

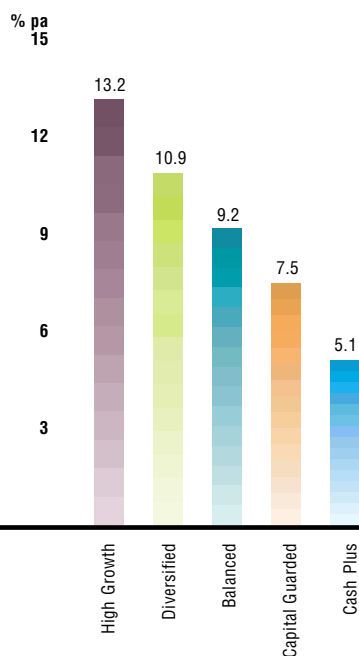


FSS TRUSTEE CORPORATION

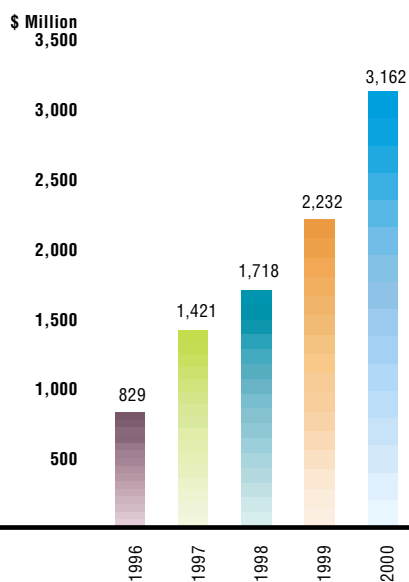


Highlights of the Year

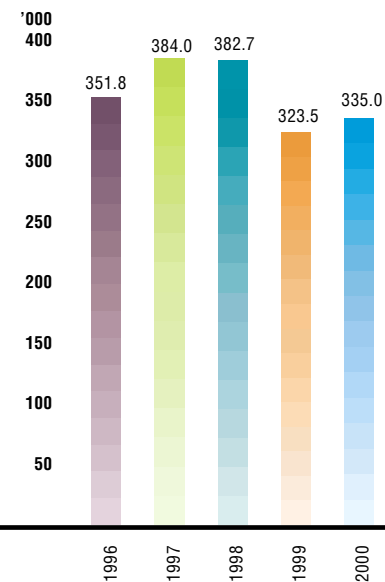
INVESTMENT PERFORMANCE



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 the Trustee Board:

- introduced a half-yearly transaction statement;
- signed a 3 year administration contract starting December 1999;
- developed more targeted member education via seminars and print material;
- removed around 13,500 duplicate accounts and 24,352 small accounts saving members fees; and
- welcomed approximately 1,000 new members who accepted a Treasury offer to move from their old State Super scheme to FSS, and a further 462 who joined FSS from the PSESS fund.

Fund Statistics

- Over \$129 million paid out to members in benefits.
- 21,821 benefits processed (plus 24,352 transfers to an eligible rollover fund).
- 168,222 member telephone inquiries handled.
- 1,214 personal interviews conducted.
- 1.28 million hits on the web site.

Over the past 3 and 5 years the five FSS investment strategies have generated either top quartile (ie. they out-performed 75% of their competitors) or second quartile performances. For more details about the investment climate this year and our performance see pages 16-22.

QUARTILE RANKING FOR FSS STRATEGIES AGAINST INTECH SURVEYS for years ending 30 June 2000

	High Growth	Diversified	Balanced	Capital Guarded
1 Year	2	4	1	3
3 Years	1	2	1	1
5 Years	1	1	1	1

Index: A quartile ranking of 1 = top 25% of managers, 2 = top 50% of managers in the InTech surveys for Growth and Conservative Growth Strategies.

At 30 June 2000:

- 122,621 members have Basic insurance cover; and
- 925 members have taken out Additional cover or Income Protection insurance.

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. It was also trustee of the Public Sector Executives Superannuation Scheme until it closed on 29 February 2000, after which date all members were transferred to First State Super.

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.

Note: Throughout this report:

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

STC means the SAS Trustee Corporation;

FTC Schemes means the First State Superannuation Scheme (FSS) and the Public Sector Executives Superannuation Scheme (PSESS); and

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.

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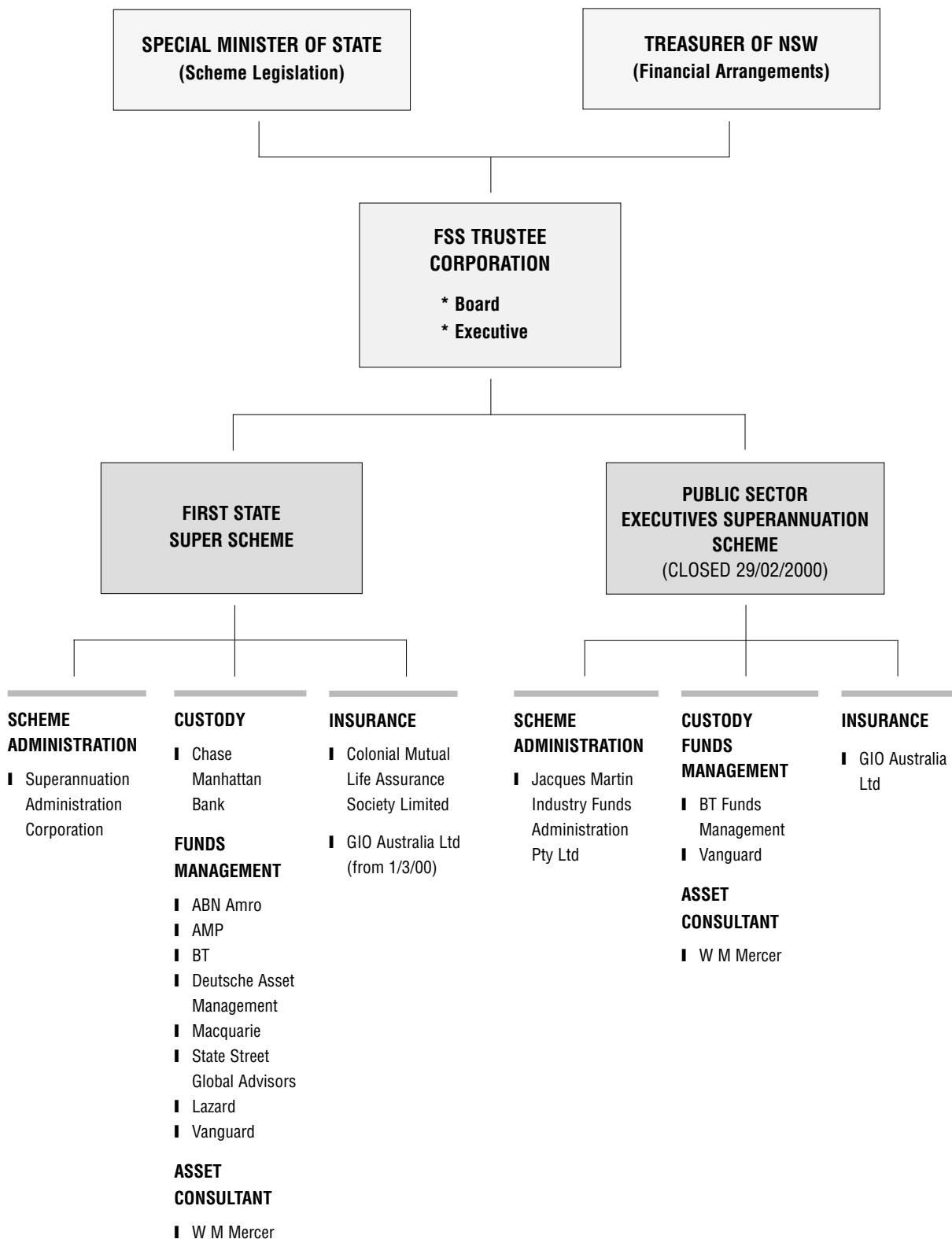
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Organisation Structure

