



STATE SUPER
SAS Trustee Corporation



Report to **Members**

2016–17



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 2017	13
Investment updates and changes	16
Investment strategies from 1 July 2017	17
Investment governance framework	19
Investment managers at 30 June 2017	20
Member services	22
Important Fund updates	24
Commonwealth Government changes	25
Abridged financial statements	26
Fees and charges	27
Complaints and disputes	29
Privacy, compliance and GIPA	30

SASS at a glance

Contributors at 30 June 2016	26,076
Plus transfers	10
Less exits	2,692
Contributors at 30 June 2017	23,394
Deferred benefit members at 30 June 2017	9,852
Pension members at 30 June 2017	4,353
Member contributions	Members elect to contribute between 1% and 9% of their salary. Seventy-one per cent of member contributions were received via salary sacrifice
Type of benefits	Retirement/withdrawal benefit – 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). Pensions – some members of superseded schemes also have a pension option. Additional benefit cover – 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.
Membership	SASS commenced 1 April 1988 and was closed to new members 19 December 1992.
Legislation	SASS was established under the <i>State Authorities Superannuation Act 1987</i> .
Scheme eligibility	New employees in the NSW public sector were eligible to join the scheme and members of the Public Authorities Superannuation Scheme (PASS) were transferred to SASS from 1 April 1988. By 1990, a number of other public sector superannuation schemes were closed and members of these schemes were 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, all members receive the SANCS lump-sum basic benefit. The benefit is 100% employer-funded and, depending on the reason for exiting employment, accrues at the rate of up to 3% of either final or final average salary for each year of service from 1 April 1988 (or employment commencement date if later). SANCS was closed to new members in 1992. A members' SANCS benefit also consists of any applicable Additional Employer Contribution, Commonwealth Government Co-contribution and Low Income Superannuation (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
Contributors at 30 June 2016	5,653	1,166
Less exits	1,434	123
Contributors at 30 June 2017	4,219	1,043
Deferred benefit members at 30 June 2017	1,607	99
Pension members at 30 June 2017	54,934	6,569
Member contributions	Members generally contribute towards individual pension units on a rate-for-age basis. Eighty-two 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.
Type of benefits	Mainly pension benefits, with a lump-sum commutation option.	Mainly pension benefits, with a lump-sum commutation option.
Membership	SSS commenced 1 July 1919 and was closed to new members 1 July 1985.	PSS commenced 1 February 1907 and was closed to new members 1 April 1988.
Legislation	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> .
Scheme eligibility	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.

SANCS – In addition to the SSS and PSS benefits outlined above, all 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). A members' SANCS benefit also consists of any applicable Additional Employer Contribution, Commonwealth Government Co-contribution and Low Income Superannuation (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

State Super delivered excellent financial performance in the 2016-17 financial year while completing an extensive restructuring of its internal organisation and negotiating a comprehensive set of new contractual arrangements with key outsource service providers. These excellent outcomes have benefited both the members of State Super, and the various participating NSW State Government institutions.

These results reflect the commitment and determination of the State Super executive team coupled with the strong continuing support of the NSW Government.

Moving into 2017-18, the global financial markets are much more challenging and I do not anticipate such strong overall financial performance in the upcoming year. However, the Trustee is optimistic that the funds will deliver outcomes that meet our annual long-term investment return targets. Achieving this goal will be greatly helped by our new relationship with TCorp which acts as our prime financial adviser.

Investment performance

Financial markets broadly performed strongly over the 2016-17 financial year despite significant geopolitical uncertainty. The Trustee was pleased with the overall return of 9.5% (10.5%)¹ which was substantially above the target return of CPI +4.5% for the Trustee Selection investment strategy. The Member Investment Choice strategies performed similarly significantly above their various target return benchmarks.

The Trustee Selection and Member Investment Choice strategies (excluding cash) continued to benefit from an active tilting process during the year, to capture the strength of the market whilst protecting against significant market falls.

GSE Act implementation

State Super successfully finalised the transition to a NSW Government Sector Employment (GSE) compliant organisational structure before the end of the 2016 calendar year.

Evidence to date, as highlighted in the member engagement statistics below, is that the new organisation team and structure is performing strongly.

Member engagement

State Super has continued to deliver quality services to our members; our member satisfaction ratings again outperformed the market. Our overall member research

results were maintained at a rating of 8.0 (out of 10), significantly more than the national average of 7.7.

Satisfaction with investment performance is much higher than the previous 2 years with a rating of 7.7. Importantly, overall satisfaction with the member services we deliver, such as the face-to-face seminars has increased from 8.0 to 8.5 this year, substantially more than the national average of 7.2.

StatePlus – ongoing relationship

I am pleased to confirm that the sale of StatePlus to First State Super has continued the beneficial working relationship with StatePlus.

We continue to work with StatePlus on a number of key joint member initiatives to deliver access to the best financial planning and advice services to State Super members.

Key Service provider updates

PricewaterhouseCoopers (PwC) was appointed before financial year end as our new actuary effective 1 August 2017 with a five-year contract

In addition, the selection process in relation to the Single Custodian Project was completed with the appointment of JP Morgan as common custodian for the Pooled Fund.

Board changes

This year also marked the end of George Venardos' term as an Employer Representative in November 2016. I thank George for his valued contribution to the Board as well as Chairing the Risk, Audit and Compliance Committee.

