
New South Wales Auditor-General's Report

Financial Audit

Volume Seven 2013

Focusing on Superannuation and Insurance



The role of the Auditor-General

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Public Finance and Audit Act 1983*.

Our major responsibility is to conduct financial or 'attest' audits of State public sector agencies' financial statements. We also audit the Total State Sector Accounts, a consolidation of all agencies' accounts.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to agencies to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to agencies and reports periodically to parliament. In combination these reports give opinions on the truth and fairness of financial statements, and comment on agency compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an agency is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an agency's operations, or consider particular issues across a number of agencies.

Performance audits are reported separately, with all other audits included in one of the regular volumes of the Auditor-General's Reports to Parliament – Financial Audits.

audit.nsw.gov.au



© Copyright reserved by the Audit Office of New South Wales. All rights reserved. No part of this publication may be reproduced without prior consent of the Audit Office of New South Wales.

The Audit Office does not accept responsibility for loss or damage suffered by any person acting on or refraining from action as a result of any of this material.



GPO Box 12
Sydney NSW 2001

The Legislative Assembly
Parliament House
Sydney NSW 2000

The Legislative Council
Parliament House
Sydney NSW 2000

Pursuant to the *Public Finance and Audit Act 1983*,
I present Volume Seven of my 2013 report.

A handwritten signature in black ink, appearing to read 'Grant Hehir'.

Grant Hehir
Auditor-General
28 November 2013

Contents

Significant Items	2
Recommendations	5
Section One – Overviews	7
Insurance and Compensation Overview	8
Key Issues	10
Performance Information	17
Financial Information	23
Other Information	25
Superannuation Industry Overview	27
Key Issues	29
Other Information	41
Fund Membership	47
Financial Information	53
Background	57
Section Two – Agencies with Individual Comment	63
Minister for Finance and Services	64
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund	64
Department of Finance and Services	68
Lifetime Care and Support Authority of New South Wales	75
WorkCover Authority of New South Wales	78
Treasurer	80
New South Wales Treasury Corporation	80
The Treasury	87
Appendix 1	90
Index	91

Significant Items

This summary shows the most significant issues identified during my audits.

Page

Section One - Overviews

Insurance and Compensation Overview

The WorkCover Scheme's financial position improved significantly by \$1.8 billion in 2012-13	10
The reforms did not address Workplace Injury Damage claims. Increases in these costs risk eroding reform savings	10
The WorkCover Scheme's funding ratio exceeded 100 per cent for the first time since 2008	11
Unexpected legal challenges to the reforms have the potential to increase the WorkCover Scheme's costs	11
NSW motorists are paying the second highest premiums in the country with the average green slip costing \$518	12
A key objective of the National Disability and National Injury Insurance Schemes is to improve care and support for those with a significant and permanent disability	15
The fall in WorkCover Scheme claim numbers is mainly due to the elimination of journey claims and other impacts of the 2012 reforms	17
The agriculture, forestry and fishing industries had the highest incidence of major workplace injuries in 2011-12	18
Incidences of asbestos-related diseases are not expected to peak until after 2013 due to past unsafe practices when working with asbestos	18
The WorkCover Scheme's premium rates will reduce by an average of 12.5 per cent in the 2013-14 premium cycle	20

Superannuation Industry Overview

Defined benefit growth funds earned high investment returns during 2012-13 helping reduce unfunded liabilities	29
The STC Pooled Fund has almost reached its long-term growth strategy target as a result of recent high investment returns	30
PCS Fund had the highest investment returns of all NSW Government defined benefit funds for the past two years	30
Investors in the Growth Plus, International Equities and Australian Equities investment choices earned returns in excess of 20 per cent in 2012-13	31
The unfunded defined benefit superannuation liabilities were estimated to be \$16.9 billion at 30 June 2013	32
Contributions to the STC Pooled Fund, EISS Pool B and PCS Fund totalled \$1.6 billion, or an average of over \$12,500 per member	33
Approximately 30 per cent of all accrued defined benefit liabilities of the three main NSW Government Funds are unfunded at 30 June 2013	33

The Government plans to eliminate the unfunded superannuation liability by 2030	33
The unfunded liability of \$16.9 billion dwarfs the estimated cost of any major government infrastructure project	36
Benefits paid for the year were \$4.3 billion, an increase of \$1.1 billion or 36 per cent compared to 2009	37
Since the STC Pooled Fund was established in 1920, the gap between retirement age and life expectancy has grown significantly	37
Fortnightly pension payments for defined benefit funds were \$94.8 million at 30 June 2013	38
The unfunded superannuation liability of NSW universities has decreased by over \$250 million but exceeds \$2.1 billion	39
The Australian and NSW Governments have agreed to fund any shortfall of university member benefit payments in 2013-14	39
Over 79 per cent of police pensioners receive a hurt on duty pension	39
Periodic reviews of police hurt on duty pensioners will commence in late 2013	40
Energy Industries Superannuation Scheme made improvements to its structure in 2012-13	40
New APRA regulatory requirements have strengthened superannuation fund governance and increased compliance costs	41
The STC Pooled Fund is exempt from new APRA Prudential Standards but complies as a matter of good corporate governance	41
The defined benefit funds paid \$43.7 million in administration costs in 2012-13, a decrease of 4.8 per cent compared to the prior year	44
The Funds project return on assets of between 7.0 and 8.3 per cent in their triennial reviews	45
The new accounting standard applicable to superannuation funds is expected to be finalised and released in the fourth quarter of 2013	45
The new Accounting Standard aims to address increased public interest in the performance and operations of superannuation funds	46
Over 75 per cent of the STC Pooled Fund members are at or nearing retirement age	47
Over 17 per cent of the STC Pooled Fund's pensioners are 80 years or older	48
Forty two per cent of PCS Fund members are older than 55 and eligible for retirement benefits under fund rules	50
Twenty-six per cent of PCS Fund pensioners are currently 80 years or older	50
Over 35 per cent of EISS Pool B members will retire within the decade	51
Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund	
Benefits paid during the year totalled \$7.7 million, a rise of almost 160 per cent in five years	64
Funding for the scheme is increasing but remains below the level forecasted when the Crown Fire Fund was established	65

Department of Finance and Services

A ServiceFirst client satisfaction survey for 2013 will occur in November	71
The Department had a positive equity position of \$25 million	74

Lifetime Care and Support Authority of New South Wales

Eleven per cent of scheme participants are children who will require lifelong treatment and attendant care	76
Almost one in five scheme participants sustained their injury in a motorcycle accident. They are significantly over-represented in the scheme	76
The liability for people severely injured in motor vehicle accidents in New South Wales is estimated to increase to \$4.5 billion by 2018	76
Road safety initiatives for our young drivers are important given 30 per cent of scheme participants were aged between 15 and 24 years of age	77

WorkCover Authority of New South Wales

There was a significant decrease in the number of penalty notices issued in 2013	79
----------------------------------------------------------------------------------	----

New South Wales Treasury Corporation

The State of New South Wales maintained its AAA credit rating during 2012-13	80
Public interest in Waratah bonds continued to grow over 2012-13	82
TCorp managed agency debt portfolios valued at \$45.4 billion	83
Core Hour-Glass investment facilities exceeded their benchmarks this year	83
TCorp made a profit before tax of \$126.9 million	84
TCorp paid a dividend of \$60.5 million	85

Recommendations

This summary shows my more significant recommendations to agencies to address issues I identified during my audits.

Page

Department of Finance and Services

The Procurement Board establish a comprehensive benefits realisation framework and mandate reporting by agencies to measure specific savings achieved from procurement initiatives.	69
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----

The Department and central agencies should develop key performance indicators to measure efficiencies derived from shared services initiatives.	70
-------------------------------------------------------------------------------------------------------------------------------------------------	----

The Department should develop key performance indicators around implementation progress and improved service delivery.	70
------------------------------------------------------------------------------------------------------------------------	----

ServiceFirst should perform regular and timely customer satisfaction surveys and develop strategies to address low ratings.	71
-----------------------------------------------------------------------------------------------------------------------------	----

ServiceFirst should move towards having annual service level agreements with all clients.	71
-------------------------------------------------------------------------------------------	----

Lifetime Care and Support Authority of New South Wales

LTCSA should action and respond to the risks identified in the Sargood project independent assessment.	75
--------------------------------------------------------------------------------------------------------	----

WorkCover Authority of New South Wales

WCA should periodically assess and report in its annual report, the success of its risk based integrated proactive/reactive prevention programs to better manage workplace incidents for compliance and enforcement.	78
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----

Section One

Overviews

Insurance and Compensation Overview

Superannuation Industry Overview

Insurance and Compensation Overview

Audit Opinions

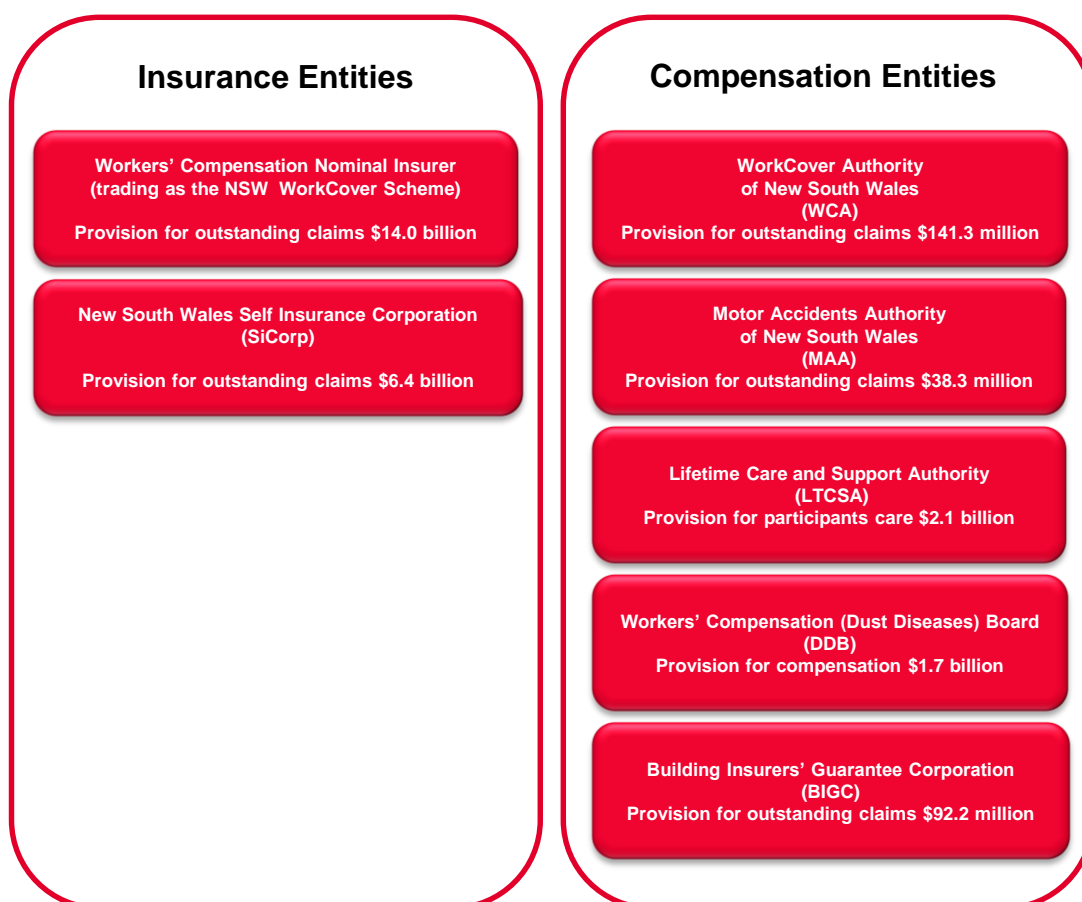
Unqualified audit opinions were issued on the NSW Government controlled insurance and compensation entities' 30 June 2013 financial statements, except the NSW Self Insurance Corporation (SICorp). SICorp's audit opinion was qualified due to non-compliance with Australian Accounting Standards applicable to general insurance contracts.

The auditor's reports drew attention to the significant uncertainty in estimating outstanding claims liabilities of \$14.0 billion in the Workers' Compensation Nominal Insurer and \$2.1 billion in the Lifetime Care and Support Authority.

The audit of the Building Insurers' Guarantee Corporation was not complete at the time of this report and is excluded from this commentary.

Government Controlled Insurance and Compensation Entities

Key government agencies that provide insurance and compensation services:



Note: Please refer to 'Other Information' section for details of each entity's activities.

Compliance with Treasury's Early Close Procedures

During the year, Treasury issued TC 13/01 'Mandatory early close procedures for 2013', which aimed to improve the quality and timeliness of agencies' annual financial statements. Except for the Workers' Compensation Nominal Insurer, all other insurance and compensation entities were required to perform the early close procedures.

These entities were broadly successful in performing the procedures, which helped them submit financial statements by an earlier due date. This in turn enabled the financial statement audits to be finalised within an earlier timeframe of eight weeks (nine weeks in 2011-12), with the exception of the Building Insurers' Guarantee Corporation audit, which is yet to be finalised.

The early close procedures also improved the quality of the financial statements as evidenced by fewer reported misstatements in 2012-13 compared to 2011-12.

Key Issues

NSW Workers Compensation Reforms

While the financial impact of the reforms was largely positive, the WorkCover Scheme's Actuary advised that significant uncertainties still remain. The final outcome will depend on several factors including the successful implementation of the reforms and behavioural attitudes of claimants.

The WorkCover Scheme's total assets exceeded total liabilities for the first year since 2008. The financial position improved significantly by \$1.8 billion in 2012-13.

The WorkCover Scheme's financial position improved significantly by \$1.8 billion in 2012-13

At 30 June	2013 \$m	2012 \$m	2011 \$m	2010 \$m	2009 \$m
Investments	13,689	12,784	11,381	10,719	9,481
Other assets	1,708	1,781	1,946	1,745	2,115
Total assets	15,397	14,565	13,327	12,464	11,596
Outstanding claims	14,007	14,615	14,737	13,152	12,002
Other liabilities	1,081	1,447	953	895	1,076
Total liabilities	15,088	16,062	15,690	14,047	13,078
Net assets/(liabilities)	309	(1,497)	(2,363)	(1,583)	(1,482)

Source: audited NSW WorkCover Scheme Financial Statements 2013.

Workplace Injury Damages Claims are Increasing

One area not subject to reform was Workplace Injury Damages, which occur when injured workers take legal action against their employers. The damages cover the economic loss of past and future earnings and are paid as a lump sum. These claims emerge slowly over time and are finalised even more slowly. Lower weekly benefits and medical benefits payable to less-severely injured workers may provide a stronger incentive for workers in certain circumstances to opt for a Workplace Injury Damages settlement.

At 30 June 2013, the estimated Workplace Injury Damages' liability was \$1.9 billion (\$1.8 billion in 2012), representing around 16 per cent of the WorkCover Scheme's total liability. Workplace Injury Damages claims in 2007 were only \$560 million or seven per cent.

Workplace Injury Damages' claims are a key risk, which requires active monitoring and management. Increases in costs may occur quickly, potentially offsetting much or all of the savings achieved by the other workers' compensation reforms.

