

 **annual report highlights**
2004 — 2005



nursing, health services, education
police, corrective services, legal aid
state transit, rail, fire brigade
emergency services, home care
parks and wildlife, state forests
sport and recreation, public service
sydney water, dept of housing
dept of agriculture
community services

your super, your future

05

FSS key facts

Your Fund continues to grow

First State Super:

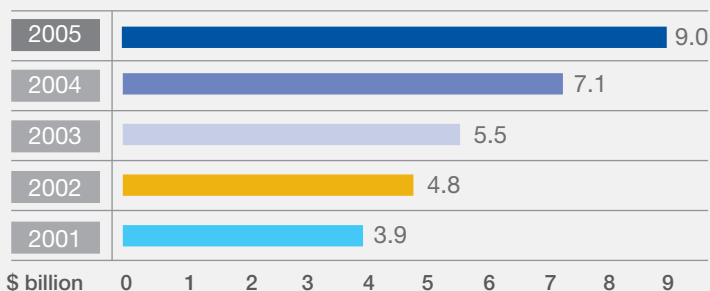
- Is the 7th largest superannuation fund in Australia.
- Has over 450,000 members.
- Has more than \$9 billion funds under management.

What members are doing

- Members' direct or personal after tax contributions have doubled in the past financial year.
- Over 12,600 members attended a First State Super seminar (an increase of 24% over last year).
- Over 225,000 members accessed their First State Super details on the website.

Note: Data for 12 months to 30 June 2005.

Funds under management at 30 June



How you benefit from being a First State Super member

- Strength in size – over \$9 billion funds under management.
- Best fee deal across all funds*.
- Independently rated as a top rated fund**.
- Profits to members.
- Competitive returns.
- Upfront and useful information to members.
- Quality service.

Notes:

* Describes the best overall fees payable for funds where overall fees are calculated for a member earning around \$50,000 pa and who has \$50,000 in their super fund's default investment option.

Source: www.selectingsuper.com.au

**Source: www.selectingsuper.com.au



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Note: Throughout this report:

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.

Executive means the executive of FTC.

FSS means the First State Superannuation Scheme.

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

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

Some of the photographs provided in this report are real life member photos. These photographs are not directly related to the text.



“ First State Super
has the best fee deal
across all funds*.”

*Describes the best overall fees payable for funds where overall fees are calculated for a member earning around \$50,000 pa and who has \$50,000 in their super fund's default investment option. Source: www.selectingsuper.com.au

Chairman's report

THE YEAR IN REVIEW



I am very pleased to announce that during the past financial year, members have ranked First State Super as a leading provider* of:

- fund security
- low fees
- high rates of return, and
- quality service.

In addition, First State Super has introduced a range of new initiatives to better serve our existing members, as well as to attract new members to our Fund.

The first initiative is the ability for members who don't currently work in the Public Sector to be able to contribute to their account. (For more details, see page 5.)

Investment returns and markets

Consistent returns over the short and long term remain a feature of First State Super's investment strategy. This is reflected in the 2004-05 returns for First State Super which performed as follows:

- High Growth 15.6%
- Diversified 13.7%
- Balanced 11.7%
- Capital Guarded 9.9%, and
- Cash Plus 4.9%.

First State Super continues to rank in the first and second quartile of SuperRatings Pty Ltd's survey of leading superannuation funds. This means that First State Super outperformed the average fund over the relevant period (see page 4).

Management and other costs

Another exciting development for members is that First State Super is now ranked by leading independent researcher, SelectingSuper, as having the best fee deal across all funds**.

In addition, I am pleased to report that there have been no fee increases over the past financial year; however, the fee charged to exit the Fund will increase from \$25 to \$30 from 1 November 2005. Our new fee table (on pages 10-12) provides a comprehensive list of management and other costs to provide more disclosure and greater transparency to our members.

Government taxes

A further benefit for members is the Government's removal of the superannuation surcharge tax on employer contributions and relevant termination payments, from July 2005. This will mainly benefit high income earning members.

New website

First State Super's new look website will have more features and functionality than previously, including the ability to compare other funds with First State Super. Look out for its launch later in the year.

Choice of fund

The introduction of the Federal Government's choice of fund legislation will allow many people to choose where to invest their superannuation. This will have little or no impact on First State Super members employed in the New South Wales public sector, as they have always had the choice of where to invest their super — so nothing has changed.

Executive team focus

Finally, I would like to extend my thanks to the Trustee Board and the Executive for their ongoing support of the Fund in what has been an exciting year for First State Super.

Thomas Parry
Chairman

* Source: 2005 Member Survey

** Describes the best overall fees payable for funds where overall fees are calculated for a member earning around \$50,000 pa and who has \$50,000 in their super fund's default investment option. Source: www.selectingsuper.com.au

Fund objectives

The focus in 2004-05 was to achieve the following:

- Competitive investment returns on each of the available investment strategies.
- Maintain member charges at competitive levels.
- Review aspects of the offering to members to ensure that it retains its market competitiveness.
- Work with the administrator to ensure that member services are both high quality and cost effective.
- Communicate effectively with members.
- Develop stronger relationships with both employers and unions.
- Ensure that the Trustee Board and the Executive operate to industry "best practice".

Note: For information on how these objectives were achieved, please see the 2004-05 First State Super Annual Report at www.firststatesuper.nsw.gov.au which will be available after the Annual Report has been tabled in Parliament.