at 30 June 2000



Report to the Minister

18 April 2001

Hon Michael R Egan MLC
Treasurer
NSW Treasury
L33, Governor Macquarie Tower
1 Farrer Place
SYDNEY NSW 2000

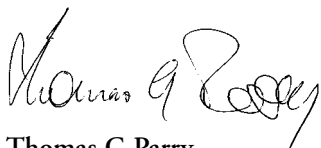
Dear Minister

We have pleasure in submitting to you for presentation to Parliament the annual report of the FSS Trustee Corporation covering the period 1 July 1999 to 30 June 2000.

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.

This annual report is submitted late, and beyond the extension of time granted for lodgement. The reason for the delay was that consideration of the statutory accounts by the FTC Audit Committee and the Audit Office was put on hold until the administrator of First State Super, the Superannuation Administration Corporation, completed a reconciliation of the underlying computerised membership system to the general ledger and annual member statements. That process has now been completed with the assistance of Ernst & Young.

Yours sincerely



Thomas G Parry
Chairperson
FSS Trustee Corporation



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

Board Members' Profiles



Chairperson

Thomas Parry 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.

(**Tony Daniels** was Chairperson for the 9 months to 31 March 2000 when his term was completed.)

Board Members

Beryl Ashe is the full-time employee representative on the SAS Trustee Corporation (STC) Board, a position she has held since January 1996.

While the position resides with the STC Board, an arrangement exists whereby Beryl performs a similar role for the FSS Trustee Corporation (FTC) Board as she does for the STC.

She is also a board member of State Super Financial Services Ltd, the Australian Institute of Superannuation Trustees, and a member of the NSW Division Executive Committee of the Association of Superannuation Funds of Australia Ltd.

Her responsibilities as the full-time employee representative include maintaining a watching brief on all aspects of public sector superannuation, the investigation and monitoring of member complaints or enquiries, communication with members via seminars and newsletters, and liaison with unions and employers.

Ian Blair 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, Allen Allen & Hemsley 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.



Board Members from left to right:

Mark Duffy, Beryl Ashe, Tom Parry, Ian Blair, Beverly Houterman, Sandra Moait, Bruce Foy, Michael Williamson and Maurie O'Sullivan.

Mark Duffy 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.

Bruce Foy 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.

Beverly Houterman has qualifications in management and experience in corporate development and financial planning. She is currently managing partner with BLH Consultants, part of the Paul Resnik Consulting Group.

Sandra Moait 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 2KY; vice president of the Australian Council of

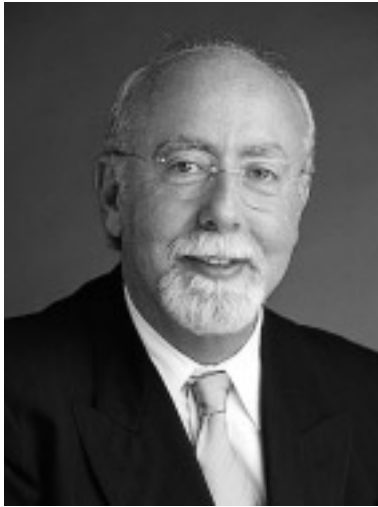
Trade Unions (ACTU); a member of the Workers' Compensation Advisory Council; a director of State Super Financial Services Ltd; and a board member of Australian People for Health Education and Development Abroad (APHEDA).

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.

Maurie O'Sullivan 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 is the state secretary of the Health and Research Employees Association of NSW. He is also national president of the Health Services Union of Australia and also 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.

Report by the Chairperson



The trustee directors of FSS Trustee Corporation (FTC) are responsible for the affairs of the First State Superannuation Scheme. They were also responsible for the affairs of the Public Sector Executives Superannuation Scheme until its closure on 29 February 2000.

The past 12 months have involved much work by the fund Trustee and administrator on improving technology. Our goal is to have excellent platforms in place to provide sound records, responsive service and quality education.

The new financial year promises to be a very exciting one for members. The FSS web site, which to date has offered current brochure type information, will become interactive. Members will be able to obtain their account balance, complete forms and use on-line educational tools.

First State Super (FSS)

During 1999–2000 net assets available to pay benefits grew by 42% to \$3.2 billion from both net contributions inflow (ie contributions less benefits paid), and investment returns.

Membership increased slightly from 324,184 members at the beginning of the year to 334,950 members at year end. During this period there were various flows of members:

- 77,011 new members joined the Scheme (including approximately 1,000 members who joined as a result of the Treasurer's Conversion Offer to members of the State Super and Police Superannuation Schemes and 462 ex-PSESS members),
- 44,029 exits were processed including 24,352 members with inactive accounts under \$1,000 which were moved to an eligible rollover fund in accordance with Commonwealth Government legislation, and
- 29,188 accounts were cancelled including a significant number of duplicate accounts.

As member balances grow in FSS, there is evidence that members are becoming more interested in making an investment choice and making personal contributions to the Fund in the form of rollovers from other funds and both before and after tax contributions.

A number of members also made spouse contributions for their partners. Many of these contributions would result in a tax rebate for the member.

Investment Returns

1999–2000 was an extremely volatile year in investment markets as the 'dot.com bubble' worked its way through sharemarkets worldwide and the US Federal Reserve raised interest rates by 175 basis points.

The FSS investment performance varied by investment strategy during the year. Overall investment returns were solid, and relative to their peers, High Growth, Balanced, and Capital Guarded, produced superior (top quartile) returns on a 3 and 5 year view (as measured by industry surveys). Diversified achieved top quartile over 5 years and second quartile over 3 years.

FSS Administration

FTC signed a 3 year administration contract with the Superannuation Administration Corporation (SAC) on 22 December 1999. The terms of this contract reflect the FTC Board's desire to raise the quality of information provided to members and employers over the contract period – specifically via an increasing emphasis on electronic service delivery. For example, by year end, the large employers, who employ more than half the total membership in FSS were providing contribution data electronically to the administrator. Full take-up will occur in 2000-01.