The reforms did not address Workplace Injury Damage claims. Increases in these costs risk eroding reform savings

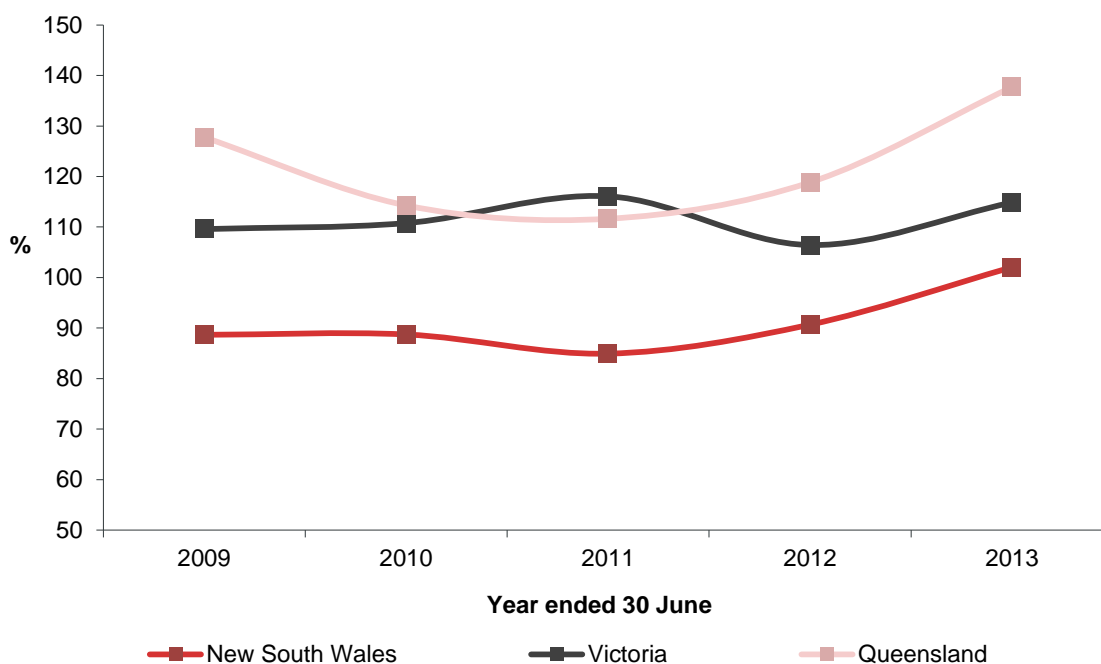
Funding Ratio Compared to Other States

The WorkCover Scheme's funding ratio increased from 89 per cent in 2008-09 to 102 per cent in 2012-13, exceeding 100 per cent for the first time since 2008. The improvement is due to higher investment returns and lower outstanding claim liabilities resulting from the Workers' Compensation Reforms.

The trend in the funding ratio for the New South Wales, Victorian and Queensland workers compensation schemes over the last five years is shown below.

The WorkCover Scheme's funding ratio exceeded 100 per cent for the first time since 2008

Funding Ratio for New South Wales, Victoria and Queensland



Source: Extracted from Worksafe Victoria Annual Reports from 2009 to 2013; WorkCover Queensland Annual Reports from 2009 to 2013; and the Scheme's audited financial statements from 2009 to 2013.

Claimants' Attempts to Maximise Claims Still a Risk

Unexpected legal challenges to the reforms have the potential to increase the WorkCover Scheme's costs

During 2012-13, some savings achieved by the reforms were reversed due to a court ruling reinstating access to 'Permanent Impairment' and 'Pain and Suffering' benefits based on pre-reform entitlements.

It was thought the 2012 reforms would restrict the maximising of claims through 'Statutory Non-Economic Loss' benefits by:

- eliminating smaller claims with the introduction of a 10 per cent threshold on permanent impairment
- eliminating entitlements relating to pain and suffering for this type of claim
- limiting claimants to a single Whole Person Impairment (WPI) assessment; eliminating 'top-up' claims, where workers make a subsequent claim based on a reassessment of WPI.

The WorkCover Scheme's Actuary estimated the Court's decision resulted in the outstanding claim's liability increasing by \$387 million at 30 June 2013. The WorkCover Scheme's application to the High Court of Australia for special leave to appeal the earlier court decision was granted. A hearing of the appeal is anticipated in early to mid 2014 and the exact impact remains uncertain.

Unexpected legal precedents relating to the interpretation of the legislative reforms can significantly impact the WorkCover Scheme's liabilities and increase costs.

Work Capacity Tests

Work Capacity Tests (WCT) informs decisions about injured workers' capacity to work and their entitlement to weekly benefit payments. Injured workers with some capacity to work must make a reasonable effort to do so or their weekly payments may be suspended or ceased.

Successful implementation of the WCT could significantly reduce the outstanding claims liability; including lower weekly and medical claim costs as workers with some work capacity become ineligible for benefits or only eligible for lower partial incapacity benefits.

The WorkCover Scheme's Actuary estimated the potential impact of WCT on the claims liability could range from a saving of \$500 million to additional costs of \$200 million. No allowance was made for the expected savings in the 2013 liability valuation.

Compulsory Third Party (CTP) Green Slip Reform

The Green Slip price comprises:

- CTP premiums retained by insurers to pay claims
- the Medical Care and Injury Services (MCIS) levy.

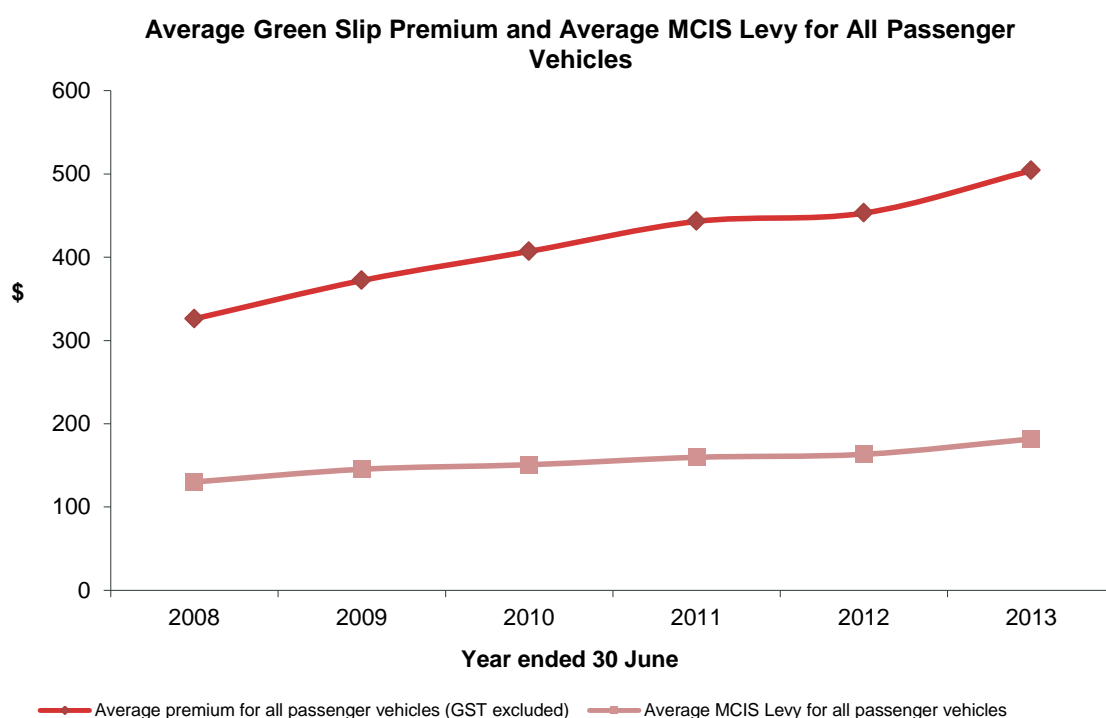
The MCIS levy funds:

- the Lifetime Care and Support Authority to provide care and support for life to catastrophically injured people, with injuries such as severe spinal cord and/or a traumatic brain injury
- the Motor Accidents Authority through a contribution for ambulance, hospital and other services for people injured in a motor vehicle accident.

Green Slip Scheme Efficiency and Affordability

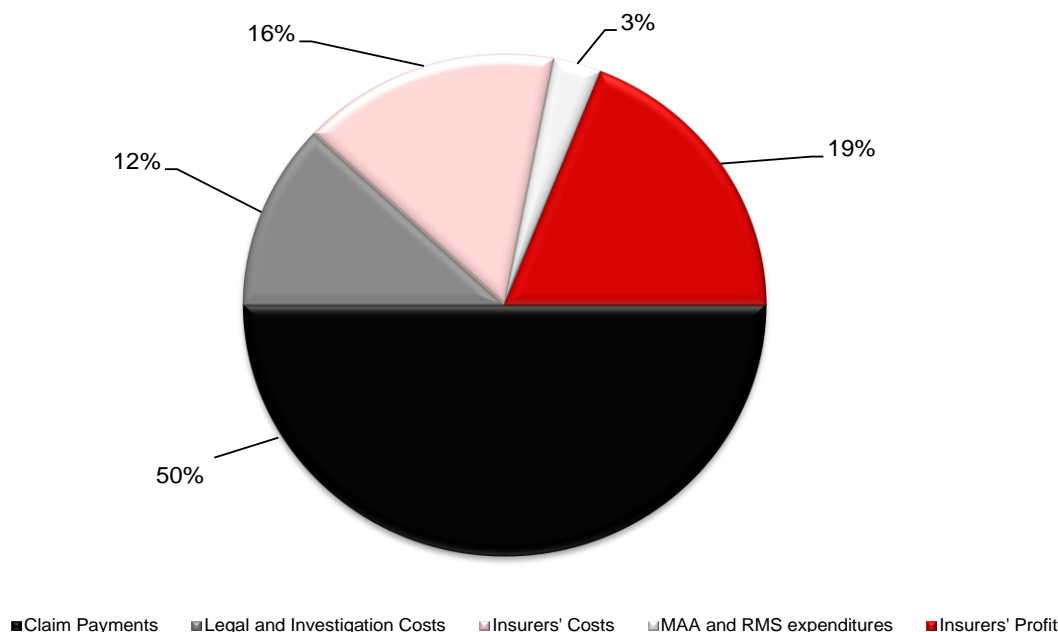
New South Wales motorists pay the second highest premiums in the country with the average green slip costing \$518. The following graph shows the State's CTP premium has increased by about 55 per cent since 2008 while the MCIS levy increased by 40 per cent over the same period.

NSW motorists are paying the second highest premiums in the country with the average green slip costing \$518



Over the period from 2000 to 2010, about 50 per cent of CTP premiums was applied to pay claims, 19 per cent was retained by insurers as profits, 16 per cent covered insurers' costs, and 12 per cent was spent on legal and investigation costs. The Motor Accidents Authority (MAA) and Roads and Maritime Service's (RMS) costs make up the remaining three per cent.

Average NSW CTP Scheme Efficiency from 2000 to 2010

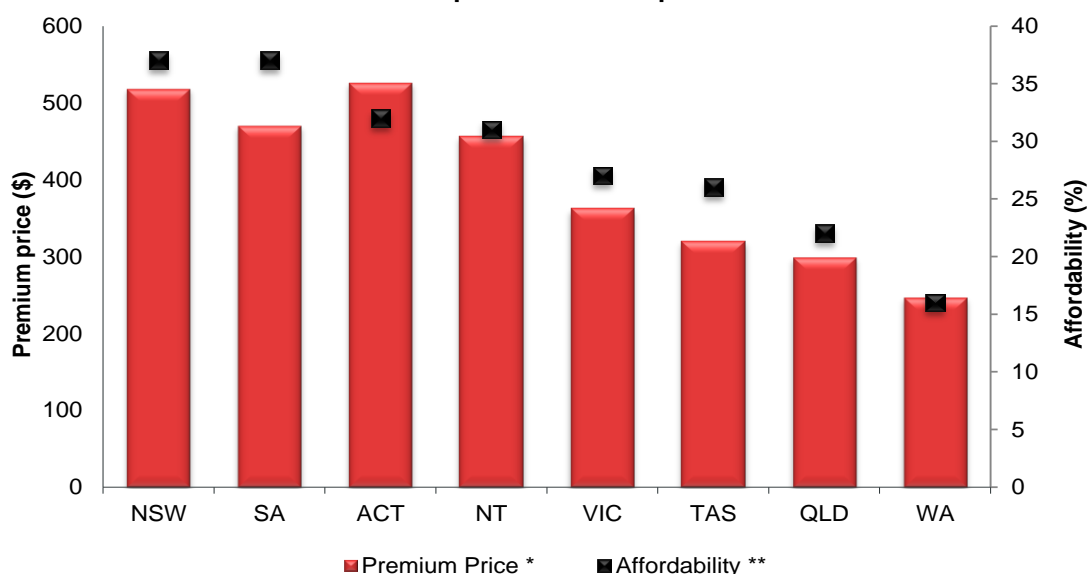


Source: MAA, Reforms to the NSW Compulsory Third Party Green Slip Insurance Scheme February 2013 (unaudited).

One of the reasons contributing to the high premium cost in New South Wales is different benefit scales compared to some other Australian jurisdictions. The cost drivers in the New South Wales scheme are indicated in the pie chart above. Generally, green slip premiums in New South Wales are expensive compared to other states and territories.

The chart below compares premium prices and affordability between all states and territories. The Northern Territory, Victoria and Tasmania have a no-fault based CTP scheme.

Green Slip Premium Comparison



* CTP premiums quoted are for all passenger vehicles effective 1 February 2013 including levies and duties but excluding GST and Input Tax Credit loadings.

** Affordability - average premium for all passenger vehicles as a percentage of average weekly earnings.

Source: Data extracted from MAA, Reforms to the NSW Compulsory Third Party Green Slip Insurance Scheme February 2013 (unaudited).

The Proposed CTP Green Slip Reform Withdrawn

The NSW Government outlined a plan to reform the NSW CTP Scheme and introduced the Motor Accident Injuries Amendment Bill 2013 into the Parliament on 9 May 2013. The bill was not passed by the Upper House and was withdrawn on 19 August 2013.

The Motor Accidents Authority (MAA) Actuary's independent cost estimates showed the proposed reforms would result in significant and immediate savings, and more stable and predictable claim costs over time.

With the withdrawal of the reform bill, the MAA continues to identify and implement improvements to the current CTP Scheme that are within its legislative power.

HIH Liquidation

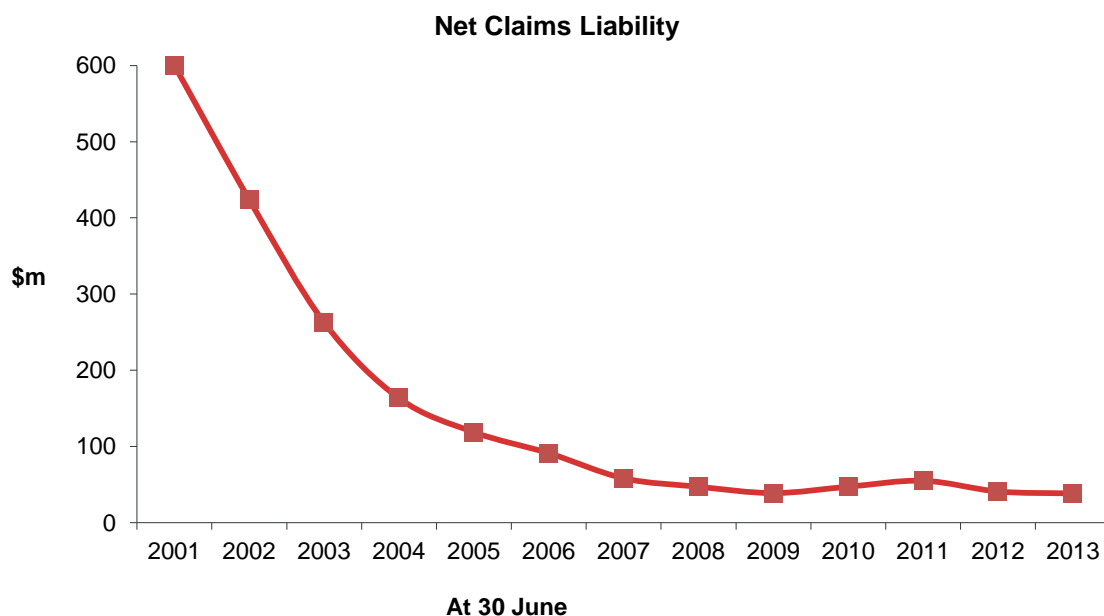
On 15 March 2001, HIH Insurance Limited (HIH) and some of its subsidiaries were placed into provisional liquidation.

As the liquidation process is coming to an end, the MAA and WorkCover Authority submitted final claims against the relevant companies on 2 September 2013.

MAA Nominal Defendant Claims Management

The MAA, as the Nominal Defendant, is responsible for claims made against CTP insurance policies issued by the collapsed HIH. When HIH went into liquidation in 2001, more than 6,000 CTP claims, worth an estimated \$600 million, were outstanding. This liability was assumed by the Nominal Defendant.

