

Choosing an Investment Strategy

SASS gives you a choice of four investment strategies – Growth, Balanced, Conservative and Cash – in which certain parts of your benefit can be invested.

You can choose to invest in one or more of the investment strategies in whatever proportion you like, however, you must ensure that the proportion adds to 100%. If you are a contributory member, you can also nominate a different combination of strategies for your account balance and future contributions.

As a **contributory SASS member**, you receive an accumulation benefit of your compulsory personal contributions plus investment gains or losses at the declared rate based on your chosen investment strategy. This is shown each year in your personal account balance on your Annual Statement. Investment choice does not apply to the employer financed part of your SASS benefit, the lump sum basic benefit, the balance of any Additional Employer Contribution (AEC) or Government contribution accounts or a Superannuation Guarantee (SG) shortfall amount.

Investment choice applies to the whole of a **deferred SASS member's** benefit, apart from the lump sum basic benefit which includes any deferred AEC amount, the balance of any Government contributions account (which include any Commonwealth Government co-contribution, LISC or LISTO payments received by the fund on your behalf), or any Superannuation Guarantee shortfall amount, which is always

invested in the Growth Strategy.

Default strategy

If you have not previously chosen an investment strategy, the parts of your benefit that are subject to investment choice will be invested in the SASS default investment strategy, the Growth Strategy, and will remain in that strategy unless you make an investment choice in the future. The default strategy for deferred members aged 60 or over changes from the Growth Strategy to the Balanced Strategy and will remain in that strategy unless you make an investment choice in the future.

Financial advice

When selecting an investment strategy or reviewing your existing strategy, you should consider your personal objectives and financial situation. You should also consider seeking professional advice from a financial planner.

¹Aware Super provides a wide range of personal financial planning and investment advisory services to current and former public sector employees and their families. Advice on the SASS investment strategies are available over the phone or in a face-to-face meeting with a financial planner.

For more information about the services provided by Aware Super, or to book an appointment, call **1800 841 633** or visit **retire.aware.com.au/statesuper**.

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STC has published this Fact Sheet. If there is any inconsistency between the information in this Fact Sheet and the relevant scheme legislation, the scheme legislation will prevail. In preparing this Fact Sheet, STC has not taken into account your objectives, financial situation or needs. 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 directors and employees do not warrant the accuracy, reliability or completeness of the information contained in or omitted from this Fact Sheet.

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What you need to consider when choosing an investment strategy

Risk versus return

All investments are designed to make a return and are subject to risk. This means that, as well as making positive returns, there is also a chance of making negative returns.

It's fair to say that higher risk investments have a greater chance of producing negative returns than lower risk investments over the short to medium term. However over the longer term, higher risk investments are expected to have a greater chance of producing higher returns.

For example, over longer time periods the higher risk Growth Strategy is expected to have a greater chance of producing higher returns than say the Cash Strategy.

However, there are increased risks associated with the Growth Strategy which may not be acceptable to a member.

This risk versus return concept is fundamental to choosing an investment strategy that suits your needs. And remember: the investment strategy you choose today may not suit you in future. It's something you should revisit on a regular basis.

Asset diversification

Asset diversification mixes a wide variety of asset classes within an investment option (e.g. cash, fixed interest, equities, alternative investments, and property).

Diversification of assets within the SASS investment strategies (other than the Cash Strategy) helps to smooth returns relative to a 100% allocation to equities. For example, if equities are falling, property, fixed interest or another asset class may be rising, which could offset part or all of the fall in equities.

Time horizon

The length of time you expect to keep an investment is called your 'time horizon'. So for example, a 42-year-old SASS member who wishes to retire at age 65 would have a time horizon of 23 years, whereas a 55 year old SASS member who wishes to retire at age 58 would have a time horizon of three years.

Knowing your time horizon is extremely important when it comes to choosing the type of investment strategy you wish to invest in. Generally, investment advisers recommend growth strategies for investors with a longer time horizon, because these strategies have historically produced superior returns.

Again, it is an area you should seek professional financial planning advice about in order to determine what's right for you.

