

# STATE SUPER RETIREMENT FUND

ABN 86 664 654 341



## Annual Report 2015



More Offices | Increased Services | Better Value

State Super Financial Services Australia Limited | ABN 86 003 742 756 | AFS Licence 238430  
State Super Retirement Fund | ABN 86 664 654 341

## **State Super Retirement Fund**

State Super Financial Services Australia Limited (ABN 86 664 654 341) comprises of the following:

State Super Personal Retirement Plan

State Super Allocated Pension Fund

State Super Term Allocated Pension Fund

State Super Tailored Super Plan

State Super Flexible Income Plan

# STATE SUPER RETIREMENT FUND

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## Making better decisions about your future

At SSFS we give you time to think. We're here to answer your questions, listen to your concerns and importantly, make sure you get the advice you need.

## › Chairman and Managing Director's Report

2015 has been a great year for your portfolios and a busy year for our business.

We delivered strong investment returns and made significant progress on our plans to improve our client experience and position our organisation for the future.

We're very pleased with the performance of our portfolios, which achieved strong returns for the third year in a row. Importantly, this performance demonstrates our expertise in managing money for retirees by delivering results that allow you to draw the income you need in retirement.

With continuing uncertainty and modest growth around the world, we are anticipating lower returns in the next year or two. In fact, we saw evidence of this recently when global markets fell during August driving by concerns about China's growth prospects. Whilst periods of market volatility can be concerning they are a normal part of investing. Throughout this period, we will remain focused on our disciplined approach to help smooth the ride.

2015 has also been an important year in the evolution of State Super Financial Services. We've embarked on a number of major initiatives that will enable us to deliver an even better experience to you, our clients.

### › A new look and change of name

One of these initiatives is a refresh of our brand. We're excited to have a new brand that looks and feels more like we do – generous, knowledgeable and positive.

The refresh is part of our focus on delivering an even better experience to you while we prepare for the future and make sure we move with the times.

You'll receive more information on our brand refresh in the coming months, but from the end of October you will start to see:

#### **A new name**

Our name is changing from State Super Financial Services to StatePlus.

#### **New colours**

We have a new logo and new colours that you will see on your correspondence from us, in our offices and on our website.

#### **A new website**

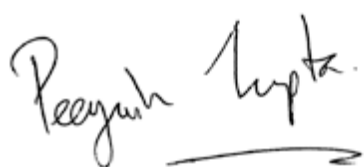
Our website will have a great new look. It will be easier to view on mobile and tablet devices and there'll be new information available for you to read.

The brand refresh has given us the opportunity to reflect on our values and renew our commitment to always putting our clients first. It's also reminded us of how proud we are of our public sector heritage, which has driven our culture of generosity and of always going the extra mile.

## › Ready for the future

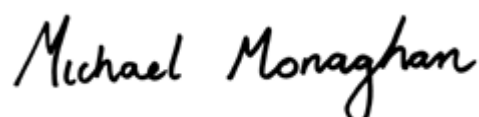
Beyond our brand refresh, we've also invested in other parts of our business including our technology and systems. You can read more about these initiatives in the section of this report titled Year In Review.

As we look to the year ahead, we are optimistic about the ability of State Super Financial Services to build on our successes and deliver an even better experience to you, our clients.



**Peeyush Gupta**

Chairman



**Michael Monaghan**

Managing Director

For more detailed investment insights and performance information refer to:

- The Q&A with our CIO, Damian Graham on page 5
- Performance of the Funds on page 14

## Key member statistics

During the 2015 Financial Year State Super Financial Services

- › Served over 60,000 clients
- › Issued 25,000 Statements of Advice
- › Introduced 4,700 new clients
- › Processed nearly 1 million transactions
- › Grew funds under management to \$16 billion

## > Company News

### > Year In Review

#### **Making it easier to get advice**

There is no denying that the internet and other technologies such as smart phones and tablets have changed the way people engage and communicate.

In a recent survey we conducted with our clients, many of you revealed you would like the option of receiving advice online and over the phone in addition to seeing a planner face-to-face.

We've taken this feedback on board and have made a significant investment in our systems, phone-based advice services and online service offerings. These changes will be rolled out in the coming 12 to 18 months to give you more choice in how and when you access information and advice from us.

As part of these initiatives we have recently launched our Client Hub, which offers extended business hours, from 8.15am to 8.15pm EST, Monday to Friday. The Client Hub allows you to discuss your needs with one of our specialists on the phone before making an appointment with a planner.

We're also making improvements to our secure client portal to make life easier and provide a more efficient and secure service.

Engaging with you digitally helps us support the environment by reducing the amount of paper we use each year. Of course, we understand that some of you like things the way they are and so we will continue to offer our services in traditional formats including paper statements where preferred.

#### **Leading the way on professionalism**

In April of this year, Jason Andriessen from State Super Financial Services was invited by The Association of Superannuation Funds of Australia to present to professionals and fund executives in the superannuation industry on what professionalism means in financial advice.

Jason's involvement in the event reflects our reputation for exceptional professionalism at a time when confidence in financial planning has been challenged. Throughout this disappointing period in our industry's history, our commitment to professionalism has remained steadfast and we continue to be leaders in setting and delivering the highest professional standards.

This has included our strong support of the federal government's inquiry into proposals to lift professional, ethical and education standards in the financial services industry. We have also made a submission to Assistant Treasurer Josh Frydenberg in response to the Parliamentary Joint Committee inquiry into professional, ethical and education standards in the financial services industry.

Our commitment to professionalism is driven by one very simple belief – advice matters. We believe that when you are in control of your money you have peace of mind and you can live a generous life, fully engaged with the things you care most about.



So what does professionalism mean at State Super Financial Services? In a nutshell, we believe a professional planner behaves ethically, has relevant education and experience, has a long-term perspective and is accountable for their actions.

We reinforce this by insisting that all of our financial planners are members of Australia's professional body, The Financial Planning Association of Australia, which administers the internationally recognised adviser qualification known as CERTIFIED FINANCIAL PLANNER® or CFP®.

## › Our Investment Beliefs

At State Super Financial Services, our primary role is to make sure each of our clients gets the best outcomes. We know that every dollar we save for you, and every dollar we make for you, is extra money in retirement.

Our focus on retirement is reflected in everything we do from the design of our products and services to how we manage money. In this Q&A, our Chief Investment Officer Damian Graham provides some insight into what it means to manage money when a focus on risk and income is paramount.

### **Damian, can you tell us what's different about investing for retirement?**

Every investor faces the risk of losing money. And whilst it's a situation most people want to avoid, the outcome can be particularly devastating for a retiree or someone approaching retirement.

It's much harder to recover losses when you are already drawing on your portfolio (instead of adding to it) or you only have a few years of work left. Just one year of poor returns can lead to a significant dent in your portfolio and seriously impact your plans for the future.

When the money is held in super, retirees face sequencing risk. This is when the order and timing of returns affects how much money is available later on. Negative investment returns early on in retirement can be particularly damaging. This is why managing volatility is crucial for retirees.

### **How does this influence the way in which State Super Financial Services manages investments?**

Our focus is on improving the financial wellbeing of our clients. Here in the investment team, we contribute to this by delivering investment outcomes that support the work you do with your financial planner.

Our approach is to prioritise strategies that generate returns over and above the rate of inflation rather than seeking the highest returns possible. We want to smooth the journey for you by delivering solid returns at appropriate levels of risk.

We also seek to manage the key investment risks faced by a retiree which include increases in the cost of living (inflation risk), running out of money too soon (longevity risk) and sequencing risk, which I mentioned earlier.

By doing all of this, you will find the income from your portfolio lasts longer.



### **What have you and the investment team focused on over the past 12 months?**

At State Super Financial Services, we're always on the lookout for opportunities to improve the outcomes we deliver. This includes how we go about investing in order to deliver on our core belief of preserving capital.

During the past 12 months, this has seen us evolve and diversify the types of investments we can use in your portfolios. Having greater choice gives us the ability to reduce potential losses and the length of time to recover when more traditional asset classes, such as shares and bonds, are performing poorly.

We believe our focus on risk and effective use of diversification will produce long-term benefits for you. This is especially true for the next few years, as many asset classes are fully priced and unlikely to deliver the same strong returns of the last few years. Heightened market volatility is never too far away, as we have seen very recently, so it is crucial to stay disciplined and maintain your long-term plan.

