STC's intentions change and it stays longer than the contractual lease period, the likely impact identified is that the entity will recognise a right-of-use asset and an associated lease liability for its business premises of approximately \$3.5 million.

In addition, the nature of expenses related to those leases will now change as AASB 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

2. STATEMENT OF ACCOUNTING POLICIES (Continued)

i) Comparative Figures

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

j) 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 2019. The defined benefit superannuation liabilities have been actuarially determined. The key assumptions are disclosed in note 10.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

3. OPERATING RESULT	Economic Entity 2019 \$'000	Economic Entity 2018 \$'000	Parent Entity 2019 \$'000	Parent Entity 2018 \$'000
Revenue				
Management Fees	39,833	38,120	37,344	36,254
Interest revenue	129	112	129	112
Other revenue	185	256	185	256
Total Revenue	40,147	38,488	37,658	36,622
Trustee Expenses				
Board Member Fees	527	517	527	517
Other Expenses	120	155	120	155
Total Trustee Expenses	647	672	647	672
Executive Expenses				
Employee Related Expenses	7,134	6,425	-	-
Superannuation	706	624	-	-
Personnel Services Expenses	-	-	6,487	4,816
Lease Expenses/Premises Expenses	1,127	1,084	1,127	1,084
Other Overhead Expenses	1,964	1,911	1,964	1,911
Total Executive Expenses	10,931	10,044	9,578	7,811
Fund Expenses				
Administration Fees	21,987	22,345	21,987	22,345
Regulatory, Governance & Process Improvement Initiatives	1,812	1,164	1,812	1,164
Professional Fees	2,874	3,693	2,874	3,693
Other Administration Fees	760	937	760	937
Total Fund Expenses	27,433	28,139	27,433	28,139
Total Expenses	39,011	38,855	37,658	36,622
Operating Result	1,136	(367)	-	-

Audit fees of \$21,800 for STC (2018: \$24,000 for STC and STC Staff Agency) are included in the total expenses.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

3. OPERATING RESULT (Continued)

Lease payments made during the year comprised	Economic Entity 2019 \$'000	Economic Entity 2018 \$'000	Parent Entity 2019 \$'000	Parent Entity 2018 \$'000
Minimum lease payments	1,087	1,044	1,087	1,044
	1,087	1,044	1,087	1,044

4. RECEIVABLES	Economic Entity 2019 \$'000	Economic Entity 2018 \$'000	Parent Entity 2019 \$'000	Parent Entity 2018 \$'000
Current				
Receivables from Pooled Fund	6,349	4,072	6,349	4,072
Other Receivables	629	521	629	521
	6,978	4,593	6,978	4,593

5. PAYABLES	Economic Entity 2019 \$'000	Economic Entity 2018 \$'000	Parent Entity 2019 \$'000	Parent Entity 2018 \$'000
Current				
Administration Fees Payables	1,921	1,812	1,921	1,812
Other Payables (including Accruals)	4,049	8,356	4,049	8,356
Intercompany Payable – STC Staff Agency	-	-	5,478	4,166
	5,970	10,168	11,448	14,334

All payables are within agreed trading terms.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

6. PROVISIONS	Economic Entity 2019 \$'000	Economic Entity 2018 \$'000	Parent Entity 2019 \$'000	Parent Entity 2018 \$'000
Current				
Employee Benefits				
- Annual Leave	490	483	-	-
- Long Service Leave	231	173	-	-
	721	656	-	-
Non-current				
Employee Benefits				
- Long Service Leave	206	184	-	-
Superannuation (refer Note 10)				
- SSS	4,551	3,326	-	-
	4,757	3,510	-	-

Employee Benefits

Wages, salaries and annual leave

The provision for employee benefits relating to wages, salaries and annual leave represents the amount which the Economic Entity has a present obligation to pay resulting from employees' services provided up to the balance date. These provisions are expected to be settled within 12 months and are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Such measurement provides a reliable estimate of the liability. Amounts include the salary of STC's Chief Executive Officer, whose contract is direct with STC.

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

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 2019, the Economic Entity met in full the total superannuation liabilities for its employees. The contributions made to superannuation funds are charged against the operating result. In compliance with AASB 119 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.

7. FAIR VALUE AND FINANCIAL RISKS

Unless subject to specific measurement requirements of relevant Accounting Standard, all assets and liabilities are measured and reported at fair value. STC is exposed to minimal financial risk as its governing legislation permits STC to recover all its costs from the Pooled Fund.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

8. 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 (term commenced 28 June 2018)
 Ms C Bolger
 Mr A Claassens
 Ms S Dave (term completed 25 May 2019 – term recommenced 26 May 2019)
 Mr N Johnson (term completed 25 June 2019 – term recommenced 26 June 2019)
 Ms C Keating
 Mr G Maniatis
 Ms K Moses (term completed 26 March 2018)
 Mr T O'Grady (term completed 24 June 2017 – term recommenced 14 September 2017)
 Ms R Ramwell (term completed 25 June 2019)

Executive Officers

Mr G Gabriel (from 1 February 2019)
 Mr R Hedley (until 14 December 2018)
 Mr J Livanas
 Mr J Narayan
 Mr A Parapuram
 Mr N Patel
 Ms A Samuel (until 30 September 2018)
 Ms N Siratkov
 Mr C Wu (from 1 December 2018)

The key management personnel compensation in relation to services to STC is as follows	Economic Entity 2019 \$'000	Economic Entity 2018 \$'000	Parent Entity 2019 \$'000	Parent Entity 2018 \$'000
Board member compensation	527	517	-	-
Short-term employee benefits	2,625	2,430	-	-
Termination benefits	475	-	-	-
Other long term employee benefits	34	23	-	-
	3,661	2,970	-	-

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

9. RELATED PARTY INFORMATION

- a) Transactions entered during the year with Key Management Personnel and their Related Entities:

	2019 \$'000	2018 \$'000
Consulting fees paid to STC Board Member Ms. C Keating by StatePlus, on normal commercial terms. StatePlus has various contractual arrangements with STC for the provision of Member Services	65	168
Director fees paid to STC Board Member Ms. R Ramwell by StatePlus, on normal commercial terms. StatePlus has various contractual arrangements with STC for the provision of Member Services	70	62

- b) The following Board Members were members of the Fund schemes during the reporting period or up to the date of the financial statements (including comparative year): T O'Grady and A Claassens. Their membership terms and conditions were the same as those applied to other members of the Fund schemes.
- c) Refer to note 4 and note 5 for other related party transactions.
- d) STC leases office space at 83 Clarence Street, Sydney on normal commercial terms from the Fund which owns the building.