The Authority receives funding from the Crown Entity to meet payments for outstanding HIH claims. The known remaining outstanding liability is mainly for two claimants, both under 18 years old, with Acquired Brain Injury.



Source: Extracted from audited financial statements.

The NSW Government paid \$505 million for claims made against HIH-issued compulsory third party insurance policies up to 30 June 2013. Offsetting this, the Government received \$295 million in distributions and recoveries from the HIH liquidators and HIH's reinsurers.

WCA Insurers' Guarantee Fund Claims Management

The Insurers' Guarantee Fund was established to manage claims resulting from the liquidation of the National Employers' Mutual General Insurance Association Limited on 1 May 1990. Contributions from insurers and distributions by the liquidators are applied to meet the claims costs and administrative expenses of the fund.

The fund also meets the run-off cost of the remaining claim liabilities of:

- the HIH Insurance Group
- the Greatlands General Insurance Co Ltd
- Bishopsgate Insurance Australia Ltd
- Associated General Contractors Insurance Co Ltd
- Rural and General Insurance Limited.

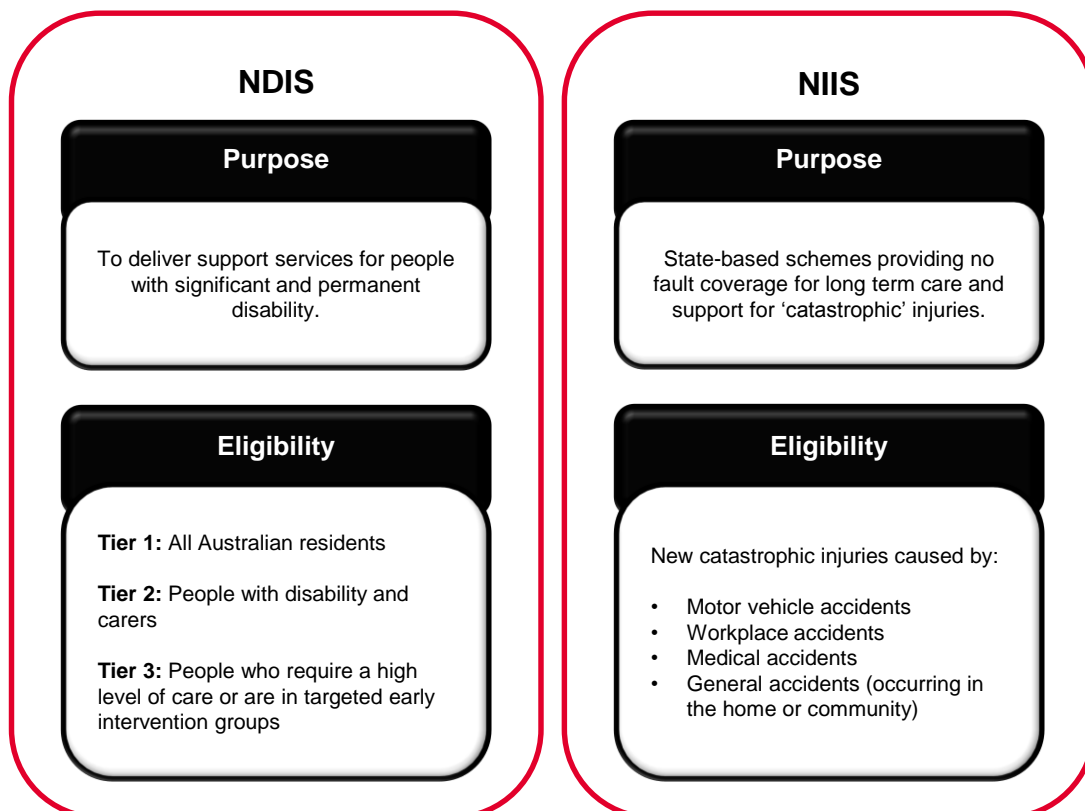
National Disability Insurance Scheme (NDIS) and National Injury Insurance Scheme (NIIS)

In August 2011, the Productivity Commission recommended the establishment of the NDIS and NIIS schemes.

A key objective of the NDIS and NIIS is to improve care and support for those with a significant and permanent disability. They are not expected to entirely replace any current systems, but rather to sit alongside the current accident compensation systems and mainstream services in each state. Eligible participants are therefore likely to receive benefits and services from more than one arm of the system, depending on the severity of injury or disability and nature of the support required.

The main elements of the schemes are:

A key objective of the National Disability and National Injury Insurance Schemes is to improve care and support for those with a significant and permanent disability



Establishment of NDIS

The *National Disability Insurance Scheme Act 2013* established the National Disability Insurance Scheme and launched the DisabilityCare Australia as a transitional agency. The agency commenced the scheme at four sites in Tasmania, South Australia, the Hunter area in New South Wales and the Barwon area in Victoria in July 2013.

Implementation of NIIS

The Australian Government is currently working with states and territories to develop the NIIS as a federated model of separate, state-based no-fault schemes that provide lifetime care and support for people who have sustained a catastrophic injury. The NIIS will build on existing state and territory accident compensation schemes to complement DisabilityCare Australia. The current implementation status is as follows:

Injury Type	Current Implementation Status
Motor vehicle accidents	Minimum benchmarks have been developed. The commencement date for a NIIS for motor vehicle accidents aligns with the commencement of DisabilityCare Australia in each jurisdiction.
Workplace accidents, medical accidents and general accidents	The Australian Government is continuing to work with states and territories on a NIIS for individuals who are catastrophically injured in these types of accidents.

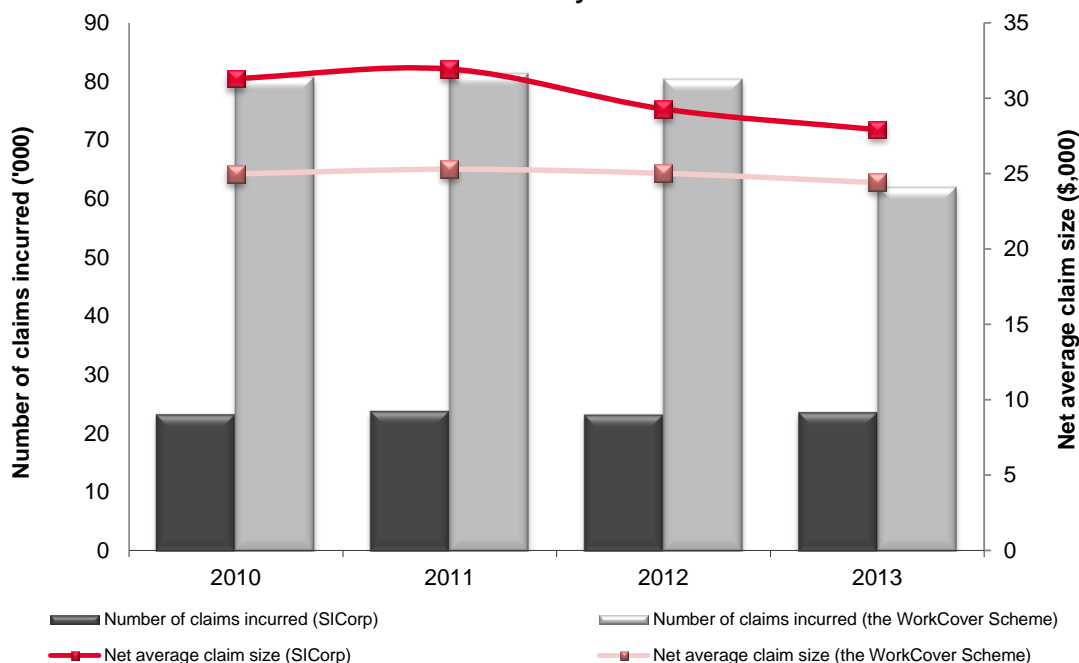
The NSW Government is working with other states and territories to develop a comprehensive scheme for catastrophic injuries to ensure the positive design of the current Lifetime Care and Support Authority scheme is maintained.

Performance Information

Workers' Compensation Claims Incurred by Accident Year

The trend in claims incurred and average claim size for the WorkCover Scheme and SICorp's Workers' Compensation portfolio is shown below:

Claims Incurred by Accident Year



Source: 2013 Actuarial reports for Workers' Compensation Nominal Insurer and Treasury Managed Fund - Workers' Compensation portfolio (unaudited).

WorkCover Scheme

The WorkCover Scheme is responsible for issuing insurance policies and managing the workers' compensation claims of New South Wales employers from 1986. The estimated total number of claims incurred over the life of the WorkCover Scheme was around 2.7 million. Claims reported in the last twelve months fell by 23 per cent mainly due to the substantial elimination of journey claims and other impacts of the 2012 reforms.

SICorp

SICorp provides insurance cover for approximately 312,000 public sector employees. The workers' compensation portfolio has incurred compensation and rehabilitation liabilities in respect of work-related injury or diseases since 1989. The total number of claims incurred since inception is around 506,600.

SICorp also provides insurance cover for around \$155 billion of public sector assets via the Treasury Managed Fund including:

- public liability
- property
- motor vehicle
- miscellaneous risk.

The fall in WorkCover Scheme claim numbers is mainly due to the elimination of journey claims and other impacts of the 2012 reforms

Workplace Injury Rates

The agriculture, forestry and fishing industries had the highest incidence of major workplace injuries in 2011-12

Year ended 30 June	Workplace injuries			
	2012	2011	2010	2009
Incidence rate ^(a)	8.7	8.9	9.1	10.0
Frequency rate ^(b)	5.1	5.3	5.4	6.0
Fatalities	55	51	51	75
Permanent incapacity	1,766	3,033	3,980	4,302

a Incidence rate measures the number of injuries per 1,000 employees.

b Frequency rate is the number of injuries per million hours worked.

Source: WorkCover Authority of New South Wales (unaudited).

WorkCover Authority monitors changes in the incidence rates for major injuries and workplace fatalities to measure the effectiveness of its activities to minimise workplace injury. According to the latest data released, there were 129,700 employment injuries reported in 2011-12, an increase from the 126,100 reported in 2010-11.

The agriculture, forestry and fishing industry group had the highest rate of major workplace injuries at 22.2 per 1,000 employees (18.1 per 1,000 employees in 2010-11). The industries with the highest number of fatalities were the transport, postal and warehousing industry group with 21 fatalities and followed by the manufacturing industry with seven fatalities.

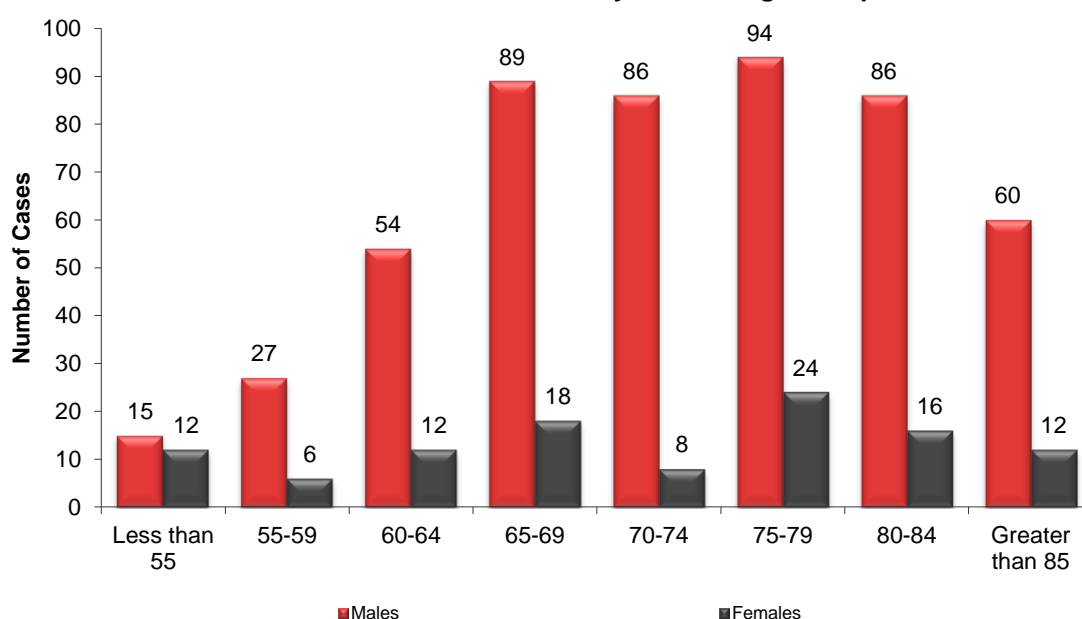
Incidences of asbestos-related diseases are not expected to peak until after 2013 due to past unsafe practices when working with asbestos

Asbestos-Related Diseases and Claims

The NSW State-wide Asbestos Plan was initiated in 2013 with the aim of ensuring safe management of asbestos and reducing the high incidence of asbestos-related diseases. The incidence of asbestos-related diseases is not expected to peak until after 2013 due to past unsafe practices when working with asbestos.

Between 1 January and 31 December 2012, the Workers' Compensation Dust Disease Board received 150 notifications of newly diagnosed workers with mesothelioma, which represented 48 per cent of all asbestos-related disease notifications.

New Cases of Mesothelioma by Sex and Age Group



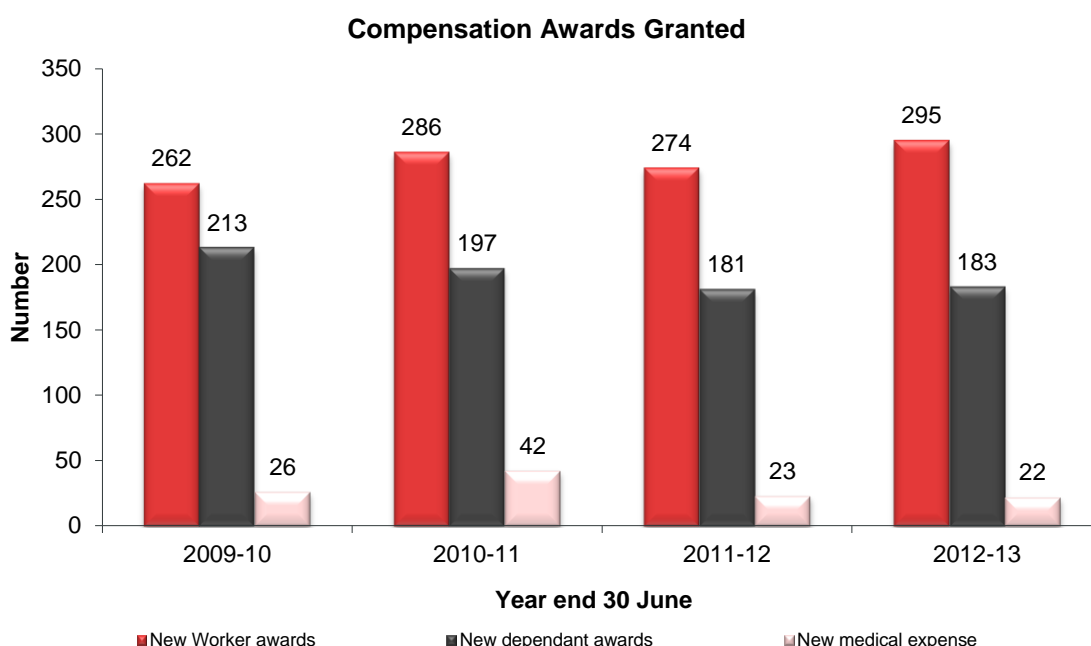
Source: Australia Mesothelioma Registry, Second Annual Report - Mesothelioma in Australia 2012 (unaudited).

According to the Australian Mesothelioma Registry, most asbestos exposures are occupational exposures; but non-occupational exposures are increasingly common. Of respondents to the Australian Mesothelioma Registry survey, 37.1 per cent provided no information to suggest they had an occupational exposure. The most common non-occupational exposures to asbestos were from home renovations.

The Workers' Compensation Dust Disease Board provides a no-fault compensation scheme for past and present workers who have developed a dust disease for occupational exposure to asbestos as a worker in New South Wales and for their dependents. It also conducts health monitoring and supports awareness, education and research work.

