




FIRST STATE SUPER  
FSS Trustee Corporation

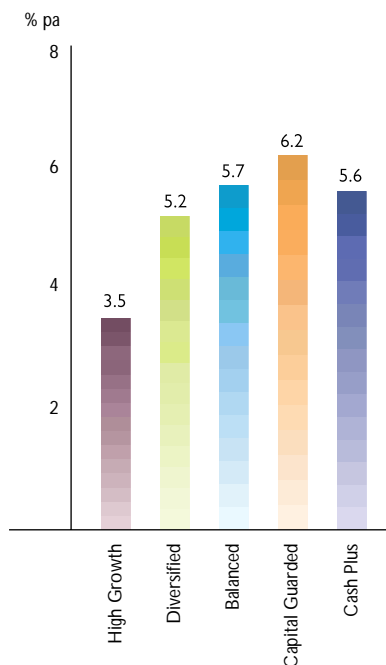


Does my  
super  
measure up?

# Highlights of the year

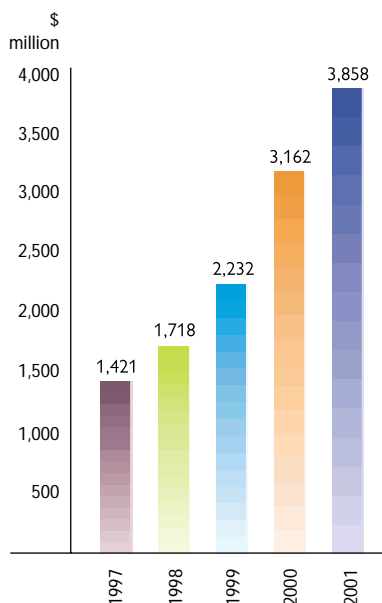
## INVESTMENT PERFORMANCE

Year to 30 June 2001



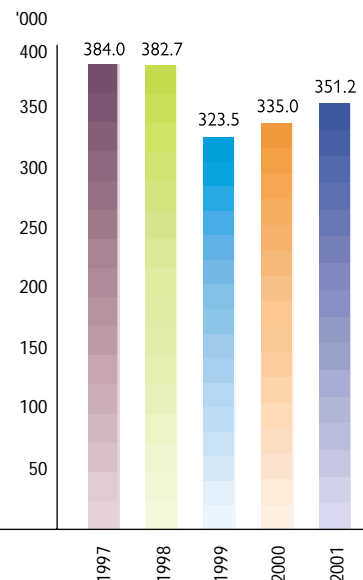
## FIRST STATE SUPER NET ASSETS AVAILABLE TO PAY BENEFITS

as at 30 June



## FIRST STATE SUPER MEMBERSHIP

as at 30 June



## Major events

During the year, FSS:

- improved member insurance benefits,
- introduced member access to account balance via the web,
- amended the age default investment strategies for new members,
- conducted a major member survey, and
- advised approximately 700 FSS members who accepted the Treasury Conversion Offer in 2000 to move from their State Super Scheme to FSS that they have the option to return to their previous scheme.

## The Fund

- Is one of the 20 largest Australian superannuation funds measured by funds under management.
- Continues to have a competitive administration fee of \$1 per member per week and very low investment fees.

Over the past 5 years, the five FSS investment strategies have generated either top quartile or 2nd quartile performance (a ranking of 1 or 2 indicates that FSS outperformed the average manager). For further details about the investment climate this year and our performance, see pages 15–18.

### FSS net investment returns for 5 years to 30 June 2001

Investment Strategies	High Growth	Diversified	Balanced	Capital Guarded	Cash Plus
FSS % pa.	12.2	11.1	10.0	8.9	5.1
Average Manager* % pa.	11.8	10.8	9.0	7.8	4.8#
FSS's quartile ranking	2	2	1	1	N/A

\* InTech is an asset consulting firm which publishes surveys of the investment performance of superannuation fund managers.  
# UBSWA Bank Bill Index less 15%.

## What members are doing

- Members are consolidating their super in FSS.
- Members are salary sacrificing significant dollars into FSS.
- The average member account balance continues to rise — and now is over \$10,000.
- Over 30% of members have made an active investment choice.
- 172,926 members rang FSS for information.
- 1,440 members had a personal interview.
- 1.6 million hits on the web site.

# FSS Trustee Corporation

## Mission

To support the future well being of members and their families by the productive delivery of superannuation benefits with optimal investment returns and member service.

## Charter

FSS Trustee Corporation is a body corporate constituted by the *Superannuation Administration Act 1996*. It is trustee of the First State Superannuation Scheme.

Its principal functions are to:

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

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### FTC STATUTORY INFORMATION

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Note: Throughout this report:

**Trustee, Trustee Corporation** or **FTC** means the FSS Trustee Corporation.

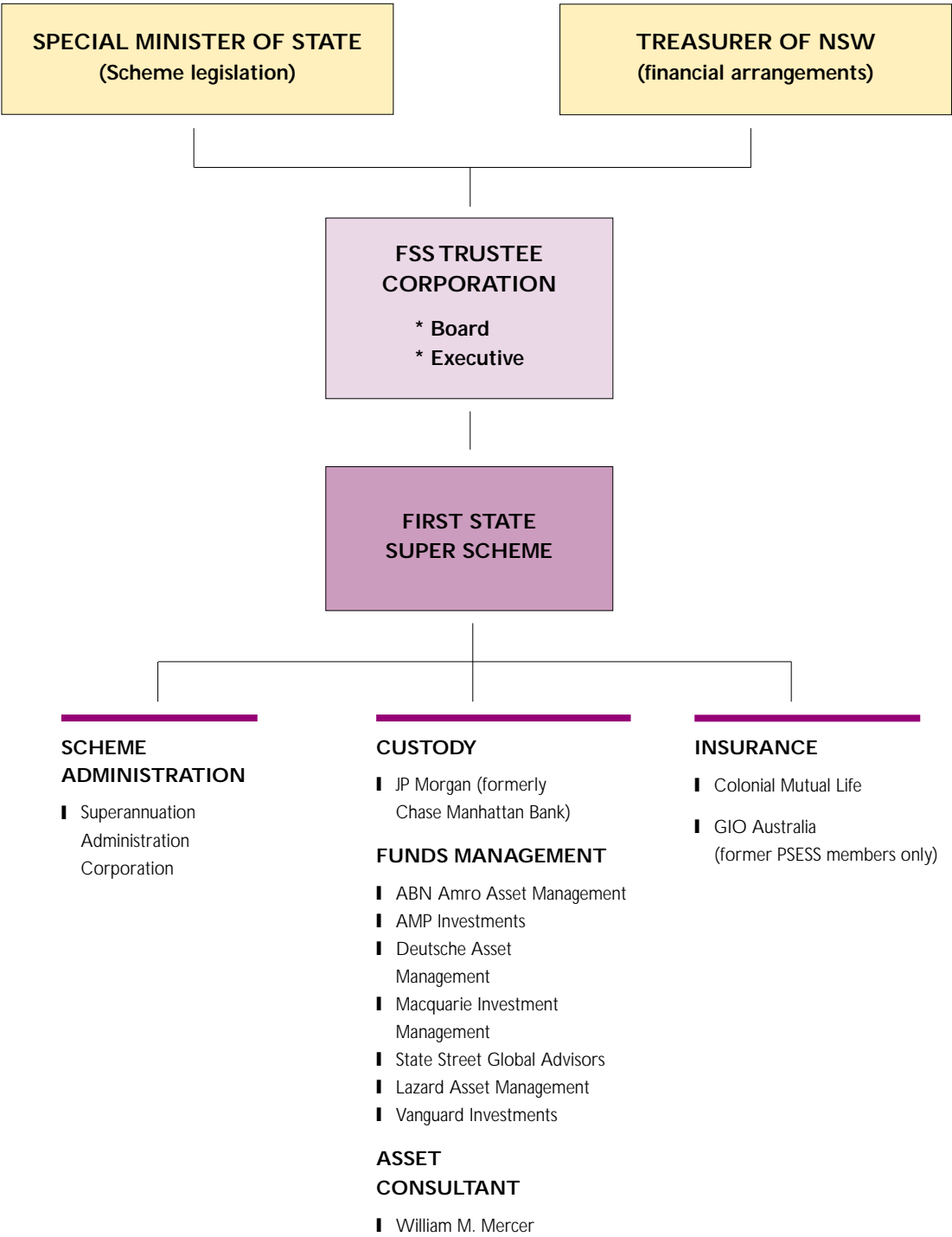
**FTC** means the FSS Trustee Corporation.

**FTC Scheme** means the First State Superannuation Scheme (FSS).

**Board** means the Trustee Board of FTC, appointed under the *Superannuation Administration Act 1996* and comprising 4 employee representatives, 4 employer representatives and an independent chairperson.

# Organisation structure

at 30 June 2001



# Report to the Minister

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October 2001

The Hon Michael R Egan MLC  
Treasurer  
NSW Treasury  
Level 33, Governor Macquarie Tower  
1 Farrer Place  
SYDNEY NSW 2000

Dear Minister

We have pleasure in submitting to you for presentation to Parliament the annual report of the FSS Trustee Corporation covering the period 1 July 2000 to 30 June 2001.

The annual report contains the report for FSS Trustee Corporation and the financial statements for the First State Superannuation Scheme. These have been prepared in accordance with the provisions of the *Annual Reports (Statutory Bodies) Act 1984*, the *Public Finance and Audit Act 1983*, and associated regulations.

We appreciate the interest and support which you, the Premier and the Government have shown in our activities and look forward to working with you during the coming year.

Yours sincerely



**Thomas G Parry**  
Chairman  
FSS Trustee Corporation



**Ian Blair**  
Board Member and Chairperson  
of Audit Committee  
FSS Trustee Corporation

# Chairman's report

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The Trustee directors of FSS Trustee Corporation have faced a number of challenges and opportunities in the last financial year in managing the First State Superannuation Scheme.

The past 12 months have challenged the Trustee as the Scheme's contracted administrator, SAC, experienced difficulties with a new computer system in producing timely and accurate annual and half yearly member statements. This meant that the Trustee was unable to achieve one of its primary goals — to provide optimal member service. The Trustee has been working very closely with the administrator to minimise the chance of a reoccurrence with the 2000–01 benefit statements.

Investment markets during the year were extremely volatile. With the exception of the Australian sharemarket, which closed the year at its all time high, most markets finished the financial year substantially below their levels of a year ago. The performance of the First State products relative to their peers, varied according to their exposure to growth assets. The conservative products, with a smaller proportion of equities, performed better than the higher growth products.

Despite lower investment returns, the most notable change in membership statistics was the growth in average member balances from \$9,140 to \$10,930 as members consolidated their super and made personal contributions. FTC also regularly removes small inactive accounts by transfer to an eligible rollover fund.

Investment funds under management grew from \$3.25 billion a year ago to \$3.92 billion at 30 June 2001.

Total Scheme membership increased slightly from 334,950 members at the beginning of the year to 351,271 members at year end after taking account of new members (58,804), preserved benefits reactivated to membership (2,556), and exits and cancellations (46,364).

The *number of members* making personal contributions to their superannuation account, or making spouse contributions for their partners, did not grow significantly during the year. However, *the amount contributed* by members already making additional contributions grew strongly, particularly salary sacrifice contributions.

On the communications front — the Trustee has upgraded the web site to enable members to view the current balance of their account, and from 1 July 2001, managed the field service function directly, which enabled closer contact with, and feedback from, members.

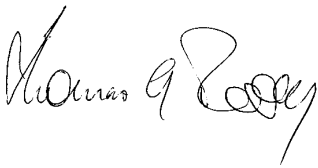
The FTC Board met monthly during the year. The Board committees met quarterly.

The Board and its committees spent considerable time on new communications strategies, particularly the web, and reviewing the investment strategies in the Fund. More time than normal was also spent on working with SAC to remediate computer and related accounting difficulties.

In August 2000, Beverley Houterman and Beryl Ashe retired from the Board at the end of their terms. I would like to thank them both for their diligence and commitment to improving First State Super and the position of its members.

I would also like to thank the ongoing Board members for their contribution during 2000–01. Finally, my thanks to the Executive staff for their work in managing the Scheme and assisting members to resolve administrative difficulties, which are normally handled by the administrator.

The Board and the Executive look forward to the next financial year and the opportunity to focus on long term goals and providing quality service to members.

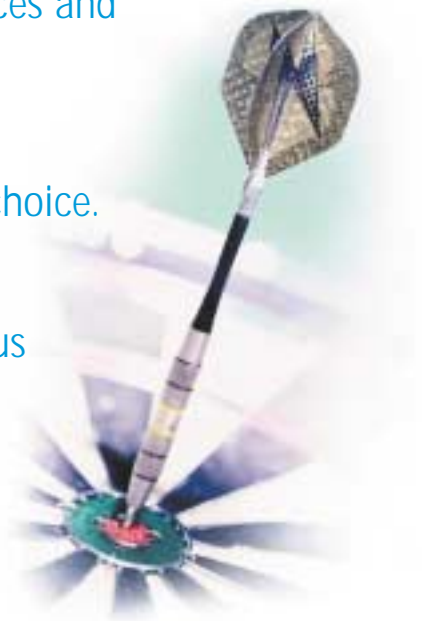


**Thomas Parry**  
*Chairman*

September 2001

## Fund objectives

- To provide members with optimal investment returns.
- To support the well being of members through high quality services and information.
- To provide investment choice.
- To maintain a strong focus on keeping costs low.



# Board members' profiles

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(L to R) **Russ Collison**, Employee Representative, state secretary of the Australian Workers' Union of NSW.

**Cristina Cifuentes**, Employer Representative, consultant in economics and finance.

**Thomas Parry**, Chairman.



(L to R) **Bruce Foy**, Employer Representative, managing director of an international merchant bank.

**Sandra Moait**, Employee Representative, general secretary of the NSW Nurses' Association.

**Ian Blair**, Employer Representative, company director.

**Thomas Parry** (Chairman) is the foundation executive chairman of the Independent Pricing and Regulatory Tribunal of NSW. His other positions include associate commissioner of the Australian Competition and Consumer Commission, and member of the NSW Council on the Cost and Quality of Government. He has been an adjunct professor at the University of New South Wales and a former dean of the Faculty of Commerce at the University of Wollongong, as well as holding positions in the private sector.

**Bruce Foy** (Employer Representative) has worked for a State Treasury department and prominent international banks. His current position is head of wholesale banking for the ING/BBL Group in Australia, New Zealand and Papua New Guinea. He is also a director of a number of companies including the International Banks and Securities Association of Australia Ltd. Bruce is a lawyer who was admitted as a barrister in 1989.

**Sandra Moait** (Employee Representative) is the general secretary of the NSW Nurses' Association and branch secretary of the Australian Nursing Federation (NSW Branch), positions she has held since 1995.

In addition, she is currently president of the Labor Council of NSW and chairperson of Radio Station 2KM; chairperson of Labor Media Pty Ltd; vice president of the Australian Council of Trade Unions (ACTU); a member of the Workers Compensation and Workplace Occupational Health and Safety Council; chairperson and trustee of the Edith Cavell Trust; a director of State Super Financial Services Ltd; and a director of Australian People for Health Education and Development Abroad (APHEDA).

Sandra is a registered nurse and worked as a general and mental health nurse in both public and private hospitals in NSW prior to her work with the Nurses' Association in 1976.

**Ian Blair** (Employer Representative) is a chartered accountant and a company director, holding a Master of Management degree from Macquarie University. After a long career with accounting firm Deloitte Touche Tohmatsu, including a term as CEO of the firm, he moved to lawyers, Allens Arthur Robinson where he currently acts as executive general manager of the firm. Ian has been active in local government and community organisations and received an Order of Australia Medal in 1987 for his services to the community.

**Cristina Cifuentes** (Employer Representative) is a consultant in economics and finance. She has over 20 years experience in economics and investment markets including most recently the position of director, investment strategy at BNP Investment Management. She has degrees in economics and law and is currently a director of NSW Treasury Corporation and a member of the NSW Independent Pricing and Regulatory Tribunal.

**Russ Collison** (Employee Representative) is the state secretary of The Australian Workers' Union (AWU) of NSW, and has occupied this position since 1997, and is secretary of the AWU Greater NSW Branch. He is also vice-president of the Labor Council of New South Wales, a member of the Building & Construction Industry Long Service Payments Committee and a member of the NSW ALP Administrative Committee.



(L to R) **Maurie O'Sullivan**, Employee Representative, general secretary of the Public Service Association (PSA) of NSW.

**Michael Williamson**, Employee Representative, general secretary of the Health and Research Employees' Association of NSW (HREA).

**Mark Duffy**, Employer Representative, consultant.

(not pictured) **Beryl Ashe**, Full-time STC Board member, is an alternate FTC Employee Representative for Maurie O'Sullivan.

**Maurie O'Sullivan** (Employee Representative) has a BA from the University of Wollongong. He is general secretary of the Public Service Association (PSA) of NSW and is also secretary of the State Public Services Federation (NSW) Branch. He has been involved with the Public Service in NSW since 1967.

**Michael Williamson** (Employee Representative) is the general secretary of the Health and Research Employees Association of NSW. He is also national president of the Health Services Union of Australia and NSW branch secretary. He is a member of the NSW Government social justice committee, a vice president of the Labor Council of NSW, finance committee member of the Labor Council of NSW, member of the NSW ALP administrative committee and chairperson of the ALP health committee.

**Mark Duffy** (Employer Representative) works as a consultant. He has had broad economic, strategic, policy and industrial relations input into several large NSW State Government initiatives in his previous role as chief policy advisor and chief of staff to the Treasurer, Minister for Energy and Minister for State and Regional Affairs, Michael Egan. He continues this input via his association with an international consultancy firm.

**Beryl Ashe** (Alternate to Maurie O'Sullivan) is the full-time employee representative on the SAS Trustee Corporation (STC Board) and was appointed as an alternate for Mr Maurie O'Sullivan in October 2000. She is also a board member of State Super Financial Services Ltd and a past board member of the Australian Institute of Superannuation Trustees. Beryl is also a member of the NSW Division Executive Committee of the Association of Superannuation Funds of Australia Ltd.