We've also made a change to our investment beliefs this year to include a greater focus on Environmental, Social and Governance (ESG) issues. We believe that integrating ESG risks into our investment strategy will improve the long-term, risk adjusted performance of our portfolios and positively contribute to our primary purpose of aiding your financial wellbeing.

### › **Contributing to our communities**

Every Friday for almost 10 years, financial planner Susan Stephens from our Penrith office has visited a local aged care facility with her therapy dog Lucy. Susan and Lucy made their way around the centre to help brighten the day of the 95 residents who live there.

Sadly after a short battle with cancer, Lucy passed away recently. Susan now has a new dog Rosie, who is just 14 months old and like Lucy was rescued from the pound. Rosie is undergoing training so that hopefully she too can become a therapy dog and visit the aged care facility with Susan.

Susan performs this role as part of her long-term support for Delta Society Australia which believes that the human-animal bond can make a remarkable improvement to a person's quality of life, health and wellbeing.

Susan's work with Delta Society Australia is an example of our approach to community engagement. We believe everyone has a role in helping enrich their local communities and, through our Corporate Giving Program, we support people like Susan to make a difference in the lives of others.

In the table on the next page, we've captured some of the other causes our people have supported during the past 12 months.



Supports	Regional office involved
<p><b>Cancer Council</b> Raising funds for research, prevention and support services for those affected by cancer by participating in Relay for Life and Australia's Biggest Morning Tea.</p>	<p>Tamworth, Canberra &amp; Sydney</p>
<p><b>Ovarian Cancer Australia</b> Raising awareness of ovarian cancer through a morning tea involving 300 of our staff.</p>	<p>Company wide</p>
<p><b>Suicide Memorial Day</b> Participating in the Walk of Hope to bring hope to people whose lives have been affected by someone taking their own life.</p>	<p>Ballina</p>
<p><b>Delta Society Australia</b> Aiding the health and wellbeing of people living in aged care facilities through the use of companion dogs.</p>	<p>Penrith</p>
<p><b>International Women's Day</b> Supporting the Zonta Club of Port Macquarie's project to assemble birthing kits for women in third-world countries.</p>	<p>Port Macquarie</p>
<p><b>Wagga Wagga Takes Two</b> Organising a showcase production of local singers in order to raise funds for 12 different charities.</p>	<p>Wagga Wagga</p>
<p><b>St Vincent De Paul</b> Participating in the Vinnies CEO Sleepout to help increase the profile of homelessness and raising funds for Vinnies' homeless services.</p>	<p>Sydney</p>

## > Your Directors

### > Peeyush Gupta

**Chairman of the Board**

**Member of the Investment Committee**

**Member of the Human Resources Committee**

Peeyush is Chairman of the Board. He was a co-founding Director and inaugural Chief Executive Officer of Ipac Securities Limited, a pioneering and leading Australian wealth management firm.

Since 2009, Peeyush has pursued a portfolio career, including boards, consulting and investing activities. He is a director of National Australia Bank Limited, and also sits on the boards of NAB's Wealth Management Holdings including MLC Life and subsidiaries, as well as, BNZ Life, Charter Hall Direct Property, SIRCA, SBS, Safety Return to Work and Support, and Quintessence Labs.

Peeyush has a degree in Computer Science and a Master of Business Administration in Finance. He is an alumnus of Harvard University and London Business School and is a Fellow of the Australian Institute of Company Directors.



### > Michael Monaghan

**Managing Director**

**Member of the Enquiries and Complaints Committee**

**Member of the Investment Committee**

Michael is the Managing Director of State Super Financial Services Australia Limited and a Director of HammondCare and HammondCare Health and Hospitals Limited.

He is an actuary and has over 30 years' experience in superannuation, banking, funds management and investment consulting. He has previously been a partner of Deloitte Touche Tohmatsu, Chief Executive Officer of Intech Investment Consultants and held senior executive positions with Deutsche Bank, IBM and Lend Lease Corporation.

Michael has an Arts Degree, is a Fellow of the Institute of Actuaries (Australia), Fellow of the Institute and Faculty of Actuaries (UK) and is a Fellow of the Australian Institute of Company Directors.



## > Alex Claassens

**Chairman of Enquiries and Complaints Committee**

**Member of the Audit, Risk and Compliance Committee**

**Member of the Due Diligence Committee**

Alex is passionate about the transport industry and he has worked at the heart of public sector transport for all his working life. He began his career as a train driver on the NSW rail network and remains a qualified passenger train and steam locomotive driver to this day.

He is the NSW Branch Secretary of the NSW Rail, Tram and Bus Union. He has long been a committed advocate for the rights of transport workers and joined the union as a delegate in 1992. He moved on to a number of leadership positions within the union before being elected to the top job in 2010.

He is an executive member of the National Rail, Tram and Bus Union and has been a director of Encompass Credit Union since 2009. He has been a non-executive director of SAS Trustee Corporation since 2012 and is on the Executive of Unions NSW.



## > Michael Lambert

**Chairman of the Audit, Risk and Compliance Committee**

**Member of the Due Diligence Committee**

**Member of the Investment Committee**

**Michael Lambert's appointment ceased on 16 June 2015**



> **Tony O’Grady**

**Member Enquiries and Complaints Committee**

Tony has a background in the health industry with over 30 years’ experience in the sector. He trained and worked as a Registered Nurse in the public sector prior to commencing with the New South Wales Nurses and Midwives’ Association in 1987. He has advocated for, and represented, nurses in various roles throughout that period.

Tony is the Manager, Projects and Compliance for the New South Wales Nurses and Midwives’ Association. In his current role he is responsible for the Finance, Information Technology and Information and Records Management Departments for the Association, as well as managing insurances and a variety of compliance related areas.

He was first appointed as a director of an industry superannuation fund in 2005 and has been a non-executive director of SAS Trustee Corporation since August 2013.

As well as his nursing qualifications, Tony has tertiary qualifications in employment relations.

**Appointed 21 May 2015**



> **Fiona Pak-Poy**

**Member of the Investment Committee**

**Member of the Human Resources Committee**

Fiona is a professional non-executive director, with experience investing and guiding technology companies in a variety of industries. She has worked as an executive, board member or investor with start-ups to ASX 100 and Fortune 500 companies, based in the US and Australia, in industries including financial services, telecom, media and healthcare. She has practiced as an engineer, been an entrepreneur, a management consultant, and a General Partner for an Australian venture capital fund.

She is a non-executive director of iSentia Ltd, an Australasian media intelligence company. She Chairs iSentia’s Remuneration Committee and is a member of the Risk and Audit Committee. She is also a board member of Adelaide Research and Innovation.

Fiona holds an Honours degree in Engineering from the University of Adelaide and an MBA from Harvard Business School. She is also a graduate of the Australian Institute of Company Directors.

**Fiona Pak-Poy was appointed 21 May 2015**

**On and from 1 July 2015, Fiona became Chair of the Human Resources Committee**



## > Paul Scully

**Chairman of the Investment Committee**

**Member of the Audit, Risk and Compliance Committee**

**Member of the Due Diligence Committee**

Paul is the Managing Director of Decision Horizons, a consulting enterprise through which he offers his services based on 36 years of experience in financial services and investment management. Paul is an actuary 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. Paul is a non-executive Director of SAS Trustee Corporation, Australian Poetry Limited and Vantage Private Equity Growth Limited and an independent member of APPF Retail, Commercial and Industrial Investor Review Committees and the Investment Sub-Committee, Finance and Investment Committee of the Children's Medical Research Institute.

He has lectured at Macquarie University, is a member of the Actuaries Institute Retirement Incomes Working Group and Bachelor of Arts in Actuarial Studies and is a Fellow of the Institute of Actuaries of Australia and Australia Institute of Company Directors.



## > George Venardos

**Chairman of the Audit, Risk and Compliance Committee  
(Appointed 9 February 2015)**

**Chairman of the Human Resources Committee**

**Member of the Human Resources Committee**

George is an experienced independent non-executive Director with over 30 years in senior management roles in large financial services organisations.

He is currently a non-executive Director of IOOF Holdings Ltd, Perennial Investment Partners Ltd, Perennial Value Management Ltd, Lawcover Pty Limited, Ardent Leisure Ltd, and he is the non-executive Chairman of Blu Glass Ltd and Guild Group Holdings Ltd.

His former positions include Group Chief Financial Officer of Insurance Australia Group, Chairman of the Finance and Accounting Committee of the Insurance Council of Australia and he was Finance Director of Legal and General Group in Australia.