I would also like to welcome Claire Keating to the State Super Board. Claire was appointed as an Employer Representative in November 2016 and brings with her over 25 years' experience in superannuation and funds management.

In closing, I congratulate State Super's CEO John Livanas, as well as all our colleagues who have delivered fundamental change at the same time as working to meet our members' expectations.

On behalf of the State Super Board, I thank them for their commitment.

Nicholas Johnson
Chairperson
October 2017

¹ After adjustment for exempt current pension income tax.



CEO's report

In 2016-17 the State Super investment strategies exceeded their objectives, and were well ahead of our target for the 3 and 5 year periods. This has led to significant additional financial benefits to members and to employer sponsors.

Given that the funds State Super manages have been closed for some time, the profile of the funds is such that much more is paid out than there are contributions received. This means that, while percentage returns are important, the sequence of those returns is crucial. An early loss before some members have taken their money is more impactful to the overall portfolio, than one much later – even when the average return is the same. As such, the portfolio needs to be managed so as to reduce the impact of falling investment markets. This approach succeeded in delivering greater dollar outcomes over the last five years.

Equally, this was a year when many members, having contributed much of their working lives for the public good, were transitioning, either to State Super's lifetime pension, or taking a lump sum. During this period, when an increasing proportion of our members are retiring, we have nevertheless achieved increasing member satisfaction in most of the member services, and equal highest overall satisfaction for State Super's service.

Key Milestones

Risk/Reward

As noted, the investment performances of all the diversified investment options (with the exception of the cash option) exceeded their benchmark return over one, three and five years ending 30 June 2017. Of particular interest, is that the portfolio construction has been such that, in falling markets, the options will lose proportionately less than they gain in rising markets.

Delivery of member experiences

Our continuing research program has shown member satisfaction scores

exceeded peer group as assessed by independent research, with overall member satisfaction score rated at 8.0. This is equal to our highest score and equal to that achieved last year.

We have improved our online delivery of member education to complement the contact members have in interviews, the contact centre and seminars. Interestingly, over 55-year olds are the fastest growing segment of the population taking up online services and we will be developing more material over the next few years to suit those members.

We have also communicated to members the potential impacts arising from the Commonwealth superannuation changes, which may affect those members with balances over \$1.6m. Because of specific idiosyncrasies in our Acts, we have requested urgent scheme legislative amendments to respond to these changes.

Governance framework

A recent Board and governance review provided a strong positive report. We have started implementing greater rigour in our internal documentation and communication within a formally accepted delegation framework. What this means, is that the Board is better able to focus on governance matters while confident that the responsibilities and reporting of the organisation are clearly delineated.

Positive stakeholder relationships

We have been introducing an enhanced engagement framework to maintain and improve our positive relationships with our key stakeholders which include NSW Treasury, the various employers contributing to the funds, and the NSW Auditor General to name a few.

We have also started the important work of building closer ties and engagement with representatives of members and of the industry more widely.

Operating model and workforce

Over the last few years, our strategy has called for an increase in the proportion of services outsourced by State Super, believing this to be the most effective way to manage our fund in its stage of existence.

On this basis, we need a small but highly skilled and experienced team of professionals to provide the direction, oversight, and to maintain the intellectual property that is required for the benefit of the members and to prosecute our strategies.

Environmental Social and Governance (ESG) Considerations

State Super has been an advocate of utilising ESG considerations in investments for some time. We consider that we are 'universal owners' of many organisations. By this we mean that State Super is likely to be a continual substantial shareholder of many of Australia's largest organisations. As such we consider that it is appropriate to engage positively with such organisations, including through voting your fund's shares.

As a foundation member of the Australian Council of Superannuation Investors, State Super supports a body that actively engages with many of Australia's largest companies, and as a member of the Principles of Responsible Investing (PRI), and the Investor Group on Climate Change, your fund continues to support sustainable investments for the long term.

I would like to thank my Chair, the State Super Board and all our staff for their commitment and hard work over the last year, which has helped us to achieve our stated strategic objectives during a time of great change.

John Livanas

Chief Executive Officer
October 2017

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



Swati Dave

Company Director

Appointed May 2016



Claire Keating

Company Director

Appointed November 2016



Karen Moses

Company Director

Appointed March 2012;
reappointed March 2016



Roslyn Ramwell

Company Director

Appointed June 2015

Employee representatives



Catherine Bolger

Professionals Australia

Appointed September 2015



Alex Claassens

NSW Rail, Tram and
Bus Union

Appointed November
2012; reappointed
November 2016



George Maniatis

NSW Fire Brigade
Employees' Union

Appointed September 2015



Tony O'Grady

NSW Nurses and
Midwives' Association

Appointed June 2013;
reappointed September 2017

Thank you

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

George Venardos

(former Employer Representative)

Appointed November 2012,
term ended 4 November 2016



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
- providing input to, and final approval of, the long-term strategy for the State Super schemes and annual Corporate and Business Plan
- approving and monitoring the annual budget and any extraordinary expenditure
- approving and monitoring State Super's risk management, compliance and control systems and policies
- approving and monitoring policies and procedures for the management of the Fund, including:
 - business plans, policies and processes for the proper direction, control and performance measurement of the Fund
 - standards to assess the performance of 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 2017 are listed below.

