

StatePlus Fixed Term Pension Plan Annual Report 2016



Formerly State Super Financial Services



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STATEPLUS FIXED TERM PENSION PLAN

State Super Financial Services Australia Limited trading as StatePlus (ABN 86 664 654 341)
is the Trustee of:

The StatePlus Fixed Term Pension Plan SS10014AU

Chairman's Report

A milestone year

The year in review – 2015 / 2016 - will be marked as a significant and historical time for both StatePlus and First State Super. In June 2016, First State Super, one of Australia's largest superannuation funds, acquired StatePlus, one of the most highly regarded, qualified and trusted professional advice firms in the country.

The alignment of these two entities will ultimately create Australia's largest member-owned financial planning network. Our increased scale and membership, supported by a wider and deeper network of professional planners and relationship managers, will enable us to deliver improved service and quality advice to our clients.

Together, the combined business now has over \$70 billion in funds under management, with \$21 billion in retirement funds, and over 200 planners located across regional and metropolitan centres throughout Australia.



I have been the Chair of First State Super since 2014 and I'm also delighted to now be the Chair of StatePlus. I'm proud to say StatePlus remains a dynamic and energised business with a focus on delivering quality advice and client experiences.

One team, shared values & aspirations

StatePlus and First State Super share a common set of organisational values that stem from their shared heritage of delivering quality advice, superannuation and retirement solutions to public sector employees and their families. Both organisations are deeply connected in their common values and aspirations and together we intend to continue to bring you the highest-quality professional service and trusted financial advice.

I'm very confident in the leadership team of the business, very ably led by CEO Graeme Arnott. Graeme was Deputy CEO of First State Super and so he is well-placed and supported to guide the team bringing the strengths of both businesses together.

Looking forward, our commitment to you continues

The year ahead will be filled with plenty of exciting developments and opportunity to deepen our relationships and extend the quality of service and advice we offer our most important stakeholders – our clients.

We're investing in our digital capability and technology platform to extend the ways you can access advice and service from us as well as to deepen and improve our ability to service and advise you across the relationships and channels you share with us.

I wish each and every one of you a successful year ahead and thank you for entrusting our organisation and our people with your valuable financial assets. We take this responsibility very seriously and we remain firmly committed to ensuring we provide you with the advice and services necessary to help you plan your future so that you can enjoy a fulfilling retirement.

Best wishes

Neil Cochrane

Company News

A year of change

During the financial year 2016, we experienced some of the most exciting developments in the 26-year history of StatePlus. In October 2015 we refreshed our brand, along with a new website stateplus.com.au. As of June this year First State Super is the new owner of StatePlus, you can read about this in the Chairman's Message.

Our new name StatePlus continues to reflect pride in our organisation's history. The reference to 'State' recognises our public sector heritage and expertise, while the 'Plus' reflects the future expansion of our capabilities and services. Our name and colours may have changed, but our commitment to you remains unchanged – to simplify financial advice so it can make a genuine and positive impact on your life.

Remaining steady through the effects of markets

The year was marked by a series of political events around the globe. We saw a surprise 'Brexit' referendum result supporting the departure of the United Kingdom from the European Union, and a very close result in the Australian federal election. Financial markets experienced volatility through the year and low interest rates, which made it a challenging time for investment market performance.

Even as we embrace change, our investment philosophy has remained unchanged. At StatePlus we're prudent about how we invest, and our priority continues to be managing risk while focusing on providing income for you. This approach has helped our portfolios deliver a steady performance through the ups and downs of markets.

If you're approaching retirement, or if you're relying on your savings to fund your lifestyle, managing your investments through these volatile times are even more important. We continue to focus on income in our portfolios, as we recognise that retirees have a greater need for security and certainty.

Regulatory changes that could affect you

As you would have noticed, superannuation changes dominated the headlines in the 2016 Federal Budget. The proposed changes could see higher-income earners paying more tax on their super, which affects their ability to save money in super for retirement. At the time of writing, some of these proposed changes are still being debated, for example, a reduction in the amount members will be able to contribute to super both concessional (pre-tax) and non-concessional (post-tax). Some of these measures will also apply to members of defined benefit funds.



What is certain, though, are changes to the pension assets test that will take effect from 1 January 2017. These changes may reduce the rate of pension paid to part-pensioners, or your pension may reduce. It's important to understand the exact rules that apply to your specific circumstance.