# FTC achievements and objectives

## Objectives

**To aim for industry leader status with regard to member service.**

**To implement an investment strategy which is long term in its focus and has an appropriate risk/return profile.**

## Achievements in 2000–01

- Service standard benchmarking in place for administrator and insurer.
- Call Centre staff undertake ongoing training and have Quality Assurance Officer supervision at all times. FTC monitors call responses monthly.
- Major member survey undertaken. Executive implementing feedback.
- Member exit survey in operation since 1 November 2000. Results analysed monthly.
- Member seminars tailored to audience interests. Fund newsletters focussed on insurance and investment.
- Education package including calculators on web.
- Members can change personal details and find member account balances on the web.
- Reviewed the asset sector allocations for current FSS investment choices with Fund's asset consultant. They were endorsed as matching industry standards.
- Member survey identified interest in Socially Responsible Investments (SRI) products.
- Default strategies altered in November 2000 to reflect demographic trends.
- Asset consultant tender completed. William M. Mercer reappointed.
- Re-engineered the fixed interest mandates to global mandates which include corporate debt.

## Strategies for 2001–02

- Remediate administrative difficulties of 2000–01.
- Consider providing access to retirement and savings products.
- Keep product competitive with industry funds.
- Segregate membership to enable targeted communications.
- Encourage member investment choice.
- Consider public offer status or, at least, extend membership to enable former public servants to remain active members.
- Educate members of need to provide adequately for retirement.
- Develop web strategy and expand member interactivity.
- Monitor investment performance against objectives.
- Consider introduction of SRI product as sixth fund option.
- Stage introduction and enabling of member concurrent investment choices (original five options plus SRI).

## Objectives

**To ensure compliance with legislative and regulatory requirements, both Commonwealth and State.**

**To monitor service providers to ensure timely, efficient and cost effective delivery of services.**

**To develop an organisation where the Trustee Corporation and Executive operate within an agreed set of values in an environment of professional development.**

## Achievements in 2000–01

- Procedures and systems in place to ensure ongoing compliance with legislative and regulatory requirements.
- Privacy plan implemented.
- Formal compliance reports completed.
- Deed amended to reflect past Scheme changes. Legal framework reviewed in ongoing schedule.
- Provided input into public debate regarding changes to superannuation via industry bodies.
  
- Developing best practice web platform with assistance of SAC and industry experts.
- Employers of over half FSS members now download contributions data via web.
- Independent operational audit of SAC performance reports completed. Recommendations being implemented.
- FTC has developed broad index of SAC performance.
- Upgraded performance standards and insurance claims reporting for insurer.
- Insurance tender completed. Colonial reappointed.
  
- Held Board strategy conference. Board and Executive endorsed corporate purpose values and direction.
- Board and Executive undertook peer review process.
- Service contract between STC/FTC reviewed in March 2001.
- Senior replacements in Executive appointed in Communications and Disputes.

## Strategies for 2001–02

- Maintain and upgrade, where necessary, compliance procedures and systems.
- Present formal compliance reports to auditors.
- Review FSS legislation, deed and rules to ensure they are innovative and effective.
- Monitor proposed legislative changes in a proactive manner and provide input into public debate.
  
- Provide feedback to suppliers on agreed performance measures and against relevant industry benchmarks.
- Establish ongoing operational audit program of administration.
- Proactively monitor alternative administrators' capabilities and prepare for administration tender.
  
- Involve Board and Executive in corporate planning.
- Provide opportunities for Board members to extend their superannuation skills.
- Support work related studies by Executive and provide opportunities to extend expertise.

## Objectives

**To establish policies and procedures to ensure efficient operation of FSS.**

**To maintain strong relationships with Treasury and Premier's Department on policy and strategic issues.**

**To ensure the Trustee Corporation and Executive operate at the highest standards of corporate governance.**

## Achievements in 2000–01

- Some progress in developing relationship with SAC board.
- SAC advise key technical services will remain in Sydney when organisation relocates to Wollongong.
- Call Centre relocated to Wollongong May 2001. Standards maintained to date.

- Steady progress to deepen relationships with Treasury and Premier's Dept.

- Corporate Governance procedures in place, and benchmarked against industry developments.

## Strategies for 2001–02

- Evaluate unitising fund at front end.
- Foster relationship with employers.
- Proactively monitor impact of SAC relocation of processing staff to Wollongong on member service standards.
- Ensure specified SAC functions remain in Sydney.
  
- Seek commitment of Treasury and Premier's Dept to long term positioning of FSS.
  
- Monitor developments in corporate governance relevant to Trustee practices and amend, as required.

# Executive management team

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The Executive comprises a team of experienced professionals spanning a broad range of disciplines which supports the FSS Trustee Corporation and the Board on a wide range of matters including investment management, scheme administration, superannuation policy, disputes, actuarial, legal and communications issues. In line with a commercial arrangement between the two entities, the Executive staff of the SAS Trustee Corporation (STC) serve both STC and the FSS Trustee Corporation (FTC).

## Lyn Gearing

### Chief Executive Officer

BComm, Dip Valuations, Cert Bus Studies (Real Estate), FASFA

As the Chief Executive of FTC and STC since 1997, Lyn reports to the Boards of both FTC and STC and exercises the day-to-day management of the Trustee Corporation. This includes monitoring the performance of funds management, custody and administration service providers and managing a team of superannuation policy and communications specialists.

Lyn's focus is to ensure that the Board receives expert professional advice on which to make its decisions.

Lyn is also on the Board of ASFA, the Association of Superannuation Funds of Australia and on the steering committee for CMSF, the Conference of Major Superannuation Funds of Australia.

The following managers report to the Chief Executive.

## Lyn Collingridge

### General Counsel and Company Secretary

BA, LLB, Certificate and Diploma of Superannuation Management, FTIA, FASFA

Lyn joined the Executive as General Counsel and Company Secretary in October 1998. She is a superannuation lawyer with extensive experience in both the public sector and private practice. She has worked in the superannuation industry since 1989.

As General Counsel, Lyn directs the legal services of the Trustee Corporation and the Board on a broad range of matters including:

- corporate, compliance, investment, Scheme administration and insurance matters,
- intellectual property, trademarks and communication,
- trust and contractual issues, and
- legislation relating to the Scheme and all aspects of the business activities of the Trustee Corporation.

## Karen Faulconbridge

### Manager Policy Advice

BComm

Karen Faulconbridge joined the Executive as Manager Policy Advice in March 2000.

Karen has worked in the superannuation industry in both the private and public sector for over 18 years. Her roles have involved providing technical and compliance advice to trustees of public offer funds and staff of administrators as well as monitoring compliance with all regulatory requirements.

As Manager, Policy Advice, she heads a skilled and experienced team. Among her responsibilities are:

- formulating new superannuation policies and reviewing and amending, where necessary, existing policies,
- identifying the need for product initiative or service enhancements,
- ensuring compliance with Commonwealth and NSW legislation, and
- investigating disputes and coordinating the Disputes Committee, and responding to member enquiries and complaints directed to the Trustee Corporation.

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## Rod Macleod

### Manager Investment Advisory

FCA, ACIS, ASIA

Rod has wide practical experience in investment matters spanning more than 30 years. As Manager Investment Advisory, Rod manages the Trustee Corporation's small investment advisory team of well qualified and experienced investment professionals who:

- monitor investment service providers,
- conduct tenders, and
- review investment proposals and appropriate portfolio structures.

## Stephen Sefton

### Manager Administration and Technical Advice

BComm, CA, ASIA

Stephen joined the Executive in April 1998 and has worked in corporate accounting, taxation and superannuation roles in a major listed Australian company.

In his role, Stephen is responsible for:

- risk management, compliance and governance policies and procedures,
- monitoring the administration contracts, relationships with the administrator and identifying improvements in line with industry best practice,
- management of audit, accounting, tax and actuarial issues,
- project management of recurring tasks, including the year end accounting, auditing and compliance reporting, and
- advising the Board of regulatory changes, particularly taxation changes, and their impact on the Scheme's operations and providing financial and management reports including budgets to the Trustee Corporation.

## Karen Potter

### Manager Communications

LLB

Karen joined the Executive in January 2001 as Manager Communications.

Karen has worked in the banking and superannuation industry for over 20 years. Her roles have included managing a public sector superannuation advisory department, running a seminar team, developing superannuation products and services, and formulating superannuation communication strategies.

Karen's role within the Executive includes:

- developing and implementing member communications plans as well as communications with other key audiences,
- drafting of educational material and project managing the timely delivery of a range of communications tools,
- quality control of all communications mediums for accuracy, plain English, compliance requirements and delivery, and
- measuring the effectiveness of various communications against industry standards.

# Trustee Corporation review

## FSS Trustee Corporation review

FTC made some very satisfactory progress in the following key areas in 2000–01:

- insurance contract renewed which resulted in improved member benefits,
- investment consultant reappointed,
- age default investment choices altered,
- up to date member balances introduced to the web site,
- education material and calculators placed on the web, and
- field team function absorbed into FTC to improve flow of communication and access to members.

## Legislative and policy amendments

No major legislative changes were made to FSS during the year. One change permits contract employees to limit their superannuation guarantee contributions by reference to the maximum contribution base in the *Superannuation Guarantee (Administration) Act 1992* (Commonwealth). (\$105,200 for 2000–01. This amount is indexed annually.) This now means that both contract employees and executive officers have this option.

Another legislative change permits around 700 former State Super or Police members who are current FSS members (as a result of accepting the Treasurer's Conversion Offer in the 1999–2000 year) to elect to return to the State Super or Police Scheme. This reversal was triggered by the passing of same sex legislation for the closed Schemes.

A restructure of the Trust Deed occurred in August 2000 to clarify the intention of a number of provisions. Members' entitlements were not altered.

The Trustee amended its policy on age default investment strategies after consultation with its actuary and a review of peer products. From 1 November 2000, new fund members who are under 55 years of age and who do not make a choice have their funds invested in the Diversified option. Members over 55 years of age who have not made an investment choice have their funds invested in the Balanced option.

## Communications

New communications initiatives in 2000–01 were somewhat constrained by operational difficulties. However, FTC pursued the goals of educating members about the need to save for an adequate retirement by making additional contributions. Specific initiatives were undertaken to:

- make the web site interactive — functions include online notification of personal detail changes and live account balances,
- advise members of the change in the age default strategies effective from 1 November 2000 via their annual statement mail-out,
- reissue the *FSS Your Member Guide*,
- issue a new FSS brochure specifically for top-up members of the defined benefit State Super Schemes and spouse members,
- inform members about the investment market slowdown in the half yearly magazine — *SuperNews* in March 2001,
- revise and/or issue new fact sheets to assist members and employers understand scheme changes,
- complete a major member survey on satisfaction with current service, new product options and internet usage, and
- finally, FTC obtained the Treasurer's consent to enable the Trustee to employ and manage the field service officers itself, in order to enhance the quality of relationship between the members and the Trustee.

FTC was also pleased to receive a 2001 Gold Communication Award for its 1999–2000 *Annual Member Highlights* from the Conference of Major Superannuation Funds, and a 2000 Merit Communication Award from the Association of Superannuation Funds of Australia Limited for a successful promotion to encourage members to make personal contributions to the Scheme.

## Insurance

FTC conducted a tender for the group life insurance arrangements in the second half of the financial year. The existing contract terminated on 30 June 2001. Colonial was reappointed for a further 3 year period commencing on 1 July 2001.

Benefits under the contract were improved meaningfully. The Trustee Corporation advised members of these improvements in their *Annual Report Highlights 2000–01*.

## Scheme administration

FSS is administered by the Superannuation Administration Corporation (SAC).

During 2000–01, SAC experienced difficulties with a new computer system. This led to serious delays in the issue of the 1999–2000 annual member statements and the subsequent half yearly statements.

A related computer difficulty led to the creation of duplicate accounts for some members, without there being a systems solution available. By year end, an automated solution was in place, and a number of system refinements have been implemented to prevent most duplicate accounts arising.

SAC also prepares the accounts of the Fund and the Trustee, under contract. Long delays were experienced in preparing the 1999–2000 accounts to the satisfaction of the FTC Board and the Audit Office.

In May 2001, SAC opened its office in Wollongong. By year end, the FSS Call Centre operators were working from the Coniston site at Wollongong, and, during the next financial year, the team who process FSS paperwork will relocate. FTC will monitor this transition closely.

During the financial year, SAC did not meet a number of the service standards required under the FTC/SAC contract. However, by year end, there was evidence of overall improvement by SAC.

Further, SAC have advised FTC that, at 30 June 2001, all scheme functionality is almost complete and the 2000–01 annual statement production schedule should be met.

## Account balances

The average account balance of an FSS member has trebled over the last 5 years.

Year to 30 June	Average account balance \$
1997	3,603
1998	4,379
1999	6,794
2000	9,140
2001	10,930

This growth reflects investment returns, member personal contributions and roll-ins, and an increase in the superannuation guarantee contribution from 7% to 8% of salary from 1 July 1999.

In the latest year, FTC also sent 13,820 small accounts worth approximately \$3 million to an eligible rollover fund. This action saves members with balances over \$1,000 subsidising the administrative cost of small accounts.

FTC also reported 326 lost members to the Australian Taxation Office as at December 2000 and paid a negligible amount to the Office of State Revenue as unclaimed moneys.

## Corporate governance

### Compliance program

FTC has a multi-tiered annual compliance program in place. Suppliers of services to FTC and the Executive provide a sign off to the Board that they have complied with their contracted and legislative obligations during the year. This reporting feeds into the Audit and Compliance Committee to enable them to approve the accounts and compliance plan for the completed financial year.

### Investment governance

All of the Trustee Corporation's active Australian shares managers vote their shareholdings. Reports on this activity are prepared by FTC's master custodian and submitted to the quarterly Investment Committee meetings. Reports include details of managers' "no" votes. Specific information on the rationale for a manager's vote on a particular matter is obtained from the relevant manager and made available to committee members, on request.

The Investment Committee is currently assessing the extent to which social and environmental issues should be explicitly recognised in the investment process. To this end, the committee members have a continuing dialogue with key players in the investment industry.

Market research among the FSS membership in early 2001 indicated substantial concerns regarding environmental issues, in particular. Post year end, FTC commenced detailed member research into whether an environmental investment option would have broad member appeal.

# Privacy, Freedom of Information and compliance

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## Privacy

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

### For more information about privacy

The Trustee's *Privacy Management Plan* sets out how the Trustee intends to comply with the Privacy Act and gives further details of uses and disclosures. The Plan also explains the process for a member to complain and the options if they are dissatisfied with the Trustee's internal review.

For a copy of the Trustee's *Privacy Management Plan*, visit the web [www.firststatesuper.nsw.gov.au](http://www.firststatesuper.nsw.gov.au) or contact Customer Service (see details on the outside back cover).

## Freedom of Information (FOI)

Every effort is made to meet the reasonable expectations of members seeking information. At times, however, information of a confidential or sensitive nature may require an application under the *Freedom of Information Act 1989*. Please contact Customer Service (see details on the outside back cover) to confirm that no other avenue for gaining information exists before deciding to apply under FOI.

## Compliance

Public sector funds are subject to many legislative, prudential and institutional safeguards. In May 1996, the NSW Premier and Federal Treasurer signed an agreement permitting NSW public sector funds to be exempt from the Commonwealth regulatory regime, provided members' accrued benefits were protected and the Commonwealth Government's retirement income policy objectives were met.

# Investment review

## Financial market performance

The 2000–01 financial year saw offshore sharemarkets suffer their worst performance for a decade. The extent of the earnings downgrades from the major technology stocks surprised the markets and created a chain reaction across industries. The US sharemarket fell by 16.8%, and similar falls were experienced in Japan (-17.9%) and Europe excluding the UK (-15.3%).

When compared with international markets, Australian assets performed relatively well, especially the Australian sharemarket which finished at a record level on 30 June 2001. However, returns were lower than in previous years. The strong performance of the Australian sharemarket was due in part to under-exposure to technology stocks. Australia also had another advantage — the weakness of the Australian dollar enabled exporters to provide cheaper goods and maintain export volumes in the weakening world market.

The US Federal Reserve eased interest rates six times between January 2001 and June 2001, to bolster investor and consumer confidence and head off a recession in the US, followed by the rest of the world. In addition, the US Congress approved tax cuts worth US\$1.3 trillion.

### Market sector benchmark investment returns

Asset sector	1997 %	1998 %	1999 %	2000 %	2001 %
Australian shares	26.6	1.6	15.3	15.1	9.1
International shares (i)	28.6	42.2	8.2	23.8	-6.1
Listed property trusts	28.5	10.0	4.3	11.9	13.9
Australian fixed interest	16.8	10.9	3.3	6.2	7.4
International fixed interest (ii)	12.1	11.0	5.5	5.0	9.0
Cash	6.8	5.1	5.0	5.6	6.1

(i) Unhedged back to the \$Aust.  
(ii) 100% hedged back to the \$Aust.

Australian growth rates remain positive and are expected to remain above those of the US for a substantial period. However, against this uncertain economic backdrop, the continuance of the past 5 year average annual return for an Australian superannuation fund of over 10% is well above realistic market expectations.

## Investment returns

Returns in 2000–01 for all strategies, other than cash, were well down on recent years' returns and reflect generally weak financial market conditions, especially in international markets. However, surveys demonstrate FSS returns in 2000–01 were competitive against comparable strategies offered by other superannuation fund managers.

In the last 12 months, the Capital Guarded and Balanced investment strategies (the lower growth strategies) have performed well against their respective peers. The Capital Guarded strategy achieved top quartile performance. The growth strategies, High Growth and Diversified, have underperformed the average of other funds in the InTech survey for similar strategies.

A contributing reason for this underperformance was that FSS hedges 50% of its international shares back to the Australian dollar. Other funds surveyed are largely unhedged. Consequently when the Australian dollar fell in value during 2000–01, this was beneficial to funds

which were unhedged. The benchmark return for international shares for the year ended 30 June 2001 was negative 6.1% whereas on a 50% hedged basis the return was negative 11.0%.

### FSS net investment returns

to 30 June	1997 %	1998 %	1999 %	2000 %	2001 %
<b>Investment strategy</b>					
High Growth	23.2	11.2	10.9	13.2	3.5
Diversified	20.8	10.0	9.3	10.9	5.2
Balanced	18.3	9.9	7.5	9.2	5.7
Capital Guarded	16.0	9.5	5.7	7.5	6.2
Cash Plus	6.0	4.5	4.4	5.1	5.6
Consumer Price Index (CPI)	0.3	0.7	1.1	3.2	6.0*

\* The introduction of the GST caused a once only increase in the CPI.

