



**STATE SUPER**  
SAS Trustee Corporation



# Report to **Members**

2015–16



**STATE SUPER**  
SAS Trustee Corporation

# Table of contents

Your scheme at a glance	04
Chairperson's report	06
CEO's report	07
Your Trustee Board	08
Function and role of State Super & the Board	09
Investment performance	11
Investment management	12
Investment strategies at 30 June 2016	13
Investment updates and changes	16
Investment strategies from 1 July 2016	17
Investment governance framework	19
Investment managers at 30 June 2016	20
Member services update	22
Important Fund updates	24
Commonwealth Government changes	25
Abridged financial statements	26
Fees and charges	28
Complaints and disputes	30
Privacy, compliance and GIPA	31



# SASS at a glance

<b>Contributors at 30 June 2015</b>	<b>28,669</b>
Plus transfers	<b>8</b>
Less exits	<b>2,601</b>
<b>Contributors at 30 June 2016</b>	<b>26,076</b>
<b>Deferred benefit members at 30 June 2016</b>	<b>10,112</b>
<b>Pension members at 30 June 2016</b>	<b>4,241</b>
<b>Member contributions</b>	Members elect to contribute between 1% and 9% of their salary. Seventy-two per cent of member contributions were received via salary sacrifice.
<b>Type of benefits</b>	<p><b>Retirement/withdrawal benefit</b> – a lump-sum benefit based on average contribution rate, final average salary and years of membership. The benefit includes member contributions and investment earnings less fees and insurance premiums (where applicable).</p> <p><b>Pensions</b> – some members of superseded schemes also have a pension option.</p> <p><b>Additional benefit cover</b> – optional cover provides a benefit payable on top of the standard benefits available to contributors where retirement is due to total and permanent invalidity or death before the contributor reaches the statutory retirement age.</p>
<b>Membership</b>	SASS commenced 1 April 1988 and was closed to new members 19 December 1992.
<b>Legislation</b>	SASS was established under the <i>State Authorities Superannuation Act 1987</i> .
<b>Scheme eligibility</b>	New employees in the NSW public sector were eligible to join the scheme and members of the Public Authorities Superannuation Scheme (PASS) were transferred to SASS from 1 April 1988. By 1990, a number of other public sector superannuation schemes were closed and members of these schemes were also transferred to SASS. These schemes included, among others, the State Public Services Superannuation Fund (SPSSF), the Transport Gratuity Scheme and the Government Railways Superannuation Fund.

**SANCS** – In addition to the SASS benefits outlined above, members receive the SANCS lump-sum basic benefit. The benefit is 100% employer-funded and, depending on the reason for exiting employment, accrues at a rate of up to 3% of either final or final average salary for each year of service from 1 April 1988 (or employment commencement date if later). SANCS was closed to new members in 1992. Members' SANCS benefits also consist of any applicable Additional Employer Contribution, Commonwealth Government Co-contribution and Low Income Superannuation Contribution (LISC) amounts. The *State Authorities Non-contributory Superannuation Act 1987* is the establishing legislation.

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

# SSS and PSS at a glance

	SSS	PSS
<b>Contributors at 30 June 2015</b>	<b>7,114</b>	<b>1,281</b>
Less exits	1,461	115
<b>Contributors at 30 June 2016</b>	<b>5,653</b>	<b>1,166</b>
<b>Deferred benefit members at 30 June 2016</b>	<b>1,838</b>	<b>107</b>
<b>Pension members at 30 June 2016</b>	<b>54,230</b>	<b>6,557</b>
<b>Member contributions</b>	Members generally contribute towards individual pension units on a rate-for-age basis.  Eighty-three per cent of member contributions were received via salary sacrifice.	Members contribute 6% of their salary.  Sixty-seven per cent of member contributions were received via salary sacrifice.
<b>Type of benefits</b>	Mainly pension benefits, with a lump-sum commutation option.	Mainly pension benefits, with a lump-sum commutation option.
<b>Membership</b>	SSS commenced 1 July 1919 and was closed to new members 1 July 1985.	PSS commenced on 1 February 1907 and was closed to new members 1 April 1988.
<b>Legislation</b>	SSS was established under the <i>Superannuation Act (NSW) 1916</i> (Superannuation Act).	PSS was established under the <i>Police Regulation (Superannuation) Act 1906</i> .
<b>Scheme eligibility</b>	Salaried employees of the NSW public service, including teachers and a number of statutory authorities scheduled in the Superannuation Act were eligible to join SSS.	Members of the NSW Police Service employed prior to 1 April 1988 were eligible to join PSS.

**SANCS** – In addition to the SSS and PSS benefits outlined above, members receive the SANCS lump-sum basic benefit. The SANCS benefit is 100% employer-funded and, depending on the reason for exiting employment, accrues at a rate of up to 3% of either final or final average salary for each year of service from 1 April 1988 (or employment commencement date, if later). Members' SANCS benefits also consist of any applicable Additional Employer Contribution, Commonwealth Government Co-contribution and Low Income Superannuation Contribution (LISC) amounts. SANCS is governed by the *State Authorities Non-contributory Superannuation Act 1987* and was closed to new members in 1992.

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



## Chairperson's report

**I would like to take this opportunity to acknowledge and thank all State Super staff for their valued contribution to the past year's significant achievements.**

I look forward to continuing to work with my fellow Board members and the State Super executive team to ensure everything we do results in the best possible outcome for the Fund and, most importantly, for Fund members.

### Fund returns

In a year of volatile markets State Super achieved investment returns for most of its strategies within the top quartile of the Australian superannuation industry (based on the June 2016 SuperRatings Fund Crediting Rate Survey). Indeed, four out of five investment strategies delivered results in the top industry quartile, an outstanding result.

### Member services

State Super's Member Services team continues its tradition of outstanding customer service. We have been measuring member satisfaction levels since 2013 and I am delighted to report that there has been consistent improvement over the three-year period.