Investment Committee

Mr N Johnson (Chairperson)
Mr G Venardos
Ms R Ramwell
Ms S Dave

Risk, Audit and Compliance Committee

Mr G Venardos (Chairperson)
Ms K Moses (Chairperson)
Mr T O'Grady
Ms C Bolger
Ms C Keating

Member Services Committee

Mr A Claassens (Chairperson)
Mr T O'Grady
Ms R Ramwell
Mr G Maniatis
Ms S Dave

Human Resources and Nominations Committee

Mr A Claassens (Chairperson)
Ms K Moses
Ms C Bolger
Mr G Maniatis
Mr N Johnson

Advisory Sub-Committee

Mr N Johnson (Chairperson)
Mr A Claassens
Ms R Ramwell

The purpose of the Advisory Sub-Committee was to give effect to the Ministerial Order including the appointment of TCorp under a new Master Financial Services Agreement.

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 Public Service Association of New South Wales, State Insurance Regulatory Authority, the Minister for Police and State Super. The State Super nominee is a member of the State Super Executive.

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.

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.





Investment performance

The investment performances of all the diversified investment strategies (with the exception of the cash strategy) exceeded their benchmark return over one, three and five years ending 30 June 2017.

The cash option exceeded its benchmark return over the three years ending 30 June 2017 but under-performed benchmark over the one and five year periods largely as a result of the proportion of fees to the currently very low interest rates.

The Trustee continues to focus on liability management, in particular the actuarial funding ratio for the defined benefit assets and liabilities, given the current legislative target to achieve full funding by 2030.

2017 was a year where both Australian and international equities performed strongly. Infrastructure, property and

other unlisted assets also performed well and made strong contributions to total returns for the year. It was also a year where bonds, both Australian and international, did poorly and sold off from elevated valuations. Australian bonds generated -0.5% and international bonds -5.1% on an unhedged basis (State Super uses a tailored benchmark for international bonds) compared to a return on cash of 1.8%.

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.

Currency is centrally managed. The focus of the currency program is risk mitigation; in particular, management of liquidity risk.

Year ending	Crediting rate to members (%p.a.)						
	Growth Strategy	Balanced Strategy	Conservative Strategy	Cash Strategy	Trustee Selection	University Diversified Conservative	University Cash
30 June 2017	9.0	6.9	4.4	1.9	9.5	4.4	1.6
30 June 2016	5.0	5.3	4.6	2.0	3.6	1.9	2.0
30 June 2015	10.2	8.9	6.9	2.4	11.1	4.2	1.6
30 June 2014	12.3	10.7	8.1	2.5	12.3	n/a	n/a
30 June 2013	17.1	13.7	9.2	3.2	17.1	n/a	n/a
Average annual compound rate (% p.a.)							
Over 3 years	8.0	7.0	5.3	2.1	8.1	n/a	n/a
Over 5 years	10.7	9.0	6.6	2.4	10.7	n/a	n/a
Over 10 years	5.1	5.5	5.2	3.5	5.1	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.

Investment management

Strategic asset allocation

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

Category	Asset Class
Liquid growth	Australian equities
	International equities
Alternatives	Property
	Infrastructure
	Other alternatives
Liquid defensive	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. 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 are not expected to generate CPI + 4.5% over the long term.

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

State Super reviews the strategic asset allocation of each investment strategy annually in conjunction with its advisers. For the Member Investment Choice and University investment strategies State Super considers quarterly whether any dynamic asset allocation tilts are appropriate given current valuations. For Trustee Selection dynamic asset allocation is undertaken by TCorp.



Environmental Social and Governance

State Super is a foundation member of the Australian Council of Superannuation Investors and supports sustainable, long-term investments through the consideration of environmental, social and corporate governance risks in the investment decision-making process.

We are a member of the Principles of Responsible Investing (PRI) as well as the Investor Group on Climate Change, a collaboration of Australian and New Zealand investors focusing on the risks and opportunities of climate change, for the ultimate benefit of members.

Divestment of investments in tobacco product manufacturers and controversial weapons manufacturers

In 2012–13, the Trustee Board decided to divest its holdings in tobacco product manufacturers and to exclude investments in manufacturers of controversial weapons, including cluster munitions and chemical and biological weapons. State Super's Environmental, Social and Governance policy was subsequently updated to reflect the decisions. At 30 June 2017, State Super had no exposure to controversial weapons manufacturers or tobacco product manufacturers.

Investment strategies at 30 June 2017

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.

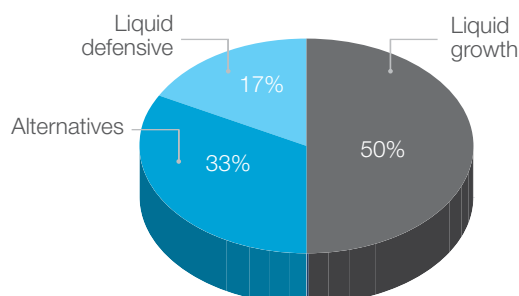
Trustee Selection Strategy

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 2017: \$33,939 million

Strategic asset allocation at 30 June 2017



Asset allocation as at 30 June 2017

	Strategic %	Actual %
Liquid growth	50.0	51.7
Australian equities	22.0	22.4
International equities	28.0	29.3
Alternatives	32.5	31.4
Infrastructure	12.0	12.4
Property	10.0	9.0
Other alternatives	10.5	10.0
Liquid defensive	17.5	16.9
Australian fixed interest	9.0	6.4
International fixed interest	1.5	1.0
Cash	7.0	9.5
TOTAL	100.0	100.0