In 2012-13, the Workers' Compensation Dust Disease Board provided compensation benefits to 3,961 claimants (3,886 in 2011-12) including 1,128 workers (1,107) and 2,833 dependants of deceased workers (2,779). In 2012-13, it paid \$87.9 million in compensation benefits (\$77.2 million) including \$10.9 million (\$9.9 million) in health care and funeral benefits.

The graph below shows new compensation awards granted in each of the past four years.

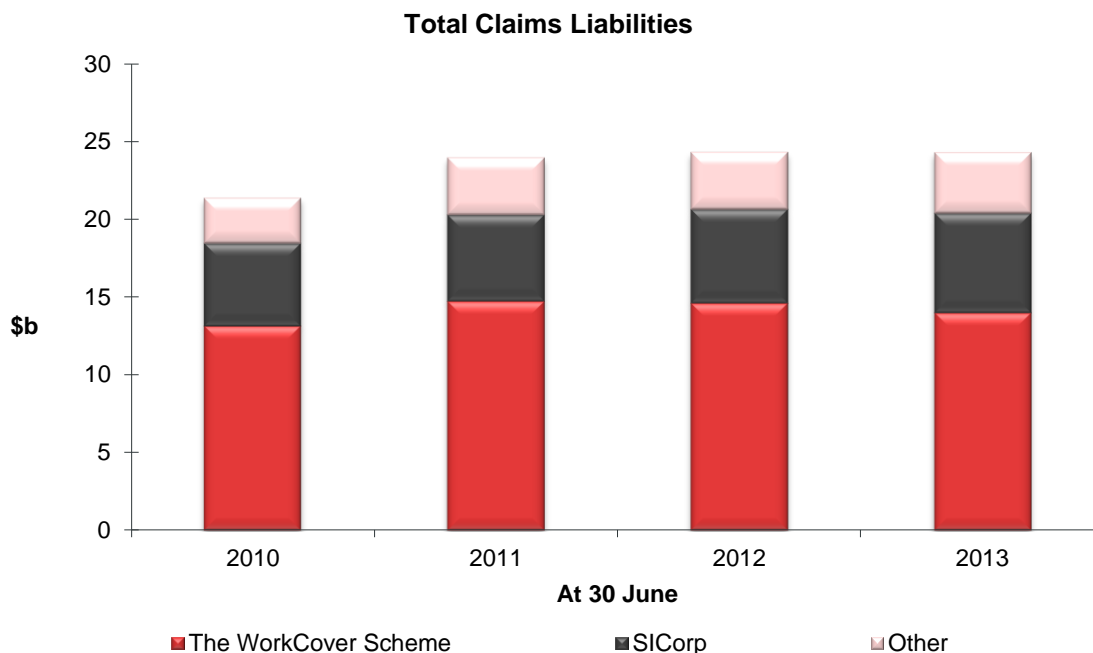


Source: Dust Diseases Board Annual Report (unaudited).

The outstanding claims liability for known and future claims at 30 June 2013 is estimated at \$1.67 billion (\$1.66 billion in 2012).

Valuation of Outstanding Claim Liabilities

The valuation for outstanding claims reflects insurance and compensation agencies' best estimate of the expected future payments required to settle the present obligation at the reporting date. The liability for outstanding claims includes a combination of the claims reported but not yet paid and claims incurred but not yet reported.



Source: Data extracted from entities' audited financial statements.

Total outstanding claim liabilities were \$24.3 billion at 30 June 2013 (\$24.3 billion at 30 June 2012). Claim liabilities in the WorkCover Scheme decreased by \$608 million mainly due to the 2012 Workers' Compensation Reforms while claim liabilities in SICorp and others increased by \$606 million, resulting in a net decrease of \$2.0 million in 2012-13.

Before the 2012 workers' compensation reforms, future claims were valued by indexing all compensation benefits payable under the *Workers' Compensation Act 1987*, using the projected growth in the Labour Price Index (LPI). Following the reforms, weekly benefit compensation for new claims (incurred on or after 1 October 2012) is indexed to the Consumer Price Index (CPI) for all funds except emergency services (Police, Fire and Ambulance). Existing claims (incurred prior to 1 October 2012) continue to be indexed in accordance with LPI. The WorkCover Scheme's Actuary adopted a short term inflation assumption of 3.5 per cent for LPI inflation and 2.5 per cent for CPI inflation.

Workers' Compensation Premium Rates

New South Wales workers' compensation scheme is a managed fund, combining features of a centrally funded scheme and privately underwritten scheme. A centrally funded scheme is where government agencies perform all workers' compensation insurers' functions. In 2012-13, the premium rates were determined based on actuarial forecast claim costs across all 538 industry classes (expressed as a percentage of employers' total wage bills).

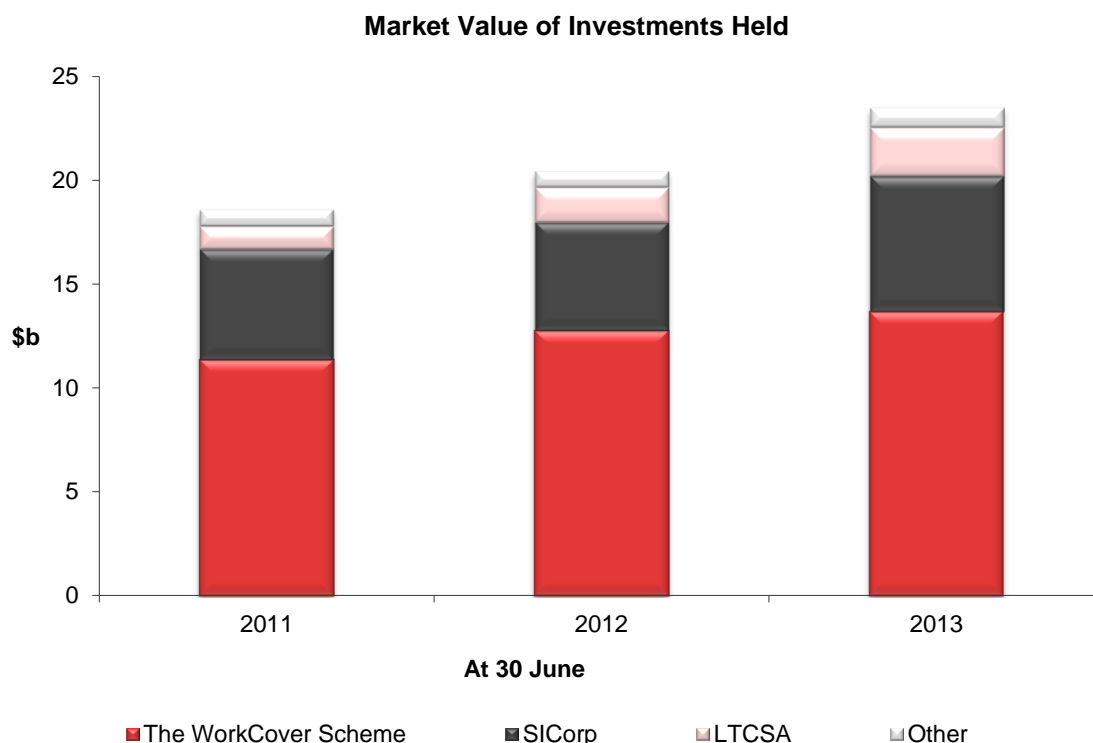
As a result of the Government's workers' compensation reforms, average premium rates reduced by 7.5 per cent from 30 June 2013 and by a further 5 per cent from 31 December 2013. This reduced the WorkCover Scheme's average premium rate from 1.68 per cent to 1.47 per cent of wages.

Claims liabilities are funded through premiums and earnings from investments.

The WorkCover Scheme's premium rates will reduce by an average of 12.5 per cent in the 2013-14 premium cycle

Market Value of Investments Held

Over the last three years, the value of investments held by New South Wales insurance and compensation entities increased by 26.2 per cent to \$23.5 billion at 30 June 2013 (\$20.5 billion at 30 June 2012). These investments are applied to fund each entity's outstanding claims liability.



Source: Extracted from audited financial statements of insurance and compensation entities for 2011, 2012, 2013.

Around 60 per cent of the investments held by the New South Wales insurance and compensation entities are held by the WorkCover Scheme. Over the last 12 months, the Scheme's investments returned 10.2 per cent.

Each entity has unique investment strategies and objectives reflecting the unique nature of each entity's outstanding claims liabilities. The strategies are met by investing in a combination of growth and defensive assets to achieve a targeted investment return (subject to the entity's overall risk appetite).

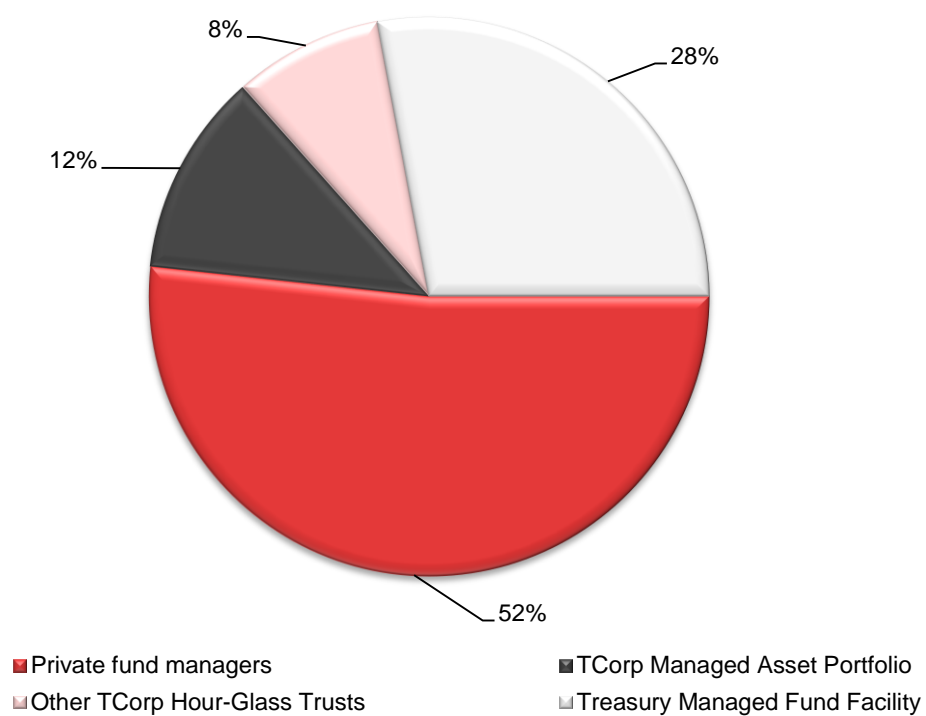
At 30 June 2013, the WorkCover Scheme strategic asset allocation to growth assets, such as equities, was 50 per cent (46 per cent at 30 June 2012) and 50 per cent (54 per cent) to defensive assets, such as cash and bonds.

Investments with New South Wales Treasury Corporation (TCorp) and Private Fund Managers

TCorp manages investments through Hour-Glass investment facilities and client mandates. The cash and fixed income portfolios are primarily managed internally while the remaining facilities are outsourced to external fund managers.

Only the WorkCover Scheme and Workers' Compensation (Dust Diseases) Board had investments with private fund managers at 30 June 2013. The graph below outlines the asset allocation of available funds in TCorp Hour-Glass facilities, TCorp managed portfolios and investments managed by private fund managers.

Investments with TCorp and Private Fund Managers at 30 June 2013



Source: Data extracted from audited financial statements and Managed Asset Portfolio Valuation Reports at 30 June 2013.

Financial Information

	Compensation Entities							
	WCA		MAA		LTCSA		DDB	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Abridged Statement of Comprehensive Income								
Year ended 30 June								
Net claims incurred	4,830	27,137	-- ^(a)	-- ^(a)	349,091	395,945	95,328	60,201
Other expenses	203,345	323,545	182,248	150,962	17,974	28,494	12,534	14,453
Total expenses	208,175	350,682	182,248	150,962	367,065	424,439	107,862	74,654
Investment revenue	19,443	6,700	2,385	2,909	279,310	111,459	119,633	4,423
Retained taxes, fees and fines	229,780	250,130	156,759	141,998	470,265	428,961	100,825	94,956
Other revenue	15,429	15,514	789	8,179	146	1,786	(111,436) ^(b)	(25,141) ^(b)
Total revenue	264,652	272,344	159,933	153,086	749,721	542,206	109,022	74,238
Other gains/(losses)	(2,800)	(1,982)	(62)	2	(5,238)	13	(486)	(2)
Net result - surplus/(deficit)	53,677	(80,320)	(22,377)	2,126	377,418	117,780	674	(418)
Abridged Statement of Financial Position								
At 30 June								
Financial assets at fair value	144,025	130,651	4,521	46,988	2,324,322	1,665,507	792,818	610,955
Other assets	152,583	145,049	79,273	81,286	358,047	351,828	896,825	1,070,928
Total assets	296,608	275,700	83,794	128,274	2,682,369	2,017,335	1,689,643	1,681,883
Provision for claim liabilities	141,322	145,671	38,265	48,096	2,067,010	1,782,770	1,672,693	1,665,084
Other liabilities	219,388	246,344	28,904	41,176	15,524	12,148	7,717	8,240
Total liabilities	360,710	392,015	67,169	89,272	2,082,534	1,794,918	1,680,410	1,673,324
Net assets/(liabilities)	(64,102)	(116,315)	16,625	39,002	599,835	222,417	9,233	8,559
Performance Indicators (year ended 30 June)								
Funding ratio ^(c)	82 ^(d)	70 ^(d)	125	144	129	112	101	101

- a There were no compensation payments made in Motor Accidents Authority. It administers outstanding HIH claims through a management agreement with Allianz Australia Insurance Ltd. This arrangement is funded by NSW Treasury.
- b Other revenue in Dust Diseases Board includes movements in outstanding contribution.
- c Funding ratio - total assets over total liabilities expressed as a percentage. Where the ratio is below 100 per cent the agency may be under-funded and vice versa.
- d The funding ratio shortfall in the WorkCover Authority relates to movements in defined benefits superannuation liabilities.

	Insurance entities			
	The WorkCover Scheme		SICorp	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Abridged Statement of Comprehensive Income				
Year ended 30 June				
Net claims incurred	1,398,729	2,016,319	1,378,812	1,406,074
Other expenses	836,995	754,518	459,325	260,821
Total expenses	2,235,724	2,770,837	1,838,137	1,666,895
Investment revenue	1,330,690	996,014	1,223,473	(76,786)
Premium revenue, reinsurance and other recoveries revenue	2,700,500	2,632,011	1,280,243	1,314,369
Other revenue	10,355	8,755	10,008	224,021
Total revenue	4,041,545	3,636,780	2,513,724	1,461,604
Surplus/(deficit)	1,805,821	865,943	675,587	(205,291)
Abridged Statement of Financial Position				
At 30 June				
Financial assets at fair value	13,689,313	12,784,387	6,531,305	5,219,099
Other assets	1,707,495	1,780,471	933,180	1,150,677
Total assets	15,396,808	14,564,858	7,464,485	6,369,776
Provision for outstanding claims	14,007,375	14,614,990	6,367,248	6,014,173
Other liabilities	1,080,954	1,447,210	314,620	248,573
Total liabilities	15,088,329	16,062,200	6,681,868	6,262,746
Net assets/(liabilities)	308,479	(1,497,342)	782,617	107,030
Performance Indicators				
Funding ratio ^(a)	102	91	112	102

a Funding ratio - total assets over total liabilities expressed as a percentage. Where the ratio is below 100 per cent the scheme may be underfunded and vice versa.

Other Information

Insurance and Compensation Entities

Workers' Compensation Nominal Insurer (trading as the NSW WorkCover Scheme)

The WorkCover Scheme issues policies of insurance and manages workers' compensation claims of New South Wales employers. It contracts Scheme Agents to deliver case management and policy services. The WorkCover Scheme collects premiums for workers' compensation insurance policies and pays benefits to injured workers.

NSW Self Insurance Corporation (SICorp)

SICorp provides insurance cover for approximately 312,000 public sector employees and around \$155 billion of public sector assets via the Treasury Managed Fund.

Volume Five of the 2012 Auditor-General's Report to Parliament recommended the Treasurer review the long-term sustainability of the Home Warranty Insurance Fund.