The results show the tremendous effort the State Super team and service providers put in every day to ensure our members receive superior service.

### StatePlus Sale – ongoing relationship

The sale of StatePlus to First State Super was a significant outcome that will continue to deliver and improve members' access to financial planning professionals who understand our complex schemes. We conducted a professional and transparent process that delivered a great outcome for State Super's members.



### Evolving relationship with TCorp

Members will recall past references to the 'Amalgamation' project under which many of the day-to-day responsibilities for appointing and supervising the various Asset Managers managing specific State Super asset portfolios were delegated to NSW Treasury Corporation (TCorp).

I am pleased to report that implementation of that project was successfully achieved during the past year. The Trustee is very pleased with the cost-effective work now being done on our behalf by TCorp.

It is anticipated that some further delegation of these day-to-day operational responsibilities will be concluded with TCorp in the next few months. The Trustee will, of course, retain responsibility for the core function of strategic asset allocation and will be constantly reviewing the performance of TCorp and of individual asset managers.

During the year TCorp appointed a new Chair, Philip Chronican, and a new CEO, David Deverall. I am pleased to be working with them as leaders of one of our major service suppliers.

### Board changes

There have been a number of Board changes this year.

Paul Scully's term as an Employer Representative ended this year and Simone Constant also resigned as an Employer Representative. I thank them for their valuable contributions.

I would like to welcome Catherine Bolger, George Maniatis and Swati Dave to the STC Board. Catherine was appointed as an Employee Representative in September 2015 and brings with her a depth of experience in the superannuation industry. George was also appointed as an Employee Representative in September 2015 and brings significant experience in the union movement, mainly as an Industrial Officer and advocate. Swati joined us in May 2016 as an Employer Representative. She brings with her over 30 years' experience in banking and finance.

Finally, I would like to again acknowledge the tremendous work the staff at State Super undertake every day to ensure we continue to achieve our objectives.

**Nicholas Johnson**  
Chairperson  
October 2016



## CEO's report

**2015–16 was an important year for State Super, with several significant milestones achieved, three of which are notable:**

1. Our investment return for the Trustee Selection Strategy was 4.2%<sup>1</sup>, while the member default Growth Option returned 5.0%.
2. Our overall member satisfaction scores were rated at 8.0, the highest we've ever achieved.
3. The sale of StatePlus to First State Super, following an extensive evaluation of options, including the potential of an initial public offering (IPO).

2016-17 will continue to see State Super evolve to take advantage of the scale offered by amalgamating funds.

We will do this in a number of ways, including continuing to improve our capabilities in managing outsourced providers, continuing to enhance our member services, and, by extending our collaboration with our peers, to better enable State Super to navigate a challenging investment environment.

### Key milestones

#### Investment returns

State Super achieved investment returns within the top quartile of the Australian superannuation industry for four of its five strategies.<sup>2</sup>

Our strong relative investment returns can be attributed to our asset allocation approach, the strong performance of investments in infrastructure assets such as Melbourne Airport and the Port of Geelong, as well as the sale of StatePlus. Other strong contributions included the significant revaluation of the property portfolio and the robust performance of our equities managers. At the same time, our downside risk protection strategies, currency framework and continual asset allocation tilts enabled us to lower our overall portfolio risk.

#### Member engagement

Since 2013, our commitment to achieving continual improvement in member satisfaction has been measured using a comprehensive telephone-based survey of 1,000 members, selected within a stratified sampling process.<sup>3</sup>

The results for 2015–16 show that overall satisfaction reached its highest level at 8.0 (out of a possible score of 10.0) since the survey began in 2013. The survey, which benchmarks State Super against the general superannuation industry, also shows us outperforming our peers in our aggregate score.

Our Telephone Service and Financial Planning were standouts, with scores of 8.4 and 8.6 respectively.

Another successful milestone entailed completely transforming our member statements from largely statutory documents to member-centric communications that clearly show each member's progression in their scheme.

#### Sale of StatePlus

After over 26 years of ownership by State Super, the sale of StatePlus was completed during June 2016, to First State Super. The sale was one of our most significant moments in 2015–16 and followed an extensive and keenly contested dual-track bid process, with demand from interested parties all around the world. We are confident that First State Super's ownership will ensure StatePlus continues to provide State Super members with the high levels of financial planning they will require.

### Looking forward

#### Treasurer's orders

As a result of a change to the legislation governing State Super, the Treasurer has issued orders on State Super mandating State Super's use of TCorp for investment management of the defined benefit assets and appointment of the custodian.

State Super will retain responsibility for investment strategy and risk. The assets underlying the defined contributions proportion of the Fund ('member funds') will continue to be entirely managed by State Super.

A new contract is being negotiated which will support the government policy initiatives and, we are confident, enable State Super to continue to achieve superior investment outcomes and enhance efficiencies while continuing our strong governance.

### We appreciate your feedback

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

**John Livanas**  
Chief Executive Officer  
October 2016

<sup>1</sup> After application of Exempt Current Pension Income (ECPI). <sup>2</sup> June 2016 SuperRatings Fund Crediting Rate Survey. <sup>3</sup> Survey conducted by Woolcott Research

# Your **Trustee Board**

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

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

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

## Chairperson



**Nicholas Johnson**  
Chairperson  
Appointed June 2015

## Employer representatives



**Karen Moses**  
Company Director  
Appointed March 2012



**George Venardos**  
Company Director  
Appointed November 2012



**Roslyn Ramwell**  
Company Director  
Appointed June 2015



**Swati Dave**  
Company Director  
Appointed May 2016

## Employee representatives



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



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



**Catherine Bolger**  
Professionals Australia  
Appointed September 2015



**George Maniatis**  
NSW Fire Brigade  
Employees' Union  
Appointed September 2015

## Thank you

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

## Paul Scully

(Former Employer Representative)  
Appointed February 2004;  
term ended 9 August 2015

## Simone Constant

(Former Employer Representative),  
Appointed August 2015;  
resigned 24 November 2015





## Function & role of State Super & the Board

### State Super

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

- administer the State Super schemes
- invest and manage the Pooled Fund
- provide for the custody of the assets and securities of the State Super schemes
- ensure that benefits payable to persons entitled to receive benefits under the State Super schemes are paid in accordance with the Acts under which the schemes are constituted
- determine disputes under those Acts
- exercise such other functions regarding the State Super schemes and the Pooled Fund as the Minister may, from time to time, approve by order in writing.