How your Trustee Board is appointed

Your Trustee Board consists of:

- An independent chairperson.
- Four employer representatives appointed by the relevant Minister (currently the Treasurer of NSW). One of these representatives is appointed on the recommendation of the Treasurer.
- Four employee representatives, nominated by Unions NSW, and appointed by the Treasurer.

To be eligible for appointment as a chairperson or an employer representative, a person must have knowledge of, and experience in, the conduct of superannuation schemes, investments, financial management or public administration.

05 Your Trustee Board

The Trustee Board of First State Super holds in trust all assets of the Fund. The Trustee Corporation's charter includes the requirement that your Trustee Board acts in the best interests of First State Super members.



Thomas Parry
Chairman.



Cristina Cifuentes
Employer Representative, consultant in economics and finance.



Russ Collison
Employee Representative, State Secretary of the Australian Workers' Union of NSW.



Mark Duffy
Employer Representative, Assistant Director-General, Department of Infrastructure, Planning and Natural Resources.



Bruce Foy
Employer Representative, professional non-executive company director, former managing director and country manager of an international investment bank.



Patria Mann
Employer Representative, chartered accountant.



Sandra Moait
Employee Representative, President of Unions NSW.



Maurie O'Sullivan
Employee Representative, Director of the State Government Employees' Credit Union and a member of the Administrative Decisions Tribunal.



Michael Williamson
Employee Representative, General Secretary of the Health Services Union of NSW (HSU).

All members of the Trustee Board are covered by comprehensive indemnity insurance.

How can you make your super grow?

Do you earn less than \$58,000?

If you earn less than \$58,000 total income in a financial year, and you satisfy certain conditions*, you might be eligible to receive the Federal Government's co-contribution to your super.

The super co-contribution is a payment made by the Federal Government which provides \$1.50 for every \$1 that you contribute in personal after tax contributions, up to a maximum of \$1,500 a year in super co-contribution.

The actual amount of the co-contribution is based on the amount of your personal after tax super contributions you make in a financial year and your total income in that same financial year.

See the table below for a quick calculation.

	If you make a personal (after tax) super contribution of:			
	\$1,000	\$800	\$500	\$200
And your income is:	Your super co-contribution will be:			
\$28,000	\$1,500	\$1,200	\$750	\$300
\$40,000	\$900	\$900	\$750	\$300
\$50,000	\$400	\$400	\$400	\$300
\$58,000	\$0	\$0	\$0	\$0

How do you make personal contributions to your super?

- Contribute online via internet banking. See the instructions on our website at www.firststatesuper.nsw.gov.au under Download forms/*Personal contributions by EFT – Internet banking only*. Don't forget to send us the form, as well as your contribution by internet banking.
- Go to our website to download a form for *Personal contributions by cheque*, or call us on 1300 650 873, or
- Have contributions deducted from your pay through your employer. Download the *Personal and/or salary sacrifice contributions through your employer* form. (Note: the co-contribution only applies to personal after tax contributions and not to salary sacrifice contributions.)

Remember to send your personal after tax contributions to First State Super before **mid June 2006** so that you may be eligible for a co-contribution for the 2005-06 financial year.

*See Fact Sheet 1, *How does the Federal Government super co-contribution operate?* available through our website at www.firststatesuper.nsw.gov.au or call us on 1300 650 873.



More information?

If you want to know more about how the Federal Government super co-contribution operates, visit our website at www.firststatesuper.nsw.gov.au and download Fact Sheet 1.

First State Super Fund's crediting rates[#]

(after tax and investment expenses) for periods ended 30 June 2005

Strategy	High Growth	Diversified	Balanced	Capital Guarded	Cash Plus
1 Year	15.6%	13.7%	11.7%	9.9%	4.9%
Quartile ranking by SuperRatings*	1	1	Not available	1	2
3 years	9.7% pa.	9.3% pa.	8.5% pa.	7.7% pa.	4.6% pa.
Quartile ranking by SuperRatings*	1	1	Not available	1	2
5 years	5.0% pa.	5.9% pa.	6.2% pa.	6.3% pa.	5.0% pa.
Quartile ranking by SuperRatings*	2	2	Not available	1	1

* Source: SuperRatings Pty Ltd's survey of leading superannuation funds.

[#] Crediting rates are determined on \$100 being invested at the beginning of the relevant period.

A quartile ranking of 1 or 2 indicates that First State Super outperformed the median manager over the relevant period. Past performance is not a reliable indicator of future performance.

Now ALL members can contribute to First State Super!

For some time, members who don't currently work in the Public Sector have been asking if they can contribute to their First State Super account. Now they can!

If you are an existing member of First State Super*, you can make personal *after-tax* contributions** or transfer benefits from other superannuation funds to your account.

This is a fantastic opportunity for you to:

- make a one-off payment to your super (maybe your tax refund cheque?), or
- consolidate your super into one account, or
- regularly make after tax contributions by using online banking and
- receive the Federal Government's superannuation co-contribution, if you are eligible.***

Notes:

* If you are over age 65, read *Fact Sheet 3.2 Regular or lump sum after tax contributions* to check if you are able to contribute.

** Does not include compulsory employer Superannuation Guarantee (SG) contributions or salary sacrifice contributions to super.

*** See *Fact Sheet 1 How does the Federal Government super co-contribution operate?* on our website or call 1300 650 873.

How can you contribute more to your super?