The Corporation has presented the Treasurer with a range of reform options to improve the long-term sustainability of the Fund.

In September 2013, the NSW Government released a position paper setting out key proposals for reforms to the *Home Building Act 1989*, including reforms to the Home Warranty Insurance Scheme. The key objective of the proposed reforms is to help ensure the Scheme operates equitably and focuses on its core business. The reforms will not necessarily address the long-term financial sustainability of the Fund.

The NSW Government expects the package of reforms to commence in 2013-14.

WorkCover Authority of New South Wales (WCA)

WCA is constituted under the *Workplace Injury Management and Workers Compensation Act 1998*. WCA acts on behalf of the Nominal Insurer and regulates and manages the workers' compensation system, including the licensing of self and specialised insurers and oversight of service providers. WCA is also the regulator of Work Health and Safety in NSW.

A separate comment on WCA is provided later in this Volume.

Workers' Compensation Dust Diseases Board (DDB)

DDB provides no fault compensation and services to workers who develop a dust disease from occupational exposure to dust as a worker in New South Wales.

Lifetime Care and Support Authority of New South Wales (LTCSA)

LTCSA is responsible for administering the Lifetime Care and Support Scheme. It provides lifelong treatment, rehabilitation and attendant care for people severely injured in a motor vehicle accident in New South Wales, regardless of who was at fault.

A separate comment about LTCSA is included later in this Volume.

Motor Accidents Authority of New South Wales (MAA)

MAA oversees the privately underwritten compulsory third party (CTP) personal injury insurance scheme. It is responsible for ensuring a fair, efficient, affordable and effective motor accidents insurance scheme. All vehicle owners in New South Wales must purchase a Green Slip from a licensed CTP insurer before registering their vehicle. It is funded by a levy on CTP insurance policies.

Building Insurers' Guarantee Corporation (BIGC)

BIGC administers one of the Government's rescue packages created in response to the collapse of the HIH Insurance Group (HIH). It recognises a liability in respect of home warranty insurance claims on policies issued by HIH. NSW Treasury provides funding for all approved claim payments.

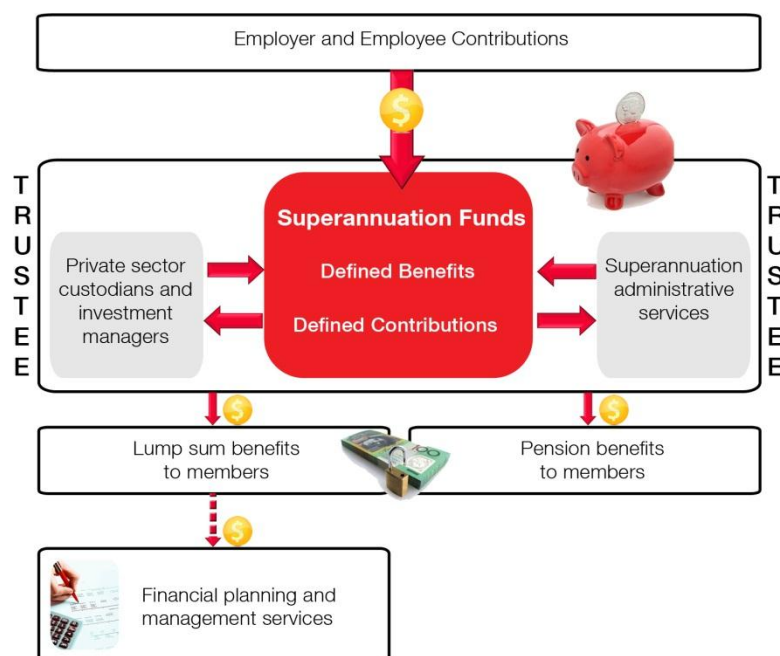
A 2011 Auditor-General's Report to Parliament recommended that BIGC should continue to closely monitor the claims liability and take appropriate action to ensure claims are finalised as soon as practicable.

The Corporation is closely monitoring the claims liability and finalising claims as soon as practicable. After initial growth in the estimate of claims, the liability was expected to decrease as claims were paid. Between 2007 and 2011, the liability continued to grow and was at its highest in 2011 when the present value of future claims was estimated at \$153 million. At 30 June 2013, the liability had fallen to \$92.2 million (unaudited).

Superannuation Industry Overview

Superannuation Industry

The transactions, administration and cash flows for the superannuation industry are illustrated below.



Key words used

Administrators:	Appointed by trustees to undertake fund related services such as maintenance of members' information, receiving and allocating contributions, calculating and paying benefits on behalf of the trustees, providing reporting to members and responding to queries from both employers and employees.
Custodians:	Independent organisations appointed by the trustees to hold the assets of the fund and perform administrative, accounting, monitoring and reporting functions.
Defined benefits:	A superannuation fund where the benefit paid to a member is influenced by a formula based on their years of membership and/or salary level and not affected by investment returns.
Defined contributions:	A superannuation fund where the benefit amount is determined by the accumulated contributions of an employee and their employers together with investment returns, less any contributions tax, fees and premiums.
Financial planning and management services	An optional professional financial planning service. In some cases, members who receive lump sum benefit payments use these services to invest their savings.
Investment managers:	Expert firms appointed by the trustees to invest and manage assets in accordance with an investment management agreement.
Trustee:	Appointed under the trust deed or legislation to ensure the fund adheres to relevant legislation and the trust deed on behalf of the fund's members. Also responsible for monitoring administrators, custodians and investment managers.

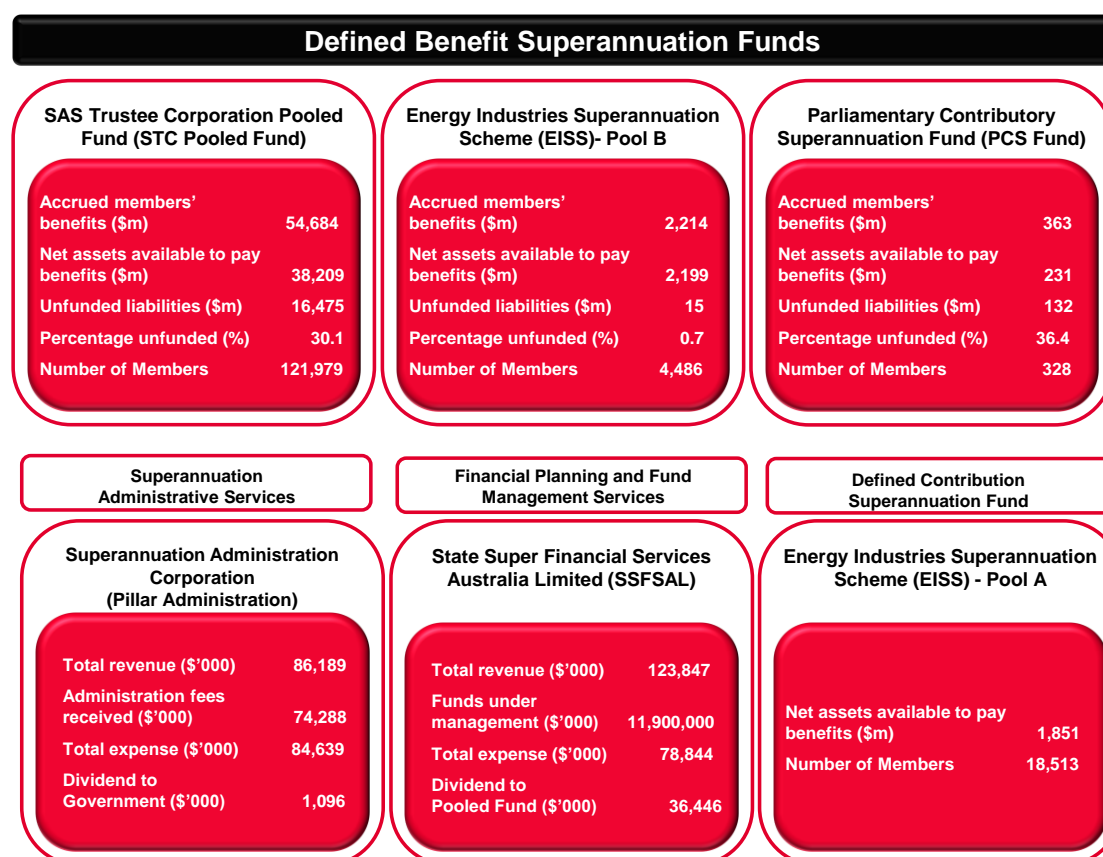
Audit Opinions

Unqualified audit opinions were issued on the NSW Government superannuation entities' 30 June 2013 financial statements.

NSW Government Superannuation Entities

The NSW Government superannuation entities manage, administer and invest superannuation assets for many NSW public sector employers and employees.

A snapshot of operations for the year ended 30 June 2013 is shown below:



Notes: All accrued members benefits are measured under AAS 25.

Refer to 'Background Information' at the end of this Overview for more details on each entity.

The Crown Employees (NSW Fire Brigades Fire Fighting Staff Death and Disability) Superannuation Fund (Crown Fire Fund) is excluded from this Overview due to its size and unique operation. It is discussed separately in this Volume.

Many NSW public sector employees are members of the First State Superannuation Scheme and the Local Government Superannuation Schemes. These schemes are not part of NSW Government superannuation funds.

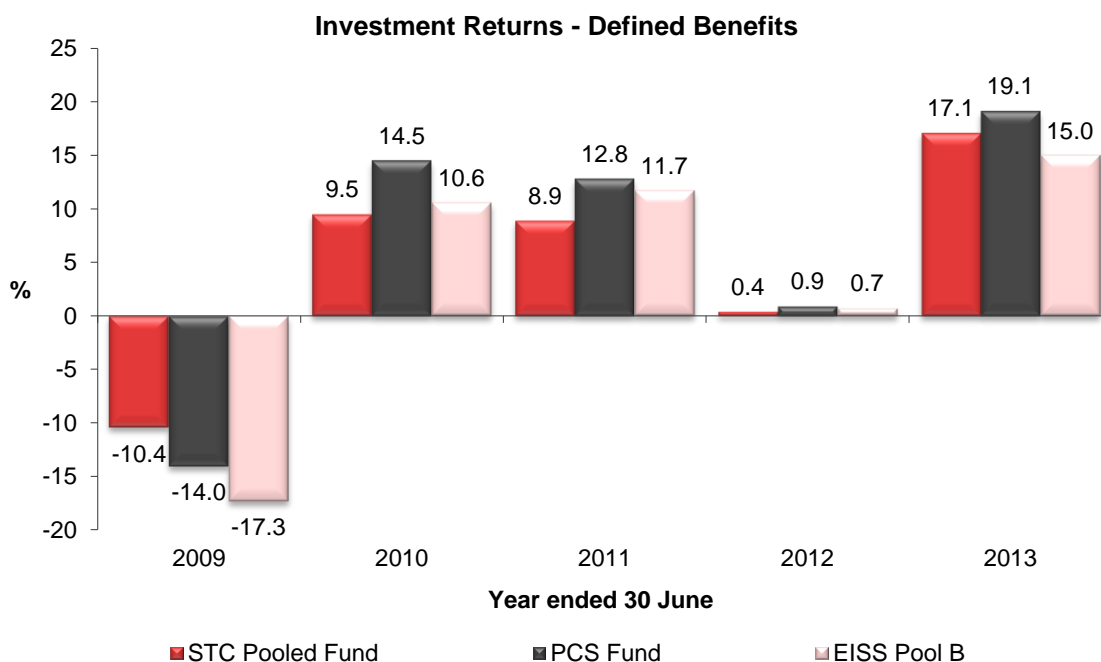
This overview only comments on the defined benefit superannuation funds and other NSW Government superannuation entities shown in the diagram above.

Key Issues

Superannuation Fund Investments and Performance

The NSW Government defined benefits superannuation funds earned positive returns for the last four years.

Defined benefit growth funds earned high investment returns during 2012-13 helping reduce unfunded liabilities



Source: Trustees of the STC Pooled Fund, EISS Pool B and PCS Fund (unaudited).

Most funds are invested in growth strategies. For comparability purposes, only the investment returns for funds invested in growth strategies are shown above.

Superannuation funds had negative investment returns of up to 17.3 per cent at the peak of the global financial crisis in 2008–09. Investment returns for the year ended 30 June 2013 were up to 19.1 per cent, the highest positive return in the last four years. Total investment earnings for the three defined benefits funds exceeded \$6.6 billion for the year, including unrealised changes in investment values. The strong market performance and high investment returns helped reduce the unfunded liabilities of the funds.

The three main defined benefit funds' annual investment returns over the past two years were:

Fund Year ended 30 June	STC Pooled Fund (a)		EISS Pool B (b)		PCS Fund (c)	
	2013	2012	2013	2012	2013	2012
Fund annual return %	17.1	0.4	15.0	0.7	19.1	0.9
Median manager return %	15.4	0.4	17.3	0.6	15.6	0.5
Quartile ranking	1	2	4	1	1	1

a Median manager returns sourced from Mercer surveys.

b Median manager in Super Ratings Pty Ltd.

c Median manager in Russell Universe of Australian Balanced Portfolios.

Source: Fund Trustee.

The STC Pooled Fund has almost reached its long-term growth strategy target as a result of recent high investment returns

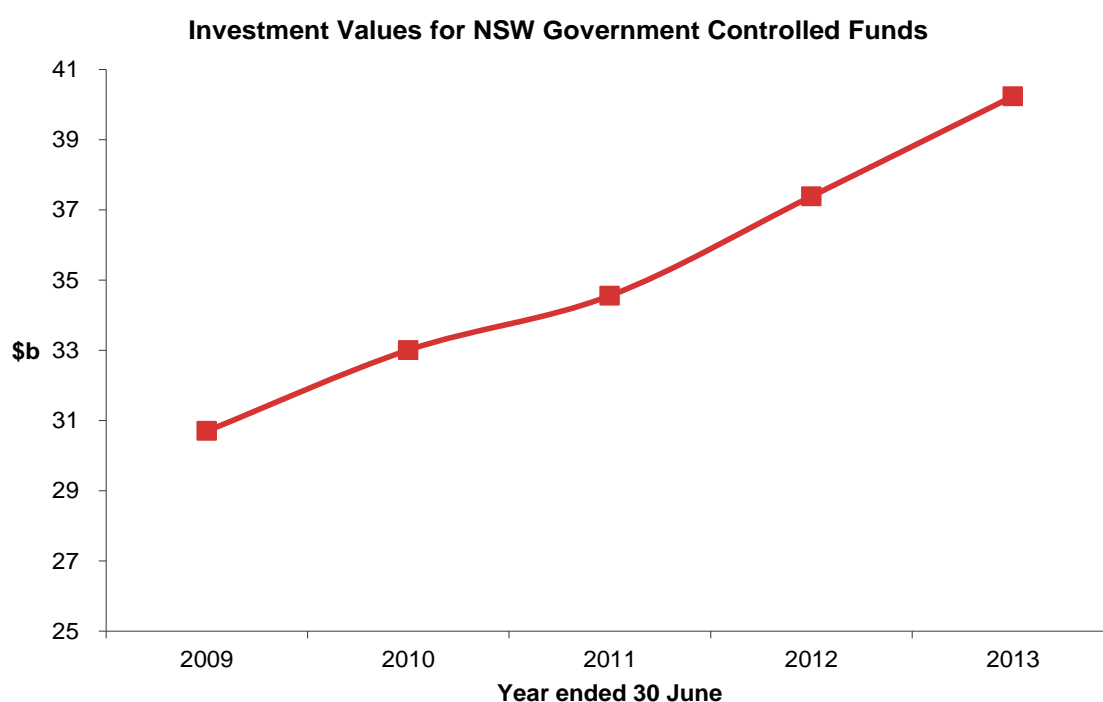
Most STC Pooled Fund investments are in a growth strategy. Its preferred method of assessing investment performance is to achieve investment returns over ten-year rolling periods that exceed the consumer price index by an average margin of 4.5 to 5.5 per cent per year. The Fund's growth strategy achieved a return of 7.1 per cent return per annum in the ten-year period to 30 June 2013 (5.2 per cent in the ten-year period to 30 June 2012), compared to the long-term target of 7.2 per cent. The Fund is now only 0.1 per cent behind its long-term target as a result of recent high investment returns.

