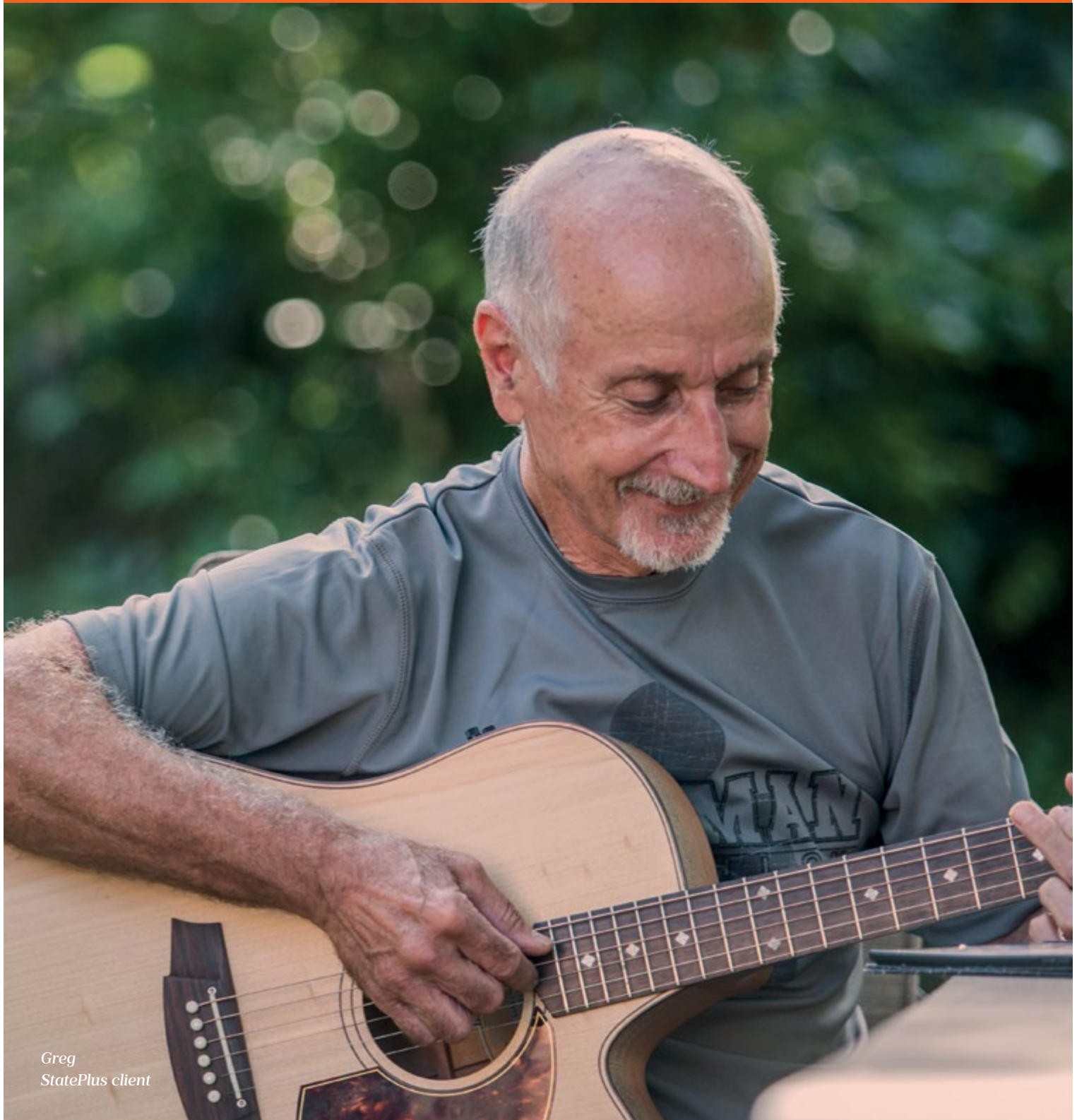


StatePlus Fixed Term Pension Plan Annual Report 2017



Formerly State Super Financial Services



Greg
StatePlus client

Contents



Marian and Fred
StatePlus clients

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FIXED TERM PENSION PLAN

STATE SUPER FINANCIAL SERVICES AUSTRALIA LIMITED TRADING AS STATEPLUS (ABN 86 664 654 341) COMPRISES THE FOLLOWING:

