



STATE SUPER
SAS Trustee Corporation

www.statesuper.nsw.gov.au

annual report
2007/2008

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Report to the Minister

October 2008

The Hon Eric Roozendaal, MLC
Treasurer
Level 31 Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

Dear Minister

We have pleasure in submitting to you for presentation to Parliament the annual report of the SAS Trustee Corporation, covering the period 1 July 2007 to 30 June 2008.

The annual report contains the report for the SAS Trustee Corporation, the SAS Trustee Corporation Division of the Government Service of NSW and the Pooled Fund. These have been prepared in accordance with the provisions of the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983*, associated regulations and Treasurer's Directions.

We look forward to working with you during the coming year and wish to note our appreciation for the support and interest that your predecessor has shown in our activities.

Yours sincerely



Don Russell
Chairperson
SAS Trustee Corporation



Ian Blair
Board Member and Chairperson of the
Audit and Compliance Committee
SAS Trustee Corporation

Part A – About the SAS Trustee Corporation

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Charter

SAS Trustee Corporation is a body corporate constituted by the *Superannuation Administration Act 1996*.

It is trustee of the STC Schemes which are:

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

Its principal functions are to:

- administer the STC Schemes,
- invest and manage the Fund of the STC Schemes,
- provide for the custody of the assets and securities of the STC Schemes,
- ensure Scheme benefits are properly paid, and
- determine disputes under the Schemes.

Mission

STC's mission is to:

- support the future well-being of current STC scheme members and pensioners by the delivery of up to date superannuation benefits and high quality service;
- engage stakeholders in productive dialogue; and
- provide optimal investment returns to employers and members.

This Annual Report is available on our website, www.statesuper.nsw.gov.au

Glossary:

Executive means the executive staff of the SAS Trustee Corporation.

Pooled Fund or Fund means the Pooled Fund of the STC Schemes.

STC means SAS Trustee Corporation.

Trustee Board means the Board of the SAS Trustee Corporation, appointed under the *Superannuation Administration Act 1996* and comprising an independent chairperson, four employee representatives and four employer representatives.

Chairperson's report

Imagine being appointed Chairperson of Australia's largest super scheme amidst one of the biggest investment market shakeouts we've ever seen.

That's what confronted me when I was appointed STC Chairperson in January 2008. While this has been a difficult time, I can report that the systems, people and investment strategies in place to look after your super have functioned properly and that your schemes have performed favourably compared with similar super funds.

It's appropriate I thank my predecessor Michael Cole and former CEO Don McLean for their efforts in laying a strong foundation on which State Super's future successes can be built. Similarly, the efforts of the Executive team and Pillar, our administrator, are to be commended.

While super's had a tough year it's fair to say State Super members have had it better than most. While investment returns affect SASS members' Personal Account balances and cash resignation benefits for SSS and PSS members, your schemes primarily provide defined benefits which are immune to investment market fluctuations.

While it's disappointing to report negative returns, all four STC investment strategies performed better than the respective median return of similar super funds. The declared rates for the year to 30 June 2008 are:

Growth	-7.2%
Balanced	-3.2%
Conservative Growth	0.7%
Cash	6.1%

IMPROVED MEMBER SERVICES

I'm pleased to report that the fine tuning of systems and processes continued throughout the year achieving improved services for members.

Salary sacrifice is now available to all members with encouraging participation rates.

Attendance rates at our pre-retirement seminars and website hits, indicate an increasing level of member interest in their superannuation. I encourage members to visit the website regularly to keep abreast of the issues that can help you make the most of your super.



Don Russell
Chairperson
September 2008

Board members' profiles

Don Russell (Chairperson from 1 January 2008) is currently the Global Investment Strategist at BNY Mellon Asset Management Australia. Prior to joining BNY Mellon, Dr Russell was Executive Director with WestLB Mellon Asset Management (Australia), which he joined in 2001. Between 1997 and 2000, Dr Russell was in New York with Sanford C. Bernstein, a US money management and research company. Between 1985 and 1993 and again in 1996, he was Principal Adviser to the Hon Paul Keating both during his time as Treasurer and Prime Minister. Between 1993 and 1995 he served as Australia's Ambassador to the US in Washington. Dr Russell also worked for the Commonwealth Treasury joining as a cadet and was at various times a consultant to the World Bank, Bankers Trust, Westpac Bank and Counsellor in the Australian delegation to the OECD in Paris. Dr Russell has a PhD from the London School of Economics, a MEd from ANU and a BEc (Hons) from Flinders University, and also holds the Chartered Financial Analyst designation (CFA).

Michael Cole (Chairperson up to 30 September 2007) had a 17 year career with Bankers Trust Australia as a Director/Executive Vice-president in both the Investment Bank and Funds Management divisions. At various times, executive responsibilities included Head of Fixed Interest/Capital Markets/Structured Finance, Credit, Stockbroking and Retail Funds Management. In September 2001, he was appointed a Director of the New South Wales Treasury Corporation. Mr Cole is the Chairman of Platinum Asset Management Limited, Ironbark Capital Limited and IMB Ltd.

Ian Blair (Employer Representative) is a chartered accountant and a company director. In 1997, Mr Blair completed a long career with accounting firm Deloitte Touche Tohmatsu, including a term as Chief Executive Officer of that firm. He is Chairman of funds manager IOOF Holdings Ltd and is Chairman of Bisley & Company Pty Ltd, a company involved in International trading of industrial products. Mr Blair is a board member and chairman of the Board Audit Committee of Capral Limited, a

company involved in manufacturing and marketing of semi-fabricated aluminium projects. He was formerly a board member of Sisters of Charity Health Service Ltd and Melbourne Business School Ltd.

Ron Davis (Employee Representative) is the full-time employee representative on the Trustee Board, a position he has held since 1 January 2002. Mr Davis was previously a Valuation Manager with the State Valuation Office. He is a Central Councillor with the Public Service Association and immediate past president of the Professional Officers' Association. He also represents members as a delegate to the Unions NSW Public Sector Employees' Superannuation Committee. Mr Davis is a member of the Australian Institute of Superannuation Trustees, a Fellow of the Association of Superannuation Funds of Australia (ASFA) and a member of ASFA's NSW Division Executive Committee. He is also a Director of State Super Financial Services Australia Limited and chairperson of the Police Superannuation Advisory Committee.

Anne De Salis (Employer Representative) is on the boards of the NSW TAFE Commission, the Superannuation Funds Management Corporation of South Australia and Members Equity Bank. Ms De Salis has a diverse career spanning the public and private sectors, which includes more than 10 years experience as a non-executive director. In the private sector, she worked in senior executive/director positions with AMP Limited and MBF Australia Limited. Prior to this, she enjoyed several years as Senior Adviser to the then Prime Minister, the Hon Paul Keating. She joined the Keating office from the Commonwealth Treasury, where she worked as an economic adviser in Canberra.

Rod Harty (Employee Representative) is an Advocate and Legal Advisory Officer for the Police Association of NSW and a consultant to the Police Federation of Australia. Mr Harty also represents Police as a delegate to the Unions NSW Public Sector Employees' Superannuation Committee. He has post-graduate qualifications in Workplace Relations and Labor Law and has a broad public sector background in human resource management and business services.

Board members' profiles continued

Michael Lambert (Employer Representative) is a consultant to the global investment bank, ABN AMRO. Previous to that, Mr Lambert was the Secretary of the New South Wales Treasury and held various other senior positions. He has extensive experience and expertise in financial analysis and advising governments and clients on financial and strategic issues. In addition, he is also a non-executive Director of Energy Australia, Queensland Racing, the Sax Institute, Racing Information Services Australia and Asylum Seekers Centre of NSW. Mr Lambert has a Bachelor of Economics (Honours) and Master of Economics from Sydney University.

Nick Lewocki (Employee Representative) is Secretary of the Rail, Tram and Bus Union. Mr Lewocki spent his early career with the NSW Railways department before being elected to a full-time union official's position in 1979. From 1990, he worked with Unions NSW for 6 years as an Industrial Officer responsible for a range of industries. He is a Director of the NSW Trades Hall Association, Australian Industrial Skills Futures Pty Ltd and the Transport and Logistic Centre Pty Ltd. As Secretary of the Union, he has overall responsibility for industrial agreements and their certification before the industrial tribunals which affect over 15,000 members.

Maree O'Halloran (Employee Representative) is the President of the NSW Teachers Federation and was appointed to the Trustee Board on 1 September 2002. Her union experience includes numerous roles in the Teachers Federation as well as being an Executive member of Unions NSW. Her teaching career spans city and country schools as well as TAFE and Corrective Services. She is admitted as a legal practitioner in NSW and has practised as a solicitor. She is currently a board member of the legal firm, Federation Law, and for Teachers Federation Health. She was previously a board member of the Blue Mountains Community Legal Centre. Ms O'Halloran is also a contributing author of an HSC Legal Studies textbook.

Paul Scully (Employer Representative) is Managing Director of Decision Horizons, a consulting enterprise through which he offers his services based on 30 years of experience in financial services and investment management. Mr Scully is an actuary by training and was, until July 2003, Chief Executive Officer for the Asia Pacific region of ING Investment Management and a member of its global board. He has also held executive positions in life insurance and retail funds management. He now maintains a portfolio of non-executive directorships and consulting assignments.

Executive management team

Don McLean – Chief Executive Officer

Mr McLean's main focus was to ensure that the Trustee Board receives expert professional advice on which to make its decisions. He joined STC as Chief Executive Officer in January 2003. Before that, he worked in the financial services industry for over 30 years, both as a senior executive in major retail fund management organisations and in consulting roles. Mr McLean's 5 year appointment expired on 31 December 2007.

Lyn Collingridge – Acting Chief Executive Officer, General Counsel and Company Secretary

Ms Collingridge joined STC in October 1998 as General Counsel and Company secretary. Having worked in the superannuation industry since 1989, she is a superannuation lawyer with extensive experience in both the public sector and private practice. She is responsible for providing the Trustee Board and the Executive with legal services and oversees the compliance and secretariat services. Ms Collingridge was the Acting Chief Executive Officer from 1 January 2008.

Martin Drew – Chief Investment Officer

Mr Drew manages STC's investment team that monitors all aspects of the investment management and performance of the Pooled Fund. This includes liaison with investment service providers, such as the asset consultant, investment managers and the custodian. Martin has a diverse career both in the public and private sectors spanning over 10 years.

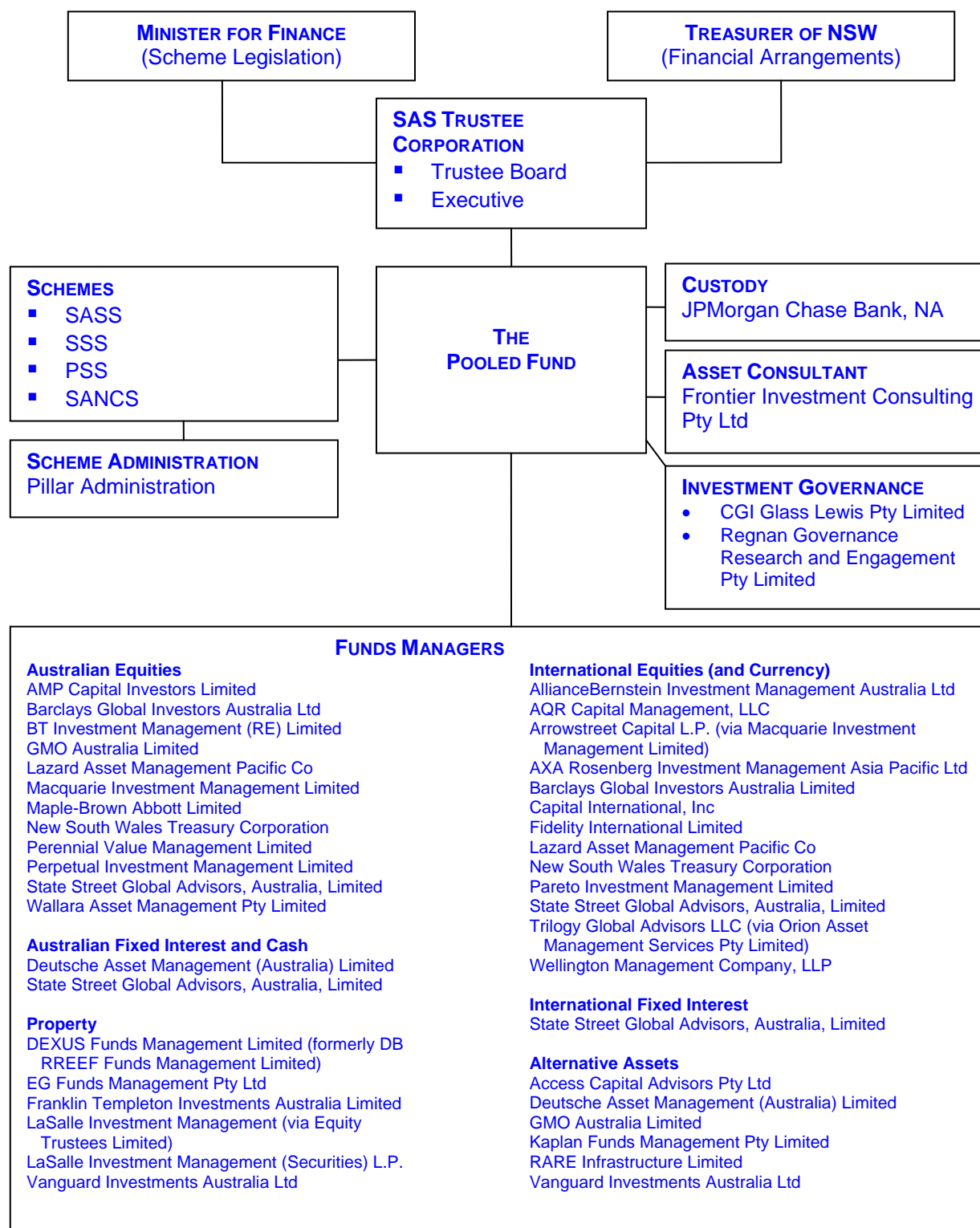
Karen Faulconbridge – Operations Manager

Ms Faulconbridge joined STC in March 2000 as Manager, Policy Advice. She took on the broader role of Operations Manager in July 2004 following a restructure of the Executive. Prior to her appointment to STC, she worked in the superannuation industry in the private and public sector for over 17 years. She is responsible for the management of operational areas, including administration and member communication.

Andrew Grice – Manager Finance

Mr Grice is responsible for the accounting, actuarial and taxation functions within STC. He is a Chartered Accountant and has more than 10 years of superannuation work experience. Prior to joining STC, Andrew was an external auditor involved in the audit of several large entities, including superannuation funds.

Organisational structure as at 30 June 2008



Review of 2007-08

1. INVESTMENT OVERVIEW

(a) Fund Size

Net Asset Value	
Year end	\$b
30 June 2006	28.578
30 June 2007	38.587
30 June 2008	34.214

In the 2007 financial year, the Pooled Fund grew strongly as a result of significant transfers from the GGLMF and strong investment results. In the 2008 financial year, investment returns were very poor, due mainly to world financial market reaction to the US sub-prime mortgage market collapse, which resulted in a loss to the Fund. It is expected that market volatility will continue during the 2009 financial year.

(b) Investment Returns

The returns based on declared rates for periods ending 30 June 2008 are below, together with earlier years. Median manager results are also shown.

Declared returns to 30 June 2008

Year End	Strategy			
	Growth %	Median %	Balanced %	Median %
2003	-1.7	-0.8	Strategy introduced in December 2003.*	
2004	13.5	14.0		
2005	13.0	13.3	11.6	11.4
2006	15.8	15.0	11.4	11.5
2007	14.9	15.5	11.6	12.2
2008	-7.2	-7.7	-3.2	-4.9

Compound returns

2 Years	3.2	3.3	3.9	3.4
3	7.3	7.0	6.4	6.1
4	8.7	8.6	7.7	7.2
5	9.6	9.7	Strategy introduced in December 2003.*	
10	6.6	6.8		

Note: The figures above are after allowance for tax and investment management expenses. Past returns are no guarantee of future returns.

*The Balanced Strategy was introduced in December 2003. Consequently, there are no declared returns for the full year ended 30 June 2004 or earlier, or for the 5 or 10 year periods.

Declared returns to 30 June 2008

Year End	Strategy		
	Conservative Growth %	Median %	Cash %
2003	These strategies were introduced in December 2003.*		
2004			
2005	9.3	9.3	4.9
2006	8.1	8.2	4.9
2007	8.9	9.1	5.4
2008	0.7	-0.9	6.1

Compound returns			
2 Years	4.7	4.0	5.7
3	5.8	5.6	5.5
4	6.7	6.4	5.3
5	These strategies were introduced in December 2003.*		
10			

Note: The figures above are after allowance for tax and investment management expenses. Past returns are no guarantee of future returns.

*The Conservative Growth and Cash strategies were introduced in December 2003. Consequently, there are no declared returns for the full year ended 30 June 2004 or earlier, or for the 5 or 10 year periods.

Over the past 18 months to 2 years, the asset allocation of the Pooled Fund has been altered to make it more defensive and to improve its cash yield. This has been achieved by increasing the diversification of the assets and focussing on unlisted alternative assets such as infrastructure. These changes have enabled the Pooled Fund to perform better than most of its peers during the recent market upheavals.

(c) Investment Objectives

For each of the available investment strategies, the following objectives are expressed as a margin above the rate of increase in the Consumer Price Index (CPI):

Strategy	Objective
Growth	To exceed CPI plus 4.5% over 10 year periods
Balanced	3.0% over 7 year periods
Conservative Growth	2.0% over 4 year periods
Cash	1.5% over 3 year periods

In each case, the measured return is the declared rate of return after tax and after fees.

Review of 2007-08 continued

The Balanced Strategy has only been in existence for 4½ years. Consequently, it is not yet able to be measured against its long term objective over 7 years.

The table below shows the returns for the Growth, Conservative Growth and Cash Strategies relative to their long term investment objectives as well as the performance to date for the Balanced Strategy.

Declared returns for the period ending 30 June 2008 against Objectives

Strategy	Period	Declared Return %pa	Objective %pa*
Growth	10 years	6.6%	7.6%
Conservative Growth	4 years	6.7%	5.3%
Cash	3 years	5.5%	5.0%
Balanced	4 years	7.7%	6.3%

*CPI measured to 30 June 2008.

The Conservative Growth and Cash Strategies have exceeded their respective long term objectives, but three negative returns in 7 years have meant that the Growth Strategy has not met its long term objective.

(d) Asset Allocation

Set out below is the Strategic Asset Allocation as a percentage of Growth Assets and Defensive Assets for each investment strategy, as set out below:

Strategic asset allocation for Investment Strategies for 2008/09

Strategy	Growth Assets %	Defensive Assets %
Growth	75.0%	25.0%
Balanced	50.0%	50.0%
Conservative Growth	29.0%	71.0%
Cash	0.0%	100.0%

The above proportions allocated to each strategy remain within a margin of plus or minus 5% of the percentages shown.

However, the allocations that make up these broader categories may change. The Fund's asset allocations are reviewed formally at least once a year and are constantly monitored throughout the year. The actual allocation at the end of the last two financial years is shown in the tables below.

Asset allocation at 30 June

Sector	Growth		Balanced	
	2008 %	2007 %	2008 %	2007 %
Australian Shares	31.6	33.2	23.1	24.3
International Shares	25.3	26.2	17.0	17.4
Property	10.9	10.1	6.8	6.8
Alternative Assets	11.2	7.6	3.6	3.9
Australian Fixed Interest	7.5	6.8	19.1	18.0
International Fixed Interest	7.5	6.4	19.1	17.8
Cash	6.0	9.7	11.3	11.8
	100.0	100.0	100.0	100.0

Sector	Conservative Growth		Cash	
	2008 %	2007 %	2008 %	2007 %
Australian Shares	12.8	13.3	0.0	0.0
International Shares	8.7	9.1	0.0	0.0
Property	6.8	7.0	0.0	0.0
Alternative Assets	1.9	2.3	0.0	0.0
Australian Fixed Interest	19.8	19.4	0.0	0.0
International Fixed Interest	19.6	19.4	0.0	0.0
Cash	30.4	29.5	100.0	100.0
	100.0	100.0	100.0	100.0

Review of 2007-08 continued

(e) *Investment Expenses*

Investment Management expenses include fund management fees, custodial fees, asset consulting fees and the costs of managing the investment portfolio. These expenses are deducted from investment earnings before the declared rates are determined. The table below shows the level of investment expenses for the 2008 financial year.

Investment Expenses

Strategy	Investment expenses as % of Average Total Assets for year end 30 June 2008
Growth	0.38%
Balanced	0.27%
Conservative Growth	0.23%
Cash	0.10%

(f) *Asset Consultant*

The Trustee Board's investment consultant, Frontier Investment Consulting Pty Ltd, advises the Board on strategic asset allocation and fund manager selection.

(g) *Investment Managers*

All of the Pooled Fund's assets are managed by external fund managers who are appointed by the Trustee Board after receiving advice from the asset consultant. The performance of the various fund managers is monitored throughout the year and managers may be added or replaced.

The Fund's investment managers as at 30 June 2008 are set out on page 7 of this Report.

During the year the Trustee Board resolved to terminate the appointment of New South Wales Treasury Corporation in respect of its Australian equities and international equities mandates which are managed as trusts. On the advice of its asset consultant, STC will appoint some of the trusts' underlying managers and the transition from New South Wales Treasury Corporation to the new managers will be completed during the September quarter 2008.

(h) *Investment Policies*

(i) Investment Reserves

The Trustee Board has determined that investment earnings will not be placed in an investment reserve. Consequently, all available investment earnings or losses, after providing for tax and investment expenses, are distributed to employers and members, based on a declared rate which is determined monthly.

Members exiting the Pooled Fund Schemes receive a daily interim rate applicable since the last monthly rate was determined.

(ii) Derivatives

Derivatives, including futures and options, can be used by investment managers. However, the investment mandates clearly state that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against adverse market movements and cannot be used for speculative purposes or gearing the investment portfolio. During the year to 30 June 2008, the managers made limited use of derivatives.

(iii) Hedging

STC's policies in regard to currency hedging as at 30 June 2008 are set out in the following table.

Hedging policy

International fixed interest	100% hedged into Australian dollars.
International equities	Specialist currency managers have been engaged to manage the currency exposure of international equities. During the year ended 30 June 2008, the level of hedging may vary from 0% up to 74.4%.
Other international assets and securities	100% hedged into Australian dollars.

Review of 2007-08 continued

(iv) Custodian

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

(v) Passive Rebalancing

The Pooled Fund passively rebalances the tradeable asset classes in the portfolio in a disciplined manner. Each day, after the portfolio is valued, the index manager, State Street Global Advisers, Australia, Limited reviews the asset allocation for each strategy. If a sector has deviated outside a set range relative to the target allocation, the manager reallocates funds between sectors to return allocations within the agreed range. This rebalancing process may involve the use of futures or derivatives.

(vi) Large Investments

During the year, there was no individual investment directly held by the Pooled Fund that exceeded 5% of the Fund's total investments.

However, at 30 June 2008, the Pooled Fund held 5.5% of the Fund's total investments in the Emerging Managers Trust (managed by New South Wales Treasury Corporation). This is an unlisted unit trust which engages a range of managers to manage Australian share portfolios.

2. ADMINISTRATION

(a) Administration Services

During the year, the number of member telephone calls remained high, reflecting higher awareness of superannuation issues, Better Super tax changes and scheme initiatives introduced in 2007 and 2008. These higher volumes put pressure on Pillar resources and some standards were not achieved during the year. STC agreed to fund additional personnel in the Pillar Call Centre to assist Pillar achieve agreed service standards and to improve service to members. The number of calls from members concerning the poor investment returns during the year have been low.