State Super is required to outsource the following principal functions for the State Super schemes:

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

### The Board

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

- monitoring the State Super schemes and the Pooled Fund, including its control and accountability systems
- appointing and removing the Chief Executive
- 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 the Fund's operations
- 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, State Super management and service providers.

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

## State Super committees

A number of Board committees assist with the performance of State Super's functions and monitor the compliance of external service providers against their contractual requirements. The Committees and their membership at 30 June 2016 are listed below.

### Investment Committee

Mr N Johnson (Chairperson)

Mr G Venardos

Ms R Ramwell

### Risk, Audit and Compliance Committee

Mr G Venardos (Chairperson)

Ms K Moses

Mr T O'Grady

Ms C Bolger

### Member Services Committee

Mr A Claassens (Chairperson)

Mr T O'Grady

Ms R Ramwell

Mr G Maniatis

### Human Resources and Nominations Committee

Mr A Claassens (Chairperson)

Ms K Moses

Mr G Venardos

Ms C Bolger

Mr G Maniatis

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

### Transaction Sub-Committee

Mr N Johnson (Chairperson)

Mr T O'Grady

Ms K Moses

Mr A Claassens

Ms C Bolger

Ms R Ramwell

Mr G Maniatis

The purpose of the Transaction Sub-Committee was to exercise Board discretion for decisions regarding the sale of State Super Financial Services Limited, trading as StatePlus. As a single-purpose committee, once the sale was finalised the committee was no longer required.

### Police Superannuation Advisory Committee

Ms R Ramwell (Chairperson)

Mr A Claassens (Deputy Chairperson)

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

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





## Investment performance

**The investment performances of all the diversified investment options were ahead of targeted earnings over the three and five-year periods ended 30 June 2016.**

2016 was a year where both Australian and international equities performed poorly. In contrast, infrastructure, property and other unlisted assets performed well and made strong contributions to total returns for the year.

It was also a year where bonds, both Australian and international, did well despite elevated valuations. Australian bonds generated 7.1% and international bonds 5.2% (State Super uses a tailored, fully hedged benchmark for international bonds), compared to a return on cash of 2.3%. The poorest performing asset class for the year was international equities, which returned 0.6% unhedged.

The Trustee Selection and Growth Strategies in particular benefited from an active tilting process during the year. Designed to crystallise returns, this was an important feature, particularly as all the strategies had negative cash flow.

State Super implements its investment strategies through fund managers. Over 2015–16, fund managers' performances were reviewed and adjustments made to ensure the risk return characteristics of each asset class were in line with strategic objectives. We also took advantage of strong demand for unlisted assets and adjusted the relevant infrastructure and property portfolios. State Super continues to maintain prudent liquidity requirements to fund its liabilities and an increased focus on liquidity management remains a priority for the investment team.

Year ending	Crediting rate to members (%p.a.)							CPI (% p.a.)
	Growth Strategy	Balanced Strategy	Conservative Strategy	Cash Strategy	Trustee Selection	University Diversified Conservative	University Cash	
30 June 2016	5.0	5.3	4.6	2.0	3.6	1.9	2.0	2.2
30 June 2015	10.2	8.9	6.9	2.4	11.1	4.2	1.6	3.0
30 June 2014	12.3	10.7	8.1	2.5	12.3	n/a	n/a	2.4
30 June 2013	17.1	13.7	9.2	3.2	17.1	n/a	n/a	1.2
30 June 2012	0.4	2.6	4.6	4.2	0.4	n/a	n/a	3.6
<b>Average annual compound rate (% p.a.)</b>								
Over 3 years	9.1	8.3	6.5	2.3	9.0	n/a	n/a	
Over 5 years	8.9	8.2	6.7	2.9	8.8	n/a	n/a	
Over 10 years	5.7	6.0	5.7	3.8	5.6	n/a	n/a	

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





# Investment management

## Strategic asset allocation

State Super allocates assets into three classes, or categories – liquid growth, alternatives and liquid defensive – which reflect their roles within the portfolio.

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

**Liquid growth** characteristically makes a large contribution to long-term returns, but such returns are likely to be highly volatile. The allocation to liquid growth within Australian and international equities may be changed from time to time depending on market opportunities.

**Alternatives** serve a dual purpose. Some of the asset classes in this category typically generate returns in line with or higher than CPI + 4.5% p.a. which is the objective for the Trustee Selection and Growth Strategies. Other asset classes within the category are expected to have the dual objective of providing CPI + 4.5% p.a. and downside protection when markets are turbulent.

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

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

## Downside protection

The Trustee may employ a series of investment strategies to manage downside risk (the financial risk of loss, where the actual return is below the expected return), 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, listed asset classes can be tilted away from their respective asset allocation weights in a disciplined manner. The portfolios can be tilted using dynamic asset allocation ranges set for each strategy in order to capture potential upside gains and provide a degree of downside protection.