StatePlus Fixed Term Pension Plan

SSI0014AU

Chairman's Report

We're stronger together

June 2017 was an exciting milestone – it marked one year since StatePlus was acquired by First State Super, creating the largest member-owned financial planning network in Australia. I'm very proud to say that one year on, together we're stronger and even better positioned to look after you, our clients.

The combination of our two organisations has further strengthened what's at the core of our values and beliefs – helping you reach your financial and life goals. StatePlus and First State Super together manage over \$80 billion in funds, and now have an even stronger regional network to service our clients. We have over 200 financial planners located in 26 metropolitan and regional offices and service centres, with a regular presence in over 70 other sites across Australia.

This combined strength has helped our organisation deliver solid returns at appropriate risk levels, while remaining focused on the client, in an environment of geopolitical uncertainty.



A relationship of trust

For StatePlus, one thing that we're absolutely focused on is dedication to our clients. Our planners are committed to partnering with you in your retirement journey, and it's not just about financial matters.

In my recent visits to our offices, I've had the privilege of listening to some really heartwarming stories from our financial planners – stories about how their relationship with clients have evolved from one based on purely financial advice, to one of partnership and trust. Time and time again I've heard planners tell me about how they have provided guidance on life stage planning, support on personal issues, or simply a listening ear.

We continue to be committed to partnering with you to reach and maintain financial freedom – to have the confidence that you will have 'enough money' to support the lifestyle you want in retirement, no matter what life stage you're at.

Financial advice the way you want it

We've been investing in our digital capability and technology so that you can access financial advice the way you want it. In early September we launched a new secure website that brings you more services, greater flexibility and even higher levels of security.

We're very proud to deliver the latest in digital technology so that you can benefit from multiple communication channels. What this means is that we've expanded our range of services across both traditional and digital channels so that you can now do more online. If you prefer to interact with us in other ways, such as face-to-face or on the phone, you can continue to do so. You can read more about this in the Company News section.

Investing in your future

I'd like to share an interesting observation I've made in the course of conversations with other leaders in the financial services industry. At StatePlus our approach is to prioritise strategies that generate returns over and above the rate of inflation. In retirement it's important to take only as much risk as you need to, rather than seek high-risk, high-return outcomes. So our conversations have invariably started with, 'what's in the best interest of the client?' And this is what my colleagues and peers have noticed – that at StatePlus, our discussions centre around making sure our clients get the best outcomes.

This really is at the heart of everything we do. Whether it's investing, providing advice, or building your superannuation and retirement income, all of us at StatePlus are totally focused on what delivers the best outcome to you, our client.

I thank all who have helped make this past year a success and have full confidence in the leadership of our organisation as we continue to invest in our business, people and technology so that we can build on our successes and help you reach your retirement goals.

Best wishes

Neil Cochrane

Company News

We're very pleased to report that StatePlus has had a successful 2017, a year of significant change and growth.