- To make a one-off payment into your First State Super account, complete a *Personal contributions by cheque* form, or
- Complete a *Consolidate your super* form to transfer superannuation benefits from other superannuation funds. We will contact the other fund to arrange the transfer for you, or
- Contribute to your super through your online internet banking. See the instructions on our website at www.firststatesuper.nsw.gov.au under Download forms/ *Personal contributions by EFT – Internet banking only*.



More information and forms?

If you want to know more about how to grow your super, visit our website at www.firststatesuper.nsw.gov.au or call us on **1300 650 873**.

“A fantastic opportunity for you to consolidate your money.”

www.firststatesuper.nsw.gov.au



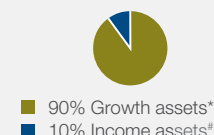
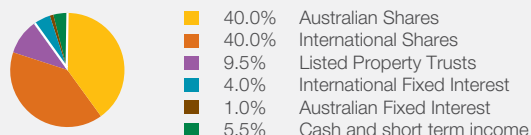
How are the five investment strategies invested?

ASSET SECTOR ALLOCATION 30 JUNE 2004

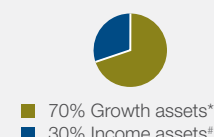
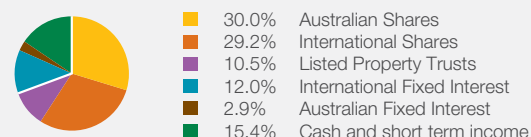
ASSET SECTOR ALLOCATION 30 JUNE 2005

STRATEGIC ASSET ALLOCATION

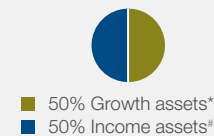
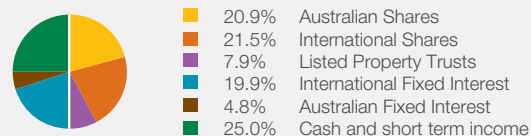
High Growth



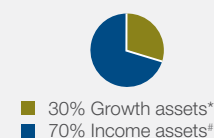
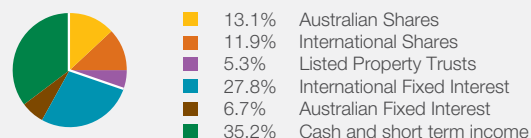
Diversified



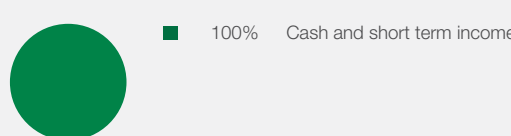
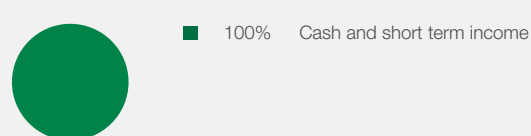
Balanced



Capital Guarded



Cash Plus



Strategic asset allocation

The Strategic Asset Allocation shows the percentage of growth assets* and income assets# for each investment strategy. The proportions allocated to growth and income assets for each strategy will remain within a margin of + or - 5% of the percentages shown. However the type of assets that make up these broader percentages may change.

Note:

* Growth assets: eg. shares and property.

Income assets: eg. cash deposits and fixed interest securities.

Cash Plus strategy

The Cash Plus strategy includes short term bonds of up to 2 years duration — this means the returns for the First State Super Cash Plus investment strategy may not follow the cash rate in the short term. The Cash Plus strategy can give negative returns for short periods of time.

How has my super performed?

Annual effective earning rate by year to 30 June

Investment Strategy	2005 %	2004 %	2003 %	2002 %	2001 %
High Growth	15.6	16.6	-2.1	-8.4	5.4
Diversified	13.7	13.4	1.2	-4.2	6.3
Balanced	11.7	10.4	3.7	-1.1	6.8
Capital Guarded	9.9	7.5	5.6	1.9	7.0
Cash Plus	4.9	4.2	4.8	5.6	5.6

Source: First State Super. The member returns set out above are after allowance for tax and investment management expenses but before deduction of administration fees from members' account balances. Past returns are no guarantee of future returns. The investment of the benefit of First State Super members is not guaranteed. The value of the investment can go up or down. You are encouraged to seek professional financial advice before selecting an investment strategy to suit your personal circumstances.

Member returns for periods ending 30 June 2005

Investment Strategy	1 year %	2 years % pa.	3 years % pa.	5 years % pa.	7 years % pa.	10 years % pa.
High Growth	15.6	16.1	9.7	5.0	6.7	9.1
Diversified	13.7	13.6	9.3	5.9	7.0	9.0
Balanced	11.7	11.0	8.5	6.2	6.7	8.4
Capital Guarded	9.9	8.7	7.7	6.3	6.3	7.7
Cash Plus	4.9	4.6	4.6	5.0	5.0	5.2

Source: First State Super. The member returns set out above are after allowance for tax and investment management expenses but before deduction of administration fees from members' account balances. Past returns are no guarantee of future returns. The investment of the benefit of First State Super members is not guaranteed. The value of the investment can go up or down. You are encouraged to seek professional financial advice before selecting an investment strategy to suit your personal circumstances.