10. SUPERANNUATION

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

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 the scheme' regulatory framework

The SSS scheme in the Pooled Fund is established and governed by the *Superannuation Act 1916*.

The scheme in the Pooled Fund is an exempt public sector superannuation scheme under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government Agreement, the New South Wales Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

10. SUPERANNUATION (Continued)

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. This provision is in addition to other legislative obligations on the Trustee Board and internal processes that monitor STC's (in its capacity as Trustee Board) adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The triennial review as at 30 June 2018 was completed in October 2018.

STC (in its capacity as Trustee Board) is responsible for the governance of the Fund and has a legal obligation to act solely in the best interests of fund beneficiaries. STC (in its capacity as Trustee Board) has the following roles;

- administration of the Fund and payment to the beneficiaries from Fund assets when required in accordance with the Fund rules;
- management and investment of the Fund assets; and
- compliance with other applicable regulations.

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
- legislative risk - The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

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

Description of significant events

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

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

10. SUPERANNUATION (Continued)

The following information has been prepared by the Scheme actuary.

Reconciliation of the Net Defined Benefit Liability/(Asset)

SSS	Economic Entity	Economic Entity
	2019 \$'000	2018 \$'000
<i>Net Defined Benefit Liability/(Asset) at start of year</i>	3,326	3,599
Current service cost	-	-
Net interest on the net defined benefit liability/(asset)	89	94
Past service cost	-	-
(Gains)/losses arising from settlements	-	-
Actual returns on Fund assets less interest income	(297)	(313)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	52
Actuarial (gains)/losses arising from changes in financial assumptions	1,530	(34)
Actuarial (gains)/losses arising from liability experience	(97)	(72)
Adjustment for effect of asset ceiling	-	-
Employer contributions	-	-
<i>Net Defined Benefit Liability/(Asset) at end of year</i>	4,551	3,326

The Superannuation actuarial re-measurement loss of \$1,136,000 (2018 gain of \$367,000) comprises of actuarial gains/losses arising from changes to demographic assumptions, financial assumptions and liability experience.

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

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

10. SUPERANNUATION (Continued)

Reconciliation of the fair value of fund assets

SSS	Economic Entity	Economic Entity
	2019 \$'000	2018 \$'000
<i>Fair value of fund assets at beginning of the year</i>	5,521	5,386
Interest income	141	136
Actual return on Fund assets less interest income	297	313
Employer contributions	-	-
Contributions by participants	-	-
Benefits paid	(378)	(371)
Taxes, premiums and expenses paid	53	57
Transfers in	-	-
Contributions to accumulation section	-	-
Settlements	-	-
Exchange rate changes	-	-
<i>Fair value of fund assets at end of the year</i>	5,634	5,521

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

10. SUPERANNUATION (Continued)

Reconciliation of the Defined Benefit Obligation

SSS	Economic Entity	Economic Entity
	2019 \$'000	2018 \$'000
<i>Present value of defined benefit obligation at beginning of the year</i>	8,848	8,985
Current service cost	-	-
Interest cost	229	231
Contributions by participants	-	-
Actuarial (gains)/losses arising from changes in demographic assumptions	-	52
Actuarial (gains)/losses arising from changes in financial assumptions	1,530	(34)
Actuarial (gains)/losses arising from liability experience	(97)	(72)
Benefits paid	(378)	(371)
Taxes, premiums and expenses paid	53	57
Transfers in	-	-
Contributions to accumulation section	-	-
Past service cost	-	-
Settlements	-	-
Exchange rate changes	-	-
<i>Present value of defined benefit obligation at end of the year</i>	10,185	8,848

Reconciliation for the effect of the asset ceiling

SSS	Economic Entity	Economic Entity
	2019 \$'000	2018 \$'000
<i>Adjustment for effect of asset ceiling at beginning of the year</i>	-	-
Change in the effect of asset ceiling	-	-
<i>Adjustment for effect of asset ceiling at end of the year</i>	-	-

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

10. SUPERANNUATION (Continued)

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 2019	Total (\$m)	Level 1 (\$m)	Level 2 (\$m)	Level 3 (\$m)
Asset category				
Short term securities	4,042	2,136	1,906	-
Australian fixed interest	2,295	5	2,290	-
International fixed interest	1,968	7	1,952	9
Australian equities	8,369	7,818	548	3
International equities	11,387	8,795	2,592	-
Property	3,588	699	717	2,172
Alternatives	10,558	327	5,758	4,473
Total	42,207	19,787	15,763	6,657

Year ended 30 June 2018	Total (\$m)	Level 1 (\$m)	Level 2 (\$m)	Level 3 (\$m)
Asset category				
Short term securities	4,401	2,185	2,216	-
Australian fixed interest	2,235	42	2,193	-
International fixed interest	1,396	8	1,388	-
Australian equities	9,272	8,720	549	3
International equities	10,891	8,499	2,391	1
Property	3,711	788	609	2,314
Alternatives	9,895	421	5,333	4,141
Total	41,801	20,663	14,679	6,459

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.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

10. SUPERANNUATION (Continued)

The percentage of fund assets invested in each asset class at 30 June

	2019	2018
Short term securities	10%	11%
Australian fixed interest	5%	5%
Overseas fixed interest	5%	3%
Australian equities	20%	22%
International equities	27%	26%
Property	8%	9%
Alternatives	25%	24%
	100%	100%

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

	2019	2018
Discount rate	1.32%	2.65%
Salary increase rate (excluding promotional increases)	3.20%	2.70%
Rate of CPI increase	1.75%	2.25%
Pensioner mortality	as per the 2018 Actuarial Investigation of the Pooled Fund	as per the 2018 Actuarial Investigation of the Pooled Fund

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

10. SUPERANNUATION (Continued)

Sensitivity analysis

The total defined benefit obligation as at 30 June 2019 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 -1.0% Discount rate	Scenario B +1.0% Discount rate
Discount rate		-1.0%	1.0%
Defined benefit obligation (\$'000)	10,185	11,787	8,867

	Base Case	Scenario C +0.5% Rate of CPI increase	Scenario D -0.5% Rate of CPI increase
Rate of CPI increase		0.5%	-0.5%
Defined benefit obligation (\$'000)	10,185	10,948	9,485

	Base Case	Scenario E +0.5% Salary increase rate	Scenario F -0.5% Salary increase rate
Salary increase rate		0.5%	-0.5%
Defined benefit obligation (\$'000)	10,185	10,185	10,185

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

10. SUPERANNUATION (Continued)

Sensitivity analysis (Continued)

	Base Case	Scenario G -5.0% Pensioner mortality rates	Scenario H +5.0% Pensioner mortality rates
Defined benefit obligation (\$'000)	10,185	10,363	10,039