During the 2007/08 financial year, major administration projects absorbed significant time and resources within both the STC Executive and the administrator, Pillar Administration. These were:

- *Commonwealth "Better Super" taxation changes to superannuation:* Work on the administrator's IT system changes and procedures continued throughout the first half of the 2007/08 financial year to reflect the "better super" taxation changes introduced by the Commonwealth Government in May 2006. The complex changes required for defined benefit schemes could not be finalised until the regulations were made in the final quarter of the financial year.
- *PSS Salary Sacrifice:* In January 2008, PSS members became eligible to salary sacrifice their compulsory member contributions. To accommodate its introduction, a new computer system was introduced for PSS.

The average amount of PSS member contributions that were paid by salary sacrifice between 1 January and 30 June 2008 was 22%. However, in June 2008, contributions by salary sacrifice from PSS members were 36%. This is an encouraging early take up by members.

New forms and procedures for applications for invalidity benefits in the PSS were implemented as from 1 July 2007, with comprehensive documentation of the new processes being placed on the STC website.

In addition, the processing of PSS lump sum pain and suffering and permanent impairment claims was transferred from Pillar to Allianz in August 2007. This has resulted in improved member service.

(b) Administration Expenses

STC administration expenses were well controlled for the year. Total administration expenses were \$33.1 million.

Review of 2007-08 continued

3. SCHEME MEMBERSHIP

Member Numbers

The STC schemes are all closed to new members and total membership numbers are declining as shown below.

Scheme Category	As at 30 June 2003	As at 30 June 2008	% Movement in 5 years
Active members			
SSS	33,465	22,033	(34%)
SASS	68,543	50,194	(27%)
PSS	4,489	2,597	(42%)
Total	106,497	74,824	(30%)
Deferred members			
SSS	4,753	3,831	(19%)
SASS	12,216	11,311	(7%)
PSS	230	170	(26%)
Total	17,199	15,312	(11%)
Pensioners			
SSS	35,378	42,596	20%
SASS	5,615	4,233	(25%)
PSS	4,877	5,994	23%
Total	45,870	52,823	15%
TOTAL	169,566	142,959	(16%)

Over the last five years, active membership has fallen by around 31,500 (or 30%). Over the next five years, it is anticipated that active membership will continue to decline by about 6,000 per annum. On the other hand, pensioner numbers are increasing primarily as a result of members in SSS reaching retirement age and taking a pension. Pensioner numbers are projected to peak at around 58,000 in approximately 10 years.

4. MEMBER SERVICES

(a) Member Contacts

STC continues to provide a range of services to enable members to obtain information on the Schemes or their personal benefit entitlements.

The trends in members' use of these services are set out below.

Member usage of services

	30 June 2006	30 June 2007	30 June 2008
Telephone calls	126,683	141,532	142,448
Personal Interviews	4,276	4,157	3,729
Seminar Attendance	5,429	6,651	6,173
Correspondence			
- postal	6,404	4,967	5,595
- email	10,418	8,094	8,125

The Commonwealth "Better Super" changes and the introduction of salary sacrifice for SSS and PSS members have contributed to the continued high level of telephone calls. The increase in telephone calls has occurred despite an 8% reduction in the total membership.

(b) SASS Member Investment Choice

Since December 2003, active and deferred SASS members have been able to choose from a range of four investment strategies for the accumulation part of their benefit. The table below illustrates the take up of these strategies.

SASS Member Accounts

	Account Balances		
	30 June 2006	30 June 2007	31 May 2008
Growth	5,385	6,034	5,522
Balanced	89	98	97
Conservative Growth	31	33	46
Cash	17	16	57
Total	5,522	6,181	5,722

To date a small minority of SASS members have switched out of the default strategy, with only 3.5% of available funds being switched to the new options.

Although turbulent financial markets were experienced during the year, the level of switching out of the default strategy was not as high as might have been expected.

Review of 2007-08 continued

(c) Commonwealth Co-contributions

Eligible members of STC Schemes with taxable incomes of less than \$58,980 qualified for a Commonwealth Government co-contribution payment in the 2008 financial year. Overall, around 20% of contributing members have received a Co-contribution payment.

(d) Salary Sacrifice Contributions

The average member contributions made by salary sacrifice during the year was 67% overall, with a breakdown for each scheme shown in the following table.

Salary sacrifice contributions for year ending 30 June 2008

SASS	SSS	PSS*
63%	78%	22%

*1 January 2008 to 30 June 2008.

(e) Financial Planning Advice

STC has a 77.5% shareholding in State Super Financial Services Australia Limited (SSFSA), which provides financial planning advice to members of the STC Schemes and their relatives. At the end of 2007, SSFSA expanded their call centre facility to provide a telephone advice service to STC members.

During the year, the Trustee Board has been considering its options in respect of both its investment in, and provision of financial planning services by, SSFSA.

5. PERSONNEL CHANGES

At 30 June 2008, STC employed 21 staff. Over the year, there was very low staff turnover, with only one resignation and one retirement during the financial year.

The 5 year term of the CEO expired on 31 December 2007. As at 30 June 2008, the role of the CEO had been reviewed and the recruitment process was underway.

Dr Don Russell was appointed as Chairman of the STC Board with effect from 1 January 2008. The terms of two board members, Anne De Salis and Ian Blair, were extended to 31 January 2012 and 31 May 2010, respectively.

STC continues its staff training program, which is aimed at ensuring that relevant staff maintain up to date knowledge on superannuation issues and maintain competency levels in line with ASIC's PS146 requirements.

During the year, STC staff were again offered the opportunity to have influenza immunisations and 14 staff accepted.

6. STC'S OBJECTIVES AND ACHIEVEMENTS FOR 2007/08

The objectives for the 2007/08 financial year are set out below along with a summary of actions taken in pursuing these objectives.

- *Achieve the long term return objectives of the Fund*

The return objective of the Pooled Fund Growth Strategy is to achieve a return, after tax and fees, which exceeds the increase in the Consumer Price Index plus 4.5% over ten year periods. For the ten year period ending 30 June 2008, the return achieved was 6.6% per annum, which fell short of its target of 7.6%. The underperformance was due to turbulent markets during the year, resulting in the third negative return in seven years, an unusual occurrence.

During the year, STC implemented a number of investment initiatives, including:

- the completion of exposure to global listed infrastructure;
- an increase to the funds invested in mature infrastructure assets;
- the commencement of the implementation of a strategy to invest in unlisted global property, with the actual investment to take place over the next two years.

STC has continued to increase the diversification in the Pooled Fund, both in asset sectors and management styles, with the objective of improving the overall risk/return characteristics of the portfolios.

Review of 2007-08 continued

- *Work with the Fund's Administrator to improve services to members.*

STC maintains a strong working relationship with its administrator, Pillar Administration. Over the past year, STC and the administrator have worked closely on the implementation of SSS Salary Sacrifice and on the development of a new system to implement PSS Salary Sacrifice from 1 January 2008.

In addition, a major task for the administrator has been the implementation of the new procedures following the review of the processes and procedures relating to claims for PSS invalidity benefits. STC and Pillar continue to work closely to finalise implementation of the changes.

- *Provide comprehensive range of services to members.*

STC provides the following services to members:

- Access to information on their benefit entitlements via:
 - annual statements;
 - a website, providing both general information on the Schemes and secure access to a member's details;
 - seminars targeted at members approaching retirement. These are run in both metropolitan and regional centres and have been very well attended;
 - personal interviews;
 - Fact Sheets on the Schemes' Rules. These are available on the website or alternatively from Customer Service;
 - SuperViews, which is a quarterly newsletter distributed to employers and unions;
 - information in selected union publications.
- Web based Salary Sacrifice calculators
- Access to Pillar Contact Centre

During the year, the continued high level of calls to the telephone call centre and attendances at STC's pre-retirement seminars reflected the greater interest in superannuation issues, not only among STC members but the community generally.

- *Maintain strong working relationships with key stakeholders.*

STC continues to work with both Treasury and Department of Premier & Cabinet on key superannuation issues, as well as other legislative changes.

STC also maintains close working relationships with its key service providers, notably its administrators (Pillar Administration and Allianz), its custodian (JPMorgan Investment Services) and the Scheme Actuary (Mercer).

- *Ensure that the Trustee Board and Executive operate in accordance with best practice governance principles.*

Although the STC Schemes are technically "exempt" from Commonwealth superannuation regulatory requirements, STC endeavours to comply with appropriate Commonwealth legislation and has rigorous governance and compliance procedures.

STC carries out regular reviews of its various policies and plans. During the year, STC adopted and implemented an Anti-Money Laundering and Counter-Terrorism Financing Program.

Corporate Governance

Compliance Framework

STC's formal compliance framework has been in operation since late 2005 and the Plans and Policies are documented. The Trustee Board receives ongoing reporting and actively participates in the monitoring process to ensure the adequacy of the Plans and Policies.

All the Plans and Policies are reviewed on a two year rolling basis or sooner if required as a result of legislative change.

STC's compliance requirements include:

- Policies and Plans that are required by NSW legislation for public sector agencies to develop and maintain;
- Plans and Statements that comply with APRA and ASIC requirements for regulated and licensed superannuation funds, the spirit of which STC attempts to conform with APRA and ASIC practices to ensure best practice;
- A comprehensive compliance checklist that identifies all STC's legislative (both Commonwealth and NSW) and contractual obligations is completed quarterly and annually and the results are reported to the Trustee Board;
- Formal annual verification from STC's outsourced service providers that they have complied with their contractual and legislative obligations during the year in relation to their services to STC;
- Periodic audits of a number of STC's Plans and Policies to ensure compliance with best practice measures.

During the financial year, the Trustee implemented its Anti-Money Laundering and Counter-Terrorism Financing Program in compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 Cth* requirements.

Prudential Governance

STC 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.

In May 1996, the NSW Premier and the Commonwealth Treasurer signed a Heads of Government Agreement under which the New South Wales Government undertakes to ensure that STC Schemes conform with the principles of the Commonwealth Government's Retirement Incomes Policy relating to preservation, vesting, reporting to members, and adequate protection of members' benefits.

The *Superannuation Administration Act 1996* enables the New South Wales Government to prudentially monitor and audit the STC Schemes and Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Retirement Incomes Policy.

Investment Governance

The Trustee Board has formally adopted a Proxy Voting Policy in relation to its Australian shareholdings. This policy acknowledges that, in view of the limitation of STC's investment powers contained in the *Superannuation Administration Act 1996*, STC must delegate the voting function to its active Australian equities managers. Under the policy, managers are required to:

- vote on all resolutions at all meetings;
- lodge a copy of their voting policy with STC at least annually;
- report quarterly to STC on how they voted;
- where required, explain the reasons for the way they voted; and
- consult with STC when a potentially sensitive or controversial issue arises.

5 years at a glance – to 30 June

Member statistics	2004	2005	2006	2007	2008
Active Members — SASS	64,968	60,776	57,168	53,776	50,194
Active Members — SSS	31,151	28,593	26,614	24,419	22,033
Active Members — PSS	4,143	3,706	3,280	2,923	2,597
Total active members	100,262	93,075	87,062	81,118	74,824
Pensioners — SASS	5,312	5,012	4,569	4,381	4,233
Pensioners — SSS	36,872	38,548	39,795	41,151	42,596
Pensioners — PSS	5,096	5,377	5,697	5,880	5,994
Total pensioners	47,280	48,937	50,061	51,412	52,823
Deferred Benefits — SASS	12,080	11,843	11,809	11,549	11,311
Deferred Benefits — SSS	4,638	4,539	4,347	4,161	3,831
Deferred Benefits — PSS	202	192	179	174	170
Total deferred benefits	16,920	16,574	16,335	15,884	15,312
Gender ratios – active members					
Females — SASS	52%	53%	52%	52%	52%
Males — SASS	48%	47%	48%	48%	48%
Females — SSS	33%	33%	33%	33%	34%
Males — SSS	67%	67%	67%	67%	66%
Females — PSS	11%	11%	11%	11%	11%
Males — PSS	89%	89%	89%	89%	89%
Contributions — \$M					
Employer contributions	326	332	274	262	229
Employee contributions	474	494	507	516	564
Crown Contribution	-	-	-	7,176	902
Total contributions	800	826	781	7,954	1,695
Benefits Paid — \$M	2,038	2,398	2,458	2,759	3,075
Net Contributions — \$M	-1,238	-1,572	-1,677	5,195	-1,380
Investment Revenue — \$M	3,251	3,354	4,372	4,941	-3,062
Assets/Liabilities — \$M					
Accrued Benefits — SASS	9,824	10,566	11,600	12,705	12,334
Net assets to pay benefits	5,779	6,105	8,590	9,282	8,590
Over/under funding	-4,045	-4,461	-3,010	-3,423	-3,744
Accrued Benefits — SSS	24,888	26,203	26,143	27,384	28,157
Net assets to pay benefits	16,866	18,409	17,881	24,031	20,975
Over/under funding	-8,022	-7,794	-8,262	-3,353	-7,182
Accrued Benefits — PSS	4,761	5,065	5,673	5,807	6,038
Net assets to pay benefits	1,096	1,020	963	4,107	3,463
Over/under funding	-3,665	-4,045	-4,710	-1,700	-2,575
Accrued Benefits — SANCS	2,097	2,231	2,354	2,531	2,564
Net assets to pay benefits	474	366	1,144	1,168	1,186
Over/under funding	-1,623	-1,865	-1,210	-1,363	-1,378
Total Accrued Benefits \$M	41,570	44,065	45,770	48,427	49,093
Total Net assets to pay benefits	24,215	25,900	28,578	38,588	34,214
Total Over/under funding	-17,355	-18,165	-17,192	-9,839	-14,879
Total Investments — \$M	24,231	25,980	28,699	38,938	34,364
Net Returns – 1 year	13.5%	13.0%	15.8%	14.9%	-7.2%



PART B

SAS Trustee Corporation Statutory Information

SAS Trustee Corporation Statutory Information

The following information is provided in accordance with the *Annual Reports (Statutory Bodies) Regulation 2005*.

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Note: The SAS Trustee Corporation has been granted an exemption by the New South Wales Treasury Corporation from including an outline budget for the following year.

Trustee Board membership and frequency of meetings

The Trustee Board consists of a chairperson, four employer representatives and four employee representatives (nominated by the Unions NSW). All Trustee Board members are appointed by the Minister on a part-time basis except for one employee representative who is full-time.

Trustee Board membership and the current term of appointment for each member are listed in the table below.

	Appointed	Termination date
Chairperson		
Mr M Cole	1 Apr 2000	30 Sep 2007
Dr D Russell	1 Jan 2008	31 Dec 2012
Employer Representatives		
Mr I Blair	1 Sep 1998	31 May 2010
Mr P Scully	1 Feb 2004	31 Jan 2010
Mr M Lambert	1 Feb 2004	31 Jan 2010
Ms A De Salis	1 Feb 2006	31 Jan 2012
Employee Representatives		
Mr R Davis	1 Jul 1996	31 Dec 2009
Mr R Harty	1 Jan 2002	31 Aug 2010
Ms M O'Halloran	1 Sep 2002	31 Aug 2010
Mr N Lewocki	1 Sep 1998	31 Aug 2010

The Trustee Board generally meets on a monthly basis, but early in 2008 the Board decided to meet on a quarterly basis and to increase the number of Investment Committee meetings to six in 2008. Nine ordinary meetings were held during the period from 1 July 2007 to 30 June 2008.

In line with the requirements of the *Annual Reports (Statutory Bodies) Act 1984*, Trustee Board meeting attendance is notified below. Although membership of the Investment Committee constitutes the full Trustee Board, attendance at Investment Committee meetings is reported separately.

	Meetings attended	Possible attendance
Chairperson		
Mr M Cole	3	3
Dr D Russell	4	4
Employer Representatives		
Mr I Blair	8	9
Mr P Scully	9	9
Mr M Lambert	8	9
Ms A De Salis	8	9
Employee Representatives		
Mr R Davis	9	9
Mr R Harty	9	9
Ms M O'Halloran	8	9
Mr N Lewocki	6	9

Trustee Board Committees

The Committees and details of their functions and membership at 30 June 2008 are outlined below:

Actuarial Committee

Members	Messrs Scully (chairperson), Davis, Harty and Lambert; Mr Cole was and Dr Russell is an ex officio member; also attended by members of the Executive and the Scheme Actuary.
Role	To issue tasks and projects to the Scheme Actuary and monitor their progress; monitor the progress of the triennial review of the Pooled Fund; conduct a tender, select and appoint a Scheme Actuary (when necessary); monitor the performance of the Scheme Actuary against their contractual requirements; monitor the compliance of the administrator in relation to actuarial requirements; monitor any asset/liability matching issues that might affect the Fund's investment strategies; and identify any special projects that may require actuarial investigation and direct those projects as required.

Trustee Board Committees continued

Audit and Compliance Committee

Members Messrs Blair (chairperson) and Davis, Ms De Salis and Ms O'Halloran; Mr Cole was and Dr Russell is an ex officio member; also attended by members of the Executive, the Audit Office of New South Wales and the administrator.

Role To monitor and recommend ways of improving the effectiveness of STC's risk management and compliance system and ensure this is well documented; assist the Trustee Board in promoting a culture of compliance within STC; determine the timetable for the completion of the annual statutory accounts of STC and the Pooled Fund; review and report on the annual statutory accounts and management accounts; ensure that the external auditor is invited to attend each meeting and has the opportunity to address the Committee in camera; review the fees, effectiveness and independence of the external auditor and investigate any disputes between STC management and the external auditor; review and report on the scope of the audit functions performed for the Administrator and Custodian; review industry accounting changes; monitor and report annually on internal management processes of STC and service providers, statutory compliance issues, third party contractual compliance issues, 'best practice' standards as determined by the relevant industry bodies and the risk management policies and processes of STC; oversee the Anti-Money Laundering and Counter-Terrorism Financing Program.

Disputes Committee

Members Messrs Lewocki (chairperson), Davis and Blair and Ms De Salis; Mr Cole was and Dr Russell is an ex officio member; also attended by members of the Executive and invited visitors.

Role To consider and make recommendations on disputes received from persons under section 67 of the *Superannuation Administration Act 1996* (the Act); monitor and authorise settlement of appeals under s85 of the Act and report to the Trustee Board; monitor death and disability benefit decisions made by the administrator; and appoint and review medical consultants.

Member Services Committee*

Members Messrs Harty (chairperson), Davis, Scully and Lambert; Dr Russell is an ex officio member; also attended by members of the Executive.

Role To review and monitor the performance of the Administrators (Pillar Administration and Allianz), including benchmarking, to review and make recommendations to the Board on administration contractual issues, such as Key Performance Indicators, contract amendments, other administration issues affecting the fund, and STC Schemes' Policies, and to review and monitor the performance of providers of advice services to STC scheme members.

**The Member Services Committee was formerly the Administration Committee and was discontinued in September 2005. The Committee was reinstated and renamed in March 2008.*

Trustee Board Committees continued

Investment Committee*

Members	Messrs Russell (chairperson), Blair, Davis, Harty, Lambert, Lewocki and Scully, and Mses De Salis and O'Halloran; also attended by members of the Executive and investment advisers and managers.
Role	To review investment portfolio objectives and strategies of the Pooled Fund, the asset allocation for each investment strategy and appoint, review the performance of and terminate the Fund's asset consultant, investment managers and custodian (as necessary); review the Fund's investment portfolio results, monitor the reporting arrangements of investment managers and monitor and deal with breaches of investment mandates; and monitor investment governance issues.

**The Investment Committee was discontinued in January 2005 at which time the functions of the Committee were absorbed by the Trustee Board. The Committee was reinstated in January 2007 and from July 2007 consists of all members of the Trustee Board.*

Remuneration Committee

Members	Messrs Russell (chairperson) (formerly Mr Cole), Blair and Harty, also attended by invitation by the Chief Executive Officer of STC.
Role	To review the salary structure of the Executive of STC; to determine the salary structure of the contract staff and the Chief Executive having regard to appropriate benchmarks; and review the performance of the Chief Executive Officer.

Statutory Committee — Police Superannuation Advisory Committee

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

Members	Ms O'Halloran as nominee of STC. Other members are the chairperson appointed by the Minister, three nominees of the Police Association of New South Wales, a nominee of the Commissioned Officers' Branch of the Police Association of New South Wales, a nominee of WorkCover NSW and a nominee of the Minister for Police.
Functions	To determine entitlement to medical discharge for members of the NSW Police Force, and entitlement to 'hurt on duty' pension increases and other benefits under the Police Superannuation Scheme and to advise STC on such matters relating to the <i>Police Regulation (Superannuation) Act 1906</i> .

Trustee Board member attendance at STC Committee meetings

	Meetings Attended	Possible Attendance
Actuarial Committee		
R Davis	2	2
P Scully	2	2
M Lambert	2	2
R Harty	2	2
Audit and Compliance Committee		
I Blair	4	4
R Davis	4	4
M Cole (<i>ex officio</i>)	1	1
M O'Halloran	4	4
A De Salis	4	4
Disputes Committee		
N Lewocki	7	7
R Davis	7	7
A De Salis	4	4
P Scully (<i>deputy</i>)	3	3
I Blair	6	7
Member Services Committee		
R Harty	1	1
R Davis	1	1
M Lambert	1	1
P Scully	1	1
Investment Committee		
M Cole	1	1
D Russell	3	3
I Blair	3	5
R Davis	5	5
A De Salis	5	5
R Harty	5	5
M Lambert	5	5
N Lewocki	3	5
M O'Halloran	4	5
P Scully	3	5
Remuneration Committee		
D Russell	2	2
I Blair	3	3
R Harty	3	3
A De Salis	1	1
Police Superannuation Advisory Committee		
R Davis	1	1
N Lewocki (<i>deputy</i>)	1	1
M O'Halloran	3	3
R Harty (<i>deputy</i>)	7	7

Action plan for women

The NSW Government has initiated an action plan for women focussing on:

- reducing violence against women;
- promoting equitable and safe workplaces for women;
- maximising interests of women in economic reforms;
- promoting the position of women in society;
- promoting access to and successful outcomes for women in education and training; and
- improving health and quality of life for women in NSW.

STC recognises these considerations in its corporate planning and policy development and supports these initiatives.

STC appreciates the importance of women in the workforce and the increasingly crucial role superannuation plays for women both during their working lives and in retirement.

Other parts of this Annual Report show the number of women and levels of representation on the Trustee Board and on the Executive staff. The figures reflect the high recognition by STC to the valuable contributions that are made by women in the field of superannuation.

The Executive recruitment program ensures women applying for a position at STC are considered on merit for senior positions for which they are qualified.

Codes of conduct

The *Codes of Conduct and Ethics* for the Board members and Executive (the Codes) are periodically reviewed against policies and guidelines released by the NSW Government and various industry bodies.

The Codes of Conduct and Ethics were amended in March 2008 with respect to AML/CTF compliance requirements. The Codes are available on the State Super website at www.statesuper.nsw.gov.au

Human resource management

Following the proclamation of the *Public Sector Employment Legislation Amendment Act 2006 (NSW)*, all executive staff are employed by the SAS Trustee Corporation Division of the Government Service of NSW.

The administration of payroll and human resource services are provided by Pillar Administration. The table below shows the STC Executive, male, female and total staff numbers by salary band at 30 June 2008.

Salary Range	Men	Women	Total staff
< \$30,146	0	0	0
\$30,146 - \$39,592	0	0	0
\$39,593 - \$44,264	0	1	1
\$44,265 - \$56,012	0	0	0
\$56,013 - \$72,434	0	4	4
\$72,435 - \$90,543	2	1	3
> \$90,543 (non SES)	6	6	12
> \$90,543 (SES)	1	0	1
Totals	9	12	21
	43%	57%	

Senior Executive Service (SES)

STC employed one SES officer, the CEO, Mr Don McLean, at Grade 5 level during the period of 1 July 2007 to 31 December 2007. The total annual remuneration package for this position was \$253,500. The criteria used for assessing the CEO's remuneration package is set out in *Premier's Memorandum M2007-17*.