During the last quarter of 1999, SAC introduced a new computer system for FSS. There were some significant teething problems which resulted in a level of inconvenience to members which is regretted. However, the Board understands that the technical difficulties have been largely overcome by year end.

FTC introduced half-yearly statements during the year for active members with more than \$1,000 in their account. This mailing included a topical, easy-read member newsletter.

Public Sector Executives Superannuation Scheme (PSESS)

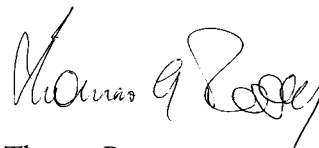
The PSESS scheme was closed, by legislation, on 29 February 2000. Members of PSESS were transferred to FSS but their personal insurance arrangements were maintained with GIO Australia Limited to minimise disruption. At the date of transfer, 462 members and \$67.8 million assets available to pay benefits were transferred to FSS.

The FTC Board

The Board and its committees met regularly and frequently during the year in order to further the interests of fund members. In addition to ongoing matters, FTC also spent considerable time during the year preparing for the introduction of the Goods and Services Tax and the Capital Gains Tax reforms which became effective on 1 July 2000.

As the new Chairman of FTC, I would like to thank the retired Chairman, Tony Daniels, for the leadership he has given to the Board over the past few years. He leaves a legacy of quality procedures, attention to corporate governance and high calibre management. I also thank my fellow Board members for their contribution during 1999-2000. Finally, my thanks to the executive staff for their work in managing the Scheme and recommending improvements to the Board.

The Board and the executive will work together to continue to position FSS as a fund which, in the words of our *Mission Statement*, provides optimal investment returns and member service.



Thomas Parry
Chairperson
October 2000

FTC Achievements and Objectives

<p>OBJECTIVES</p> <p>To aim for industry leader status with regard to member service.</p>	<p>ACHIEVEMENTS IN 1999–2000</p> <ul style="list-style-type: none"> ■ Processed Conversion Offer transfers from Pooled Fund into FSS in a timely and efficient manner. ■ Facilitated transfer of PSESS members to FSS and closed PSESS. ■ Amended deed/legislation to permit automatic removal of small inactive accounts from FSS. Notified members of ERF provisions. ■ Amended the FTC/SAC Administration contract to include continuous improvement clauses which cover developments such as web site and e-commerce. ■ Sent the first half-yearly statement to active members with greater than \$1,000 in account, along with a newsletter. ■ Promoted the benefits of adequate insurance coverage in the half-yearly newsletter. ■ Changed message being delivered by field service team to reflect major topical issues. ■ Monitored call centre administration to verify that calls needing personal response are routed appropriately. ■ Introduced new member brochure tailored to needs of Pooled Fund members with an FSS account. ■ Commenced research into the introduction of retirement products. 	<p>STRATEGIES FOR 2000–2001</p> <ul style="list-style-type: none"> ■ Survey members on a range of topics including e-commerce, customer satisfaction and product awareness. ■ Introduce a member exit survey. ■ Focus on member education via a variety of media in areas of investment and insurance and identify groups of members with different education needs. ■ Monitor service standards for FSS members against industry standards. ■ Require call centre staff to improve member service skills. ■ Promote improved and interactive member web services which will become available in 2000–01. ■ Evaluate need to extend services to include an allocated pension and ongoing contributory fund access for inactive FSS members.
<p>To implement an investment strategy which is long term in its focus and has an appropriate risk/return profile.</p>	<ul style="list-style-type: none"> ■ Reviewed the asset sector allocations for the four relevant investment strategies in conjunction with Fund's asset consultant and found them to be still appropriate. ■ Reviewed the Australian equities sector manager structure. In Australian equities, replaced a high tracking error manager with a manager who will deliver more consistent returns above relevant index benchmarks. ■ Introduced manager diversification for the International equity sector with the appointment of an additional manager from June 2000. ■ Re-engineered the active/passive mix of funds under management for the relevant asset sectors. 	<ul style="list-style-type: none"> ■ Monitor need for expanded investment choices: assess demand for and options in socially responsible investing. ■ Tender investment consultancy to ensure best advice at best price. ■ Adjust fixed interest mandates to reflect global changes in those markets.

<p>OBJECTIVES</p> <p>To implement an investment strategy which is long term in its focus and has an appropriate risk/return profile.</p>	<p>ACHIEVEMENTS IN 1999–2000</p> <ul style="list-style-type: none"> ■ Ongoing monitoring of shadow tactical asset allocation portfolios to determine if applicable to the Fund. ■ Examined with the Asset Consultant the structure of the Fund's fixed interest asset sectors. ■ Introduced securities lending via the Fund's custodian. ■ Managed the flow of funds from the STC Pooled Fund in respect of the Conversion Offer. ■ Managed the rollover of PSESS and the transfer of funds to FSS. ■ Amended manager benchmarks to reflect the changes made by the Australian Stock Exchange in their benchmark indices. 	<p>STRATEGIES FOR 2000–2001</p>
<p>To ensure compliance with legislative and regulatory requirements, both Commonwealth and State.</p>	<ul style="list-style-type: none"> ■ Reviewed service provider and other contracts with respect to GST implications. ■ Reviewed FSS trust deed and rules to ensure workability. ■ Developed Privacy Plan in compliance with recent NSW legislation. ■ Amended systems to comply with Commonwealth preservation standards. ■ Presented formal compliance report to auditors. ■ Maintained procedures and systems to ensure ongoing compliance with all legislative and regulatory requirements. ■ Monitored and provided input into the public debate regarding proposed changes in superannuation and taxation law in a proactive manner. 	<ul style="list-style-type: none"> ■ Maintain procedures and systems to ensure ongoing compliance with all legislative and regulatory requirements. ■ Implement Privacy Plan. ■ Present formal Compliance Report to auditors. ■ Review FSS legislation, deed and rules to ensure they remain innovative and effective.
<p>To monitor service providers to ensure timely efficient and cost effective delivery of services.</p>	<ul style="list-style-type: none"> ■ Signed 3 year FTC/SAC administration agreement. ■ Worked with administrator to mitigate impact of initial problems from new FSS computer system on members. ■ Employed quality assurance officer to monitor performance of service providers. ■ Worked with tax advisors to manage tax planning issues actively. ■ Worked with administrator to complete a comprehensive form and letter review. ■ Introduced enhanced financial reporting against budget. 	<ul style="list-style-type: none"> ■ Work with administrator to expand use of web site and e-business in line with industry best practice. ■ Proactively monitor impact of SAC's relocation to Wollongong on member service standards. ■ Develop operational audit program to verify reported administration performance. ■ Develop, with administrator, qualitative as well as quantitative measures of member service.