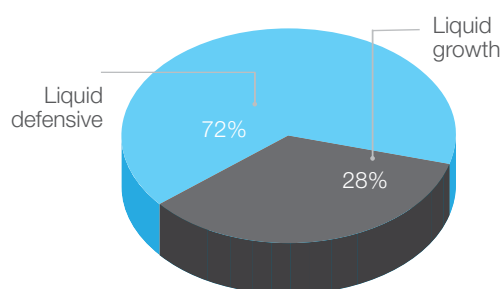
University Diversified Conservative Strategy

Investment objective: The investment objective of the University Diversified Conservative Strategy is to maximise the earnings rate subject to a greater than 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 2017: \$249 million

Strategic asset allocation at 30 June 2017



Asset allocation as at 30 June 2017

	Strategic %	Actual %
Liquid growth	28.0	32.6
Australian equities	12.0	13.5
International equities	16.0	19.1
Alternatives	0.0	0.0
Liquid defensive	72.0	67.4
Australian fixed interest	6.0	5.8
International fixed interest	2.0	1.2
Cash	64.0	60.4
TOTAL	100.0	100.0

Investment strategies at 30 June 2017 – continued

Defined Benefit investment strategies – continued

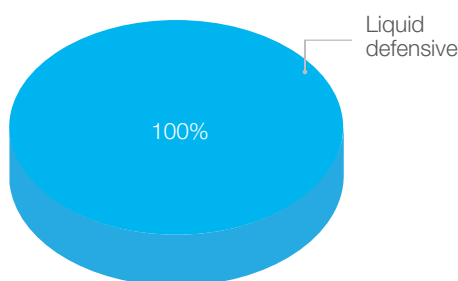
University Cash Strategy

Investment objective: The investment objective of the University Cash Strategy is to maximise the earnings rate subject to a greater than 80% probability of exceeding 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 2017: \$320 million

Strategic asset allocation at 30 June 2017



Asset allocation as at 30 June 2017

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

Member investment choice (MIC) strategies

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

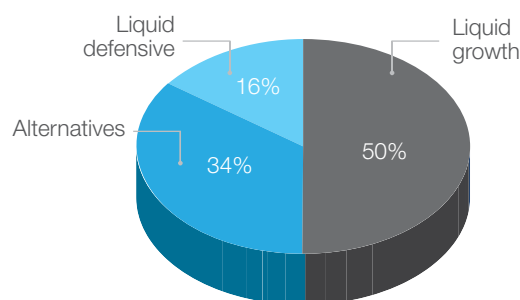
Growth Strategy

Investment objective: The objective of the Growth Strategy is to maximise the earnings rate subject to a greater than 60% probability of exceeding CPI + 4.0% 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 2017: \$6,333 million

Strategic asset allocation at 30 June 2017



Asset allocation as at 30 June 2017

	Strategic %	Actual %
Liquid growth	50.0	55.9
Australian equities	22.0	25.0
International equities	28.0	30.9
Alternatives	34.0	29.8
Infrastructure	11.0	10.0
Property	7.5	7.1
Other alternatives	15.5	12.7
Liquid defensive	16.0	14.3
Australian fixed interest	5.0	3.8
International fixed interest	3.0	2.0
Cash	8.0	8.5
TOTAL	100.0	100.0

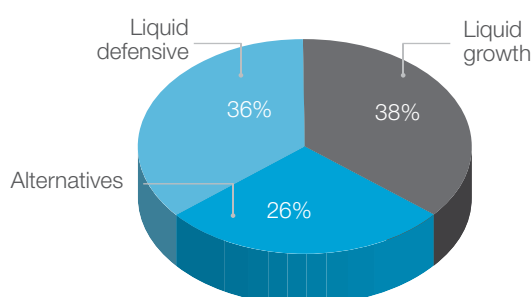
Balanced Strategy

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

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

Net asset value at 30 June 2017: \$631 million

Strategic asset allocation at 30 June 2017



Asset allocation as at 30 June 2017

	Strategic %	Actual %
Liquid growth	38.0	39.2
Australian equities	16.0	16.8
International equities	22.0	22.4
Alternatives	26.0	28.0
Infrastructure	9.0	9.1
Property	7.5	7.6
Other alternatives	9.5	11.3
Liquid defensive	36.0	32.8
Australian fixed interest	13.5	6.0
International fixed interest	4.5	2.5
Cash	18.0	24.3
TOTAL	100.0	100.0

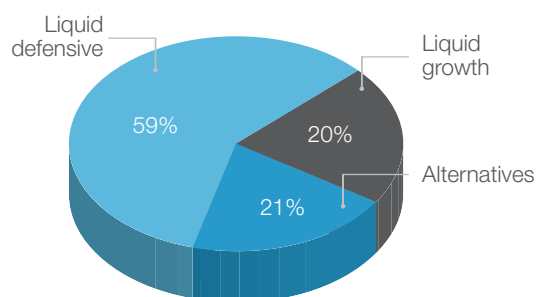
Conservative Strategy

Investment objective: The objective of the Conservative Strategy is to maximise the earnings rate subject to a greater than 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 2017: \$513 million

Strategic asset allocation as at 30 June 2017



Asset allocation as at 30 June 2017

	Strategic %	Actual %
Liquid growth	20.0	21.1
Australian equities	8.0	8.7
International equities	12.0	12.4
Alternatives	21.0	21.5
Infrastructure	6.0	6.0
Property	7.5	7.6
Other alternatives	7.5	7.9
Liquid defensive	59.0	57.4
Australian fixed interest	11.5	6.0
International fixed interest	4.5	3.0
Cash	43.0	48.4
TOTAL	100.0	100.0

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.