On 1 January 2008, Ms Lyn Collingridge was appointed as the Acting Chief Executive Officer and was remunerated at SES Grade 5 during that appointment.

During the year, the staff of the Executive achieved a number of significant goals agreed at the start of the year with the Trustee Board. These are detailed in the "Review of 2007-08" section within this Report.

Salary movement

Salaries for contract staff are reviewed annually as part of a formal performance appraisal system. Award staff are covered under the *Crown Employees (Public Sector — Salaries June 2002) Award*. Salary movement for award staff during the year was in line with NSW Government salaries policy.

Industrial relations

The Public Service Association of New South Wales provided industrial coverage for staff of the Executive. No time was lost during 2007-08 through industrial action.

Training and development

The Trustee recognises the need for the ongoing development of staff and has developed a training program to enable all appropriate members to meet PS146 training requirements. In addition, staff may attend training designed by external providers and they keep up-to-date with changes in the superannuation industry by attending seminars, short courses and conferences.

Occupational health and safety

During the reporting period, the STC did not experience any work related injuries, illnesses, or prosecutions under the *Occupational Health and Safety Act 2000*.

Overseas visits

No overseas visits were undertaken by the Executive or Trustee Board Members of STC during the financial year 2007-08.

Consumer response — disputes and appeals

The superannuation schemes administered by the STC provide a two stage system of review of a decision made by the delegate of STC that is not in favour of the member. Firstly, determination of a dispute by a committee of STC (the STC Disputes Committee) and, secondly, appeal to the Industrial Court of NSW.

At 30 June 2007, 15 disputes were current. During the year ending 30 June 2008, the Trustee Corporation received 60 new disputes and 52 disputes were concluded (including disputes carried over from the previous year).

Of those disputes:

- 22 were determined in favour of the disputant;
- 15 were determined against the disputant; and
- 15 were withdrawn.

At the end of the reporting year, 23 disputes were current.

Appeals to the Industrial Court from the STC Disputes Committee determinations resulted as follows:

- Nil were decided in favour of the appellant;
- 3 were decided against the appellant;
- 1 was settled; and
- 1 was withdrawn or discontinued.

At the end of the reporting year, 6 appeals remained to be concluded.

The Police Superannuation Scheme provides for appeals to the District Court of NSW from decisions of the Police Superannuation Advisory Committee, as delegate of the Trustee Corporation. These relate to lump sum payments for duty-related permanent impairments and pension increases. During the financial year 2007-08, these appeals resulted as follows:

- 14 were decided against the appellant,
- 9 were decided in favour of the appellant,
- 10 were withdrawn or discontinued, and
- 52 were settled.

At the end of the reporting year, 43 appeals remained to be concluded.

Ethnic Affairs Priorities Statement

STC is committed to the principles outlined in the *Community Relations Commission and Principles of Multiculturalism Act 2000 (NSW)* and ensures that delivery of services by the Trustee to members of the STC Schemes responds to the culturally and linguistically diverse groups of members and their special needs.

STC has developed an *Ethnic Affairs Priorities Statement* for the purpose of addressing the needs of the Schemes' culturally diverse membership and aims to improve STC's management and delivery of services.

An ongoing strategy is to arrange, at a member's request, for any Scheme communication material to be translated by accredited interpreters into languages other than English at no cost to members. Interpreter services may also be provided for members for whom English is not their first language. During the year, STC had no requests for any of the member communication materials to be translated to another language. With respect to interpreter services, the Administrator received approximately 12 requests over the course of the year.

To ensure members are provided with an opportunity to access the services offered by STC, consideration is given to a member's location within the state when developing a communication strategy for the coming year. Member education seminars are conducted in Sydney as well as other areas outside the metropolitan region. The Trustee aims to reach a wider range of members by adopting this strategy as it is recognised that not all members have the ability to travel in order to receive these services.

In addition, STC promotes the employment of culturally and linguistically diverse people. All employees are made aware, on appointment, of STC's commitment to the Ethnic Affairs Priority Statement. The Staff Code of Conduct and Ethics, signed annually by all employees, reinforces this commitment.

Risk management and insurance

Audit and Compliance Committee

STC's Audit and Compliance Committee comprises members of the Trustee Board and its meetings are also attended by representatives of the NSW Audit Office and the scheme administrator, Pillar Administration.

The primary objective of the Audit and Compliance Committee is to advise and assist the Trustee Board on matters relating to auditing and processes, risk management and compliance issues, taking into account best practice principles. In particular, the Committee assists with:

- the annual statutory accounts, including determining the timeframe for completion of the accounts to meet regulatory requirements;
- monitoring STC management accounts against budget and reporting to the Trustee Board;
- the external auditor functions, including the review of fees, effectiveness and independence of the external auditor;
- the functions performed by the internal auditor for the administrator and custodian and the relevant internal audit reports;
- industry accounting changes;
- the internal processes of the Executive and the service providers; and
- statutory, third party and contract compliance.

The Audit and Compliance Committee oversees and appraises the audits conducted by the administrator's internal auditor and the external auditor and serves as an independent and objective party to review the financial information presented by management to members, regulators and the NSW Government. The Audit and Compliance Committee also provides the external auditor with the opportunity to address the Committee without any other attendees being present.

In December 2007, the Trustee Board delegated to the Committee the oversight of the Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) Program.

An AML/CTF agenda item will appear in the Audit and Compliance Committee agenda for each meeting.

Insurance

During the financial year 2007-08, insurance for STC was continued with the NSW Self Insurance Corporation (SI Corp), which covers all the NSW Government's insurable risks. SI Corp provides unlimited cover for the following classes of risk in respect of STC:

- workers' compensation;
- property (full replacement, new for old, including consequential loss);
- liability (including, but not limited to, professional indemnity, directors' and officers' liability); and
- miscellaneous (e.g. personal accident and protection for overseas travel).

Freedom of information

All enquiries and requests under the *Freedom of Information Act 1989* (the Act) for the period 1 July 2007 to 30 June 2008 were handled on behalf of STC by the scheme administrator, Pillar Administration (Pillar). Statistical information for FOI requests is contained in Pillar's annual report.

In accordance with section 14(1)(a) of the Act, an up to date *Statement of Affairs* is published as at 30 June 2008 as part of this Annual Report and appears on page 26.

In accordance with s14(1)(b) of the Act, a *Summary of Affairs* was published in the Gazette in December 2007 and June 2008 and is published as part of this Annual Report on page 27.

The Summary and Statement are also available on the STC website at www.statesuper.nsw.gov.au

Statement of Affairs of the SAS Trustee Corporation pursuant to section 14(1)(a) and (3) of the Freedom of Information Act 1989 at 30 June 2008

Under the *Freedom of Information Act 1989 (NSW)*, each New South Wales Government department or agency is required to publish an annual Statement of Affairs. The Statement describes the structure and functions of the agency and lists the categories of documents held by the agency. The following information satisfies the legislative requirements of the Act.

Structure and functions

SAS Trustee Corporation (STC) is the trustee of the NSW public sector superannuation schemes listed below. The structure of the Trustee Board and its Executive and the principal functions of STC are set out in STC's Annual Report.

Effect of functions on members of the public

The functions of STC affect only those members of the public who are NSW public sector employees and who are members of at least one of the following STC superannuation schemes:

- State Superannuation Scheme,
- State Authorities Superannuation Scheme,
- State Authorities Non-contributory Superannuation Scheme, and
- Police Superannuation Scheme.

Public participation in policy and exercise of functions

Public sector employees who are members of a superannuation scheme mentioned above can participate in the policy and exercise of functions of STC through their member representatives on the Trustee Board.

In keeping with the principles of good corporate governance, and because of the complexity of the statutory and regulatory environment in which STC operates, a number of Trustee Board committees assist STC in the performance of its functions. These committees are identified in STC's Annual Report, together with details of their membership and role.

STC and its Executive also consult with the Department of Premier and Cabinet and NSW Treasury in the formulation and development of scheme policy.

Policy documents held

The following documents are available for inspection for a fee of \$30:

- *Policy Register* for each of the STC schemes — these contain guidelines for implementing the rules contained in the scheme legislation;
- *STC Ethnic Affairs Priority Statement* — this shows how STC addresses the needs of a culturally and linguistically diverse society; and
- *STC Disability Action Plan* — this outlines how STC addresses the needs of disabled staff members as well as members of the public who have recourse to its services.

The following documents are available upon request or through the State Super website at no cost:

- *Codes of Conduct* for the Board and the Executive — these contain a description of the principles of conduct under which Trustee Board members and Executive staff must conduct themselves in the performance of their functions;
- *STC Privacy Statement* — the Statement outlines procedures STC has in place to ensure compliance with the *Privacy and Personal Information Protection Act 1998 (NSW)* and the *Health Records Information Privacy Act 2002 (NSW)*.

Arrangements and procedures for access to documents or amendment of member records

STC has outsourced the function of providing access to documents and amending member records to the scheme administrator, Pillar Administration.

Member records contain information about individual scheme members required for the administration of the superannuation schemes. The information relates to personal details, employment history, contributions and benefits paid to a member or other person in respect of a member and general correspondence about the superannuation entitlements. Member records are held on computer and microfiche. Member information is held on behalf of STC by the scheme administrator.

Statement of Affairs continued

A scheme member may contact the Freedom of Information Co-ordinator if they wish to view or correct any personal information about them held by the scheme administrator. Requests to amend personal information may directly affect contributions or benefits payable under the scheme, therefore the scheme administrator may require proof of the amended information.

By law, applications must be processed within 21 days. This time limit may be extended in special circumstances, for example, if there is a need to consult a third party. If this is the case, the applicant will be advised in writing.

An application fee of \$30 will apply for inspection of documents and access to personal records. A 50% reduction may apply if the applicant can demonstrate financial hardship. The Freedom of Information Co-ordinator can advise the correct fee in any particular case. Amendment of records is done free of charge.

In addition to the application fee, an applicant seeking access to personal documents is given the first 20 hours processing time free. However, if the application is not for personal documents or if it exceeds the first 20 hours, an hourly charge of \$30 may apply. Again, a 50% reduction may apply in certain cases of hardship.

When processing an application, every effort will be made to minimise the cost to the applicant. Where appropriate, the applicant will be contacted to discuss options for limiting the cost of processing.

Freedom of Information contact

Requests under the *Freedom of Information Act 1989* for inspection of policy documents held by STC and access to member records can be made to:

The Freedom of Information Co-ordinator
SAS Trustee Corporation
PO Box 1229
Wollongong NSW 2500

Telephone: (02) 4253 1478
Facsimile: (02) 4253 1467

Applications and inquiries can be made between 10.00am and 4.00pm Monday to Friday.

Summary of Affairs of the SAS Trustee Corporation pursuant to Section 14(1)(b) & (3) of the Freedom of Information Act 1989 at 30 June 2008

Section 1: Policy Documents

SAS Trustee Corporation (STC) is the trustee of the New South Wales public sector closed defined benefit superannuation schemes.

Policy documents in respect of STC that are available for inspection are:

- *State Superannuation Scheme policy register,*
- *State Authorities Superannuation Scheme policy register,*
- *State Authorities Non-contributory Superannuation Scheme policy register,*
- *Police Superannuation Scheme policy register,*
- *STC Board Code of Conduct and Ethics,*
- *STC Executive Code of Conduct and Ethics,*
- *STC Privacy Statement,*
- *Ethnic Affairs Priority Statement,*
- *Disability Action Plan, and*
- *Equal Employment Opportunity Management Plan.*

Section 2: Statement of Affairs

The most recent *Statement of Affairs* for STC is published annually in STC's Annual Report (see page 26). The Statement is available on the website at www.statesuper.nsw.gov.au. A copy of the *Statement of Affairs* can also be obtained (free of charge) by contacting the Freedom of Information Co-ordinator.

Section 3: Freedom of Information Contact Point

Requests under the *Freedom of Information Act 1989* for inspection of policy documents held by STC and requests by members to access member records should be made to:

The Freedom of Information Co-ordinator
SAS Trustee Corporation
PO Box 1229
Wollongong NSW 2500

Telephone: (02) 4253 1478
Facsimile: (02) 4253 1467

Applications and inquiries can be made between 10.00am and 4.00pm Monday to Friday.

Disability plan

STC has developed a *Disability Plan* as part of a whole-of-government disability framework. The administrator of the STC Schemes, Pillar Administration, also has a *Disability Plan* which covers the Fund's members.

STC ensures that clients with disabilities can access facilities and assets, including requiring the Fund's property manager to pursue building access for people with disabilities. STC also ensures that people with disabilities are considered for employment and are given training and development opportunities to suit their needs.

STC last revised its *Disability Plan* in January 2007 taking into consideration the guidelines issued by the NSW Ageing and Disability Department to update the Plan in line with current standards. Another review of the Plan is scheduled to be conducted in 2009.

Privacy and use of member information

As a NSW Government body, STC must comply with relevant legislation, including the *Privacy and Personal Information Protection Act 1998* (the Privacy Act) and the *Health Records and Information Privacy Act 2002* (HRIP Act).

STC has developed a *Privacy Management Plan* (Plan) and, with the assistance of the scheme administrator, has implemented the policies and procedures set out in the Plan. A Privacy Statement is available to members which explains how STC deals with members' personal and health information collected and used in the course of administering the Schemes.

The Privacy Statement details the action to be taken to ensure compliance with the requirements of the Privacy and HRIP Acts and is available both on request and on the State Super website at www.statesuper.nsw.gov.au

During the year, STC reviewed its Privacy Management Plan and revised the Privacy Statement. Another review of the Plan is scheduled during 2009.

During the year, the Administrator received one privacy complaint. A PAYG payment summary had incorrectly been sent to a member with the same name. The affected members were sent an apology letter and no further action was required.

Waste reduction and purchasing policy

STC has developed and implemented a *Waste Reduction and Purchasing Policy Plan* in accordance with the *Waste Avoidance and Resource Recovery Act 2001*.

The plan focuses on reducing the generation of waste, resource recovery and the use of recycled material. Significant savings have been made in the minimisation of waste paper products by such measures as double sided printing and copying of all board and committee papers and internal documents. As printers in the office are replaced, they are replaced with those that have a capacity for double sided printing.

A survey of past annual report recipients determined that more than one-third of all those surveyed would prefer to view the annual report over the web rather than receive a paper copy in the mail. As a consequence, STC has significantly reduced the print run of this document over the past few years.

STC has had in place for some time a waste paper recycling scheme whereby all waste paper is sent for recycling. All staff are made aware of this scheme and fully participate in it. All printer and photocopier toner cartridges are also recycled, i.e. recycled cartridges are purchased and used cartridges are sent back for recycling.

STC continues to report its progress on waste reduction to the Department of Environment and Conservation (NSW), formerly Resource NSW, every two years. The next report, which is required to cover any consecutive 12 month period between July 2007 and June 2009, is due to be submitted in August 2009.

Equal Employment Opportunity (EEO) policy

STC is an equal opportunity employer that has integrated EEO practices into all areas of the workplace, thereby creating an environment where staff are valued and have the opportunity to contribute and develop. The merit principle is applied to all recruitment, selection, promotion, training and other employment related opportunities. EEO data is requested from all STC staff on commencement of employment.

Table A: Trends in the Representation of EEO Groups¹

EEO GROUP	Bench mark or target	2005-08 % of total staff ²			
		05	06	07	08
Women	50%	64	62	59	57
Aboriginal people and Torres Strait Islanders	2%	0	0	0	0
People whose first language was not English	19%	23	24	26	22
People with a disability	12%	0	0	0	0
People with a disability requiring work related adjustment	7%	0	0	0	0

Table B: Trends in the Distribution of EEO groups

EEO GROUP	Bench mark or target	2005-08 Distribution Index ³			
		05	06	07	08
Women	100%	N/A	N/A	N/A	N/A
Aboriginal people and Torres Strait Islanders	100%	N/A	N/A	N/A	N/A
People whose first language was not English	100%	N/A	N/A	N/A	N/A
People with a disability	100%	N/A	N/A	N/A	N/A
People with a disability requiring work related adjustment	100%	N/A	N/A	N/A	N/A

Notes for Tables A and B

1. Staff numbers as at 30 June 2008.
2. Excludes casual employees.
3. A Distribution Index of 100 indicates that the centre of the distribution of the EEO group across salary levels is equivalent to that of other staff. Values less than 100 mean that the EEO group tends to be more concentrated at lower salary levels than is the case for other staff. The more pronounced this tendency is, the lower the index will be. In some cases the index may be more than 100, indicating that the EEO group is less concentrated at lower salary levels. The Distribution Index is automatically calculated by the software provided by Employment Equity Diversity Branch, Department of Premier and Cabinet. The Distribution Index is not calculated where EEO group or non-EEO group numbers are less than 20.

Payments to consultants

Fees exceeding \$30,000

Area	Consultant	Total Cost
Investment Consulting	Rice Warner	\$67,870

Fees less than \$30,000

Area	Consultant	Total Cost
Finance & Accounting	KPMG	\$8,800

Property transactions

Properties acquired during the year for investment portfolio purposes

	Purchase Price \$000
24 Kirkwood Rd, Tweed Heads	\$485
26 Kirkwood Rd, Tweed Heads	\$600
TOTAL	\$1,085

Properties sold during the year for investment portfolio purposes

	Sale Price \$000
Lot 2, Kildo Cres, Glendenning	\$3,796
TOTAL	\$3,796

2007-08 Legislation changes

Schemes:

SASS — State Authorities Superannuation Scheme

SSS — State Superannuation Scheme

PSS — Police Superannuation Scheme

SANCS — State Authorities Non-contributory Superannuation Scheme

Notes:

- 1) where there are multiple new or amended provisions, the section(s) listed is the major or 'primary' provision affected;
- 2) legislation (chiefly Orders and Regulations) that amends the various schedules listing participating Scheme employers are not shown in this schedule; nor are any minor technical changes made by way of statute law revision.

Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section	Description
11.6.08	All STC schemes	<i>Superannuation Administration Act 1996</i>	<i>Superannuation Administration Amendment Act 2008</i>	4, 81A	<p>Surplus funds</p> <p>(a) S81A provides that STC may, at the request of the Treasurer, transfer surplus funds between reserve accounts in the various STC schemes, between different schemes for the same employer, and also between different state sector employers.</p> <p>(b) STC may, at the request of a non-State sector employer (ie. a local government council) and with the approval of the Treasurer, refund to the employer all or part of any surplus funds in the employer's reserve account.</p> <p>A new definition of 'surplus funds' in section 4 of the <i>Administration Act</i> defines these as monies in an employer's reserve that are in excess of the amount required to meet its current and future liabilities to the relevant STC scheme. The amount of any surplus funds is required to be actuarially determined in accordance with the relevant Australian Accounting Standards Board standard (AASB 119), or another standard prescribed by regulation.</p>
11.6.08	STC FTC	<i>Superannuation Administration Act 1996</i>		72,74	<p>Board member amendments</p> <p>The amendments delete current provisions that explicitly authorise the employee representative member of the STC Board and the CEO of STC to hold equivalent positions on the FTC Board or Corporation.</p>

2007-08 Legislation changes continued

Effective Date	Scheme	Principal Act or Regulation	Amending Act or Regulation	Section	Description
11.6.08	SANCS	<i>State Authorities Non-contributory Superannuation Act 1987</i>	<i>Superannuation Administration Amendment Act 2008</i>	33B	<p>Notice of dispute New provisions require that members or other persons to whom an STC decision is relevant must be provided with a notice of the decision –</p> <p>(a) in writing, and of (b) the right to dispute the decision if they are aggrieved by it, and (c) the time within which a notice of dispute may be lodged with STC following notification of the decision. That time is 2 years.</p> <p>The 2 year notification rule applies to decisions made before, on or after the effective commencement date of the new sections.</p> <p>In the case of PSS, decisions made under section 21 of that scheme's Act are excluded from the new dispute notification requirements. Section 21 disputes relate to decisions about 'hurt-on-duty' benefit entitlements and these will continue to be determined by the District Court, rather than STC.</p>
	SASS	<i>State Authorities Superannuation Act 1987</i>		54B	
	SSS	<i>Superannuation Act 1916</i>		85A	
	PSS	<i>Police Regulation (Superannuation) Act 1906</i>		23E	

Account payment performance

Accounts paid on time within each quarter

Quarter	Total accounts paid on time			Total amount paid
	Target %	Actual %	\$	
September 2007	100%	100%	\$8,497,068.00	\$8,497,068.00
December 2007	100%	100%	\$8,709,383.00	\$8,709,383.00
March 2008	100%	100%	\$8,193,021.00	\$8,193,021.00
June 2008	100%	100%	\$8,657,113.00	\$8,657,113.00
Total				\$34,056,585.00

Publications produced

at 30 June 2008

SASS Scheme Fact Sheets

1. Overview
2. Contributions
3. Benefit Points System
4. Optional Additional Benefit Cover
5. Retirement Benefit
6. Salary for Superannuation Purposes
7. Invalidity Retirement Benefit
8. Death Benefit
9. Retrenchment Benefit
10. Resignation (Withdrawal) Benefit
13. Optional Deferred Benefit
15. Choosing an investment strategy
16. SASS Concessional Contributions Cap

SSS Scheme Fact Sheets

1. Salary for Superannuation Purposes
2. Unit Entitlement
3. Contributions
4. Part Time Employment and Part Time Leave Without Pay
6. Break in Employment
7. Normal Retirement Benefit
8. Early Voluntary Retirement Benefit
9. Invalidity Retirement Benefit
10. Death of a Scheme Member before Retirement
11. Death of a Scheme Member after Retirement
12. Child Pensions
13. CPI Adjustment of your Pension
14. Exchanging your pension for a Lump Sum
15. Resignation (Withdrawal) Benefit
16. Retrenchment Benefit
17. Optional Deferred Benefit
20. Contributions and Benefits up to age 70
22. Contributions Arrears
23. SSS Concessional Contributions Cap

PSS Scheme Fact Sheets

1. Overview
2. Contributions and Superable Salary
3. Benefits on Normal Retirement
4. Benefits on Early Voluntary Retirement
5. Invalidity Retirement (Medical Discharge)
6. Death Benefits
7. Resignation/Dismissal Benefit and Voluntary Benefit Deferral
8. 2006 Amendments to PSS Legislation
10. Complaints, Disputes and Freedom of Information
11. Medical discharge benefit for members of the Police Force

12. Medical discharge benefit for a former member of the Police Force
13. Partial commutation (redemption) of Hurt on Duty (HOD) invalidity pension under s.10C
14. Increase for a Hurt on Duty pension
15. Pre 21 November 1979 benefits arising from work related injuries.
16. PSS Concessional Contributions Cap
17. Benefit for permanent impairment resulting from HOD injury (s.12D)
19. Benefit for medical and related expenses resulting from HOD injury (s.12D)

All Schemes Fact Sheets

1. Information about the Commonwealth Contributions Surcharge
2. Early release of superannuation benefit on grounds of severe financial hardship
3. Taxation
4. When can I be paid my superannuation benefits?
5. Retiring or resigning? What you need to know for payment of your benefit
6. Early release of superannuation benefits on compassionate grounds
7. Complaints, Disputes, Appeals and Freedom of Information (FOI)
8. Calculation of superable salary on cost liability and membership options for members of the Chief and Senior Executive Service (SES)
9. Freedom of Information and Privacy
10. Basic Benefit
11. Reasonable Benefit Limits (RBLs)
12. Payment of Surcharge Assessments received after being paid a benefit or pension commencement
13. Information about the Commonwealth Government's Superannuation Co-contributions
16. Retirement Planning

Publications continued

Flyers

Information About Exit Statements
Superannuation Contacts
SASS Salary Sacrifice
SSS Salary Sacrifice
PSS Salary Sacrifice

Other Communications

Report to Members
Annual Report
Super Views newsletters
Quarterly Investment updates
Code of Conduct and Ethics for Staff of the
Executive of the SAS Trustee
Corporation
Code of Conduct and Ethics for the
members of the Board of the SAS
Trustee Corporation
Privacy Statement
Freedom of Information - Summary of
Affairs
Freedom of Information - Statement of
Affairs
SASS Employer Easy Reference Guide
SSS Employer Easy Reference Guide
PSS Employer Easy Reference Guide

Annual report production details

150 copies of this publication have been printed at an estimated maximum cost of \$4,000. This cost includes artwork and print production costs. This publication is available on the State Super website at www.statesuper.nsw.gov.au (see under *Publications*).