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



# Investment strategies at 30 June 2016

## Defined benefit investment strategies

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

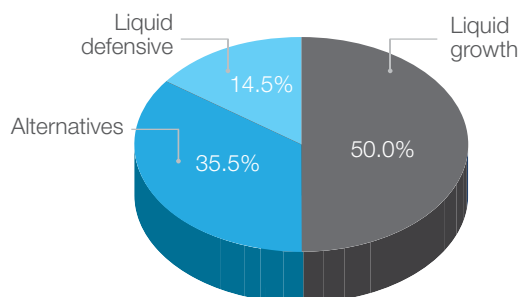
### Trustee Selection Strategy\*

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

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

**Net asset value at 30 June 2016:** \$32,929.2 million

### Strategic asset allocation at 30 June 2016



### Asset allocation as at 30 June 2016

	Strategic %	Actual %
<b>Liquid growth</b>	<b>50.0</b>	<b>52.8</b>
Australian equities	22.0	23.1
International equities	28.0	29.7
<b>Alternatives</b>	<b>35.5</b>	<b>29.4</b>
Infrastructure	12.0	11.5
Property	10.0	9.6
Other alternatives	13.5	8.3
<b>Liquid defensive</b>	<b>14.5</b>	<b>17.8</b>
Australian fixed interest	5.0	6.0
International fixed interest	2.0	1.9
Cash	7.5	9.9
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

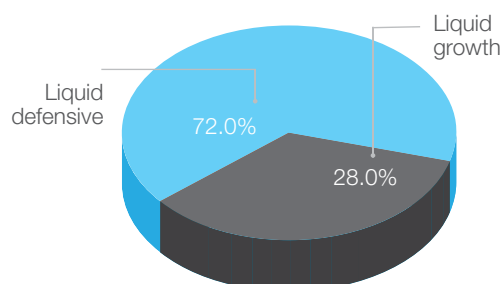
### University Diversified Conservative Strategy

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

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

**Net asset value at 30 June 2016:** \$492.1 million

### Strategic asset allocation at 30 June 2016



### Asset allocation as at 30 June 2016

	Strategic %	Actual %
<b>Liquid growth</b>	<b>28.0</b>	<b>31.8</b>
Australian equities	12.0	14.1
International equities	16.0	17.6
<b>Alternatives</b>	<b>0.0</b>	<b>0.0</b>
<b>Liquid defensive</b>	<b>72.0</b>	<b>68.2</b>
Australian fixed interest	6.0	6.7
International fixed interest	2.0	2.3
Cash	64.0	59.3
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

\*During 2015–16 efforts were made in the Trustee Selection Strategy to close the gap between the strategic allocation target and the actual asset allocation to alternatives. State Super continues to be patient in this regard. It is more important to identify the right opportunities rather than focus on narrowing the gap between the actual asset allocation and the strategic target at all costs. As a result, cash levels have been above their strategic level. Being cash heavy has not had a big opportunity cost this year, given the returns from equities have, on average, been below the return from cash.

# Investment strategies at 30 June 2016 – continued

## Defined Benefit investment strategies – continued

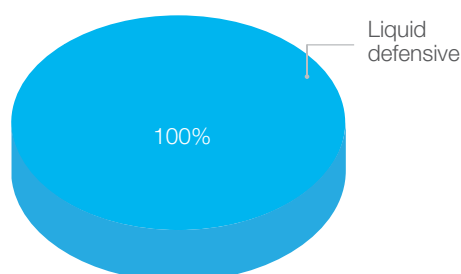
### Universities Cash Strategy

**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 CPI p.a. over rolling three-year periods.

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

**Net asset value at 30 June 2016:** \$150.4 million

### Strategic asset allocation at 30 June 2016



### Asset allocation as at 30 June 2016

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

## Member investment choice (MIC) strategies

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

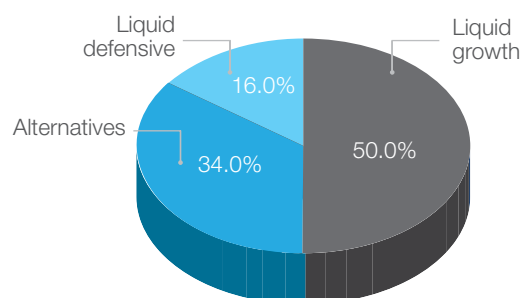
### Growth Strategy

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

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

**Net asset value at 30 June 2016:** \$6,221.8 million

### Strategic asset allocation at 30 June 2016



### Asset allocation as at 30 June 2016

	Strategic %	Actual %
<b>Liquid growth</b>	<b>50.0</b>	<b>52.9</b>
Australian equities	22.0	23.6
International equities	28.0	29.3
<b>Alternatives</b>	<b>34.0</b>	<b>31.7</b>
Infrastructure	11.0	11.1
Property	7.5	8.2
Other alternatives	15.5	12.4
<b>Liquid defensive</b>	<b>16.0</b>	<b>15.4</b>
Australian fixed interest	6.0	5.5
International fixed interest	2.0	2.1
Cash	8.0	7.8
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

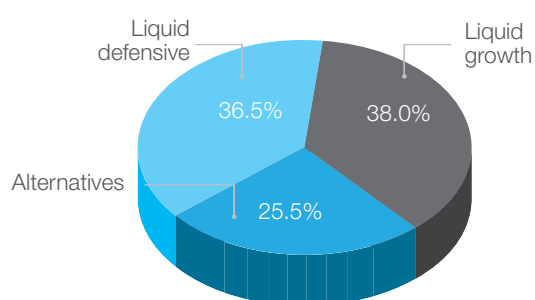
## Balanced Strategy

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

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

**Net asset value at 30 June 2016:** \$559.7 million

### Strategic asset allocation as at 30 June 2016



### Asset allocation as at 30 June 2016

	Strategic %	Actual %
<b>Liquid growth</b>	<b>38.0</b>	<b>38.5</b>
Australian equities	16.0	16.2
International equities	22.0	22.3
<b>Alternatives</b>	<b>25.5</b>	<b>26.9</b>
Infrastructure	9.0	9.1
Property	8.5	8.8
Other alternatives	8.0	9.0
<b>Liquid defensive</b>	<b>36.5</b>	<b>34.6</b>
Australian fixed interest	13.5	14.4
International fixed interest	4.0	4.2
Cash	19.0	16.0
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