Investment strategies – continued

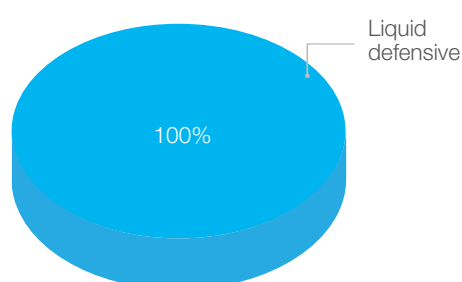
Cash Strategy

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 2017: \$159 million

Strategic asset allocation as at 30 June 2017



Asset allocation as at 30 June 2017

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

Investment updates & changes

In June 2017, State Super undertook its annual detailed review of the investment strategies and objectives for each investment option of the Pooled Fund and made the following changes, effective 1 July 2017.

Changes to the return objectives

Return objectives were revised downwards for all investment options as expectations of the returns likely to be achieved over the long term were lowered.

The return objective for the Growth Strategy was revised down from CPI + 4.0% p.a. over rolling 10-year periods to CPI + 3.5% p.a. over rolling 7-year periods.

The return objective for the Balanced Strategy was revised down from CPI + 3.0% p.a. over rolling 7-year periods to CPI + 2.25% p.a. over rolling 7-year periods.

The return objective for the Conservative Strategy was revised down from CPI + 2.0% p.a. over rolling 4-year periods to CPI + 1.0% p.a. over rolling 4-year periods.

The return objective for the Cash Strategy was revised from CPI over rolling 3-year periods to the Cash return over rolling 3-year periods.

The return objective for the Trustee Selection Strategy was revised down from CPI + 4.5% p.a. over rolling 10-year periods to CPI + 4.0% p.a. over rolling 10-year periods.

The return objective for the University Diversified Conservative Strategy was lowered from CPI + 1% p.a. over rolling four-year periods to CPI + 0.5% p.a. over rolling four-year periods.

The return objective for the University Cash Strategy was revised from CPI over rolling 3-year periods to the Cash return over rolling 3-year periods.

Strategic asset allocation changes

For the Trustee Selection Strategy, State Super slightly reduced the allocation to liquid growth and slightly increased the liquid defensives allocation. The allocation to alternative assets was kept substantially unchanged, however the underlying components were adjusted to enhance portfolio diversification.

For the Growth Strategy the allocation to liquid growth and alternatives increased slightly with the allocation to liquid defensives reducing. This reflected an expectation of lower returns from fixed income and cash over the relevant investment horizon.

For the Balanced and Conservative Strategies the allocation to alternative assets increased due to the harmonization of the allocation to illiquid assets across Growth, Balanced and Conservative investment strategies.

Strategic asset allocation target levels and dynamic asset allocation ranges effective from 1 July 2017 for the three defined benefit strategies and the four Member Investment Choice strategies are shown on the following two pages.

Investment strategies from 1 July 2017

Strategic asset allocations for Defined Benefit strategies

Trustee Selection Strategy

Effective from 1 July 2017, the strategic asset allocation for the Trustee Selection Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	48.0	32.0 – 64.0
Australian equities	20.5	
International equities	27.5	
Alternatives	37.0	27.0 – 47.0
Infrastructure	10.0	
Property	7.0	
Other alternatives	20.0	
Liquid defensive	15.0	10.0 – 31.0
Australian fixed interest	5.0	
International fixed interest	0	
Other	4.0	
Cash	6.0	
TOTAL	100.0	100.0

University Diversified Conservative Strategy

Effective from 1 July 2017, the strategic asset allocation for the University Diversified Conservative Strategy was revised to:

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

University Cash Strategy

Effective from 1 July 2017, the strategic asset allocation for the University Cash Strategy was revised to:

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

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



Investment strategies from 1 July 2017 – continued

Strategic asset allocations for member investment choice strategies

Growth Strategy

Effective from 1 July 2017, the strategic asset allocation for the Growth Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	51.0	35.0 – 67.0
Australian equities	22.5	
International equities	28.5	
Alternatives	36.5	28.5 – 44.5
Infrastructure	12.0	
Property	8.0	
Other alternatives	16.5	
Liquid defensive	12.5	10.0 – 28.5
Australian fixed interest	4.0	
International fixed interest	2.0	
Cash	6.5	
TOTAL	100.0	100.0

Balanced Strategy

Effective from 1 July 2017, the strategic asset allocation for the Balanced Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	36.0	26.0 – 46.0
Australian equities	14.0	
International equities	22.0	
Alternatives	27.5	19.5 – 35.5
Infrastructure	10.5	
Property	6.5	
Other alternatives	10.5	
Liquid defensive	36.5	26.5 – 46.5
Australian fixed interest	7.5	
International fixed interest	2.5	
Cash	26.5	
TOTAL	100.0	100.0