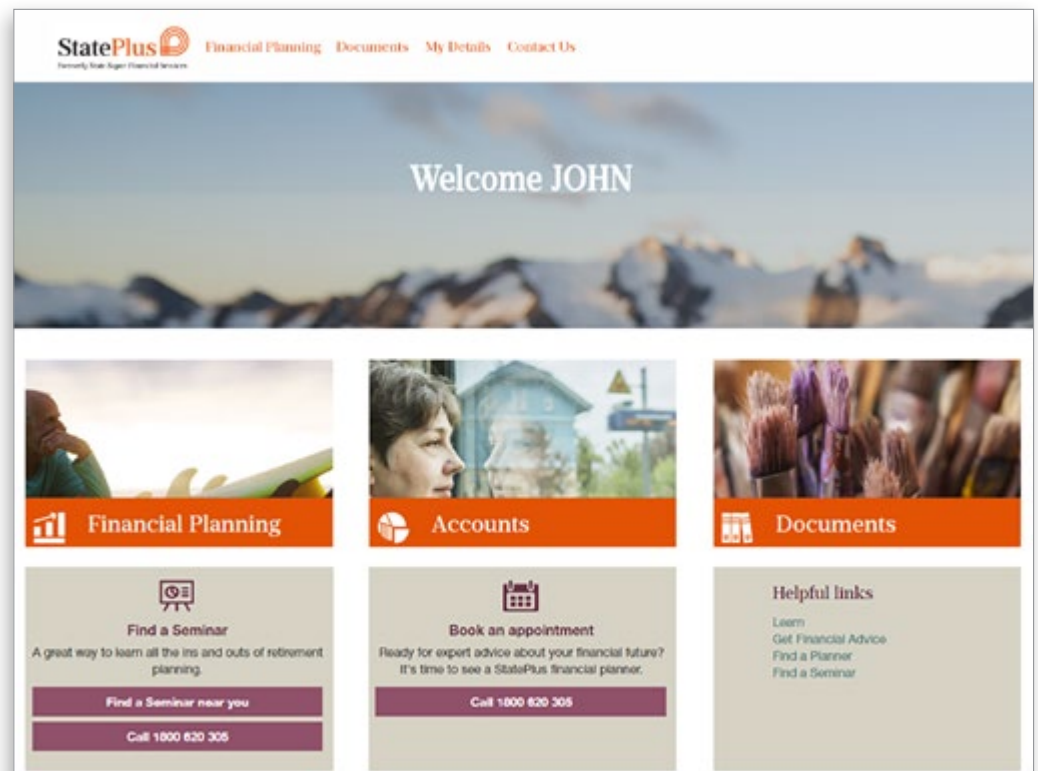
June 2017 marked one year since the acquisition of StatePlus by First State Super and in that time we have successfully come together as one organisation. Our combined organisation now has over \$80 billion in funds under management, more than 200 financial planners, a state-of-the-art digital platform, and superannuation and retirement solutions that are tailored to clients' needs.

Externally we saw significant changes in the regulatory environment, with many of these changes becoming law on 1 July 2017. Through all these changes our focus continues to be on delivering high-quality financial planning advice and service to our clients.

Moving to the future

At StatePlus our vision is to be a world-leading professional services firm. With that vision in mind we're excited to announce that we've recently completed a digital transformation of our operating model.

The new operating model for our business will enable us to improve both the efficiency of our operations and the level of service we offer our clients. At its core is our new secure website which is mobile-responsive and gives you online real-time access to a personalised portfolio of services, making it quick and easy for you to do business with us and stay up-to-date with your superannuation and investments.



StatePlus
New Secure Website

Company News

A stronger, combined Investment Team

The integration with First State Super provided us with the opportunity to create an investment team that combines a broad range and depth of experience from both organisations.

The StatePlus investment team has now been integrated with the First State Super investment team, giving us access to a significantly larger team of highly-specialised investment experts. With over \$80 billion in funds under management, we'll be able to achieve benefits of scale that were previously not possible, as well as achieve cost savings to help us deliver strong value for money to clients.

Above all, our focus at StatePlus has not changed, which is to maximise retirement income for you. We understand your needs as retirees are different from investors in the accumulation stage of superannuation. Our focus on retirement is reflected in everything we do, from the design of our products and services to how we manage money.

To reflect this focus Michael Winchester has been appointed to the role of Head of Retirement Strategy and will be responsible for steering the investment direction of the StatePlus portfolios.