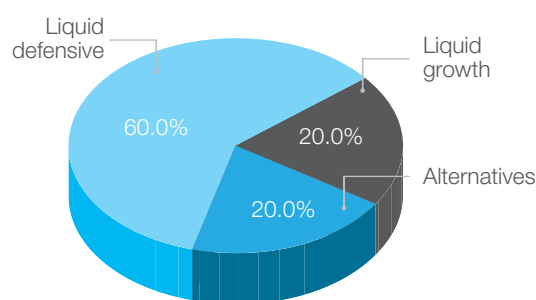
## Conservative Strategy

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

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

**Net asset value at 30 June 2016:** \$500.0 million

### Strategic asset allocation as at 30 June 2016



### Asset allocation as at 30 June 2016

	Strategic %	Actual %
<b>Liquid growth</b>	<b>20.0</b>	<b>21.1</b>
Australian equities	8.0	8.5
International equities	12.0	12.6
<b>Alternatives</b>	<b>20.0</b>	<b>22.0</b>
Infrastructure	6.0	6.3
Property	7.5	8.1
Other alternatives	6.5	7.6
<b>Liquid defensive</b>	<b>60.0</b>	<b>56.9</b>
Australian fixed interest	11.5	12.7
International fixed interest	4.0	4.4
Cash	44.5	39.8
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

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

# Investment strategies – continued

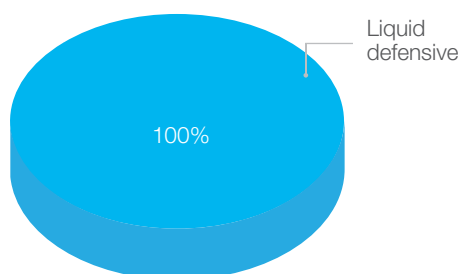
## Cash Strategy

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

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

**Net asset value at 30 June 2016:** \$185.4 million

### Strategic asset allocation as at 30 June 2016



### Asset allocation as at 30 June 2016

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

The objectives for the Cash and University Cash Strategies were both lowered from CPI + 0.25% to CPI at the beginning of the 2015–16 financial year due to the low level of official interest rates and the expectation that the Reserve Bank of Australia was likely to continue to cut rates during the year.

# Investment updates & changes

In June 2016, State Super undertook its annual review of the investment strategy for the Pooled Fund and made the following changes, effective 1 July 2016

## Changes to the return objectives

The return objective for the Growth Strategy was revised down from CPI + 4.5% p.a. to CPI + 4.0% p.a. over rolling 10-year periods as expectations of the returns likely to be achieved over the long term were lowered.

The return objective for the University Diversified Conservative Strategy was lowered from CPI + 2.0% p.a. to CPI + 1.0% p.a. over rolling four-year periods due to significant outflows projected from this strategy into the University Cash Strategy over the coming year.

Despite lower-than-expected asset class returns over the long term, there is confidence that the current return objectives for the Trustee Selection, University Cash, Balanced, Conservative and Cash strategies are achievable; therefore, these remained unchanged.

## Strategic asset allocation changes

State Super kept the allocation to liquid growth unchanged for the Trustee Selection Strategy but decreased the liquid defensive allocation in favour of alternatives, which provide for greater investment in opportunistic strategies with defensive characteristics.

There were no changes to Growth Strategy allocations for liquid growth, alternatives and liquid defensive. Nevertheless, changes occurred within each of these broad categories, the largest of which was the introduction of a strategic allocation to alternative debt within alternatives. The aim is to increase the allocation to income-producing strategies, given this option has a highly negative cash-flow profile.

The strategic changes to the Growth Strategy were only partially reflected in the asset allocations for the Balanced and Conservative Strategies. Both of these strategies have a less negative cash-flow profile, as they tend to benefit from changes to the Growth Strategy.

These asset allocation changes do not adversely affect the risk and return profiles (Standard Risk Measures) of any of the strategies over their respective time horizons.



# Investment strategies from 1 July 2016

## Strategic asset allocations for Defined Benefit strategies

### Trustee Selection Strategy

Effective from 1 July 2016, the strategic asset allocation for the Trustee Selection Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
<b>Liquid growth</b>	<b>50.0</b>	<b>34.0 – 66.0</b>
Australian equities	22.0	
International equities	28.0	
<b>Alternatives</b>	<b>37.5</b>	<b>27.5 – 47.5</b>
Infrastructure	12.0	
Property	10.0	
Other alternatives	15.5	
<b>Liquid defensive</b>	<b>12.5</b>	<b>10.0 – 28.5</b>
Australian fixed interest	4.0	
International fixed interest	1.5	
Cash	7.0	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### University Diversified Conservative Strategy

Effective from 1 July 2016, the strategic asset allocation for the University Diversified Conservative Strategy was revised to:

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

### University Cash Strategy

Effective from 1 July 2016, the strategic asset allocation for the University Cash Strategy was revised to:

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

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



# Investment strategies from 1 July 2016 – continued

## Strategic asset allocations for member investment choice strategies

### Growth Strategy

Effective from 1 July 2016, the strategic asset allocation for the Growth Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
<b>Liquid growth</b>	<b>50.0</b>	<b>34.0 – 66.0</b>
Australian equities	22.0	
International equities	28.0	
<b>Alternatives</b>	<b>34.0</b>	<b>26.0 – 42.0</b>
Infrastructure	11.0	
Property	7.5	
Other alternatives	15.5	
<b>Liquid defensive</b>	<b>16.0</b>	<b>10.0 – 32.0</b>
Australian fixed interest	5.0	
International fixed interest	3.0	
Cash	8.0	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### Balanced Strategy