Investment objectives

Investment Strategy	Objective	Risk profile**	Target return
High Growth	This strategy aims to achieve high long term real (above inflation) investment growth.	Higher risk.	4% pa. above inflation over 5 year periods.*
Diversified	This strategy aims to achieve high long term real (above inflation) investment growth.	High risk.	3.75% pa. above inflation over 5 year periods.*
Balanced	This strategy aims to achieve medium term real (above inflation) growth with a balance of growth and income assets.	Medium risk.	3.25% pa. above inflation over 3 year periods.*
Capital Guarded	This strategy aims to achieve consistent returns with an emphasis on income assets.	Low risk.	2.75% pa. above inflation over 3 year periods.*
Cash Plus	This strategy focuses on short term assets.	Lower risk.	2% pa. above inflation over 3 year periods.*

* These objectives do not constitute a forecast or guarantee of future rates of return. Please note that in all of the investment strategies (including Cash Plus), negative returns can occur due to movement in market valuations.

** In its simplest sense, risk is the likelihood of variability of returns.

Who manages my First State Super investments?

INVESTMENT MANAGERS AT 30 JUNE 2005

Asset type/sector	Manager	% of FUM
Australian Shares	AMP Capital Investors Limited	2
	Deutsche Asset Management (Australia) Limited	24
	State Street Global Advisors, Australia, Limited	30
	UBS Global Asset Management (Australia) Limited	25
	Vanguard Investments Australia Limited	19
International Shares	Alliance Capital Australia Limited	19
	Barclays Global Investors Australia Limited	20
	GMO Australia Limited	27
	Vanguard Investments Australia Limited	15
	Wellington Management Company LLP	19
Listed Property Trusts	Deutsche Asset Management (Australia) Limited	18
	Macquarie Investment Management Limited	36
	Vanguard Investments Australia Limited	46
International Fixed Interest	Vanguard Investments Australia Limited	100
Australian Fixed Interest	Vanguard Investments Australia Limited	100
Cash	Vanguard Investments Australia Limited	100

Asset consultant: JANA Investment Advisers Pty Limited from 1 July 2004.

Custodian: JPMorgan Chase Bank.

FUM = funds under management.

The Trustee Board employs the services of a number of external consultants to assist in managing your funds.

The asset consultant:

- Advises on an appropriate asset allocation for each of the investment strategies.
- Provides research on eligible managers in each of the asset sectors.
- Evaluates the investment styles of managers and their suitability to blend with other potential investment managers.

The Fund's custodian:

- Holds the Fund's assets.
- Values the portfolio daily.
- Monitors each investment manager's daily activity.

The Trustee Board appoints external managers to manage the Fund's investments. These managers at 30 June 2005 are set out above.

Other investment issues

Investment expenses continue to be low

Investment management expenses include the fees paid to asset consultants, fund managers, the custodian and other costs of managing the investments of the Fund.

The cost for each investment strategy varies with the costs of the underlying investment portfolios, eg. it is more expensive to manage a share portfolio than cash investments.

Investment management expenses

Investment strategy	Charge per annum on \$100 invested	
	2004	2005
High Growth	0.33%	0.35%
Diversified	0.28%	0.29%
Balanced	0.23%	0.24%
Capital Guarded	0.18%	0.18%
Cash Plus	0.09%	0.10%

Investment reserves

The Trustee Board has determined that no investment earnings will be placed in an investment reserve to smooth the member investment returns. All investment earnings or losses in the various investment strategies, after providing for taxes and investment expenses, are reflected daily in the unit prices.

First State Super does not smooth returns because, with a choice of investment strategy available to members, it is appropriate that members benefit from the actual returns of their chosen strategy.

Hedging

First State Super hedges 100% of its International Fixed Interest investments into Australian dollars. The current policy of First State Super is to hedge 50% of its International Shares back to the Australian dollar.

Large investments

During the year, there was no individual investment directly held by First State Super that exceeded 5% of the Fund's total assets.

However, First State Super's exposure to income assets is held by a number of unlisted unit trusts. The unlisted unit trusts that exceeded 5% of the Fund's total assets are Vanguard Cash Plus Index Fund (23.9%) and Vanguard International Fixed Interest Fund (Hedged) (8.5%).

Derivatives

Derivatives, including futures and options, can be used by First State Super's investment managers. However, the investment mandates clearly state that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against adverse market conditions and cannot be used for speculative purposes or to gear the investment portfolio. During the year, managers made limited use of derivatives.

Passive rebalancing

First State Super has a passive rebalancing process in place. This involves the index manager reviewing the asset sector allocation of a strategy after the portfolio is valued each day. If any sector has moved outside a 2% set range relative to the target allocation, the manager will reallocate funds between sectors to return the allocations within the agreed range. When the Fund has positive cash flows, this rebalancing (or reallocation) may simply involve the allocation of cash flows. In other circumstances, it may involve the use of futures or derivatives.

“It's good to know I'm in one of Australia's leading funds.”

FSS member, Mal Cochrane

Note: SelectingSuper, www.selectingsuper.com.au, states that if you are a New South Wales Government employee in FSS, you can be assured that you are in one of Australia's leading super funds.



Fees

This is a Government prescribed consumer warning

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be

able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.fido.asic.gov.au) has a superannuation fee calculator to help you check out different fee options.