Past performance

Past performance of an investment strategy is not a reliable guide for future performance for that strategy.

Strategic asset allocation, dynamic asset allocation and ranges

The strategic asset allocation is a guide of how much to invest in the various asset classes to achieve an acceptable risk-return profile. The strategic asset allocation is used both as a reference point and as a guide to possible future investment outcomes.

Dynamic asset allocation refers to adjustments to the long-term strategic asset allocation based on expectations of asset class performance in the short to medium term. The dynamic asset allocation range for a category of assets is the variation from the strategic asset allocation applicable to that category of assets.

State Super may decide to shift the dynamic asset allocation away from the strategic asset allocation if the conditions indicate that shorter term risk management or investment opportunities are justified.

The actual asset allocation may vary from the strategic asset allocation and dynamic asset allocation decisions taken by the Trustee due to market movements.

Asset allocation of each strategy

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

Category	Asset classes
Liquid growth	Australian equities
	International equities
Alternatives	Property
	Infrastructure
	Other alternatives (includes corporate debt, absolute return funds and private equity)
Liquid defensive	Fixed interest
	Income
	Defensive strategies
	Cash

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

Alternatives serve a dual purpose. Some of the asset classes in this category are expected to generate returns in line with or higher than CPI+3%, which is the objective for the Growth Strategy. Other asset classes within the alternatives category are expected to have a dual objective of providing CPI+3%, but with the ability to provide downside protection, when markets are turbulent.

Liquid defensive represents asset classes that tend to do well when markets are turbulent. These asset classes provide capital protection, when most other strategies are not performing well, but they are not expected to generate CPI+3% over the long-term.

STC can dynamically allocate assets between liquid defensive and liquid growth based on changes in the investment environment, whereas the allocation to alternatives is strategic in nature. Alternatives are generally illiquid and investments are held over the medium to long-term.

Passive rebalancing

The Pooled Fund passively rebalances the tradeable asset classes in the portfolio in a disciplined manner in order to ensure the portfolio conforms to the target asset allocation. For the Balanced and Conservative strategies, if an asset class has deviated away from the target asset allocation, the manager trades against the Growth Strategy, to return allocations back to the target asset allocation. For the Growth Strategy, if an asset class has deviated outside a set range relative to the target asset allocation, the manager reallocates funds between asset classes to return allocations within the agreed range. This rebalancing process may involve the use of derivatives.

Currency hedging policy

The Trustee's Policy of Currency Management is that we centralised the management of currency exposure from all asset classes.

The target foreign exchange (FX) asset exposure is set out in the following table.

	Trustee Selection	DC Growth	DC Balanced	DC Conservatives
Strategic FX Exposure	40%	27%	20.5%	12%
Allowable Range	25-55%	17-37%	10.5-30.5%	2-22%

Volatility

Short-term movement either up or down.

The Standard Risk Measures and methodology for calculating the risk of a negative return

The Standard Risk Measures (SRMs) outlined in the table below shows an investment strategy's risk band and risk label. The SRMs are based on industry guidance and allow members to compare investment strategies that are expected to deliver a similar number of negative annual returns over any 20 year period.

The estimated number of negative annual returns over any 20 year period is calculated using forward looking capital market assumptions for each asset class applied to the strategic asset allocation of the investment strategies. The assumptions are provided by Frontier, State Super's asset consultant and are reviewed annually.

The capital market assumptions are forward looking return, risk and correlation assumptions for all of the major asset classes, including unlisted and alternative asset classes. The assumptions are based on Frontier's expectations of asset class performance over the long-term (five plus years) under normalised circumstances. The assumptions do not allow for near term views of the markets as it is difficult to predict short-term returns. The assumptions are on a net of investment management fees and gross of tax and administrative fees basis. A conservative approach is taken in determining these assumptions.

Risk band	Risk label	Estimated number of negative annual returns over any 20 year period
1	Very low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very high	6 or greater

The SRM is not a complete assessment of all forms of investment risk; for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than a member may require to meet their objectives.