*Michael Winchester
Head of Retirement Strategy*

Bringing you better products and services

The acquisition of StatePlus by First State Super created the largest member-owned financial planning business in Australia. As with the Investment Team mentioned above, we have since been working to consolidate the advice arms of both businesses. This integration will enable us to improve our product and advice offering as well as the way we provide services. For example, we will have more offices in more locations, bringing benefits to a wider audience, particularly clients who live outside the major population centres.

There will be no change to current relationships between planners and clients, but we aim to be forming many new ones.

Your Trustees



› Neil Cochrane

Chairman of the Board

Member of the Human Resources Committee

In a career spanning 38 years in financial services, Neil's previous roles have included Deputy CEO and Global Head of Business Development at Colonial First State Global Asset Management (CFSGAM); CEO of the Retail Employees Superannuation Trust (REST) and CEO of Southern Asset Management in South Africa.

In addition, Neil has held several non-executive roles within the retail banking, investment management and trust industries.

He has previously chaired the Superannuation Complaints Tribunal Advisory Council, was a Director of the Association of Superannuation Funds of Australia (ASFA) and has been an independent adviser to Auscoal Superannuation (now Mine Wealth + Wellbeing).



› Mark Lennon

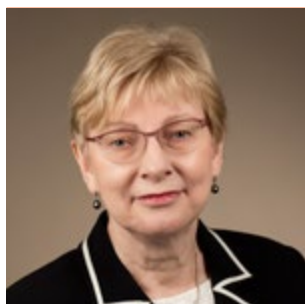
Chair of the Human Resources Committee

Member of the Investment Committee

Mark was Secretary of Unions NSW between 2008 and 2015 and previously held a number of positions including Assistant Secretary, Training Officer, Industrial Officer and Executive Officer.

His responsibilities at Unions NSW have included industrial and political work in the areas of railways, electricity, health, industrial legislation, occupational health and safety, forestry and superannuation.

Mark is a former director of Asset Super and Chifley Financial Services.



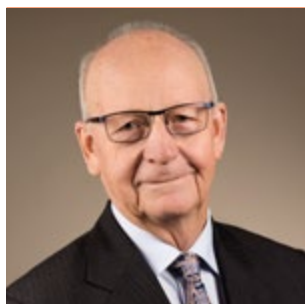
› Sue Carter

Member of the Audit, Risk and Compliance Committee

Sue is an Australian Institute of Company Directors Core Facilitator in directors' duties, financial reporting, decision-making and board processes.

Sue is a past ASIC Regional Commissioner for Victoria and past director of the Professional Indemnity Insurance Company Australia and Treasury Corporation of Victoria.

Sue qualified as a Chartered Accountant with KPMG in the UK.



› John Warburton

Chair of the Audit, Risk and Compliance Committee

John's executive career spanned 25 years during which time he held a number of senior positions including 12 years spent as CFO and then CEO of specialist insurer OAMPS Limited.

For the last 22 years he has acted as a professional director with a number of appointments in both the private and public sector.

Past roles include director and chair of Vision Super, chairman of Tandou Limited, deputy chair of Victorian Managed Insurance Authority, trustee of Melbourne Convention & Exhibition Trust and Chairman of Australian Wealth Management Limited.



› Trevor Carr

Member of the Investment Committee

Trevor has built an extensive career in governance, policy evaluation and advocacy, and the operation of public healthcare and aged care services.

Trevor has been directly involved with health service and aged care provider boards for more than 30 years and was formerly CEO of Leading Age Services Australia Victoria (LASA Victoria). LASA National is now the peak body for aged care in Australia, and the united voice for providers and other organisations associated with aged and community care.

Previously, Trevor was Chief Executive Officer of the Victorian Healthcare Association (VHA), a position he held for eight years.