This table shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund's assets as a whole. Taxes and insurance costs are set out in the First State Super *Your Member Guide*. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Fees and costs for particular investment options are set out in the table below

Type of Fee or Cost	Amount	How and when paid
Fees when your money moves in or out of the scheme		
<i>Establishment fee</i> The fee to open your investment.	Nil.	Not applicable.
<i>Contribution fee</i> The fee on each amount contributed to your investment – either by you or your employer.	Nil.	Not applicable.
<i>Withdrawal fee</i> The fee on each amount you take out of your investment including any instalment payments and your final payment.	\$25 to 31 October 2005 then \$30 from 1 November 2005.	Deducted from your account each time a benefit is paid. When member protection applies, the fee may be partly or fully rebated.
<i>Termination fee</i> The fee to close your investment.	Nil.	Not applicable.
Management Costs		
The fees and costs for managing your investment.	\$4.33 each month (equivalent to \$1 each week) Plus A percentage ranging from 0.10% (\$1.00 per \$1,000) to 0.35% (\$3.50 per \$1,000), depending on the investment strategy selected (see below). These fees are paid to the investment managers and not to the Fund.	The dollar based fee is deducted from your account balance each month (ie. the administration fee is payable if you start or leave during the month as well as for every month of membership). When member protection applies the monthly fee may be partly or fully rebated at the end of the financial year or on exit.
The amount you pay for specific investment strategy.	For the one year ending 30 June 2005, these amounts were: High Growth: 0.35% pa. (\$3.50 per \$1,000) Diversified: 0.29% pa. (\$2.90 per \$1,000) Balanced: 0.24% pa. (\$2.40 per \$1,000) Capital Guarded: 0.18% pa. (\$1.80 per \$1,000) Cash Plus: 0.10% pa. (\$1.00 per \$1,000).	The management fees for specific investment strategies deducted before setting the daily unit prices.
Service Fees*		
<i>Investment switching fee</i> The fee for changing investment strategies.	First switch in financial year: Nil. Subsequent switches: \$25 per switch.	Deducted from your account balance at the time of the switch.

* In some cases, user pays family law fees may also apply. See the section Additional explanation of fees and costs.

Additional explanation of fees and costs

Family law fees		
Where fees apply	Amount of the fee	Who pays the fee
<i>Application for information</i> — in the format specified under the Family Law Act.	\$110 including GST.	Payable to the Trustee Board by the person making the request for information at the time a request is made.
<i>Splitting a benefit.</i>	\$88 including GST.	Shared equally by both parties and will be deducted from each party's benefit at the time the benefit is split unless all of the benefit is going to the non member spouse (in which case the non member spouse pays all of the fee).
<i>Flagging a benefit.</i>	None.	Not applicable.

Additions or alterations to fees and charges

All fees and charges are current and may be revised by the Trustee Board from time to time due to changes to, for example, your superannuation environment (eg. Government regulations) or the Trust Deed or fee increases charged by the Fund's service providers. The Trustee Board may also introduce new fees. The Trustee Board will notify you if there is an increase in fees and charges.

Member protection

Federal Government legislation limits the amount of fees and charges that can be applied to certain small superannuation account balances. If you are a Full Member and your account balance is less than \$1,000 at the end of a member reporting period (generally 30 June each year) or at your date of exit from the scheme and your account includes any employer superannuation guarantee contributions, the Trustee Board currently applies member protection to limit the total fees (excluding insurance premiums and taxes) charged to your account in a member reporting period to the investment earnings credited to your account in that period.

Optional member, spouse member and associate member accounts are generally not eligible for protection unless their First State Super account includes any employer superannuation guarantee or award contributions.

Tax

For more information on the amount of tax, go to the **Tax and Super** section of the First State Super *Your Member Guide*.

Performance fees

The Fund has negotiated performance fee arrangements with several of its managers. The manager is entitled to a flat fee which is usually well below the normal active manager fee. The performance fee starts once an out performance level has been reached and the fee is then capped at a higher level. The total net performance fee paid to managers by the Fund during the year ended 30 June 2005 was \$1.6 million. This amount was included in the amount you pay for your investment strategy (see page 10 under Management Costs).

Tax deduction benefits

The benefit of any tax deduction is passed on to the member in the form of a reduced fee or cost.

Insurance costs

For more information on the cost of insurance, go to the **Insurance cover** section of the First State Super *Your Member Guide*.

Adviser remuneration

First State Super does not pay any commission to advisers.

“First State Super has the best fee deal across all funds*.”

*Describes the best overall fees payable for funds where overall fees are calculated for a member earning around \$50,000 pa and who has \$50,000 in their super fund's default investment option. Source: www.selectingsuper.com.au



Fees (continued)

Example of annual fees and costs for a balanced investment option

This table gives an example of how the fees and costs in the balanced investment option for this product can affect your superannuation investment over a 1 year period. You should use this table to compare this product with other superannuation products.

EXAMPLE — the Balanced investment strategy		Balance of \$50,000 with total contributions of \$5,000 during year
Contribution Fees	Nil	Not applicable.
PLUS Management Costs	0.24% + \$52 (\$4.33 per month).	And , for every \$50,000 you have in the scheme you will be charged \$120 each year plus \$52 in administration fees regardless of your balance.
EQUALS Cost of scheme	\$184	If you put in \$5,000 (after-tax) during a year and your balance was \$50,000, then for that year you will be charged fees of: \$184* What it costs you will depend on the investment strategy you choose.

* Additional fees may apply

Management costs

These examples show how the fees detailed in the preceding tables may apply for two members with different account balances, for each investment strategy over 1 year. Management costs include an administration fee of \$4.33 each month (equivalent to \$1 each week) and an investment management fee which is a percentage ranging from 0.10% (\$1.00 per \$1,000) to 0.35% (\$3.50 per \$1,000), depending on the investment strategy selected. Administration expenses charged directly to the member are stated.