OBJECTIVES 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 1999–2000 <ul style="list-style-type: none"> ■ Held FTC Board and Executive strategy conference to benchmark FSS against industry best practice and develop areas of focus for 2000–01. ■ Conducted staff ‘values’ conference to identify practical applications of FSS values in action. ■ Provided opportunities for Board members to extend their superannuation skills. ■ Board and Executive undertook “peer review” process. 	STRATEGIES FOR 2000–2001 <ul style="list-style-type: none"> ■ Review operation of the service contract between STC and FTC regarding STC-employed Executive supporting the FTC Board. ■ Identify skill gaps in the Executive and fill these by training or recruitment where necessary.
To establish policies and procedures to ensure efficient operation of Schemes under FTC control.	<ul style="list-style-type: none"> ■ FTC/SAC contract documented administration policies and procedures in detail. 	<ul style="list-style-type: none"> ■ Develop strong working relationship with SAC Board. ■ Negotiate key services required in Sydney when SAC relocates to Wollongong. ■ Nurture relationships with Treasury and Premier’s Department to facilitate co-operation on policy and strategic issues.
To ensure the Trustee Corporation and Executive operate at the highest standards of corporate governance.	<ul style="list-style-type: none"> ■ Code of Conduct and annual Compliance Plan reviewed and refreshed. ■ Extended compliance reporting to cover Board policies on voting rights on fund investments. ■ Investment Governance Sub-committee reviewed issues related to shareholder activism. 	<ul style="list-style-type: none"> ■ Monitor developments in corporate governance.

Executive Management Team

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) service both STC and the FSS Trustee Corporation (FTC).

Lyn Gearing,
Chief Executive Officer
BComm, Dip Valuations, Cert Bus
Studies (Real Estate)

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 CMSE, 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

Lyn joined the Executive as General Counsel and Company Secretary in October 1998. She is a superannuation lawyer with experience in both the public sector and private practice. She has worked in the superannuation industry for 12 years.

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

- corporate, compliance, investment, Scheme administration and insurance matters;
- intellectual property, trade marks and communication;
- trust and contractual issues; and
- legislation relating to the schemes 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 17 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 servicing the Disputes Committee and responding to member enquiries and complaints directed to the Trustee Corporation.

Rod Macleod,
Manager Investment
Advisory
FCA, ACIS, ASIA

Rod has wide practical experience in investment matters spanning 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 the Corporation's investment service providers;
- conduct tenders; and
- review investment proposals and appropriate portfolio structures for the Schemes.

Stephen Sefton,
Manager Administration and
Technical Advice
BComm, CA, ASIA

Before joining the Executive, Stephen worked in corporate accounting, taxation and superannuation roles in a major listed Australian company.

During 1999–2000, the Executive merged the roles of Manager, Technical Advice and Manager, Administration. In his new role as Manager, Administration and Technical Advice Stephen is responsible for:

- 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 scheduled events, including the year end accounting and compliance reporting program; 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.

Lidija Terzic,
Manager Communications
BA

Lidija joined the Trustee Corporation in June 1998 as Manager Communications. Lidija has worked in corporate communications and public relations roles for 15 years, including consulting work in both the private and public sectors. She has specialised in superannuation and employee benefit communications for several years.

Lidija's role within the Executive includes:

- developing and implementing member communications plans as well as communications with other key audiences;
- drafting 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

Policy

No substantial legislative policy changes were made during this year. With the Trust Deed in place, administrative changes can now be made without the need for often lengthy legislative change. On the Commonwealth front, preservation changes from 1 July 1999, meant changing our systems to accommodate this.

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's active Australian equities managers vote their shareholdings. Reports on this activity are prepared by the Trustee's master custodian and submitted to the quarterly Investment Committee meetings. Additional 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 opened a continuing dialogue with key players in this segment of the investment industry. Market research to assess the level of interest among the FSS membership is also planned.

Communications

FTC is placing a growing emphasis on member communications with the goals of educating and informing members of the consequences of their actions/inactions on their superannuation savings and insurance.

Some of the projects implemented during the year were:

- produced a half-yearly transaction statement for members;
- wrote a half-yearly member newsletter with targeted education stories on insurance, service standards which members should expect from the administrator of FSS, how to make an appropriate investment choice, and how a regular small personal contribution over a lifetime can increase retirement savings substantially;
- restructured the messages at seminars for FSS members to emphasise how much superannuation is needed for a comfortable retirement;
- developed an FSS brochure specifically for members of the defined benefit State Super schemes who make top-up contributions into FSS;
- prepared the web site for the introduction of substantial interactive web capacity for members from early in the 2000–01 financial year. Functions to be included are member account details, insurance cover information, rollover and payment details and on-line notification of personal detail changes;
- revised the FSS *Member Guide*; and
- developed, with the asset consultant, a new investment default strategy which will become effective on 1 November 2000.

FTC also spent considerable time updating and upgrading information for employers:

- reviewed all forms and letters and issued new employer manuals. Forms are also available on the employer website; and
- conducted seminars to encourage employers to provide contribution data to the administrator electronically via a secure computer link and the web. By year end, employers who employed more than half the FSS members, had converted to this form of data delivery which provides substantial efficiencies and benefits to both parties.

Insurance

Over the past year the Trustee has worked closely with its external insurer to streamline the benefit claims process, and with its administrator to upgrade the insurance records of members.

The range of insurance services offered has been actively promoted to members. This resulted in a substantial increase in the number of members taking up additional life insurance or income protection insurance.

By year end, 122,621 members were paying premiums for basic insurance and 925 members had additional insurance cover or income protection insurance.

Scheme Administration

First State Super is administered by the Superannuation Administration Corporation (SAC).

A new FTC/SAC Administration Contract for 3 years was signed on 22 December 1999. It offers FTC certainty in terms of the range of services to be delivered and the cost of those services.

In the September quarter of 1999, SAC introduced a new computer system to operate the FSS Scheme. Initially, there were a number of operational problems which caused members significant inconvenience. SAC has indicated to FTC that the system will be operating with full functionality and at full efficiency in 2000–01.

Annual Member Statements for 1999–2000 are scheduled to be issued from the new system, for the first time, in October 2000.

During the year FTC also addressed difficulties created by members having duplicate accounts. Some 13,500 accounts were merged and members' fees corrected accordingly.

SAC has now obtained ISO9002 Quality Certification for the following business units: customer service, benefit payments, finance, technical advisory, document management unit, training, corporate services and human resources. ISO is an international standard model for quality assurance in production, installation and servicing. It specifies system requirements to demonstrate a supplier's capability to supply conforming product to an established design, from production to servicing. It is planned that the contributions and compliance areas within the administrator will also be accredited during the next year.

Account Balances

Following a major campaign to remove small inactive accounts from FSS in the last financial year, and initiatives aimed at encouraging members to make personal superannuation contributions, the average balance of members has grown 35% from \$6,794 at 30 June 1999 to \$9,140 at 30 June 2000. Member contributions totalled \$179.7 million in the year, up from \$94.2 million in 1998–99.