PART C

Triennial Actuarial Valuation

The triennial actuarial valuation of the Pooled Fund and each of the individual Schemes at 30 June 2006 was carried out by Martin Stevenson, FIA, FIAA of Mercer Human Resource Consulting Pty Ltd. A summary of this valuation as provided by Martin Stevenson follows:

Triennial Actuarial Valuation

Introduction

As requested by the SAS Trustee Corporation (the Corporation) I have carried out an actuarial valuation of the following Schemes as at 30 June 2006 in accordance with the relevant legislation governing each of the Schemes:

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

The previous actuarial investigation of SASS, SANCS, SSS and PSS was carried out by myself as at 30 June 2003 and the results were set out in a report dated December 2003.

This report conforms to the requirements of Professional Standard 400 of the Institute of Actuaries of Australia.

For funding purposes and in accordance with legislation distinctions are made between groups of employers as set out in the following table.

Scheme	Employers
SASS	Employers are separated into Parts 1 and 3 in accordance with legislation. Part 1 includes the Crown and other employers, Part 3 includes Hospitals and other bodies.
SANCS	Employers are subdivided in the same manner as SASS above.
SSS	Employers under SSS are essentially equivalent to Part 1 employers under SASS.
PSS	No subdivision necessary.

The General Government Liability Management Fund (GGLMF) was established with effect from 10 July 2002. The GGLMF accepts monies paid by the Crown Entity and these monies were transferred to the Pooled Fund during the financial year 2006/2007. We have presented results both with and without the value of the GGLMF as at 30 June 2006 being included as an asset of the Pooled Fund.

The **number of contributors** in each of the Schemes at the current and previous investigation dates is set out below:

Contributors	SASS	SANCS	SSS	PSS	Total
30 June 2006	56,986	86,875	26,616	3,297	173,774
30 June 2003	68,272	106,263	33,536	4,489	212,560

Pensioners	SASS	SANCS	SSS	PSS	Total
30 June 2006	4,653	n/a	39,754	5,697	50,104
30 June 2003	5,617	n/a	35,354	4,877	45,848

The **Pooled Fund assets** at 30 June 2006 totalled \$28,578.1 million compared to \$22,305.5 million at the last valuation. The assets were allocated to each Scheme as follows:

Assets (\$millions)	SASS	SANCS	SSS	PSS	Total
30 June 2006	8,590	1,145	17,881	962	28,578
30 June 2003	5,278	471	15,431	1,126	22,306

Triennial Actuarial Valuation cont.

The **Employer Reserves** as at 30 June 2006 in respect of each Scheme are as follows:

\$millions	SASS	SANCS	SSS	PSS	Total
Assets	8,590	1,145	17,881	962	28,578
Less,					
➤ Member Reserves	5,511	261	4,970	407	11,149
➤ Death/ Disability Reserves	20	-	-	-	20
Adjustments	-	21	-	-	21
Employer Reserve	3,059	863	12,911	555	17,388

The adjustments noted above represent differences between the employer records (which are required for subdivision by Scheme, Part and employer) and the accounts.

As at 30 June 2006, the assets of the GGLMF amounted to \$6,729 million.

For all Schemes the key **long term economic assumptions** are as follows:

Long-term assumptions	This valuation % per annum	Last valuation % per annum
Rate of investment return	7.7% for current pensioners, 7.0% other members	7.0%
Rate of general salary escalation	4.0%	4.0%
Rate of increase in CPI	2.5%	2.5%

The rate of investment return assumption is higher for current pensioners because no tax is payable in respect of assets backing Current Pension Liabilities. The investment return assumption has been increased from 7.0% at the previous valuation to a weighted average long term rate of 7.3% per annum. In the intervalation period a very comprehensive investigation was carried out in respect of the likely tax payable by the Pooled Fund, and a reduction in the rate of tax was anticipated. This change in the expected rate of tax accounts for the increase in the rate of investment return assumption.

No special short term assumptions have been adopted with the long term assumptions applying over all time periods.

A comprehensive analysis was carried out in respect of all demographic assumptions used in the investigations of the Pooled Fund Schemes. The analysis related mainly to the three years 1 July 2002 to 30 June 2005.

This analysis led to changes in relation to the rates of resignation, preservation, mortality, disability, retirement and early retirement and proportions choosing lump sums or pensions on retirement.

Changes in pensioner mortality and deferral of retirement have offset the effect of increased disability rates in respect of the PSS and the assumed rate of people taking pensions with the result that the demographic basis changes have produced only a marginal strengthening of the basis and hence a small source of deficiency to the Schemes overall.

Triennial Actuarial Valuation cont.

Results

When the GGLMF is taken into account, the unfunded liability for the Pooled Fund has reduced from \$15,006.6m to \$10,435.7m over the three years to 30 June 2006. Excluding the GGLMF, the unfunded liability is \$17,164.7m as at 30 June 2006.

The unfunded liabilities of each of the Schemes or sub-divisions within schemes are as follows:

\$millions	SASS	SANCS	SSS	PSS	Total before GGLMF	GGLMF	Total
Employer Accrued Benefits							
➤ Contributors	5,888.2	2,094.6	6,487.9	1,846.7	16,317.4	-	16,317.4
➤ Deferreds	-		830.6	20.4	851.0	-	851.0
➤ Pensioners	258.8		13,744.2	3,380.5	17,383.5	-	17,383.5
Total Employer Accrued Liability	6,147.0	2,094.6	21,062.7	5,247.6	34,551.9	-	34,551.9
Less, Employer Reserve Account	3,059.0	862.7	12,910.6	554.9	17,387.2	6,729.0	24,116.2
Employer Unfunded Liability	3,088.0	1,231.9	8,152.1	4,692.7	17,164.7	(6,729.0)	10,435.7
Unfunded Liability at 30 June 2003	3,621.9	1,450.7	8,099.4	3,489.0	16,661.0	(1,654.4)	15,006.6

The employer unfunded liabilities shown above have not been grossed up for contributions tax.

Employer contributions towards meeting unfunded liabilities must be grossed up to allow for tax on contributions. Wherever employer contribution rates have been calculated in this report, the contribution rates have been grossed up accordingly.

Triennial Actuarial Valuation cont.

If the current balance in the GGLMF is allocated to each section of the Fund in proportion to current unfunded liability and allowing for future tax on employer contributions the theoretical required contribution rates (over the expected working life-time of contributors) are:

		Contribution rate required	As % members' salaries
SASS	Part 1	2.58 times contributor contributions	14.5%
SASS	Part 3	3.88 times contributor contributions	24.1%
SANCS	Part 1	4.8% of members' salaries	4.8%
SANCS	Part 3	4.0% of members' salaries	4.0%
SSS		4.8 times members' contributions	65.8%
PSS		251% of members' salaries	251%

Sensitivity runs were carried out, and the results are set out in the following table:

Basis	Unfunded liability under varying assumptions (\$million)					Total
	SASS	SANCS	SSS	PSS	GGLMF	
Standard	3,088.0	1,231.9	8,152.1	4,692.7	(6,729.0)	10,435.7
Investment return plus 1%	2,627.9	1,083.3	5,416.5	4,132.7	(6,729.0)	6,531.4
Investment return minus 1%	3,622.4	1,401.3	11,531.0	5,478.0	(6,729.0)	15,303.7
Salary increases plus 1%	3,564.2	1,402.3	8,604.6	4,851.2	(6,729.0)	11,693.3
Salary increases minus 1%	2,666.0	1,079.9	7,733.5	4,593.4	(6,729.0)	9,343.8
CPI increases plus 1%	3,146.6	1,231.9	11,090.3	5,157.8	(6,729.0)	13,897.6
CPI increases minus 1%	3,038.0	1,231.9	5,687.0	4,347.0	(6,729.0)	7,574.8

The above table demonstrates that the rate of investment return has the major impact on the financial condition of the Pooled Fund.

Triennial Actuarial Valuation cont.

Major items contributing to current results

The major items of surplus and deficiency which have affected the Schemes over the period since the last actuarial investigation are as follows:

Item	Comment	Amount of deficiency / (surplus) \$ billion
Unfunded liability as at 1 July 2003 (before GGLMF)		16.7
Investment Earnings	Investment Earnings of the Pooled Fund were significantly higher than assumed and this resulted in an item of surplus.	-5.1
Contributions	Contributions to the Crown funded employer reserves were less than the accruals over the period resulting in a deficiency.	1.6
Change of actuarial basis	The overall impact of the changes in the valuation basis was an item of surplus.	-1.2
Impact of disability experience in PSS	The impact of the higher actual than expected disabilities in the PSS was an item of deficiency.	0.2
Other exits	Generally fewer other exits was a further item of deficiency.	0.1
Salary Increases	Higher than expected salary increases led to a deficiency.	1.2
CPI Increases	Lower than anticipated CPI increases led to a surplus.	-0.1
Interest on the previous Unfunded Liability.	Interest on the previous unfunded liability at 1 July 2003 resulted in a deficiency.	3.7
Other		0.1
Unfunded liability as at 30 June 2006 before GGLMF		17.2
Effect of GGLMF	The GGLMF balance.	-6.7
Unfunded liability as at 30 June 2006 after GGLMF		10.4

The major items of surplus were investment earnings being higher than anticipated, and the change in the actuarial basis while interest on the opening unfunded liability and higher than anticipated salary increases were the major items of deficiency. The effect of lower contributions than benefit accruals continued to be off-set by contributions to the GGLMF.



MA Stevenson
Fellow of the Institute of Actuaries of Australia



PART D

**Financial Statements
of the
SAS Trustee Corporation**



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

SAS Trustee Corporation and controlled entities

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the SAS Trustee Corporation (STC), which comprises the balance sheet as at 30 June 2008, the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes for both the STC, and the STC and controlled entities (the consolidated entity). The consolidated entity comprises the STC and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the STC and the consolidated entity as at 30 June 2008, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005

My opinion should be read in conjunction with the rest of this report.

Board's Responsibility for the Financial Report

The Board of the STC is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the STC's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the STC's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of the STC, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the STC or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



A T Whitfield
Deputy Auditor-General

24 September 2008
SYDNEY

SAS TRUSTEE CORPORATION

ABN 29 239 066 746

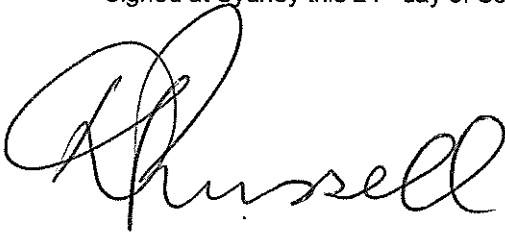
Statement by Members of the Trustee Board
for the year ended 30 June 2008

Pursuant to the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we declare on behalf of the Board that in our opinion:

1. the financial statements present a true and fair view of the financial position of the SAS Trustee Corporation at 30 June 2008 and transactions for the year then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions.

Further, we are not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 24th day of September 2008.



Don Russell
Chairperson
SAS Trustee Corporation



Ian Blair
Board Member and Chairperson of the
Audit and Compliance Committee
SAS Trustee Corporation

SAS TRUSTEE CORPORATION

Income Statement

for the year ended 30 June 2008

	NOTE	Economic Entity 2008 \$'000	Economic Entity 2007 \$'000	Statutory Corporation 2008 \$'000	Statutory Corporation 2007 \$'000
Revenue from Continuing Operations	2	33,779	33,595	33,109	32,939
Expenses from Continuing Operations	2	(33,779)	(33,595)	(33,109)	(32,939)
Result for the year		-	-	-	-

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

SAS TRUSTEE CORPORATION

Balance Sheet
as at 30 June 2008

	NOTE	Economic Entity 2008 \$'000	Economic Entity 2007 \$'000	Statutory Corporation 2008 \$'000	Statutory Corporation 2007 \$'000
Current Assets					
Cash and cash equivalents	10(a)	2,537	1,586	2,537	1,586
Receivables	3	1,811	3,039	1,559	2,760
Other Current Assets		38	43	38	43
Total Current Assets		4,386	4,668	4,134	4,389
Total Assets		4,386	4,668	4,134	4,389
Current Liabilities					
Payables	4	3,679	3,849	4,134	4,389
Provisions	5	293	672	-	-
Total Current Liabilities		3,972	4,521	4,134	4,389
Non-Current Liabilities					
Provisions	5	414	147	-	-
Total Non-current Liabilities		414	147	-	-
Total Liabilities		4,386	4,668	4,134	4,389
Net Assets		-	-	-	-
Total Equity		-	-	-	-

The accompanying notes form an integral part of the above Balance Sheet.

SAS TRUSTEE CORPORATION

Cash Flow Statement

for the year ended 30 June 2008

NOTE	Economic Entity 2008 \$'000	Economic Entity 2007 \$'000	Statutory Corporation 2008 \$'000	Statutory Corporation 2007 \$'000
Cash Flows from Operating Activities				
	34,781	35,359	34,112	34,702
	196	198	196	198
	(34,026)	(36,184)	(33,357)	(35,527)
10(b)	951	(627)	951	(627)
Net Increase/(Decrease) in Cash & Cash Equivalents				
	951	(627)	951	(627)
Cash & Cash Equivalents at the Beginning of the Financial Year				
	1,586	2,213	1,586	2,213
Cash & Cash Equivalents at the End of the Financial Year				
10(a)	2,537	1,586	2,537	1,586

The accompanying notes form an integral part of the above Cash Flow Statement.

SAS TRUSTEE CORPORATION

Statement of Recognised Income and Expense for the year ended 30 June 2008

	NOTE	Economic Entity 2008 \$'000	Economic Entity 2007 \$'000	Statutory Corporation 2008 \$'000	Statutory Corporation 2007 \$'000
Net Income recognised directly in equity		-	-	-	-
Result for Year	2	-	-	-	-
Total recognised income and expense		-	-	-	-
Effect of change in accounting policies		-	-	-	-

The accompanying notes form an integral part of the above Statement of Recognised Income and Expense.

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2008

1. STATEMENT OF ACCOUNTING POLICIES

Under the terms of the *Superannuation Administration Act 1996* (the Act), the SAS Trustee Corporation (STC) acts as trustee and holds in trust all assets of the SAS Trustee Corporation Pooled Fund ("the Pooled Fund"). STC is economically dependent on the Pooled Fund.

STC is, for the purpose of any Acts, a statutory body. It is domiciled in NSW Australia. Its registered address is Level 17, 83 Clarence Street, Sydney, NSW, 2000.

Scheme administration services for the Pooled Fund are carried out by the Superannuation Administration Corporation trading as Pillar Administration (Pillar). Pillar charges fees for the services it provides.

Custodial activities for the Pooled Fund are performed by JPMorgan Investor Services.

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

The Economic Entity comprises –

- The SAS Trustee Corporation Division of the Government Service of NSW, as the controlled entity ("the STC Division"), and
- STC as the parent entity of the STC Division (referred to as the "Statutory Corporation" in the above statements).

The principles of consolidation of these entities are described at note 1(b) below.

a) General System of Accounting Underlying the Financial Statements

The financial statements form a general purpose financial report and are prepared in accordance with –

- the *Public Finance and Audit Act 1983*
- the *Public Finance and Audit Regulation 2005*
- the Treasurer's Directions
- applicable Australian Accounting Standards including Australian Accounting Interpretations.

The financial statements comply with Australian Standards, including Australian Accounting Interpretations. Both the Economic Entity and the Parent Entity are not-for-profit entities.

The financial statements have been prepared on an historical cost basis using the accrual method of accounting and do not reflect the changing money values of assets. Interest and fee income is accounted for on an accrual basis.

The accounting policies adopted in preparing the financial statements have been consistently applied during the year, unless otherwise stated.

All amounts are expressed in Australian dollars.

The financial statements were authorised for issue by the Trustee Board on 24 September 2008.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2008

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

b) Principles of Consolidation

The consolidated financial report incorporates the assets and liabilities of the Statutory Corporation and its controlled entity, the STC Division, as at 30 June 2008 and the results of the Statutory Corporation and its controlled entity for the year then ended. The Statutory Corporation and its controlled entity is referred to in this financial report as the "Economic Entity". The effects of all transactions within the Economic Entity are eliminated in full. There are no outside equity interests.

The accounting policies adopted in preparing the financial reports are consistently applied.

The STC Division also prepares a separate financial report. This financial report is audited by the Auditor-General of NSW.

c) Administration Expenses and Revenue

All costs relating to scheme administration and executive management of the Pooled Fund are incurred by the Statutory Corporation and comprise the direct expenses of the Statutory Corporation and administration fees from Pillar.

Under the terms of the Act, the Statutory Corporation must recover the costs it incurs from the Pooled Fund. Consequently it recognises an amount equal to the costs incurred at the time the services are delivered.

Lease expenses are recognised on a straight line basis over the lease term, including incentives and contingent rentals.

d) Employee Benefits

Wages, salaries and annual leave

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

Long service leave

The liability for employee benefits relating to long service leave is measured at their discounted value using the risk free rate mandated by NSW Treasury. Such measurement provides a reliable estimate of the liability.

SAS TRUSTEE CORPORATION

Notes to the financial statements

for the year ended 30 June 2008

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

d) Employee Benefits (Continued)

Superannuation

Any unfunded superannuation liability is recognised as a liability in the Balance Sheet and amounts representing pre-paid superannuation contributions are recognised as an asset. The Economic Entity is meeting in full the total superannuation liabilities for its employees. The contributions made to superannuation funds are charged against the operating result. Any actuarial gains and losses are recognised immediately in the result in the year in which the gain or loss occurs.

e) Roundings

All values reported in the financial statements have been rounded to the nearest thousand dollars, except where otherwise stated.

f) Cash Flows

Under current funding arrangements all cash payments to external parties with the exception of investment management and custody fees incurred on behalf of the Statutory Corporation are transacted through the Statutory Corporation's bank account and recovered from the Pooled Fund. Investment management and custody fees are disbursed directly by the Custodian from the Fund's pool of assets.

All transactions of the STC Division are conducted through the Statutory Corporation's bank account.

g) Financial Instruments

Financial instruments give rise to positions that are financial assets or liabilities. These include cash at bank, receivables and payables. All classes of instruments are initially recorded at cost and are subsequently carried at amortised cost. Such measurement provides a reliable estimate of liability. Any impairment loss occurring on financial instruments is treated as an expense in the period in which it occurs.

h) Accounting standards applicable issued but not yet effective

AASB 101 – *Presentation of Financial Statements* as issued in September 2007 will be implemented for the year ended 30 June 2010. No material change to these financial statements is anticipated.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2008

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

i) Comparative Figures

Where there have been changes in presentation in the current financial year, the comparative figures for the previous year have been adjusted to conform to these changes.

2. RESULT

	Economic Entity 2008 \$'000	Economic Entity 2007 \$'000	Statutory Corporation 2008 \$'000	Statutory Corporation 2007 \$'000
The result includes the following items of revenue and expense:				
Management Fees	33,412	33,254	32,742	32,598
Interest Income	196	198	196	198
Other Income	171	143	171	143
Total Revenue	33,779	33,595	33,109	32,939
Trustee Expenses				
Board Member Fees	579	577	579	577
Other Administration Expenses	35	47	35	47
Total Trustee Expenses	614	624	614	624
Executive Expenses				
Employee Related Expenses	2,416	2,103	-	-
Superannuation	434	(355)	-	-
Personnel Services Expenses	-	-	2,180	1,270
Accommodation	352	265	352	265
Other Administration Expenses	316	488	316	310
Total Executive Expenses	3,518	2,501	2,848	1,845
Fund Expenses				
Fees for Services	2,112	2,328	2,112	2,328
Other Administration Expenses	323	488	323	488
Pillar Administration Fees	27,212	27,654	27,212	27,654
Total Fund Expenses	29,647	30,470	29,647	30,470
Total Administration Expenses	33,779	33,595	33,109	32,939
Result	-	-	-	-

Contained within other Administration Expenses are fees paid to consultants of \$76,670 (2007 \$363,112) and audit fees of \$13,530 (2007 \$13,200) for the Statutory Corporation and \$3,300 (2007 \$3,300) for the STC Division.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2008

2. RESULT (Continued)

Lease payments made during the year comprised –

	Economic Entity 2008 \$'000	Economic Entity 2007 \$'000	Statutory Corporation 2008 \$'000	Statutory Corporation 2007 \$'000
Minimum lease payments	278	232	278	232
Contingent rentals	-	-	-	-
	278	232	278	232

The Statutory Corporation uses operating leases to provide its office space and a motor vehicle. Contingent rentals and the existence of renewal options are applicable only to office space. Contingent rentals have been included to the extent the amounts are calculable.

3. RECEIVABLES

	Economic Entity 2008 \$'000	Economic Entity 2007 \$'000	Statutory Corporation 2008 \$'000	Statutory Corporation 2007 \$'000
Current				
Amounts Receivable – Pooled Fund	859	2,341	859	2,341
Other Receivables	700	420	700	419
Superannuation (refer Note 8)	252	278	-	-
	1,811	3,039	1,559	2,760

4. PAYABLES

	Economic Entity 2008 \$'000	Economic Entity 2007 \$'000	Statutory Corporation 2008 \$'000	Statutory Corporation 2007 \$'000
Current				
Amount Payable – Pillar (Administration Fees)	2,361	2,302	2,361	2,302
Other Payables	1,318	1,547	1,318	1,546
Amounts Payable – STC Division	-	-	455	541
	3,679	3,849	4,134	4,389

All payables are within agreed trading terms.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2008

5. PROVISIONS

	Economic Entity 2008 \$'000	Economic Entity 2007 \$'000	Statutory Corporation 2008 \$'000	Statutory Corporation 2007 \$'000
Current				
Employee Benefits	293	672	-	-
Superannuation (refer Note 8)	-	-	-	-
	293	672	-	-
Non-current				
Employee Benefits	414	147	-	-
	414	147	-	-

6. FINANCIAL RISKS

Market Risk

Market risk is the risk that changes in factors such as interest rates will affect revenue or the value of financial instruments. Market risk is accepted on financial instruments. As STC's governing legislation requires it to recover all its costs from the Pooled Fund, a change in market prices will have no effect on STC's result or net assets.

Credit Risk

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause STC to experience a financial loss. In respect of STC's cash holdings, all are lodged with one of Australia's largest trading banks. In respect of STC's receivables, its only counterparty is the Pooled Fund. The Pooled Fund is obliged by its governing legislation to fund STC. STC is exposed to minimal credit risk. STC's maximum credit risk exposure is the balance of the cash and receivables

Liquidity Risk

Liquidity risk is the risk that financial obligations cannot be met as they fall due. As noted under the section *Credit Risk* above, the Pooled Fund is obliged by its governing legislation to fund STC. STC recovers its costs monthly from the Pooled Fund. Consequently STC is exposed to negligible liquidity risk.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2008

7. EXECUTIVES' REMUNERATION

	Economic Entity 2008 \$'000	Economic Entity 2007 \$'000	Statutory Corporation 2008 \$'000	Statutory Corporation 2007 \$'000
Income received or due and receivable by executive officers of the Statutory Corporation whose income is \$100,000 or more	1,924	1,703	-	-

	Economic Entity 2008 Number	Economic Entity 2007 Number	Statutory Corporation 2008 Number	Statutory Corporation 2007 Number
The number of executive officers whose income is \$100,000 or more are shown below in their relevant income bands:				

Remuneration (including superannuation contributions) of:

\$100,000 - \$109,999	1	-	-	-
\$110,000 - \$119,999	1	-	-	-
\$120,000 - \$129,999	1	1	-	-
\$130,000 - \$139,999	1	-	-	-
\$140,000 - \$149,999	1	2	-	-
\$160,000 - \$169,999	1	1	-	-
\$170,000 - \$179,999	1	-	-	-
\$180,000 - \$189,999	1	2	-	-
\$210,000 - \$219,999	1	1	-	-
\$220,000 - \$229,999	1	-	-	-
\$240,000 - \$249,999	-	1	-	-
\$270,000 - \$279,999	-	1	-	-
\$350,000 - \$359,999	1	-	-	-
	11	9	-	-

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION

The Economic Entity participates in the following closed defined benefit superannuation schemes for some of its staff –

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

The following information has been prepared by the scheme actuary.