Example 1: Mike — who has an account balance of \$5,000

	High Growth	Diversified	Balanced	Capital Guarded	Cash Plus
Administration fees	\$52.00	\$52.00	\$52.00	\$52.00	\$52.00
Investment management expenses	\$17.50	\$14.50	\$12.00	\$9.00	\$5.00
Total fee	\$69.50	\$66.50	\$64.00	\$61.00	\$57.00
Total as a % of Mike's account balance	1.39%	1.33%	1.28%	1.22%	1.14%

Example 2: Liz — who has an account balance of \$50,000

	High Growth	Diversified	Balanced	Capital Guarded	Cash Plus
Administration fees	\$52.00	\$52.00	\$52.00	\$52.00	\$52.00
Investment management expenses	\$175.00	\$145.00	\$120.00	\$90.00	\$50.00
Total fee	\$227.00	\$197.00	\$172.00	\$142.00	\$102.00
Total as a % of Liz's account balance	0.45%	0.39%	0.34%	0.28%	0.20%

Legislative update

Choice of fund – FSS members don't need to do anything

Many more Australian workers will have the right to choose which fund they want their superannuation to be invested in from 1 July 2005 as a result of the Federal Government's Choice of fund legislation. Generally, the legislation does not affect First State Super members, while they are employed by a FSS employer, as they have always had the opportunity to choose where to invest their super.

Roll-in legislation

Changes to State legislation and the First State Super Trust Deed now allow First State Super "inactive" members (ie. those members who are not employed with a scheduled First State Super employer) to make personal after tax contributions or to roll-in their existing superannuation benefits from other funds into their First State Super account.

The new legislation does not apply to salary sacrifice contributions or to compulsory employer superannuation guarantee (SG) contributions.

Personal income tax cuts

Significant income tax reductions were announced in the Federal Budget 2005. The new thresholds and tax rates are outlined below and apply from 1 July 2005.

Tax thresholds from 1 July 2005	Tax rate from 1 July 2005	Tax thresholds from 1 July 2006	Tax rate from 1 July 2006
\$0 to \$6,000	0%	\$0 to \$6,000	0%
\$6,001 to \$21,600	15%	\$6,001 to \$21,600	15%
\$21,601 to \$63,000	30%	\$21,601 to \$70,000	30%
\$63,001 to \$95,000	42%	\$70,001 to \$125,000	42%
\$95,001+	47%	\$125,001+	47%

Removal of surcharge

The Federal Government has abolished the superannuation surcharge payable on individuals' surchargeable superannuation contributions. This means that the surcharge will not apply to superannuation contributions or to termination payments received from 1 July 2005.

Any Contributions Surcharge Tax advised by the Australian Tax Office will be deducted from your account effective the date it is paid.

Early access to super

The Government has announced changes that will allow people to gain access to their superannuation benefits while they are still working from the age of 55*, providing they take it in the form of a non-commutable income stream, such as a pension or annuity.

The changes to the legislation will also allow the person to stop receiving the pension or annuity at any time (for example, if a person who is working part-time decides to return to full time work). FSS does not currently offer this benefit, but it may do so in the future if the Trustee Board considers it would be a benefit to members.

*Note: The 'preservation age' is currently 55 years but increases on a gradual basis to 60 years for people born between 1 July 1960 and 30 June 1964.

Super splitting from 2006

Legislation to allow splitting of superannuation contributions will be reintroduced and applied to superannuation contributions made on or after 1 July 2006. This will enable eligible couples to split their employer and personal superannuation contributions with their spouse to receive concessional tax benefits.

At this stage, it is proposed that contribution splitting would be voluntary for superannuation funds.

“Income tax cuts allow us to save for the future.”



More information about First State Super

Eligible Rollover Fund (ERF)

Your benefit may be automatically transferred to an ERF by the Trustee Board if:

- your account balance is less than \$1,000 at the end of a member reporting period (generally 30 June each year) and either:
- your employer has advised the Fund administrator (Pillar Administration) that your employment has been terminated, or no contributions to your account have been received by First State Super for 12 months.

First State Super's nominated ERF is Australia's Unclaimed Super Fund (AUSfund). AUSfund's contact details are as follows:

AUSfund Administration
PO Box 2468
KENT TOWN SA 5071
Phone: 1300 361 798 (for the cost of a local call
unless calling from a mobile or pay phone)
Fax: 1300 366 233 (for the cost of a local call)
Email: Admin@AUSfund.net.au
Web: www.unclaimedsuper.com.au

If your benefit is automatically transferred to an ERF, any First State Super insurance cover you may have will cease.

The following information has been provided by AUSfund:

If your superannuation benefits are transferred to AUSfund, your personal information will be used or disclosed by AUSfund to administer your fund benefits. By this, we mean establishing your membership account and managing your superannuation benefits, processing contributions, paying benefits, providing you with membership benefits and services and corresponding with you.

Being transferred to AUSfund may affect your benefits because:

- You will cease to be a member of First State Super.
- You will become a member of AUSfund and be subject to its governing rules. If First State Super can provide AUSfund with current contact details, AUSfund will send you their current Product Disclosure Statement (PDS). You can ask AUSfund for a copy of their PDS.
- Members with an account balance below \$50 and Limited Information Members (members whose identity cannot be verified on the basis of the information currently held by AUSfund) are not charged the administration levy and do not receive interest.