Conservative Strategy

Effective from 1 July 2017, the strategic asset allocation for the Conservative Strategy was revised to:

	Strategic asset allocation %	Dynamic asset allocation range %
Liquid growth	21.0	13.0 – 29.0
Australian equities	8.5	
International equities	12.5	
Alternatives	25.0	17.0 – 33.0
Infrastructure	10.5	
Property	6.5	
Other alternatives	8.0	
Liquid defensive	54.0	46.0 – 62.0
Australian fixed interest	6.0	
International fixed interest	3.0	
Cash	45.0	
TOTAL	100.0	100.0

Cash Strategy

Effective from 1 July 2017, the strategic asset allocation for the Cash Strategy was revised to:

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

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

Investment governance framework

The Trustee Board has approved State Super's 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 Orders, Board and Board Sub-Committee oversight, and managed and 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 effecting 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, and to progress policy and strategy development and implementation, product structure and design and investment manager selections.

Investment 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 Member Investment Choice and Universities investment strategies.

Master Investment Manager – In March 2014, the NSW Government announced its intention to amalgamate the funds management activities of the State's financial assets

within NSW Treasury Corporation (TCorp). After a full due diligence process the State Super Board appointed TCorp as Master Investment Manager for the defined benefit assets. This arrangement is governed by a written contract, the Master Financial Services Agreement (MFSA), which establishes the services and functions of TCorp. The appointment of TCorp commenced 15 June 2015. The MFSA was updated to comply with the Ministerial Orders and executed in October 2016.

Vendor Management Team – This team is responsible for the active oversight and monitoring of TCorp in order to monitor compliance, reduce risk, improve service delivery and promote greater transparency in investments and operations.

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

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

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

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

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

- Investment Beliefs
- Investment Policy Statement
- Derivative Risk Statement
- Liquidity Policy

Investment governance framework – continued

- ESG/Proxy Voting Policy
- Large Exposure and Counterparty Policy.

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

Currency hedging policy – The Trustee's policy for currency hedging at 30 June 2017 was as follows:

- international equities – developed market equities are hedged from 0% to 100% in Australian dollars
- international equities – emerging market equities are unhedged
- international property, infrastructure and alternative assets are hedged from 0% to 100% in Australian dollars
- international fixed interest assets (sovereign debt) are hedged from 0% to 100% in Australian dollars.

Investment managers at 30 June 2017

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
Australian equities			
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	✓	✓	–
International equities			
AQR Capital Management LLC	✓	✓	–
Arrowstreet Emerging Markets Fund	✓	✓	–
Artisan Partners Limited Partnership	✓	–	–
C Worldwide Asset Management Fondsmæglerselskab A/S	✓	✓	–
Citigroup Global Markets Australia Pty Ltd	✓	✓	–
Harris Associates Limited Partnership	✓	–	–
Investec Asset Management Limited	✓	✓	–
Lazard Asset Management Pacific Co	✓	–	–
Morgan Stanley Investment Management Ltd	✓	–	–
New South Wales Treasury Corporation	✓	✓	–
Realindex Investments Pty Limited	✓	–	–
Sanders Capital LLC	–	✓	–
State Street Bank & Trust Company	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	–

Investment managers at 30 June 2017 – continued

	Trustee Selection Strategy	Member Investment Choice Strategies	University Strategies
The Genesis Emerging Markets Investment Company C/O Genesis Asset Managers LLP	✓	–	–
Property			
AMP Capital Investors Limited	–	✓	–
Dexus Funds Management Limited	✓	–	–
EG Funds Management Pty Ltd	✓	–	–
Franklin Templeton Investments Australia Limited	✓	–	–
Investa Property Group	–	✓	–
Resolution Capital	–	✓	–
SG Hiscock & Company Limited	✓	–	–
Vanguard Investments Australia Ltd	✓	✓	–
LaSalle Investment Management (via Equity Trustees Ltd)	–	✓	–
International fixed interest			
State Street Global Advisors, Australia, Limited	✓	✓	–
Wellington International Management Company Pty Ltd	✓	–	–
Australian fixed interest & cash			
BT Investment Management (Institution) Limited	✓	✓	–
Colonial First State Asset Management (Australia) Limited	✓	–	–
State Street Global Advisors Australia Limited	✓	✓	–
New South Wales Treasury Corporation	✓	–	–
Alternative assets			
AMP Capital Funds Management Limited	✓	✓	–
Colonial First State Global Asset Management (Australia) Limited	–	✓	–
Fulcrum Asset Management LLP	✓	✓	–
GAM International Management Limited	–	✓	–
GMO Australia Limited	✓	–	–
Hastings Investment Management Limited	–	✓	–
Kohlberg Kravis Roberts & Co. L.P.	–	✓	–
Lazard Asset Management Pacific Co	✓	–	–
Macquarie Investment Management Limited	✓	✓	–
Macquarie Specialised Asset Management Limited	✓	–	–
New South Wales Treasury Corporation	✓	✓	–
Perennial Value Management Limited	–	✓	–
PineBridge Investments LLC	✓	✓	–
Pyrford International	✓	–	–
QIC Limited	–	✓	–
RARE Infrastructure Limited	–	✓	–
Siguler Guff Distressed Opportunities Fund III (F) LP	✓	–	–
Siguler Guff Distressed Opportunities Fund IV (F) LP	✓	–	–
Whitehelm Capital Pty Ltd	✓	–	–
Currency			
Pareto Investment Management Limited	✓	✓	–
State Street Global Advisors Australia Limited	✓	✓	–
Universities			
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**

SSS: **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.