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

Asset-liability matching strategies

STC, in its capacity as trustee of the Fund, ensures it maintains an appropriate asset strategy to pay benefits as the benefits fall due.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

10. SUPERANNUATION (Continued)

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review. The triennial review as at 30 June 2018 was completed in October 2018. 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

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

SSS	Economic Entity	Economic Entity
	2019	2018
	\$'000	\$'000
Accrued benefits	4,943	4,950
Net market value of fund assets	(5,634)	(5,521)
Net (surplus)/deficit	(691)	(571)

Funding arrangements for employer contributions – Recommended contribution rates

SSS	Economic Entity	Economic Entity
	2019	2018
	Multiple of member contributions	Multiple of member contributions
	-	-

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

10. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Economic Assumptions

Weighted average assumptions	2019 and following
Expected rate of return on fund assets backing current pension liabilities	7.4%
Expected rate of return on fund assets backing other liabilities	6.4%
Expected salary increase rate	3.2%
Expected rate of CPI increase	2.2%

Funding arrangements for employer contributions – 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 11.7 years.

Expected contributions

SSS	Economic Entity 2019	Economic Entity 2018
Expected Employer Contributions	-	-

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

11. CASH FLOW INFORMATION

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

	Economic Entity 2019 \$'000 Inflows/ (Outflows)	Economic Entity 2018 \$'000 Inflows/ (Outflows)	Parent Entity 2019 \$'000 Inflows/ (Outflows)	Parent Entity 2018 \$'000 Inflows/ (Outflows)
Operating Result	-	-	-	-
Changes in Assets and Liabilities:				
<u>(Increase)/Decrease in Assets</u>				
Other Current Assets	12	(13)	12	(13)
Receivables				
- Pooled Fund Schemes	(2,276)	1,849	(2,276)	1,849
- Other	(112)	180	(112)	(105)
<u>Increase/(Decrease) in Liabilities</u>				
Payables				
- Mercer Administration	108	(191)	108	(191)
- Other	(4,304)	316	(2,992)	282
Provisions	1,312	(319)	-	-
Net Cash From/(Used) in Operating Activities	(5,260)	1,822	(5,260)	1,822

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2019

12. COMMITMENTS

	Economic Entity 2019 \$'000	Economic Entity 2018 \$'000	Parent Entity 2019 \$'000	Parent Entity 2018 \$'000
Lease Commitments				
Commitments in relation to non-cancellable operating leases contracted for at balance date but not provided for in the accounts, including goods and services tax:				
Payable not later than 1 year	268	1,033	268	1,033
Payable later than 1 year and not later than 5 years	-	261	-	261
Payable greater than 5 years	-	-	-	-
	268	1,294	268	1,294

The STC office lease will expire on 30 September 2019 with the intention to renew the lease on a 12 month basis rather than to enter a long-term lease period. The new lease commitment will amount to \$1,064,000 for the period from 1 October 2019 until 30 September 2020. It is the entity's intention to continue to renew the lease on a 12 month basis from there on.

13. 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 Consolidated Revenues

14. EVENTS AFTER THE REPORTING DATE

There have been no events between 30 June 2019 and the date of approval of these financial statements that would significantly impact the financial statements.

End of Audited Financial Statements

Part G

Financial statements of the SAS Trustee Corporation Pooled Fund

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INDEPENDENT AUDITOR'S REPORT

SAS Trustee Corporation Pooled Fund

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of the SAS Trustee Corporation Pooled Fund (the Fund), which comprise the Statement of Financial Position as at 30 June 2019, the Income Statement, the Statement of Changes in Member Benefits, the Statement of Changes in Equity and the Statement of Cash Flows for the year ended 30 June 2019, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 June 2019, and the results of its operations, changes in member benefits, changes in equity and cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

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' (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.

Other Information

The Fund's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Trustee of the Fund is responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Statement by Members of the Trustee Board under section 41C of the PF&A Act.

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Trustee's Responsibilities for the Financial Statements

The Trustee of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the PF&A Act, and for such internal control as the Trustee 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 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, unless it is not appropriate to do so.

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/ar4.pdf. The description forms part of my auditor's report.

My opinion does not 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.



Nathan Carter
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 September 2019
SYDNEY

SAS TRUSTEE CORPORATION POOLED FUND

ABN 29 239 066 746

Statement by Members of the Trustee Board

For the year ended 30 June 2019

Pursuant to section 41C of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we state that in our opinion the financial statements:

1. give a true and fair view of the financial position of the Pooled Fund as at 30 June 2019 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 2019, and
2. have been prepared in accordance with the Australian Accounting Standards, the provisions of the *Public Finance and Audit Act 1983* and the Public Finance and Audit Regulation 2015.

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 23rd day of September 2019.



Nicholas Johnson
Chair
SAS Trustee Corporation



Claire Keating
Board Member and Chair of the Risk, Audit
and Compliance Committee
SAS Trustee Corporation

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Financial Position As at 30 June 2019	Note	2019 \$m	2018 \$m
Assets			
Cash		32	20
Receivables	3	375	414
Investments			
Short term securities		3,011	3,890
Australian fixed interest		2,338	2,256
International fixed interest		185	171
Australian equities		8,577	8,968
International equities		11,723	10,682
Property - indirect		1,601	1,730
Investment properties - direct	6(a)	2,138	2,049
Infrastructure and other alternatives		14,033	13,196
Derivatives	7	87	96
Employer sponsor receivable	4	2,354	2,545
Total assets		46,454	46,017
Liabilities			
Payables	5	154	111
Derivatives	7	20	90
Income tax payable		56	173
Deferred tax liabilities	13(b)	96	77
Total liabilities excluding member benefits		326	451
Net assets available for member benefits		46,128	45,566
Member liabilities			
Defined benefit member liabilities	8	(58,777)	(58,987)
Total member liabilities		(58,777)	(58,987)
Total net liabilities		(12,649)	(13,421)
Equity			
Defined benefit deficit	8	(12,649)	(13,421)
Total equity		(12,649)	(13,421)

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

SAS TRUSTEE CORPORATION POOLED FUND

Income Statement For the Year Ended 30 June 2019	Note	2019 \$m	2018 \$m
Investment income			
Interest revenue		175	163
Dividend revenue		891	644
Distribution revenue from unit trusts		598	720
Net rentals from investment property	6(b)	98	100
Other revenue		35	38
Change in fair value of investments	11	1,863	2,196
Total revenue		3,660	3,861
Expenses			
Investment expenses		(139)	(143)
Administration expenses	12	(38)	(37)
Total expenses		(177)	(180)
Operating result		3,483	3,681
Net change in defined benefit member benefits		(2,941)	(2,930)
Operating result before income tax expense		542	751
Income tax benefit	13(a)	230	96
Operating result after income tax		772	847