He has been a non-executive Director of SAS Trustee Corporation since 2012 and a trustee of Guild Trustee Services since 2009. He has a Bachelor of Commerce from the University of New South Wales and is a Fellow of The Institute of Chartered Accountants in Australia, the Australian Institute of Company Directors and The Taxation Institute of Australia. He holds a Diploma in Corporate Management and is a Fellow of the Governance Institute of Australia.



**George Venardos was appointed on 1 July 2014**

**On and from 1 July 2015, George Venardos is no longer Chair of the Human Resources Committee  
(but remains a member of the Committee)**

> **Martin Walsh**

**Member of the Audit, Risk and Compliance Committee**

Martin has been a Partner in the professional accounting firms of Ernst & Young and Deloitte Touche Tohmatsu for over 25 years with international experience in the US, Oceania and East Asia practice offices across multiple industries, including Financial Services.

He has been responsible for the audit and compliance obligations of Major Retail Superannuation Funds, Major Industry Superannuation Funds and SMSF Platform Superannuation Operations and Entities. In addition, he has been responsible for assurance services to the largest custodian and the largest superannuation member administrator in Australia for the past 10 years together with advisory services to multiple asset management and superannuation clients.

Martin is a Graduate of the University of Melbourne, Fellow of the Institute of Chartered Accountants and a Graduate of the Institute of Company Directors as well as being on the Board of Surf Lifesaving Australia and Chairman of the National Surf Lifesaving Foundation.

**Appointed 21 May 2015**



> **Sue Walsh**

**Member of the Audit, Risk and Compliance Committee**

**Member of the Due Diligence Committee**

**Member of the Human Resources Committee.**

**Sue Walsh's appointment ceased on 24 March 2015**



## > Our Custodian

We have appointed an independent organisation as custodian to hold all of the Funds' assets. The current custodian is:

JPMorgan Chase Bank, N.A.  
ABN 43 074 112 011  
Level 18  
85 Castlereagh Street  
Sydney NSW 2000

JPMorgan Chase Bank, N.A., is a market leader and one of the world's largest custodians. They hold over \$20 trillion in assets under custody for institutional investors around the world. In Australia, they are a market leader in providing custody services for some of Australia's largest institutional investors.

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## › Performance of the Funds

### › RETURNS OF THE FUNDS for the period ending 30 June 2015 (Net of fees and taxes)

#### State Super Personal Retirement Plan

	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr	Since inception	Inception Date
<b>Cash</b>	1.6	1.6	1.7	2.4	2.7	3.3	3.9	16/04/1990
<b>Fixed Interest</b>	3.6	4.1	3.5	-	-	-	4.5	20/07/2011
<b>Capital Stable</b>	3.7	3.8	4.1	4.2	4.2	4.1	5.7	19/04/1990
<b>Moderate</b>	6.1	6.7	7.3	-	-	-	6.6	20/07/2011
<b>Balanced</b>	8.0	9.1	10.5	8.2	5.7	5.5	6.7	22/04/1990
<b>Growth</b>	9.9	12.2	14.7	10.5	6.1	6.0	5.5	10/05/1997
<b>Growth Plus</b>	11.9	14.1	16.2	-	-	-	11.5	20/07/2011
<b>Australian Equities</b>	6.4	10.7	14.0	-	-	-	10.2	18/07/2011
<b>International Equities</b>	17.2	17.3	19.4	-	-	-	15.2	26/07/2011

#### State Super Allocated Pension Fund and Term Allocated Pension Fund

	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr	Since inception	Inception Date
<b>Cash</b>	1.8	1.8	2.0	2.7	3.0	3.7	4.2	29/01/1994
<b>Fixed Interest</b>	3.9	4.6	3.9	-	-	-	5.0	18/07/2011
<b>Capital Stable</b>	4.0	4.3	4.7	4.8	4.8	4.7	5.4	25/01/1994
<b>Moderate</b>	6.5	7.4	8.0	-	-	-	7.2	20/07/2011
<b>Balanced</b>	8.7	10.1	11.4	9.0	6.4	6.2	6.4	25/01/1994
<b>Growth</b>	11.0	13.3	15.3	11.1	6.8	6.6	6.4	10/05/1997
<b>Growth Plus</b>	12.3	15.0	17.5	-	-	-	13.0	18/07/2011
<b>Australian Equities</b>	7.4	12.0	15.7	-	-	-	8.9	20/07/2011
<b>International Equities</b>	18.5	18.9	21.2	-	-	-	15.8	20/07/2011



### State Super Tailored Super Plan

	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr	Since inception	Inception Date
<b>Cash</b>	2.3	2.3	-	-	-	-	2.2	2/04/2013
<b>Fixed Interest</b>	4.1	4.7	-	-	-	-	3.5	2/04/2013
<b>Capital Stable</b>	4.3	4.4	-	-	-	-	3.9	2/04/2013
<b>Moderate</b>	6.8	7.2	-	-	-	-	6.5	2/04/2013
<b>Balanced</b>	8.7	9.5	-	-	-	-	9.1	2/04/2013
<b>Growth</b>	11.0	12.7	-	-	-	-	11.8	2/04/2013
<b>Australian Equities</b>	7.3	11.0	-	-	-	-	7.8	2/04/2013
<b>International Equities</b>	18.0	18.0	-	-	-	-	17.2	2/04/2013

### State Super Flexible Income Plan

	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr	Since inception	Inception Date
<b>Cash</b>	2.3	2.4	-	-	-	-	2.3	2/04/2013
<b>Fixed Interest</b>	4.4	5.2	-	-	-	-	4.0	2/04/2013
<b>Capital Stable</b>	4.8	5.0	-	-	-	-	4.4	2/04/2013
<b>Moderate</b>	7.3	8.1	-	-	-	-	7.1	2/04/2013
<b>Balanced</b>	9.4	10.7	-	-	-	-	9.4	2/04/2013
<b>Growth</b>	11.9	14.0	-	-	-	-	12.8	2/04/2013
<b>Australian Equities</b>	8.2	12.6	-	-	-	-	8.8	2/04/2013
<b>International Equities</b>	19.2	19.6	-	-	-	-	16.1	2/04/2013

The returns set out above are compound average annual returns and have been calculated after deducting fees and expenses payable by each Fund.

Returns are calculated based on the movement of a Fund's unit price over the relevant period.

Past performance is not a reliable predictor of future investment returns. Markets can be volatile and can move rapidly up and down.

These performance returns do not take into consideration your individual transactions and therefore, may not fully reflect your investment experience.

### Inflation

Inflation	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr
<b>Cash</b>	1.6	2.4	2.4	2.4	2.3	2.7

## ➤ Important Information about your Super

### Temporary Budget Repair Levy

An additional 2% Temporary Budget Repair Levy is payable on taxable income over \$180,000. This raises the effective top marginal tax rate to 49% (also including Medicare Levy) from 1 July 2014 until 30 June 2017, impacting a number of tax rates that are aligned to the top marginal tax rate, such as the tax levied on excess non-concessional contributions.

### Contributions

The Government limits the amount of concessional taxed contributions that can be made to your superannuation. These limits are called 'contribution caps'. Additional tax may be payable if you exceed the caps.

There are two contribution caps:

- ◆ a 'concessional contributions' cap
- ◆ a 'non-concessional contributions' cap.

To assist people who are close to retirement, the government has reintroduced a flat age based higher concessional contribution cap. The new caps are shown in the table below:

Age	Concessional Contribution Cap
Under 50	\$30,000
50 and over	\$35,000

### Tax on contributions in excess of the concessional contributions cap

Previously, contributions in excess of the annual concessional contribution cap were taxed at the highest marginal tax rate, effectively a penalty rate for any taxpayer who is not on the top tax rate, which was seen by many in the industry as unduly harsh. The Government responded to industry concerns and from 1 July 2013, contributions that are in excess of the annual cap are now automatically taxed at marginal tax rates, plus a small interest charge (to reflect the fact tax on excess contributions is collected later than income tax). The individual can choose: to pay the tax bill from their own sources; use their superannuation monies to pay the extra tax; or fully release the after-tax excess concessional contribution from superannuation.

This benefits those who are close to retirement by allowing them to top-up their super without the risk of breaching cap limits and being excessively penalised.