## Longer term returns

The annualised investment performance for each of the five investment strategies offered by FSS has outperformed the comparable average manager returns shown in InTech's\* surveys for the 5 years ended 30 June 2001 and also provided a real rate of return over the cost of living as measured by the Consumer Price Index (CPI). A quartile ranking of 1 or 2 indicates that FSS outperformed the average manager.

**FSS net investment returns for 5 years to 30 June 2001**

Investment strategy	High Growth			Capital Guarded	Cash Plus
	Diversified	Balanced			
FSS % pa.	12.2	11.1	10.0	8.9	5.1
Average manager* % pa.	11.8	10.8	9.0	7.8	4.8#
FSS's quartile ranking	2	2	1	1	N/A

\* InTech is an asset consulting firm which publishes surveys on the investment performance of superannuation fund managers.  
# UBSWA Bank Bill Index less 15%.

## Investment objectives

The Board monitors the Fund's performance both on a short term and long term basis, but it sets objectives for each of the strategies relating to performance, risk and competitiveness to be achieved over 5 year rolling periods. These objectives are to:

- be competitive with funds with a similar risk profile, and
- outperform the average manager, while taking below average risk over a 3–5 year time horizon.

These objectives have been met over the past 5 years.

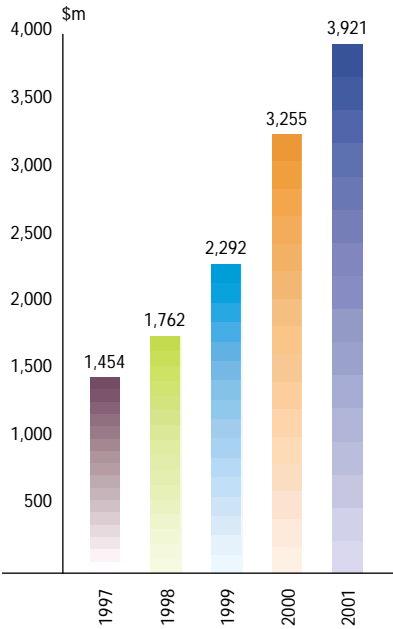
# Growth in investments

FSS fund investments grew from \$3.25 billion to \$3.92 billion or by 21% over the past financial year.

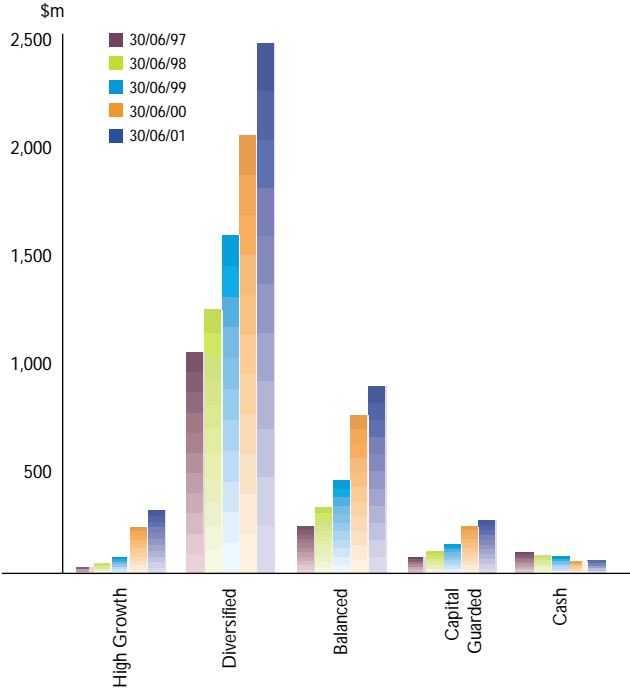
The majority of scheme members, and 62.6% of funds under management are in the Diversified strategy, either by choice or as a function of member age. If members do not indicate an investment strategy, they are placed in an age-based strategy selected by the Trustee.

In 2000–01, the High Growth strategy witnessed the strongest relative growth in funds under management. At the beginning of the year, it accounted for around 6.6% of total funds under management whereas by year end, it accounted for around 7.4%. Members must actively select this investment strategy.

**Total funds under management**  
as at 30 June



**Funds growth in FSS investment strategies**  
as at 30 June



## Investment strategies

The five investment strategies within FSS capture a large part of the risk spectrum ranging from 100% cash to 90% equities (domestic and international).

The asset allocations, or strategic benchmarks, of the four diversified strategies are reviewed at least annually to ensure they are appropriate for market conditions in the medium-term. This review is carried out in conjunction with the Fund's asset consultant, William M. Mercer.

The strategic benchmarks set are very important, because they strongly influence the return potential of a particular strategy. Market movements will change the weighting between the asset classes within a strategy.

FSS uses a *passive rebalancing* process to keep all the investment strategies within tight ranges around their respective benchmarks.

**Strategic benchmarks for the FSS Investment Strategies (%) year ended June 2001**

	High Growth	Diversified	Balanced	Capital Guarded	Cash Plus
Australian equities	40	35	25	15	
International equities	35	24	17	10	
Listed property trusts	15	11	8	5	
<b>Total growth</b>	<b>90</b>	<b>70</b>	<b>50</b>	<b>30</b>	
Australian bonds	1	5	9	11	
International bonds	5	20	34	44	
Cash	4	5	7	15	100
<b>Total defensive</b>	<b>10</b>	<b>30</b>	<b>50</b>	<b>70</b>	<b>100</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## Investment managers

The Trustee closely monitors the performance of appointed managers and attempts to provide a competitive mix of managers which best meets the long term interests of members.

The Fund's master custodian monitors each manager's daily activity against the manager's investment mandate as approved by the Trustee and any breaches are followed up quickly and reported to the Trustee.

The Trustee's investment committee meets quarterly (or as required) and reviews each manager's performance with the Fund's asset consultant. The Trustee also reviews the Fund's monthly performance figures at its regular monthly Board meeting.

Asset type/sector	Manager	% of sector FUM
Australian equities	Deutsche Asset Management	46
	Macquarie Investment Management	18
	State Street Global Advisors	20
	Vanguard Investments (indexed)	16
International equities	ABN Amro Asset Management	22
	Lazard Asset Management	25
	Vanguard Investments (indexed)	53
Listed property trusts	AMP Henderson Global Investors	40
	Macquarie Investment Management	42
	Vanguard Investments	18
Australian fixed income	Vanguard Investments (indexed)	100
International fixed income	Vanguard Investments (indexed)	100
Cash	Deutsche Asset Management	92
	Vanguard Investments	8

*FUM = funds under management*

## Investment expenses

FSS investment expenses continue to be low because:

- the large volume of funds under management in FSS means that it can negotiate competitive investment management fees, and
- 48.5% of the Fund is presently indexed managed. Indexed management is less expensive than active management.

**FSS investment expenses for years ended 30 June 2001**

	1997	1998	1999	2000	2001
Investment management expenses including custody \$m	3.20	4.00	6.00	7.40	7.30
% of average total assets	0.27	0.25	0.30	0.27	0.21

## Derivatives

Derivatives, including futures and options, can be used by FSS investment managers. However, the investment mandate clearly states that derivatives may only be used to hedge the portfolio against adverse market movements and cannot be used for speculative purposes or gearing the investment portfolio.

During the year, the active managers made limited use of derivatives.

conservatively — the amount of the investment portfolio committed at any one time cannot exceed 20% of total funds under management.

## Socially Responsible Investments

Feedback from members was gained through a member survey issued with the 2000 annual statements. Through this survey, members indicated that they were interested in Socially Responsible Investments (SRIs), particularly around issues involving the environment and labour practices.

Further member surveys about the type of investment products will take place, before FTC resolves to introduce a new investment strategy.

## Large investments

Investment mandates ensure the investment exposure to any one entity does not become excessive. During the year, there was no individual investment that exceeded 5% of the Fund's total assets.

## Corporate governance

The Trustee monitors best practice around the world through a sub-committee, under the Investment Committee. This structure ensures that FTC's policies on corporate governance are communicated to the investment managers.

## Securities Lending Program

The Fund participates in a Securities Lending Program managed by the Fund's master custodian, JP Morgan Investor Services.

At year end, there was some \$52.6 million of the Fund's securities out on loan under the Program, which represented 1.34% of the Fund's total \$3.9 billion investment portfolio. The Program has been structured

## Reserving policy

Some superannuation funds retain a percentage of their investment earnings in better performing years as a reserve which is then used to top-up distribution in low performing years. However, members exiting a fund which adopts this policy may not participate fully in the cumulative earnings of the fund at their point of exit.

FTC has resolved to distribute investment earnings and/or losses on a daily basis and not hold back earnings to smooth returns to members over time.

# Global overview – how the sectors performed in 2000–2001

## Australian equities

<b>Benchmark return</b>	<b>9.1%</b>
<b>FSS return</b>	<b>12.8%</b>

The Fund's dominant sector manager, Deutsche Asset Management, maintained their excellent performance enabling the Fund to record a competitive return for the sector both against the benchmark and the average sector specialist manager as measured by the InTech survey.

The Australian equities market held up particularly well in 2000–01, outperforming most other international equity markets. The All Ordinaries Index finished at a record level on 30 June 2001.

Once a global economic recovery commences, international investors may switch out of Australia, putting some pressure on the local stockmarket.

## International equities

<b>Benchmark return (50% hedged)*</b>	<b>-11.0%</b>
<b>FSS return (50% hedged)</b>	<b>-9.5%</b>

The bursting of the technology bubble, combined with the impact of rising interest rates across the globe in early 2000, saw offshore equity markets suffer their worst performance for a decade. The fallout in the US technology sector flowed into both the broader US equity market and the economy.

Corporate profit warnings which started in the US have spread to Europe — similarly undermining share prices. Japan also had a disappointing year — with the economy increasingly likely to be entering its fourth recession in a decade.

# Benchmark return unhedged for year was -6.1%

## Listed property trusts

<b>Benchmark return</b>	<b>13.9%</b>
<b>FSS return</b>	<b>13.5%</b>

The Australian economy slowed over the past 6 months to year end, triggering an easing in tenant demand and enquiry levels in the Sydney and Melbourne industrial markets. Despite this, rental growth for prime industrial property has been generally higher than in the previous year.

## Fixed income and cash

	Benchmark return	FSS
<b>Australian fixed income</b>	<b>7.4%</b>	<b>7.1%</b>
<b>International fixed income</b>	<b>11.9%</b>	<b>10.8%</b>
<b>Cash</b>	<b>6.1%</b>	<b>6.2%</b>

The decision by the US Federal Open Market Committee to address the economic slowdown in the US and cut the Federal Funds rate from January 2001 to August 2001 six times by an overall 3% to 3.5% was the most significant event during the year for fixed interest markets. The Australian Reserve Bank also cut short term rates over the same period, but by a smaller overall amount of 1.25% to 5%.

The Trustee on advice from the Fund's asset consultant resolved that the Fund's Fixed Interest Portfolios would be fully indexed managed from 1 February 2001 and that also, the mix of Australian and International Fixed Interest would be reversed from 80/20 to 20/80. The Trustee considered that active fixed interest managers were not consistently adding value against their respective benchmarks to offset the lower management costs of an index manager. This position will be reviewed by the Trustee during 2001–02.

# 5 years at a glance

	1997	1998	1999	2000	2001
<b>FSS MEMBER STATISTICS</b>					
Active members	337,027	350,500	297,128	300,922	<b>315,918</b>
% change	-4.21%	4.00%	-15.23%	1.28%	<b>4.98%</b>
Preserved benefits	47,499	32,249	26,353	34,028	<b>35,353</b>
% change	1,462.98%	-32.11%	-18.28%	-29.12%	<b>3.89%</b>
<b>Gender ratios (active members)</b>					
Females	63.48%	64.80%	66.32%	66.04%	<b>65.94%</b>
Males	36.52%	35.20%	33.68%	33.96%	<b>34.06%</b>
Number of accounts	384,527	382,749	323,481	334,950	<b>351,271</b>
Average account balance \$ (see Schedule I)	3,603	4,379	6,794	9,140	<b>10,930</b>
<b>FSS CONTRIBUTIONS \$M</b>					
Employer contributions	320.4	318.3	429.4	494.6	<b>648.1</b>
Employee contributions	189.2	73.2	94.2	179.7	<b>143.8</b>
Treasury conversion offer	–	–	–	145.8	<b>17.5</b>
PSESS transfer	–	–	–	67.8	–
Total contributions	509.6	391.5	523.6	887.9	<b>809.4</b>
<b>Benefits paid</b>	45.9	61.3	87.9	129.6	<b>169.7</b>
<b>Net contributions</b>	463.7	330.2	435.7	758.3	<b>639.7</b>
<b>FSS INVESTMENTS \$M</b>					
High Growth	30.7	46.1	75.6	215.3	<b>292.0</b>
Diversified	1,026.6	1,222.3	1,565.7	2,027.6	<b>2,455.4</b>
Balanced	220.8	306.7	434.6	734.3	<b>866.6</b>
Capital Guarded	75.8	101.2	136.4	217.5	<b>246.3</b>
Cash	100.4	86.2	79.9	59.8	<b>61.0</b>
Total investments	1,454.3	1,762.4	2,292.1	3,254.5	<b>3,921.3</b>
Other assets	29.5	21.0	44.4	23.4	<b>27.4</b>
Total assets	1,483.8	1,783.4	2,336.6	3,277.9	<b>3,948.7</b>
Total liabilities	63.2	65.7	104.7	115.5	<b>90.0</b>
<b>Net assets available to pay benefits</b>	1,420.6	1,717.7	2,231.9	3,162.4	<b>3,858.7</b>
<b>ANNUAL INVESTMENT RETURNS %</b>					
High Growth	23.2	11.2	10.9	13.2	<b>3.5</b>
Diversified	20.8	10.0	9.3	10.9	<b>5.2</b>
Balanced	18.3	9.9	7.5	9.2	<b>5.7</b>
Capital Guarded	16.0	9.5	5.7	7.5	<b>6.2</b>
Cash	6.0	4.5	4.4	5.1	<b>5.6</b>

# FSS Trustee Corporation Financial Statements



BOX 12 GPO  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### FSS TRUSTEE CORPORATION

**To Members of the New South Wales Parliament and Members of the FSS Trustee Corporation**

#### Scope

I have audited the accounts of the FSS Trustee Corporation for the year ended 30 June 2001. Members of the FSS Trustee Corporation are responsible for the financial report consisting of the accompanying statement of financial position, statement of financial performance and statement of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and Members of the FSS Trustee Corporation based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983* (the Act).

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the net assets of the Fund and the changes in its net assets.

The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In my opinion, the financial report of the FSS Trustee Corporation complies with section 41B of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Corporation as at 30 June 2001 and the results of its operations and its cash flows for the year then ended.

A handwritten signature in black ink, appearing to read 'R J Sendt'.

R J Sendt  
Auditor-General

SYDNEY  
23 August 2001

# Notes to the Financial Statements

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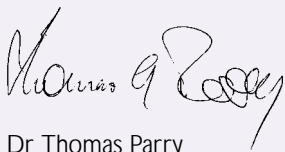
for the year ended 30 June 2001

Pursuant to Section 41C(1B) and (1C) of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of FSS Trustee Corporation, we declare on behalf of the Board that in our opinion:

1. the financial statements present a true and fair view of the position of the FSS Trustee Corporation at 30 June 2001 and transactions for the year then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2000* and the Treasurer's directions.

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

Signed at Sydney this twenty second day of August 2001.



Dr Thomas Parry  
Chairman  
FSS Trustee Corporation



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

# Statement of financial performance

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for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
Revenue from ordinary activities	2	<b>15,716</b>	12,676
Administration Expenses from ordinary activities	2	<b>(15,716)</b>	(12,676)
<b>Net Profit or Loss from ordinary activities</b>		<b>-</b>	<b>-</b>

# Statement of financial position

for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
<b>Current Assets</b>			
Receivables	3	2,736	2,093
Other	4	36	–
Total Current Assets		2,772	2,093
<b>Total Assets</b>		2,772	2,093
<b>Current Liabilities</b>			
Bank Overdraft	7	48	7
Creditors	5	2,724	2,086
Total Current Liabilities		2,772	2,093
<b>Total Liabilities</b>		2,772	2,093
<b>Net Assets</b>		–	–
<b>Total Equity</b>		–	–

# Statement of cash flows

for the year ended 30 June 2001

	Note	2001 \$'000 Inflows/ (Outflows)	2000 \$'000 Inflows/ (Outflows)
<b>Cash Flows from operating activities:</b>			
Receipts from Associated Schemes		15,074	13,061
Payments to Suppliers		(15,115)	(13,060)
Net Operating Cash Flows	7 (b)	(41)	1
<b>Net (Decrease)/Increase in Cash Held</b>			
Cash at the Beginning of the Financial Year		(7)	(8)
Cash at the End of the Financial Year	7 (a)	(48)	(7)

# Notes to the financial statements

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for the year ended 30 June 2001

## 1. STATEMENT OF ACCOUNTING POLICIES

Under the terms of the *Superannuation Administration Act 1996* (the Act), the FSS Trustee Corporation (FTC) was established on 1 July 1996 to act as trustee and hold in trust all assets of the First State Superannuation Fund (FSS Fund).

FTC is, for the purpose of any Acts, a statutory body.

Scheme administration services for the FSS Fund are carried out by the Superannuation Administration Corporation (SAC). The administrator charges fees for the services it provides.

FSS Fund's custodial activities are performed by JP Morgan Investor Services.

The funds management activities for the FSS Fund as at 30 June 2001 are performed by the following funds managers:

### Cash Portfolio

92% — Deutsche Asset Management Australia Limited  
8% — Vanguard Investments Australia Limited

### Australian Fixed Interest Portfolio

100% — Vanguard Investments Australia Limited

### International Fixed Interest Portfolio

100% — Vanguard Investments Australia Limited

### Australian Equity Portfolio

46% — Deutsche Asset Management Australia Limited  
18% — Macquarie Investment Management Limited  
16% — Vanguard Investments Australia Limited  
20% — State Street Global Advisors Australia Limited

### International Equity Portfolio

22% — ABN Amro Asset Management Australia Limited  
25% — Lazard Asset Management  
53% — Vanguard Investments Australia Limited

### Property Trust Portfolio

40% — AMP Henderson Global Investors Limited  
42% — Macquarie Investment Management Limited  
18% — Vanguard Investments Australia Limited

# Notes to the financial statements

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for the year ended 30 June 2001

## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

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

The financial statements form a general purpose financial report and are prepared in accordance with the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2000* and the Treasurer's directions. They also comply with applicable Australian Accounting Standards and other professional reporting requirements (for example, Urgent Issues Group Consensus Views).