Reconciliation of the present value of the defined benefit obligation:

Economic Entity

As at 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	818	248	4,966
Current service cost	30	13	11
Interest cost	49	15	310
Contributions by fund participants	16	-	49
Actuarial (gains)/losses	(9)	(50)	(959)
Benefits paid	(45)	(42)	(318)
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of partly funded defined benefit obligation at end of year</i>	859	184	4,059

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Reconciliation of the present value of the defined benefit obligation (Continued):

Economic Entity

As at 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	720	231	5,077
Current service cost	30	13	18
Interest cost	41	13	294
Contributions by fund participants	15	-	46
Actuarial (gains)/losses	44	46	(855)
Benefits paid	(32)	(55)	386
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of partly funded defined benefit obligation at end of year</i>	818	248	4,966

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Reconciliation of the fair value of fund assets:

Economic Entity

As at 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Fair value of fund assets at beginning of the year</i>	959	256	5,958
Expected return on fund assets	72	19	461
Actuarial gains/(losses)	(119)	(47)	(1,067)
Employer contributions	231	154	(357)
Contributions by fund participants	16	-	49
Benefits paid	(45)	(42)	(318)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	1,114	340	4,726

Economic Entity

As at 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Fair value of fund assets at beginning of the year</i>	801	258	4,458
Expected return on fund assets	59	19	335
Actuarial gains/(losses)	85	19	650
Employer contributions	31	14	84
Contributions by fund participants	15	-	46
Benefits paid	(32)	(54)	385
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	959	256	5,958

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Reconciliation of the assets and liabilities recognised in the Balance Sheet.

Economic Entity

As at 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of funded defined benefit obligations at end of the year	859	184	4,059
Fair value of fund assets at end of the year	<u>(1,114)</u>	<u>(340)</u>	<u>(4,726)</u>
	(255)	(156)	(667)
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	<u>195</u>	<u>119</u>	<u>511</u>
<i>Net liability/(asset) recognised in Balance Sheet at end of the year</i>	(60)	(37)	(156)

Economic Entity

As at 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of funded defined benefit obligations at end of the year	818	248	4,966
Fair value of fund assets at end of the year	<u>(959)</u>	<u>(256)</u>	<u>(5,958)</u>
	(141)	(8)	(992)
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	<u>107</u>	<u>6</u>	<u>750</u>
<i>Net liability/(asset) recognised in Balance Sheet at end of the year</i>	(34)	(2)	(242)

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Components recognised in Income Statement:

Economic Entity	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
As at 30 June 2008			
Current Service Cost	31	13	12
Interest cost	49	14	310
Expected return on fund assets (net of expenses)	(72)	(19)	(462)
Actuarial losses/(gains) recognised in year	109	(3)	108
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Movement in adjustment for limitation on net asset	88	114	(239)
Curtailments or settlement (gain)/loss	-	-	-
	<hr/>	<hr/>	<hr/>
Expense/(income) recognised	205	119	(271)

Economic Entity	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
As at 30 June 2007			
Current Service Cost	30	13	18
Interest cost	40	13	293
Expected return on fund assets (net of expenses)	(59)	(19)	(334)
Actuarial losses/(gains) recognised in year	(41)	27	(1,504)
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Movement in adjustment for limitation on net asset	107	6	750
Curtailments or settlement (gain)/loss	-	-	-
	<hr/>	<hr/>	<hr/>
Expense/(income) recognised	77	40	(777)

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Amounts recognised in the Statement of Recognised Income and Expense:

Economic Entity	SASS \$'000	SANCS \$'000	SSS \$'000
As at 30 June 2008			
Actuarial (gains)/losses	-	-	-
Adjustment for limit on net asset	-	-	-

Economic Entity	SASS \$'000	SANCS \$'000	SSS \$'000
As at 30 June 2007			
Actuarial (gains)/losses	-	-	-
Adjustment for limit on net asset	-	-	-

Cumulative amount recognised in the Statement of Recognised Income and Expense:

Economic Entity	SASS \$'000	SANCS \$'000	SSS \$'000
As at 30 June 2008	-	-	-
As at 30 June 2007	-	-	-
As at 30 June 2006	-	-	-

The percentage of fund assets invested in each asset class at the balance sheet date:

Economic Entity	2008	2007
Australian equities	32%	34%
Overseas equities	25%	26%
Australian fixed interest securities	7%	7%
Overseas fixed interest securities	8%	6%
Property	11%	10%
Cash	6%	10%
Other	11%	7%

Expected rate of return on assets:

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment taxes and investment fees.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Actual return on fund assets:

Economic Entity

As at 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on fund assets	(84)	(28)	(358)

Economic Entity

As at 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on fund assets	116	38	655

Valuation method and principal actuarial assumptions at the balance sheet date:

(a) *Valuation Method*

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) *Economic Assumptions*

	2008	2007
Salary increase rate (2008: 3.5% thereafter)	3.5%	4.0%
Rate of CPI increase	2.5%	2.5%
Expected rate of return on assets backing current pension liabilities	8.3%	7.6%
Expected rate of return on assets backing other liabilities	7.3%	7.6%
Discount rate	6.5%	6.4%

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Valuation method and principal actuarial assumptions at the balance sheet date (Continued):

(c) Demographic Assumptions

Demographic assumptions reflect those adopted by the Scheme actuary in his triennial review of the schemes.

Historical Information:

Economic Entity

As at 30 June 2008

	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	859	184	4,059
Fair value of fund assets	(1,114)	(340)	(4,726)
(Surplus)/Deficit in fund	(255)	(156)	(667)
Experience adjustments – fund liabilities	(10)	(50)	(959)
Experience adjustments – fund assets	119	47	1,067

As at 30 June 2007

	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	818	248	4,966
Fair value of fund assets	(959)	(256)	(5,958)
(Surplus)/Deficit in fund	(141)	(8)	(992)
Experience adjustments – fund liabilities	44	46	(854)
Experience adjustments – fund assets	(85)	(19)	(650)

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Historical Information (Continued):

Economic Entity

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	720	231	5,077
Fair value of fund assets	(801)	(258)	(4,458)
(Surplus)/Deficit in fund	(81)	(27)	619
Experience adjustments – fund liabilities	5	(5)	(46)
Experience adjustments – fund assets	(74)	(18)	(266)

Statutory Corporation

As at 30 June 2006	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	-	-	-
Fair value of fund assets	-	-	-
(Surplus)/Deficit in fund	-	-	-
Experience adjustments – fund liabilities	4	(4)	(33)
Experience adjustments – fund assets	(53)	(12)	(189)

Economic Entity

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	426	265	3,700
Fair value of fund assets	(417)	(264)	(2,727)
(Surplus)/Deficit in fund	9	1	973

Statutory Corporation

As at 30 June 2005	SASS \$'000	SANCS \$'000	SSS \$'000
Present value of defined benefit obligation	426	265	3,700
Fair value of fund assets	(417)	(264)	(2,727)
(Surplus)/Deficit in fund	9	1	973

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Expected contributions:

Economic Entity

	SASS \$'000	SANCS \$'000	SSS \$'000
Expected contributions for year to 30 June 2008	30	14	78
Expected contributions for year to 30 June 2007	29	13	74

Funding arrangements for employer contributions – surplus/deficit:

The following is a summary of the 30 June financial position of the schemes calculated in accordance with AAS25 – *Financial Reporting by Superannuation Plans*.

Economic Entity

	SASS \$'000	SANCS \$'000	SSS \$'000
30 June 2008			
Accrued benefits	857	184	3,668
Net market value of fund assets	(1,114)	(340)	(4,726)
<i>Net (surplus)/deficit</i>	(257)	(156)	(1,058)

Economic Entity

	SASS \$'000	SANCS \$'000	SSS \$'000
30 June 2007			
Accrued benefits	809	246	4,491
Net market value of fund assets	(959)	(256)	(5,958)
<i>Net (surplus)/deficit</i>	(150)	(10)	(1,467)

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Recommended contribution rates:

Economic Entity

As at 30 June 2008

	SASS	SANCS	SSS
	Multiple of member contributions	% member salaries	Multiple of member contributions
	-	-	-

Economic Entity

As at 30 June 2007

	SASS	SANCS	SSS
	Multiple of member contributions	% member salaries	Multiple of member contributions
	1.9	2.5	1.6

Funding arrangements for employer contributions – Funding Method:

The method used to determine employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Economic Assumptions:

Weighted average assumptions –

	2006 and following
Expected rate of return on fund assets backing current pension liabilities	7.7%
Expected rate of return on fund assets backing other liabilities	7.0%
Expected salary increase rate	4.0%
Expected rate of CPI increase	2.5%

Funding arrangements for employer contributions – Nature of asset/liability:

If a surplus exists in the Economic Entity's interest in the fund, the Economic Entity may be able to take advantage of it in the form of a reduction in required contribution rate. The Statutory Corporation in its capacity as the schemes' trustee and NSW Treasury must approve such a reduction.

If a deficiency exists the Economic Entity is responsible for any difference between its share of scheme assets and the defined benefit obligation.

9. RELATED PARTY INFORMATION

a) Board Members and Remuneration Received or Due and Receivable by the following:

	2008	2007
	\$	\$
Mr I Blair	48,985	47,088
Mr M Cole (term expired 30 September 2007)	19,473	71,976
Mr R Davis	143,103	149,771
Ms A De Salis	46,717	44,908
Mr R Harty	43,317	40,548
Mr M Lambert	42,183	40,548
Mr N Lewocki	46,717	44,908
Ms M O'Halloran	46,717	44,908
Dr D Russell (term commenced 1 January 2008)	38,946	-
Mr P Scully	46,717	44,908
	<u>522,875</u>	<u>529,563</u>

The names of the Trustee Board Members of STC in office during the year ended 30 June and up to the date of signing these accounts, are as follows:

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2008

9. RELATED PARTY INFORMATION (Continued)

b) Transactions entered into during the year with Board Members and their Related Entities:

	2008 \$'000	2007 \$'000
Fees paid to the Statutory Corporation by State Super Financial Services Australia Limited (SSFSAL), a company in which Mr R Davis is a director, on normal commercial terms and conditions.	53	50
Rental payments and outgoings received by the Pooled Fund from SSFSAL, a company in which Mr R Davis is a director, on normal commercial terms and conditions.	1,020	960

- c) On 17 March 2006 the NSW Government created the SAS Trustee Corporation Division of the Government Service of NSW. This entity is a special purpose entity providing personnel services to the Statutory Corporation. Its activities are conducted on behalf of the Statutory Corporation according to the Statutory Corporation's specific business needs. Day to day control of this entity is vested in the CEO of the Statutory Corporation.

10. CASH FLOW INFORMATION

a) Reconciliation of Cash

	Economic Entity 2008 \$'000	Economic Entity 2007 \$'000	Statutory Corporation 2008 \$'000	Statutory Corporation 2007 \$'000
Cash and Cash Equivalents	2,537	1,586	2,537	1,586

Cash flows reflect cash movements resulting from transactions with suppliers and employees including Pillar and the Pooled Fund. Under current funding arrangements all cash payments to external parties on behalf of Economic Entity are recovered from the Pooled Fund.

The Economic Entity's cash at bank attracts a floating interest rate which is subject to change at the discretion of the bank. At 30 June 2008 the rate was 7.15% (2007: 5.00%).

SAS TRUSTEE CORPORATION

Notes to the financial statements
for the year ended 30 June 2008

10. CASH FLOW INFORMATION (Continued)

b) Reconciliation of Net Result to Net Cash Used in Operating Activities

	Economic Entity 2008 \$'000 Inflows/ (Outflows)	Economic Entity 2007 \$'000 Inflows/ (Outflows)	Statutory Corporation 2008 \$'000 Inflows/ (Outflows)	Statutory Corporation 2007 \$'000 Inflows/ (Outflows)
Result	-	-	-	-
<u>Changes in Assets and Liabilities:</u>				
<u>(Increase)/Decrease in Assets</u>				
Prepayments	5	(21)	5	(21)
Receivables -				
Pooled Fund	1,483	1,903	1,483	1,903
Other	(255)	(63)	(282)	109
<u>Increase/(Decrease) in Liabilities</u>				
Payables -				
Pillar	59	(201)	59	(201)
Other	(229)	(1,357)	(314)	(2,417)
Provisions	(112)	(888)	-	-
Net Cash From/(Used) in Operating Activities	951	(627)	951	(627)

11. SEGMENT REPORTING

The Economic Entity operates in the superannuation and investment management industry in New South Wales. All revenue, expenses, assets and liabilities are as shown in the Income Statement and Balance Sheet.

SAS TRUSTEE CORPORATION

Notes to the financial statements for the year ended 30 June 2008

12. COMMITMENTS FOR EXPENDITURE

Economic Entity 2008 \$'000	Economic Entity 2007 \$'000	Statutory Corporation 2008 \$'000	Statutory Corporation 2007 \$'000
--	--------------------------------------	--	--

Lease Commitments

Commitments in relation to non-cancellable operating leases contracted for at balance date but not provided for in the accounts, including goods and services tax:

Payable not later than 1 year	302	241	302	241
Payable later than 1 year and not later than 5 years	958	979	958	979
Payable greater than 5 years	-	103	-	103
	1,260	1,323	1,260	1,323

Administration Expenses

Commitments in relation to fixed administration fees for the Pooled Fund payable to Pillar included in the services contract dated 1 October 2005 but not provided for in the accounts, including goods and services tax:

Payable not later than 1 year	8,298	8,272	8,298	8,272
Payable later than 1 year and not later than 5 years	10,372	18,612	10,372	18,612
	18,670	26,884	18,670	26,884

The terms of the contract allow for the fixed costs to be adjusted annually in line with an index stated in the contract.

The administration expenses noted above qualify for a reduced input tax credit of 75% of the goods and services tax included therein.

13. CONTINGENT LIABILITIES

Broadly, two classes of contingent liabilities potentially exist in relation to either the Trustee in its capacity as Trustee of the Pooled Fund, or the Fund itself:

- (i) Legal Costs and additional benefit amounts in relation to member benefit entitlement disputes, notified, but not resolved.
- (ii) Legal Costs and damages arising from claims relating to the ownership and operation of physical assets.

In both cases it is impractical to estimate the financial effect or the amount of any possible recovery from third parties relating to these contingent liabilities. The Trustee is indemnified out of the assets of the Fund.

End of Audited Financial Report



PART D

**Financial Statements
of the
SAS Trustee Corporation Division
of the Government Service of NSW**



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

SAS Trustee Corporation Division of the Government Service of NSW

To Members of the New South Wales Parliament

I have audited the accompanying financial report of the SAS Trustee Corporation Division of the Government Service of NSW (the STC Division), which comprises the balance sheet as at 30 June 2008, the income statement, statement of recognised income and expense and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of the STC Division as at 30 June 2008, and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005

My opinion should be read in conjunction with the rest of this report.

The Chief Executive Officer of the STC Division Responsibility for the Financial Report

The Chief Executive Officer of the STC Division is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the STC Division's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the STC Division's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

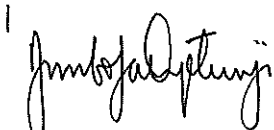
My opinion does *not* provide assurance:

- about the future viability of the STC Division,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.

1


A Oyetunji
Director, Financial Audit Services

23 September 2008
SYDNEY

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

ABN 31 683 571 255

Statement by Chief Executive Officer
for the year ended 30 June 2008

Pursuant to the *Public Finance and Audit Act 1983* I declare that in my opinion:

1. the financial statements present a true and fair view of the financial position of the SAS Trustee Corporation Division of the Government Service of NSW at 30 June 2008 and transactions for the period then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions.

Further, I am not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this ^{17th} day of September 2008.



Lyn Collingridge
Acting Chief Executive Officer

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Income Statement

for the year ended 30 June 2008

		2008	2007
		\$'000	\$'000
	NOTE		
Revenue from Continuing Operations			
Personnel Services		<u>2,850</u>	<u>1,926</u>
Expenses from Continuing Operations			
Salaries		2,004	1,874
Defined contribution superannuation		275	148
Defined benefit superannuation		158	(504)
Annual and long service leave		186	230
Other payroll related		<u>227</u>	<u>178</u>
Total Expenses		<u>2,850</u>	<u>1,926</u>
Operating Result for the Year	2	<u>-</u>	<u>-</u>

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

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Balance Sheet
as at 30 June 2008

		2008	2007
		\$'000	\$'000
	NOTE		
Current Assets			
Receivables	3	708	819
Total Current Assets		708	819
Total Assets		708	819
Current Liabilities			
Payables	4	-	-
Provisions	5	294	672
Total Current Liabilities		294	672
Non-Current Liabilities			
Provisions	5	414	147
Total Non-Current Liabilities		414	147
Total Liabilities		708	819
Net Assets		-	-
Total Equity		-	-

The accompanying notes form an integral part of the above Balance Sheet.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Cash Flow Statement
for the year ended 30 June 2008

		2008	2007
		\$'000	\$'000
	NOTE	Inflows/ (Outflows)	Inflows/ (Outflows)
		<u> </u>	<u> </u>
Cash Flows from Operating Activities			
Receipts		2,850	1,926
Interest Received			
Payments to Suppliers and Employees		(2,850)	(1,926)
Net Operating Cash Flows	10(b)	<u> -</u>	<u> -</u>
Net Increase/(Decrease) in Cash & Cash Equivalents		-	-
Cash & Cash Equivalents at the Beginning of the Financial Year		-	-
Cash & Cash Equivalents at the End of the Financial Year	10(a)	<u> -</u>	<u> -</u>

The accompanying notes form an integral part of the above Cash Flow Statement.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Statement of Recognised Income and Expense
for the year ended 30 June 2008

		2008	2007
		\$'000	\$'000
	NOTE		
Net Income recognised directly in equity		-	-
Result for Year	2	-	-
Total recognised income and expense		-	-
Effect of change in accounting policies		-	-

The accompanying notes form an integral part of the above Statement of Recognised Income and Expense.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements

for the year ended 30 June 2008

1. STATEMENT OF ACCOUNTING POLICIES

A. Reporting entity

The SAS Trustee Corporation Division of the Government Service of NSW ("the STC Division") is a Division of the Government Service, established pursuant to Part 2 of Schedule 1 to the *Public Sector Employment and Management Act 2002*. It is a not-for-profit entity as profit is not its principal objective. It is consolidated as part of the NSW Total State Sector Accounts. It is domiciled in NSW Australia and its office is at Level 17, 83 Clarence Street, Sydney.

The objective of the STC Division is to provide personnel services to the SAS Trustee Corporation (STC) and the SAS Trustee Corporation Pooled Fund.

The financial report was authorised for issue by the Acting Chief Executive Officer of STC on 18 September 2008. The report will not be amended and reissued as it has been audited.

B. Basis for preparation

This is a general purpose financial report in accordance with the requirements of Australian Accounting Standards including Australian Accounting Interpretations, the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and specific directions issued by the Treasurer.

Generally, the historical cost basis of accounting has been adopted and the financial report does not take into account changing money values or current valuations. However, certain provisions are measured at fair value (see note 1 G).

The accrual basis of accounting has been adopted in the preparation of the financial report, except for cash flow information.

Management's judgements, key assumptions and estimates are disclosed in the relevant notes to the financial report.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

C. Comparative information

Where there have been changes in presentation in the current financial year, the comparative figures for the previous year have been adjusted to conform to these changes.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements for the year ended 30 June 2008

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

D. Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the rendering of personnel services is recognised when the service is provided and only to the extent that the associated recoverable expenses are recognised.

E. Receivables

A receivable is recognised when it is probable that the future cash inflows associated with it will be realised and it has a value that can be measured reliably. It is derecognised when the contractual or other rights to future cash flows from it expire or are transferred.

A receivable is measured initially at fair value and subsequently at amortised cost using the effective interest rate method, less any allowance for doubtful debts. A short-term receivable with no stated interest rate is measured at the original invoice amount where the effect of discounting is immaterial. An invoiced receivable is due for settlement within thirty days of invoicing.

If there is objective evidence at period end that a receivable may not be collectable, its carrying amount is reduced by means of an allowance for doubtful debts and the resulting loss is recognised in the income statement. Receivables are monitored during the period and bad debts written off against the allowance when they are determined to be irrecoverable. Any other loss or gain arising when a receivable is derecognised is also recognised in the income statement.

F. Payables

Payables include accrued wages, salaries and related on costs (such as payroll tax, fringe benefits tax and workers' compensation insurance) where there is certainty as to the amount and timing of settlement.

A payable is recognised when a present obligation arises under a contract or otherwise. It is derecognised when the obligation expires or is discharged, cancelled or substituted.

A short-term payable with no stated interest rate is measured at historical cost as the effect of discounting is immaterial.

G. Employee benefit provisions and expenses

Provisions are made for liabilities of uncertain amount or uncertain timing of settlement.

Employee benefit provisions represent expected amounts payable in the future in respect of unused entitlements accumulated as at the reporting date. Liabilities associated with, but that are not, employee benefits (such as payroll tax) are recognised separately.

Superannuation and leave liabilities are recognised as expenses and provision when the obligations arise, which is usually through the rendering of service by employees.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements for the year ended 30 June 2008

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

G. Employee benefit provision and expenses (Continued)

Long-term annual leave (i.e. that is not expected to be taken within twelve months) is measured at present value using a discount rate equal to the market yield of government bonds.

Superannuation and long service leave provisions are actuarially assessed prior to each reporting date and are measured at the present value of expected future payments.

All other employee benefit liabilities (i.e. for benefits falling due wholly within twelve months after reporting date) are assessed by management and are measured at the undiscounted amount of expected future payments.

The amount recognised for superannuation and long service leave provisions is the net total of the present value of the defined benefit obligation at the reporting date, minus the fair value at that date of any plan assets out of which the obligations are to be settled directly.

The amount recognised in the income statement for superannuation and long service leave is the net total of current service cost, interest cost, the expected return on plan assets and actuarial gains and losses. Actuarial gains or losses are recognised as income or expense in the year they occur.

H. Accounting standards applicable but not yet effective

AASB 101 – *Presentation of Financial Statements* as issued in September 2007 will be implemented for the year ended 30 June 2010. No material change to these financial statements is anticipated.

2. RESULT

The STC Division did not make any payments to consultants in the year ended 30 June 2008 or the year ended 30 June 2007.

The audit fee for the entity of \$3,300 (2007 \$3,300) is met by STC. The auditor provided no other services other than the audit of this financial report.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

3. RECEIVABLES

	2008	2007
	\$'000	\$'000
Current		
Amounts Receivable – STC	455	541
Superannuation (refer Note 8)	253	278
	708	819

4. PAYABLES

	2008	2007
	\$'000	\$'000
Current		
Amount Payable - STC	-	-
Other Payables	-	-
	-	-

All payables are within agreed trading terms.