The PCS Fund had the highest annual return in 2012-13 of 19.1 per cent, 3.5 per cent higher than the median manager return. The Fund also had the highest annual return of the three NSW Government defined benefit funds in 2011-12 at 0.9 per cent, outperforming the median manager by 0.4 per cent.

The 2012-13 EISS Pool B return of 15.0 per cent was 2.3 per cent lower than the median manager return. This was a result of EISS Pool B holding a higher concentration of funds in the fixed income portfolio and a delay in allocation to equities, which was the strongest performing asset class this year. In addition, the Super Ratings Pty Ltd median manager survey included a majority of defined contribution funds with different investment portfolios to EISS pool B.

The following graph shows investment values of the defined benefit funds over the last five years.

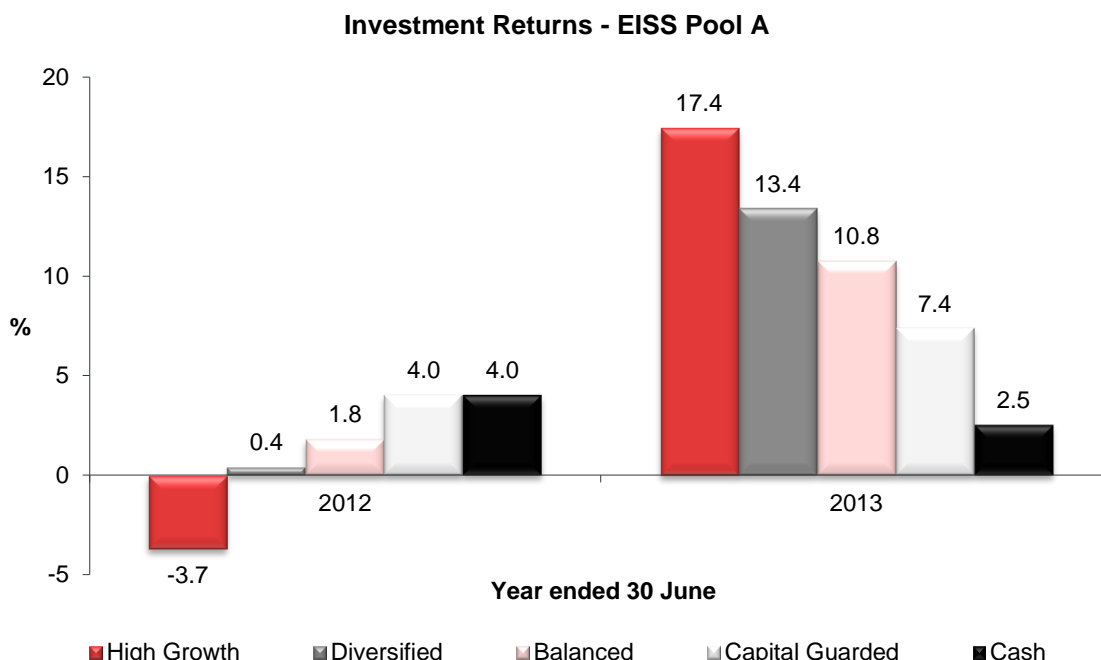
PCS Fund had the highest investment returns of all NSW Government defined benefit funds for the past two years



Source: Financial statements of the STC Pooled Fund, EISS Pool B and PCS Fund (audited).

Defined Contribution Investment Returns

The EISS Pool A fund is a defined contribution scheme. The graph below shows returns for the various investment options available to members. All options yielded a higher return in 2012-13, except the cash option, which fell primarily due to a decrease in interest and bond rates.



Source: Trustee of EISS Pool A (unaudited).

Funds Management Investment Returns

State Super Financial Services Australia Limited has two retail investment products:

- State Super Retirement Fund – including State Super Personal Retirement Plan, State Super Tailored Super Plan, State Super Allocated Pension Fund, State Super Term Allocated Pension Fund and State Super Flexible Income Plan
- State Super Investment Fund.

These products include nine investment choices available to clients with different investor risk profiles including:

- growth fund
- balanced fund
- capital stable fund
- cash fund
- fixed interest fund
- moderate fund
- Australian equities fund
- international equities fund
- growth plus fund (this investment choice is not available in all retail investment products).

The product performance table below shows average returns to investors for each retail investment product.

In 2012-13, the Growth Plus, Australian Equities and International Equities investment choices provided returns exceeding 20 per cent for investors in the Personal Retirement Plan, Allocated Pension Fund and Investment Fund. The Capital Stable, Cash and Fixed Interest

Investors in the Growth Plus, International Equities and Australian Equities investment choices earned returns in excess of 20 per cent in 2012-13

investment choices provided returns of less than six per cent, mostly due to lower interest and bond rates.

Average return for State Super Personal Retirement Plan, Allocated Pension Fund and Investment Fund investment choices	Product performance % per annum		
	1 Year %	3 Year %*	5 Year %*
Growth fund	19.6	9.4	3.9
Balanced fund	13.8	7.9	4.6
Capital stable fund	5.1	4.8	4.7
Cash fund	2.2	3.3	3.4
Fixed Interest fund	2.6	--	--
Moderate fund	8.9	--	--
Growth plus fund	21.8	--	--
Australian equities fund	22.1	--	--
International equities fund	25.1	--	--

* New investment options were introduced in 2011-12. As a result, the performance tables only show product performance for one year for new options.

Source: State Super Financial Services Australia Limited (unaudited).

The State Super Fixed Term Pension Plan is a defined benefit plan which closed for applications on 19 September 2004. The plan invests in a product developed by Deutsche Bank AG to fund the defined benefits obligations. No performance information is therefore provided.

Defined Benefit Superannuation Liabilities

The unfunded defined benefit superannuation liabilities of NSW Government superannuation funds were estimated to be \$16.9 billion at 30 June 2013 (\$17.5 billion at 30 June 2012). This liability, measured under Australian Accounting Standard AAS 25 *Financial Reporting by Superannuation Plans* (AAS 25), exists in three closed defined benefit funds:

- SAS Trustee Corporation Pooled Fund (STC Pooled Fund)
- Energy Industries Superannuation Scheme (EISS Pool B)
- Parliamentary Contributory Superannuation Fund (PCS Fund).

An unfunded defined benefit superannuation liability is the excess of accrued benefits payable to members over the fund's net assets.

The unfunded defined benefit superannuation liabilities were estimated to be \$16.9 billion at 30 June 2013

Funding of Defined Benefits Schemes

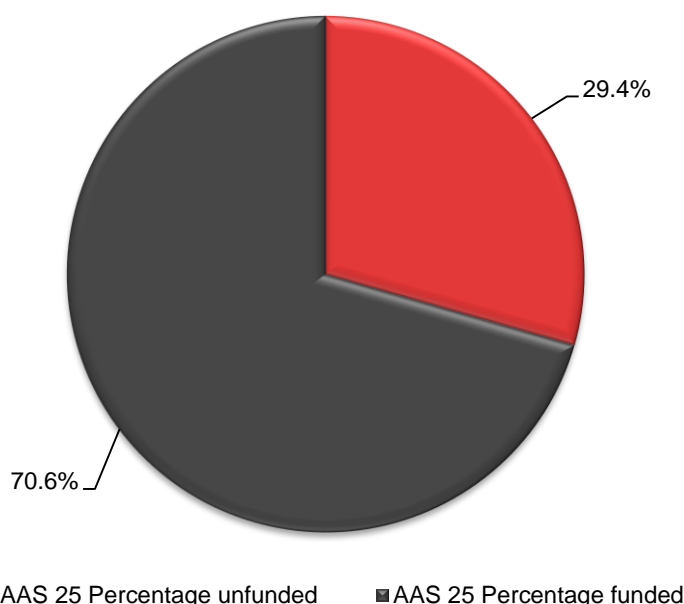
Contributions to the STC Pooled Fund, EISS Pool B and PCS Fund totalled \$1.6 billion, or an average of over \$12,500 per member

Employer contributions to the STC Pooled Fund, EISS Pool B and the PCS Fund (the Funds) were \$1.6 billion in 2012-13, an average of \$12,500 per member. This is significantly lower than the \$6.3 billion contributed in 2011-12, when the State provided additional funding of \$4.6 billion to the STC Pooled Fund, mainly from the proceeds of the sale of state owned assets.

Most contributions to the Funds are made by public sector employers. Some contributions come from private sector entities that have purchased state owned assets, such as the electricity entities. Employer contribution rates are determined by the Funds' trustees based on recommendations by actuaries.

The graph below shows the percentage of accrued defined benefit liabilities currently supported by the funds' net assets (under the AAS 25 measurement approach).

AAS25 Funded vs Unfunded Liabilities



Approximately 30 per cent of all accrued defined benefit liabilities of the three main NSW Government Funds are unfunded at 30 June 2013

Note: Funding measurements calculated under AAS 25 is most relevant for this analysis because it is used by the Government and Trustees when analysing funding levels.

Source: Trustees of the STC Pooled Fund, EISS Pool B and PCS Fund (unaudited).

Approximately 30 per cent of accrued liabilities are unfunded at 30 June 2013. Of the three funds, EISS Pool B has the lowest percentage of unfunded liabilities (11.1 per cent) while the PCS Fund has the highest at 30 June 2013 (36.2 per cent).

The *Fiscal Responsibility Act 2012* has a target to eliminate unfunded superannuation liabilities in the NSW Total State Sector by 2030. The amount of funding will be impacted by the Funds' investment returns.

The Government plans to eliminate the unfunded superannuation liability by 2030

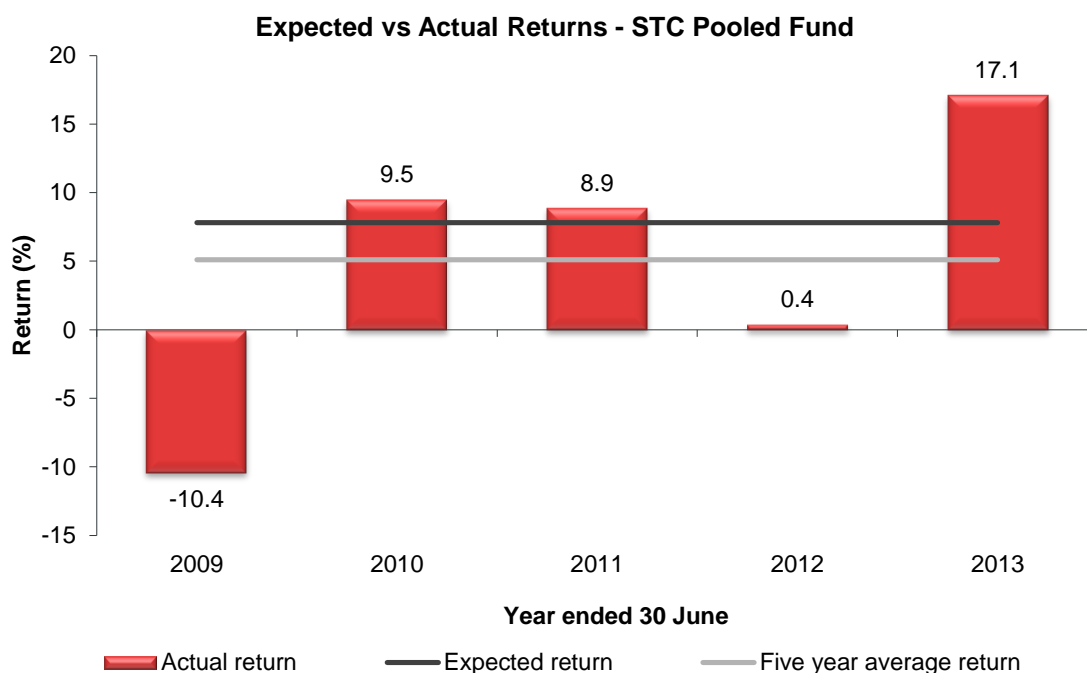
Risks if Expected Returns are not Achieved by the Funds

Superannuation funds and employer agencies measure and report defined benefit superannuation liabilities differently as required by the following Australian Accounting Standards:

- *AAS 25 Financial Reporting by Superannuation Plans*: measures liabilities to determine the funds required to discharge cash payment obligations
- *AASB 119 Employee Benefits*: measures the liabilities for financial statement reporting purposes by employers. The unfunded superannuation liability reported in the Total State Sector Financial Statements is measured on this basis.

The unfunded liability reported by the Funds was \$16.9 billion at 30 June 2013. This would rise if the Funds do not achieve their long-term expected rates of return of between 7.0 and 8.3 per cent. If the Funds earned a rate equivalent to the government bond rate the liability was estimated at \$42.2 billion at 30 June 2013.

The graph below shows the average investment return for STC Pooled Fund, the largest of the three defined benefits funds, in the past five years was 5.1 per cent. This is below the expected return of between 7.3 to 8.3 per cent. The ten year return for the fund was 7.1 per cent, closer to the expected rate of return.



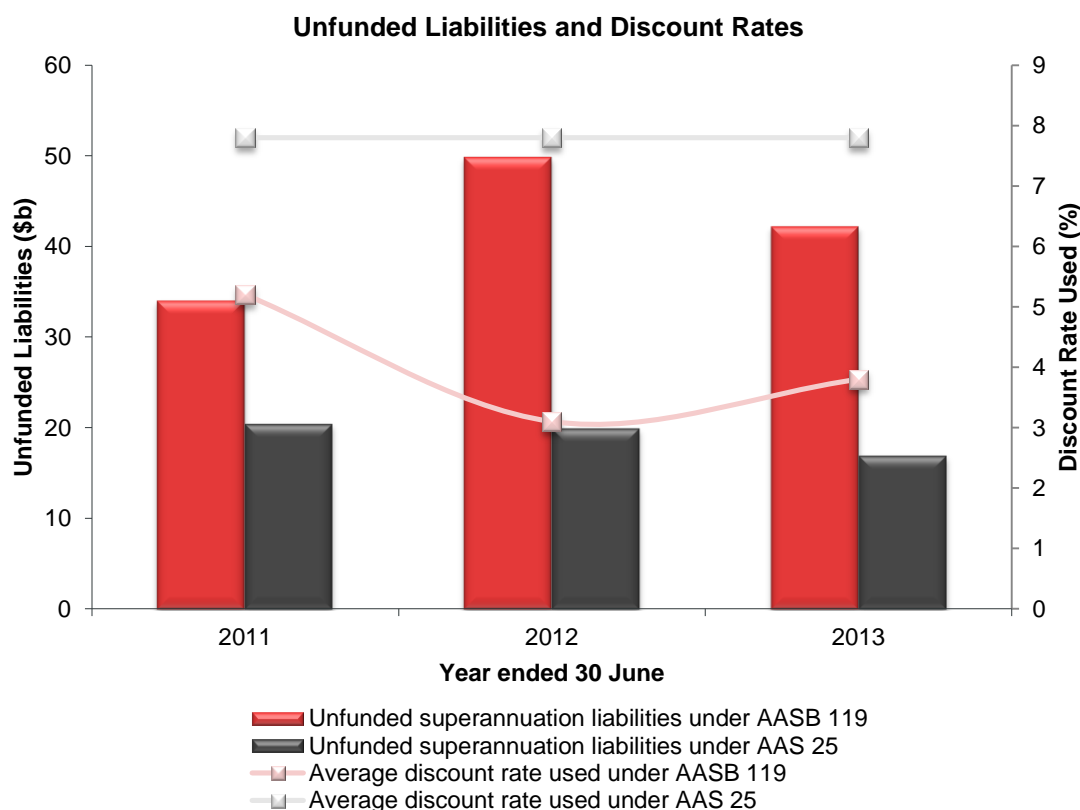
Source: Trustee of the STC Pooled Fund (unaudited).

The two measurement approaches produce significantly different results mainly due to the application of different discount rates as demonstrated below.