These financial statements have been prepared on an historical cost basis using the accrual method of accounting and do not reflect changing money values of assets.

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

### (b) Expenses

All costs relating to Scheme administration and management of the FSS Fund are incurred by FTC.

Under the terms of the Act, FTC must recover the costs it incurs from the FSS Fund.

### (c) Roundings

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

### (d) Cash Flows

Under current funding arrangements all cash payments to external parties on behalf of FTC are transacted through the FTC bank account and recovered from the FSS Fund.

### (e) Comparative Figures

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

### (f) Financial Instruments

Financial Instruments give rise to positions that are financial assets or liabilities. These include Cash at Bank, Receivables and Accounts Payable. Classes of instruments are recorded at cost and are carried at net fair value.

# Notes to the financial statements

for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
<b>2. PROFIT FROM ORDINARY ACTIVITIES</b>		
Profit from ordinary activities including the following items of revenue and expense:		
Management Fees	15,716	12,507
<b>Interest</b>		
Interest from:		
Related parties — Associated entities	–	169
Total Interest	–	169
<b>Total Revenues</b>	<b>15,716</b>	<b>12,676</b>
<b>Trustee Expenses</b>		
Board Member Fees	297	248
Other Administration Expenses	194	147
Total Trustee Expenses	491	395
<b>Executive Expenses</b>		
Audit Fees	9	9
Allocated costs from SAS Trustee Corporation (STC)	1,035	907
Total Executive Expenses	1,044	916
<b>Other Expense Items</b>		
Fees for Services	1,688	523
SAC Administration Fees	12,493	10,842
Total Other Expense Items	14,181	11,365
<b>Total Expenses</b>	<b>15,716</b>	<b>12,676</b>
<b>3. RECEIVABLES</b>		
<b>Current</b>		
Amounts Receivable — FSS Fund	2,555	2,093
Other	181	–
	<b>2,736</b>	<b>2,093</b>

The amount receivable from the FSS Fund represents FTC's bank balance, which under the current banking arrangements sweeps into the FSS Fund's bank account.

# Notes to the financial statements

for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
<b>4. OTHER ASSETS (Current)</b>		
<b>Current</b>		
Prepayments	36	–
	<b>36</b>	<b>–</b>
<b>5. CREDITORS</b>		
<b>Current</b>		
Amount Payable — STC	1,039	932
Amount Payable — SAC	1,439	901
Other Creditors	246	253
	<b>2,724</b>	<b>2,086</b>

The amount payable to STC is for a monthly charge for executive costs.

This amount is settled once a year.

The amount payable to SAC is for management charges and is carried at the amount due.

	2001 \$	2000 \$
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## 6. RELATED PARTY INFORMATION

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

The names of the Board members in office during the year ended 30 June 2001, and up to the date of signing these accounts, are as follows:

Mr A Daniels	(Chairperson — term completed 31.3.2000)	–	28,536
Dr T Parry	(Chairperson — term commenced 1.4.2000)	54,000	13,375
Ms B Ashe	(term completed 31.8.2000)	–	–
Mr I Blair		22,718	22,507
Mr M Duffy		30,831	22,507
Mr B Foy		32,454	32,153
Ms B Houterman	(term completed 31.8.2000)	5,409	32,153
Ms S Moait		32,454	32,153
Mr M O'Sullivan		32,454	32,153
Mr M Williamson		32,454	32,153
Ms C Cifuentes	(term commenced 1.9.2000)	27,045	–
Mr R Collison	(term commenced 1.9.2000)	27,045	–
		<b>296,864</b>	<b>247,690</b>

Ms Ashe is a full-time board member of STC and was a board member of FTC until 31 August 2000. Ms Ashe's remuneration is paid by STC and is disclosed in the accounts of that entity. FTC was charged 25% of the remuneration via the monthly charge between STC and FTC. The charge for Ms Ashe was \$4,199 (2000: \$35,889).

# Notes to the financial statements

for the year ended 30 June 2001

	2001 Numbers	2000 Numbers
<b>6. RELATED PARTY INFORMATION (continued)</b>		
<b>Numbers of Board Members included in these figures are shown in their relevant income bands:</b>		
Remuneration (including superannuation contributions) of:		
\$0 – \$9,999	2	1
\$10,000 – \$19,999	–	1
\$20,000 – \$29,999	3	3
\$30,000 – \$39,999	5	5
\$50,000 – \$59,999	1	–
	11	10

	2001 \$'000	2000 \$'000
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**(a) Transactions entered into during the year with Board Members and their Related Entities:**

Contract Fees received by STC from State Super Financial Services (SSFSL) a company in which Ms B Ashe and Ms S Moait are directors, on normal commercial terms and conditions.	–	765
Fees paid to SAC by SSFSL a company in which Ms B Ashe and Ms S Moait are directors, on normal commercial terms and conditions.	84	47
Rental payments and outgoings received by the Pooled Fund from SSFSL, a company in which Ms B Ashe and Ms S Moait are directors, on normal commercial terms and conditions.	1,167	912
Fees (including superannuation contributions) received by Ms S Moait from SSFSL a company in which she is a director, on normal commercial terms and conditions.	38	32

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**(b) Transactions with Other Related Parties:**

Scheme administration fees charged by FTC to the FSS Fund amounted to \$15,716,448 (2000: \$12,507,526). The fees charged by FTC include its recovery of the Scheme administration fees charged by SAC to FTC of \$12,493,581 (2000: \$10,842,445).

During the year STC charged FTC for administrative services of \$1,035,109 (2000: \$907,278). This amount represents FTC's portion of STC's executive costs including salaries and wages, accommodation and fees for services.

The FSS Fund provides funds to FTC to meet outgoings free of charge.

**(c) Amounts Receivable from Other Related Parties:**

Amounts receivable at balance date are disclosed in Note 3 to the financial statements.

**(d) Amounts Payable to Other Related Parties:**

Amounts payable at balance date are disclosed in Note 5 to the financial statements.

# Notes to the financial statements

for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
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## 7. CASH FLOW INFORMATION

### (a) Reconciliation of Cash:

Bank Overdraft	48	7
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Cash flows reflect cash movements resulting from transactions with suppliers including SAC, STC, and the custodians. Under current funding arrangements all cash payments to external parties on behalf of FTC are recovered from the FSS Fund.

The bank overdraft represents unpresented cheques. FTC does not have any credit standby arrangements or loan facilities.

	2001 Inflows/ (Outflows)	2000 Inflows/ (Outflows)
--	--------------------------------	--------------------------------

### (b) Reconciliation of Net Profit to Net Cash Used in Operating Activities

<b>Net Profit after income tax</b>	-	-
Changes in Assets and Liabilities:		
(Increase)/decrease in assets:		
Prepayments	(36)	-
Receivables	(642)	385
Increase/(decrease) in liabilities:		
Trade Creditors	(8)	(4)
Related Creditors — SAC	538	(384)
— STC	107	4
<b>Net Cash From/(Used In) Operating Activities</b>	(41)	1

## 8. SEGMENT REPORTING

FTC operates in the superannuation and investment management industry in New South Wales.

## 9. CONTINGENT LIABILITIES

FTC has no contingent liabilities.

# First State Super Fund Financial Statements



BOX 12 GPO  
SYDNEY NSW 2001

## INDEPENDENT AUDIT REPORT

### FSS TRUSTEE CORPORATION – FIRST STATE SUPERANNUATION FUND

To Members of the New South Wales Parliament and Trustees of the Fund

#### Scope

I have audited the accounts of the FSS Trustee Corporation – First State Superannuation Fund for the year ended 30 June 2001. The trustees of the Fund are responsible for the financial report consisting of the accompanying statement of financial position, statement of financial performance and statement of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and Trustees of the Fund based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983* (the Act).

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the net assets of the Fund and the changes in its net assets.

The audit opinion expressed in this report has been formed on the above basis.

#### Audit Opinion

In my opinion, the financial report of the FSS Trustee Corporation – First State Superannuation Fund complies with section 41B of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Fund as at 30 June 2001, the results of its operations and its cash flows for the year then ended.

R J Sendt  
Auditor-General

SYDNEY  
23 August 2001

# Statement by the Trustees

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for the year ended 30 June 2001

Pursuant to Section 41C(1B) and (1C) of the *Public Finance and Audit Act 1983* and in accordance with a resolution of the Board of the FSS Trustee Corporation, we declare on behalf of the Board that in our opinion:

1. the financial statements present a true and fair view of the position of the First State Superannuation Fund as at 30 June 2001 and transactions for the year then ended, and
2. the financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2000* and the Treasurer's directions.

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

Signed at Sydney this twenty second day of August 2001



Dr Thomas Parry  
Chairman  
FSS Trustee Corporation



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

# Statement of financial performance

for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
<b>Investment Revenue</b>			
Short Term Securities		8,231	5,892
Australian Fixed Interest		41,882	40,766
Australian Equities		42,877	32,259
International Investments		20,702	17,110
Property Trusts		26,221	20,348
		<b>139,913</b>	116,375
<hr/>			
Changes in Market Value of Investments		58,351	175,000
Total Investment Revenue	2	<b>198,264</b>	291,375
Investment Expenses	1(e)	(7,320)	(7,390)
Net Investment Revenue		<b>190,944</b>	283,985
<hr/>			
<b>Contribution Revenue</b>			
Employer Contributions		648,072	494,582
Member Contributions		143,795	179,719
— Treasury Conversion Offer		17,523	145,842
— PSESS Transfer		—	67,807
Total Contribution Revenue	3	<b>809,390</b>	887,950
Total Revenue		<b>1,000,334</b>	1,171,935
<hr/>			
Benefits Paid		(169,717)	(129,630)
Scheme Administration Expenses		(15,716)	(12,508)
Insurance Premium		(13,329)	(12,322)
Superannuation Contributions Surcharge Tax	6	(2,039)	(1,824)
Total Expenses		<b>(200,801)</b>	(156,284)
<hr/>			
<b>Operating Result Before Income Tax</b>		<b>799,533</b>	1,015,651
Income Tax Expense	7	(103,240)	(85,114)
<hr/>			
<b>Benefits Accrued as a Result of Operations</b>		<b>696,293</b>	930,537

The above Statement of Financial Performance should be read in conjunction with the accompanying Notes.

# Statement of financial performance

for the year ended 30 June 2001

	Note	2001 \$'000	2000 \$'000
<b>Investments</b>			
Short Term Securities		408,022	455,287
Australian Fixed Interest		229,157	759,857
Australian Equities		1,212,012	904,250
International Investments		1,688,972	820,199
Property Trusts		383,120	314,889
Total Investments	8	3,921,283	3,254,482
<b>Other Assets</b>			
Cash	13(a)	(5,454)	(11,963)
Receivables	9	32,848	35,347
Total Other Assets		27,394	23,384
<b>Total Assets</b>		<b>3,948,677</b>	<b>3,277,866</b>
Less:			
<b>Liabilities</b>			
Creditors	10	18,466	31,364
Provision for Income Tax		19,435	36,433
Provision for Deferred Income Tax		52,080	47,666
<b>Total Liabilities</b>		<b>89,981</b>	<b>115,463</b>
<b>Net Assets Available to Pay Benefits</b>		<b>3,858,696</b>	<b>3,162,403</b>
Represented by:			
<b>Liability for Accrued Benefits</b>			
Funds Allocated to Members' Accounts		3,831,169	3,065,070
Funds Not Yet Allocated to Members' Accounts	5(b)	20,874	86,963
Death or Invalidity Reserve	5(c)	6,653	10,370
<b>Total Liability for Accrued Benefits</b>	5(a)	<b>3,858,696</b>	<b>3,162,403</b>

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The above Statement of Financial Position should be read in conjunction with the accompanying Notes.

# Statement of cash flows

for the year ended 30 June 2001

	Note	2001 \$'000 Inflows/ (Outflows)	2000 \$'000 Inflows/ (Outflows)
<b>Cash Flows from Operating Activities:</b>			
Contributions Received —			
Employers		647,630	493,346
Members		159,475	393,368
Interest Received		56,066	52,770
Dividends Received		95,066	58,230
Benefits Paid		(178,305)	(116,112)
Scheme Administration Expenses Paid		(14,212)	(15,073)
DORI Insurance Premium Paid		(13,491)	(12,322)
Investment Expenses Paid		(8,164)	(7,378)
Income Tax Paid		(115,822)	(79,689)
Superannuation Contributions Surcharge Tax Paid		(2,034)	(1,824)
Net Cash Inflow from Operating Activities	13(b)	626,209	765,316
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Sales of Short Term Securities		1,232,051	773,062
Proceeds from Sales of Australian Fixed Interest		1,808,729	1,911,390
Proceeds from Sales of Australian Equities		482,943	508,899
Proceeds from Sales of International Investments		971,543	262,584
Proceeds from Sales of Property Trusts		83,190	94,981
Purchases of Short Term Securities		(1,212,197)	(907,085)
Purchases of Australian Fixed Interest		(1,295,769)	(2,120,031)
Purchases of Australian Equities		(685,956)	(676,976)
Purchases of International Investments		(1,871,024)	(449,399)
Purchases of Property Trusts		(133,210)	(180,971)
Net Cash Outflow from Investing Activities		(619,700)	(783,546)
<b>Net (Decrease)/Increase in Cash Held</b>		<b>6,509</b>	<b>(18,230)</b>
Cash at the Beginning of the Financial Year		(11,963)	6,267
<b>Cash at the End of the Financial Year</b>	13(a)	<b>(5,454)</b>	<b>(11,963)</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying Notes.

# Notes to the financial statements

for the year ended 30 June 2001

## 1. STATEMENT OF ACCOUNTING POLICIES

The First State Superannuation Fund was established under the *First State Superannuation Act 1992*, (the FSS Act) and commenced operations on 8 December 1992. It is an accumulation fund and is a superannuation scheme of the FSS Trustee Corporation (FTC) under the *Superannuation Administration Act 1996* (the Act). FTC acts as Trustee and holds in trust all assets of the First State Superannuation Fund (the Fund). The Fund is a reporting entity for accounting and taxation purposes.

Under the provisions of section 13 of the Act the Minister and FTC entered into a Trust Deed on 19 February 1999. The Deed has since been amended on 22 December 1999, 23 February 2000, 9 August 2000 and 23 November 2000.

Scheme administration services are performed by the Superannuation Administration Corporation (SAC).

The Fund's custodial activities are performed by JP Morgan Investor Services.

The Fund's investment activities are performed by the following Fund Managers as at 30 June 2001:

### Cash Portfolio

92% — Deutsche Asset Management Australia Limited  
8% — Vanguard Investments Australia Limited

### Australian Fixed Interest Portfolio

100% — Vanguard Investments Australia Limited

### International Fixed Interest Portfolio

100% — Vanguard Investments Australia Limited

### Australian Equity Portfolio

46% — Deutsche Asset Management Australia Limited  
18% — Macquarie Investment Management Limited  
16% — Vanguard Investments Australia Limited  
20% — State Street Global Advisors Australia Limited

### International Equity Portfolio

22% — ABN Amro Asset Management Australia Limited  
25% — Lazard Asset Management  
53% — Vanguard Investments Australia Limited

### Property Trust Portfolio

40% — AMP Henderson Global Investors Limited  
42% — Macquarie Investment Management Limited  
18% — Vanguard Investments Australia Limited

Unless otherwise stated, the accounting policies are consistent with those of the previous financial year.

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

The financial statements form a general purpose financial report and are prepared in accordance with the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2000*, and the Treasurer's directions. They also comply with applicable Australian Accounting Standards, and other professional reporting requirements (Urgent Issues Group Consensus Views).

The financial statements are prepared in accordance with AAS 25 *Financial Reporting by Superannuation Plans*.

Investments are valued on balance date at net market value. All other items in the financial statements are recorded at historical cost. The financial statements are prepared using the accrual method of accounting. Dividends on shares are deemed to accrue on the date the dividend is declared. Interest is accounted for on an accrual basis. Contributions and transfers in are recognised when control of the asset has been obtained and are recorded in the period to which they relate.

# Notes to the financial statements

for the year ended 30 June 2001

## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

### (b) Investments

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

Short Term Securities	Market Rates
Equities	Relevant Stock Exchange official quotation
Property Trusts	Stock Exchange official quotation
Unlisted Trusts	Prices supplied by Trust's Investment Managers

Investments are recorded at balance date at net market value, which comprises market value less estimated costs of disposal. Changes in market values, representing gains or losses, are recognised in the Statement of Financial Performance in the year in which they occur.

### (c) Income Tax

FTC has adopted the liability method of tax effect accounting whereby income tax is regarded as an expense and is calculated on the operating result after allowing for permanent differences.

To the extent that timing differences occur between the time items are recognised in the accounts and when items are taken into consideration in determining taxable income, the net related taxation benefit or liability calculated at current rates is disclosed as a Future Income Tax Benefit or Provision for Deferred Income Tax.

Future Income Tax Benefits are not brought to account unless their realisation is assured beyond reasonable doubt. The amount of these benefits is based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Fund will derive sufficient future assessable income to enable the benefit to be realised and will comply with the conditions of deductibility imposed by law.

### (d) Contributions

Member and employer contributions comprise sums received at balance date and do not include amounts relating to the period which may be received subsequent to balance date.

### (e) Management Expenses

Scheme Administration expenses, other than expenses of administering the death or invalidity insurance provision of the Fund, are charged directly to members' accounts to the extent permissible through legislation.

Death or invalidity insurance expenses are charged directly to the Death or Invalidity Benefit Management Reserve.

Investment Expenses are charged directly against investment revenue.

Member protection is partly funded from tax credits that cannot be distributed. Refer note 5(b).

### (f) Liability for Accrued Benefits

The liability for accrued benefits is the present obligation to pay benefits to members and beneficiaries represented by the carrying amount of the Net Assets Available to Pay Benefits.