5. PROVISIONS

	2008	2007
	\$'000	\$'000
Current		
Employee Benefits	294	672
Superannuation (refer Note 8)	-	-
	294	672
Non-current		
Employee Benefits	414	147
	414	147

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

6. FINANCIAL RISKS

Credit Risk

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause the STC Division to experience a financial loss. In respect of the STC Division's financial assets, its only counterparty is its parent entity, STC. As STC makes good its obligations to the STC Division on demand, the STC Division is exposed to minimal credit risk. The STC Division's maximum credit risk exposure is the balance of the receivable from STC.

Liquidity Risk

Liquidity risk is the risk that the STC Division will not be able to meet its financial obligations as they fall due. As stated at Note 10 the STC Division does not have a bank account. All transactions are transacted through the bank account of STC. STC has a legislative right to recover all costs from the SAS Trustee Corporation Pooled Fund and does so monthly. Consequently the STC Division is exposed to negligible liquidity risk.

7. EXECUTIVES' REMUNERATION

	2008	2007
	\$'000	\$'000
Income received or due and receivable during the period 1 July to 30 June by executive officers of the STC Division whose income is \$100,000 or more.	1,924	1,703

	2008	2007
	Number	Number
Remuneration (including superannuation contributions) of:		
\$100,000 - \$109,999	1	-
\$110,000 - \$119,999	1	-
\$120,000 - \$129,999	1	1
\$130,000 - \$139,999	1	-
\$140,000 - \$149,999	1	2
\$160,000 - \$169,999	1	1
\$170,000 - \$179,999	1	-
\$180,000 - \$189,999	1	2
\$210,000 - \$219,999	1	1
\$220,000 - \$229,999	1	-
\$240,000 - \$249,999	-	1
\$270,000 - \$279,999	-	1
\$350,000 - \$359,999	1	-
	11	9

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION

The STC Division participates in the following closed defined benefit superannuation schemes for some of its staff –

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

The following information has been prepared by the scheme actuary.

Reconciliation of the present value of the defined benefit obligation:

As at 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	818	248	4,966
Current service cost	30	13	11
Interest cost	49	15	310
Contributions by fund participants	16	-	49
Actuarial (gains)/losses	(9)	(50)	(959)
Benefits paid	(45)	(42)	(318)
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of partly funded defined benefit obligation at end of year</i>	859	184	4,059
As at 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000
<i>Present value of partly funded defined benefit obligation at beginning of year</i>	720	231	5,077
Current service cost	30	13	18
Interest cost	41	13	294
Contributions by fund participants	15	-	46
Actuarial (gains)/losses	44	46	(855)
Benefits paid	(32)	(55)	386
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Exchange rate changes	-	-	-
<i>Present value of partly funded defined benefit obligation at end of year</i>	818	248	4,966

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Reconciliation of the fair value of fund assets:

As at 30 June 2008	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
<i>Fair value of fund assets at beginning of the year</i>	959	256	5,958
Expected return on fund assets	72	19	461
Actuarial gains/(losses)	(119)	(47)	(1,067)
Employer contributions	231	154	(357)
Contributions by fund participants	16	-	49
Benefits paid	(45)	(42)	(318)
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	1,114	340	4,726

As at 30 June 2007	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
<i>Fair value of fund assets at beginning of the year</i>	801	258	4,458
Expected return on fund assets	59	19	335
Actuarial gains/(losses)	85	19	650
Employer contributions	31	14	84
Contributions by fund participants	15	-	46
Benefits paid	(32)	(54)	385
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
<i>Fair value of fund assets at end of the year</i>	959	256	5,958

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Reconciliation of the assets and liabilities recognised in the Balance Sheet.

As at 30 June 2008	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Present value of funded defined benefit obligations at end of the year	859	184	4,059
Fair value of fund assets at end of the year	(1,114)	(340)	(4,726)
	(255)	(156)	(667)
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	195	119	511
<i>Net liability/(asset) recognised in Balance Sheet at end of the year</i>	(60)	(37)	(156)
As at 30 June 2007	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Present value of funded defined benefit obligations at end of the year	818	248	4,966
Fair value of fund assets at end of the year	(959)	(256)	(5,958)
	(141)	(8)	(992)
Unrecognised past service cost	-	-	-
Unrecognised gain/(loss)	-	-	-
Adjustment for limitation on net asset	107	6	750
<i>Net liability/(asset) recognised in Balance Sheet at end of the year</i>	(34)	(2)	(242)

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Components recognised in Income Statement:

	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
As at 30 June 2008			
Current Service Cost	31	13	12
Interest cost	49	14	310
Expected return on fund assets (net of expenses)	(72)	(19)	(462)
Actuarial losses/(gains) recognised in year	109	(3)	108
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Movement in adjustment for limitation on net asset	88	114	(239)
Curtailments or settlement (gain)/loss			
Expense/(income) recognised	205	119	(271)
	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
As at 30 June 2007			
Current Service Cost	30	13	18
Interest cost	40	13	293
Expected return on fund assets (net of expenses)	(59)	(19)	(334)
Actuarial losses/(gains) recognised in year	(41)	27	(1,504)
Change in surplus in excess of recovery available from scheme	-	-	-
Past service cost	-	-	-
Movement in adjustment for limitation on net asset	107	6	750
Curtailments or settlement (gain)/loss	-	-	-
Expense/(income) recognised	77	40	(777)

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Amounts recognised in the Statement of Recognised Income and Expense:

As at 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000
Actuarial (gains)/losses	-	-	-
Adjustment for limit on net asset	-	-	-
As at 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000
Actuarial (gains)/losses	-	-	-
Adjustment for limit on net asset	-	-	-

Cumulative amount recognised in the Statement of Recognised Income and Expense:

As at 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000
As at 30 June 2007	-	-	-
As at 30 June 2006	-	-	-

The percentage of fund assets invested in each asset class at the balance sheet date:

	2008	2007
Australian equities	32%	34%
Overseas equities	25%	26%
Australian fixed interest securities	7%	7%
Overseas fixed interest securities	8%	6%
Property	11%	10%
Cash	6%	10%
Other	11%	7%

Expected rate of return on assets:

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each class. The returns used for each class are net of investment taxes and investment fees

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Actual return on fund assets:

As at 30 June 2008	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on fund assets	(84)	(28)	(358)

As at 30 June 2007	SASS \$'000	SANCS \$'000	SSS \$'000
Actual return on fund assets	116	38	655

Valuation method and principal actuarial assumptions at the balance sheet date:

(a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

(b) Economic Assumptions

	2008	2007
Salary increase rate (2008 : 3.5% thereafter)	3.5%	4.0%
Rate of CPI increase	2.5%	2.5%
Expected rate of return on assets backing current pension liabilities	8.3%	7.6%
Expected rate of return on assets backing other liabilities	7.3%	7.6%
Discount rate	6.5%	6.4%

(c) Demographic Assumptions

Demographic assumptions reflect those adopted by the scheme actuary in his triennial review of the schemes.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Historical Information:

As at 30 June 2008	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Present value of defined benefit obligation	859	184	4,059
Fair value of fund assets	(1,114)	(340)	(4,726)
(Surplus)/Deficit in fund	(255)	(156)	(667)
Experience adjustments – fund liabilities	(10)	(50)	(959)
Experience adjustments – fund assets	119	47	1,067
As at 30 June 2007	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Present value of defined benefit obligation	818	248	4,966
Fair value of fund assets	(959)	(256)	(5,958)
(Surplus)/Deficit in fund	(141)	(8)	(992)
Experience adjustments – fund liabilities	44	46	(854)
Experience adjustments – fund assets	(85)	(19)	(650)
As at 30 June 2006	SASS	SANCS	SSS
	\$'000	\$'000	\$'000
Present value of defined benefit obligation	720	231	5,077
Fair value of fund assets	(801)	(258)	(4,458)
(Surplus)/Deficit in fund	(81)	(27)	619
Experience adjustments – fund liabilities	1	(2)	(13)
Experience adjustments – fund assets	(22)	(5)	(77)

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Expected contributions:

	SASS \$'000	SANCS \$'000	SSS \$'000
Expected contributions for year to 30 June 2008	30	14	78
Expected contributions for year to 30 June 2007	29	13	74

Funding arrangements for employer contributions – surplus/deficit:

The following is a summary of the 30 June financial position of the schemes calculated in accordance with AAS25- *Financial Reporting by Superannuation Plans*.

	SASS \$'000	SANCS \$'000	SSS \$'000
30 June 2008			
Accrued benefits	857	184	3,668
Net market value of fund assets	(1,114)	(340)	(4,726)
<i>Net (surplus)/deficit</i>	(257)	(156)	(1,058)
30 June 2007			
Accrued benefits	809	246	4,491
Net market value of fund assets	(959)	(256)	(5,958)
<i>Net (surplus)/deficit</i>	(150)	(10)	(1,467)

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

8. SUPERANNUATION (Continued)

Funding arrangements for employer contributions – Recommended contribution rates:

As at 30 June 2008	SASS	SANCS	SSS
	Multiple of member contributions	% member salaries	Multiple of member contributions
	-	-	-
As at 30 June 2007	SASS	SANCS	SSS
	Multiple of member contributions	% member salaries	Multiple of member contributions
	1.9	2.5	1.6

Funding arrangements for employer contributions – Funding Method:

The method used to determine employer contribution recommendations at the last actuarial review was the *Aggregate Funding* method. The method adopted affects the timing of the cost to the employer.

Under the *Aggregate Funding* method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

Funding arrangements for employer contributions – Economic Assumptions:

Weighted average assumptions –

	2006 and following
Expected rate of return on fund assets backing current pension liabilities	7.7%
Expected rate of return on fund assets backing other liabilities	7.0%
Expected salary increase rate	4.0%
Expected rate of CPI increase	2.5%

Funding arrangements for employer contributions – Nature of asset/liability:

If a surplus exists in the STC Division's interest in the fund, the STC Division may be able to take advantage of it in the form of a reduction in required contribution rate. STC in its capacity as the schemes' trustee and NSW Treasury must approve such a reduction.

If a deficiency exists the STC Division is responsible for any difference between its share of scheme assets and the defined benefit obligation.

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

9. RELATED PARTY INFORMATION

Transactions entered into during the period with Parent Entity	2008	2007
	\$'000	\$'000
Staff services provided at cost to STC		
• revenue	2,850	1,926
• expenses	(2,850)	(1,926)

The STC Division receives the following services from STC at no charge –

- administration support
- accounting support
- payment of external audit fees.

10. CASH FLOW INFORMATION

a) Reconciliation of Cash	2008	2007
	\$'000	\$'000
Cash at Bank	-	-

The STC Division does not have a bank account. All transactions are transacted through the bank account of STC.

The STC Division does not have any credit standby arrangements or loan facilities.

b) Reconciliation of Net Result to Net Cash Used in Operating Activities	2008	2007
	\$'000	\$'000
	Inflows/ (Outflows)	Inflows/ (Outflows)
Result	-	-
Changes in Assets and Liabilities		
(Increase)/Decrease in Assets		
Receivables	111	888
Increase/(Decrease) in Liabilities		
Provisions	(111)	(888)
Net Cash From/(Used) in Operating Activities	-	-

SAS TRUSTEE CORPORATION DIVISION OF THE GOVERNMENT SERVICE OF NSW

Notes to the financial statements
for the year ended 30 June 2008

11. SEGMENT REPORTING

The STC Division operates to provide staff to STC. It operates solely in New South Wales. All revenue, expenses, assets and liabilities are as shown in the Income Statement and Balance Sheet.

12. COMMITMENTS FOR EXPENDITURE

There are no commitments for expenditure at 30 June 2008 or at 30 June 2007.

13. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 June 2008 or at 30 June 2007.

End of Audited Financial Report



PART D

**Financial Statements
of the
SAS Trustee Corporation
Pooled Fund**

The accounts of the Pooled Fund's Controlled Entities have been separately tabled in the NSW Parliament and may be obtained on request from STC. See outside back cover for contact details.



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

SAS Trustee Corporation - Pooled Fund

To the Treasurer

I have audited the accompanying financial report of the SAS Trustee Corporation - Pooled Fund (the Fund), which comprises the statement of net assets as at 30 June 2008, and the statement of changes in net assets for the year then ended, a summary of significant accounting policies and other explanatory notes.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the statement of net assets as at 30 June 2008, and its statement of changes in net assets for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

My opinion should be read in conjunction with the rest of this report.

Trustees' Responsibility for the Financial Report

The members of the Board of the SAS Trustee Corporation, as trustee of the Fund are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Fund's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustee Board, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

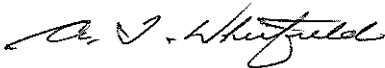
My opinion does *not* provide assurance:

- about the future viability of the Fund,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Independence

In conducting this audit, the Audit Office of New South Wales has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their role by the possibility of losing clients or income.



A T Whitfield
Deputy Auditor-General

24 September 2008
SYDNEY

SAS TRUSTEE CORPORATION POOLED FUND

ABN 29 239 066 746

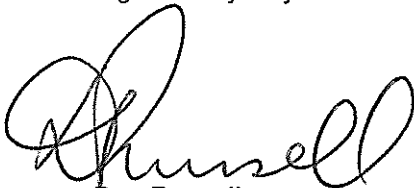
Statement by Members of the Trustee Board
for the year ended 30 June 2008

Pursuant to the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of the SAS Trustee Corporation, we declare on behalf of the Board that in our opinion:

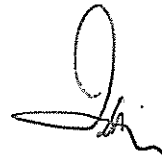
1. the financial statements present a true and fair view of the financial position of the Pooled Fund at 30 June 2008 and transactions for the year then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's directions.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Signed at Sydney this 24th day of September 2008.



Don Russell
Chairperson
SAS Trustee Corporation



Ian Blair
Board Member and Chairperson of the
Audit and Compliance Committee
SAS Trustee Corporation

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Changes in Net Assets
for the year ended 30 June 2008

	Note	2008	2007
		\$'m	\$'m
Net Assets Available to Pay Benefits at Beginning of Financial Year		38,587.0	28,578.1
Contribution Revenue			
Employer Contributions		1,130.9	7,437.5
Member Contributions		564.1	515.9
	2	1,695.0	7,953.4
Transfers			
Scheme Mobility Transfer	4	4.3	0.4
Investment Revenue			
Short Term Securities		31.4	34.0
Australian Fixed Interest		164.4	176.1
International Fixed Interest		89.2	86.0
Australian Equities		853.9	738.5
International Equities		421.1	254.7
Property		177.1	153.5
Alternatives		204.5	110.6
		1,941.6	1,553.4
Change in Net Market Value of Investments		(5,003.7)	3,387.4
	5	(3,062.1)	4,940.8
Investment Expenses		(109.1)	(81.0)
Net Investment Revenue		(3,171.2)	4,859.8
Other Revenue		2.7	6.0
Total Revenue		(1,469.2)	12,819.6
Benefits Paid	12(b)	(3,075.1)	(2,758.9)
Scheme Administration Expenses	6	(32.7)	(32.6)
Superannuation Contributions Surcharge		9.9	9.3
Other Expenses		(0.9)	(0.9)
Total Expenses		(3,098.8)	(2,783.1)
Change in Net Assets Before Income Tax		(4,568.0)	10,036.5
Income Tax Benefit/(Expense)	7(a)	194.8	(27.6)
Change in Net Assets Available to Pay Benefits After Income Tax		(4,373.2)	10,008.9
Net Assets Available to Pay Benefits at End of Financial Year	8	34,213.8	38,587.0

The accompanying notes form an integral part of the above Statement of Changes in Net Assets.

SAS TRUSTEE CORPORATION POOLED FUND

Statement of Net Assets as at 30 June 2008

	Note	2008 \$'m	2007 \$'m
INVESTMENTS			
Short Term Securities		2,475.0	4,699.5
Australian Fixed Interest		3,177.5	3,038.3
International Fixed Interest		2,533.6	2,409.6
Australian Equities		10,835.6	13,042.5
International Equities		7,857.2	9,334.7
Property		3,468.6	3,397.1
Alternatives		4,016.5	3,016.7
		34,364.0	38,938.4
OTHER ASSETS			
Cash at Bank		67.9	0.2
Receivables	9	202.0	264.2
Plant and Equipment		0.2	0.2
Current Tax Asset	7(a)	-	61.3
		270.1	325.9
TOTAL ASSETS		34,634.1	39,264.3
LIABILITIES			
Reserve Units	10	4.2	4.6
Payables	11	277.7	342.9
Current Tax Liability	7(a)	66.7	-
Deferred Tax Liability	7(b)	71.7	329.8
		420.3	677.3
TOTAL LIABILITIES		420.3	677.3
NET ASSETS AVAILABLE TO PAY BENEFITS	8	34,213.8	38,587.0

The accompanying notes form an integral part of the above Statement of Net Assets.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are a general purpose financial report for the SAS Trustee Corporation Pooled Fund (the Fund) reporting entity that consists of the State Authorities Superannuation Scheme (SASS), the State Authorities Non-contributory Superannuation Scheme (SANCS), the State Superannuation Scheme (SSS) and the Police Superannuation Scheme (PSS). These are the superannuation schemes administered by the SAS Trustee Corporation (STC) under the *Superannuation Administration Act 1996* (the Act). STC acts as trustee and holds in trust all assets of the Fund.

The Schemes of the Fund were established under and are governed by various Acts of the New South Wales Parliament. SANCS, SSS and PSS are defined benefit plans, while SASS comprises both of a defined benefit component and a defined contribution component. All Schemes in the Fund are closed to new members. The Fund is domiciled in NSW Australia. Its registered address is Level 17, 83 Clarence Street Sydney, NSW, 2000.

Scheme administration services for the Fund are carried out by the Superannuation Administration Corporation trading as Pillar Administration (Pillar). The Fund's custodial activities are performed by JP Morgan Chase Bank, NA.

Investment managers of the Fund during the year ended 30 June 2008 are:

- Access Capital Advisers Pty Ltd
- AllianceBernstein Investment Management Australia Ltd
- AMP Capital Investors Limited
- AQR Capital Management, LLC
- Arrowstreet Capital LP (via Macquarie Investment Management Limited)
- AXA Rosenberg Investment Management Asia Pacific Ltd
- Barclays Global Investors Australia Ltd
- BT Investment Management (RE) Limited
- Capital International, Inc
- DEXUS Funds Management Limited (formerly DB RREEF Funds Management Limited)
- Deutsche Asset Management (Australia) Limited
- EG Funds Management Pty Ltd
- Fidelity International Limited
- Franklin Templeton Investments Australia Limited
- GMO Australia Limited
- Goldman Sachs JBWere
- Kaplan Funds Management Pty Limited
- LaSalle Investment Management (via Equity Trustees Limited)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- LaSalle Investment Management (Securities) LP
- Lazard Asset Management Pacific Co
- Macquarie Investment Management Limited
- Maple-Brown Abbott Limited
- New South Wales Treasury Corporation
- Pareto Investment Management Limited
- Perennial Value Management Limited
- Perpetual Investment Management Limited
- RARE Infrastructure Limited
- State Street Global Advisors, Australia, Limited
- Trilogy Global Advisors, LLC (via Orion Asset Management Services Pty Limited)
- UBS Global Asset Management (Australia) Ltd
- Vanguard Investments Australia Ltd
- Wallara Asset Management Pty Limited
- Wellington Management Company, LLP

Each manager is required to invest the assets managed by it in accordance with the provisions set out in an Investment Management Agreement either directly with STC, or in the case of a trust, with the trustee of the trust. The investment managers and custodian charge fees for the services provided.

The following explains the significant accounting policies which have been adopted in the preparation of these financial statements. Unless otherwise stated, such accounting policies were also adopted in the corresponding preceding reporting period.

More detailed information on accounting policies for financial instruments is contained at Note 19.

a) General System of Accounting Underlying the Financial Statements

The financial statements form a general purpose financial report and are prepared in accordance with –

- the *Public Finance and Audit Act 1983*
- the *Public Finance and Audit Regulation 2005*
- the Treasurer's Directions
- applicable Australian Accounting Standards and other professional reporting requirements (for example, Australian Accounting Interpretations).

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) General System of Accounting Underlying the Financial Statements (Continued)

The financial statements have been drawn up in accordance with Australian Accounting Standard AAS 25 – *Financial Reporting by Superannuation Plans* (AAS 25) and relevant legislative requirements.

The financial statements comply with Australian Accounting Standards, including Australian Accounting Interpretations. The Fund is a not-for-profit entity.

The financial statements were authorised for issue by the Trustee Board on 24 September 2008.

The accrual method of accounting is used and the financial statements are also prepared in accordance with the historic cost convention, except for assets stated in Note 1(b).

In accordance with the criteria set out in the Australian Accounting Standard AASB 3 – *Business Combinations* and AASB 127 – *Consolidated and Separate Financial Statements*, the Fund is the parent entity within the economic entity. Entities in the economic entity are shown in Note 14. Consolidated financial statements have not been prepared in accordance with these standards on the grounds that the controlled entities are not material to these financial statements. Investments in subsidiaries are carried at net market value.

All amounts are presented in Australian Dollars unless otherwise stated.

b) Assets and Liabilities

Assets and liabilities of the Fund are valued at reporting date at net market values. Net market values comprise market values less estimated costs of disposal. Changes in net market values, representing gains or losses, are recognised in the Statement of Changes in Net Assets in the period in which they occur.

The valuation of each class of asset at 30 June 2008 is determined as follows:

Short Term Securities:	Market rates (refer note 19 for greater detail).
Fixed Interest:	Relevant fixed interest securities markets.
Equities, Unit Trusts: and Unlisted Assets	Relevant stock exchange official quotation or if unlisted, independent or manager valuation.
Property:	Current market value determined individually by independent registered valuers on the basis of an exchange between knowledgeable and willing parties in an arm's length transaction.
Plant and Equipment:	Valued at net fair values; where assets are not material and for which fair values are not readily available, the assets are shown at their written down values. During the year the fair value of plant and equipment increased by \$11,921 (30 June 2007: declined by \$23,130).
Others:	e.g. Sundry Assets and Receivables, where net market values are not applicable, the assets are shown at net fair values. Assets are reviewed annually to ensure they are not recognised at amounts exceeding the value of the economic benefits to be provided by continued use.

The transactions relating to financial instruments are accounted for using trade date accounting.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Assets and Liabilities (Continued)

The Trustees have concluded that the above measurement bases are appropriate. The nature of the assets and liabilities is that measurement amounts may change over time. Particularly for unlisted assets, measurement amounts may be at variance from amounts realised should the assets be disposed of.

Assets and liabilities are recognised when STC becomes party to the instrument's contractual provisions.

Assets are derecognised when the contractual rights to cash flows from the asset expire or are transferred to another party.

Liabilities are derecognised when the contractual obligation relating to the liability is discharged, cancelled or expires.

c) Foreign Currency Transactions

Foreign currency transactions during the year are converted to Australian dollars at the rate of exchange applicable at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Resulting exchange differences are included in the change in net assets for the year.

d) Income Tax

The Fund is a complying superannuation fund within the provisions of the *Income Tax Assessment Act 1936*. Accordingly, the concessional tax rate of 15% has been applied.

Income tax on the Change in Net Assets for the year comprises current and deferred tax. Income tax is reflected in the Statement of Changes in Net Assets.

Current Tax is the expected tax payable or recoverable on the taxable income for the year using the concessional tax rate of 15% and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax provided uses the tax rate applicable at balance date.

A deferred tax asset is only recognised to the extent it is probable that future taxable surpluses will be available against which the asset can be used.

e) Management Expenses

Management expenses charged to the Fund comprise:

Investment Expenses: These are charged directly against investment revenue. Performance fees are accrued as earned.

Scheme Administration Expenses: The expenses were allocated in accordance with Trustee policy during the year. The basis for the allocation was number of members and the administrative complexity of each individual Scheme.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Superannuation Contributions Surcharge Tax

The Superannuation Contributions Surcharge tax is levied on surchargeable contributions on the basis of the individual member's adjusted taxable income. Surcharge assessments which are received and paid by the Fund are charged to the relevant members' surcharge debt accounts.