So if you're unsure about how all these changes affect you, and to find out if there's any action you need to take, it would be a good idea to see your financial planner.

Company News

Investing in digital technology



We're investing in technology to offer you more flexibility in how you access financial advice. Our research has shown that many clients would like to see a financial planner first, face-to-face, but then would like the option of being able to contact us through another channel, such as online or over the phone.

So in response to your feedback we will soon be launching a new StatePlus secure website. The new secure website will have features that make it easier for you to stay up-to-date with your account and your investments. To stay up-to-date with these changes, visit stateplus.com.au/updates

Working for a better future

This year we launched our first Sustainability Report which talks about how we're weaving sustainability factors into our business and its values through four key pillars: people and culture, property and buildings, investments, and corporate giving. We aim to manage environmental, social and governance (ESG) issues to improve portfolio outcomes and support sustainable development across a range of issues.

We now exclude direct investment in those companies involved in the manufacture of cigarettes and other tobacco products. We believe these investment decisions are likely to positively impact your future risk-adjusted returns in the portfolios. For more information on our ESG positioning visit stateplus.com.au/esg

Change in Auditor for the StatePlus Fixed Term Pension Plan

Following the sale of StatePlus to First State Super, StatePlus was required to replace the Audit Office of NSW as the appointed independent auditor of the StatePlus Fixed Term Pension Plan. On 19 September 2016 the Australian Securities and Investment Commission (ASIC) approved the appointment of Deloitte Touché Tohmatsu as the independent auditor to the Fixed Term Pension Plan.

Your Trustees

As at 30 June 2016, there were no active policy committees. Following the sale of StatePlus, all policy matters were considered by the full Board.



› Neil Cochrane

Chairman of the Board

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).

Appointed 6 June 2016



› Graeme Arnott

Chief Executive Officer

Graeme Arnott was appointed Chief Executive Officer of StatePlus after nine years as Chief Operating Officer and Deputy CEO at First State Super. Prior to this he spent 16 years in senior management roles at JP Morgan, having joined in 1991 after a period with Price Waterhouse. Graeme was awarded Chief Operating Officer of the Year by FEAL and LaTrobe Financial in 2013. He qualified as a Chartered Accountant in Scotland and holds a BSc from Strathclyde University.

Graeme was initially seconded to StatePlus as Interim CEO following the organisation's acquisition by First State Super in June 2016. As Deputy CEO at First State Super, he had overall responsibility for the delivery of operational, custodian, financial and administrative services to members and employers of the fund.

Appointed 1 October 2016



› Mark Lennon

Mark was Secretary of Unions NSW between 2008-2015 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.

Appointed 6 June 2016



› Sue Carter

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.

Appointed 6 June 2016



› John Warburton

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.

Appointed 6 June 2016

Your Trustees

› M. Monaghan

Ceased appointment 6 June 2016

› N. Johnson

Appointed 31 May 2016. Ceased appointment 6 June 2016

› J. Livianas

Appointed 31 May 2016. Ceased appointment 6 June 2016

› R. Hedley

Appointed 31 May 2016. Ceased appointment 6 June 2016

› P.K Gupta

Ceased appointment 31 May 2016

› F.J Pak-Poy

Ceased appointment 31 May 2016

› P.F. Scully

Ceased appointment 31 May 2016

› M. Walsh

Ceased appointment 31 May 2016

› R. Grellman

Appointed 21 December 2015. Ceased appointment 31 May 2016

› N. Milne

Appointed 3 March 2016. Ceased appointment 31 May 2016

› G. Vernados

Ceased appointment 25 February 2016

› A. Claassens

Ceased appointment 14 November 2015

› T. O'Grady

Ceased appointment 14 November 2015

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.

Information to Members

The Trustee

The Trustee of the StatePlus Fixed Term Pension Plan (also referred to as the 'Pension Plan') is State Super Financial Services Australia Limited trading as StatePlus (also referred to as 'the Company', 'we' or 'our').

We provide professional financial planning advice and implementation solutions to current and former public sector employees and their families. We offer the services and investments you need to successfully plan for retirement and manage your future. Our services include:

- Financial advice including retirement planning for pre-retirees and retirees
- Superannuation and pension investments

StatePlus financial planners work with you to put together a financial plan that is based on a clear understanding of your individual needs, and is focused on your best interests.