# Notes to the financial statements

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for the year ended 30 June 2001

## 1. STATEMENT OF ACCOUNTING POLICIES (continued)

### (g) Foreign Currency Transactions

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

### (h) Superannuation Contributions Surcharge Tax

The Fund's liability in respect of the superannuation contributions surcharge tax is recognised once it can be reliably measured. The Trustee is unable to measure the surcharge liability reliably and therefore no provision has been made in these financial statements for the amount of the superannuation contributions surcharge tax which may be payable by the Fund under the *Superannuation Contributions Tax (Assessment and Collection) Act 1997* for the year ended 30 June 2001.

### (i) Roundings

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

### (j) Cash Flows

For the purpose of the Statement of Cash Flows, cash represents cash at bank.

### (k) Comparative Figures

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

### (l) Eligible Rollover Fund

During the year an amount of \$3,009,500 was paid to the Australian Preservation Fund. In the 1999–2000 financial year \$11,677,724 was paid to the Australian Preservation Fund.

# Notes to the financial statements

for the year ended 30 June 2001

## 2. INVESTMENT REVENUE

	2001			Total
	Changes in Net Market Values			
	Income	Held at reporting date	Realised during the year	
\$'000	Gain/(Loss) \$'000	Gain/(Loss) \$'000	\$'000	
<b>Total Revenue</b>				
Short Term Securities	8,231	897	7,695	16,823
Australian Fixed Interest	41,882	(942)	16,089	57,029
Australian Equities	42,877	106,256	(10,144)	138,989
International Investments	20,702	(32,965)	(48,139)	(60,402)
Property Trusts	26,221	18,048	1,556	45,825
	<b>139,913</b>	<b>91,294</b>	<b>(32,943)</b>	<b>198,264</b>
<b>Revenue from International Investments</b>				
International Cash and Cash Equivalents	2,009	594	(4,197)	(1,594)
International Fixed Interest	7,367	12,594	13,607	33,568
International Foreign Exchange	–	(2,081)	(41,647)	(43,728)
International Equities	11,326	(44,072)	(15,902)	(48,648)
	<b>20,702</b>	<b>(32,965)</b>	<b>(48,139)</b>	<b>(60,402)</b>
<b>Investment Revenue from each investment strategy comprises:</b>				
Cash Plus	1,460	187	1,613	3,260
Capital Guarded	9,889	3,707	2,115	15,711
Balanced	33,383	17,336	(1,752)	48,967
Diversified	86,266	62,812	(28,517)	120,561
High Growth	8,915	7,252	(6,402)	9,765
	<b>139,913</b>	<b>91,294</b>	<b>(32,943)</b>	<b>198,264</b>
<b>Investment Revenue from each class of investment strategy comprises:</b>				
<b>Cash Plus</b>				
Short Term Securities	1,460	187	1,613	3,260
	<b>1,460</b>	<b>187</b>	<b>1,613</b>	<b>3,260</b>

# Notes to the financial statements

for the year ended 30 June 2001

## 2. INVESTMENT REVENUE (continued)

	2001			Total
	Changes in Net Market Values			
	Income	Held at reporting date	Realised during the year	
\$'000	Gain/(Loss) \$'000	Gain/(Loss) \$'000	\$'000	
<b>Capital Guarded</b>				
Short Term Securities	1,092	124	980	2,196
Australian Fixed Interest	5,235	(139)	2,018	7,114
Australian Equities	1,313	3,274	(326)	4,261
International Investments	1,392	(140)	(608)	644
Property Trusts	857	588	51	1,496
	<b>9,889</b>	<b>3,707</b>	<b>2,115</b>	<b>15,711</b>
<b>Balanced</b>				
Short Term Securities	1,796	184	1,634	3,614
Australian Fixed Interest	14,339	(378)	5,501	19,462
Australian Equities	8,114	19,053	(1,835)	25,332
International Investments	4,480	(4,729)	(7,330)	(7,579)
Property Trusts	4,654	3,206	278	8,138
	<b>33,383</b>	<b>17,336</b>	<b>(1,752)</b>	<b>48,967</b>
<b>Diversified</b>				
Short Term Securities	3,553	371	3,179	7,103
Australian Fixed Interest	21,897	(401)	8,423	29,919
Australian Equities	29,790	74,148	(7,108)	96,830
International Investments	13,136	(23,606)	(34,079)	(44,549)
Property Trusts	17,890	12,300	1,068	31,258
	<b>86,266</b>	<b>62,812</b>	<b>(28,517)</b>	<b>120,561</b>
<b>High Growth</b>				
Short Term Securities	330	31	289	650
Australian Fixed Interest	411	(24)	147	534
Australian Equities	3,660	9,781	(875)	12,566
International Investments	1,694	(4,490)	(6,122)	(8,918)
Property Trusts	2,820	1,954	159	4,933
	<b>8,915</b>	<b>7,252</b>	<b>(6,402)</b>	<b>9,765</b>

# Notes to the financial statements

for the year ended 30 June 2001

## 2. INVESTMENT REVENUE (continued)

Income	2000		Total	
	Changes in Net Market Values			
	Held at reporting date	Realised during the year		
\$'000	Gain/(Loss) \$'000	Gain/(Loss) \$'000	\$'000	
<b>Total Revenue</b>				
Short Term Securities	5,892	819	6,375	13,086
Australian Fixed Interest	40,766	4,498	(4,417)	40,847
Australian Equities	32,259	90,125	(22,700)	99,684
International Investments	17,110	101,761	(15,598)	103,273
Property Trusts	20,348	12,097	2,040	34,485
	116,375	209,300	(34,300)	291,375

### Revenue from International Investments

International Cash and Cash Equivalents	666	(108)	2,993	3,551
International Fixed Interest	7,744	3,522	927	12,193
International Foreign Exchange	–	6,201	(37,066)	(30,865)
International Equities	8,700	92,146	17,548	118,394
	17,110	101,761	(15,598)	103,273

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### Investment Revenue from each investment strategy comprises:

Cash Plus	1,427	337	1,775	3,539
Capital Guarded	8,537	7,255	(1,120)	14,672
Balanced	27,441	35,590	(6,255)	56,776
Diversified	72,093	151,804	(26,569)	197,328
High Growth	6,877	14,314	(2,131)	19,060
	116,375	209,300	(34,300)	291,375

### Investment Revenue from each class of investment strategy comprises:

#### Cash Plus

Short Term Securities	1,427	337	1,775	3,539
	1,427	337	1,775	3,539

# Notes to the financial statements

for the year ended 30 June 2001

## 2. INVESTMENT REVENUE (continued)

	2000			Total
	Changes in Net Market Values			
	Income	Held at reporting date	Realised during the year	
\$'000	Gain/(Loss) \$'000	Gain/(Loss) \$'000	\$'000	
<b>Capital Guarded</b>				
Short Term Securities	738	73	738	1,549
Australian Fixed Interest	4,872	642	(491)	5,023
Australian Equities	973	2,975	(687)	3,261
International Investments	1,372	3,210	(742)	3,840
Property Trusts	582	355	62	999
	8,537	7,255	(1,120)	14,672
<b>Balanced</b>				
Short Term Securities	1,148	107	1,143	2,398
Australian Fixed Interest	12,704	1,732	(1,263)	13,173
Australian Equities	5,670	15,863	(3,557)	17,976
International Investments	4,936	15,889	(2,898)	17,927
Property Trusts	2,983	1,999	320	5,302
	27,441	35,590	(6,255)	56,776
<b>Diversified</b>				
Short Term Securities	2,406	296	2,566	5,268
Australian Fixed Interest	22,907	2,071	(2,647)	22,331
Australian Equities	23,226	64,803	(17,250)	70,779
International Investments	8,288	75,972	(10,782)	73,478
Property Trusts	15,266	8,662	1,544	25,472
	72,093	151,804	(26,569)	197,328
<b>High Growth</b>				
Short Term Securities	173	6	153	332
Australian Fixed Interest	283	53	(16)	320
Australian Equities	2,390	6,484	(1,206)	7,668
International Investments	2,514	6,690	(1,176)	8,028
Property Trusts	1,517	1,081	114	2,712
	6,877	14,314	(2,131)	19,060

# Notes to the financial statements

for the year ended 30 June 2001

## 3. EMPLOYER AND MEMBER CONTRIBUTIONS

### Compulsory Employer Contributions:

The percentage of salary or wages of employees prescribed as the rate of compulsory employer (superannuation guarantee) contributions for the 2001 financial year was 8% (2000: 7%).

### Optional Employer Contributions:

Employers may make additional contributions to the Fund for employees for whom compulsory employer contributions are being made.

### Optional Member Contributions:

Employees as defined in the Act, may make voluntary contributions to the Fund in the form of periodical payments or single payments. Payments include benefits transferred or rolled over from another superannuation fund, approved deposit fund, or retirement savings account.

### Spouse Contributions:

Members of all NSW public sector superannuation schemes may make contributions to the Fund for their Spouse. Those contributions then belong to the spouse member. Contributions can include benefits belonging to the spouse member and rolled over to the Fund.

### Investment Strategy Selection:

Members can choose from five different options in determining their investment strategy. If a member who is subject to member protection has not chosen a particular investment strategy, the account balance is invested in the Cash Plus strategy. If a member with an account balance greater than \$1,000 has not chosen a particular investment strategy, an automatic investment strategy selection will be made on the basis of the member's age as shown below.

Investment strategy	Member's age group	
	<b>Members current at 31 October 2000</b>	<b>Post 31 October 2000 New Accounts</b>
High Growth	No automatic allocation. Must be selected by members.	No automatic allocation. Must be selected by members.
Diversified	Members aged 18–45	Members aged 18–55
Balanced	Members aged 46–55	Members aged 56+
Capital Guarded	Members aged 56+	No automatic allocation. Must be selected by members.
Cash Plus	Automatic strategy for accounts under \$1,000 (subject to <i>member protection</i> ). Must be selected by other members.	Automatic strategy for accounts under \$1,000 (subject to <i>member protection</i> ). Must be selected by other members.

### Notes:

Members aged 46–55 who were in the Balanced strategy or aged 56+ and in the Capital Guarded strategy on 31 October 2000, remained in those strategies from 1 November 2000 rather than being transferred to the new default strategies for their age group. Top up and spouse accounts are not subject to member protection.

# Notes to the financial statements

for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
<b>4. AUDIT EXPENSES</b>		
Audit Fees		
The Audit Office	107	90
Other	61	82

## 5. LIABILITY FOR ACCRUED BENEFITS

### (a) Changes in the Liability for Accrued Benefits

Balance at Beginning of the Year	3,162,403	2,231,866
Add: Increase in Accrued Benefits	866,010	1,060,167
Less: Benefits Paid — Members' Accounts	(168,982)	(127,278)
— Death or Invalidity Reserve	(735)	(2,352)
Balance at the End of the Year	<b>3,858,696</b>	3,162,403

### (b) Funds Not Yet Allocated to Members' Accounts

Unallocated Receipts (1)	9,767	38,931
Unallocated Income (2)	5,834	42,002
Administration Reserve (3)	5,273	6,030
	<b>20,874</b>	86,963

Funds not yet allocated to members' accounts relates mainly to:

- 1) Timing differences between the receipt of cash and receipt of information required for allocation.  
The majority of individual items are allocated to members' accounts before the annual statements are run.
- 2) Timing differences between investment earnings and investment distribution.
- 3) Primarily a timing difference between tax credits recognised and tax credits distributed.  
Part of these undistributed tax credits are being used to fund prior years' member protection.

### (c) Movement in Death or Invalidity Reserve

Balance at the Beginning of the Year	10,370	14,965
Investment Earnings (1)	(262)	1,224
Transfer from Members' Accounts	10,503	9,067
Benefits approved by External Insurer	6,573	5,762
Premiums Paid to External Insurer	(13,329)	(12,322)
Death or Invalidity Benefits Paid (external insurer and self insured)	(7,308)	(8,114)
Administration Charges	106	(212)
Balance at the End of the Year	<b>6,653</b>	10,370

- 1) This includes a reversal of an over accrual of investment earnings for the 2000 financial year.  
From 1 July 2001 new insurance arrangements have been entered into and the Death or Invalidity (DORI) reserve is no longer required to subsidise premiums. The consulting actuary, William M. Mercer has stated that there is a strong probability that the Death or Invalidity Reserve at 30 June 2001 will be sufficient to support expected premium subsidies, for months before 30 June 2001, and meet self-insured claims as they arise.

# Notes to the financial statements

for the year ended 30 June 2001

	2001 \$'000	2000 \$'000
<b>6. SUPERANNUATION CONTRIBUTIONS SURCHARGE TAX</b>		
Assessments for year ended 30 June 2000	-	-
Assessments for year ended 30 June 1999	1,705	1,037
Assessments for year ended 30 June 1998	315	754
Assessments for year ended 30 June 1997	19	33
	<b>2,039</b>	<b>1,824</b>

Any surcharge levied against the Fund is charged, where possible, to the relevant members' benefits when the assessment is received and agreed.

No Australian Taxation Office surcharge assessments for the year ended 30 June 2000 have been received by the Fund.

## 7. INCOME TAX

**The prima facie tax on the Operating Result is reconciled to the Income Tax Expense as follows:**

Prima facie tax on the Operating Result at 15%	119,930	152,347
(Less)/Plus net tax effect of permanent differences:		
Non-deductible Benefit Payments	25,457	19,444
Non-deductible Superannuation Contributions Surcharge	306	273
Non-assessable Contributions	(23,877)	(58,651)
Gross-up of Franked Dividends	2,256	1,571
Capital Gains Tax Indexation	(19)	819
Anti-detriment Deduction	(107)	(92)
Discount on Capital Gains	(5,927)	(20,532)
Imputation and Foreign Tax Credits	(15,040)	(10,472)
Prima facie tax adjusted for permanent differences	102,979	84,707
(Over)/Under provision in the previous year	261	407
Income Tax Expense	<b>103,240</b>	<b>85,114</b>

**The Income Tax Expense comprises:**

Provision attributable to Current Year	98,567	72,174
Increase in Provision for Deferred Income Tax	4,412	12,533
(Over)/Under provision in the previous year	261	407
	<b>103,240</b>	<b>85,114</b>

# Notes to the financial statements

for the year ended 30 June 2001

## 8. INVESTMENTS

	2001					
	Cash Plus \$'000	Capital Guarded \$'000	Balanced \$'000	Diversified \$'000	High Growth \$'000	Total \$'000
Short Term Securities (i)	61,053	38,765	78,077	205,504	24,623	408,022
Australian Fixed Interest (ii)	–	28,218	78,398	119,447	3,094	229,157
Australian Equities (iii)	–	36,607	217,381	843,694	114,330	1,212,012
International Investments (iv)	–	130,304	424,944	1,026,204	107,520	1,688,972
Property Trusts (v)	–	12,380	67,750	260,513	42,477	383,120
	<b>61,053</b>	<b>246,274</b>	<b>866,550</b>	<b>2,455,362</b>	<b>292,044</b>	<b>3,921,283</b>

	2000					
	Cash Plus \$'000	Capital Guarded \$'000	Balanced \$'000	Diversified \$'000	High Growth \$'000	Total \$'000
Short Term Securities (i)	59,788	44,540	97,021	231,194	22,744	455,287
Australian Fixed Interest (ii)	–	96,855	258,375	396,446	8,181	759,857
Australian Equities (iii)	–	29,559	163,835	634,645	76,211	904,250
International Investments (iv)	–	35,901	157,719	548,196	78,383	820,199
Property Trusts (v)	–	10,630	57,338	217,159	29,762	314,889
	<b>59,788</b>	<b>217,485</b>	<b>734,288</b>	<b>2,027,640</b>	<b>215,281</b>	<b>3,254,482</b>

	2001 \$'000	2000 \$'000
<b>(i) Short Term Securities</b>		
Bank Certificates of Deposit	91,957	71,951
Bank Accepted and Bank Endorsed Bills of Exchange	29,500	96,059
Bank Deposits	160,093	173,529
Promissory Notes	67,537	26,605
Forward Rate Notes	37,240	46,387
Unlisted Unit Trust — Vanguard	21,695	40,756
	<b>408,022</b>	<b>455,287</b>

<b>(ii) Australian Fixed Interest</b>		
Government Bonds	–	298,363
Semi-government Bonds	–	144,964
Other Bonds	–	45,479
Unlisted Unit Trust — Vanguard	229,157	271,051
	<b>229,157</b>	<b>759,857</b>

# Notes to the financial statements

for the year ended 30 June 2001

## 8. INVESTMENTS (continued)

	2001 \$'000	2000 \$'000
<b>(iii) Australian Equities</b>	<b>1,212,012</b>	904,250
<b>(iv) International Investments</b>		
Equities	748,896	619,662
Fixed Interest	–	121,886
Foreign Exchange	6,676	8,756
Unlisted Unit Trusts — Vanguard	933,400	69,895
	<b>1,688,972</b>	820,199
<b>(v) Property Trusts</b>		
Listed Property Trusts	314,096	265,141
Unlisted Unit Trust — Vanguard	69,024	49,748
	<b>383,120</b>	314,889
<b>Total Investments</b>	<b>3,921,283</b>	3,254,482

Derivatives are recorded in the investment category to which they relate.

## 9. RECEIVABLES

Margin Call Deposits	9,522	10,944
Accrued Income	11,450	9,838
Investment Sales	10,783	13,328
Other Receivables	1,093	1,237
	<b>32,848</b>	35,347

## 10. CREDITORS

Refunds & Unclaimed Moneys	346	190
Investment Purchases	11,756	13,974
Amount Payable — FTC	2,555	837
Other Creditors	3,809	16,363
	<b>18,466</b>	31,364

# Notes to the financial statements

for the year ended 30 June 2001

## 11. GUARANTEED BENEFITS

No guarantees have been made for any future payments to members concerning accrued benefits.

## 12. VESTED BENEFITS

Benefits not conditional on continued membership of the Scheme, that is, benefits which members were entitled to receive had they terminated their Scheme membership as at 30 June 2001 were \$3,852,042,988 (2000: \$3,152,033,020).

## 13. CASH FLOW INFORMATION

### (a) Reconciliation of Cash:

For the purposes of the Statement of Cash Flows, cash represents cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2001 \$'000	2000 \$'000
Cash at Bank	(5,454)	(11,963)

The Fund does not have any credit standby arrangements or loan facilities. (2000: Nil)

The negative Cash at Bank amount represents unrepresented cheques.