### Tax on contributions in excess of the non-concessional contributions cap

Previously, contributions in excess of the non-concessional contribution cap were taxed at the highest marginal tax rate (46.5% for 2013/14, 49% for 2014/15), a penalty rate which was seen by many in the industry as unduly harsh. The Government responded to industry concerns and from 1 July 2013, members who have exceeded the annual cap have the option of refunding excess contributions. No penalty tax is payable on the excess contributions and the associated earnings are taxed at the member's marginal tax rate. Members who do not take up the option to have the excess contributions (and associated earnings) refunded have the excess contributions taxed at the highest marginal tax rate.

This benefits those who are close to retirement by allowing them to top-up their super without the risk of breaching cap limits and being excessively penalised.

### Contributions tax rebate for low income earners

For low income earners there is little incentive to make concessional contributions to superannuation as income is effectively taxed at the same or lower rate. As such, the Government started a Super Tax Rebate on 1 July 2013, of up to \$500 on all concessional contributions to individuals with an adjusted taxable income of up to \$37,000. The rebate is paid back into the individual's account as a preserved amount and does not count against any contribution caps.

However, this rebate for contributions will be scrapped from 1 July 2017.

### Superannuation Guarantee

The first increase in the Superannuation Guarantee in 11 years came into effect on 1 July 2013 with the aim of increasing it to 12% p.a. In September 2014 the Government delayed further increases in the Superannuation Guarantee until 2021. The table below outlines the current timetable for increases in the level of the Superannuation Guarantee:

Financial Years	Rate
2013-14	9.25%
2014-15	9.5%
2015-16	9.5%
2016-17	9.5%
2017-18	9.5%
2018-19	9.5%
2019-20	9.5%
2020-21	9.5%
2021-22	10%
2022-23	10.5%
2023-24	11%
2024-25	11.5%
2025-26	12%

Further, the SG age limit of 70 was removed effective 1 July 2013, and employers are now required to contribute to a complying super fund for eligible mature age employees aged 70 and older.

### Terminal Illness Condition of Release

From 1 July 2015, the Government has extended access to super for people with a terminal medical condition. In order to gain unrestricted access to super benefits under this condition of release, members must have two medical practitioners (with at least one of the certifying practitioners a specialist in the area relating to the member's illness or injury) certify that they are likely to die within two years. Prior to 1 July 2015, the time frame was limited to 12 months.

## › Investment Management

### › How do we manage your money in the unitised Funds?

We operate a multi-manager investment approach in which the assets of the unitised Funds are typically managed by external specialist investment managers, either directly or through a series of discrete investment trusts, of which we are the trustee. We regularly monitor the investment performance of each unitised Fund and the investment mandates of the investment managers. We may change investment managers from time to time without notice to you.

The assets you will have exposure to will depend on the unitised Fund(s) you choose to invest in.

### › Asset Allocation ranges

For each Fund we have set a minimum and maximum amount that can be invested in each asset class, called the asset allocation range, which is available on the State Super Financial Services website ([www.ssfs.com.au](http://www.ssfs.com.au)).

### › Strategic asset allocation

Each Fund has a medium to longer term target allocation of assets between the asset classes called the strategic asset allocation for the Fund, based on the investment objective (goal) of that Fund. We may review and vary a Fund's strategic asset allocation from time to time, consistent with the investment objective of each Fund without notice to you. However, the strategic asset allocation will be within the asset allocation range. We regularly review the assets associated with each Fund and, where necessary, take steps to buy and sell assets to maintain each Fund around its strategic asset allocation, as adjusted by any strategic tilt (see below).

The strategic asset allocations were reviewed and adjusted on 1 July 2015. To view the current strategic asset allocation please go to [www.ssfs.com.au/investment-approach](http://www.ssfs.com.au/investment-approach).

### › Strategic tilting

The strategic asset allocations for each Fund represent the medium to longer term target asset allocations of the Funds.

However, the short to medium term target asset allocations of the Funds in place at any particular time may vary from the target amounts set out in the tables on the State Super Financial Services website ([www.ssfs.com.au](http://www.ssfs.com.au)). This is because the trustee has adopted a strategic tilting approach to target asset allocations. When opportunities arise due to market movements, the trustee may make modest changes to the target asset allocation of one or more Funds with the intention improving the Fund's ability to meet its performance and risk objectives. Strategic tilts are generally in place for the short to medium term, and must be consistent with the investment objective and investment strategy for a Fund. Any strategic tilt will also be within the asset allocation range for the Fund.

Strategic tilting can be applied across, or within, asset classes and may also apply to the proportion of international asset exposure that is hedged back to Australian dollars.

The medium to longer term target strategic asset allocation remains unchanged when a strategic tilt is in place. When a strategic tilt ends, the target allocation of assets of a Fund returns to the strategic asset allocation.

Strategic tilts may be implemented from time to time and without prior notice.

The strategic asset allocation of the Funds in force at any particular time is available on the State Super Financial Services website ([www.ssfs.com.au](http://www.ssfs.com.au)) or you can obtain a copy without additional charge from your financial planner.

Strategic tilting is only applied to the Unitised Funds.

## › Actual Asset Allocation

The actual asset allocation of the funds changes on a regular basis. This can be due to market movements, timing of implementing changes to the strategic asset allocation or a strategic tilt. The actual asset allocation will typically be within the defined range for the Fund. Please refer to the State Super Financial Services website ([www.ssfs.com.au](http://www.ssfs.com.au)) for the latest asset allocation range.

The actual asset allocation for each Fund as at 30 June 2014 and 30 June 2015 is shown on pages 21- 33.

## › Derivatives

Derivatives are contracts between two parties providing for a payoff from one party to the other based on the price of a reference asset (e.g. a share price index). Derivatives may be used to manage risk. For example you may use derivatives to hedge exposure to assets denominated in a foreign currency. Derivatives may be used to gain exposure to assets more cost effectively than buying and selling directly (e.g. when transitioning a portfolio to a new investment manager or undertaking a Strategic Tilt). Derivatives can also be used to enhance returns from certain market movements. This can include leveraging your exposure to an asset or by synthetically selling an asset you do not own with the aim of profiting from a fall in price of the asset. This is often termed “short selling”.

## › Environmental, social and governance issues

We believe that Environmental, social and governance (ESG) issues may affect the performance of investment portfolios to varying degrees through time. We believe that companies that have a greater regard to ESG issues when making investment decisions (that is decisions about selecting, retaining or realising an investment) can increase returns to shareholders by properly managing risks while at the same time contributing to the sustainable development of the societies in which they operate.

Our aim is to incorporate ESG issues into our investment analysis and decision making processes and to seek to ensure appropriate disclosure and reporting on ESG matters.

We primarily entrust integration of ESG issues to the external investment managers we utilise. Whilst we currently do not require all investment managers to integrate ESG considerations into their investment process we consider a manager’s capabilities on ESG matters as part of our manager selection and review process. You can read our ESG policy on our website ([www.ssfs.com.au/esg](http://www.ssfs.com.au/esg)) or you can obtain a copy without additional charge from your financial planner.

Outcomes of Proxy Voting activity undertaken by investment managers are available on the website ([www.ssfs.com.au](http://www.ssfs.com.au)).

## › Investment Managers

The key to SSFS’ investment approach is disciplined monitoring and researching of our current investment managers and potential new managers who may provide more competitive, long-term investment outcomes aligned to the needs of our clients. Research confirms that past performance is a poor predictor of future investment performance so we focus on many factors to assess a fund manager’s overall capabilities. For example, we make regular formal reviews of our managers where we set the agenda for discussion and probe for any weaknesses in investment approach.