FTC has now set in place a regular half-yearly program of identifying small accounts that are eligible to be sent to an Eligible Rollover Fund. In the year to 30 June 2000 24,352 such accounts were removed from the Scheme. This action saves members with balances over \$1,000 subsidising the administrative cost of the small accounts.

FTC also reported 3,939 lost members to the Australian Taxation Office as at 31 December 1999 and paid a small amount of money to the Office of State Revenue as 'unclaimed monies' on behalf of eight members who are over 65 years of age and uncontactable.

Two Large Transfers of Members into FSS

The Public Sector Executives Superannuation Scheme (PSESS) was closed on 29 February 2000. The 462 remaining members and accounts worth \$67.8 million were transferred to FSS.

The second large transfer was of approximately 1,000 members with accounts worth \$145.8 million who accepted the Treasurer's offer to leave their State Super defined benefit schemes and join First State Super.

FTC Scheme Policy Review

Further Rationalisation of Rules and Delegations

During 1999–2000 a comprehensive review and rationalisation was undertaken of policies, discretions and delegations under the scheme legislation and trust deed. This was done to ensure a clear delineation of functions and responsibilities between the Trustee and its administrator in order to achieve improved responsiveness to issues affecting members.

Surcharge Reporting

Commonwealth SIS legislation no longer requires the surcharge information reported to the ATO to be shown on members' annual statements and exit statements. It was therefore omitted from statements for clarity and brevity. However, the surcharge deducted from a member's account or benefit is still shown on annual statements and exit statements in accordance with SIS requirements.

New SIS Preservation Standards

The preservation rules in SIS were amended from 1 July 1999. The new standards have been applied to the FTC Schemes, to ensure compliance with Commonwealth requirements.

Prior to 1 July 1999, all employer contributions, including superannuation guarantee contributions and interest paid on them, were preserved, but personal undeducted contributions and interest paid on them, were not preserved. From 1 July 1999, all new benefit accruals are subject to compulsory preservation until the member reaches the retirement age or satisfies a condition of release. The cashable amount (the non-preserved benefit on 30 June 1999) is the maximum that can be accessed prior to preservation age, subject to meeting a condition of release.

Death or Invalidity (DORI) Cover Changes

FTC approved an amendment to the FSS Trust Deed and Rules to enable members who have previously opted out of basic DORI cover to elect to recommence that cover.

New police officers have basic DORI cover immediately upon commencing employment ie. their account balance does not have to be \$1,000 before cover begins.

PSS and SSS members who accepted the Treasury conversion offer also had basic DORI cover effective immediately ie. from their effective transfer date.

PSESS Closure

PSESS was established in 1989 at a time when there was no public sector accumulation scheme in which senior executive officers could accrue their superannuation.

PSESS was closed on 29 February 2000. 462 members and \$67.8 million were transferred to FSS. The insurance arrangements for former PSESS members have been continued with GIO Australia Limited in order to minimise disruption and confusion to members.

Terms of employment available to the Senior Executive Service have not been affected by the closure of PSESS.

Reasonable Benefit Limits and Contributions for Executives

The Federal Government sets an upper limit on the amount of superannuation benefit that a person can take at concessional tax rates. This is known as the Reasonable Benefit Limit (RBL). The lump sum RBL is set at \$506,092, and the pension RBL is set at \$1,012,181 (for 2000–01) and indexed annually.

The Scheme rules now allow an executive officer whose benefit exceeds the pension RBL to cease compulsory Superannuation Guarantee contributions.

Investment Review

Investment Returns

ANNUAL INVESTMENT RETURNS to 30 June					
Investment Strategy	Performance				
	1996 %	1997 %	1998 %	1999 %	2000 %
High Growth	12.1	23.2	11.2	10.9	13.2
Diversified	11.8	20.8	10.0	9.3	10.9
Balanced	11.0	18.3	9.9	7.5	9.2
Capital Guarded	9.0	16.0	9.5	5.7	7.5
Cash Plus	6.6	6.0	4.5	4.4	5.1
CPI	3.1	0.3	0.7	1.1	3.2

The investment return generated by each investment strategy has been significantly higher than inflation over the past 5 years, which has resulted in substantial real returns for all members.

The Trustee focuses on achieving competitive returns over the medium-term. This is measured by comparing FSS investment returns with the average manager in industry surveys of funds with strategies and risk profiles similar to those offered by FSS.

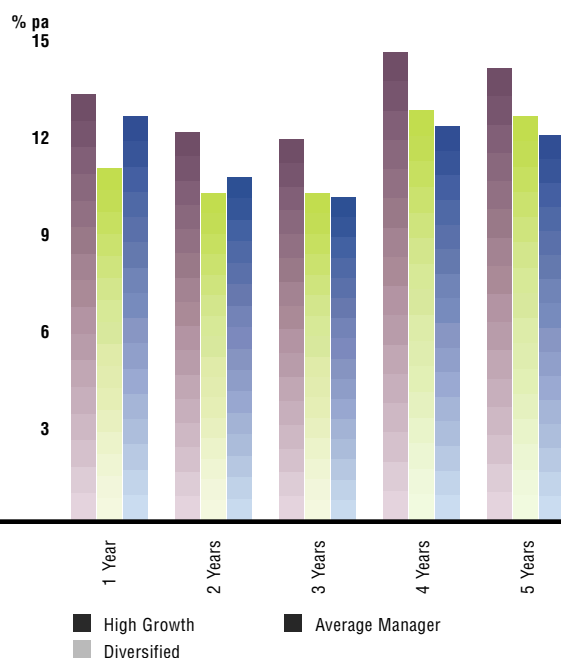
The High Growth and Diversified products have been compared against the average manager in the Performance Survey for Growth Funds published monthly by InTech Financial Services. The returns have been highly competitive over the medium term.

For example, over the past 5 years the Diversified Strategy returned 12.5% per year and out-performed the average growth manager by 0.6% per annum. However in fiscal 2000 the strategy under-performed the average growth manager by 1.6%.

The Balanced and Capital Guarded strategies have been compared with the returns of the average manager in the Performance Survey for Conservative Growth Funds published monthly by InTech Financial Services. Over the past 5 years the Capital Guarded strategy, for example, returned on average 9.5% per year compared with 8.4% by the average manager. During fiscal 2000, however, the Capital Guarded strategy returned 7.5% compared with 7.7% by the average manager.