StatePlus is a Principal Member of the Financial Planning Association of Australia ('FPA'), which is the association for companies and individuals who provide professional financial planning advice and services.

As a Member of the FPA, we and our representatives are required to maintain the standards of ethical business conduct and practices prescribed for the profession by the FPA.

State Super Financial Services trading as StatePlus:

- is a Registrable Superannuation Entity Licensee under the Superannuation Industry (Supervision) Act 1993
- is the Trustee of the StatePlus Fixed Term Pension Plan and the StatePlus Retirement Fund
- is the Responsible Entity of the StatePlus Investment Fund
- at 30 June 2016 had over 60,000 clients and close to \$17 billion funds under advice

Although we have our own management and employees, we have a policy of engaging experienced external investment managers to invest the funds under advice.

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:

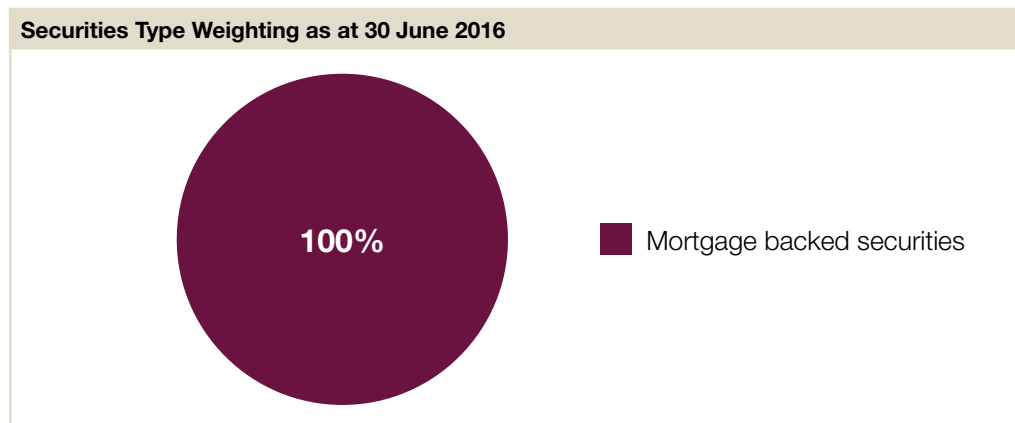
- Debt securities which have, or have a credit rating equivalent to, a Standard & Poor's (or Moody's equivalent) long term credit rating of AAA;
- Debt securities which have a rating equivalent to a Standard & Poor's (or Moody's equivalent) long term credit rating of AAA based on Standard & Poor's joint 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+; and
- 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 2016 the net asset value of the FTTP is below \$20 million. In accordance with the terms of the agreement, DBAG are not restricted in the type of AAA securities in which to invest. As at 30 June 2015, the allocation of the underlying securities was 100% invested in 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.

Information to Members

Large assets

Table 1 shows the individual investments that are greater than 5% of the Pension Plan as at 30 June 2016.

Table 1

Issuer	Exposure
FirstMac Mortgage Funding Trust	25.2%
Progress Trust	24.1%
Triton Trust No 2	21.6%
REDS Trust	15.6%
Torrens Trust	7.3%

Table 2 shows the issuer that in aggregate represented more than 5% of the Fund as at 30 June 2016.

Table 2

Issuer	Exposure
FirstMac Mortgage Funding Trust	25.2%
Progress Trust	24.1%
Triton Trust No 2	21.6%
REDS Trust	15.6%
Torrens Trust	7.3%
Apollo Trust	6.1%

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%.

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, 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. 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.

Any complaint, should be directed in writing and sent to the General Manager – Financial Planning, StatePlus, 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 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.

Additional Information

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 Statement of Changes in Net Assets and Statement of Net Assets 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/ftpp and selecting Annual Report 2016; or
- calling your local regional office and a copy will be sent to you free of charge.