Growth Strategy

Investment objective:

To maximise the earnings rate subject to a greater than 50% probability of exceeding CPI+3% p.a. over rolling 7 year periods.

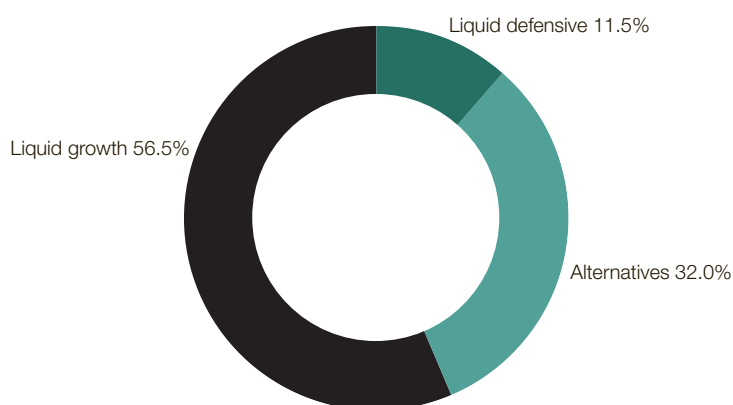
Risk:

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

Investment time horizon:

The Growth Strategy has been designed for members with a long-term investment horizon (7 plus years) and a high tolerance to market volatility.

Strategic asset allocation at 1 July 2024:



Growth Strategy	Strategic asset allocation	Dynamic asset allocation range
Liquid growth	56.5%	40.5% – 72.5%
Australian equities	23.5%	
International equities	33.0%	
Alternatives	32.0%	20.0% – 44.0%
Property	6.0%	
Alternatives - Other	24.0%	
Infrastructure	2.0%	
Liquid defensive	11.5%	1.5% – 21.5%
Fixed interest	7.5%	
Income	1.0%	
Defensive strategies	0.25%	
Cash	2.75%	
Total	100.0%	

Balanced Strategy

Investment objective:

To maximise the earnings rate subject to a greater than 50% probability of exceeding CPI+2% p.a. over rolling 7 year periods.

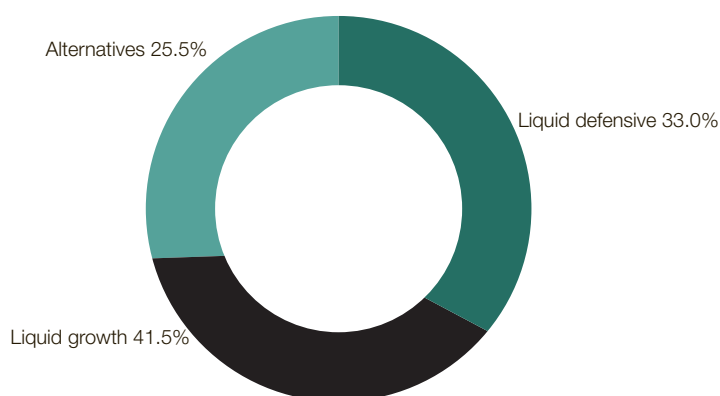
Risk:

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

Investment time horizon:

The Balanced Strategy has been designed for members with a medium-term investment horizon (5 to 7 years) and some tolerance to market volatility.

Strategic asset allocation at 1 July 2024:



Balanced Strategy	Strategic asset allocation	Dynamic asset allocation range
Liquid growth	41.5%	31.5% – 51.5%
Australian equities	15.5%	
International equities	26.0%	
Alternatives	25.5%	13.5% – 37.5%
Property	6.0%	
Alternatives - Other	17.5%	
Infrastructure	2.0%	
Liquid defensive	33.0%	23.0% – 43.0%
Fixed interest	11.5%	
Income	12.0%	
Defensive strategies	0.25%	
Cash	9.25%	
Total	100.0%	

Conservative Strategy

Investment objective:

To maximise the earnings rate subject to a greater than 50% probability of exceeding CPI+1.0% p.a. over rolling 4 year periods.