	Inflows/ (Outflows)	Inflows/ (Outflows)
<b>(b) Reconciliation of Benefits Accrued as a Result of Operations to Net Cash Flow from Operating Activities:</b>		
<b>Benefits Accrued as a Result of Operations</b>	<b>696,293</b>	930,537
Changes in Net Market Values	(58,351)	(175,000)
	<b>637,942</b>	755,537
<b>Changes in Assets and Liabilities:</b>		
(Increase)/Decrease in Receivables	11,687	(6,611)
(Decrease)/Increase in Creditors	(12,554)	13,530
(Decrease)/Increase in Amount Payable — FTC	1,718	(2,565)
(Decrease)/Increase in Provision for Income Tax	(16,998)	(7,107)
Increase in Provision for Deferred Income Tax	4,414	12,532
<b>Net Cash Flow from Operating Activities</b>	<b>626,209</b>	765,316

# Notes to the financial statements

for the year ended 30 June 2001

## 14. RELATED PARTY INFORMATION

The Trustee of the Fund is FTC. The names of the Board members of FTC in office during the year ended 30 June 2001 and to the date of signing these accounts are as follows:

Dr T Parry	(Chairman)
Ms B Ashe	(term completed 31.8.2000)
Mr I Blair	
Mr M Duffy	
Mr B Foy	
Ms B Houterman	(term completed 31.8.2000)
Ms S Moait	
Mr M O'Sullivan	
Mr M Williamson	
Ms C Cifuentes	(term commenced 1.9.2000)
Mr R Collison	(term commenced 1.9.2000)

### (a) Board Members' Remuneration

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

### (b) Transactions Entered into During the Year with Board Members and their Related Entities

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

### (c) Transactions with Other Related Parties

Scheme administration fees charged by FTC amounted to \$15,716,443 (2000: \$12,507,531).

## 15. CONTINGENT LIABILITIES

In managing the investment portfolio the fund managers enter into various types of investment contracts that can give rise to contingent liabilities. These contracts are detailed in Note 17.

## 16. SEGMENT REPORTING

The Fund operates in the superannuation and investment management industry in New South Wales.

## 17. FINANCIAL INSTRUMENTS

The information pertaining to financial instruments set out below is made in accordance with the provisions of Australian Accounting Standard AAS33 *Presentation and Disclosure of Financial Instruments*.

For the purpose of these financial statements, a financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments include both primary instruments (such as receivables, payables and equity securities) and derivative instruments (such as financial options, foreign exchange transactions, forward rate agreements and interest rate and currency swaps). The Fund's moneys are invested in a variety of financial instruments included in the asset classes summarised in Note 8.

# Notes to the financial statements

for the year ended 30 June 2001

## 17. FINANCIAL INSTRUMENTS (Continued)

### (1) Accounting policies

Recognised instruments	Statement of financial position notes	Accounting policies	Terms and conditions
Receivables	9	Receivables include income receivable and unsettled sales of securities. They are carried at nominal amounts.	Sales and securities are made on various terms for different securities and in different countries. Income receivable is also settled on varying terms depending on the security and country.
Bills of Exchange and Promissory Notes	8	Bills of Exchange and Promissory Notes are stated at net market value.	Bills of Exchange and Promissory Notes have an average maturity of 49 days with effective interest rates between 5.06% and 5.09%.
Certificates of Deposit and Floating Rate Notes	8	Certificates of Deposit and Floating Rate Notes are stated at net market value.	Certificates of Deposit and Floating Rate Notes have an average maturity of 38 days with effective interest rates between 5.14% and 5.53%.
Bank issued Mortgage Backed Securities	8	Mortgage Backed Securities are stated at market value. Interest income is recognised in the Statement of Financial Performance when earned.	N/A
Discount Securities	8	Discount Securities are stated at net market value.	Discount securities have an average maturity of 73 days and have effective interest rates between 5.01% and 5.07%.
Short Term Deposits	8	Short Term Deposits are stated at net market value. Interest is recognised in the Statement of Financial Performance when earned.	Deposits represent money at 11am call and have no fixed maturity date. The deposits have effective interest rates between 5.0% and 5.1%.
Unlisted Trusts	8	The net market value of Unlisted Trusts is determined on the basis of the unit price of the trusts published by the fund manager.	N/A
Listed Shares	8	Listed Shares are carried at market value, less an amount for selling costs which would be incurred if the investments were sold. The basis for valuation of listed securities is the closing mid price quoted at close of business on the last day of the period on the relevant securities exchange. Certain costs incurred in acquiring the investment, such as brokerage and stamp duty are capitalised in the cost of the investments. Dividend income is recognised when the dividends are declared by the investee.	N/A

# Notes to the financial statements

for the year ended 30 June 2001

## 17. FINANCIAL INSTRUMENTS (continued)

### (1) Accounting policies (continued)

Recognised instruments	Statement of financial position notes	Accounting policies	Terms and conditions
Government Bonds, Semi-government Bonds and Corporate Bonds	8	Government Bonds, Semi-government Bonds, and Corporate Bonds are carried at market value. The basis for valuation of listed securities is the closing mid-price quoted at close of business on the last day of the year on the relevant securities exchange. Interest income is recognised in the Statement of Financial Performance when earned.	N/A
Margin Call Deposits, Accrued Income and Investment Sales	9	Margin Call Deposits, Accrued Income and Investment Sales receivables are carried at nominal amount. Income is accrued in accordance with the policies as detailed in this note for each individual financial instrument asset type.	N/A
Creditors	10	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund (including unsettled purchases of securities).	Purchases of securities are made on various terms for different securities and in different countries.
Tax	7	The liability for taxation is accounted for in accordance with AAS 3.	The income tax liability is calculated using a tax rate of 15%.
Foreign Exchange Forward Contracts	8	Foreign Exchange Forward Contracts are undertaken to hedge against adverse foreign exchange movements. Gains or losses on these contracts are recognised through the translation of underlying transactions and/or instruments at hedge rates.	At balance date the Fund has various forward exchange contracts open in its international portfolios.

### (2) Use of derivative financial instruments

The Fund uses derivatives to hedge its various exposures by reducing risks such as foreign exchange, interest rate and equity market movement. Changes in the derivative's fair value are highly correlated with changes in the fair value of the underlying hedged item. Derivatives used for hedging purposes include foreign exchange forward contracts, interest rate futures, share price index futures, forward rate agreements and options. These derivative instruments involve credit risk and market risk.

All derivative contracts are written against cash, physical securities or other specific commitments and are not leveraged. Derivatives are not used for speculative purposes. These activities are undertaken within authorised and clearly defined limits.

The credit risk of the foreign exchange forward contracts are discussed in Section 3, Credit Risk. Futures contracts settle in cash daily, therefore, there is minimal credit risk to the Fund. All Australian exchange traded options are novated by the Options Clearing House, therefore there is minimal credit risk associated with these contracts.

# Notes to the financial statements

for the year ended 30 June 2001

## 17. FINANCIAL INSTRUMENTS (continued)

### (2) Use of derivative financial instruments (continued)

The following table summarises the aggregate notional amounts of the futures and options contracts and their net market value at 30 June 2001 and 2000.

	Notional principal amount		Net market values	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
<b>Futures contracts</b>				
Australian Fixed Interest	–	2,892	–	38
Australian Share Price Index	<b>42,953</b>	65,562	<b>255</b>	1,616
International Share Price Index	<b>70,156</b>	14,367	<b>(962)</b>	(196)
<b>Options contracts</b>				
Australian Exchange Traded	–	(2,589)	–	(393)
	<b>113,109</b>	80,232	<b>(707)</b>	1,065

### (3) Credit risk

Credit (or Counterparty) risk is the risk that a counterparty to a financial instrument fails to discharge an obligation and causes the Fund to incur a financial loss. In the normal course of its operations the Fund accepts credit risk on the majority of its non-equity investments.

The Fund's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets (other than equity investments) is the carrying amount of those assets as indicated in the Statement of Financial Position.

In relation to unrecognised financial assets, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement.

The Fund's maximum credit risk exposure in relation to foreign exchange forward contracts is the full amount of the foreign currency it will be required to pay when settling the forward exchange contract, should the counterparty not deliver the Australian dollar amounts to the Fund. At 30 June 2001 this amount was \$393.1 million (2000: \$398.1 million). During the year the average maximum credit risk exposure for foreign exchange forward contracts was \$379.5 million (2000: \$346.4 million).

Credit risk is monitored and controlled through credit approval procedures and the setting of forward and daily limits for each counterparty.

The following table summarises the amounts and concentrations of credit exposure associated with the Fund's investment holdings of government and corporate debt instruments.

	2001 \$'000	2000 \$'000
<b>International</b>		
Europe (Government Bonds)	–	68,516
North America (Government Bonds)	–	53,311
<b>Australia</b>		
Government Bonds	–	299,383
Semi-government Bonds	–	148,593
Other	–	64,193
	–	633,996

As at 30 June 2001 the Fund did not hold any direct fixed interest investments. All investments were held in unlisted unit trusts.

# Notes to the financial statements

for the year ended 30 June 2001

## 17. FINANCIAL INSTRUMENTS (continued)

### (4) Currency risk exposures

The Fund's exposure at 30 June 2001 to foreign exchange rate movement on international investments is shown below. As discussed in Section 2, Use of derivative financial instruments, the Fund has entered into foreign exchange forward contracts to hedge its investment in foreign currency denominated financial assets. These foreign exchange forward contracts are carried at their net market value. The obligations arising under these contracts were realised between 9 July 2001 to 10 September 2001 for the International Equities Portfolio. The Fund at 30 June 2001 has no direct investments in the International Fixed Interest Portfolio. Such investments were held by way of unlisted trusts and are included in the 2001 International Portfolio.

#### International Equities Portfolio

	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other A\$'000	Total A\$'000
<b>2001</b>						
Gross Investment Amount	422,966	150,946	83,457	78,486	55,199	791,054
Less: Amount Effectively Hedged	216,994	81,117	41,523	38,426	15,035	393,095
Net Exposure	205,972	69,829	41,934	40,060	40,164	397,959
Percent Hedged	51.30%	53.74%	49.75%	48.96%	27.24%	49.69%
	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other A\$'000	Total A\$'000
<b>2000</b>						
Gross Investment Amount	295,566	130,547	88,298	62,789	54,947	632,147
Less: Amount Effectively Hedged	163,684	76,718	45,113	35,263	19,176	339,954
Net Exposure	131,882	53,829	43,185	27,526	35,771	292,193
Percent Hedged	55.38%	58.77%	51.09%	56.16%	34.90%	53.78%

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#### International Fixed Interest Portfolio

	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other A\$'000	Total A\$'000
<b>2001</b>						
Gross Investment Amount	-	-	-	-	-	-
Less: Amount Effectively Hedged	-	-	-	-	-	-
Net Exposure	-	-	-	-	-	-
Percent Hedged	-	-	-	-	-	-

As at 30 June 2001 the Fund did not hold any direct fixed interest investments. All investments were held in unlisted unit trusts.

	USD A\$'000	EUR A\$'000	JPY A\$'000	GBP A\$'000	Other A\$'000	Total A\$'000
<b>2000</b>						
Gross Investment Amount	48,985	54,486	-	9,963	8,392	121,826
Less: Amount Effectively Hedged	21,905	27,427	-	5,164	3,802	58,298
Net Exposure	27,080	27,059	-	4,799	4,590	63,528
Percent Hedged	44.72%	50.34%	-	51.83%	45.30%	47.85%

# Notes to the financial statements

for the year ended 30 June 2001

## 17. FINANCIAL INSTRUMENTS (continued)

### (5) Interest rate risk

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

The Fund's exposure to interest rate risk, including contractual repricing or maturity dates (whichever dates are earlier) and the weighted average effective interest rates associated with these financial instruments as at 30 June 2001 and as at 30 June 2000 are shown in the tables below. All other financial assets and liabilities are non-interest bearing.

### Interest Rate Risk Disclosure

30 June 2001

	Floating Interest	Fixed Interest – Time to Maturity			Non Interest Bearing	Total	Weighted Average Interest Rate
		Less than 12 months	1–5 years	Over 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000		
<b>Assets</b>							
Cash	-	-	-	-	(5,454)	(5,454)	N/A
Receivables	-	-	-	-	23,326	23,326	N/A
Bills of Exchange and Promissory Notes	67,537	-	-	-	-	67,537	5.13%
Bank Certificate of Deposits & FRNs	158,697	-	-	-	-	158,697	5.08%
Mortgage Backed Securities	-	-	-	-	-	-	N/A
Short Term Deposits	169,614	-	-	-	-	169,614	4.15%
Unlisted Trusts	-	-	-	-	1,253,277	1,253,277	N/A
Bonds	-	-	-	-	-	-	N/A
Listed Shares	-	-	-	-	2,275,004	2,275,004	N/A
Forward Foreign Exchange	-	-	-	-	6,676	6,676	N/A
<b>Total Financial Assets</b>	<b>395,848</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,552,829</b>	<b>3,948,677</b>	
<b>Liabilities</b>							
Creditors	-	-	-	-	18,466	18,466	N/A
Tax Payable	-	-	-	-	71,515	71,515	N/A
<b>Total Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>89,981</b>	<b>89,981</b>	
<b>Total Net Financial Assets</b>	<b>395,848</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,462,848</b>	<b>3,858,696</b>	

# Notes to the financial statements

for the year ended 30 June 2001

## 17. FINANCIAL INSTRUMENTS (continued)

### (5) Interest rate risk (continued)

30 June 2000

	Floating Interest	Fixed Interest – Time to Maturity			Non Interest Bearing	Total	Weighted Average Interest Rate
		Less than 12 months	1–5 years	Over 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Assets</b>							
Cash	–	–	–	–	(11,963)	(11,963)	N/A
Receivables	–	–	–	–	24,403	24,403	N/A
Bills of Exchange and Promissory Notes	26,668	–	–	–	–	26,668	6.20%
Discount Securities & FRNs	190,936	–	–	–	40,756	231,692	6.25%
Mortgage Backed Securities	23,794	–	–	–	–	23,794	6.78%
Short Term Deposits	184,473	–	–	–	–	184,473	5.66%
Unlisted Trusts	–	–	–	–	–	–	N/A
Bonds	–	35,603	295,024	279,607	271,053	881,287	6.26%
Listed Shares	–	–	–	–	1,908,755	1,908,755	N/A
Forward Foreign Exchange	–	–	–	–	8,756	8,756	N/A
<b>Total Financial Assets</b>	<b>425,871</b>	<b>35,603</b>	<b>295,024</b>	<b>279,607</b>	<b>2,241,760</b>	<b>3,277,865</b>	
<b>Liabilities</b>							
Creditors	–	–	–	–	31,363	31,363	N/A
Tax Payable	–	–	–	–	84,099	84,099	N/A
<b>Total Financial Liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>115,462</b>	<b>115,462</b>	
<b>Total Net Financial Assets</b>	<b>425,871</b>	<b>35,603</b>	<b>295,024</b>	<b>279,607</b>	<b>2,126,298</b>	<b>3,162,403</b>	

### (6) Net fair value disclosures

The Statement of Net Assets is prepared in accordance with AAS 25, *Financial reporting by Superannuation Plans*. All investment assets are valued at net market value at 30 June 2001. All other assets and other liabilities are recorded at historical cost which, in the opinion of the Trustees, approximates their net fair value.

# First State Super Fund Investment Schedules

SCHEDULE A	Australian Shares — top 20 holdings of FSS at 30 June 2001
SCHEDULE B	Comparison between the ASX 300 Index and FSS Australian shareholdings at 30 June 2001
SCHEDULE C	Listed Property Trusts — top 6 holdings of FSS at 30 June 2001
SCHEDULE D	Australian Fixed Interest — total holdings of FSS at 30 June 2001
SCHEDULE E1	International Shares Portfolio – top 20 holdings of FSS at 30 June 2001
SCHEDULE E2	International Shares Portfolio — country allocation at 30 June 2001
SCHEDULE F	International Fixed Income Portfolio — sector/region at 30 June 2001

# Australian shares – top 20 holdings of FSS

at 30 June 2001

	Market value \$ million	% of portfolio
1 National Australia Bank Ltd	92.2	7.5
2 BHP Billiton Ltd	89.0	7.3
3 Commonwealth Bank of Australia Ltd	79.7	6.5
4 The News Corporation Ltd Preference Shares	75.4	6.2
5 Telstra Corporation Limited	53.8	4.4
6 AMP Limited	47.6	3.9
7 Australia & New Zealand Banking Group Ltd	47.5	3.9
8 CSL Limited	46.1	3.8
9 Westpac Banking Corporation Ltd	35.6	2.9
10 News Corporation Ltd	33.6	2.7
11 QBE Insurance Group Ltd	32.7	2.7
12 Macquarie Bank Ltd	30.5	2.5
13 Woodside Petroleum Ltd	27.2	2.2
14 Brambles Industries Ltd	25.3	2.1
15 ResMed Inc	18.9	1.5
16 CSR Ltd	18.6	1.5
17 Futuris Corporation Ltd	16.7	1.4
18 Aristocrat Leisure Ltd	16.5	1.3
19 Sonic Healthcare Ltd	15.9	1.3
20 Woolworths Ltd	14.2	1.2
	<b>817.0</b>	<b>66.8</b>

The top 20 holdings represent 66.8% of the total listed Australian shares of the FSS Fund.