Sector Trust	Manager
<b>Cash</b>	BlackRock Investment Management (Australia) Limited
<b>Enhanced Cash</b>	Aberdeen Asset Management Limited Perpetual Limited
<b>Fixed Funds</b>	Deutsche Bank AG Flag Capital
<b>Alternatives</b>	AQR Standard Life Investments 36 South Capital Advisors LLP Invesco
<b>Australian Fixed Interest</b>	Omega Global Investors Macquarie Funds Group AMP Capital BlackRock Investment Management (Australia) Limited Metrics Credit Partners Deutsche Bank AG
<b>International Fixed Interest</b>	PIMCO Australia Pty Limited Deutsche Bank AG
<b>Australian Property</b>	DEXUS Property Group GPT Group EG Funds Management
<b>Global High Yield Debt</b>	Oaktree Capital Management
<b>Global Listed Property Securities</b>	Coheen & Steers Capital Management, Inc. BlackRock Investment Management (Australia) Limited
<b>Global Listed Infrastructure Securities</b>	Maple-Brown Abbott
<b>Australian Equities</b>	Dimensional Fund Advisors Investors Mutual Limited Plato Investment Management Acadian Investment Management LLC, Fidelity Worldwide Investment BlackRock Investment Management (Australia) Limited
<b>International Equities</b>	Schroder Investment Management Limited State Street Global Advisers Australia, Limited Walter Scott & Partners Limited Pareto Investment Management Limited Acadian Asset Management LLC, Aberdeen Asset Management Limited Epoch Investment Partners, Inc Macquarie Funds Group BlueBay Asset Management

## › Large assets

As at 30 June 2015, there were no individual investments that represented more than 5% of the value of the Fund. The Fund did have a range of investments in the following companies that in aggregate represented more than 5% of the Fund.

Company	Exposure
National Australia Bank	6.23
Commonwealth Bank of Australia	5.86
JP Morgan Chase & Co	5.07

### Our custodian

We have appointed JPMorgan Chase Bank N.A. as Custodian, whose role is to:

- ◆ hold the assets of the Retirement Fund and the discrete investment trusts in which the Cash, Fixed Interest, Capital Stable, Moderate, Balanced, Growth, Growth Plus, Australian Equities and International Equities Funds invest, on our behalf; and
- ◆ perform certain administrative, accounting, monitoring and reporting functions for both the Retirement Fund and the discrete investment trusts in which the Retirement Fund invests.

We may replace the Custodian at any time without notice to you.

› Investment options

You can choose to invest in one, or a combination of investment options (called Funds). The Funds available in each product are outlined in the table below. Each Fund has a different investment objective (goal) and strategy (way of achieving its goal). Each invests in different kinds of assets, with the mix of assets depending on the objectives of each Fund. There is a risk that your investment in a Fund will fall in value from time to time – the level of this risk varies with the objective, strategy and asset mix of the Fund. We recommend that you consult your financial planner prior to amending your allocation between the Funds.

	Allocated Pension Fund	Personal Retirement Plan	Flexible Income Plan	Tailored Super Plan	Term Allocated Pension
<b>Unitised Funds</b>					
Cash Fund	✓	✓	✓	✓	✓
Fixed Interest Fund	✓	✓	✓	✓	✗
Capital Stable Fund	✓	✓	✓	✓	✓
Moderate Fund	✓	✓	✓	✓	✗
Balanced Fund	✓	✓	✓	✓	✓
Growth Fund	✓	✓	✓	✓	✓
Growth Plus Fund	✓	✓	✗	✗	✗
Australian Equities Fund	✓	✓	✓	✓	✗
International Equities Fund	✓	✓	✓	✓	✗
<b>Non-unitised Funds</b>					
Fixed Term Fund	✓	✓	✓	✓	✗
Fixed Payment Fund	✓	✗	✓	✗	✗

### Further information

If you would like to obtain information about investment returns for the Allocated Pension Fund, the Personal Retirement Plan, the Tailored Super Plan or the Flexible Income Plan then go to our website located at [www.ssfs.com.au](http://www.ssfs.com.au) or contact any of our offices.

Past performance is not a reliable predictor of future investment returns. Markets can be volatile and can move rapidly up or down.



› Investment options (continued)

Cash Fund		
<b>Overall objective</b>	To achieve rates of return consistent with the yield on the UBS Australia Bank Bill Index.	
<b>Return objective<sup>1</sup></b>	To meet or exceed the returns of a cash benchmark net of investment fees and taxes over rolling 12 month periods.	
<b>Investment strategy</b>	Primarily invests <sup>2</sup> in short term debt securities and term deposits with a maturity of less than one year. The short term debt securities are issued, guaranteed or otherwise supported by the Australian or State Governments of Australia (or their statutory authorities) or by Australian banks and authorised dealers in the short term money market. The term deposits are issued by Australian and international banks in Australian dollars and are not guaranteed by any Government entity.	
<b>Standard Risk Measure</b>	1 - Very Low	
<b>Type of investor this option is intended to be suitable for</b>	Designed to suit investors who seek secure returns from cash.	
<b>Minimum suggested investment timeframe</b>	Up to 2 years	
<b>Actual asset allocation</b>	<b>30 June 2014 Asset Allocation</b>	<b>30 June 2015 Asset Allocation</b>
<b>Defensive Assets</b>		
Cash	<b>100%</b>	<b>100%</b>

<sup>1</sup> The return objective is not a guarantee of performance. The actual return may vary up or down from the return objective stated. The current benchmark is the UBS Australian Bank Bill Index. This index may be substituted for a similar benchmark index consistent with the overall objective of the Fund.

<sup>2</sup> Through discrete investment trusts.

› Investment options (continued)

<b>Fixed Term Fund</b>		
<b>Overall objective</b>	To provide a fixed rate of return over the selected term with the initial investment paid at maturity.	
<b>Investment strategy</b>	Invests in fixed term and fixed rate interest bearing securities called Notes.	
<b>Standard Risk Measure</b>	1 - Very Low (where the investment is held to maturity)	
<b>Type of investor this option is intended to be suitable for</b>	Designed to suit investors who wish to lock in a fixed rate of return for the selected term of the investment.	
<b>Minimum suggested investment timeframe</b>	Investors can choose terms of 1, 2, 3 or 5 years.	
<b>Actual asset allocation</b>	<b>30 June 2014 Asset Allocation</b>	<b>30 June 2015 Asset Allocation</b>
	<b>Defensive Assets</b>	
	Fixed interest securities	<b>100%</b>
	<b>100%</b>	<b>100%</b>

› Investment options (continued)

Fixed Payment Fund		
<b>Overall objective</b>	To provide a fixed rate of return over the selected term with the initial investment paid monthly throughout the term.	
<b>Investment strategy</b>	Invests in fixed term and fixed rate interest bearing securities called Notes.	
<b>Standard Risk Measure</b>	1 - Very Low (where the investment is held to maturity)	
<b>Type of investor this option is intended to be suitable for</b>	Designed to suit investors who wish to lock in a fixed rate of return for the selected term of the investment and who wish to have their initial investment repaid over that term.	
<b>Minimum suggested investment timeframe</b>	Investors can choose terms of 1, 2, 3 or 5 years.	
<b>Actual asset allocation</b>	<b>30 June 2014 Asset Allocation</b>	<b>30 June 2015 Asset Allocation</b>
	<b>Defensive Assets</b>	
	Fixed interest securities	100%
	100%	100%

› Investment options (continued)

Fixed Interest Fund		
<b>Overall objective</b>	To invest in fixed interest securities and related instruments, which aim to provide ongoing income and the potential for modest capital growth over the medium term. Capital gains can be expected to be achieved, but there is also the risk of capital loss.	
<b>Return objective<sup>1</sup></b>	To meet or exceed the return of a blend of 70% Australian and 30% Global fixed interest benchmarks net of investment fees and taxes over rolling 3 year periods.	
<b>Investment strategy</b>	Primarily invests <sup>2</sup> in a broad range of Australian and overseas fixed interest investments.	
<b>Standard Risk Measure</b>	2 - Low	
<b>Type of investor this option is intended to be suitable for</b>	Designed to suit investors who wish to take moderate levels of risk with a modest potential for capital appreciation.	
<b>Minimum suggested investment timeframe</b>	2 years	
<b>Actual asset allocation</b>	<b>30 June 2014 Asset Allocation</b>	<b>30 June 2015 Asset Allocation</b>
	<b>Defensive Assets</b>	
	<b>70.0%</b>	<b>70.3%</b>
	<b>30.0%</b>	<b>29.7%</b>
	<small>Typically 100% hedged to the AUD</small>	

1 The return objective is not a guarantee of performance. The actual return may vary up or down from the return objective stated. The current benchmark is 70% UBS All Maturities Composite Bond Index and 21% Barclays Capital Global Aggregate (ex -Treasury) Index 100% hedged and 9% PIMCO GLADI Government Index 100% hedged. The benchmark index, including the split between Australian and Global benchmarks, may be substituted for a similar benchmark index consistent with the overall objective of the Fund.