As AUSfund is an Eligible Rollover Fund (ERF) all members' accounts are protected from erosion by administration levies. This is known as 'member protection' and under these rules the administration levy deducted (not including government taxes and investment management fees) cannot exceed the interest credited in any review period (the financial year). One exception exists to the member protection requirement: In any review period, when total investment earnings to be distributed to members are insufficient to cover the total administration levy to be deducted from members' benefits, an administration levy of no more than \$10 may be deducted from account balances. This does not apply to members with balances below \$50 and Limited Information Members for the reasons outlined above.

- AUSfund may have a different investment strategy to First State Super. You can ask AUSfund for a copy of their Product Disclosure Statement for more details.
- AUSfund does not offer insured benefits in the event of death or disablement.

First State Super has made contact
with over 4,500 members who were
uncontactable previously.

This was achieved through using computer programs to check member records.

However, it is much better for you to advise First State Super of any change of address so that you may continue to receive information about your super savings. You may advise a change of address on the website (under Access Member Details) or by mail or by calling Customer Service on 1300 650 873.

AUSfund conducts cross-fund matching searches (where AUSfund uses your information to search for an active account in your name in another superannuation fund) and will transfer your AUSfund benefits to the other superannuation fund in the event AUSfund finds an active superannuation account in your name. AUSfund also attempts to locate missing superannuation contributions paid to the Australian Taxation Office on a member's behalf or superannuation benefits that may have been transferred to an ERF due to account inactivity.

AUSfund engages specialist agents such as its administrator, Superpartners Pty Ltd (ABN 57 078 907 883), and Baycorp Advantage Limited (ABN 29 080 662 568) to provide services and other benefits to its members, in the strictest confidence.

AUSfund will not use or disclose your information for any other purpose without your consent, except where required or authorised by law.

Should your benefits be transferred into AUSfund you may request access to, or correction of, any personal information held by AUSfund by writing to AUSfund's Privacy Officer at AUSfund Administration.

Compliance

First State Super is an exempt public sector superannuation fund under the Commonwealth *Superannuation Industry (Supervision) Act 1993* (SIS).

The SIS legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

In May 1996 the NSW Premier and the Federal Treasurer signed a Heads of Government Agreement. Under that Agreement the NSW Government undertakes to ensure that First State Super will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

An amendment was made to First State Super legislation that enables the NSW Government to monitor and audit First State Super and Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

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 call Customer Service (see outside back cover for contact details) to confirm that no other avenue for gaining information exists before deciding to apply under FOI.

Tax File Number (TFN)

You don't have to provide your TFN to First State Super. However, if First State Super does not have your TFN:

- you may pay more PAYG tax than you need to when a benefit is paid to you,
- the Australian Taxation Office may apply the contributions surcharge tax to your employer contributions (up to 30 June 2005), irrespective of your adjusted taxable income, and
- it will be more difficult for you to find your super if we lose contact with you.



What to do

- Download the *Tax File Number collection* form from the website (www.firststatesuper.nsw.gov.au under Member Area, Download forms), complete it and send to First State Super, PO Box 1229, WOLLONGONG DC NSW 2500.
Or
- Provide your TFN over the phone by calling Customer Service on 1300 650 873 and then follow the prompts.

Protecting your privacy

The Trustee Board must comply with relevant legislation, including the NSW *Privacy and Personal Information Protection Act 1998* (the Privacy Act) and the *Health Records and Information Privacy Act 2002*. The following is information about your rights under the Privacy Act.

The Trustee Board holds personal information relating to each member of First State Super. 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 disablement 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 administrator collects and holds the information on behalf of the Trustee Board. In the case of a member who has Additional Insurance Cover, the insurer will also 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.

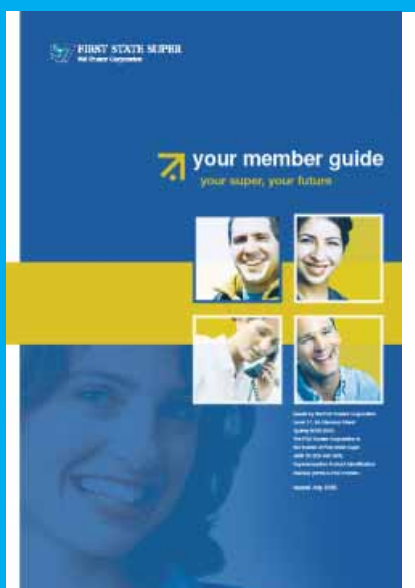
The Trustee Board's *Privacy Management Plan* sets out how the Trustee Board intends to comply with the Privacy Act and gives further details of uses and disclosures. The Plan also explains the process for a member to complain and the options if they are dissatisfied with the Trustee Board's internal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

A copy of the *Privacy Management Plan* is available from Customer Service or by visiting the website.