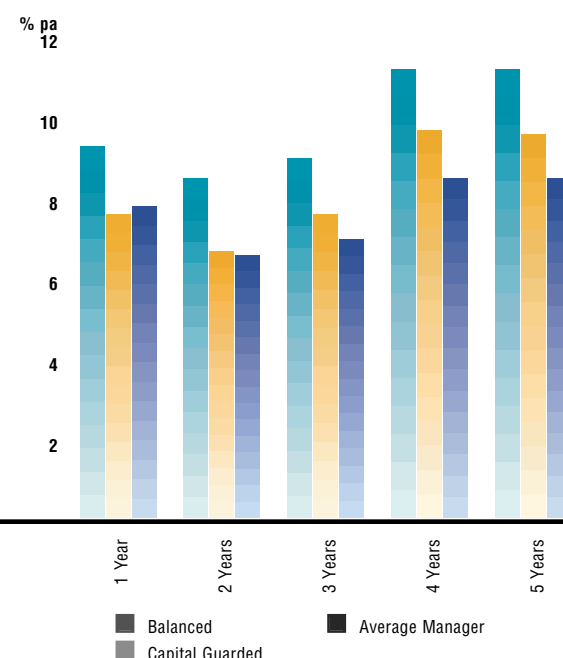
Annualised Return of Growth Products Relative to Competition

for years ending 30 June 2000



Annualised Return of Conservative Growth Products Relative to Competition

for years ending 30 June 2000



A Global Investment Perspective

There were a number of investment themes affecting markets during the year. One of these was **growth**. The US economy grew strongly, the pace of growth was accelerating in Europe and there was considerable optimism about the growth outlook for Japan. The prospect of synchronised growth around the world, combined with freely available liquidity, was a favourable combination, especially for the growth segments within sharemarkets.

Two factors combined to contain this optimism:

- The prospect of unforeseen problems arising from the much planned for millennium bug; fortunately all the planning paid off and no major problems occurred.
- The tightening in monetary policies undertaken by central banks to prevent growth and strong consumer demand leading to inflation. The US Federal Reserve raised interest rates by 1.75% during the year, and other central banks followed suit.

By April 2000, **uncertainty over the effectiveness of monetary policy and the extreme valuations of the technology sectors** gave rise to marked volatility in US sharemarket indices. In particular the NASDAQ, which tracks technology stocks, had swings of up to 15% within one day, but with most daily movements between 1% and 5%.

Despite the strong volatility, in 1999–2000 all FSS strategies generated significant margins above inflation. Over the medium-term (3-5 years), FSS has outperformed the average manager in all investment strategies.

Volatility is likely to continue as a feature of investment markets in the year ahead. However, the Board's policy does not focus on short-term volatility, but outlines an investment approach which should continue to generate competitive returns in the medium-term.

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 (%) – June 2000

	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	
Total Growth Assets	90	70	50	30	
Australian bonds	3	20	36	45	
International bonds	3	5	7	10	
Cash	4	5	7	15	100
Total Defensive Assets	10	30	50	70	100
Total	100	100	100	100	100

Passive Rebalancing

Passive rebalancing of the portfolio is carried out by the Fund's index manager. Passive rebalancing permits the manager to have a total overview of the Fund and therefore deal with rapid market movements or major cash-flow allocations promptly and efficiently. This is a cost efficient way of giving members a high degree of certainty that their investment choice will perform as expected.

The passive rebalancing process consists of the index manager monitoring a set of parameters on a daily basis. The aim is to keep the allocations to each asset class close to their stated level. If a parameter is breached, there is a clear set of rules which specifies the action required. External advice has indicated that this method is likely to capture around two-thirds of the net return potential of most active Tactical Asset Allocation (TAA) management arrangements, but in a more consistent fashion.

The Active/Passive Mix in Investment Management

Having a mix of active managers and passive (index based) managers serves two important functions:

- the index portfolios serve as stabilisers within each asset class because they generate risk/return

FSS Investment Managers at 30 June 2000

Currently the team consists of nine managers who manage 12 investment mandates. The specialist asset sector managers are listed opposite.

characteristics very similar to those of the respective asset class benchmarks; and

- indexing reduces the total investment management fees payable on a portfolio.

As at 30 June 2000, approximately 29.5% of the funds under management were passively managed at varying levels across the asset classes.

Multiple Managers

The multiple-specialist manager structure gives the Trustee flexibility to put together a team that should ensure competitive performance over the medium term.

However, during the year, very disappointing performances by two Australian equity managers (one of whom has been replaced), and an international equity manager meant that equity returns were below average for the year ended 30 June 2000.

This experience has caused the Trustee to refine its selection of managers within each investment sector in order to increase the probability of each asset class adding value and being competitive.

As each asset sector is being reviewed, an appropriate risk/return profile is being established. The profile is expressed as specific risk/return objectives that each manager should achieve over the medium-term in order to comply with a particular mandate.

Asset Type	Manager	% Funds Under Management
Australian Equities:	Deutsche	47%
	Macquarie	21%
	SSgA	16%
	Vanguard	16% (indexed)
International Equities:	ABN Amro	22%
	Lazard	23%
	Vanguard	55% (indexed)
Listed Property Trusts:	AMP	42%
	Macquarie	43%
	Vanguard	15% (indexed)
Australian Fixed Income:	BT	36%
	Portfolio Partners	36%
	Vanguard	28% (indexed)
International Fixed Income:	Deutsche	70% (indexed)
	Vanguard	30% (indexed)
Cash:	Deutsche	84%
	Vanguard	16%

Investment Expenses

The Trustee is conscious of keeping costs to a minimum. Fees are negotiated with the investment managers individually and are dependent on the size and type of mandate.

Prior to October 1996 all funds were managed by Axiom on a cost recovery basis. Subsequently Axiom was sold to Deutsche Bank and renamed Deutsche Asset Management. Since then, fees have been negotiated on a commercial basis. However, building up a core index portfolio in each asset class has helped the Trustee to reduce the investment expenses to 0.27% on total average funds under management.

Securities Lending Program

During the year the Trustee entered a securities lending program managed by the Fund's master custodian, the Chase Manhattan Bank. FTC receives additional fee income from this program, which adds to the Fund's overall yearly return.

The program has been structured conservatively – the amount of the investment portfolio committed at any one time cannot exceed 20% of total funds under management.

At year end, 2% of the Fund's investment portfolio was on loan under Chase's securities lending program.

Derivatives

All First State Super Investment Managers are allowed to use derivatives, such as futures and options. However, the investment mandates clearly state that these instruments can only be used to hedge the portfolio against adverse market movements, to quickly and inexpensively make asset allocation changes or invest cash-flow. *They cannot be used for speculative purposes or gearing the investment portfolio.*

The managers made very limited use of these instruments, choosing instead to make changes via the physical market. It is possible that market conditions could change this behaviour. Consequently the mandates contain an overall cap on the total exposure to derivatives as part of the Trustee's risk control measures.

FSS INVESTMENT EXPENSES for years ended 30 June

	1996	1997	1998	1999	2000
	\$M	\$M	\$M	\$M	\$M
Investment management expenses incl custody \$m	1.4	3.2	4.0	6.0	7.4
% of average total assets	0.20	0.27	0.25	0.30	0.27

Large Investments

The Trustee monitors the exposure to any economic entity so that it does not become excessive. During the year there was no individual investment by FSS that exceeded 5% of the Scheme's total assets.

Corporate Governance

The Trustee has a sub-committee, under the investment committee, which monitors best practices around the world and ensures that FTC's policies on corporate governance are communicated to the investment managers.