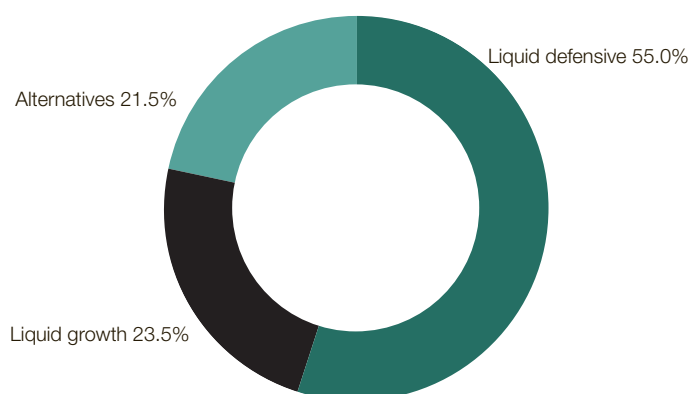
Risk:

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

Investment time horizon:

The Conservative Strategy has been designed for members with a short-term investment horizon (4 years) with little tolerance for market volatility and a preference for security.

Strategic asset allocation at 1 July 2024:



Conservative Strategy	Strategic asset allocation	Dynamic asset allocation range
Liquid growth	23.5%	15.5% – 31.5%
Australian equities	8.0%	
International equities	15.5%	
Alternatives	21.5%	9.5% – 33.5%
Property	6.0%	
Alternatives - Other	13.5%	
Infrastructure	2.0%	
Liquid defensive	55.0%	45.0% – 65.0%
Fixed interest	15.0%	
Income	22.5%	
Defensive strategies	0.25%	
Cash	17.25%	
Total	100.0%	

Cash Strategy

Investment objective:

To maximise the earnings rate subject to a greater than 80% probability of exceeding cash p.a. over rolling 3 year periods.

Risk:

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

Investment time horizon:

The Cash Strategy has been designed for members with a short-term investment horizon (up to 3 years) with no tolerance for market volatility.

Strategic asset allocation at 1 July 2024:



Cash Strategy	Strategic asset allocation
Liquid growth	0.0%
Australian equities	0.0%
International equities	0.0%
Alternatives	0.0%
Property	0.0%
Alternatives - Other	0.0%
Infrastructure	0.0%
Liquid defensive	100.0%
Fixed interest	0.0%
Income	0.0%
Defensive strategies	0.0%
Cash	100.0%
Total	100.0%

For up-to-date information, please visit the State Super website and click on the Investments section.

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 four investment strategies for 2024-25 are shown below.

Investment indirect cost ratio of average total assets	
Strategy	Estimate 2024-25
Member investment choice investment strategies	
Growth	0.40%*
Balanced	0.33%
Conservative	0.29%
Cash	0.04%

* Includes estimated 0.05% performance fee.

These estimates are broadly similar to the previous year.

(Note, the indirect cost percentages for 2024-25 are estimates only and may change due to market circumstances or changes in the structure of the asset sectors as the year unfolds.)

Investment switch fees

You can switch investment strategies once a year without incurring any fee.

A switch fee of \$25 applies for each additional switch in a financial year and you cannot switch more than once a month. The fee is deducted from your personal account at the time of the switch.

How do I make an investment choice?

Once you have chosen the investment strategy that best suits your personal circumstances, simply complete a SASS Form 409: *Choice of Investment Strategy* and either post it to Mercer, the scheme administrator, or scan the completed and signed form and email it directly to enquiries@stc.nsw.gov.au

For a copy of the form, simply download and print off a copy from our website or contact Customer Service on **1300 130 095**.

How often can I switch strategies?

You can switch between investment strategies no more than once a month. Once you have sent the SASS Form 409: *Choice of Investment Strategy* to Mercer requesting an investment switch, it cannot be cancelled and therefore will be implemented. You can switch again in any subsequent month.

When does the switch become effective?

If your SASS *Choice of Investment Strategy* Form is received by Mercer on or before the 25th of a month, the switch will occur on the last day of that month. If the form is received by the administrator after the 25th of a month, it will not be processed until the last day of the following month.