First State Super Your Member Guide

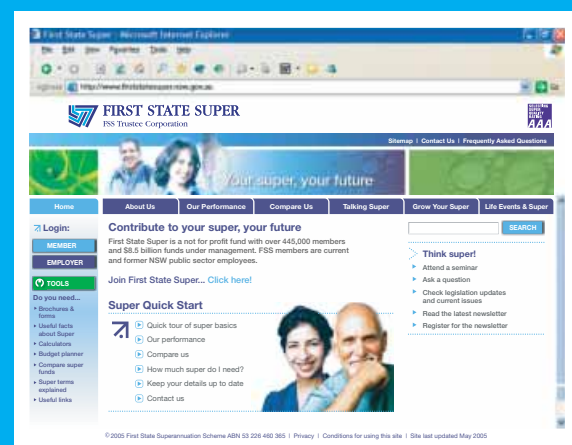
An award winning publication

First State Super has completely revised its First State Super *Your Member Guide* to bring it in line with guidelines for Product Disclosure Statements. A copy of the Guide is available on the website at www.firststatesuper.nsw.gov.au



First State Super new website... coming soon

First State Super's new look website will have more features and functionality than previously, including the ability to compare other funds with First State Super. Stay tuned for the launch planned for later this year.



Financial reports at 30 June 2005

To keep you informed about the financial position of your Fund, the following tables provide abridged financial information about First State Super's operations for the last two accounting periods to 30 June 2005. The 2004–05 statutory accounts were audited by the Auditor-General of NSW and an unqualified audit report was issued in September 2005. Members can receive, on request, a copy of the Auditor-General's Report to FTC and the audited accounts for FSS after they have been tabled in the NSW Parliament.

Statement of Financial Position at 30 June

	2005 \$'000	2004 \$'000
Investments		
Short Term Securities	2,163,869	1,812,748
Australian Fixed Interest	710,530	226,980
Australian Equities	2,734,286	1,740,653
International Investments	2,978,416	2,631,256
Property Trusts	464,014	672,817
Total Investments	9,051,115	7,084,454
Other Assets		
Deferred Tax Assets	16,735	57,904
Cash	43,935	19,871
Receivables	116,666	104,446
Total Other Assets	177,336	182,221
Total Assets	9,228,451	7,266,675
Less:		
Liabilities		
Payables	44,345	21,774
Provision for Income Tax	47,685	29,484
Deferred Tax Liabilities	118,651	83,355
Total Liabilities	210,681	134,613
Net Assets Available to Pay Benefits	9,017,770	7,132,062
Represented by:		
Liability for Accrued Benefits		
Funds Allocated to Members' Accounts	9,003,531	7,119,047
Funds Not Yet Allocated to		
Members' Accounts	7,976	6,965
Death or Invalidity Reserve	6,263	6,050
Total Liability for Accrued Benefits	9,017,770	7,132,062

Statement of Financial Performance for the year ended 30 June

	2005 \$'000	2004 \$'000
Investment Revenue		
Short Term Securities	86,708	56,652
Australian Fixed Interest	30,416	14,387
Australian Equities	94,448	67,370
International Investments	110,122	156,271
Property Trusts	43,252	47,430
	364,946	342,110
Changes in Net Market Value of Investments	758,865	493,230
Total Investment Revenue	1,123,811	835,340
Investment Expenses	(22,134)	(15,058)
Net Investment Revenue	1,101,677	820,282
Contribution Revenue		
Employer Contributions	1,168,046	1,040,145
Member Contributions	315,687	249,736
Government Co-contributions	4,515	—
Total Contribution Revenue	1,488,248	1,289,881
Total Revenues from Ordinary Activities	2,589,925	2,110,163
Less:		
Benefits Paid	(369,430)	(290,880)
Scheme Administration Expenses	(20,856)	(20,697)
Insurance Premiums	(16,055)	(12,944)
Surcharge Tax Expense	(12,013)	(9,944)
Total Expenses from Ordinary Activities	(418,354)	(334,465)
Benefits Accrued from Ordinary Activities before Income Tax	2,171,571	1,775,698
Income Tax Expense	(285,863)	(237,814)
Benefits Accrued from Ordinary Activities after Income Tax	1,885,708	1,537,884

“First State Super is a not-for-profit fund.”



FIRST STATE SUPER

FSS Trustee Corporation

ABN 53 226 460 365
SPIN FSS 0100AU



How to contact First State Super

Customer service

Phone: 1300 650 873
8.30 am to 5.30 pm
Monday to Friday for the
cost of a local call (except
from a mobile or pay phone).



Personal interview service

For an interview at any of the locations
listed below, call (02) 9238 5540.

- Sydney
- Newcastle
- Parramatta
- Port Macquarie
- Wollongong

Postal service

For Customer Service and Pillar Administration:
PO Box 1229, Wollongong DC NSW 2500

For the FSS Trustee Corporation:
PO Box R1827, Royal Exchange NSW 1225

Fax

Facsimile: (02) 4253 1688

Email

enquiries@fss.nsw.gov.au

Website

www.firststatesuper.nsw.gov.au

Need help with English?

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

Vietnamese

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.

Arabic

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

Chinese

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。

Greek

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

Italian

Per i contribuenti che hanno difficoltà nel comprendere l'inglese il servizio clienti può provvedere alla traduzione dei dati informativi.

Disclaimer: This communication is prepared by FSS Trustee Corporation ABN 53 226 460 365 (FTC). It may contain general advice and is not a substitute for professional financial or other advice on your specific objectives, financial situation or needs. FTC recommends that you consider the appropriateness of information contained in this communication to your own situation and consult a licensed financial or other appropriately qualified adviser before acting. FTC also recommends that you obtain a *Your Member Guide* regarding First State Super (FSS) and consider that document before making any decision in relation to FSS. Past performance is not a reliable indicator of future performance.

www.firststatesuper.nsw.gov.au