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

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Changes in Member Benefits For the Year Ended 30 June 2019	Note	2019 \$m	2018 \$m
Opening balance at 1 July		58,987	59,153
Employer contributions	10	1,977	1,922
Member contributions	10	226	255
Income tax on contributions		(291)	(284)
Net after tax contributions		1,912	1,893
Benefits paid to members		(4,872)	(4,794)
Net change in employer sponsor receivable		(191)	(195)
Net change in defined benefit member benefits		2,941	2,930
Closing balance at 30 June		58,777	58,987

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

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Changes in Equity for the Year Ended 30 June 2019	2019 \$m Surplus/(deficiency)	2018 \$m Surplus/(deficiency)
Opening balance at 1 July	(13,421)	(14,268)
Operating result after income tax	772	847
Closing balance at 30 June	(12,649)	(13,421)

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

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Cash Flows For the year ended 30 June 2019	Note	2019 \$m	2018 \$m
Cash flows from operating activities			
Interest received		166	150
Dividends received		915	656
Distributions received from unit trusts		682	657
Net rentals received from investment property		99	100
Other receipts		33	34
Investment expenses paid		(137)	(145)
Trustee administration expenses paid		(37)	(38)
Income tax (paid)/refund		124	129
Net cash inflows/(outflows) from operating activities	21	1,845	1,543
Cash flows from investing activities			
Purchase of investments		(23,088)	(32,079)
Proceeds from sale of investments		24,201	33,395
Net cash inflows/(outflows) from investing activities		1,113	1,316
Cash flows from financing activities			
Employer contributions received		1,967	1,912
Member contributions received		236	266
Benefits paid to members		(4,866)	(4,789)
Income tax paid on contributions		(283)	(264)
Net cash inflows/(outflows) from financing activities		(2,946)	(2,875)
Net increase/(decrease) in cash		12	(16)
Cash at the beginning of the year		20	36
Cash at the end of the year		32	20

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

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 23 September 2019.

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 *Public Finance and Audit Act 1983*
- the Public Finance and Audit Regulation 2015

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

- employer sponsor receivables which are measured at its intrinsic value as per AASB 1056
- 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
- income taxes which are in accordance with AASB 112

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Fund has multiple investments it controls, these are shown in Note 23. However, 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
- the Fund measures and evaluates the performance of substantially all of its investments on a fair value basis

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

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

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

b) Employer Sponsor Receivable

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

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

c) Foreign Currency Transactions

Foreign currency transactions during the year are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Monetary amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Resulting exchange differences are recognised in the Income Statement in the period in which they arise. The functional and presentation currency of the Fund is Australian Dollars.

d) Use of Judgements and Estimates

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

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

In valuing assets for which there is no observable market, STC is guided on appropriate valuation techniques by its Valuation Policy. The valuation techniques within the policies involve and rely on the expert judgement of independent valuers.

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. The key assumptions are disclosed at note 8.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Income Tax

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

Current tax is the expected tax payable or recoverable on the taxable income for the year using the concessional tax rate of 15% and any adjustment to tax payable in respect of previous years. 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. The net amount of GST recoverable from the Australian Taxation Office is included as part of receivables in the Statement of Financial Position.

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.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 period).

k) Benefit Payments

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

l) Contributions

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.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Gains or losses arising from changes in the fair value of investment properties are recognised in the income statement in the period in which they arise.

q) New Accounting Standards and interpretations

Australian Accounting Standards and Interpretations that became effective for the first time for the Pooled Fund for the annual reporting period ended 30 June 2019 and their impact on the financial statements are outlined below.

AASB 9 Financial Instruments

This standard has been implemented for the year ended 30 June 2019. There were no material impacts on the recognition and measurement of the Fund's financial instruments as a result of these standard changes as they are already carried at fair value through profit or loss.

r) Standards issued applicable but not yet effective

At the date of authorisation of these financial statements the following accounting standards have been issued but not yet effective.

AASB 16 Leases

This standard replaces AASB 117 *Leases*. The standard brings most leases onto the balance sheet and would have the most impact on lessee accounting. The standard first applies for the year ending on or after 30 June 2020. The Fund currently does not have any lease commitments as a lessee therefore no material changes to these financial statements are expected.

3. RECEIVABLES

Receivables	2019 \$m	2018 \$m
Accrued income	134	229
Contributions receivable	4	4
Margin call deposits	117	91
Due from brokers – receivable for securities sold	83	43
Other receivables	37	47
Total	375	414

Within Other receivables is an impairment allowance of \$255,000 (2018: \$275,000). 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.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

4. EMPLOYER SPONSOR RECEIVABLE

Employer Sponsor Receivable	2019 \$m	2018 \$m
Employer Sponsor Receivable - PSS	2,354	2,545

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	2019 \$m	2018 \$m
Superannuation benefits to members	7	8
Due to brokers – payable for securities purchased	86	44
Other creditors	28	24
Contribution surcharge	27	31
Payable to SAS Trustee Corporation	6	4
Total	154	111

All payables are within agreed trading terms.

6. INVESTMENT PROPERTIES

a) Investment Properties	2019 \$m	2018 \$m
At 1 July	2,049	1,929
Additions	5	23
Changes in fair value	84	98
Disposals	-	(1)
Total	2,138	2,049

b) Net Rental Income	2019 \$m	2018 \$m
Rental income from investment property	150	150
Direct operating expenses	(52)	(50)
Net rentals from investment property	98	100

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

7. DERIVATIVES – ASSETS AND LIABILITIES

Derivatives	2019			2018		
	Derivative Assets \$m	Derivative Liabilities \$m	Net Derivatives \$m	Derivative Assets \$m	Derivative Liabilities \$m	Net Derivatives \$m
Foreign Exchange Forward Contracts	6,916	(6,903)	13	13,740	(13,803)	(63)
Futures	-	-	-	7	(11)	(4)
Options	58	(8)	50	75	(2)	73
Swaps	4	-	4	-	-	-
Net Derivatives	6,978	(6,911)	67	13,822	(13,816)	6

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	2019	2018
Investment Return Rate		
- asset backing current pension liabilities	7.4	7.4
- other	6.4	6.4
CPI Increase Rate	2.2	2.2
Salary Increase Rate	2.7	2.7

The actuarial valuation estimate at the reporting date shows accrued liabilities of \$58,777 million and an unfunded liability of \$15,003 million (before inclusion of ESR). The key assumptions and sensitivity analysis to 30 June 2019 estimates are provided below.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