Effective from 1 July 2016, the strategic asset allocation for the Balanced Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
<b>Liquid growth</b>	<b>38.0</b>	<b>28.0 – 48.0</b>
Australian equities	16.0	
International equities	22.0	
<b>Alternatives</b>	<b>26.0</b>	<b>18.0 – 34.0</b>
Infrastructure	9.0	
Property	7.5	
Other alternatives	9.5	
<b>Liquid defensive</b>	<b>36.0</b>	<b>26.0 – 46.0</b>
Australian fixed interest	13.5	
International fixed interest	4.5	
Cash	18.0	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### Conservative Strategy

Effective from 1 July 2016, the strategic asset allocation for the Conservative Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
<b>Liquid growth</b>	<b>20.0</b>	<b>12.0 – 28.0</b>
Australian equities	8.0	
International equities	12.0	
<b>Alternatives</b>	<b>21.0</b>	<b>13.0 – 29.0</b>
Infrastructure	6.0	
Property	7.5	
Other alternatives	7.5	
<b>Liquid defensive</b>	<b>59.0</b>	<b>51.0 – 67.0</b>
Australian fixed interest	11.5	
International fixed interest	4.5	
Cash	43.0	
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

### Cash Strategy

Effective from 1 July 2016, the strategic asset allocation for the Cash Strategy was revised to:

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

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

# Investment governance framework

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**The Trustee Board has approved the State Super Investment Governance Framework which encompasses the systems, structures, policies, processes and people which support the selection, management and monitoring of investment decisions made for the Pooled Fund.**

The Investment Governance Structure is a combination of legislative requirements, ministerial, Board and Board Sub-Committee oversight and management, and is monitored by State Super's Executive and the appointed Master Investment Manager.

Key components of the Framework include the following committees, teams and individuals:

**Investment Committee** – The Trustee Board established an Investment Committee to support the Board in determining and affecting the investment strategy, to oversee the process of appointing and replacing investment managers and other investment service providers, and to ensure that asset and liability matching is taken into account in investment management decisions. The Committee also monitors the performance of all the investment options within the Pooled Fund.

**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 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 for management investment processes for the Pooled Fund. Its purpose is to assist the CEO with executing investment-related delegations from the Board, including policy and strategy development and implementation, product structure and design and investment manager selections.

**Asset and Liability Team** – This team is responsible for executing State Super's Investment Policy Statement by recommending strategic asset allocation and dynamic asset allocation decisions for each of the investment options within the Pooled Fund; reviewing and monitoring recommendations provided by the Master Investment Manager; managing liquidity to ensure each investment option can meet its liability requirements, and managing all the investment decisions and processes for the defined contribution and university assets.

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

**Asset Consultant** – Frontier Advisers Pty Limited, the appointed Asset Consultant for State Super, provides a range of services that include the review of objectives, strategic asset allocation and the risk/return profile of investment options.

**Appointed Actuary** – Mercer Consulting (Australia) Pty Limited is State Super's appointed Actuary. The services include advice on the triennial review which projects the profile of the Fund's assets and liabilities to the funding position and requirements of the schemes. It also includes asset and liability modelling to test sensitivities to different funding, return, salary, inflation and longevity assumptions.

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

**Investment managers** – As required by the *Superannuation Administration Act 1996 (NSW)*, all of the Pooled Fund's assets are managed by external fund managers appointed by State Super. Each manager operates under a written agreement which takes the form of an Investment Management Agreement or Side Letter as appropriate. Fund 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 which support the Investment Governance Framework. These include the:

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

# Investment governance framework – continued

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

**Currency hedging policy** – The Trustee's policy for currency hedging at 30 June 2016 was:

- 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.

## Investment managers at 30 June 2016

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

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



# Investment managers at 30 June 2016 – continued

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
<b>International equities - continued</b>			
Realindex Investments Pty Limited	✓	–	–
State Street Bank & Trust Company	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	–
The Genesis Emerging Markets Investment Company C/O Genesis Asset Managers LLP	✓	–	–
Trilogy Global Advisors LLC	✓	✓	–
<b>Property</b>			
Dexus Funds Management Limited	✓	–	–
EG Funds Management Pty Ltd	✓	–	–
Franklin Templeton Investments Australia Limited	✓	–	–
SG Hiscock & Company Limited	✓	–	–
Vanguard Investments Australia Ltd	✓	✓	–
LaSalle Investment Management (via Equity Trustees Ltd)	–	✓	–
<b>International fixed interest</b>			
State Street Global Advisors, Australia, Limited	✓	✓	–
Wellington International Management Company Pty Ltd	✓	–	–
<b>Australian fixed interest &amp; cash</b>			
BT Investment Management (Institution) Limited	✓	✓	–
Colonial First State Asset Management (Australia) Limited	✓	–	–
State Street Global Advisors Australia Limited	✓	✓	–
New South Wales Treasury Corporation	✓	–	–
<b>Alternative assets</b>			
AMP Capital Investors Limited	✓	✓	–
Deutsche Australia Limited	✓	✓	–
Fulcrum Asset Management LLP	✓	✓	–
GMO Australia Limited	✓	✓	–
Hastings Investment Management Limited	–	✓	–
Kaplan Funds Management Pty Limited	✓	–	–
Macquarie Investment Management Limited	✓	✓	–
Macquarie Specialised Asset Management Limited	✓	–	–
PineBridge Investments LLC	✓	✓	–
Pyrford International	✓	–	–
RARE Infrastructure Limited	✓	✓	–
Siguler Guff Distressed Opportunities Fund III (F) LP	✓	–	–
Siguler Guff Distressed Opportunities Fund IV (F) LP	✓	–	–
Whitehelm Capital Pty Ltd	✓	–	–
<b>Currency</b>			
Pareto Investment Management Limited	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	–
<b>Universities</b>			
State Street Global Advisors Australia Limited	–	–	✓



## Member services update

### Keep track of your scheme benefits online

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

Online access allows you to:

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

... and much more! To register for online access to your scheme, please contact customer service on the numbers provided on the back page of this report.