No provision has been made in these financial statements for the amount of the superannuation contributions surcharge tax which may be payable by the Fund under the *Superannuation Contributions Tax (Assessment and Collections) Act 1997* as the assessments received to date are not considered to be indicative of future assessments. The liability shown in the Statement of Net Assets is calculated using assessments received up to 30 June 2008 from the ATO advising of surcharge accrued before abolition of the *Superannuation Contributions Tax (Assessment and Collections) Act 1997*, effective 1 July 2005.

g) Rounding

All values reported in the financial statements have been rounded to the nearest million dollars taken to one decimal place, except where otherwise stated.

h) Comparative Figures

Where there have been changes in presentation in the current financial year, the comparative figures for the previous year have been adjusted to conform to these changes.

i) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Contributions and Transfers in

Contributions and transfers in are recognised when control of the asset has been attained and are recorded in the period to which they relate.

Interest Received

Interest is recognised when control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Dividends

Dividends are recognised on the ex-date.

j) Benefit Payments

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2008

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Standards Issued applicable but not yet effective

AASB 101 – *Presentation of Financial Statements* as issued in September 2007 will be implemented for the year ended 30 June 2010. No material change to these financial statements is anticipated.

2. EMPLOYER AND MEMBER CONTRIBUTIONS

	2008				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Employer Contributions	714.0	331.7	84.6	0.6	1,130.9
Salary Sacrifice Contributions	90.7	-	133.8	2.7	227.2
Member Contributions	143.5	9.3	171.9	12.2	336.9
Total Contributions	948.2	341.0	390.3	15.5	1,695.0
	2007				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Employer Contributions	131.0	39.6	4,191.5	3,075.4	7,437.5
Salary Sacrifice Contributions	12.7	-	-	-	12.7
Member Contributions	191.3	20.8	273.9	17.2	503.2
Total Contributions	335.0	60.4	4,465.4	3,092.6	7,953.4

The payment of all benefits under the Schemes associated with the Fund is provided for by New South Wales Government statute and the liability is funded, as a minimum, as the benefits become payable.

Member and Employer contributions for each of the Schemes are determined on the bases described below. The bases for the current year remain unchanged from the previous year. Member contributions for the SANCS represent the co-contributions received from the Commonwealth Government.

Contributions made by the Crown vary from year to year depending upon government liability management priorities.

The Government's objective is to fully fund its superannuation liabilities by 2030. This objective requires that employer contributions be periodically reassessed to ensure that they remain sufficient to achieve full funding by 2030.

A non-superannuation investment fund (the General Government Liability Management Fund (GGLMF)) was established by the Crown to accumulate Crown Employer superannuation contributions. The net assets held in the GGLMF at 30 June 2008 were \$nil (30 June 2007: \$nil) as \$7.2 billion was transferred from the GGLMF to the Fund during the year ended 30 June 2007.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

2. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

a) State Authorities Superannuation Schemes (SASS)

Member Contributions

Each member elects to contribute between 1% and 9% of salary.

Employer Contributions

Under the provisions of the *State Authorities Superannuation Act 1987* employers are grouped into the two categories below and the bases of contribution are as follows:

Part 1 Consolidated Fund or supported Government employers and self-financing Semi-government employers are billed monthly and generally contribute at a multiple of the contributions payable by employees. The respective multiples are set by STC, with the concurrence of the NSW Treasurer, at a rate of part fund future liabilities and to fully fund emerging benefits. Some employers contribute on a less than fully funded basis, meeting liabilities as they emerge, while other employers contribute on a fully funded basis.

Part 3 Hospitals and associated employers contribute an amount equal to their employees' own contributions. Should any shortfall occur the funding deficit is guaranteed to be met from the Consolidated Fund of the NSW Government.

Contributions made by the Crown vary from year to year depending upon government liability management priorities.

b) State Authorities Non-contributory Superannuation Scheme (SANCS)

Member Contributions

As the Scheme is 100% employer funded, there are no member contributions. Any member contribution recognised represents co-contributions received from the Commonwealth Government in respect of a member.

Employer Contributions

Employers are billed at a percentage of employees' salaries, set for each employer by STC with the concurrence of the NSW Treasurer. The current contribution rates for employers range from 0% to 3%.

Contributions made by the Crown vary from year to year depending upon government liability management priorities.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

2. EMPLOYER AND MEMBER CONTRIBUTIONS (Continued)

c) State Superannuation Scheme (SSS)

Member Contributions

Each member contributes on a *rate for age* basis for individual pension units which become available with salary increases. Members may elect to abandon units where total contributions payable would exceed 6% of salary.

Employer Contributions

Each employer contributes at a rate equal to a multiple of relevant employee contributions. The rate is set by STC with the concurrence of the NSW Treasurer. The multiple of employee contributions is estimated to at least meet the cost of emerging benefits, though not fully fund the employer liability for past services.

Contributions made by the Crown vary from year to year depending upon government liability management priorities.

d) Police Superannuation Scheme (PSS)

Member Contributions

Members contribute 6% of their salary.

Employer Contributions

Employer contributions vary from year to year.

3. SASS – MEMBER INVESTMENT CHOICE

Effective from November 2003, SASS members have been given the option to choose the investment strategy for his or her member contributions. The option is also offered to SASS members who have deferred their benefits. Any election by a SASS deferred member applies to the member's contributor financed benefit and also to his or her employer financed benefit.

4. SCHEME MOBILITY TRANSFER

During the year some members of Fund schemes elected to transfer to the Local Government Superannuation Scheme (LGSS) or to the Energy Industries Superannuation Scheme (EISS) following transfer of their employment to a relevant employer covered by either of those schemes. The total amount transferred out was \$1.2 million at 30 June 2008 (2007 \$3.9 million).

Also, a number of LGSS and/or EISS members who had undergone a change in employment elected to transfer to a Fund scheme. The total amount transferred in was \$5.5 million at 30 June 2008 (2007 \$4.3 million).

The mobility provisions governing these optional, employment-related scheme transfers are contained in the *Superannuation Administration (Local Government Superannuation Scheme Transitional Provisions) Regulations 1997* and the *Superannuation Administration (Electricity Superannuation Scheme) Regulations 1997*.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

5. INVESTMENT REVENUE

	2008			
	Change in Net Market Value			
	Income	Held at Reporting Date	Realised During the Year	Total
	Unrealised Gain/(Loss)		Gain/(Loss)	
	\$'m	\$'m	\$'m	\$'m
Short Term Securities	31.4	9.2	152.9	193.5
Australian Fixed Interest	164.4	(28.6)	(2.9)	132.9
International Fixed Interest	89.2	(57.7)	180.2	211.7
Australian Equities	853.9	(2,356.0)	(326.5)	(1,828.6)
International Equities	421.1	(2,074.4)	(353.7)	(2,007.0)
Property	177.1	(426.0)	95.7	(153.2)
Alternatives	204.5	74.9	109.2	388.6
Total Investment Revenue	1,941.6	(4,858.6)	(145.1)	(3,062.1)
	2007			
	Change in Net Market Value			
	Income	Held at Reporting Date	Realised During the Year	Total
	Unrealised Gain/(Loss)		Gain/(Loss)	
	\$'m	\$'m	\$'m	\$'m
Short Term Securities	34.0	27.7	93.2	154.9
Australian Fixed Interest	176.1	(74.5)	(4.8)	96.8
International Fixed Interest	86.0	(187.6)	193.4	91.8
Australian Equities	738.5	1,861.1	226.9	2,826.5
International Equities	254.7	442.6	149.2	846.5
Property	153.5	201.0	98.5	453.0
Alternatives	110.6	333.4	27.3	471.3
Total Investment Revenue	1,553.4	2,603.7	783.7	4,940.8

Interest Revenue

Within Short Term Securities, Australian Fixed Interest and International Fixed Interest is interest revenue received of \$253.5 million (2007: \$262.3 million).

Royalty Revenue

Within Australian Equities is royalty revenue received of \$11.5 million (2007: \$13.1 million).

Dividend Revenue

Within Australian Equities and International Equities is dividend revenue of \$1,217.7 million (2007: \$1,007.2 million).

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

5. INVESTMENT REVENUE (Continued)

Property Lease Revenue

The Fund's property portfolio comprises interests in property trusts and several directly owned properties. These properties are leased commercially to various tenants.

The Fund engaged in the following transactions –

	2008	2007
	\$'m	\$'m
Rental income derived	154.0	141.3
Direct property operating expenses	(43.4)	(40.9)
Contractual obligations to purchase, construct or develop properties	(38.0)	(40.6)

The future minimum lease payments receivable by the Fund are –

	2008	2007
	\$'m	\$'m
No later than one year	116.2	107.3
Later than one year but not later than five years	376.0	297.4
Later than five years	119.4	116.0
	611.6	520.7

6. SCHEME ADMINISTRATION EXPENSES

Included in Scheme Administration Expenses are the following items:

	2008	2007
	\$'m	\$'m
Audit Fees – The Auditor-General of New South Wales (audit of the financial statements and no other services)	0.4	0.4
Scheme Administration Fees	27.2	27.7
Triennial Actuarial Fees	-	-

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2008

7. INCOME TAX

Income tax expenses and assets and liabilities arising from the levying of income tax (including capital gains tax) on the Fund have been determined in accordance with the provisions of Australian Accounting Standard AASB 112 – *Income Taxes*.

a) Income Tax recognised in the Statement of Changes in Net Assets	2008 \$'m	2007 \$'m
Current tax expense/(benefit)		
Provision attributable to current year	66.7	(61.3)
Adjustments for prior years	(3.4)	(38.3)
 Deferred tax expense		
(Decrease)/increase in deferred tax expense	<u>(258.1)</u>	127.2
 Total income tax (benefit)/expense in Statement of Changes in Net Assets	 (194.8)	 27.6
 Reconciliation between tax (benefit)/expense and pre-tax Change in Net Assets before Tax		
Change in Net Assets before income tax	<u>(4,568.0)</u>	10,036.5
Income tax (benefit)/expense using the superannuation fund tax rate of 15%	(685.2)	1,505.5
Increase in tax expense due to:		
Non-deductible benefit payments and investment expense	703.5	412.4
Decrease in tax expense due to:		
Tax exempt revenues	(129.5)	(1,768.8)
Notional death and disability insurance premium and anti-detriment	(80.2)	(83.2)
Under provision of tax benefit in prior year	<u>(3.4)</u>	<u>(38.3)</u>
Income tax (benefit)/expense on Change in Net Assets Before Tax	<u>(194.8)</u>	27.6
 b) Deferred Tax Liability		
	2008 \$'m	2007 \$'m
Dividends Receivable	5.4	5.1
Interest Receivable	0.2	0.2
Unrealised Loss on Traditional Securities and Foreign Exchange	(22.0)	(21.8)
Unrealised Capital Gains	86.8	343.9
Contributions Receivable	<u>1.3</u>	<u>2.4</u>
	<u>71.7</u>	<u>329.8</u>

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

7. INCOME TAX (Continued)

The Fund is exempt from tax payable on investment income set aside for the payment of pensions. In addition, in 2007 the Fund was able to offset the tax associated with employer contributions funding liabilities that accrued before 1 July 1988. Such contributions totalled \$7,173.0 million. The amount was calculated in accordance with the requirements of the *Income Tax Amendment Regulation 2006 (No. 5)* and resulted in a tax credit of \$1,076.0 million. The Fund has now exhausted any tax credit available under this provision.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

8. NET ASSETS

	2008				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Member Reserves (1)					
Balance at Beginning of Financial Year	4,892.1	-	5,332.5	440.8	10,665.4
Increase/(Decrease) in Net Assets	(510.6)	-	(889.9)	(66.6)	(1,467.1)
Balance at End of Financial Year	4,381.5	-	4,442.6	374.2	9,198.3
Employer Reserves (2)					
Balance at Beginning of Financial Year	3,063.2	864.6	18,698.2	3,665.6	26,291.6
Increase/(Decrease) in Net Assets	(76.2)	44.0	(2,166.1)	(577.2)	(2,775.5)
Balance at End of Financial Year	2,987.0	908.6	16,532.1	3,088.4	23,516.1
Death or Invalidity Reserves (3)					
Balance at Beginning of Financial Year	3.6	-	-	-	3.6
Increase/(Decrease) in Net Assets	(0.5)	-	-	-	(0.5)
Balance at End of Financial Year	3.1	-	-	-	3.1
Deferred Benefits Reserves (4)					
Balance at Beginning of Financial Year	1,323.1	303.3	-	-	1,626.4
Increase/(Decrease) in Net Assets	(104.5)	(25.6)	-	-	(130.1)
Balance at End of Financial Year	1,218.6	277.7	-	-	1,496.3
Net Assets Available to Pay Benefits	8,590.2	1,186.3	20,974.7	3,462.6	34,213.8

	2007				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Member Reserves (1)					
Balance at Beginning of Financial Year	4,371.6	-	4,970.1	407.6	9,749.3
Increase/(Decrease) in Net Assets	520.5	-	362.4	33.2	916.1
Balance at End of Financial Year	4,892.1	-	5,332.5	440.8	10,665.4
Employer Reserves (2)					
Balance at Beginning of Financial Year	3,059.4	883.7	12,910.6	554.9	17,408.6
Increase/(Decrease) in Net Assets	3.8	(19.1)	5,787.6	3,110.7	8,883.0
Balance at End of Financial Year	3,063.2	864.6	18,698.2	3,665.6	26,291.6
Death or Invalidity Reserves (3)					
Balance at Beginning of Financial Year	20.0	-	-	-	20.0
Increase/(Decrease) in Net Assets	(16.4)	-	-	-	(16.4)
Balance at End of Financial Year	3.6	-	-	-	3.6
Deferred Benefits Reserves (4)					
Balance at Beginning of Financial Year	1,139.3	260.9	-	-	1,400.2
Increase/(Decrease) in Net Assets	183.8	42.4	-	-	226.2
Balance at End of Financial Year	1,323.1	303.3	-	-	1,626.4
Net Assets Available to Pay Benefits	9,282.0	1,167.9	24,030.7	4,106.4	38,587.0

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2008

8. NET ASSETS (Continued)

- (1) The Member Reserve represents members' accounts that comprise the balance of members' contributions and net investment income earned less benefits paid that are attributed to contributor-financed benefits. Only the contributors under the *State Authorities Superannuation Scheme* are required to pay scheme administration fees.
- (2) The Employer Reserve represents employers' accounts that comprise the balance of employers' contributions and net investment income earned less benefits paid and scheme administration fees. In addition, the employers are also responsible for the tax liabilities levied on the employers' contributions.
- (3) The Death or Invalidity Reserve represents accumulated funds available to provide death or invalidity cover to members for the months during which they have public sector employment. The reserve balance is the excess of member premiums over benefits paid.
- (4) The Deferred Benefit Reserve represents member account balances that, on the election of the member or by default, are to remain with the Fund following the member's exit from employment in the public sector. The deferred benefit of SSS and PSS members has been included in the employer reserve of the respective Schemes.

As described at Note 3 SASS and SASS Deferred members are able to elect an investment strategy for his or her member contributed balance and employer financed benefit respectively.

Balances of the SASS Member Reserve and the Deferred Benefit Reserve in the various investment strategies at the reporting date are:

	2008				
	Growth \$'m	Conservative Growth \$'m	Balanced \$'m	Cash \$'m	Total \$'m
SASS Member	4,222.2	36.0	74.5	48.8	4,381.5
Deferred Benefit	1,165.8	9.3	23.1	20.4	1,218.6
	5,388.0	45.3	97.6	69.2	5,600.1

	2007				
	Growth \$'m	Conservative Growth \$'m	Balanced \$'m	Cash \$'m	Total \$'m
SASS Member	4,778.3	27.1	73.8	12.9	4,892.1
Deferred Benefit	1,283.6	8.5	27.0	4.0	1,323.1
	6,061.9	35.6	100.8	16.9	6,215.2

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

9. RECEIVABLES

	2008 \$'m	2007 \$'m
Contributions Receivable	34.5	32.4
Accrued Income	89.4	87.5
Margin Call Deposits	53.9	53.5
Investment Sales	16.8	88.5
Other Receivables	7.4	2.3
	202.0	264.2

Within receivables is an impairment allowance of \$98,317 (2007: \$84,457).

10. RESERVE UNITS

Reserve Units are units held by certain SSS members. They represent units purchased in advance at a rate which is the *rate for age* at the date purchased with an option to convert to full rate units in SSS at any future date. On conversion they are no longer recognised as a liability but as a part of member reserves.

11. PAYABLES

	2008 \$'m	2007 \$'m
Superannuation Benefits	60.7	47.2
Investment Purchases	29.5	127.6
Investment – Other Creditors	90.3	58.8
Provision for Contribution Surcharges	95.3	105.6
Amount Payable – SAS Trustee Corporation	0.9	2.3
Other Payables	1.0	1.4
	277.7	342.9

All payables are within agreed trading terms.

Movements in the Provision for Contribution Surcharge were as follows –

	2008 \$'m	2007 \$'m
Opening Balance	105.6	115.0
Add -		
Assessment Received	(2.1)	(2.7)
Annual indexation	4.8	5.1
Less -		
Payments made to the Australian Taxation Office	(13.0)	(11.8)
Closing Balance	95.3	105.6

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

12. ACCRUED BENEFITS

a) Liability for Accrued Benefits

The amount of accrued benefits has been determined on the basis of the present value of expected future payments which arise from membership of the Fund up to the measurement date. The figure reported has been determined by reference to expected future salary levels and by application of a market-based, risk-adjusted discount rate and relevant actuarial assumptions. The valuation of accrued benefits was undertaken by the independent Scheme actuary as part of the statutorily required triennial actuarial review undertaken as at 30 June 2006. The financial assumptions applied for the calculations were:

**Accrued
Benefits
2006 and
following years
% pa.**

Valuation Assumptions

Investment Return Rate	
- asset backing current pension liabilities	7.7
- other	7.0
Salary Increase Rate	4.0
CPI Increase Rate	2.5

The review as at 30 June 2006 indicated that the unfunded liability of the Fund was \$17,164.7 million (excluding the GGLMF balance of \$6,729.0 million – paid to the Fund during 2006-07).

In addition to the triennial actuarial review referred to above, the actuary also provides yearly estimates at the reporting date.

	2008			2007		
	Accrued Benefits \$'m	Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m	Accrued Benefits \$'m	Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m
State Authorities Superannuation Scheme	12,334.1	8,590.2	(3,743.9)	12,704.5	9,282.0	(3,422.5)
State Authorities Non-contributory Superannuation Scheme	2,563.9	1,186.3	(1,377.6)	2,531.2	1,167.9	(1,363.3)
State Superannuation Scheme	28,157.0	20,974.7	(7,182.3)	27,383.8	24,030.7	(3,353.1)
Police Superannuation Scheme	6,037.7	3,462.6	(2,575.1)	5,806.6	4,106.4	(1,700.2)
	49,092.7	34,213.8	(14,878.9)	48,426.1	38,587.0	(9,839.1)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

12. ACCRUED BENEFITS (Continued)

a) Liability for Accrued Benefits (Continued)

Benefits are guaranteed by the participating employers and ultimately the Crown. The relevant statutes require that all benefits be paid in full as and when they fall due.

As noted at Note 2 a non-superannuation investment fund (the General Government Liability Management Fund (GGLMF)) was established by the Crown to accumulate Crown employer superannuation contributions. Following transfers to the Fund during 2006-07, the net assets held in the GGLMF at 30 June 2008 were \$nil (2007: \$nil).

b) Movement in the Liability for Accrued Benefits

Accrued benefits increase due to the cost of accruing benefits and the imputed cost of interest, and reduce as benefits are paid, and may vary due to changes in valuation bases and changes in experience from previous assumptions. Based on current assumptions, the value of Accrued Benefits will not start to decline until after 2015.

	2008				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Balance at Beginning of Financial Year	12,704.5	2,531.2	27,383.8	5,806.6	48,426.1
Benefits Paid	(954.8)	(236.5)	(1,515.2)	(368.6)	(3,075.1)
Increase in Accrued Benefits	11,749.7 584.4	2,294.7 269.2	25,868.6 2,288.4	5,438.0 599.7	45,351.0 3,741.7
Balance at End of Financial Year	12,334.1	2,563.9	28,157.0	6,037.7	49,092.7
	2007				
	SASS \$'m	SANCS \$'m	SSS \$'m	PSS \$'m	Total \$'m
Balance at Beginning of Financial Year	11,600.0	2,354.2	26,142.7	5,672.9	45,769.8
Benefits Paid	(836.7)	(199.4)	(1,359.7)	(363.1)	(2,758.9)
Increase in Accrued Benefits	10,763.3 1,941.2	2,154.8 376.4	24,783.0 2,600.8	5,309.8 496.8	43,010.9 5,415.2
Balance at End of Financial Year	12,704.5	2,531.2	27,383.8	5,806.6	48,426.1

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2008

13. VESTED BENEFITS

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership at the reporting date.

	2008			Vested Benefits \$'m	2007	
	Vested Benefits \$'m	Net Assets Available To Pay Benefits \$'m	Over/ (Under) Funded \$'m		Vested Benefits \$'m	Net Assets Available To Pay Benefits \$'m
State Authorities Superannuation Scheme	9,415.6	8,590.2	(825.4)	9,952.0	9,282.0	(670.0)
State Authorities Non-contributory Superannuation Scheme	3,067.6	1,186.3	(1,881.3)	3,040.3	1,167.9	(1,872.4)
State Superannuation Scheme	25,743.9	20,974.7	(4,769.2)	24,964.3	24,030.7	(933.6)
Police Superannuation Scheme	4,446.3	3,462.6	(983.7)	4,256.7	4,106.4	(150.3)
	42,673.4	34,213.8	(8,459.6)	42,213.3	38,587.0	(3,626.3)

Vested benefits exceed net assets at 30 June 2008 and 30 June 2007. The Trustee is working with the NSW Treasury and the Actuary to facilitate the Government's stated objective to fully fund the schemes by 2030.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2008

14. CONTROLLED ENTITIES

The entities that comprise the SAS Trustee Corporation Pooled Fund economic entity are the entities as detailed below:

Parent Entity

SAS Trustee Corporation Pooled Fund

	Activity	Ownership Interest	
		2008 %	2007 %
Controlled Entities			
State Super Financial Services Australia Limited (SSFSAL) [incorporated in Australia]	Financial planning and funds management	77.5	79.9
The following entities are managed by Deutsche Asset Management (Australia) Ltd –			
Valley Commerce Pty Limited [incorporated in Australia]	Dormant	100.0	100.0
Buroba Pty Limited [incorporated in Australia]	Dormant	100.0	100.0
The following entity is managed by Access Capital Advisors Pty Limited –			
Duquesne Utilities Pty Ltd [incorporated in Australia]	Dormant	100.0	100.0

Voting power held in the above entities is the same as the ownership interest.

During the year the Controlled Entities paid dividends and trust distributions to the Parent Entity of \$22.4 million (2007: \$16.8 million).

The controlled entities are all audited by the NSW Auditor-General.

15. RELATED PARTY INFORMATION

The Trustee of the Fund is STC. The names of the Board members of STC in office during the year ended 30 June 2008 and up to date of signing these accounts are as follows:

Mr I Blair
Mr M Cole (term expired 30 September 2007)
Mr R Davis
Ms A De Salis
Mr R Harty
Mr M Lambert
M N Lewocki
Ms M O'Halloran
Dr D Russell (term commenced 1 January 2008)
Mr P Scully

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

15. RELATED PARTY INFORMATION (Continued)

a) Board Members' Remuneration

All income received or due and receivable by Board members is disclosed in the financial report of STC.

b) Remuneration received or due and receivable by Board Members and Directors of the Economic Entity from Controlled Entities (refer Note 14 Controlled Entities)

All income received is disclosed in the financial report of each controlled entity.

c) Transactions entered into during the year with Board Members and their Related Entities

All transactions entered into during the year with Board members and their related entities are disclosed in the financial report of STC.

d) Transactions with Other Related Parties

Property rental of \$1.0 million (2007: \$1.0 million) was received from SSFSAL on normal commercial terms and conditions.