2 Through discrete investment trusts.

› Investment options (continued)

Capital Stable Fund		
<b>Overall objective</b>	To maintain the value of investors' capital while achieving a higher rate of return over the medium term than could be achieved through investments in cash or short term money market securities. Capital gains can be achieved, but there is also the risk of capital loss. Accordingly, the value of investments in the Fund may fall as well as rise in line with the changing value of the assets of the Fund.	
<b>Return objective<sup>1</sup></b>	CPI + 2.0% net of investment fees and taxes over rolling three year periods	
<b>Investment strategy</b>	Primarily invests <sup>2</sup> in a diversified portfolio of defensive and growth assets including (but not limited to) cash, fixed interest securities, property, listed and unlisted shares and infrastructure assets. To maintain a low risk profile exposure to growth assets is constrained. Investments may include currency, futures and options contracts.	
<b>Standard Risk Measure</b>	2 - Low	
<b>Type of investor this option is intended to be suitable for</b>	Designed to suit investors who seek some capital growth over the medium term while at the same time maintaining a relatively high level of capital security.	
<b>Minimum suggested investment timeframe</b>	3-4 years	
<b>Actual asset allocation</b>	<b>30 June 2014 Asset Allocation</b>	<b>30 June 2015 Asset Allocation</b>
	<b>Defensive Assets</b>	
	Cash & enhanced cash	50.2%
	Australian Fixed Interest	50.5%
	International Fixed Interest*	31.9%
	International Fixed Interest*	0.0%
	<b>Growth Assets</b>	
	Property*	6.0%
	Infrastructure*	7.5%
	Global High Yield*	0.0%
	Australian Equities	0.0%
	International Equities**	11.9%
	International Equities**	0.0%
	Alternatives**	3.8%
	Alternatives**	0.0%
	Alternatives**	1.4%
	* Typically 100% hedged to the AUD	
	** 0 to 100% hedged to the AUD	

1 The return objective is not a guarantee of performance. The actual return may vary up or down from the return objective stated.

2 Through discrete investment trusts.

› Investment options (continued)

<b>Moderate Fund</b>		
<b>Overall objective</b>	To invest in a broad range of asset classes which have the potential to achieve moderate capital growth over the medium to longer term. Capital gains can be expected to be achieved, but there is also the risk of capital loss.	
<b>Return objective<sup>1</sup></b>	CPI + 3.0% net of investment fees and taxes over rolling five year periods	
<b>Investment strategy</b>	Primarily invests <sup>2</sup> in a diversified portfolio of defensive and growth assets. Defensive assets include fixed interest securities and cash. Growth assets, include Australian and overseas listed shares, property, infrastructure securities and alternative assets. Investments may include currency, futures and options contracts.	
<b>Standard Risk Measure</b>	3 - Low to medium	
<b>Type of investor this option is intended to be suitable for</b>	Designed to suit investors who seek capital growth over the medium term and are willing to accept a moderate level of risk.	
<b>Minimum suggested investment timeframe</b>	4-5 years	
<b>Actual asset allocation</b>	<b>30 June 2014 Asset Allocation</b>	<b>30 June 2015 Asset Allocation</b>
	<b>Defensive Assets</b>	
	Cash & enhanced cash	<b>22.2%</b>
	Australian Fixed Interest	<b>29.9%</b>
	International Fixed Interest*	<b>14.9%</b>
	<b>Growth Assets</b>	
	Property*	<b>5.5%</b>
	Infrastructure*	<b>3.9%</b>
	Global High Yield*	<b>1.8%</b>
	Australian Equities	<b>11.0%</b>
	International Equities**	<b>8.9%</b>
	Alternatives**	<b>1.9%</b>
	* Typically 100% hedged to the AUD	
	** 0 to 100% hedged to the AUD	

1 The return objective is not a guarantee of performance. The actual return may vary up or down from the return objective stated.

2 Through discrete investment trusts.

› Investment options (continued)

Balanced Fund		
<b>Overall objective</b>	To invest in a broad range of asset classes which have the potential to achieve capital growth over the longer term. Capital gains can be expected to be achieved, but there is also the risk of capital loss.	
<b>Return objective<sup>1</sup></b>	CPI + 3.75% net of investment fees and taxes over rolling five year periods	
<b>Investment strategy</b>	Primarily invests <sup>2</sup> in a portfolio of Australian and overseas investments including (but not limited to) Australian cash, fixed interest securities, property, unit trusts listed shares, and alternative assets. Investments may include currency, futures and options contracts.	
<b>Standard Risk Measure</b>	4 - Medium	
<b>Type of investor this option is intended to be suitable for</b>	Designed to suit investors who are seeking higher returns and are willing to accept a higher level of risk.	
<b>Minimum suggested investment timeframe</b>	5-6 years or longer	
<b>Actual asset allocation</b>	<b>30 June 2014 Asset Allocation</b>	<b>30 June 2015 Asset Allocation</b>
	<b>Defensive Assets</b>	
	<b>13.3%</b>	<b>16.9%</b>
	<b>19.7%</b>	<b>19.0%</b>
	<b>9.8%</b>	<b>9.3%</b>
	<b>Growth Assets</b>	
	<b>7.2%</b>	<b>4.8%</b>
	<b>4.1%</b>	<b>1.9%</b>
	<b>3.0%</b>	<b>3.0%</b>
	<b>19.8%</b>	<b>18.7%</b>
	<b>20.2%</b>	<b>21.5%</b>
	<b>2.9%</b>	<b>4.9%</b>
	* Typically 100% hedged to the AUD	
	** 0 to 100% hedged to the AUD	

1 The return objective is not a guarantee of performance. The actual return may vary up or down from the return objective stated.

2 Through discrete investment trusts.

› Investment options (continued)

<b>Growth Fund</b>		
<b>Overall objective</b>	To invest substantially in assets which achieve capital growth over the long term (7 or more years). Capital gains can be expected to be achieved, but there is also the risk of capital loss.	
<b>Return objective<sup>1</sup></b>	CPI + 4.0% net of investment fees and taxes over rolling seven year periods	
<b>Investment strategy</b>	Primarily invests <sup>2</sup> in a broad range of Australian and overseas investments with a strong bias on capital growth. Such investments include (but are not limited to) listed shares, property, alternative assets, interest bearing securities and deposits. Investments may include currency, futures and options contracts.	
<b>Standard Risk Measure</b>	5 - Medium to High	
<b>Type of investor this option is intended to be suitable for</b>	Designed to suit investors who wish to maximise long term investment returns and are willing to accept a higher level of risk than the Balanced Fund.	
<b>Minimum suggested investment timeframe</b>	7 or more years	
<b>Actual asset allocation</b>	<b>30 June 2014 Asset Allocation</b>	<b>30 June 2015 Asset Allocation</b>
	<b>Defensive Assets</b>	
	Cash & enhanced cash	5.5%
	Australian Fixed Interest	7.3%
	International Fixed Interest*	3.9%
	<b>Growth Assets</b>	
	Property*	5.8%
	Infrastructure*	7.5%
	Global High Yield*	5.1%
	Australian Equities	29.7%
	International Equities**	32.1%
	Alternatives**	3.1%
	* Typically 100% hedged to the AUD	
	** 0 to 100% hedged to the AUD	

1 The return objective is not a guarantee of performance. The actual return may vary up or down from the return objective stated.

2 Through discrete investment trusts.



› Investment options (continued)

Growth Plus Fund <sup>1</sup>		
<b>Overall objective</b>	To invest in assets which achieve capital growth over the long term (10 or more years). Capital gains can be expected to be achieved, but there is also the risk of capital loss.	
<b>Return objective<sup>2</sup></b>	CPI + 4.25% net of investment fees and taxes over rolling ten year periods	
<b>Investment strategy</b>	Primarily invests <sup>3</sup> in a broad range of high growth assets. Such investments include (but are not limited to) listed Australian and overseas shares, property, alternative assets and infrastructure securities. Investments may include currency, futures and options contracts.	
<b>Standard Risk Measure</b>	6 - High	
<b>Type of investor this option is intended to be suitable for</b>	Designed to suit investors who wish to maximise long term investment returns and are willing to accept a higher level of risk than the Growth Fund.	
<b>Minimum suggested investment timeframe</b>	10 years or longer	
<b>Actual asset allocation</b>	<b>30 June 2014 Asset Allocation</b>	<b>30 June 2015 Asset Allocation</b>
	<b>Defensive Assets</b>	
	Cash & enhanced cash	0.0%
	Australian Fixed Interest	4.4%
	International Fixed Interest*	0.0%
	<b>Growth Assets</b>	
	Property*	0.0%
	Infrastructure*	5.2%
	Global High Yield*	7.3%
	Australian Equities	6.2%
	International Equities**	39.2%
	Alternatives**	37.1%
	* Typically 100% hedged to the AUD	6.1%
	** 0 to 100% hedged to the AUD	

1 The Growth Plus Fund is only available in the Personal Retirement Plan and the Allocated Pension Fund.

2 The return objective is not a guarantee of performance. The actual return may vary up or down from the return objective stated.