Abridged Financial Information

Statement of Changes in Net Assets for the Financial Year ended 30 June 2016

	2016 \$	2015 \$
Investment Revenue		
Changes in net market value of investments	188,720	270,399
Interest received	2,236	4,082
NET INVESTMENT REVENUE	190,956	274,481
Benefits Paid and Expenses		
Benefits paid/payable	5,341,086	5,809,742
General administration expenses	297,854	337,407
TOTAL BENEFITS PAID AND EXPENSES	5,638,940	6,147,149
DECREASE IN NET ASSETS BEFORE INCOME TAX	(5,447,984)	(5,872,668)
Income tax expense	-	-
DECREASE IN NET ASSETS AFTER INCOME TAX	(5,447,984)	(5,872,668)
Net assets available to pay benefits at the beginning of the year	17,517,380	23,390,048
NET ASSETS AVAILABLE TO PAY BENEFITS AT THE END OF THE YEAR	12,069,396	17,517,380

Statement of Net Assets as at 30 June 2016

	2016 \$	2015 \$
Investments		
	12,060,251	17,512,122
Other Assets		
Cash at bank	42,016	104,852
Sundry debtors	1,702	16,224
Total Other Assets	43,718	121,076
Total Assets	12,103,969	17,633,198
Liabilities		
Creditors and Accruals	(34,573)	(115,818)
Total Liabilities	(34,573)	(115,818)
Net Assets Available to Pay Benefits	12,069,396	17,517,380

Abridged Financial Information

Operation Risk Financial Reserve

	2016 \$'000	2015 \$'000	2014 \$'000
Balance at the beginning of the financial year	50	54	42
Balance at end of the financial year	50	50	54

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 2016. 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.

Directory

Client Administration Services	GPO Box 5336 Sydney NSW 2001		
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.	Parramatta NSW	Level 1, 90 Phillip Street, PARRAMATTA PO Box 966 Parramatta NSW 2124 Client Services: 02 8895 2355 Toll Free: 1800 626 000
Canberra City ACT	Level 9, Nishi Building 2 Phillip Law Street New Acton ACT 2601 PO Box 725 Civic Square ACT 2608 Client Services: 02 6232 2155 Toll Free: 1800 028 918	Penrith NSW	Level 3, 331 High Street, PENRITH PO Box 1014 Penrith NSW 2751 Client Services: 02 4724 4855 Toll Free: 1800 102 700
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	Wollongong NSW	Level 4, 280-286 Keira Street WOLLONGONG PO Box 349 Wollongong East, NSW 2520 Client Services: 02 4231 2455 Toll Free: 1800 060 166
Melbourne VIC	Level 16, 440 Collins Street, MELBOURNE GPO Box 2817 Melbourne VIC 8060 Client Services: 03 8615 3055 Toll Free: 1800 805 233	Central Coast NSW	Level 2, 40 Mann Street, GOSFORD PO Box 354 Gosford, NSW 2250 Client Services: 02 4304 8255 Toll Free: 1800 801 965
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.	Mid North Coast NSW	40 Gordon Street PORT MACQUARIE PO Box 2117 Port Macquarie, NSW 2444 Client Services: 02 6516 1455 Toll Free: 1800 676 839
Sydney Clarence St NSW	Level 9, 83 Clarence Street, SYDNEY GPO Box 5336 Sydney NSW 2001 Client Services: 02 9333 9500 Toll Free: 1800 222 211	North West NSW	17 White Street TAMWORTH PO Box 297 Tamworth, NSW 2340 Client Services: 02 6755 2055 Toll Free: 1800 248 609
Sydney Pitt Street NSW	Level 9, 175 Pitt Street, SYDNEY GPO Box 5058, Sydney NSW 2001 Client Services: 02 8295 7950 Toll Free: 1800 985 950	Northern Rivers NSW	193-199 River Street BALLINA PO Box 1078 Ballina, NSW 2478 Client Services: 02 6686 1655 Toll Free: 1800 656 474
Liverpool NSW	Level 3, 1 Moore Street, LIVERPOOL PO Box 137 Liverpool NSW 2170 Client Services: 02 8738 2555 Toll Free: 1800 899 315	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
Newcastle NSW	Level 2, 22 Honeysuckle Drive, NEWCASTLE, PO Box 1765 Newcastle NSW 2300 Client Services: 02 4016 2255 Toll Free: 1800 807 855	Central West NSW	180 Anson Street ORANGE PO Box 2381 Orange, NSW 2800 Client Services: 02 5310 1855 Toll Free: 1800 803 708

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Formerly State Super Financial Services