Appointed 28 September 2016

Your Trustees



› Roslyn Ramwell

Member of the Human Resources Committee

Roslyn is a professional company director in the financial services sector. She has served on Investment, Remuneration and Audit, Risk and Compliance board committees. She has over 25 years' experience in superannuation in both the private and public sector, including a number of years with the Insurance and Superannuation Commission (now APRA). She was the CEO of the Harwood Superannuation Fund, a complex defined benefit corporate fund, for 12 years.

Roslyn is a Life Member of the Association of Superannuation Funds of Australia (ASFA) and was a director for 12 years. She is an ASFA Accredited Investment Fiduciary and a Trustee Fellow.

Appointed 28 September 2016



› Michael Rice

Chairman of the Investment Committee

Member of the Audit, Risk and Compliance Committee

Michael specialises in providing strategic advice to financial institutions, fund managers, government agencies, industry associations and large superannuation funds. Michael is the Chief Executive Officer of Rice Warner, which he founded in December 1987. Michael heads up Rice Warner's public policy work.

Michael has undertaken pioneering research into Age Pension dependency and trends. He has a keen interest in the integration of social security and superannuation as well as measuring the adequacy of retirement incomes.

He was Chairman of QSuper's Investment Committee from January 2009 to June 2013 and remained an independent investment expert on the committee until March 2016. He is a former Councillor of the Actuaries Institute.

Michael is also a member of the Advisory Board of the ANU College of Business and Economics.

Appointed 28 September 2016

Investment Management

Investment Objective

The investment objective of the Pension Plan is to provide a secure monthly income stream over terms ranging from 5 to 25 years, while at the same time, managing investment risk.

Investment Options

Two investment options are offered under this product:

- a CPI Indexed Pension; or
- an Unindexed (Fixed Amount) Pension.

Investment Strategy

In order to meet the investment objectives of the Pension Plan, the Trustee has entered into contractual arrangements to use an investment product developed by Deutsche Bank AG ('DB').

Under the terms of the investment product, DB agrees to provide the Trustee with a series of payments over a fixed period. These payments (in part) represent returns from underlying securities that have been purchased by DB and are held by it as Custodian for the Pension Plan. Any difference between the agreed payments and the returns from the underlying securities is met by DB (other than a shortfall which arises due to the non-payment of an amount due from the issuer of an underlying security). Any surplus between agreed payments and the returns from the underlying securities is kept by DB. DB is entitled to retain profits derived from its dealings with the underlying securities.

Subject to there being no default on the part of an issuer of an underlying security or DB, the Trustee considers that these arrangements should enable it to meet its monthly pension obligations.

Underlying Securities

The contractual agreement with DB provides that it may only purchase underlying securities which are permitted by the Trustee. The arrangement also imposes restrictions on the investment quality of the securities at the time of purchase which DB must adhere to.

The underlying securities include debt securities which are issued, guaranteed, endorsed or accepted by the Australian, State or Territory Governments or any OECD G10 sovereign or regional governments and which enjoy a Standard & Poor's (or Moody's equivalent) long term credit rating of not less than AA+.

Other underlying securities which DB may purchase include:

- Debt securities which have, or have a credit rating equivalent to, a Standard & Poor's (or Moody's equivalent) long term credit rating of AAA
- Debt securities which have a rating equivalent to a Standard & Poor's (or Moody's equivalent) long term credit rating of AAA based on Standard & Poor's joint supported ratings table, where one of the obligors has a Standard & Poor's (or Moody's equivalent) long term credit rating of not less than AA+
- Debt securities issued, guaranteed, endorsed or accepted by DB whilst DB has a Standard & Poor's (or Moody's equivalent) short term credit rating of not less than A1+
- Mortgage backed securities (MBS) which have at the time of purchase a credit rating equivalent to, a Standard & Poor's (or Moody's equivalent) long term credit rating of AAA and the underlying mortgages are fully insured.

In all cases DB may only purchase securities which the applicable rating agency has not, in connection with the rating, issued a 'negative' rating outlook.