3 Through discrete investment trusts.

› Investment options (continued)

<b>Australian Equities Fund</b>			
<b>Overall Objective</b>	To invest in Australian equities with the aim of achieving capital growth over the long term (10 or more years). Capital gains can be expected to be achieved, but there is also the risk of capital loss.		
<b>Return Objective<sup>1</sup></b>	To meet or exceed the return of the benchmark over rolling five year periods net of investment fees and taxes		
<b>Investment strategy</b>	Primarily invests <sup>2</sup> in Australian equities. Investments may include futures and options contracts.		
<b>Standard Risk Measure</b>	6 - High		
<b>Type of investor this option is intended to be suitable for</b>	Designed to suit investors who wish to maximise long term investment returns and have a 100% exposure to Australian equities.		
<b>Minimum suggested investment timeframe</b>	10 years or longer		
<b>Actual asset allocation</b>		<b>30 June 2014 Asset Allocation</b>	<b>30 June 2015 Asset Allocation</b>
	<b>Growth Assets</b>		
	Australian Equities	<b>100%</b>	<b>100%</b>

1 The return objective is not a guarantee of performance. The actual return may vary up or down from the return objective stated. The current Benchmark is the FTSE ASFA Australia 300 Tax Exempt Index. The benchmark index stated may be substituted for a similar benchmark index consistent with the overall objective of the Fund.

2 Through discrete investment trusts.

› Investment options (continued)

International Equities Fund		
<b>Overall Objective</b>	To invest in international equities with the aim of achieving capital growth over the long term (10 or more years). Capital gains can be expected to be achieved, but there is also the risk of capital loss.	
<b>Return Objective<sup>1</sup></b>	To meet or exceed the return of the benchmark over rolling five year periods.	
<b>Investment strategy</b>	Primarily invests <sup>2</sup> in international equities. Investments may include currency, futures and options contracts.	
<b>Standard Risk Measure</b>	6 - High	
<b>Type of investor this option is intended to be suitable for</b>	Designed to suit investors who wish to maximise long term investment returns and have a 100% exposure to international equities.	
<b>Minimum suggested investment timeframe</b>	10 years or longer	
<b>Actual asset allocation</b>	<b>30 June 2014 Asset Allocation</b>	<b>30 June 2015 Asset Allocation</b>
	<b>Growth Assets</b>	
	<b>4.9%</b>	<b>4.4%</b>
	<b>95.1%</b>	<b>95.6%</b>
	<small>*0 to 100% hedged to the AUD</small>	

1 The return objective is not a guarantee of performance. The actual return may vary up or down from the return objective stated. The current benchmark is MSCI AC World ex Australia Index (partly hedged). The benchmark index stated may be substituted for a similar benchmark index consistent with the overall objective of the Fund.

2 Through discrete investment trusts.

› Fees and charges

The management fees applicable to each of the Funds comprising the State Super Personal Retirement Plan, the State Super Allocated Pension Fund, the State Super Term Allocated Pension Fund, the State Super Flexible Income Plan and the State Super Tailored Super Plan are:

- ◆ calculated on the basis of the net asset value of each Fund at the end of each day and paid monthly; and
- ◆ reflected in the declared unit price each day.

**Personal Retirement Plan and Allocated Pension Fund**

	Allocated Pension Fund	Personal Retirement Plan	Term Allocated Pension Fund
<b>Unitised Funds</b>			
Cash Fund	0.99% p.a.	0.99% p.a.	0.99% p.a.
Fixed Interest Fund	1.15% p.a.	1.15% p.a.	✘
Capital Stable Fund	1.30% p.a.	1.30% p.a.	1.30% p.a.
Moderate Fund	1.35% p.a.	1.35% p.a.	✘
Balanced Fund	1.40% p.a.	1.40% p.a.	1.40% p.a.
Growth Fund	1.50% p.a.	1.50% p.a.	1.50% p.a.
Growth Plus Fund	1.50% p.a.	1.50% p.a.	✘
Australian Equities Fund	1.50% p.a.	1.50% p.a.	✘
International Equities Fund	1.50% p.a.	1.50% p.a.	✘
<b>Non-unitised Funds</b>			
Fixed Term Fund	1.15% p.a.	1.15% p.a.	✘
Fixed Payment Fund	1.15% p.a.	✘	✘

## › Fees and charges (continued)

### Flexible Income Plan and Tailored Super Plan

	Flexible Income Plan	Tailored Super Plan
<b>Unitised Funds</b>		
Cash Fund	0.39% p.a.	0.39% p.a.
Fixed Interest Fund	0.50% p.a.	0.50% p.a.
Capital Stable Fund	0.57% p.a.	0.57% p.a.
Moderate Fund	0.61% p.a.	0.61% p.a.
Balanced Fund	0.70% p.a.	0.70% p.a.
Growth Fund	0.77% p.a.	0.77% p.a.
Australian Equities Fund	0.77% p.a.	0.77% p.a.
International Equities Fund	0.77% p.a.	0.77% p.a.
<b>Non-unitised Funds</b>		
Fixed Term Fund	0.50% p.a.	0.50% p.a.
Fixed Payment Fund	0.50% p.a.	✘

In addition to the management fees above, additional fees and charges such as performance fees and indirect costs may be applicable.

- ◆ Performance fees are calculated and accrued on a regular basis (at least monthly) and incorporated into the calculation of unit prices. Performance fees are deducted from unitised Fund assets at the end of each financial year
- ◆ Indirect costs accrued into the calculation of unit prices when they become known and deducted as they are incurred for unitised funds. For non-unitised funds, costs are factored into rates prior to them being confirmed.

## › Additional Information

### › About the State Super Retirement Fund

The Retirement Fund has four divisions:

- ◆ the Personal Retirement Division;
- ◆ the Tailored Super Division;
- ◆ the Allocated Pension and Term Allocated Pension Division; and
- ◆ the Flexible Income Division;

State Super Financial Services Australia Limited is the trustee of the Retirement Fund.

### › Indemnity insurance cover

The Company maintains professional indemnity insurance against liabilities incurred as a result of a breach of duty as Trustee of the State Super Retirement Fund.

### › Superannuation contributions (surcharge) tax liability

If the Company as Trustee of the Fund, is notified of a superannuation contributions (surcharge) tax liability in respect of a member, in accordance with the PDS, we will redeem sufficient units to pay the superannuation contributions (surcharge) tax directly to the Australian Tax Office.

### › Unclaimed money

If you reach age 65 and are eligible to claim your super, but we are unable to contact you to arrange payment, your super becomes unclaimed money and must be paid to the Australian Tax Office (ATO). This process takes place every six months.

The super of a temporary resident will become unclaimed and payable to the ATO after the person ceases to hold a temporary visa, has departed Australia and at least six months have passed. Temporary residents who fail to claim their super when they depart, and consequently have unpaid super paid to the ATO, can later claim back their money at any time from the ATO.

To apply for any unclaimed benefits, contact:

The Australian Tax Office

Tel: 13 28 65

Website: [www.ato.gov.au/super](http://www.ato.gov.au/super)

## › Any enquiries or complaints?

If you have an enquiry or would like further information about the Flexible Income Plan, please contact a Client Service Officer at your nearest office.

If you are not satisfied with the service you receive from us, you are entitled to complain. We have established procedures to ensure all enquiries are answered and complaints are resolved.

Any complaint should be directed in writing and sent to the General Manager – Financial Planning, State Super Financial Services Australia Limited GPO Box 5336, Sydney NSW 2001.

We will respond to your complaint as quickly as possible and will make every effort to resolve your complaint within 45 days.

If your complaint is not satisfactorily resolved within 90 days you can refer your complaint to the Superannuation Complaints Tribunal (SCT), which is independent of us.

The SCT can be contacted from anywhere in Australia on 1300 884 114.

The SCT can deal with the decisions and conduct of trustees of superannuation funds, including the conduct and decisions of people acting on behalf of the trustee.