Summary	AAS 25 Superannuation fund entities	AASB 119 Employers and NSW Government (c)	Variation
Discount rate	Expected long-term after tax investment earnings rate	Government bond rate	
Discount rate used at 30 June 2013	Between 7.0 and 8.3 per cent	3.8 per cent	Between 3.2 and 4.5 per cent
Unfunded liability at 30 June 2013 ^{(a)(b)}	\$16.9 billion	\$42.2 billion	\$25.3 billion

- a Excludes unfunded superannuation liabilities of NSW universities (\$2.1 billion under AAS 25, \$4.3 billion under AASB 119 at 30 June 2013). See comment on University liabilities later in this overview.
- b The EISS Pool B unfunded liability is based on 30 June 2012 data from the most recent actuarial valuation performed. At 30 June 2012, the unfunded liability was estimated at \$246 million.
- c Unfunded liabilities of the relevant funds for AASB 119 are sourced from the NSW Total State Sector Accounts 2012-13.

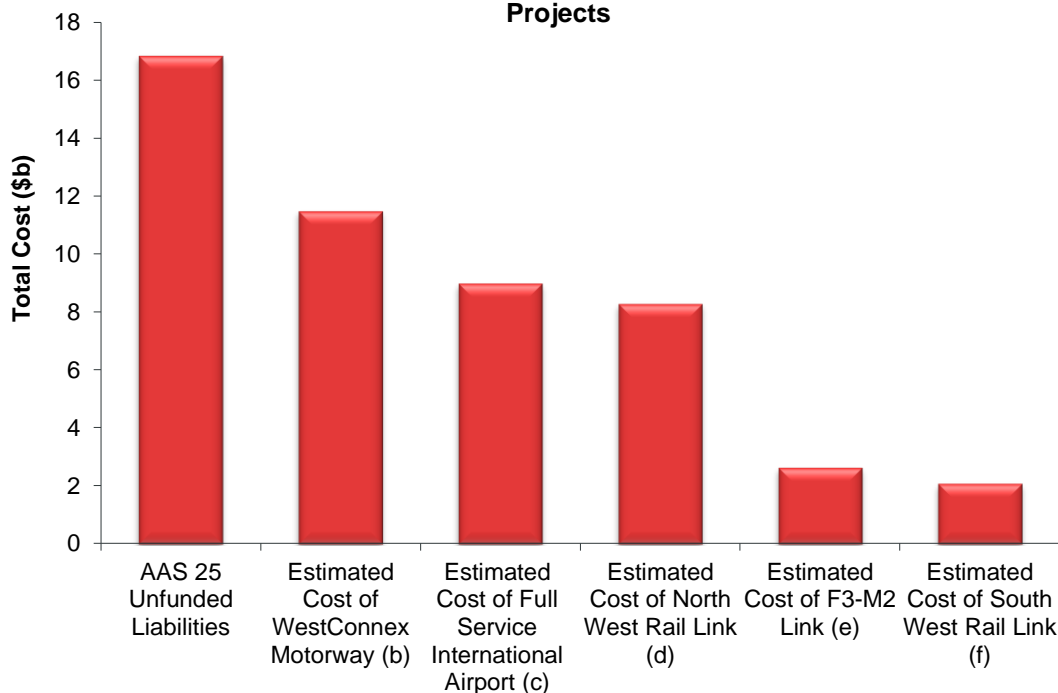
The graph below shows the effect of applying different discount rates to measure the unfunded liabilities. Unfunded superannuation liabilities reported by NSW public sector agencies have increased significantly since 2011, largely due to a lower discount rate used to calculate the present value of liabilities as required by AASB 119.



Cost of Unfunded Superannuation Liabilities Compared to Other Government Priorities

Funding the liabilities of the State Government's defined benefit superannuation funds has significant implications for Government decision makers. The graph below compares the cost of unfunded superannuation liabilities with the cost of major State Government infrastructure projects.

Unfunded Liabilities vs Major New South Wales Infrastructure Projects



The unfunded liability of \$16.9 billion dwarfs the estimated cost of any major government infrastructure project

- a Based on latest available employed person data published by the Australian Bureau of Statistics, the number of employed persons was 3,594,600 in February 2012.
- b Source: WestConnex Motorway Business Case Executive Summary September 2013. Total estimated capital cost is \$11-11.5 billion.
- c Source: The Department of Infrastructure and Regional Development, 'Part Eight: Options to develop new infrastructure to gain capacity to meet forecast demand'
- d Source: Transport for NSW, 'North West Rail Link'
- e Source: Roads and Maritime Services, 'F3-M2 Unsolicited proposal moves to stage 3', published 30 May 2013
- f Source: NSW Parliament, 'South West Rail Link'

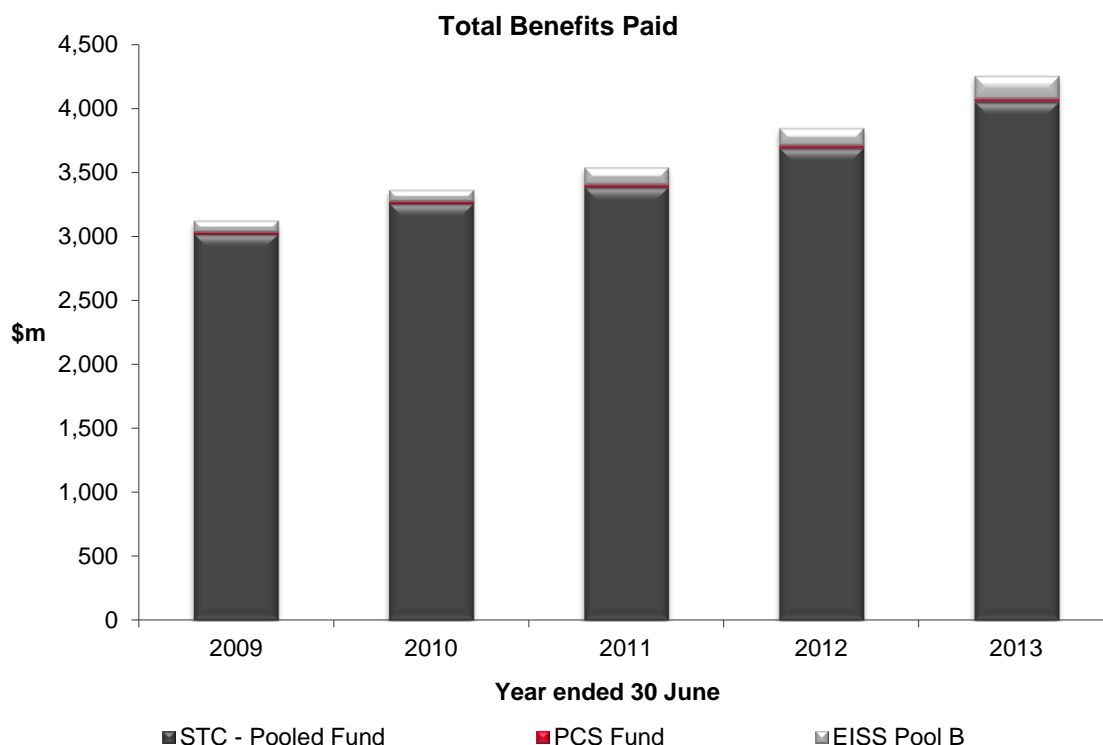
The unfunded superannuation liabilities of \$16.9 billion are significantly greater than any of the State's major infrastructure projects, including WestConnex, the largest planned transport project in Australia.

Benefits paid for the year were \$4.3 billion, an increase of \$1.1 billion or 36 per cent compared to 2009

Increasing Benefit Payments

Benefits paid by the STC Pooled Fund, EISS Pool B and PCS Fund have increased significantly over the last five years.

Pension and lump sum benefit payments increased by \$1.1 billion (36 per cent) to \$4.3 billion in 2012-13 from \$3.1 billion in 2008-09, as illustrated in the graph below. The trustees planned for this increase and ensured sufficient liquidity was available to pay benefits when they were due.



Note: Benefits paid include pension and lump sum benefits.

Source: Financial statements of the STC Pooled Fund, EISS Pool B and PCS Fund (audited).

The benefit payments are increasing because of:

- the ageing profile of contributory members
- the increasing life expectancy of members
- the scheme rules defining members' benefit entitlements.

The NSW Government closed most defined benefit schemes in the 1980's and 1990's, and the PCS Fund in 2007.

Ageing Profile of Contributory Members

NSW's defined benefit funds are closed to new members. As discussed in more detail later in this overview, most contributory and deferred members are nearing retirement age and will become entitled to lump sum or/and pension payments in the next ten years. This will increase total benefit payments over coming years.

Increase in Life Expectancy

Statistics from the Australian Institute of Health and Welfare show a significant increase in life expectancy for Australians. Between 1920, when the STC Pooled Fund's SSS scheme started, and 2006, life expectancy improved by 19.5 years for men and 20.2 years for women. The gap between life expectancy and retirement ages (between 55 and 60) for most members, has also grown considerably and continues to get larger.

Since the STC Pooled Fund was established in 1920, the gap between retirement age and life expectancy has grown significantly

Benefit Payments

When a member exits a defined benefit fund, depending on the fund rules, they can choose either a lump sum payment, a lifetime pension or a combination of the two.

Lump sum and pension payments are prescribed in the scheme rules and legislation and vary depending on the member's years of service, contribution levels and final salary. The benefit payments are largely funded by employer contributions.

Lump sum benefits and pension payments for 2012-13 are discussed below.

Lump Sum Benefits

Lump sum benefits paid in 2012-13 by the three defined benefit funds were:

Year ended 30 June 2013	Number of benefits	Total value of benefits* \$
Total lump sum benefits paid		
> \$1million	56	68,603,246
\$900,000-\$1 million	30	28,524,268
\$800,000-\$900,000	63	53,176,782
\$700,000-\$800,000	121	90,006,268
\$600,000-\$700,000	225	144,915,485
\$500,000-\$600,000	441	240,623,817
<\$500,000	5,762	1,007,541,387
Total	6,698	1,633,391,253

* Some small payments may be excluded from the data

Source: Trustees of the STC Pooled Fund, EISS Pool B and PCS Fund (unaudited).

The table shows more than 85 per cent of members received lump sum payments below \$500,000 and 56 members received payments exceeding \$1 million.

Pensions

Pension payments at 30 June 2013 for the three defined benefit funds were:

At 30 June 2013	Number of pensioners	Total value of fortnightly pension \$
Fortnightly pensions paid		
> \$5,000	164	976,276
\$4,500-\$4,999	175	824,541
\$4,000-\$4,499	301	1,273,321
\$3,500-\$3,999	580	2,154,626
\$3,000-\$3,499	1,222	3,912,944
\$2,500-\$2,999	3,293	8,889,732
\$2,000-\$2,499	9,186	20,311,046
< \$2,000	47,072	56,437,984
Total	61,993	94,780,470

Source: Trustees of the STC Pooled Fund, EISS Pool B and PCS Fund (unaudited).

Over 75 per cent of pensioners receive less than \$2,000 fortnightly, while 164 pensioners receive more than \$5,000 per fortnight (over \$130,000 per annum after tax).

Fortnightly pension payments for defined benefit funds were \$94.8 million at 30 June 2013

Superannuation Liabilities of NSW Universities

The unfunded superannuation liability of NSW universities has decreased by over \$250 million but exceeds \$2.1 billion

Employees of NSW universities are members of the STC Pooled Fund. At 30 June 2013, members' accrued benefits were \$3.5 billion and net assets available to pay benefits were \$1.4 billion. The percentage of unfunded liabilities at 30 June 2013 decreased to 60.1 per cent (62.5 per cent at 30 June 2012).

At 30 June	2013	2012
Accrued member benefits measured using AAS 25 (\$m)	3,519	3,789
Net assets available to pay benefits, including employer and member reserves (\$m)	1,404	1,421
Unfunded liabilities (\$m)	2,115	2,368
Percentage unfunded (%)	60.1	62.5
Percentage funded (%)	39.9	37.5

Source: Trustee of the STC Pooled Fund (unaudited).

The Australian and NSW Governments have agreed to fund any shortfall of university member benefit payments in 2013-14

While the table shows \$1.4 billion is available for universities to pay benefits, some universities' funding situations require more immediate action than others. More than \$294 million was paid to members during the year to 30 June 2013.

Negotiations between the Australian Government and NSW Government to fund these superannuation liabilities are advanced. The governments have reached an interim agreement for 2013-14. They advised the Trustee that if there is a shortfall in any university's fund reserves in 2013-14, both governments will offer support to ensure beneficiary payments continue.

The Trustee has advised universities that when the governments reach a final agreement, it will require a funding plan that demonstrates how the universities intend to fulfil their obligations as the employer sponsors.

The ageing profile of members contributes to the significance of this issue. At 30 June 2013, 16 per cent of members were aged 60 years or older and entitled to their retirement benefits. Another 34 per cent were aged between 55 and 60 years and entitled to early retirement benefits. Benefit payments are, therefore, likely to increase significantly in the short-term, putting further pressure on the need for a formal funding agreement.

Police Hurt on Duty Benefit Payments

Most members who retire from the Police Superannuation Scheme (PSS) do so under 'hurt on duty' provisions in the legislation and receive full entitlements as deemed retirees.

During 2012-13, 111 (163 in 2011-12) members retired hurt on duty. At 30 June 2013, 79 per cent of all PSS pensioners received a 'hurt on duty' pension and about 40 per cent of them were younger than 50.

In 2012-13, the Pooled Fund paid approximately \$330 million in 'hurt on duty' pensions. The high value of 'hurt on duty' pensions is because:

- members exit the fund much earlier than retirement age
- fewer years of service does not affect the calculation of the superannuation benefit.

Last year's report to Parliament recommended the SAS Trustee Corporation (the Trustee) review the requirements around performing periodic reviews of invalid benefit entitlements as allowed by the PSS legislation. PSS pensioners can be awarded pensions of 85 per cent or more of their pre-disability salary if they are totally incapacitated for work outside the Police Force.

Over 79 per cent of police pensioners receive a hurt on duty pension

Periodic reviews of police hurt on duty pensioners will commence in late 2013

The Trustee board advised that police 'hurt on duty' pensioners, granted 85 per cent or more of their pre-disablement salary as a pension on or after 28 August 2008, would be reviewed every five years until reaching age 60 to ensure they are still totally incapacitated for work outside the Force.

The Police Superannuation Advisory Committee (PSAC) has considered the review process. The first reviews were scheduled to start in the second half of 2013. This is a significant achievement for the Trustee and the outcome of the reviews will be monitored and reported on in future years.

Update on Energy Industries Superannuation Scheme structure

Energy Industries Superannuation Scheme made improvements to its structure in 2012-13

Previous reports to Parliament recommended the complex structure of the Energy Industries Superannuation Scheme (EISS) and its associated entities be reviewed. The Trustee has made many changes to the Scheme's structure in 2012-13, including:

- selling its share of the administrator, FuturePlus Financial Services, to Link Group in December 2012. The sale generated a profit for members of the schemes and the new administration contract with the purchaser has enabled the Trustee to reduce overall operating costs of the schemes
- resolving to become a Public Offer Superannuation Fund, which means EISS Pool A will be open to people outside the energy industry and will allow current members to retain and add to superannuation accounts with EISS, even if they leave their current employers. This process is complete and became effective from 22 October 2013
- obtaining an Australian Financial Services License (AFSL) from the Australian Security and Investment Commission (ASIC) in September 2013
- obtaining a MySuper fund license from the Australian Prudential Regulation Authority (APRA) in late July 2013. MySuper is an Australian Government initiative under the Stronger Super reforms aimed at helping consumers compare superannuation funds and avoid paying for features they do not require.

Other Information

Compliance Changes to Superannuation and Costs to Funds

The Cooper Review into the governance, efficiency, structure and operation of Australia's Superannuation System was released on 30 June 2010. As a result of this review, the compliance landscape for superannuation funds changed significantly. The changes were designed to benefit members through increasing governance and achieving cost savings.

In response to the Cooper Review recommendations, the Australian Government released 'Stronger Super' in September 2011, which contained key design aspects on superannuation reform. These included 'Superstream', which aims to introduce major efficiencies in superannuation back office functions, and 'MySuper', to enable trustees to offer simple, cost-effective superannuation options.

During 2012-13, the Australian Prudential Regulation Authority (APRA) released force of law prudential standards for the superannuation industry to adopt by 1 July 2013. Six are behavioural standards and seven are technical standards.