Mercer will write to you advising of the amount of the switch when that amount is known. This will be when the interest rate is declared for the month in which the switch occurs (usually around the 15th of the following month). Note that earnings are applied at the end of each month based on the earnings of the strategy you were invested in during the month.

	Switch election form received	Switch election will be effective
Example 1	15 December	31 December
Example 2	27 December	31 January
Example 3	1st election 15 December 2nd election 21 December	The 1st election received is effective on 31 December. The 2nd election received is not processed as only one switch can be made in a month and a switch cannot be revoked. A new form would need to be submitted before 25 January to be effective that month.

What happens when I defer my SASS benefit?

On leaving the service of a SASS employer, you can elect to defer your benefit.

From that date, your deferred SASS benefit is subject to the investment gains or losses of the default strategy which is the **Growth Strategy** for members under 60 years of age, and the **Balanced Strategy** for those over 60 (unless you nominate another strategy by completing section 5 of SASS Form 410: *Application for deferral of a SASS Benefit*). If you nominate an investment strategy other than the default, the following processing rules apply.

- If SASS Form 410 is received prior to your exit date, your nominated strategy will apply from your date of deferral
- If SASS Form 410 is received after your exit date and before the 25th of the month in which you lodged it, your nominated strategy will be applied on the last day of that month (the strategy applied in the intervening period between your deferral date and the end of the that month will be the default strategy)
- If SASS Form 410 is received after your exit date and after the 25th of the month in which you lodged it, your nominated strategy will be applied on the last day of the following month (the strategy applied in the intervening period between your deferral date and the end of the following month will be the default strategy)

We recommend you seek professional financial advice before making this decision.

The normal switching rules then apply to your whole SASS deferred benefit.

Investment choice does not apply to your lump sum basic benefit which includes any deferred AEC amount, the balance of any Government contributions account (which include any Commonwealth Government co-contribution, LISC or LISTO payments received by the fund on your behalf), or any Superannuation Guarantee shortfall amount.

What happens when I apply to be paid a benefit?

If you leave your employer and elect to be paid a benefit immediately rather than defer your benefit, there is usually a short delay between your leaving service date and the actual date of payment of your benefit. The following components of your benefit are calculated at your leaving service date:

- personal account balance
- SASS employer-financed benefit
- the basic benefit

From that date until you receive payment, these components will receive any net investment gains of the Growth Strategy. Any new investment losses in this period are not applied. In other words, any gain in the Growth Strategy will be applied to these parts of your benefit for that short period.

The following components of your benefit are determined at the date your benefit payment is processed:

- the balance of any AEC account
- the balance of any Government contributions account
- any Superannuation Guarantee shortfall amount

Is my investment guaranteed?

The investment performance of SASS investment strategies is not guaranteed. This means the value of your SASS benefit that is subject to investment gains or losses can either rise or fall due to fluctuations in earnings of the particular investment strategy in which you're invested.

More investment information is provided in the *Report to Members* which is published annually and is available online at www.statesuper.nsw.gov.au.

How do I find out the latest investment returns?

You should check the State Super website where you will find detailed, up-to-date investment information. If you like, you can contact Customer Service on **1300 130 095** (SASS Members) or **1300 130 094** (Deferred SASS Members) and information will be sent to you.

Warnings: The information in this fact sheet is up to date as at June 2023 and is of a general nature only. Before acting on the information contained in this fact sheet, you should consider the appropriateness of this information having regard to your personal objectives, financial situation and needs. Additionally, before you make an investment decision we recommend you speak to a licensed financial adviser.

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21/08/2024

More information

If you need more information, please contact us:

Telephone: **1300 130 095** (for the cost of a local call, unless calling from a mobile or pay phone)
8.30 am to 5.30 pm, Monday to Friday.

Personal interviews: Please phone 1300 130 095 to make an appointment.

Postal address: State Super, GPO Box 2181, Melbourne VIC 3001

Internet: www.statesuper.nsw.gov.au

Email: enquiries@stc.nsw.gov.au