16. SEGMENT REPORTING

The Fund operates in the superannuation and investment management industry in New South Wales. All revenue, expenses, assets and liabilities are as shown in the Statement of Changes in Net Assets and the Statement of Net Assets.

17. CONTINGENT LIABILITIES

In managing the investment portfolio the investment managers enter into various types of investment contracts that can give rise to contingent liabilities. Investment contracts are detailed in Note 19.

Two other classes of contingent liabilities potentially exist in relation to either the Trustee in its capacity as Trustee of the Fund, or the Fund itself:

- (i) Legal Costs in relation to member benefit entitlement disputes, notified, but not resolved.
- (ii) Legal Costs and damages arising from claims relating to the ownership and operation of physical assets.

In both cases it is impractical to estimate the financial effect or the amount of any possible recovery from third parties relating to these contingent liabilities. The Trustee is indemnified out of the assets of the Fund.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2008

18. SECURITIES LENDING PROGRAM

The Fund participates in a Securities Lending Program managed by the custodian. The Fund received \$11.5 million (2007: \$6.5 million) fee income from this program, which adds to the Fund's overall yearly return.

At 30 June 2008, the total value of the loaned securities was \$3.5 billion (2007: \$3.7 billion) while the total value of the collateral was \$4.4 billion (2007: \$4.0 billion). The lent securities represented about 10.2% of the Fund's total investments (2007 about 9.5%), which was within the allowable limit of 25%. The collateral is invested in a cash fund managed by the custodian. The collateral may only be accessed in the event of default by the borrower of lent securities.

19. FINANCIAL INSTRUMENTS

The Fund is exposed to a variety of financial risks as a result of its investment activities. These risks include –

- (a) market risk, including –
 - 1. currency risk
 - 2. interest rate risk
 - 3. price risk
- (b) credit risk
- (c) liquidity risk.

The Fund's risk management and investment policies are designed to minimise the potential adverse effects of these risks on the Fund's financial performance.

STC has developed, implemented and maintains a Risk Management Strategy (RMS), Risk Management Plan (RMP) and an anti money laundering and counter terrorism financing program (AML/CTF). The RMS, RMP and AML/CTF identify the policies, procedures, processes and controls that comprise the risk management and control systems. These systems address all material risks, both financial and non-financial that could potentially be faced by the Fund.

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

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

For the purpose of this financial report, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps). Such derivative instruments are used for hedging purposes and typically involve credit risk and market risk.

Accounting policies in respect of the Fund's financial instruments are shown below.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (Continued)

Accounting Policies

Recognised instruments	Accounting policies	Terms and conditions
1. Receivables	Receivables include income receivable and unsettled sales of securities. They are carried at nominal amounts.	Sales of securities are made on various terms for different securities and in different countries. Income receivable is also settled on varying terms depending on the security and country.
2. Futures	Futures are stated at market value using the daily closing price.	The futures are share price index futures and fixed interest futures.
3. Unlisted Trusts	The Net Market Value of Unlisted Trusts is determined on the basis of the withdrawal unit prices as advised by the relevant fund manager.	The terms and conditions are set out in the applicable trust constitution.
4. Listed Shares	Listed shares are carried at market value, less an amount for selling costs which would be incurred if the investments were sold. The basis for valuation of listed securities is the last sale price quoted at close of business on the last day of the period on the relevant securities exchange. Certain costs incurred in acquiring the investment, such as brokerage and stamp duty, are capitalised in the cost of the investments. Dividend income is recognised on the ex-date.	N/A
5. Bills of exchange and other discount securities	Carried as net market value using market rates as at 30 June.	Average maturity of 50 days with effective interest rates in the range of 7.55% to 7.83%.
6. Promissory Notes	Carried at net market value as at 30 June.	Average maturity of 37 days with effective interest rates in the range of 7.34% to 7.87%.
7. Mortgages	Mortgages are stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	Mortgages have an average effective interest rate of 8.10%.
8. Bank Deposits	Stated at net market value. Interest income is recognised in the Statement of Changes in Net Assets when earned.	Bank deposits represent 11AM call deposits and uninvested cash and has no fixed maturity dates. Deposits have effective interest rates in the range of 0.00% to 7.85%.
9. Government Bonds	Carried at net market value based on discounted cash flow.	Government bonds on average mature on 28/10/2013 and have effective interest rates in the range of 6.44% to 7.03%.
10. Semi Government Bonds	Carried at net market value based on discounted cash flow.	Semi Government bonds on average mature on 19/06/2013 and have effective interest rates in the range of 6.93% to 7.50%.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (Continued)

Accounting Policies (Continued)

Recognised instruments	Accounting policies	Terms and conditions
11. International Bonds	Carried at net market value based on discounted cash flow.	International Bonds on average mature on 26/03/2022 and have effective interest rates in the range of 0.07% to 5.28%.
12. Leasehold Property Investments	Carried at net market value based on discounted cash flow.	Leasehold Property Investments on average mature on 05/12/2013 and have effective interest rates in the range of 6.68% to 6.71%.
13. Direct Property	Reported at net market value based on independent valuations.	N/A
14. Options	Options are stated at market value using the daily closing price.	The options are all Australian Exchange Traded options.
15. Investment Purchases	Liabilities are recognised for amounts to be paid for under investment commitments.	Settlement for securities is made in accordance with investment agreements between counterparties.
16. Foreign exchange forward contracts	Foreign exchange forward contracts are undertaken to hedge against adverse foreign exchange movements. Gains or losses on these contracts are recognised through the translation of underlying transactions and/or instruments at hedge rates.	At balance date the Fund has various forward exchange contracts open in its international portfolios.
17. Payables	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund.	Liabilities are settled on receipt of invoices in accordance with terms thereof.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk

Market risk is the risk that changes in factors such as foreign exchange rates, interest rates and equity prices will affect the Fund's income or the value of its financial instruments. Market risk comprises currency risk, interest rate risk and price risk. Through its management of market risk STC seeks to manage and control its market risk exposures to within acceptable parameters while optimising risk adjusted returns.

In managing market risk, STC's fund managers trade in derivatives and securities. The fund managers also incur liabilities in the ordinary course of business. All such transactions are within the investment management mandates granted by STC to its managers.

a.1) Currency Risk

Currency risk is the risk that the net market value of future cash flows derived from existing offshore financial instruments will fluctuate because of changes in foreign exchange rates.

The Fund is exposed to currency risk on financial instruments, receivables and liabilities that are denominated in currencies other than Australian Dollars. The main currencies to which the Fund is exposed are –

- US Dollar (USD)
- Canadian Dollars (CAD)
- Japanese Yen (JPY)
- Swiss Franc (CHF)
- Swedish Krona (SEK)
- Euro (EUR)
- Great Britain Pound (GBP)

The Fund's currency risk is managed in accordance with strict parameters as set out in its investment policy. Under the policy, investments in global listed and unlisted infrastructure, global listed and unlisted property and global bonds are all 100% hedged while listed international equities are up to 30% hedged. The policy has been reviewed but not changed during 2007-08. If a counterparty failed to satisfy its contractual obligation to deliver on a currency hedging contract the Fund would remain exposed to the currency risk being hedged.

The Fund's total net exposure to fluctuations in foreign currency exchange rates as at the financial year end is –

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.1) Currency Risk (Continued)

YEAR ENDED 30 JUNE 2008

Net Market Value 2008

	USD A\$m	CAD A\$m	JPY A\$m	CHF A\$m	SEK A\$m	EUR A\$m	GBP A\$m	AUD A\$m	Other A\$m	TOTAL A\$m
Financial assets and liabilities at net market value through profit and loss	3,796.0	347.0	1,361.0	188.0	77.0	2,129.0	1,115.0	25,121.9	276.0	34,410.9
Receivables	21.0	1.0	3.0	1.0	-	27.0	8.0	159.1	2.0	222.1
Payables	(6.0)	(1.0)	(1.0)	(1.0)	-	(2.0)	(2.0)	(268.0)	-	(281.0)
Plant & Equipment	-	-	-	-	-	-	-	0.2	-	0.2
Tax Liabilities	-	-	-	-	-	-	-	(138.4)	-	(138.4)
Net Assets	3,811.0	347.0	1,363.0	188.0	77.0	2,154.0	1,121.0	24,874.8	278.0	34,213.8

YEAR ENDED 30 JUNE 2007

Net Market Value 2007

	USD A\$m	CAD A\$m	JPY A\$m	CHF A\$m	SEK A\$m	EUR A\$m	GBP A\$m	AUD A\$m	Other A\$m	TOTAL A\$m
Financial assets and liabilities at net market value through profit and loss	4,350.8	296.3	1,342.3	200.4	95.5	2,151.3	1,249.5	29,031.1	221.4	38,938.6
Receivables	19.5	0.6	1.4	2.0	-	4.0	6.8	229.5	0.4	264.2
Payables	(14.0)	(2.2)	(1.8)	(0.5)	(0.2)	(1.4)	(6.6)	(320.8)	-	(347.5)
Plant & Equipment	-	-	-	-	-	-	-	0.2	-	0.2
Tax Assets	-	-	-	-	-	-	-	61.3	-	61.3
Tax Liabilities	-	-	-	-	-	-	-	(329.8)	-	(329.8)
Net Assets	4,356.3	294.7	1,341.9	201.9	95.3	2,153.9	1,249.7	28,671.5	221.8	38,587.0

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (Continued)

a) Market Risk (Continued)

a.1) Currency Risk (Continued)

The currency risk disclosure reflects the Fund's assets that are subject to active currency management. These assets comprise both directly held investments and most of the assets held indirectly through unit trusts.

A 15 per cent strengthening of the Australian Dollar against the following currencies at financial year end would have increased (decreased) the Fund's Net Assets and Change in Net Assets by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In practice, STC partially hedges against the adverse effects of currency movements. The analysis is calculated on the same basis for 2008 and 2007 –

All amounts are in Australian Dollars	Net Assets	Change in
	30-Jun-08	Net Assets
	\$'m	30-Jun-08
		\$'m
USD	(139)	(139)
CAD	(6)	(6)
JPY	(88)	(88)
CHF	-	-
SEK	(2)	(2)
EUR	(117)	(117)
GBP	(63)	(63)
Other	(4)	(4)
	(419)	(419)
	Net Assets	Change in Net
	30-Jun-07	Assets
	\$'m	30-Jun-07
		\$'m
USD	(121)	(121)
CAD	(6)	(6)
JPY	(76)	(76)
CHF	-	-
SEK	(2)	(2)
EUR	(101)	(101)
GBP	(33)	(33)
Other	(4)	(4)
	(343)	(343)

A 15 per cent weakening of the Australian Dollar against the above currencies at financial year end would have the equal but opposite effect on the above currencies to the amounts shown above, assuming that all other variables remain constant.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (Continued)

a.2) Interest Rate Risk

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

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

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (Continued)

a.2) Interest Rate Risk (Continued)

YEAR ENDED 30 JUNE 2008 – INTEREST RATE RISK DISCLOSURE

	Floating Interest	Fixed Interest	Non Interest Bearing	Total (per Statement of Net Assets)
	A\$m	A\$m	A\$m	A\$m
Assets				
Short Term Securities	2,542.9	-	-	2,542.9
Australian Fixed Interest	-	3,177.5	-	3,177.5
International Fixed Interest	-	2,533.6	-	2,533.6
Australian Equities	-	-	10,835.6	10,835.6
International Equities	-	-	7,857.2	7,857.2
Property	-	-	3,468.6	3,468.6
Alternatives	192.2	15.3	3,809.0	4,016.5
Receivables	-	-	202.0	202.0
Plant and Equipment	-	-	0.2	0.2
Total Assets	2,735.1	5,726.4	26,172.6	34,634.1
Liabilities				
Reserve Units	-	-	4.2	4.2
Payables	-	-	277.7	277.7
Current Tax Liabilities	-	-	66.7	66.7
Deferred Tax Liabilities	-	-	71.7	71.7
Total Liabilities	-	-	420.3	420.3
Net Assets	2,735.1	5,726.4	25,752.3	34,213.8

YEAR ENDED 30 JUNE 2007 – INTEREST RATE RISK DISCLOSURE

	Floating Interest	Fixed Interest	Non Interest Bearing	Total (per Statement of Net Assets)
	A\$m	A\$m	A\$m	A\$m
Assets				
Short Term Securities	4,699.7	-	-	4,699.7
Australian Fixed Interest	-	3,038.3	-	3,038.3
International Fixed Interest	-	2,409.6	-	2,409.6
Australian Equities	-	-	13,042.5	13,042.5
International Equities	-	-	9,334.7	9,334.7
Property	-	-	3,397.1	3,397.1
Alternatives	227.2	14.0	2,775.5	3,016.7
Receivables	-	-	264.2	264.2
Plant & Equipment	-	-	0.2	0.2
Current Tax Asset	-	-	61.3	61.3
Total Assets	4,926.9	5,461.9	28,875.5	39,264.3
Liabilities				
Reserve Units	-	-	4.6	4.6
Payables	-	-	342.9	342.9
Deferred Tax Liabilities	-	-	329.8	329.8
Total Liabilities	-	-	677.3	677.3
Net Assets	4,926.9	5,461.9	28,198.2	38,587.0

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (Continued)

a.2) Interest Rate Risk (Continued)

The effect of a 175 basis point increase in interest rates for variable rate financial assets and liabilities and a 175 basis point increase in interest rates for fixed interest securities is as follows. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is calculated on the same basis for 2008 and 2007 –

All amounts are in Australian Dollars	Net Assets 30-Jun-08 \$'m	Change in Net Assets 30-Jun-08 \$'m
Floating Interest	51	51
Fixed Interest	(372)	(372)
	(321)	(321)
	Net Assets	Change in
	30-Jun-07	Net Assets
	\$'m	30-Jun-07
	\$'m	\$'m
Floating Interest	63	63
Fixed Interest	(405)	(405)
	(342)	(342)

A 175 basis point decrease in interest rates at financial year end would have the equal but opposite effect on the above amounts, assuming all other variables remain constant.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (Continued)

a.3) Price Risk

Price risk is the risk that the total value of investments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment and/or its issuer or all factors affecting all instruments traded in the market.

As the majority of the Fund's financial instruments are carried at net market value in the Statement of Net Assets and all changes in net market value are recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect net assets and changes in net assets.

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

The following table illustrates the effect from possible changes in price risk that were reasonably possible based on the risk to which the Fund was exposed. The analysis is calculated on the same basis for 2008 and 2007 –

All amounts are in Australian Dollars			
	Change in Price Risk Variable	Net Assets 30-Jun-08 \$'m	Change in Net Assets 30-Jun-08 \$'m
	+		
Australia	39%	6,669	6,669
International	39%	1,928	1,928
		8,597	8,597
	Change in Price Risk Variable	Net Assets	Change in Net Assets
	+	30-Jun-07 \$'m	30-Jun-07 \$'m
Australia	39%	7,120	7,120
International	39%	2,329	2,329
		9,449	9,449
All amounts are in Australian Dollars			
	Change in Price Risk Variable	Net Assets 30-Jun-08 \$'m	Change in Net Assets 30-Jun-08 \$'m
	-		
Australia	21%	(3,591)	(3,591)
International	21%	(1,038)	(1,038)
		(4,629)	(4,629)
	Change in Price Risk Variable	Net Assets	Change in Net Assets
	-	30-Jun-07 \$'m	30-Jun-07 \$'m
Australia	21%	(3,834)	(3,834)
International	21%	(1,254)	(1,254)
		(5,088)	(5,088)

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements

for the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (Continued)

b) Credit Risk

Credit (or counterparty) risk is the risk that a counterparty will fail to perform contractual obligations to a financial instrument and cause the Fund to incur a financial loss.

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

- the holding of non-equity securities (i.e. short term securities, Australian fixed interest securities, international fixed interest securities and cash)
- contributions receivable
- accrued income
- margin call deposits
- investment sales.

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

For short term securities, Australian fixed interest securities, international fixed interest securities and cash, STC controls credit risk by explicitly setting out in its investment instructions the assets that fund managers may invest in. The restrictions are based around rating agency assessments and/or the securities that make up the relevant industry benchmark for the sector being invested in. For forward foreign exchange contracts, investment managers must deal only with counterparties that have greater than nominated rating agency assessment and are also limited to relative dollar limits with any particular counterparty to ensure that credit risk is well diversified.

Credit risk associated with contributions receivable, margin call deposits and investment sales is minimal as all have a short settlement period and –

- for contributions receivable, employer sponsors are compelled by legislation to make the payments with STC following up instances of non or late payment
- for margin call deposits STC transacts only with counterparties rated as credit worthy by credit rating agencies
- for investment sales, in line with market practice the Fund's custodian does not release the sold assets until full payment has been received from the purchaser.

STC accepts the credit risk for accrued income.

The Fund does not have significant concentrations of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. No individual investment exceeded five percent of the Fund's net assets during the years ended 30 June 2008 or 30 June 2007.

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements for the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (Continued)

c) Liquidity Risk

Liquidity risk is risk that the Fund will not be able to meet its financial obligations as they fall due.

Benefits are guaranteed by the participating employers and ultimately the Crown. The relevant statutes require that all benefits be paid in full when they fall due.

In managing liquidity risk STC continuously monitors forecast and actual cash flows, including amounts expected from the Crown. Forecast cash flows are based around the triennial actuarial assessment of the Fund, adjusted for actual cash flows. STC is able to estimate benefit outflows because most members cannot roll out of the Fund at will, but rather must satisfy a condition of release. The Fund maintains banking facilities adequate to allow the payment of its obligations as they fall due.

The Fund's investment strategy requires that approximately seven percent of assets be maintained as cash. Further, with the exception of alternative investments and unlisted property (approximately 18% of the Fund) all other assets are readily convertible to cash.

With the exception of reserve units the Fund's financial liabilities will all be settled within 12 months of 30 June.

d) Net Fair Value Disclosures

The Statement of Net Assets is prepared in accordance with AAS 25 – *Financial Reporting by Superannuation Plans*. All investment assets are valued at net market values at 30 June 2008. All other assets and other liabilities are recorded at historical cost which, in the opinion of the Trustees, approximates their net market value.

The following table states the net market values and fair values of assets and liabilities at 30 June.

Disclosure of Financial Assets held at Fair Value Comparable to Net Market Value

Assets	Fair Value 30-Jun-08 \$'m	Net Market Value 30-Jun-08 \$'m	Fair Value 30-Jun-07 \$'m	Net Market Value 30-Jun-07 \$'m
Held for trading				
Derivative Financial Instruments				
Futures and Options	2	2	-	-
Swaps	-	-	-	-
FFX	35	35	113	113
Total held for trading	37	37	113	113
Assets at fair value through profit or loss				
Equities	13,414	13,382	18,047	18,014
Unlisted Unit Trusts	10,384	10,353	7,120	7,116
Short Term Securities	2,874	2,874	4,445	4,444
Fixed Interest Securities	4,972	4,972	5,411	5,409
Direct Property	2,198	2,195	3,405	3,401
Total assets through profit or loss	33,842	33,776	38,428	38,384
Total financial assets held at fair value through profit or loss	33,879	33,813	38,541	38,497

SAS TRUSTEE CORPORATION POOLED FUND

Notes to and forming part of the financial statements
for the year ended 30 June 2008

19. FINANCIAL INSTRUMENTS (Continued)

d) Net Fair Value Disclosures (Continued)

Disclosure of Financial Liabilities held at Fair Value Comparable to Net Market Value

Liabilities	Fair Value 30-Jun-08 \$'m	Net Market Value 30-Jun-08 \$'m	Fair Value 30-Jun-07 \$'m	Net Market Value 30-Jun-07 \$'m
Held for trading				
Derivative Financial Instruments				
Futures and Options	2	3	12	10
Swaps	-	-	-	-
FFX	31	31	23	23
Total held for trading	33	34	35	33
Liabilities at fair value through profit or loss				
Equities	-	-	-	-
Unlisted Unit Trusts	-	-	-	-
Short Term Securities	-	-	-	-
Fixed Interest Securities	-	-	-	-
Direct Property	-	-	18	18
Total liabilities through profit or loss	-	-	18	18
Total financial liabilities held at fair value through profit or loss	33	34	53	51

20. EVENT AFTER REPORTING DATE

The Fund's custodian has advised that as at 31 July 2008 the net investment assets of the Fund were \$34,027.5 million. Since 30 June 2008 the Fund's investments have made a return of approximately –

- Growth -1.0%
- Conservative Growth 0.2%
- Balanced -0.4%
- Cash 0.6%

End of Audited Financial Report

Compliance index for disclosure requirements

In accordance with the *Annual Reports (Statutory Bodies) Regulation 2005*, this index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

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HOW TO CONTACT STATE SUPER



STATE SUPER
SAS Trustee Corporation

ABN: 29 239 066 746



ABN: 80 976 223 967

CUSTOMER SERVICE

8.30 am to 5.30 pm, Monday to Friday for the cost of a local call (except from a mobile or pay phone)

State Authorities Superannuation Scheme (SASS)	1300 130 095
State Superannuation Scheme (SSS)	1300 130 096
Police Superannuation Scheme (PSS)	1300 130 097
Pensioners	1300 652 113
Deferred Benefits	1300 130 094

PERSONAL INTERVIEW SERVICE

For an interview appointment in Sydney, call (02) 9238 5540.

You can also arrange interviews at:

Newcastle (telephone: 1800 807 855)

Parramatta (telephone: 1800 626 000)

Port Macquarie (telephone: 1800 676 839)

Wollongong (telephone: 1800 060 166)

FAX SERVICE

(02) 4253 1688

INTERNET

www.statesuper.nsw.gov.au

EMAIL

enquiries@stc.nsw.gov.au

MAILING ADDRESS

For Customer Service and Pillar Administration:
PO Box 1229 Wollongong NSW 2500

For SAS Trustee Corporation (the Trustee Board) and the Office of the Full-time Board member:

PO Box N259, Grosvenor Place NSW 1220

COMPLAINTS AND DISPUTES

If you have a question about your account or benefits, initially contact Customer Service. If you are dissatisfied with an administrative action, you may lodge a complaint with the scheme administrator (Pillar Administration).

If you feel you have been unfairly treated or are disadvantaged by a decision of the scheme administrator relating to a benefit entitlement, you may lodge a notice of dispute with the Trustee Board. A notice of dispute must be served on STC **within 2 years** after you have been notified in writing of the right to dispute the decision. Send the notice to the **Manager Disputes and Appeals, SAS Trustee Corporation (STC), PO Box N259, Grosvenor Place NSW 1220**.

You may then be requested to clarify certain details relating to your dispute and to provide additional supporting evidence. Your dispute will then be referred to the Trustee's Disputes Committee for consideration.

You will be notified of the outcome of the Disputes Committee review.

If you are dissatisfied with the Trustee Board's review of that decision, you may lodge an appeal with the Industrial Court of NSW within 6 months of being notified of the outcome of the review, or within a further time allowed by the Court.

(The Commonwealth Superannuation Complaints Tribunal does not action STC member complaints.)

This report contains general information. Relevant information is subject to the Acts that govern the Schemes mentioned in this report and those Acts will prevail to the extent of any inconsistency. In preparing the report, SAS Trustee Corporation (STC) has not taken into account your objectives, financial situation or needs and, because of this, 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 and exclude liability for any decision taken on the basis of information contained in or omitted from this report. STC cannot guarantee any particular rate of return and past investment performance is not a reliable guide to future investment performance.