As an example of these policies, FTC's active managers of Australian equities are required to:

- vote all their shareholdings;
- submit a quarterly report listing all instances where they voted against a resolution, giving reasons;
- lodge a copy of their policy on voting, and keep the FTC Executive apprised of changes; and
- consult with the FTC Executive where a potentially sensitive or controversial issue arises.

Socially Responsible Investments

The Trustee is seeking members' opinions to ascertain the level of interest in a range of socially responsible investment products. A broad ranging survey of members is to be conducted in January 2001 and members will be asked about the degree of interest in committing funds to:

- investments screened for industries such as tobacco, alcohol or armaments, or
- investments directed at firms with environmentally sustainable policies and practices, or
- firms with sound workplace and industrial relations policies and practices.

Reserving Policy

To ensure all members are treated equally, FTC has resolved that investment earnings are not to be held back by the Fund to smooth out returns to members over time.

Daily earning rates are determined by the Fund's administrator based on the investment returns advised by the Fund's master custodian. The appropriate rate is then applied to members' daily balances.

Growth in investments

Total investments under management grew by 42% to end the year at \$3,254 million, up from \$2,292 million at the end of June 1999.

The increase in funds under management was partly due to:

1. the closure of PSESS on 29 February 2000 and the transfer of \$67.8 million to FSS; and
2. the offer made by the NSW Government to all members of the State Superannuation and Police Superannuation Schemes to crystallise their benefit and move across to FSS. This resulted in approximately 1,000 members accepting the offer and \$145.8 million being transferred to the First State Superannuation Scheme between January and May 2000.

The rapid growth in the Fund has resulted in significant changes to the relative size of each investment strategy.

The majority of Scheme members, and 62.4% of funds

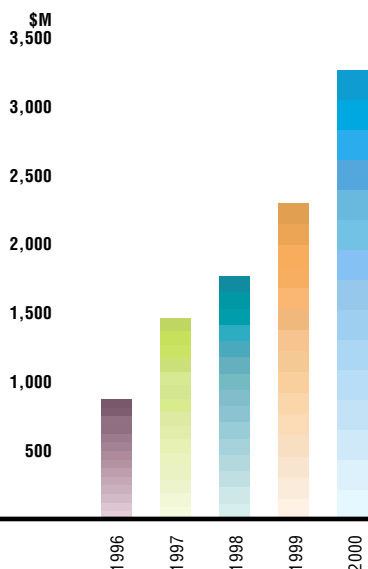
under management, are in the Diversified Strategy, either by choice or as a function of member age. If members fail to indicate a strategy for their contributions, they are placed in an age-based default strategy set by the Trustee. This strategy will change effective 1 November 2000. New members aged 15–55 who do not elect an investment strategy will be defaulted into the Diversified Strategy and members aged 56+, will be defaulted into the Balanced Strategy. Based on advice from the actuary and asset consultant, William M. Mercer, the Trustee will change the strategy to reflect the assumption that, over the long-term, growth assets out-perform defensive assets, and the statistics that indicate greater longevity of members.

In 1999–2000, High Growth experienced the strongest relative growth. At the beginning of the year, it accounted for around 3% of total funds under management, and was of similar size to the Cash product. By the end of the year, High Growth accounted for 6.6% of total funds under management.

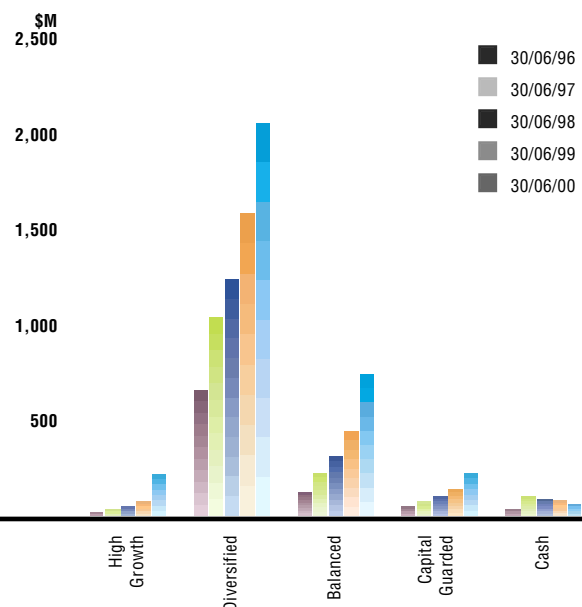
Cash Plus was the only investment option that decreased in size during the year to be less than 2% of total funds under management.

Given the age profile of our membership, the trend towards the growth strategies indicates that member education programs may be starting to have an effect. A consistent message to members over the past couple of years has been to encourage them to maximise their benefits by selecting a risk/return strategy which is not too conservative, given the number of years they will have in the workforce before retirement.

FSS Total Investments under Management
as at 30 June



Funds Growth in FSS Investment Strategies
as at 30 June



(Actual figures are shown in the table on page 23)

Global Overview –

How the sectors performed in 1999–2000

Australian Equities

Benchmark Return 15.1%

FSS Return 11.4%

Industrial shares returned 15.3%. The strongest performing sectors were media, banks & insurance and health & biotechnology. Many companies in these sectors could be described as ‘new economy’ companies. The largest company in the index, News Corporation, was up an incredible 78% for the year. Two FSS managers for the asset class did not hold News Corporation in their portfolios and that was the main reason for the FSS portfolio achieving below index performance.

The so-called ‘old economy’ companies performed poorly. This included diversified industrials, food & household, engineering and paper & packaging. All these sectors recorded a negative return for the year.

Resource shares returned 14.1%. Strong US consumption and a dramatic rebound in Asian growth improved both demand for and prices of commodities. This led to the best performances in the diversified resources and larger capitalisation metal and oil stocks. Gold and smaller capitalisation stocks underperformed. The low Australian dollar is attracting foreign bidders for local resource companies.

International Equities

Benchmark Return (50% hedged) 18.4%

FSS Return (50% hedged) 16.7%

Throughout the year, global growth continued to strengthen, driven by a recovery in manufacturing after the economic and financial turbulence of 1998. Economic growth in the US continued at a fast pace with consumer confidence seemingly unaffected by rising interest rates. The UK economy was quite robust and the Continental European environment improved greatly with unemployment falling and the weak euro currency stimulating export growth. All of this produced a benign environment for equity markets, which were driven higher by strong corporate earnings and a high level of merger and acquisition activity.

The 6 months to 31 March 2000 witnessed a momentous rise in the valuation of the technology, media and telecommunication stocks in all major markets, reflecting robust information technology expenditure, fast growth rates in data and voice communication and the realisation that media content is extremely valuable in a growing internet environment.

The Australian dollar depreciated sharply over the course of the year, falling 21.8% against the Yen and 10.6% against the \$US. These falls meant that leaving international investments unhedged over the course of the year proved significantly more beneficial than hedging. The difference between hedged and unhedged benchmark returns was 10.7%.