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** or call Customer Service (telephone details are provided on the back cover of this report).

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

**We'll help you navigate your superannuation,
so you can make the most of your retirement.**

State Super defined benefit schemes can set you up for a comfortable retirement, but they can be complicated and difficult to navigate. Getting the right advice could make a big difference for you and your family in the future.

At StatePlus, our experts are trained to understand these complexities, so you can focus on what's important to you – a fulfilling retirement.

We have over 26 years of experience helping hard-working Australians just like you maximise their superannuation. Talk to a StatePlus expert today so we can help you be free to live a life fully engaged with the people, interests and causes that you care about.

Visit stateplus.com.au today or call 1800 841 633.



StatePlus

*Formerly State Super
Financial Services*

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Important Fund updates

Pillar Administration sold to Mercer Australia In December 2016, then NSW Treasurer Gladys Berejiklian, announced the sale of Pillar Administration to Mercer Australia.

Pillar has been State Super's administration service provider for many years and also provides other member services including our contact centre and interview service. Mercer and its leadership team also has a strong track record in superannuation administration services in Australia with expertise in defined benefit, defined contribution and hybrid fund administration.

Mercer are committed to innovation and excellence and we look forward to continuing to work closely with the team in providing superior services to members.

The name of Pillar administration has now changed to Mercer Administration Services (Australia) Pty Limited (ABN 48 616 275 980).

Member Interviews new location

The new Mercer Australia premises are in Sydney's Barangaroo precinct and is the new location for State Super's Member Interview Service, continuing the existing services where members can meet face to face with customer service staff.

Interviews are available at Barangaroo and at selected StatePlus locations.

JP Morgan selected as preferred custodian

Following a successful joint project between NSW Treasury, NSW Treasury Corporation (TCorp), Insurance and Care NSW (icare) and SAS Trustee Corporation (State Super), JP Morgan has been selected as the preferred custodian of the combined investment funds of the three NSW Government agencies. JP Morgan was selected on the basis of compelling commercial, contractual and capability considerations.

JP Morgan is State Super's current custodian and will also continue to provide State Super with custodial services related to member funded assets.

New actuary appointed

PricewaterhouseCoopers (PwC) has been appointed as our new actuary from 1 August 2017 with a five-year contract. PwC is an active participant in the superannuation industry and a leading advisor to industry, public sector and corporate funds in Australia.

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.

Commonwealth Government changes

In the Commonwealth Government's May 2016 Budget, numerous reforms affecting superannuation were proposed. Legislation for most of the measures was passed through both houses of Parliament and came into effect on 1 July 2017.

The main changes relevant to our members are:

- a new lower cap on concessional contributions of \$25,000 per year
- a \$1.6 million cap on the total amount you can transfer into a pension
- a limit of \$100,000 per year in non-concessional contributions if your total super balance is below \$1.6 million

Lower concessional contributions

One of the main changes on 1 July 2017 was that the concessional contributions cap was reduced to \$25,000 for everyone. It was previously \$30,000 for people under 50 and \$35,000 for those aged 50 or more.

'Concessional' contributions are those paid directly from your gross salary before tax, including employer contributions such as superannuation guarantee and salary sacrifice, as well as personal contributions for which you claim a tax deduction. You only pay 15% tax on these contributions.

If your State Super scheme is your only superannuation fund, even though your contributions may exceed the cap, they are still deemed to be within it. The most the fund will report to the ATO is \$25,000 (Note: Some SASS members who have increased their contributions to a higher rate in the past may have lost this "Contribution Cap Protection" – refer to your statement). Members who are also contributing to other superannuation funds need to make sure those contributions don't cause them to exceed the cap.

If you want to continue contributing to a fund other than your State Super scheme, we recommend consulting a financial planner to make sure your total contributions across all your funds are within the concessional cap.

\$1.6 million cap on money you can put into the retirement phase – "transfer balance cap"

Retirees and pre-retirees with retirement funds in the region of \$1.6 million or more should be looking at their retirement strategy to make sure they comply with the new rules.

The Commonwealth Government has introduced a \$1.6 million transfer balance cap on the total amount of superannuation savings that can be transferred from the concessional taxed accumulation phase of superannuation to the tax-free retirement phase of superannuation.

If you exceed the transfer balance cap you will need to either transfer the excess back to an accumulation super account, withdraw the excess amount from super altogether, or in the case of a capped defined benefit pension, include half the excess pension amount in your taxable income (excess pension amounts are pension payments in excess of \$100,000 per annum).

\$1.6m "total super balance"

The new total super balance rule affects the amount of non-concessional contributions you can make in a year (contributions you make from your after-tax salary). Once your total superannuation balance reaches \$1.6 million (as at 30 June of the preceding financial year) you won't be eligible to make non-concessional contributions without exceeding your non-concessional contributions cap.

If your balance is under the \$1.6 million cap as at 30 June, the limit on the amount of non-concessional contributions you can make in the following year is \$100,000. If you're under 65 at the start of the financial year, the non-concessional contribution rules allow you to bring forward the next two years of non-concessional contribution caps so you can contribute a total of \$300,000 after-tax. If you want to use the full bring-forward provisions, your total super balance must be under \$1.4 million as at the end of the preceding financial year otherwise restrictions apply.