8. DEFINED BENEFIT MEMBER LIABILITIES (Continued)

Sensitivity Analysis for 30 June 2019

Key Assumption	Assumed at 30 June 2019	Sensitivity Change	(Increase)/Decrease in Liability for Accrued Benefits \$m
Investment return/ discount rate	7.4% for all pensioners, 6.4% other members	+1.0% pa	3,998
		-1.0% pa	(4,673)
Inflationary salary increases	2.7% pa to 30 June 2020 and 3.2% pa thereafter	+1.0% pa	(437)
		-1.0% pa	408
CPI increases	2.2% pa	+1.0% pa	(4,515)
		-1.0% pa	3,894
Pensioner mortality	Consistent with a life expectancy of 89.2 for a 65-year-old	+0.4 years	(324)
		-0.3 years	308

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

8. DEFINED BENEFIT MEMBER LIABILITIES (Continued)

	2019			2018		
	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	14,598	12,911	(1,687)	14,693	12,950	(1,743)
State Authorities Non-contributory Superannuation Scheme	2,199	1,893	(306)	2,293	1,945	(348)
State Superannuation Scheme	34,473	23,817	(10,656)	34,556	23,226	(11,330)
Police Superannuation Scheme	7,507	5,153	(2,354)	7,445	4,900	(2,545)
Actuarial estimates of under-funded benefits at 30 June	58,777	43,774	(15,003)	58,987	43,021	(15,966)
Employer Sponsor Receivable for PSS, in accordance with AASB 1056	-	2,354	2,354	-	2,545	2,545
Under-funded benefits AASB 1056	58,777	46,128	(12,649)	58,987	45,566	(13,421)

The NSW Government Budget Statement for 2018/19 stated that “The Government remains committed to fully funding its superannuation liabilities by June 2030, consistent with the Fiscal Responsibility Act 2012”.

STC is working with the NSW Treasury to facilitate the Government’s stated objective to fully fund the superannuation liabilities of the General Government Sector (excluding Universities) by 2030.

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 expected benefit payments and an exposure of no less than 60% of assets invested in liquid asset classes at any one point in time. 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 Government.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

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.

	2019			2018		
	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	15,093	12,911	(2,182)	15,221	12,950	(2,271)
State Authorities Non-contributory Superannuation Scheme	2,429	1,893	(536)	2,559	1,945	(614)
State Superannuation Scheme	34,469	23,817	(10,652)	34,539	23,226	(11,313)
Police Superannuation Scheme	7,223	5,153	(2,070)	7,097	4,900	(2,197)
Actuarial estimates of under-funded benefits at 30 June	59,214	43,774	(15,440)	59,416	43,021	(16,395)
Employer Sponsor Receivable for PSS, in accordance with AASB 1056	-	2,354	2,354	-	2,545	2,545
Under-funded benefits AASB 1056	59,214	46,128	(13,086)	59,416	45,566	(13,850)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

10. EMPLOYER AND MEMBER CONTRIBUTIONS

	2019				
	SASS \$m	SANCS \$m	SSS \$m	PSS \$m	Total \$m
Employer Contributions	333	90	1,239	315	1,977
Salary Sacrifice Contributions	125	-	32	6	163
Member Contributions	42	-	19	2	63
Total Contributions	500	90	1,290	323	2,203

	2018				
	SASS \$m	SANCS \$m	SSS \$m	PSS \$m	Total \$m
Employer Contributions	328	87	1,206	301	1,922
Salary Sacrifice Contributions	129	-	44	6	179
Member Contributions	47	-	27	2	76
Total Contributions	504	87	1,277	309	2,177

The NSW Government makes contributions in line with the funding plan developed to satisfy the requirements of the Fiscal Responsibility Act 2012.

To achieve this, employer contributions are periodically reassessed to ensure that they remain sufficient to fully fund the superannuation liabilities by 2030. STC conducts this periodic reassessment at 30 June each year. The contribution levels are consistent with actuarial recommendations.

11. CHANGE IN FAIR VALUE OF INVESTMENTS

Asset class	2019 \$m	2018 \$m
Short term securities	41	45
Australian fixed interest	261	51
International fixed interest	18	11
Australian equities	(116)	859
International equities	1,128	1,150
Property	60	183
Infrastructure and other alternatives	471	(103)
Total	1,863	2,196

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 period).

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

12. SCHEME ADMINISTRATION EXPENSES

The *Superannuation Administration Act 1996* requires that STC recover its administration expenses from the Fund. Recoveries totalled \$38 million (2018: \$37 million).

Included in Scheme Administration Expenses are the following items:

	2019 \$m	2018 \$m
Actuarial Fees	0.7	0.7
Audit Fees – The Audit Office of New South Wales	0.4	0.5
Scheme Administration Fees	23.0	22.0

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	2019 \$m	2018 \$m
Current tax benefit		
Current income tax benefit	(236)	(110)
Over provision of tax in prior years	(13)	(6)
	(249)	(116)
Deferred tax liability		
Increase in deferred tax liabilities	19	20
Total income tax (benefit) in Income Statement	(230)	(96)
Reconciliation between operating results before income tax and tax (benefit)		
Operating results before income tax	542	751
Income tax expense using the superannuation fund tax rate of 15%	81	113
Change in tax expense/(benefit) due to:		
- Assessable investment income	(120)	(120)
- Pension related investment income	(347)	(371)
- Tax credits	(272)	(152)
- Net change in defined benefit member liabilities	441	440
- (Over) provision of tax benefit in prior years	(13)	(6)
Income tax (benefit) in Income Statement	(230)	(96)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

13. INCOME TAX (Continued)

b) Deferred Tax Liability	2019 \$m	2018 \$m
Unrealised capital loss/(gains)	(97)	(97)
Income receivable	(1)	(1)
Contributions receivable	-	(1)
Unrealised loss/(gains) on traditional securities and foreign exchange	(6)	1
Unrealised franking credits	8	21
Deferred Tax Liability	(96)	(77)

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 2019 and the comparative year are as follows:

Non-executive Trustees

Ms C Austin (term commenced 28 June 2018)
 Ms C Bolger
 Mr A Claassens
 Ms S Dave (term completed 25 May 2019 – term recommenced 26 May 2019)
 Mr N Johnson (term completed 25 June 2019 – term recommenced 26 June 2019)
 Ms C Keating
 Mr G Maniatis
 Ms K Moses (term completed 26 March 2018)
 Mr T O'Grady (term completed 24 June 2017 – term recommenced 14 September 2017)
 Ms R Ramwell (term completed 25 June 2019)

Executive Officers

Mr G Gabriel (from 1 February 2019)
 Mr R Hedley (until 14 December 2018)
 Mr J Livanas
 Mr J Narayan
 Mr A Parapuram
 Mr N Patel
 Ms A Samuel (until 30 September 2018)
 Ms N Siratkov
 Mr C Wu (from 1 December 2018)

The key management personnel compensation in relation to services to STC is as follows	2019 \$'000	2018 \$'000
Board member compensation	527	517
Short-term employee benefits	2,625	2,430
Termination benefits	475	-
Other long-term employee benefits	34	23
Total	3,661	2,970

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

15. RELATED PARTY INFORMATION

- a) The following Board Members were members of the Fund schemes during the reporting period or up to the date of the financial statements (including comparative year): T O'Grady and A Claassens. Their membership terms and conditions were the same as those applied to other members of the Fund's schemes.
- b) Transactions entered into during the year with Board Members and their Related Entities are disclosed below.