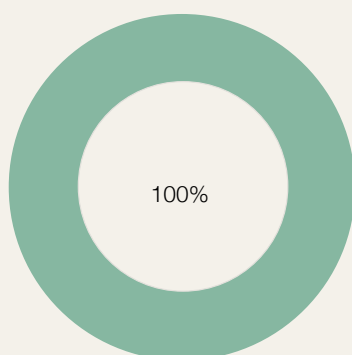
A security's credit rating is based on its ability to pay its financial obligations (assessment of credit risk). A credit rating however does not reflect other types of risk, such as market or liquidity risks, which may also affect the value of a security. As such, a security's credit rating should not be seen as a guarantee that a financial obligation will be repaid. There are also no standardised methods to measure the accuracy of a credit rating and therefore, they are considered to be subjective by nature.

Separate underlying securities are maintained for each type of pension. That is, there are separate investments for the Unindexed Pension and separate investments for the CPI Indexed Pension.

As at 30 June 2017, the allocation of the underlying securities is 100% invested in MBS.

Securities Type Weighting as at 30 June 2017

● MBS



Mortgage backed securities are a type of asset-backed security that is secured by a mortgage or a collection of mortgages.

Derivatives

Derivatives are contracts between two parties providing or a payoff from one party to the other based on the price of a reference asset (e.g. a share price index). The Pension Plan meets its investment objective via a contractual arrangement to invest in an investment product developed by DB. As a result the Trustee does not invest in any derivatives.

Large assets

Table 1 shows the issuer that in aggregate represented more than 5% of the Fund as at 30 June 2017.

Table 1

Issuer	Exposure
FirstMac Mortgage Funding Trust	28.1%
Progress Trust	21.2%
Triton Trust	19.2%
REDS Trust	17.0%
Torrens Trust	7.6%
Apollo Trust	6.9%

Assets and Liabilities

DB are required to maintain a value of assets underlying the contract that is at least equal to the discounted value of liabilities at each month end. While the credit rating of DB is below AA- then DB are required to provide an additional cushion of assets over liabilities of at least 5%.

The Investment Provider and Custodian

The Trustee has appointed Deutsche Bank AG to provide an investment product developed exclusively for the Trustee, although the Trustee remains solely responsible for the Pension Plan.

Deutsche Bank AG
 ABN 13 064 165 162
 Deutsche Bank Place
 Corner of Hunter and Phillip Streets
 Sydney NSW 2000

Deutsche Bank AG's responsibilities include acting as Custodian of the underlying securities backing the investment product as well as cash flow management.

Additional Information

Fund Closure

The Pension Plan closed to new members on 19 September 2004.

Superannuation Contributions (Surcharge) Tax Liability

If StatePlus, as Trustee of the Pension Plan, is notified of a superannuation contributions (surcharge) tax liability in respect of a member, the member will be required to pay the superannuation contribution (surcharge) tax directly to the Australian Tax Office, and not from a reduction in the pension.

Unclaimed Money

If you reach age 65 and are eligible to claim your super, no contribution or rollover has been received for you in the last two years, and we have had no contact with you for a period of five years after making reasonable efforts, 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 if:

- the temporary resident has departed Australia
- at least six months have passed
- the temporary resident is no longer a holder of a temporary, permanent or prescribed visa
- the temporary resident is not an Australian or New Zealand citizen and have not made a valid application for a permanent visa.

Relief from the Australian Securities and Investments Commission provides that we are not required to notify temporary residents or provide temporary residents with an exit statement where their benefit is paid to the ATO in these circumstances. 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 for the ATO.

To apply for any unclaimed benefits, contact:

The Australian Tax Office

Tel: 13 28 65

Website: www.ato.gov.au/super

Enquiries And Complaints Procedures

If you have an enquiry or would like further information about the Fixed Term Pension 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.