Furthermore, growth was the keyword driving international markets, whereas value style investors found it difficult to match benchmark returns. Going into the year, FSS had a slight value tilt in its manager combination for the asset class, which explains the under-performance relative to hedged benchmark. Before the end of the financial year, the Trustee had addressed the imbalance by appointing ABN Amro to the team of international equity managers.

Listed Property Trusts

Benchmark Return 11.9%

FSS Return 13.5%

The Listed Property Trust sector rose 11.9% for the year to June 2000. Most of this return was delivered in the last 6 months due to increased volatility in world financial markets which led to investors selling out of property as a defensive strategy.

Further boosting the fortunes of trusts was a rally in 10 year bonds in the second half of the financial year as markets slowly gained confidence that the Reserve Bank was nearing the peak of its official interest rate tightening cycle.

The leaders and diversified sectors performed best during the year. In particular, a strong out performance was achieved by Westfield Trust, General Property Trust and the Mirvac Group.

Australian Fixed Income

Benchmark Return	6.2%
FSS Return	6.4%

International Fixed Income

Benchmark Return (50% hedged)	6.7%
FSS Return (50% hedged)	6.6%

Cash

Benchmark Return	5.6%
FSS Return	5.7%

Australian bonds were very volatile over the financial year, with the 10 year bond yield ranging between 7.2% and 5.9%. The fluctuation in bond yields was in direct response to global bond influences, with the overall direction in the Australian bond market being heavily influenced by the performance of the US Treasury bond market.

Early in the financial year global bond markets were preoccupied with concerns about the strength of global economic growth and the subsequent threat to low inflation. Central banks, led by the US, soon responded through official interest rate increases. The Australian bond market reacted in a similar fashion, with bond yields rising sharply in the first half of the financial year.

In early 2000, deteriorating global equity markets reversed the bond market sentiment and prompted a decline. Towards the end of the financial year, evidence of slowing economic growth and continuing subdued inflation resulted in bond yields falling towards their levels at the start of the financial year.



5 Years at a Glance

	1996	1997	1998	1999	2000
FSS MEMBER STATISTICS					
Active members – FSS	351,848	337,027	350,500	297,128	300,922
% change	-2.57%	-4.21%	4.00%	-15.23%	1.28%
Preserved Benefits	3,039	47,499	32,249	26,353	34,028
% change	256.27%	1,462.98%	-32.11%	-18.28%	29.12%
Gender ratios (Active Members)					
Females	62.77%	63.48%	64.80%	66.32%	66.04%
Males	37.23%	36.52%	35.20%	33.68%	33.96%
Number of Accounts	351,848	384,527	382,749	323,481	334,950
Average Balance \$ (see Schedule A)	2,355	3,603	4,379	6,794	9,441
FSS CONTRIBUTIONS – \$M					
Employer Contributions	304.5	320.4	318.3	429.4	494.6
Employee Contributions	44.4	189.2	73.2	94.2	179.7
Treasury Conversion Offer	–	–	–	–	145.8
PSESS Transfer	–	–	–	–	67.8
Total Contributions	348.9	509.6	391.5	523.6	887.9
Benefits Paid	33.1	45.9	61.3	87.9	129.6
Net Contributions	315.8	463.7	330.2	435.7	758.3
FSS INVESTMENTS – \$M					
High Growth	17.0	30.7	46.1	75.6	215.3
Diversified	648.4	1,026.6	1,222.3	1,565.7	2,027.6
Balanced	123.5	220.8	306.7	434.6	734.3
Capital Guarded	46.4	75.8	101.2	136.4	217.5
Cash	34.0	100.4	86.2	79.9	59.8
Total Investments	869.4	1,454.3	1,762.4	2,292.1	3,254.5
Other Assets	7.0	29.5	21.0	44.4	23.4
Total Assets	876.4	1,483.8	1,783.4	2,336.6	3,277.9
Total Liabilities	47.5	63.2	65.7	104.7	115.5
Net Assets available to pay benefits	828.9	1,420.6	1,717.7	2,231.9	3,162.4
ANNUAL INVESTMENT RETURNS – %					
High Growth	12.1	23.2	11.2	10.9	13.2
Diversified	11.8	20.8	10.0	9.3	10.9
Balanced	11.0	18.3	9.9	7.5	9.2
Capital Guarded	9.0	16.0	9.5	5.7	7.5
Cash	6.6	6.0	4.5	4.4	5.1

Privacy and Use of Member Information

As a NSW Government body, the Trustee must comply with relevant legislation, including the NSW *Privacy and Personal Information Protection Act 1998* (the Privacy Act). The following is information about members' rights.

The Trustee holds personal information relating to each member of FSS. The information includes personal particulars, tax file number, contact details, contributions history and benefit estimates, and is collected directly from the member and the member's employer. Medical information may be held if a member has sought additional insurance cover or if a claim for a disability benefit has been made.

Personal information for each member is held and used for the purpose of administration of superannuation, including collection of contributions, calculation and eventually payment of a benefit. In most instances the fund administrator (Superannuation Administration Corporation) collects and holds the information on behalf of the Trustee. In the case of a member who has additional insurance cover, the insurer also will hold the information.

A member's information is disclosed to third parties such as the fund actuary, insurers, medical consultants, external lawyers, mail houses, and other contractors and, where expressly authorised by law, to government agencies such as the Australian Taxation Office, Centrelink and Department of Veterans' Affairs.

All collection, use and disclosure of member information is lawfully authorised, required or permitted. Otherwise, member information is kept confidential and only disclosed to the member or an authorised representative. A member has certain rights including access to and correction of information, and the right to complain about any breaches of the Privacy Act.

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 further information about privacy, contact Customer Service.

Year 2000 (Millennium Bug) Project – Final Report

SCOPE OF FTC'S YEAR 2000 PROGRAM

FTC established its year 2000 program in early 1997, using the methodology developed by the NSW Office of Information Technology (OIT).

All of FTC's prime functions of investment, management and custody of fund assets, as well as scheme administration are, as is required by legislation, contracted to external service providers. FTC closely monitored the Year 2000 projects and contingency plans of its service providers.

In September 1998 and in June 1999, external consultants appointed from the OIT panel certified that the FTC Executive had complied with the *OIT Year 2000 Methodology* to the fullest extent reasonably and practicably possible. A detailed outline of our program can be found in last year's annual report.

FINAL STATUS

The 1999–2000 changeover passed without any of FTC's service providers reporting any Year 2000 problems.

Key service providers formally confirmed that they have achieved their objectives of maintaining business as usual during the transition period, and through 1 March 2000 (ie. until 29 February 2000 passed with no untoward occurrences).

Credit for the successful transition can be attributed to the quality of work of the service providers in identifying and rectifying problems and in planning for contingencies.

COSTS

Total cost for the FTC Executive, representing the cost of the project reviews by external consultants, totalled \$6,000. All other costs were absorbed by the relevant service providers.