	2019 \$000	2018 \$000
Consulting fees paid to STC Board Member Ms. C Keating by StatePlus, on normal commercial terms. StatePlus has various contractual arrangements with STC for the provision of Member Services	65	168
Director fees paid to STC Board Member Ms. R Ramwell by StatePlus, on normal commercial terms. StatePlus has various contractual arrangements with STC for the provision of Member Services	70	62

- c) The Fund reimbursed STC \$38 million (2018: \$37 million) for operating expenses including key management personnel compensation costs. The amount payable to STC at 30 June 2019 is disclosed in note 5.
- d) 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.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

17. SECURITIES LENDING PROGRAM

The Fund participates in an indemnified Securities Lending Program managed by the custodian. The Fund received \$6 million (2018: \$4 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 \$1.8 billion (2018: \$874 million) while the total value of the collateral was \$1.9 billion (2018: \$901 million). The lent securities represented approximately 10.09% of the lendable assets (2018 approximately: 5.02%) and is within the Fund's allowable limit of 20% of the lendable assets.

The collateral comprised of non-cash sovereign securities of \$1.4 billion (2018: \$210 million) and cash of \$546 million (2018: \$690 million). The collateral is invested in a fund managed by the custodian.

The custodian's indemnification of the program covers any shortfalls in securities collateral.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of risk factors as a result of its investment activities. These risks include:

- (a) market risk (including currency risk; interest rate risk; and price risk)
- (b) credit risk
- (c) liquidity risk

The Fund's risk management and investment policies are designed to minimise the potential adverse effects of these risks on the Fund's financial performance. STC maintains a Risk Management Framework (RMF) and an anti-money laundering and counter terrorism financing program (AML/CTF program). These systems address material risks, both financial and non-financial that could potentially be faced by the Fund.

The Fund's assets are invested in accordance with the Fund's investment strategy. STC regularly reviews the investment strategy to ensure the strategy's continued relevance to the Fund's objectives given prevailing investment markets. An objective of the investment strategy is to avoid undue concentrations of risk. STC ensures that the portfolio is diversified across and within asset classes, across investment managers, countries, individual asset types and risk factors.

As required by its governing legislation, the investments of the Fund are managed by specialist fund managers. The activities of the fund managers are governed by investment instructions and investment constraints as set out in documented agreements with the fund managers or, in the case of a unit trust, a trust deed.

STC and TCorp (as the mandated investment manager for the Trustee Selection assets), constantly monitor the investment managers to ensure compliance with investment instructions and investment constraints.

For the purpose of these financial statements, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables but excluding ESR, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps). Such derivative instruments are only used for hedging purposes and to efficiently implement asset allocation changes.

Accounting Policies

Assets and liabilities of the Fund are predominantly valued at reporting date at fair values. 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.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The relevant terms and conditions and applicable additional detailed accounting policies for each financial instrument are as follows:

Financial instruments	Accounting policies/valuation method
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 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.
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 at 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 2018 and 30 June 2019 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. In performing the valuation, the independent valuer considered the requirements of the Australian Accounting Standard Board, in particular, AASB13 Fair Value Measurement. There has been no change to the valuation technique during the year.

**Notes to and forming part of the financial statements
For the year ended 30 June 2019**

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

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.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

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 2019 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	8,310	570	1,430	1,181	30,121	2,061	43,673
Cash	-	-	-	-	32	-	32
Payables	(36)	(14)	(3)	(3)	(90)	(8)	(154)

YEAR ENDED 30 JUNE 2018 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	7,512	573	1,446	1,321	30,324	1,772	42,948
Cash	-	-	-	-	20	-	20
Payables	(10)	-	(3)	(2)	(89)	(7)	(111)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

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 15 per cent 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 2019 and 2018.

All amounts are in Australian Dollars	Change in Net Assets 2019 \$m	Change in Net Assets 2018 \$m
USD	(216)	(161)
JPY	(1)	(1)
EUR	(12)	(12)
GBP	(60)	(58)
Other	(89)	(80)
Total	(378)	(312)

Assuming no hedging of international exposures, a 15 per cent weakening of the Australian Dollar against the above currencies at financial year end would have the equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

a.ii) Interest Rate Risk

The Fund's investments in debt and short-term money market instruments are subject to interest rate risk and the return on these investments will fluctuate in accordance with movements in the interest rates.

The Fund's exposure to interest rate risk, including contractual repricing or maturity dates (whichever dates are earlier) associated with these financial instruments as at 30 June, are shown in the tables below. All other financial assets and liabilities are non-interest bearing.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a.ii) Interest Rate Risk (continued)

YEAR ENDED 30 JUNE 2019 – 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	3,043	-	-	3,043
Australian Fixed Interest	-	2,338	-	2,338
International Fixed Interest	-	185	-	185
Australian Equities	-	-	8,577	8,577
International Equities	-	-	11,723	11,723
Property - indirect	-	-	1,601	1,601
Investment Properties - direct	-	-	2,138	2,138
Infrastructure and other alternatives	-	-	14,033	14,033
Net Derivatives	-	-	67	67
Total Assets	3,043	2,523	38,139	43,705
Liabilities				
Payables	-	-	154	154
Total Liabilities	-	-	154	154
Net Assets	3,043	2,523	37,985	43,551

YEAR ENDED 30 JUNE 2018 – 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	3,910	-	-	3,910
Australian Fixed Interest	-	2,256	-	2,256
International Fixed Interest	-	171	-	171
Australian Equities	-	-	8,968	8,968
International Equities	-	-	10,682	10,682
Property - indirect	-	-	1,730	1,730
Investment Properties - direct	-	-	2,049	2,049
Infrastructure and other alternatives	-	-	13,196	13,196
Net Derivatives	-	1	5	6
Total Assets	3,910	2,428	36,630	42,968
Liabilities				
Payables	-	-	111	111
Total Liabilities	-	-	111	111
Net Assets	3,910	2,428	36,519	42,857

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

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 sensitivity factors 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 2019 and 2018.