If you wish to make a complaint about any aspect of our service you should:

- Lodge your complaint with the regional office employee you deal with, and/or
- Contact your local Regional Manager.

Alternatively you can contact the General Manager, Financial Planning by telephoning 1800 620 305, writing to us at GPO Box 5336 SYDNEY NSW 2001 or by email to complaints@stateplus.com.au

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 by calling 1300 884 114 or writing to Locked Bag 3060, Melbourne VIC 3001.

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.

Indemnity Insurance Cover

StatePlus maintains professional indemnity insurance against liabilities incurred as a result of a breach of duty as Trustee of the Pension Plan.

Need more information?

Should you require any other information regarding the operation of the Pension Plan, please contact a Client Service Officer at the nearest office of StatePlus.

Financial Information

The abridged Income Statement is set out below and the abridged Statement of Financial Position and Statement of Changes in Member Benefits are set out on the following page.

You should be aware that the Auditors have issued an unqualified Audit Report for the Financial Statements of the StatePlus Fixed Term Pension Plan. 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 stateplus.com.au/documents/annual-reports and selecting the Fixed Term Pension Plan Annual Report 2017; or
- calling your local regional office and a copy will be sent to you free of charge.

Abridged Income Statement for the Financial Year Ended 30 June 2017

	2017 \$	2016 \$
INVESTMENT REVENUE		
Interest and other Income	1,800	2,236
Change in net market value of investments	277,856	188,720
NET INVESTMENT REVENUE	279,656	190,956
EXPENSES		
General administration expenses	258,384	297,854
TOTAL EXPENSES	258,384	297,854
OPERATING RESULTS	21,272	(106,897)
Net benefits allocated to defined benefit member benefits	(5,004)	116,042
Income tax (expense)/benefit	-	-
OPERATING RESULT AFTER INCOME TAX	16,268	9,145

Financial Information

Abridged Statement of Financial Position as at 30 June 2017

	2017 \$	2016 \$
ASSETS		
Cash at bank	163,596	42,016
Sundry debtors	2,840	1,702
Investments in unlisted notes	7,566,629	12,060,251
TOTAL ASSETS	7,733,065	12,103,969
LESS LIABILITIES		
Creditors and accruals	(141,023)	(34,573)
TOTAL LIABILITIES	(141,023)	(34,573)
NET ASSETS AVAILABLE FOR MEMBERS BENEFITS	7,592,042	12,069,396
Defined benefit member liabilities	(7,566,629)	(12,060,251)
TOTAL MEMBERS LIABILITIES	(7,566,629)	(12,060,251)
NET ASSETS	25,413	9,145
EQUITY		
Operational Risk Reserves	-	-
Unallocated surplus/(deficit)	25,413	9,145
TOTAL EQUITY	25,413	9,145

Abridged Statement of Changes in Member Benefits for the Financial Year Ended 30 June 2017

Defined benefit member benefits	2017 \$	2016 \$
Opening balance	12,069,396	17,517,380
Net after tax contributions	-	-
Benefits to members	(4,498,627)	(5,341,086)
Reserve transferred to/(from) members:		
- Operational risk reserves	-	-
Net benefits allocated, comprising:		
- Net investment income	263,389	181,810
- Net administration fees	(258,384)	(297,854)
Closing balance	7,566,629	12,060,251

Financial Information

Operational Risk Financial Reserve

	2017 \$'000	2016 \$'000	2015 \$'000
Balance at the beginning of the financial year	50	50	54
Balance at end of the financial year	50	50	50

The above table details the movement of the Operational Risk Financial Reserve (ORFR) over a period of three consecutive years.

The 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 Trust Deed and in accordance with regulatory requirements, StatePlus is accumulating an ORFR in a corporate account outside of the Plan. The reserve is funded by Trustee Capital and is invested in 100% liquid securities. The amount held is determined in accordance with the StatePlus ORFR Policy. The target ORFR is 0.25% of the Plan's assets.