Time limits apply to certain complaints to the SCT. If you have a complaint you should contact the SCT immediately to find out if a time limit applies.

## › Financial Information

The abridged Operating Statement and Statement of Financial Position for the Retirement Fund are set out on the following pages.

You should be aware that the Auditors have issued an unqualified Audit Report for the Financial Statements of the State Super Retirement Fund. Should you wish to obtain a full copy of the Financial Report including the Auditor's Report, you may do so by either:

- ◆ visiting our website at [www.ssf.com.au](http://www.ssf.com.au) and going to Our Products, selecting Annual Reports and finally, selecting State Super Retirement Fund; or
- ◆ calling your nearest office of the Trustee, and a copy will be sent to you free of charge.

### › Abridged Operating Statement for the financial year ended 30 June 2015

	2015 \$'000	2014 \$'000
<b>INVESTMENT REVENUE</b>		
Interest and other Income	12,700	7,963
Miscellaneous income	243	-
Distribution received	730,058	492,035
Realised gains/(losses) on disposal of investments	47,679	20,622
Change in net market value of investments	304,103	650,021
<b>NET INVESTMENT REVENUE</b>	<b>1,094,783</b>	<b>1,170,641</b>
<b>CONTRIBUTION REVENUE</b>		
Members' contributions	2,173,571	1,983,622
<b>TOTAL CONTRIBUTION REVENUE</b>	<b>2,173,571</b>	<b>1,983,622</b>
<b>TOTAL REVENUE</b>	<b>3,268,354</b>	<b>3,154,263</b>
<b>EXPENSES</b>		
Trustee fee	(150,417)	(138,036)
Other expense	(1,902)	(2,318)
<b>TOTAL EXPENSES</b>	<b>(152,319)</b>	<b>(140,354)</b>
<b>BENEFITS ACCRUED AS A RESULT OF OPERATIONS BEFORE INCOME TAX</b>	<b>3,116,035</b>	<b>3,013,909</b>
Income tax benefit	(5,331)	8,548
<b>BENEFITS ACCRUED AS A RESULT OF OPERATIONS AFTER INCOME TAX</b>	<b>3,110,704</b>	<b>3,022,457</b>



## &gt; Abridged Statement of Financial Position as at 30 June 2015

	2015 \$'000	2014 \$'000
<b>INVESTMENTS</b>		
Investments in unit trusts	14,619,186	12,866,487
Investments in unlisted notes	236,368	237,660
<b>TOTAL INVESTMENTS</b>	<b>14,855,554</b>	13,104,147
<b>OTHER ASSETS</b>		
Cash at bank and at call	13,005	92,208
Distribution receivable	417,611	239,202
Interest receivable	39	56
Current tax asset	21,325	43,050
Sundry debtors	92,817	108,359
ORFR receivable	-	132
<b>TOTAL OTHER ASSETS</b>	<b>544,797</b>	483,007
<b>TOTAL ASSETS</b>	<b>15,400,351</b>	13,587,154
<b>LIABILITIES</b>		
Creditors and accruals	94,696	112,333
Deferred tax liabilities	8,094	1,081
<b>TOTAL LIABILITIES</b>	<b>102,790</b>	113,414
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>15,297,561</b>	13,473,740
<b>LIABILITY FOR ACCRUED BENEFITS</b>		
Allocated to members' accounts	15,258,772	13,440,708
Operational Risk Reserve	38,789	33,032
<b>LIABILITY FOR ACCRUED BENEFITS</b>	<b>15,297,561</b>	13,473,740

## › Operational Risk Financial Reserves

	2015 \$'000	2014 \$'000
<b>Balance at the beginning of the financial year</b>	<b>33,032</b>	17,077
Transfer from members' reserves	<b>3,186</b>	13,739
Unrealised Gains/(Losses) on ORR	<b>2,571</b>	2,216
<b>Balance at the end of the financial year</b>	<b>38,789</b>	33,032

The Operational Risk Financial Reserve (ORFR) has been established as an APRA requirement for registrable superannuation entities to maintain adequate financial resources to address losses arising from operational risks that may affect registrable superannuation entities within its business operations. In accordance with the relevant Trust Deed and within the parameters of the Superannuation Industry (Supervision) Act 1993 and Regulations, while referencing the APRA Prudential Standards, SSFS is accumulating an ORFR within the Retirement Fund by way of 'deductions' from fund assets. The reserve remains within the Retirement Fund. Amounts are determined and reserved in accordance with the SSFSAL Operational Risk Financial Requirement Policy, which has been provided to APRA. The target ORFR is 0.25 of the Retirement Fund's funds under management.

The Retirement fund has an ORFR of approximately 0.25% as at 30 June 2015 (0.25%: 2014).

### **Client Administration & Registry Services**

GPO Box 5336 Sydney NSW 2001

#### **Sydney Clarence Street NSW**

Level 9, 83 Clarence Street, SYDNEY

GPO Box 5336 Sydney NSW 2001

Client Services: 02 9333 9500

Charge Free: 1800 222 211

#### **Sydney Pitt Street NSW**

Level 9, 175 Pitt Street, SYDNEY

GPO Box 5058, Sydney NSW 2001

Client Services: 02 8295 7950

Charge Free: 1800 985 950

#### **Canberra City ACT**

86-88 Northbourne Avenue, BRADDON

PO Box 725 Civic Square ACT 2608

Client Services: 02 6232 2155

Charge Free: 1800 028 918

#### **Canberra Woden ACT**

Level 1, 10 Corinna Street, PHILLIP

PO Box 49 Woden ACT 2606

Client Services: 02 6122 2855

Toll Fee: 1800 502 100

#### **Melbourne VIC**

Level 16, 440 Collins Street, MELBOURNE

GPO Box 2817 Melbourne VIC 8060

Client Services: 03 8615 3055

Charge Free: 1800 805 233

#### **Brisbane QLD**

Level 10, 133 Mary Street, BRISBANE

PO Box 15499 City East QLD 4002

Client Services: 07 3335 7055

Charge Free: 1800 357 085

#### **Perth WA**

Level 3, 197 St Georges Terrace, PERTH

PO Box 5657 St Georges Terrace, Perth WA 6831

Client Services: 08 9214 4155

Toll Fee: 1800 332 308

#### **Parramatta NSW**

Level 1, 90 Phillip Street, PARRAMATTA

PO Box 966 Parramatta NSW 2124

Client Services: 02 8895 2355

Charge Free: 1800 626 000

#### **Newcastle NSW**

Level 2, 22 Honeysuckle Drive, NEWCASTLE

PO Box 1765 Newcastle NSW 2300

Client Services: 02 4016 2255

Charge Free: 1800 807 855

#### **Penrith NSW**

Level 3, 331 High Street, PENRITH

PO Box 1014, Penrith NSW 2751

Client Services: 02 4724 4855

Charge Free: 1800 102 700

#### **Liverpool NSW**

Level 3, 1 Moore Street, LIVERPOOL

PO Box 137 Liverpool NSW 1871

Client Services: 02 8738 2555

Toll Fee: 1800 899 315

#### **Central Coast NSW**

Level 2, 40 Mann Street, GOSFORD

PO Box 354 Gosford NSW 2250

Client Services: 02 4304 8255

Charge Free: 1800 801 965

#### **Mid North Coast NSW**

40 Gordon Street, PORT MACQUARIE

PO Box 2117 Port Macquarie NSW 2444

Client Services: 02 6516 1455

Charge Free: 1800 676 839

#### **North West NSW**

17 White Street, TAMWORTH

PO Box 297 Tamworth NSW 2340

Client Services: 02 6755 2055

Charge Free: 1800 248 609

#### **Northern Rivers NSW**

193-199 River Street, BALLINA

PO Box 1078 Ballina NSW 2478

Client Services: 02 6686 1655

Charge Free: 1800 656 474

#### **South West NSW**

14 Morrow Street, WAGGA WAGGA

PO Box 13 Wagga Wagga NSW 2650

Client Services: 02 5908 1755

Charge Free: 1800 641 109

#### **Central West NSW**

180 Anson Street, ORANGE

PO Box 2381 Orange NSW 2800

Client Services: 02 5310 1855

Charge Free: 1800 803 708

#### **Wollongong NSW**

Level 4, 280 – 286 Keira Street, WOLLONGONG

PO Box 349 Wollongong East NSW 2520

Client Services: 02 4231 2455

Charge Free: 1800 060 166