### Make the most of your super seminars

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

#### Our seminars will help you to:

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

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

#### Online bookings:

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

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

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

### Personal interview service

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

For information about where personal interviews are conducted please refer to the details provided on the back page of this report.



# Retire life Rich

## “I retired from work. Not from life”

A StatePlus financial planner will work with you to create successful strategies to help you manage debt levels in the lead up to retirement. Such as whether it's beneficial to maximise your contributions or alternatively make extra payments towards your home. You could also consider options for debts in your scheme account and planning for your retirement income.

We all have retirement goals. As an expert in State Super schemes, a StatePlus financial planner can help you start planning how to retire life rich today.

Visit [stateplus.com.au/stories](https://stateplus.com.au/stories) to see Geoff & Michelle's whole story.



**StatePlus**

*Formerly State Super  
Financial Services*

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# Important Fund updates

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## Sale of StatePlus

**After over 26 years of ownership by State Super, the sale of StatePlus was completed during June 2016, to First State Super.**

The sale was one of our most significant moments in 2015–16 and culminated an extensive and keenly contested dual-track bid process, with demand from interested parties all around the world.

We are confident that First State Super's ownership will ensure StatePlus continues to provide State Super members with the high levels of financial planning they require.

## Projects

### Pillar contract

After considering a number of options in securing the services required by members given the potential sale of Pillar, State Super has entered into a 15-year agreement with Pillar. This contract is effective from 1 October 2016 and will further safeguard the services post-sale over the period when the fund will continue to see a reduction in active members. The contract will also ensure the maintenance of current service quality and ongoing access to intellectual property.

### Custodian project

In June 2015, the NSW Treasury, and Safety, Return to Work and Support, together with SAS Trustee Corporation and NSW Treasury Corporation completed the Amalgamation of Funds Management Project, appointing TCorp as the master manager for their largest financial assets.

Sponsored by the NSW Government, the Amalgamation Project was a move to realise the scale benefits of managing funds.

A key enabler of such benefits is the appointment of a common custodian for the Agencies. The CEOs of TCorp, iCare and State Super CEO, John Livanas, have been working together on the Common Custodian Steering Committee which has been convened to recommend the appropriate appointment.

The selection process will be completed during 2016 and transition to the preferred provider will occur during 2017.

### SANCS AEC

One of the most significant member projects delivered this year was the implementation of the SANCS Additional Employer Contribution (AEC).

Project implementation was completed 21 May 2016 and eligible members will see the new AEC benefit for the first time when they receive their 2016 member statement.

### KEEP AN EYE ON THE NEWS!

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



# Commonwealth Government changes

## **The Commonwealth Government made no significant superannuation changes affecting State Super members in the 2015–16 financial year.**

Updated thresholds and limits for some existing arrangements are detailed below.

### **Concessional contributions**

The Federal Government did not introduce any changes to concessional (or pre-tax) contribution limits for either the 2015–16 or 2016–17 financial years. This means the concessional contributions cap for members under the age of 50 at the last day of the financial year remains at \$30,000 per financial year and the higher concessional contribution cap that applies to members who are 50 years of age or older at the last day of the financial year remains at \$35,000 per financial year.

Concessional contributions in excess of the caps can be accepted by superannuation funds. The excess concessional contributions are included as part of an individual's assessable income and taxed at the individual's marginal tax rate. A tax offset is provided to account for the 15% contributions tax (30% from 1 July 2012 for members with an adjusted taxable income in excess of \$300,000) that is paid at the time the contribution is made. An interest charge may also be payable to reflect the delay in paying tax on the contributions.

### **Non-concessional contributions**

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

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

## **Government co-contribution**

The only change made to the Commonwealth Government's co-contribution initiative was to income thresholds. The threshold for 2015–16 is from \$35,454 to an upper limit of \$50,454. For 2016–17, the lower income threshold will change from \$36,021 up to the higher threshold of \$51,021. Those eligible to receive a co-contribution will continue to be entitled to up to \$500 per year. To find out if you are eligible for the Government co-contribution, please visit [www.ato.gov.au](http://www.ato.gov.au).

## **Low Income Superannuation Contributions (LISC)**

In the 2012–13 federal budget, the Commonwealth Government proposed that LISC cease from 1 July 2014. However, the legislation was repealed in September 2014, and the LISC will continue to be available to eligible individuals up to and including the 2016–17 financial year.

The measure provides a rebate of the 15% tax paid on concessional contributions (up to a maximum payment of \$500) and is available to individuals whose adjusted taxable income is under \$37,000. The rebate is paid directly into eligible members' accounts by the Commonwealth Government.

Introduced in the 2016–17 Budget, the Low Income Superannuation Tax Offset will effectively replace the existing LISC from 1 July 2017, with legislation currently being drawn up.

## **Superannuation Guarantee (SG)**

The SG rate of 9.5% will apply up to and including the 2020–21 financial year. From 1 July 2021, the rate will increase to 10% and then by half a percent each year until it reaches 12% by the 2025–26 financial year.

# Abridged financial statements

## Financial reports at 30 June 2016

The following tables provide abridged financial information about all of the State Super schemes for the last two financial years. The full financial statements for the year to 30 June 2016 have been audited by the Auditor General and will be available on the website after State Super's Annual Report has been tabled in the NSW Parliament.