The Plan's ORFR held an amount of \$50,000 which is greater than the 0.25% target as at 30 June 2017. The ORFR Policy outlines the measures we have put in place to ensure that StatePlus monitors this reserve on an ongoing basis and takes steps to address any shortfalls should these occur.

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Directory

Client Administration Services	GPO Box 5336 Sydney NSW 2001	Wollongong	Suite 1, Level 4, 280-286 Keira Street, Wollongong PO Box 349 Wollongong East NSW 2520 Client Services: 02 4231 2455 Toll Free: 1800 060 166
Sydney Clarence Street	Level 9, 83 Clarence Street, Sydney GPO Box 5336 Sydney NSW 2001 Client Services: 02 9333 9500 Toll Free: 1800 222 211	Penrith	Level 3, 331 High Street, Penrith PO Box 1014, Penrith NSW 2751 Client Services: 02 4724 4855 Toll Free: 1800 102 700
Sydney Pitt Street	Level 9, 175 Pitt Street, Sydney GPO Box 5058, Sydney NSW 2001 Client Services: 02 8295 7950 Toll Free: 1800 985 950	Liverpool	Level 3, 1 Moore Street, Liverpool PO Box 137 Liverpool NSW 2170 Client Services: 02 8738 2555 Toll Free: 1800 899 315
Canberra ACT	Level 9, Nishi Building 2 Phillip Law Street New Acton ACT 2601 Client Services: 02 6232 2155 Toll Free: 1800 028 918	Central Coast	Level 2, 40 Mann Street, Gosford PO Box 354 Gosford NSW 2250 Client Services: 02 4304 8255 Toll Free: 1800 801 965
Canberra Woden ACT	Level 1, 10 Corinna Street, PHILLIP PO Box 49 Woden ACT 2606 Client Services: 02 6122 2855 Toll Free: 1800 502 100	Mid North Coast	40 Gordon Street, Port Macquarie PO Box 2117 Port Macquarie NSW 2444 Client Services: 02 6516 1455 Toll Free: 1800 676 839
Melbourne VIC	Level 16, 440 Collins Street, Melbourne GPO Box 2817 Melbourne VIC 3001 Client Services: 03 8615 3055 Toll Free: 1800 805 233	North West NSW	Ground Floor, 17 White Street, Tamworth PO Box 297 Tamworth NSW 2340 Client Services: 02 6755 2055 Toll Free: 1800 248 609
Brisbane QLD	Level 10, 133 Mary Street, Brisbane PO Box 15499 City East QLD 4002 Client Services: 07 3335 7055 Toll Free: 1800 357 085	Northern Rivers	193-199 River Street, Ballina PO Box 1078 Ballina NSW 2478 Client Services: 02 6686 1655 Toll Free: 1800 656 474
Perth WA	Level 3, 197 St Georges Terrace, Perth PO Box 5657 Perth WA 6831 Client Services: 08 9214 4155 Toll Free: 1800 332 308	South West NSW	14 Morrow Street, Wagga Wagga PO Box 13 Wagga Wagga NSW 2650 Client Services: 02 5908 1755 Toll Free: 1800 641 109
Parramatta	First Floor, 90 Phillip Street, Parramatta PO Box 966 Parramatta NSW 2124 Client Services: 02 8895 2355 Toll Free: 1800 626 000	Central West NSW	180 Anson Street, Orange PO Box 2381 Orange NSW 2800 Client Services: 02 5310 1855 Toll Free: 1800 803 708
Newcastle	Level 2, 22 Honeysuckle Drive, Newcastle PO Box 1765 Newcastle NSW 2300 Client Services: 02 4016 2255 Toll Free: 1800 807 855		

Level 9, 83 Clarence Street, Sydney, NSW 2000
GPO Box 5336 Sydney NSW 2001
Telephone: 02 9333 9555
Fax: 02 9262 5472
Internet: stateplus.com.au



Formerly State Super Financial Services