Your total super balance doesn't affect the amount of concessional contributions you can make though (those paid directly from your gross salary before tax and the notional amount counted for your employer contributions), but you are subject to the reduced \$25,000 cap. See above for comments on concessional contributions.

Annual non-concessional cap reduced to \$100,000

The annual non-concessional contribution cap has been lowered from 1 July 2017 to \$100,000 per annum (or \$300,000 over 3 years if under age 65). This replaces previous non-concessional arrangements which allowed individuals to make contributions of up to \$180,000 per annum (or \$540,000 over 3 years if under age 65).

Non-concessional contributions up to \$100,000 per annum are permitted provided an individual's total superannuation balance is less than \$1.6 million. Members with balances of \$1.6 million or more who wish to make non-concessional contributions under scheme rules are permitted to do so but will have zero cap space. These contributions will become excess non-concessional contributions and will attract a penalty tax of 47%.

Abridged financial statements

Financial reports at 30 June 2017

The following table provides 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 2017 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. Please note that new Accounting Standards and interpretations have become effective for the period ending 30 June 2017.

Statement of net assets		
	2017 (\$ million)	2016 (\$ million)
Assets		
Cash and cash equivalent	36	12
Receivables	394	690
Employer sponsor receivable	2,741	2,865
Short term securities	4,793	4,831
Australian fixed interest	2,477	2,448
International fixed interest	489	799
Australian equities	9,291	9,060
International equities	12,096	11,756
Property - indirect	1,687	1,964
Investment properties - direct	1,929	1,787
Infrastructure and other alternatives	9,229	8,239
Net derivative assets	131	78
Other assets	1	1
Total assets	45,294	44,530
Liabilities		
Payables	211	382
Income tax liabilities	141	106
Deferred tax liabilities	57	75
Total liabilities excluding member liabilities	409	563
Net assets available for member benefits	44,885	43,967
Member liabilities		
Defined benefit member liabilities	(59,153)	(59,122)
Total net liabilities	(14,268)	(15,155)
Equity		
Defined benefits that are under funded	(14,268)	(15,155)
Total (deficit)	(14,268)	(15,155)



Fees and charges

Direct fees

Fee	Percentage of average total assets	
	SASS	SSS and PSS
Management charge	<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>
Investment switch fees	<p>A member can switch between investment strategies once each year ending 30 June without incurring a fee. A switch 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
Additional benefit cover	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
Family law fees	<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 the spouse. The benefit split fee can be deducted from the final amount or paid by way of a separate cheque to the Fund.</p>	

Fees and charges - continued

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 2017–18 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 2016–17	Estimated 2016–17	Estimated 2017–18
Defined benefit investment strategies			
Trustee Selection	0.46%	0.42%	0.48%
University Diversified Conservative	0.11%	0.09%	0.13%
University Cash	0.04%	0.07%	0.05%
Member Investment Choice strategies			
Growth	0.34%*	0.42%*	0.47%*
Balanced	0.29%	0.29%	0.33%
Conservative	0.20%	0.21%	0.25%
Cash	0.03%	0.07%	0.04%
	*0.34% + nil performance fee paid	*estimated 0.36% + 0.08% performance fee	*estimated 0.39% + 0.08% performance fee

Complaints, disputes and appeals

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, Mercer Administration (Mercer).

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).

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.

Disputes

If you are dissatisfied with a decision relating to a benefit entitlement, e.g. a decision by Mercer (made on behalf of State Super) to refuse a claim, 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.

Appeals

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

PSS 'Hurt on Duty' appeals:

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.

Contacts

To lodge a complaint with Mercer please 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

To lodge a dispute please contact State Super by writing to:

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

To lodge an appeal against a State Super decision (following the dispute process) please contact the Supreme Court of NSW by telephoning 02 9230 8628 or by writing to:

Supreme Court of NSW
GPO Box 3
Sydney NSW 2001



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 Mercer 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 Mercer 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**.

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** 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**

Customer service

SASS	1300 130 095
SSS	1300 130 096
PSS	1300 130 097
Deferred members	1300 130 094
Pension members	1300 652 113

You can contact customer service from 8.30am to 5.30pm, Monday to Friday AEST for the cost of a local call unless calling from a mobile, pay phone or from overseas. If calling from overseas please call +61 2 4298 6005.

Fax service	02 4253 6688
Email	enquiries@stc.nsw.gov.au

Mailing addresses

Customer service and Pillar Administration:

PO Box 1229
Wollongong NSW 2500

SAS Trustee Corporation (the Trustee Board)

PO Box N259
Grosvenor Place NSW 1220

Website	www.statesuper.nsw.gov.au
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Personal interview service

To arrange an interview appointment call:

Sydney	02 9238 5540
Newcastle	1800 620 305
Parramatta	
Wollongong	

Need help with English?

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

Arabic

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

Chinese

會員如果閱讀英語有困難，諮詢服務部可安排發放資料的譯本。

Greek

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

Italian

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

Vietnamese

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

Financial planning advice

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

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

Website	www.stateplus.com.au
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www.statesuper.nsw.gov.au



STATE SUPER
SAS Trustee Corporation