Statement of net assets		
	2016 (\$ million)	2015 (\$ million)
<b>Investments</b>		
Short-term securities	4,831.6	6,049.4
Australian fixed interest	2,450.6	2,576.3
International fixed interest	803.9	1,028.2
Australian equities	9,110.3	9,523.0
International equities	11,708.8	11,688.3
Property	3,738.3	3,487.1
Alternatives	8,254.2	7,096.1
<b>Total</b>	<b>40,897.7</b>	<b>41,448.4</b>
<b>Other assets</b>		
Cash and cash equivalents	12.3	6.5
Receivables	690.2	998.8
Plant and equipment	0.8	0.9
Deferred tax asset	0.0	6.5
<b>Total</b>	<b>703.3</b>	<b>1,012.7</b>
<b>Total assets</b>	<b>41,601.0</b>	<b>42,461.1</b>
<b>Liabilities</b>		
Reserve units	0.0	0.7
Payables	381.5	231.4
Current tax liability	105.7	54.6
Deferred tax liability	75.1	186.4
<b>Total liabilities</b>	<b>562.3</b>	<b>473.1</b>
<b>Net assets available to pay benefits</b>	<b>41,038.7</b>	<b>41,988.0</b>

Statement of changes in net assets		
	2016 (\$ million)	2015 (\$ million)
<b>Net assets available to pay benefits at beginning of financial year</b>	<b>41,988.0</b>	<b>40,248.2</b>
<b>Contribution revenue</b>		
Employer contributions	1,657.0	1,481.0
Member contributions	329.9	366.2
	<b>1,986.9</b>	<b>1,847.2</b>
<b>Transfers</b>		
Scheme mobility transfer	0.0	0.5
<b>Total</b>	<b>0.0</b>	<b>0.5</b>
<b>Investment revenue</b>		
Short-term securities	64.8	85.3
Australian fixed interest	80.3	128.8
International fixed interest	19.1	22.0
Australian equities	425.8	451.3
International equities	318.8	347.2
Property	176.4	168.6
Alternatives	219.2	436.4
<b>Total</b>	<b>1,304.4</b>	<b>1,639.6</b>
Changes in net market values of investments	431.1	2,985.4
<b>Total</b>	<b>1,735.5</b>	<b>4,625.0</b>
Direct investment expenses	(120.7)	(125.8)
<b>Net investment revenue</b>	<b>1,614.8</b>	<b>4,499.2</b>
Other revenue	9.2	8.4
<b>Total revenue</b>	<b>3,601.9</b>	<b>6,355.3</b>
Benefits paid	(4,528.8)	(4,435.6)
Scheme administration expenses	(46.5)	(46.2)
Other expenses	(1.2)	(7.2)
<b>Total expenses</b>	<b>(4,576.5)</b>	<b>(4,489.0)</b>
Change in net assets before income tax	(965.6)	1,866.3
Income tax benefit/(expense)	16.3	(126.5)
<b>Change in net assets available to pay benefits after income tax</b>	<b>(949.3)</b>	<b>(1,739.8)</b>
<b>Net assets available to pay benefits at end of financial year</b>	<b>41,038.7</b>	<b>41,988.0</b>



## Fees and charges

### Direct fees

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

## Indirect fees

### Investment management costs

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

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

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

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

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

### Investment expenses

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

Note, the expense ratios for 2016–17 are estimates and may change as the year unfolds due to market circumstances or changes in the structure of the asset sectors.

Investment management expense ratio of average total assets		
Strategy	Actual 2015–16	Estimated 2016–17
<b>Defined benefit investment strategies</b>		
Trustee Selection	0.45%	0.42%
University Diversified Conservative	0.07%	0.09%
University Cash	0.08%	0.07%
<b>Member Investment Choice strategies</b>		
Growth	0.40%	0.42%
Balanced	0.31%	0.29%
Conservative	0.22%	0.21%
Cash	0.06%	0.07%

Actual 2015–16 investment management expenses on some strategies were slightly higher than estimated last year due to performance fees on certain unlisted assets outperforming set benchmarks.



# Complaints and disputes

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## Complaints

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

### **To lodge a complaint with Pillar you can contact Customer Service on:**

**SASS** – 1300 130 095

**SSS** – 1300 130 096

**PSS** – 1300 130 097

**Deferred benefit members** – 1300 130 094

**Pension members** – 1300 652 113

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

To do so, please write to:

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

## Disputes

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

A notice of dispute must be served on State Super within two years after you have been notified in writing of the right to dispute the decision.

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

### **PSS 'Hurt on Duty' disputes:**

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

## Appeals

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

To lodge an appeal against a State Super decision (following the dispute process) please contact the Industrial Court of NSW by telephoning 02 9258 0866 or by writing to:

Industrial Court of NSW  
GPO Box 3670  
Sydney NSW 2001

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



# Privacy, compliance & the Government Information Public Access Act

## Privacy

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

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

The Privacy Statement was last updated 1 July 2014 and:

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

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

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

## Compliance

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

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

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

## Government Information Public Access Act 2009

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

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

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

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

Please contact Customer Service to confirm that no other avenue for gaining information exists before deciding to apply under the GIPA Act.

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

## Customer service

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

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

<b>Fax service</b>	02 4253 6688
<b>Email</b>	enquiries@stc.nsw.gov.au

## Mailing addresses

### Customer service and Pillar Administration:

PO Box 1229  
Wollongong NSW 2500

### SAS Trustee Corporation (the Trustee Board)

PO Box N259  
Grosvenor Place NSW 1220

<b>Website</b>	www.statesuper.nsw.gov.au
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## Personal interview service

### To arrange an interview appointment call:

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

## Need help with English?

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

### Arabic

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

### Chinese

會員如果閱讀英語有困難，諮詢服務部可安排發放資料的譯本。

### Greek

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

### Italian

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

### Vietnamese

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

## Financial planning advice

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

<b>Telephone</b>	1800 620 305
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You can contact StatePlus from 8.45am to 5.15pm, Monday to Friday.

<b>Website</b>	www.stateplus.com.au
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**www.statesuper.nsw.gov.au**



**STATE SUPER**  
SAS Trustee Corporation