# Comparison between ASX 300 Index and FSS Australian shares holdings

at 30 June 2001

Sector	S&P/ASX 300		FSS Fund		
	No. of Companies	% of S&P/ASX 300	No. of Companies	Market value \$ million	% of portfolio
Gold	10	1.0	7	9.8	0.8
Other Metals	16	0.8	11	8.5	0.7
<b>All Mining</b>	<b>26</b>	<b>1.8</b>	<b>18</b>	<b>18.3</b>	<b>1.5</b>
Diversified Resources	4	10.1	4	108.7	8.9
Energy	12	2.5	8	29.5	2.4
<b>All Resources</b>	<b>16</b>	<b>12.6</b>	<b>12</b>	<b>138.2</b>	<b>11.3</b>
Infrastructure & Utilities	13	2.3	13	15.4	1.3
Developers & Contractors	9	2.4	7	22.8	1.9
Building Materials	7	1.8	8	30.2	2.5
Alcohol & Tobacco	6	2.8	6	28.2	2.3
Food & Household Goods	7	1.2	8	12.9	1.1
Chemicals	3	0.2	2	0.4	0.0
Engineering	2	0.1	3	1.4	0.1
Paper & Packaging	3	0.9	2	4.1	0.3
Retail	13	3.9	15	36.1	3.0
Transport	4	2.5	3	38.1	3.1
Media	14	13.4	19	142.0	11.7
Banks	13	24.3	12	302.1	24.7
Insurance	4	5.4	4	82.7	6.8
Telecommunications	17	7.9	18	63.3	5.2
Investment & Financial Services	24	1.7	19	44.7	3.7
Property	38	5.6	33	22.9	1.9
Healthcare & Biotech	28	3.7	23	105.5	8.7
Miscellaneous Industrial	45	1.7	30	44.5	3.7
Diversified Industrials	9	2.2	10	34.6	2.8
Tourism & Leisure	9	1.6	10	29.8	2.4
<b>All Industrials</b>	<b>268</b>	<b>85.6</b>	<b>245</b>	<b>1,061.7</b>	<b>87.2</b>
<b>Total</b>	<b>310</b>	<b>100</b>	<b>275</b>	<b>1,218.2</b>	<b>100</b>

S & P = Standard and Poors

ASX = Australian Stock Exchange

# Listed property trusts — top 6 holdings of FSS

at 30 June 2001

	Market value \$ million	% of portfolio
Westfield Trust	62.2	19.6
General Property Trust	38.1	12.1
Stockland Trust Group	27.6	8.7
Mirvac Group	25.5	8.1
Westfield America Trust	21.0	6.7
Centro Properties Group	12.8	4.1
	<b>187.2</b>	<b>59.3</b>

The top 6 holdings represent 59.3% of the total listed property trusts of the FSS Fund (excluding the holding in the Vanguard Listed Property Trust).

# Australian fixed interest — total holdings of FSS

at 30 June 2001

	Market value \$ million	Market value \$ million
<b>Government Securities</b>		
Commonwealth Government		
State Government		0.0
<b>Commercial/Other</b>		
Company bonds		
Mortgage-backed securities	29.5	29.5
<b>Short Term Securities</b>		
Discount securities	92.0	
Floating rate notes	37.2	
Bank deposits	8.8	
Non-government promissory notes	67.5	205.5
<b>Unit Trusts</b>		
Units in Vanguard Fixed Interest Trust		229.2
Units in Vanguard STMM Trust		21.7
		250.9
Total		<b>485.9</b>

# International shares portfolio — top 20 holdings of FSS

at 30 June 2001

	Market value \$ million	% of portfolio
Microsoft Corporation	18.5	2.5
Citigroup Inc	15.9	2.1
Exxon Mobil Corporation	14.3	1.8
General Electric Corporation	13.9	1.8
AOL Time Warner Inc	12.3	1.6
Pfizer Inc	11.3	1.5
IBM Corporation	10.4	1.4
Eli Lilly & Co	8.9	1.2
BP Amoco PLC	8.6	1.1
GlaxoSmithKline PLC	8.3	1.1
Vodafone Group PLC	8.0	1.1
Total Fina Elf SA	7.9	1.1
HSBC Holdings PLC	7.7	1.0
American International Group	7.6	1.0
Walmart Stores Inc	7.5	1.0
J P Morgan Chase & Co	7.2	1.0
Aventis SA	7.2	1.0
ING Groep NV	7.2	1.0
Johnson & Johnson	7.2	0.9
Intel Corporation	7.0	0.9
	<b>196.9</b>	<b>26.1</b>

The top 20 holdings represent 26.1% of the listed International shares of the FSS Fund.

# International shares portfolio — country allocation

at 30 June 2001

	Market value \$ million	% of portfolio
USA	403.24	53.5
Japan	79.78	10.6
UK	74.43	9.9
France	46.26	6.1
Netherlands	34.64	4.6
Germany	26.87	3.6
Switzerland	19.74	2.6
Spain	13.59	1.8
Canada	11.53	1.5
Other	43.17	5.8
	<b>753.25</b>	<b>100.0</b>

# International fixed income portfolio — sector/region

at 30 June 2001

	Government \$Aust M	Quasi- government and Corporate \$Aust M	Region totals	
			\$Aust million	%
Europe, excl. UK	236.7	98.1	334.8	35.9
North America	178.1	193.2	371.3	39.8
Japan	176.2	5.6	181.8	19.5
UK	31.8	13.7	45.5	4.8
<b>Totals</b>	<b>622.8</b>	<b>310.6</b>	<b>933.4</b>	<b>100.0</b>

# FSS Trustee Corporation Superannuation Schedules

SCHEDULE A	Overview of Scheme statistics
SCHEDULE B	Changes to Scheme active membership
SCHEDULE C	Analysis of members by age and sex
SCHEDULE D	Members in employing organisations
SCHEDULE E	Normal and early voluntary retirements
SCHEDULE F	Invalidity retirements — ages at exit
SCHEDULE G	Average benefits paid
SCHEDULE H	Number of preserved benefits movements
SCHEDULE I	Accounts by dollar value
SCHEDULE J	Publications produced by FTC

# Overview of Scheme statistics

year ended 30 June 2001 compared to year ended 30 June 2000

	Active members		Preserved benefits	
	30/6/01	30/6/00	30/6/01	30/6/00
First State Superannuation Scheme	315,918	300,922	35,353	34,028
Totals	<b>315,918</b>	300,922	<b>35,353</b>	34,028

## Changes to Scheme active membership

year ended 30 June 2001

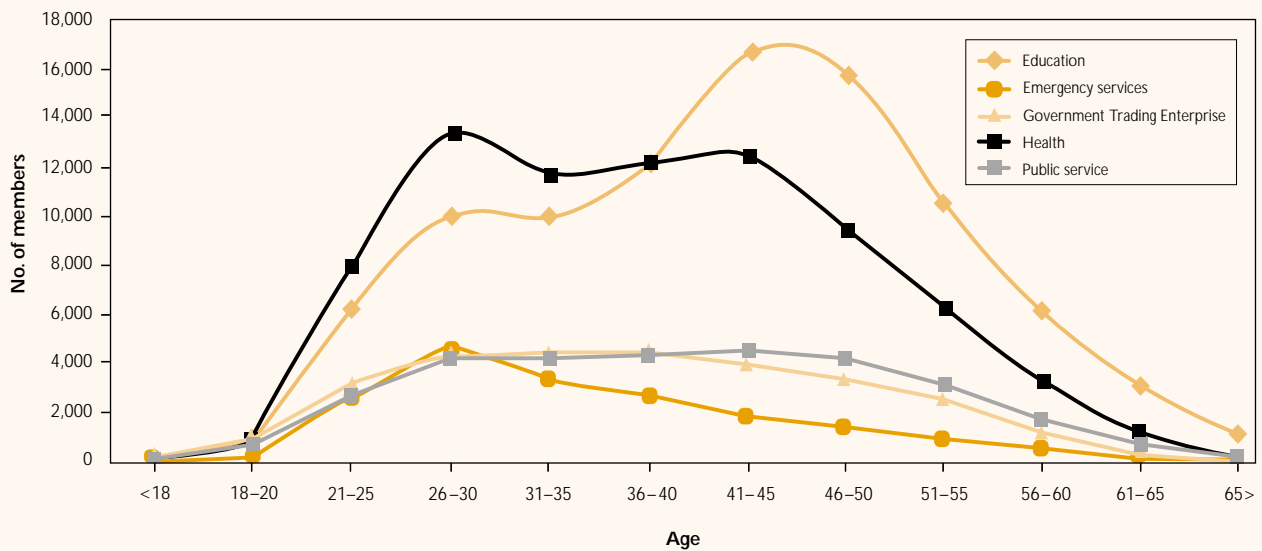
Active members at 1 July 2000		300,922
<b>Plus</b>		
New members during year		58,804
Preserved benefits reactivated to membership		2,556
<b>Less exits</b>		
Retirements	7,273	
Incapacity retirements	564	
Deaths	274	
Resignations and dismissals	15,224	
Transfers to Eligible Rollover Fund	13,820	
<b>Total exits</b>		<b>37,155</b>
Cancelled		9,209
<b>Active members at 30 June 2001</b>		<b>315,918</b>

# Analysis of members by age and sex

at 30 June 2001

Age	Males	Females	Active members
15-19	969	1,184	2,153
20-24	6,667	14,122	20,789
25-29	14,738	30,976	45,714
30-34	16,594	29,970	46,564
35-39	15,625	29,091	44,716
40-44	15,344	33,494	48,838
45-49	13,914	30,112	44,026
50-54	10,754	21,440	32,194
55-59	6,947	11,348	18,295
≥60	6,039	6,590	12,629
<b>Totals</b>	<b>107,591</b>	<b>208,327</b>	<b>315,918</b>

ACTIVE FSS MEMBERS BY EMPLOYER GROUP BY AGE  
as at 30 June 2001



# Members in employing organisations

at 30 June 2001

Employer	Members
Attorney General's Department	482
Central Corporate Services	6
Dept of Community Services	8,042
Dept of Corrective Services	4,214
Dept of Courts Administration	2,896
Dept of Housing	1,750
Dept of Juvenile Justice	1,517
Dept of Lands & Water Conservation	2,562
Dept of School Education	62,424
Dept of Sport & Recreation	1,737
Fire Brigades	4,330
Freight Rail Corporation	767
Home Care Services of NSW	4,057
Hospitals & Area Health	81,575
National Parks & Wildlife	1,918
NSW Dept of Agriculture	2,232
NSW Treasury Corporation	106
NSW Police Service	8,686
Office of the Board of Studies	8,806
Office of State Revenue	360
Public Works Department	1,311
Rail Access Corporation	283
Rail Authorities	6,945
Roads & Traffic Authority	4,008
Rural Lands Protection Authorities	265
State Forests of NSW	917
State Transit	3,218
Sydney Water	1,624
Technical & Further Education Commission NSW	20,462
Other*	78,418
<b>Total</b>	<b>315,918</b>

\* 'Other' includes State Electoral Office, Department of Fair Trading, Australian Red Cross Blood Service, and the Sydney Opera House.

# Normal and early voluntary retirements

year ended 30 June 2001

Age of members	Males	Females	All members
≤55	290	464	754
56	228	362	590
57	222	342	564
58	219	333	552
59	199	301	500
60	241	278	519
61	218	286	504
62	195	244	439
63	183	199	382
64	186	181	367
65	272	215	487
>65	866	749	1,615
<b>Total</b>	<b>3,319</b>	<b>3,954</b>	<b>7,273</b>

# Invalidity retirements — ages at exit

year ended 30 June 2001

Age of members	Males	Females	All members
20–24	1	–	1
25–29	3	14	17
30–34	9	18	27
35–39	18	22	40
40–44	31	54	85
45–49	32	65	97
50–54	51	105	156
55–59	28	54	82
>60	30	29	59
<b>Total</b>	<b>203</b>	<b>361</b>	<b>564</b>

**SCHEDULE G**

# Average benefits paid

year ended 30 June 2001

	<u>\$</u>
<b>Average lump sum</b>	
Normal retirement and EVR	8,076
Invalidity retirement	11,578
Death of contributor	9,849
Withdrawal benefit	3,383
Retrenchment	N/A

**SCHEDULE H**

# Number of preserved benefits movements

year ended 30 June 2001

Preserved benefits at 1 July 2000	<u>34,028</u>
<b>Add</b>	
Benefits preserved during year	6,491
<b>Less</b>	
Preserved benefits paid out during year	2,610
Reactivated to membership	2,556
<b>Preserved benefits at 30 June 2001</b>	<u><b>35,353</b></u>

# Accounts by dollar value

at 30 June 2001

Account Balance \$	Number of Accounts	% of Total	Average Balance \$
Under 1,000	73,833	21	324
1,000 – 4,999	95,584	27	2,671
5,000 – 9,999	55,759	16	7,301
10,000 – 49,999	120,407	34	20,783
50,000 – 99,999	3,815	1	65,071
100,000 – 149,999	797	*	121,775
150,000 – 199,999	435	*	173,021
200,000 – 299,999	338	*	237,990
300,000 – 399,999	120	*	340,471
400,000 – 499,999	71	*	445,296
500,000 and over	112	*	686,510
<b>Totals</b>	<b>351,271</b>	<b>100%</b>	<b>\$10,930</b>

\* combined, constitutes 1% of total members

at 30 June 2001

<b>Booklets:</b>	Your Member Guide Annual Report Highlights Welcome to First State Super A guide to FSS for top-up members and spouse members Consolidate your super
<b>Flyer:</b>	Superannuation contacts Watch your money grow postcards
<b>Newsletters:</b>	Super News Super Update Super Views
<b>Fact Sheets:</b>	<ol style="list-style-type: none"><li>1. Making your money work</li><li>2. Will you have enough super?</li><li>3.1 Salary sacrifice contributions to grow your super</li><li>3.2 What is salary sacrifice?</li><li>4. Choosing an investment strategy</li><li>5. When can I be paid my superannuation benefits?</li><li>6. Information about the Commonwealth Surcharge Tax<ol style="list-style-type: none"><li>7.1 Basic Death or Invalidity insurance cover</li><li>7.2 Additional Benefit insurance cover</li><li>7.3 Making an insurance claim</li></ol></li><li>8. Making spouse contributions into FSS</li><li>9. Freedom of information and privacy statement</li><li>10. Early release of a superannuation benefit on compassionate grounds</li><li>11. Early release of a superannuation benefit on grounds of severe financial hardship</li><li>12. Option to cease receiving employer Superannuation Guarantee Contributions</li></ol>
<b>Other communications:</b>	Privacy Plan Privacy Statement FOI Statement of Affairs FOI Summary of Affairs
<b>Web site:</b>	<a href="http://www.firststatesuper.nsw.gov.au">www.firststatesuper.nsw.gov.au</a>

# FSS Trustee Corporation

## Statutory Information

The following appendices provide information in accordance with the *Annual Reports (Statutory Bodies) Regulation 1995*.

APPENDIX 1	Board membership and frequency of meetings
APPENDIX 2	The Trustee Board committees
APPENDIX 2A	Board member attendance at FTC committee meetings
APPENDIX 3	Consumer response — disputes and appeals
APPENDIX 4	2000–01 legislation and rule changes
APPENDIX 5	Report on account payment performance
APPENDIX 6	Human resource management
APPENDIX 7	Representation of equal employment opportunity target groups
APPENDIX 8	Payments to consultants
APPENDIX 9	Risk management and insurance
APPENDIX 10	Freedom of Information
APPENDIX 10A	Statement of Affairs
APPENDIX 11	Overseas visits
APPENDIX 12	Ethnic affairs priorities statement
APPENDIX 13	Disability plan
APPENDIX 14	Codes of conduct
APPENDIX 15	Action plan for women

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

# Board membership and frequency of meetings

at 30 June 2001

The Trustee Board consists of a chairperson, four employer representatives and four employee representatives (nominated by the Labor Council of NSW). All are appointed by the Minister on a part-time basis.

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

The Trustee Board generally meets on a monthly basis and 11 ordinary meetings were held during the period from 1 July 2000 to 30 June 2001.

In line with the requirements of the *Annual Reports (Statutory Bodies) Act 1984*, Board meeting attendance is notified as follows:

	Appointed	Termination date	Meetings attended	Possible attendance
<b>Chairman</b>				
Dr T Parry	1 April 2000	31 Mar 2002	11	11
<b>Employer representatives</b>				
Mr I Blair	1 Sept 1998	31 Aug 2002	10	11
Ms C Cifuentes	1 Sept 2000	31 Aug 2004	8	9
Mr M Duffy	1 Sept 1998	31 Aug 2002	11	11
Mr B Foy	1 Sept 1998	31 Aug 2002	8	11
Ms B Houterman	1 Sept 1996	31 Aug 2000	2	2
<b>Employee representatives</b>				
Ms B Ashe	1 July 1996	31 Aug 2000	1	2
Ms B Ashe (alternate for Mr M O'Sullivan)	20 Oct 2000	31 Dec 2001	1	1
Mr R Collison	1 Sept 2000	31 Aug 2002	5	9
Ms S Moait	1 Sept 1996	31 Aug 2002	7	11
Mr M O'Sullivan	1 Sept 1996	31 Aug 2002	9	11
Mr M Williamson	1 Sept 1996	31 Aug 2002	6	11

The Committees and details of their purpose and membership at 30 June 2001 are:

#### **ADMINISTRATION AND POLICY COMMITTEE**

The Joint STC/FTC Administration Committee was discontinued in November 2000. The FTC Administration and Policy Committee was established by the Board in November 2000.

**Members** Messrs Duffy (chairperson), Blair and O'Sullivan; also attended by Ms Ashe, officers of the Trustee Corporation, the Scheme Administrator and insurer.

**Purpose** To monitor the services provided by the administrator and insurer and ensure compliance with the contracts; ensure compliance with any legislation or policy changes; and review and advise upon strategic areas of policy development and proposed changes to legislation.

#### **AUDIT AND COMPLIANCE COMMITTEE**

**Members** Messrs Blair (chairperson) and Williamson and Ms Cifuentes; also attended by officers of the Trustee Corporation, Audit Office of New South Wales and the Scheme Administrator.

**Purpose** To assist in fulfilling the Trustee Corporation's responsibilities relating to financial reporting practices, business ethics, policies and practices, accounting policies, management and internal controls. To monitor compliance with the Trustee Corporation's corporate governance requirements including contractual and legislative compliance.

#### **DISPUTES COMMITTEE**

**Members** Messrs O'Sullivan (chairperson), Collison and Duffy; also attended by Ms Ashe as alternate to Mr O'Sullivan and officers of the Trustee Corporation.

**Purpose** To discharge the Board's responsibilities in relation to disputes received from persons under Section 22 of the *Superannuation Administration Act 1996*; monitor the delegated administrative decisions and procedures of the Superannuation Administration Corporation (SAC) to ensure that these delegates are operating within the powers of FTC and comply with the policies of FTC, and make recommendations to the Board in this regard; provide guidance and control via the Chief Executive over the procedures for dealing with disputes by the Executive staff; progress and monitor appeals under section 40 of the Act; and report to the Board following each meeting of the Committee.