The effect of a 175-basis point increase in interest rates for variable rate financial assets and liabilities and a 175-basis point increase in interest rates 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 2019 and 2018 and takes into consideration portfolio duration.

All amounts are in Australian Dollars	Change in Net Assets 2019 \$m	Change in Net Assets 2018 \$m
Fixed Interest	(397)	(382)
Floating Interest	53	68
Total	(344)	(314)

A 175-basis point 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 remains constant.

a.iii) Price Risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment and/or its issuer or all factors affecting all instruments traded in the market. As the majority of the Fund's financial instruments are carried at fair value in the Statement of Financial Position and all changes in fair value are recognised in the Income Statement, all changes in market conditions will directly affect net assets available for member benefits and operating results.

Price risk is mitigated by the Fund having a formal investment strategy which diversifies the Fund's investments across various sectors, managers, risk factors, asset classes and countries.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

a.iii) Price Risk (continued)

All amounts are in Australian Dollars	Change in Price Risk Variable	Change in Operating Results 2019 \$m	Change in Operating Results 2018 \$m
Australian Equities	+38%	3,268	3,435
International Equities	+40%	4,701	4,302
Total		7,696	7,737

All amounts are in Australian Dollars	Change in Price Risk Variable	Change in Operating Results 2019 \$m	Change in Operating Results 2018 \$m
Australia Equities	-22%	(1,896)	(1,955)
International Equities	-23%	(2,727)	(2,444)
Total		(4,423)	(4,399)

b) Credit Risk

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause the Fund to incur a financial loss. Counterparty risk is governed by the Exposure and Counterparty Limit Policy. The Fund primarily invests in debt securities which are rated by a known rating agency. The Fund manages its exposure to credit risk by setting minimum grade ratings by investment type and a minimum overall weighted average credit rating in its investment mandates.

The Fund is exposed to credit risk in the following areas:

- the holding of currency hedging contracts, derivatives, short term securities, Australian fixed interest securities and international fixed interest securities
- contributions receivable
- accrued income
- margin call deposits
- unsettled investment sales
- securities lending (refer to Note 17)

The Fund's maximum exposure to credit risk at balance date in relation to each of the above listed items is the carrying amount of those assets as stated in the Statement of Financial Position.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

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 2019 or 30 June 2018. 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.

The Fund's strategic asset allocations at 30 June 2019 targeted the following allocations to cash and short-term securities:

- DC Growth Option 6.5%
- DC Balanced Option 26.5%
- DC Conservative Option 45%
- Trustee Selection 4%
- University Diversified 75%

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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

2019 Financial liabilities	Less than 1 month \$m	1 – 12 months \$m	1+ years \$m	Fair Value \$m
Trade and other payables	133	21	-	154
Current tax liabilities	-	56	-	56
Total undiscounted financial liabilities (excluding derivatives)	133	77		210
Net settled derivatives				
Forward foreign exchange contracts	(4)	17	-	13
Swaps	4	-	-	4
Options	-	50	-	50
Total undiscounted derivatives inflow/(outflow)	-	67	-	67

2018 Financial liabilities	Less than 1 month \$m	1 – 12 months \$m	1+ years \$m	Fair Value \$m
Trade and other payables	80	31	-	111
Current tax liabilities	-	173	-	173
Total undiscounted financial liabilities (excluding derivatives)	80	204	-	284
Net settled derivatives				
Forward foreign exchange contracts	(41)	(22)	-	(63)
Futures	-	(4)	-	(4)
Options	6	67	-	73
Total undiscounted derivatives inflow/(outflow)	(35)	41	-	6

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. All other assets and other liabilities are recorded at historical cost which, in the opinion of the Trustees, approximates their fair value.

Assets and Liabilities by Measurement Hierarchy

For financial reporting, fair value measurements are categorised into Level 1, 2 or 3 based on whether inputs in determining fair value are observable and the significance to the measurement. The levels are described as follows –

- Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are short term securities; listed shares; listed unit trusts.
- Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are loan notes, government, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.
- Level 3 – inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; and unlisted infrastructure.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

19. FAIR VALUE DISCLOSURES (Continued)

STC has a valuation policy that sets out how all the Fund's assets are to be valued to ensure that valuations are materially accurate, fair and equitable. The Policy reflects the requirements of APRA Prudential Practice Guide SPG 531 – *Valuation*.

The fair value of direct infrastructure and property assets are based on valuations performed by independent valuers. Each independent valuer is appointed in line with the valuation policy. The valuation models used are designed in accordance with the International Valuation Standards Committee's recommendations.

Valuation techniques and significant unobservable inputs

The unobservable inputs into the valuation of the Fund's level 3 assets are determined on the best information available. Examples of unobservable inputs include discount rates, cash flow forecasts and rental forecasts.

Investments held at fair value through profit and loss for which there is no active market are valued making as much use of available and supportable market data as possible whilst keeping judgemental inputs to a minimum.

The following summarises the quantitative information regarding the significant unobservable inputs used in the Fund's level 3 fair value valuation methodologies, and include where applicable:

- Market based methods – which estimate fair value by considering the market price of similar assets or transactions
- Discounted cash-flow methods – which estimate fair value by discounting future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. The discount rate used to equate the future cash flows to their net present value reflects the risk adjusted rate of return demanded by a hypothetical investor for the assets being valued. Selecting an appropriate discount rate is a matter of judgement having regard to relevant available market data and the risks and circumstances specific to the asset being valued
- Asset based methods – which estimate the fair value based on the realisable value of identifiable net assets assuming an orderly realisation

The analysis below indicates the effect on the income statement and statement of financial position arising from possible changes of the unobservable inputs to level 3 assets.

Asset Description	Unobservable inputs	Sensitivity used	Effect on fair value 2019 \$m	Effect on fair value 2018 \$m	Relationship to fair value
Infrastructure	Discount rate	+/- 50bp	(262)/294	(260)/302	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)/41	(37)/37	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	(97)/104	(88)/95	an increase in the capitalisation rate will reduce fair value, a decrease in the capitalisation rate will increase fair value
Unit Trusts	Unit price	+/- 5%	80/(80)	77/(77)	an increase in the unit price will increase fair value, a decrease in the unit price will decrease fair value

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

19. FAIR VALUE DISCLOSURES (Continued)

The following tables categorise the Fund's assets using the above valuation hierarchy. All disclosures are at fair value and excludes cash balances of approximately \$1.6B which are embedded within the asset class portfolios, as cash is not subject to fair value considerations.