#### **INVESTMENT COMMITTEE**

**Members** Messrs Parry (chairman), Duffy, Foy and O'Sullivan, and Meses Cifuentes and Moait; also attended by Ms Ashe as alternate to Mr O'Sullivan, officers of the Trustee Corporation and investment advisers.

**Purpose** To review the investment portfolio objectives, strategic policies, manager mandates and reporting arrangements; decide on fees and arrangements with service providers for the Fund's investment portfolio; recommend investment manager appointments and terminations; review the Fund's investment portfolio results with the asset consultant and other service providers; monitor breaches of investment mandates; and to review and report to the Board on any major investment issues that the Board refers to the Committee including Corporate Governance matters.

#### **REMUNERATION COMMITTEE**

**Members** Messrs Cole (chairperson and STC chairperson), and Parry and Blair; also attended, by invitation, by the Chief Executive Officer of the Trustee Corporation.

**Purpose** To review the salary structure of the Executive of the Trustee Corporation and to determine the salary structure of the contract staff having regard to appropriate benchmarks.

#### **COMMUNICATIONS TASKFORCE**

**Members** Messrs Williamson (chairperson) and Foy and Ms Moait; also attended by Ms Ashe and officers of the Trustee Corporation.

**Purpose** To identify the strengths and weaknesses of the Scheme as an occupational superannuation Scheme, and develop a communications and marketing strategy which will ensure that FSS enjoys a position of strength in a competitive marketplace characterised by member choice of fund.

# Board member attendance at FTC committee meetings

during 2000–01

	Meetings attended	Possible attendance
<b>Administration and Policy Committee</b>		
B Ashe	1	1
I Blair	1	4
M Duffy	3	4
M O'Sullivan	2	2
T Parry	2	4
<b>Audit and Compliance Committee</b>		
B Ashe	1	1
I Blair	4	4
C Cifuentes	2	3
B Houterman	1	1
M O'Sullivan (alternate for M Williamson)	1	1
M Williamson	2	3
T Parry (ex officio)	3	N/A
<b>Disputes Committee</b>		
B Ashe (1 as alternate for M O'Sullivan)	2	2
I Blair (ex officio)	1	N/A
R Collison	6	7
M Duffy	7	7
B Houterman	1	1
M O'Sullivan	8	9
<b>Investment Committee</b>		
B Ashe (2 as alternate for M O'Sullivan)	3	3
I Blair (ex officio)	1	N/A
C Cifuentes	2	4
M Duffy	4	5
B Foy	5	5
B Houterman	0	1
S Moait	3	5
M O'Sullivan	2	4
T Parry	5	5
<b>Remuneration Committee</b>		
I Blair	2	2
M Cole (STC Chairperson)	2	2
T Parry	2	2
<b>Communications Taskforce</b>		
B Foy	3	3
S Moait	2	3
M Williamson	2	3
T Parry (ex officio)	3	N/A

# Consumer response — disputes and appeals

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at 30 June 2001

The FSS Scheme provides a two stage system of review of a decision made by the delegate of the Trustee Corporation that is not in favour of the member. Firstly, determination of a dispute by a committee of the Trustee Board (the FTC Disputes Committee), and secondly, appeal to the Industrial Relations Commission in Court Session (IRC).

At 30 June 2000, 10 disputes were current. During the year ending 30 June 2001, the Disputes Committee received 12 new disputes and 4 were withdrawn. Of the 18 disputes remaining (including disputes carried over from the previous year):

- 5 were determined against the disputant,
- 9 were determined in favour of the disputant, and
- 4 disputes remained current at the end of the reporting year.

No appeals were made during the year to the IRC from decisions of the FTC Disputes Committee.

For FSS members who were actively at work after 30 June 1998, disablement and death benefit cover is provided by an external insurer. Disputed claims are considered by a Claims Review Committee, which consists of 1 Trustee representative, 1 representative of the Minister and 1 independent representative. During the year the Claims Review Committee dealt with 1 claim, which was decided against the disputant. This decision was appealed to the IRC and remained to be concluded at the end of the reporting year.

# 2000–01 legislation and rule changes

at 30 June 2001

\* Where there are multiple new or amended provisions the section(s) or other reference listed is the major or primary provision affected.

Assent date	Effective date	Scheme(s)	Principal act or regulation	Amending act or regulation	Section	Description
13.12.00	13.12.00	FSS	<i>First State Superannuation Act 1992</i>	<i>Superannuation Legislation Amendment Act 2000</i>	12B	<p><b>Maximum salary for superannuation contributions</b></p> <p>The amendment allows employees who fund their own superannuation to elect not to have contributions made to superannuation by their employer for amounts exceeding the maximum contribution base applicable under the <i>Superannuation Guarantee (Administration) Act 1992</i> of the Commonwealth. The employees who will be entitled to make such an election are employees who are employed under a contract under which employer contributions to superannuation form part of the total remuneration package of the employee and are deducted from the monetary remuneration payable to the employee.</p>

# Report on account payment performance

year ended 30 June 2001

## Accounts payable

Current	nil
Overdue	nil

## Accounts paid

Total payments	\$15,044,076
Prompt payments	\$15,044,076
Late payments	nil

Percentage of Accounts Paid Promptly 100% (Target 100%)

The FSS Trustee Corporation has a chief executive officer who is also the CEO of the SAS Trustee Corporation. Apart from the CEO, FTC has not employed any staff directly but instead uses the services of the staff of the SAS Trustee Corporation pursuant to an arrangement between the two entities. The administration of payroll and human resource services are provided by the Superannuation Administration Corporation. The table below shows the STC Executive's male, female and total staff numbers.

#### Number of employees by salary band 2000–01

	Men	Women	Total
< \$26,802	0	0	0
\$26,802–\$35,201	0	1	1
\$35,202–\$39,354	0	2	2
\$39,355–\$49,799	0	2	2
\$49,800–\$64,400	4	3	7
\$64,401–\$80,499	2	1	3
> \$80,499 (non SES)	4	4	8
> \$80,499 (SES)	0	1	1
<b>Totals</b>	<b>10</b>	<b>14</b>	<b>24</b>
	<b>42%</b>	<b>58%</b>	<b>100%</b>

#### Senior Executive Service (SES)

FTC employs one SES officer, the CEO, Ms Lyn Gearing, at Grade 5 level. The total remuneration package for this position is worth \$194,770. The criteria used for assessing the CEO's remuneration package was as set out in *Premier's Memorandum No. 99–25*.

During the year, the staff of the Executive, under Ms Gearing's leadership, achieved a number of significant goals agreed at the commencement of the year with the Trustee Corporation Board.

#### Salary movement

The CEO's salary is partially paid by both Trustee Corporations in the following proportions: 25% by FTC and 75% by STC. While FTC has no other employees, they pay 25% of the salary and oncosts of the SAS Trustee Corporation staff.

Salaries for contract staff are reviewed annually as part of a formal performance appraisal system.

Award staff are covered under the Crown Employees (Public Sector – Salaries June 1997) Award. The Award covers a period of 3 years. Staff under this award received an incremental salary increase of 2% on 7 January 2001.

#### Industrial relations

The Public Service Association of New South Wales provided industrial coverage for staff of the Executive. No time was lost during 2000–01 through industrial action.

#### Training and development

The Trustee Corporation recognises the need for on going training. Staff attend training designed by external providers and in house specialists.

Staff of the Executive continued to keep abreast of changes in the superannuation industry by regularly attending seminars, short courses and conferences. Staff were also invited to speak at major conferences on superannuation and to present to member groups on request of employers and unions.

#### Occupational health and safety

During the reporting period the Trustee Corporation did not experience any work-related injuries, work-related illnesses, or prosecutions under the *Occupational Health and Safety Act 1993*.

# Representation of equal employment opportunity target groups

**TABLE A: Percentage of total staff by level at 30 June 2001**

Level	Total staff (number)	Men	Women	Staff responding to EEO data form (Respondents)	Subgroup as percentage of respondents at each level				
					Aboriginal & Torres Strait Islander People	People from Racial, Ethnic, Ethno-Religious Minority Groups	People whose Language First Spoken as a Child was not English	People with a Disability	People with a Disability Requiring Adjustment at Work
< \$26,802	0	0%	0%	0%	0%	0%	0%	0%	0%
\$26,802–\$35,201	1	0%	100%	0%	0%	0%	0%	0%	0%
\$35,202–\$39,354	2	0%	100%	100%	0%	0%	0%	0%	0%
\$39,355–\$49,799	2	0%	100%	100%	0%	100%	50%	0%	0%
\$49,800–\$64,400	7	57%	43%	86%	0%	0%	17%	17%	0%
\$64,401–\$80,499	3	67%	33%	100%	0%	33%	0%	0%	0%
> \$80,499 (non SES)	8	50%	50%	88%	0%	14%	14%	0%	0%
> \$80,499 (SES)	1	0%	100%	100%	0%	0%	0%	0%	0%
<b>Total*</b>	<b>24</b>	<b>42%</b>	<b>58%</b>	<b>88%</b>	<b>0%</b>	<b>19%</b>	<b>14%</b>	<b>5%</b>	<b>0%</b>
Subgroup Totals		10	14	21	0	4	3	1	0

\* Excludes casual staff and agency temporary staff

**TABLE B: Percentage of total staff by employment basis at 30 June 2001**

Level	Total staff (number)	Men	Women	Staff responding to EEO data form (Respondents)	Subgroup as estimated percentage of total staff in each employment category				
					Aboriginal & Torres Strait Islander People	People from Racial, Ethnic, Ethno-Religious Minority Groups	People whose Language First Spoken as a Child was not English	People with a Disability	People with a Disability Requiring Adjustment at Work
<b>Permanent</b>									
Full-time	10	40%	60%	80%	0%	25%	13%	13%	0%
Part-time	0	0%	0%	0%	0%	0%	0%	0%	0%
<b>Temporary</b>									
Full-time	0	0%	0%	0%	0%	0%	0%	0%	0%
Part-time	0	0%	0%	0%	0%	0%	0%	0%	0%
<b>Contract</b>									
SES	1	0%	100%	100%	0%	0%	0%	0%	0%
Non-SES	13	46%	54%	0%	0%	17%	17%	0%	0%
<b>Casual</b>									
	0	0%	0%	0%	0%	0%	0%	0%	0%
<b>Total</b>	<b>24</b>	<b>42%</b>	<b>58%</b>	<b>88%</b>	<b>0%</b>	<b>19%</b>	<b>14%</b>	<b>5%</b>	<b>0%</b>
Subgroup Totals		10	14	21	0	4	3	1	0

# Payments to consultants

## Fees exceeding \$30,000

Project	Consultant	Total cost \$
<b>Professional and technical</b>		
Legal Services	Minter Ellison	67,564
<b>Finance and accounting</b>		
Tax Return Preparation, Lodgement and Advice	Ernst & Young	38,429
Other Accounting and Tax Advice	PricewaterhouseCoopers	31,425
<b>Investment</b>		
Investment Monitoring and Reporting	William M. Mercer	169,275
<b>Total</b>		<b>306,693</b>
<b>Fees less than \$30,000</b>		<b>43,605</b>
<b>Total fees paid to consultants</b>		<b>350,298</b>

# Risk management and insurance

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

The primary objective of the Audit and Compliance Committee is to assist the Trustee Corporation in fulfilling its responsibilities for:

- financial reporting practices,
- business ethics, policies and practices,
- accounting policies,
- legislative and contractual compliance, and
- management and internal controls.

The Audit and Compliance Committee oversees and appraises the audits conducted by the administrator's internal auditors and the external auditor and serves as an independent and objective party to review the financial information presented by management to members, regulators and the NSW Government. The Audit and Compliance Committee also reviews the adequacy of the administrative, operating and accounting controls of the Trustee Corporation and the administrator and monitors actions to correct any noted deficiencies.

The Trustee Corporation effects three types of insurance: Trustee Liability insurance, Directors' and Officers' Liability insurance, and Miscellaneous Liability (including public liability) insurance.

For the year commencing 1 July 2000 the Trustee Liability insurance and Directors' and Officers' Liability insurance was in place with HIH Casualty and General Insurance Limited. With effect from 19 April 2001, these insurances are now with the American Home Assurance Company.

For the duration of the financial year 2000–01, the Miscellaneous Liability insurance was provided by Royal and Sun Alliance.

# Freedom of Information (FOI)

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All enquiries and requests under the *Freedom of Information Act 1989* for the period 1 July 2000 to 30 June 2001 were handled on behalf of the Trustee Corporation by the administrator, the Superannuation Administration Corporation. Statistical information for FOI requests is contained in the Superannuation Administration Corporation's annual report.

In accordance with section 14(1)(a) of the Act, an up to date *Statement of Affairs* was published on 30 June 2001 and appears at Appendix 10A.

In accordance with s14(1)(b) of the Act, a *Summary of Affairs* was published in the *Gazette* in December 2000 and June 2001.

The Summary and Statement are also available on the FTC web site at [www.firststatesuper.nsw.gov.au](http://www.firststatesuper.nsw.gov.au)

pursuant to section 14(1)(a) and (3) of the *Freedom of Information Act 1989* at 30 June 2001

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

### Structure and functions

FSS Trustee Corporation (FTC) is the trustee of First State Super (FSS), the superannuation scheme open to all New South Wales public sector employees. The structure of the FTC Board and its Executive and the principal functions of FTC are set out in FTC's *Annual Report*.

### Effect of functions on members of the public

The functions of FTC affect only those members of the public who are NSW public sector employees and who are members of First State Super.

### Public participation in policy and exercise of functions

Public sector employees who are members of First State Super can participate in the policy and exercise of functions of FTC through their member representatives on the FTC Board.

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

FTC and its Executive also consult with the Premier's Department and Treasury in the formulation and development of Scheme policy.

### Policy documents held

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

- *First State Super Trust Deed and Rules* — the Deed and Rules govern the operation of First State Super,
- *First State Super Scheme Policy Register* — this contains guidelines for implementing the rules contained in the governing rules of First State Super,
- *FTC Delegated Functions* — these contain the functions of FTC that have been delegated and the person or entity to whom delegated,
- *Codes of Conduct for the FTC Board and the Executive* — these contain a description of the principles of conduct under which the Board members and Executive staff must conduct themselves in the performance of their functions,
- *FTC Disputes Register* — the Register lists the disputes that have been considered by the Disputes Committee,
- *Complaints and Queries Register* — the Register records the complaints and queries received and dealt with by FTC, and
- *FTC Privacy Management Plan* — the Plan outlines procedures FTC has in place to ensure compliance with the *Privacy and Personal Information Protection Act 1998* (NSW).

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

FTC has outsourced the function of providing access to documents and amending member records to the scheme administrator.

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

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

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

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

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

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

#### **Freedom of Information contact**

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

The Freedom of Information Co-ordinator  
FSS Trustee Corporation  
Level 18  
83 Clarence Street  
Sydney NSW 2000

Telephone: (02) 9238 5064  
Facsimile: (02) 9238 5379

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

Ms Beryl Ashe attended the International Corporate Governance Network Conference held in New York during 7–23 July 2000.

## Ethnic affairs priorities statement

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The Trustee Corporation's focus for addressing the cultural and linguistic diversity of members of the public is to target the beneficiaries of the Scheme. The *Ethnic Affairs Priorities Statement* developed for this purpose is implemented by the Trustee Corporation's administrator.

Strategies implemented by the administrator include translation services and the annual information forwarded to members included the following statement in Arabic, Cantonese, Italian, Greek, and Vietnamese:

"For members who have difficulty with the English language, Customer Service can make arrangements for information to be translated."

## Disability plan

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The Trustee Corporation has developed a *Disability Plan* as part of a whole-of-government disability framework. The administrator for FSS also has a Disability Plan which covers the Fund's members.

The Trustee Corporation ensures that clients with disabilities can access facilities and assets, and that people with disabilities are considered for employment and given training and development opportunities to suit their needs.

The Trustee Corporation revised its *Disability Plan* in 2000 in conjunction with the NSW Ageing and Disability Department to update the Plan in line with current standards.

## Codes of conduct

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The *Codes of Conduct* for the Trustee Corporation and Executive staff were amended in 2001.

The Codes require Board members and Executive staff to comply with any embargo issued by the Board from time to time. Certain investment activity of STC or FTC may be such that personal dealings by Board members and Executive staff and their immediate families, could give rise to a potential conflict of interest.

Such investments are placed on the embargo list.

The Codes formerly included the Deutsche Office Trust (formerly known as the Commercial Investment Trust) on the embargo list and that investment was deleted from the list, effective 18 April 2001.

## Action plan for women

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The NSW Government has initiated an *Action Plan for Women* focussing on:

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

The Trustee Corporation recognises these considerations in its corporate planning and policy development.

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

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

# Compliance index for disclosure requirements: 2000–2001

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

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# How to contact First State Super



First State Super, FSS Trustee Corporation  
Level 14, 83 Clarence Street, Sydney  
PO Box N259  
Grosvenor Place NSW 1220

## Need help with English?

For members who have difficulty with the English language, Customer Service can make arrangements for information to be translated.

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

會員如果閱讀英語有困難，諮詢服務部可安排發放資料的譯本。

PER I CONTRIBUENTI CHE HANNO DIFFICOLTÀ  
NEL COMPNDERE L'INGLESE IL SERVIZIO  
CLIENTI PUÒ PROVVEDERE ALLA TRADUZIONE  
DEI DATI INFORMATIVI.

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

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



Superannuation Administration Corporation  
83 Clarence Street  
Sydney NSW 2000

GPO Box 5328  
Sydney NSW 2001

Facsimile: (02) 9238 5272  
DX: 10152 Syd-Stock Exchange

[www.firststatesuper.nsw.gov.au](http://www.firststatesuper.nsw.gov.au)

## Customer Service

Level 18, 83 Clarence Street  
Sydney NSW 2000  
Telephone: 1300 650 873  
Email: [enquiries@fss.nsw.gov.au](mailto:enquiries@fss.nsw.gov.au)

## Hours of business

8.30 am–5.30 pm (Monday to Friday)

## Interview service

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

You can also arrange interviews at:

Newcastle (telephone: 1800 807 855)

Parramatta (telephone: 1800 626 000)

Port Macquarie (telephone 1800 676 839)

Wollongong (telephone 1800 060 166)