Year ended 30 June 2019	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				
Short Term Securities	2,136	1,907	-	4,043
Australian Fixed Interest	5	2,290	-	2,295
International Fixed Interest	7	1,961	-	1,968
Australian Equities	7,818	551	-	8,369
International Equities	8,795	2,592	-	11,387
Property	699	180	2,710	3,589
Infrastructure and other alternatives	327	5,080	5,151	10,558
Total	19,787	14,561	7,861	42,209

Year ended 30 June 2018	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Assets				
Short Term Securities	2,185	2,216	-	4,401
Australian Fixed Interest	42	2,193	-	2,235
International Fixed Interest	8	1,388	-	1,396
Australian Equities	8,719	552	-	9,271
International Equities	8,500	2,392	-	10,892
Property	788	214	2,709	3,711
Infrastructure and other alternatives	421	4,817	4,657	9,895
Total	20,663	13,772	7,366	41,801

Reconciliation of level 3 fair value measurements of financial assets

Level 3 Fair Value Reconciliation	2019 \$m	2018 \$m
Balance at 1 July	7,366	6,364
Total gains and losses recognised in income statement	406	420
Purchases	358	715
Redemptions/Disposals	(298)	(542)
Transfer into Level 3	98	409
Transfer out of Level 3	(69)	-
Balance at 30 June	7,861	7,366

Unrealised gains recognised in the 2019 income statement is \$406 (\$411 million 2018).

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements For the year ended 30 June 2019

20. COMMITMENTS

As at 30 June 2019, the Fund had commitments for uncalled additions to existing investments of \$342 million (2018: \$592 million). The amounts can be called at the discretion of the fund managers involved and will be funded from the cash holdings of the Fund's diversified investment options.

21. NOTES TO CASH FLOW STATEMENT

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

	2019 \$m	2018 \$m
Operating result after income tax for the year	772	847
Net change in fair value of investments	(1,863)	(2,196)
Net change in receivables and other assets	(132)	(60)
Net change in payables and other liabilities	244	(10)
Net change in defined benefit member benefits	2,941	2,930
Net change in provision for income tax	(117)	32
Net cash inflow/(outflow) from operating activities	1,845	1,543

22. OPERATING LEASE

The future minimum lease payments receivable by the Fund excluding GST are

	2019 \$m	2018 \$m
No later than one year	117	115
Later than one year but not later than five years	302	290
Later than five years	109	114
Total	528	519

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
For the year ended 30 June 2019

23. CONTROLLED ENTITIES

The entities that comprise the SAS Trustee Corporation Pooled Fund economic entity are detailed below. The entities are special purpose trusts established to hold some of the Fund's unlisted infrastructure and property investments.

Name	Country of Incorporation	Equity Holding		Commitments for Investment	
		2019 %	2018 %	2019 \$'m	2018 \$'m
EG Core Plus Fund No. 1	Australia	79	79	-	97
EG Core Plus Fund No.1 Holding Trust No.1	Australia	-	79	-	-
EG Core Plus Fund No.1 Holding Trust No.2	Australia	79	79	-	-
EG Core Plus Fund No.1 Holding Trust No.3	Australia	-	79	-	-
EG Core Plus Fund No.1 Holding Trust No.4	Australia	-	79	-	-
EG Core Plus Fund No.1 Holding Trust No.5	Australia	-	79	-	-
EG Core Plus Fund No.1 Holding Trust No.6	Australia	-	79	-	-
EG Core Plus Fund No.1 Holding Trust No.7	Australia	-	79	-	-
EG Core Plus Fund No.1 Holding Trust No.8	Australia	-	79	-	-
EG Core Plus Fund Ownership Trust No.1	Australia	-	79	-	-
EG Core Plus Fund Ownership Trust No.2	Australia	79	79	-	-
EG Core Plus Fund Ownership Trust No.3	Australia	-	79	-	-
EG Core Plus Fund Ownership Trust No.4	Australia	-	79	-	-
EG Core Plus Fund Ownership Trust No.5	Australia	-	79	-	-
EG Core Plus Fund Ownership Trust No.6	Australia	-	79	-	-
EG Core Plus Fund Ownership Trust No.7	Australia	-	79	-	-
EG Core Plus Fund Ownership Trust No.8	Australia	-	79	-	-
Alfred Unit Trust	Australia	100	100	-	-
Southern Way Unit Trust	Australia	100	100	-	-
IPG Unit Trust	Australia	-	100	-	-
Duquesne Utilities Trust	Australia	100	100	-	-
Pisco STC Funds Unit Trust No.1	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	-	-

24. EVENTS AFTER THE REPORTING DATE

There have been no events between 30 June 2019 and the date of approval of these financial statements that would significantly affect 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 2018-19

	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	42	98	0	3	0	0	0	0
Members of the public (others)	36	105	0	1	0	0	0	0

* More than one decision can be made in respect of a particular access application. If so, a recording must be made in relation to each such decision. This also applies to Table B

	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*	78	203	0	4	0	0	0	0
Access applications (other than personal information applications)	0	0	0	0	0	0	0	0
Access applications that are partly personal information and partly other	0	0	0	0	0	0	0	0

* A **personal information application** is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

Table C: Invalid applications

Reason for invalidity	Number of Applications
Application does not comply with formal requirements (section 41 of the Act)	2
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	2
Invalid applications that subsequently became valid applications	0

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	25
Excluded information	0
Documents affecting law enforcement and public safety	3
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0
Information about complaints to Judicial Commission	0
Information about authorised transactions under <i>Electricity Network Assets (Authorised Transactions) Act 2015</i>	0
Information about authorised transaction under <i>Land and Property NSW (Authorised Transaction) Act 2016</i>	0

* More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

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	198
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)	284
Decided after 35 days (by agreement with applicant)	0
Not decided within time (deemed refusal)	1
Total	285

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	1	0	1
Review by Information Commissioner*	1	0	1
Internal review following recommendations under section 93 of Act	1	0	1
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	2
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 identification of compliance with statutory disclosure requirements.

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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*.
- **StatePlus** means State Super Financial Services Australia Limited (trading as StatePlus).
- **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*.

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	PO Box 1229 Wollongong NSW 2500

Personal interview service

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

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

This report contains general information. Relevant information is subject to the *State Authorities Superannuation Act 1987*, the *Superannuation Act 1916*, the *Police Regulation (Superannuation) Act 1906* and the *State Authorities Non-contributory Superannuation Act 1987* that govern the schemes mentioned in this report and those Acts will prevail to the extent of any inconsistency. In preparing the report, SAS Trustee Corporation (STC) has not taken into account your objectives, financial situation or needs and you should consider your personal circumstances and possibly seek professional advice before making any decision that affects your future. To the extent permitted by law, STC, its Board members and employees do not warrant the accuracy, reliability or completeness of the information contained in or omitted in this report. STC cannot guarantee any particular rate of return and past investment performance is not a reliable guide to future investment performance.