APRA Behavioural standards	APRA Technical standards
SPS 510 Governance	SPS 521 Conflicts of Interest
SPS 520 Fit and Proper	SPS 530 Investment Governance
SPS 220 Risk Management	SPS 250 Insurance in Superannuation
SPS 232 Business Continuity Management	SPS 160 Defined Benefit Matters
SPS 231 Outsourcing	SPS 114 Operational Risk Financial Requirement
SPS 310 Audit and Related Matters.	SPS 410 MySuper Transition
	SPS 450 Eligible Rollover Fund (ERF) Transition

In March 2013, APRA also released 35 reporting standards, forms and instructions for superannuation funds. Twenty five of these are effective for periods ending on or before 30 June 2014. The remaining ten are applicable for periods ending on or after 1 July 2014.

The changes to the regulatory landscape have placed additional compliance requirements on superannuation funds and resulted in increased costs.

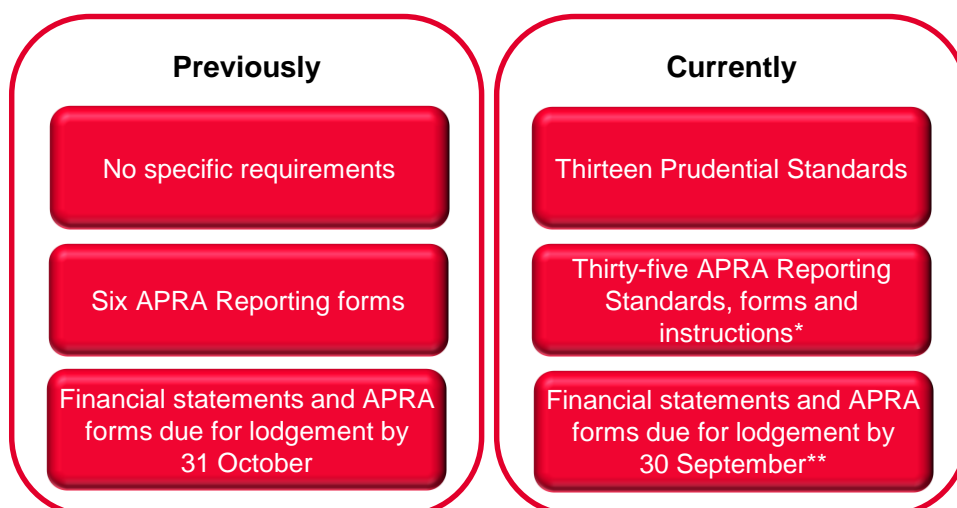
The Energy Industries Superannuation Scheme, Crown Employees (NSW Fire Brigades Fire Fighting Staff Death and Disability) Superannuation Fund and State Super Financial Services Australia Limited have put compliance plans in place to meet the new requirements.

The STC Pooled Fund and PCS Fund do not need to comply with APRA rules and regulations, but have, nevertheless, decided to apply relevant APRA prudential standards as a matter of good corporate governance. Due to its nature and small size, the PCS Fund is determining the extent to which it will comply with the standards.

New APRA regulatory requirements have strengthened superannuation fund governance and increased compliance costs

The STC Pooled Fund is exempt from new APRA Prudential Standards but complies as a matter of good corporate governance

Some of the major changes in the regulatory environment are summarised below:



* 25 reporting standards are applicable for periods ending on or before 30 June 2014. The remaining ten reporting standards are applicable for periods ending on or after 1 July 2014

** This requirement becomes effective in the year-ending 30 June 2015.

Administration and Investment Services in Superannuation Funds

Outsourcing

The superannuation industry has a high level of outsourcing, particularly for investment management, custody and administration. Trustees appoint independent entities as custodians of fund assets and to perform administrative, accounting, monitoring and reporting functions. They also appoint investment fund managers to invest and manage fund assets in accordance with investment management agreements.

One of APRA's new prudential standards covers outsourcing and aims to ensure all such arrangements involving material business activities are subject to appropriate due diligence, approval and ongoing monitoring.

Outsourced services provided to NSW superannuation entities in 2012-13 included:

Superannuation Fund	Custodian	Administrator	No. of investment fund managers
Defined benefit superannuation funds			
STC Pooled Funds	JP Morgan, Chase	Pillar Administration	47
Energy Industries Superannuation Scheme- Pool B	JP Morgan, Chase	FuturePlus Financial Services Pty Limited (purchased by Link Group in 2012)	19
Parliamentary Contributory NAB Superannuation Fund		Pillar Administration	9
Other superannuation funds			
State Super Financial Services	Not applicable	Not applicable	19 (1)
State Super Retirement Fund	JP Morgan, Chase	State Super Financial Services	Not applicable (2)
State Super Investment Fund	JP Morgan, Chase	State Super Financial Services	Not applicable (2)
State Super Fixed Term Pension Plan	Deutsche Bank AG	State Super Financial Services	Not applicable(3)
NSW Fire Brigades Firefighting Staff Death and Disability Superannuation Fund	Not applicable	Equity Investment Management Limited	Not applicable (4)

- 1 State Super Financial Services appoints fund managers to manage different products, including the State Super Retirement Fund, State Super Investment Fund and State Super Fixed Term Pension Plan.
- 2 The fund does not manage investments or appoint fund managers.
- 3 The State Super Fixed Term Pension Plan closed for applications on 19 September 2004 and no longer receives contributions. The fund invests in two products developed by Deutsche Bank AG, which also acts as the custodian.
- 4 The fund does not manage investments or appoint fund managers. Contributions received fund operating expenses and insurance cover. Benefits are provided via insurance arrangements.

The defined benefit funds paid \$43.7 million in administration costs in 2012-13, a decrease of 4.8 per cent compared to the prior year

Administration and Investment Costs of Superannuation Funds

Administration and investment costs of the three major defined benefit funds are shown below.

Year ended 30 June	Pooled Fund		EISS Pool B		PCS Fund	
	2013	2012	2013	2012	2013	2012
Direct investment fees (\$'000) (c)	95,800	85,800	--	--	182	160
Administration costs (\$'000) (a)	34,200	34,900	8,957	10,372	538	586
Average Funds Under Management for the year (\$'000) (b)	36,280,450	33,265,650	2,046,479	1,937,601	221,630	203,261
Administration cost as a % of FUM (b)	0.09	0.10	0.44	0.54	0.24	0.29
Direct investment fees as a % of FUM (b)	0.26	0.26	--	--	0.08	0.08

a Includes Trustee and administration costs (source: financial statements)

b FUM is average Funds Under Management during the year

c Direct investment fees are not recorded in the financial statements of either EISS Pool A or Pool B. PCS Fund records a lower level of direct investment fees as most of its investment costs are recorded as indirect investment fees offset against returns.

Administration and investment costs for EISS Pool A, the only accumulation fund, are shown below.

Year ended 30 June	EISS Pool A	
	2013	2012
Direct investment fees (\$'000) (c)	--	--
Administration costs (\$'000) (a)	8,896	7,925
Average Funds Under Management for the year (\$'000) (b)	1,650,315	1,395,929
Administration cost as a % of FUM (b)	0.54	0.57
Direct investment fees as a % of FUM (b)	--	--

a Includes Trustee and administration costs (source: financial statements)

b FUM is average Funds Under Management during the year (source: unaudited)

c Direct investment fees are not recorded in the financial statements of either EISS Pool A or Pool B.

Triennial Actuarial Valuation

The defined benefit funds legislation and *Superannuation Industry (Supervision) Act 1993* requires a triennial actuarial review to investigate each fund's financial position, including member accrued benefits. The review makes recommendations to government regarding the level of contributions employer agencies should make. Due to the complexity and significance of the assumptions used, actuarial expertise is required to calculate members' accrued benefits. Additionally, annual actuarial solvency calculations are performed to monitor funds' financial strength.

Actuarial estimates involve many assumptions and judgements, such as future investment earnings. The following table summarises the key long-term assumptions from the most recent actuarial review of the three major defined benefit funds.

Triennial actuarial assumptions (% per annum)	STC Pooled Fund (a) %	EISS Pool B (a) %	PCS Fund (b) %
Investment rate of return (c)			
- asset backed pension liabilities	8.3	7.0	8.3
- other	7.3	--	--
Salary increase rate	4.0	4.0	4.0
CPI increase rate	2.5	2.5	2.5

a Most recent actuarial review completed for the year ended 30 June 2012.

b Most recent actuarial review completed for the year ended 30 June 2011.

c The actuary takes into account asset allocations, which differ from fund to fund.

Source: Fund's Triennial Actuarial Reviews.

The STC Pooled Fund and PCS Fund actuaries calculate the value of the accrued liabilities at 30 June each year. The results of these annual assessments are discussed elsewhere in this Overview. The assumptions used in the annual assessment largely agree with those used in the triennial actuarial review. Adjustments are made to assumptions when needed, i.e. short-term projected salary increases have been adjusted in line with the NSW Government's current wages policy.

There may be significant differences between an actuarially projected amount and the actual outcome. Actual investment earnings, increases in pensions and members' salaries, and the flow of employer contributions all impact the actual unfunded liability. Any assessment of variations between actual experience and assumptions can only be carried out in hindsight.

Review of AAS 25 Financial Reporting by Superannuation Plans

The financial reporting of Government superannuation funds will be significantly impacted by the proposed superannuation accounting standard, which is likely to be applicable in the year ending 30 June 2016. The current accounting standard is over 20 years old.

The Australian Accounting Standards Board (AASB) issued Exposure Draft ED 223 *Superannuation Entities* in 2011, the second exposure draft provided on this issue.

The exposure draft, which is expected to be released as an accounting standard in late 2013, will require superannuation entities to align their financial statements with developments in the broader finance and accounting industry.

The Funds project return on assets of between 7.0 and 8.3 per cent in their triennial reviews

The new accounting standard applicable to superannuation funds is expected to be finalised and released in the fourth quarter of 2013

Some proposed changes in the standard that will impact NSW Government superannuation funds, include:

Proposal	Impact on NSW Government Superannuation Funds' Financial Statements
Measure assets at fair value with no adjustments for transaction costs	This is a departure from AAS25 which requires assets to be measured at net market value. The increase in asset values for most funds is unlikely to be material since transaction costs usually range from 0 to 2 per cent.
Recognise members accrued benefits as liabilities	Change in classification and presentation of liabilities on the face of the statement of financial position rather than disclosed in the notes. This will make unfunded liabilities more visible in financial reports. New South Wales' three main defined benefit funds each have an excess of accrued benefits over net assets.
Calculate defined benefit liabilities based on accrued rather than vested benefits. The liability should be the present value of expected future benefit payments using the projected unit credit method approach, which aligns more closely with AASB 119 <i>Employee Benefits</i> . The discount rate would continue to be the expected notional return on the portfolio of assets held by the fund.	<p>The proposed discount rate is not significantly different from that used under AAS 25.</p> <p>The change in method used to calculate the accrued benefits would not likely have a significant impact on the unfunded liability reported by the State's defined benefit funds.</p>
Separate statements required for income statement and statement of changes in member benefits.	Change in financial statements presentation.
Legislative guarantees to a superannuation entity in relation to meeting accrued defined benefits should be accounted for as assets under relevant financial instrument accounting standards*	This proposed change was discussed by the AASB following the release of ED 223. If introduced, the proposed change may allow some New South Wales' defined benefit funds to include a financial asset on the Statement of Financial Position since arrangements are in place with Treasury and the employer sponsors to meet future funding requirements.

* This proposal was recommend after ED 223 was issued.

Source: Australian Accounting Standards Board (proposal only).

Superannuation funds are increasingly attracting member and public interest in their financial position, performance and risk profile. This is due to the volatility in investment markets, concerns about the ageing population, the adequacy of retirement savings and the management and funding of defined benefit liabilities. The revised accounting standard should help superannuation funds meet the growing needs of users of their financial statements.

The new Accounting Standard aims to address increased public interest in the performance and operations of superannuation funds

Fund Membership

There are over 126,000 members in the State's three main defined benefit funds and over 18,000 members in the defined contribution fund, EISS Pool A. The information below summarises the membership of each fund.

Pooled Fund Membership

The table below summarises the STC Pooled Fund's membership at 30 June each year. Membership is falling because:

- the schemes are closed to new members
- more members are reaching scheme retirement age (refer below to ageing demographics - active and deferred members).

At 30 June	2013	2012	2011	2010	2009
Active members	47,570	53,317	58,842	64,015	69,209
Deferred members *	13,158	13,420	13,691	14,217	14,916
Pensioners	61,251	59,438	57,893	57,790	54,910
Total	121,979	126,175	130,426	136,022	139,035

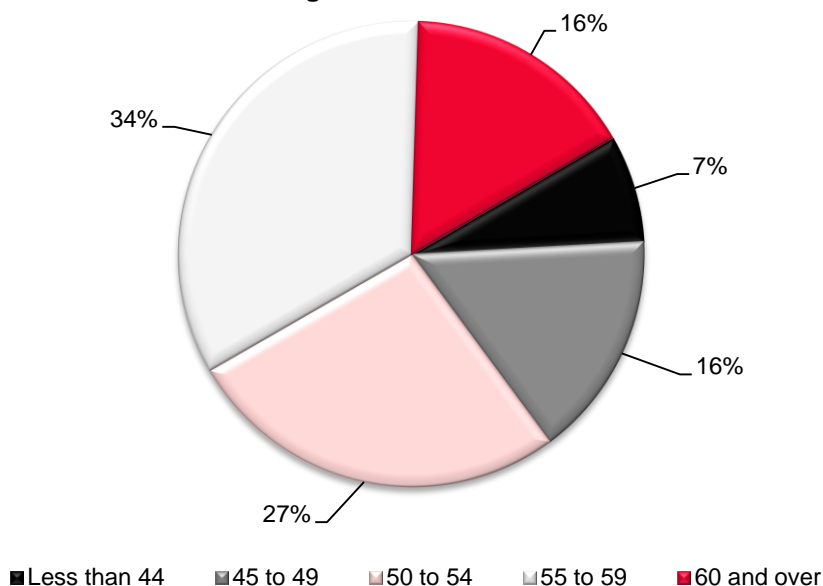
* Deferred members are those who are not actively contributing to their superannuation accounts and have not started their pensions or withdrawn their benefit from the schemes.

Source: Trustees (unaudited).

Active and Deferred Members

The age profile of the STC Pooled Fund's active and deferred members at 30 June 2013 was:

Fund Membership (Active and Deferred) at 30 June 2013
Age Profile in Years



Over 75 per cent of the STC Pooled Fund members are at or nearing retirement age

Source: Trustees (unaudited).

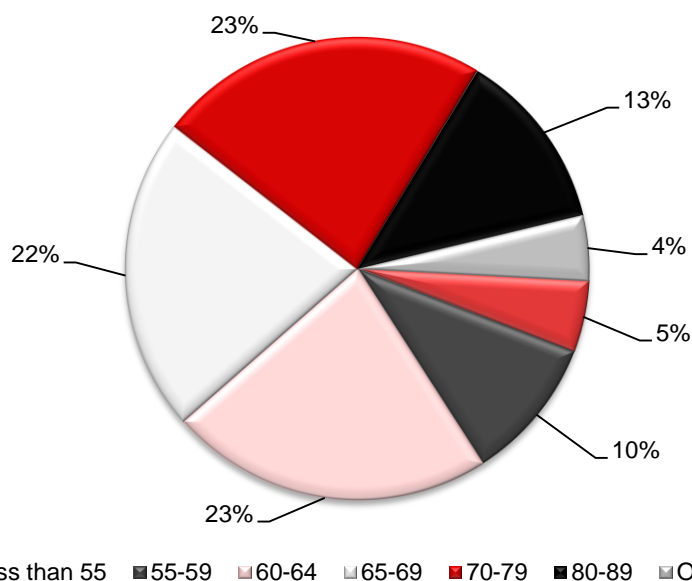
The STC Pooled Fund's age profile poses challenges to managing liquidity risk, investment asset allocation and the timing of asset acquisitions and disposals. The Trustee manages these issues as part of strategic asset allocation.

The graph shows 61 per cent of members are approaching retirement age and 16 per cent have reached the minimum retirement age. The ageing demographic means asset liquidation will be needed in coming years to ensure benefit payments can be met when they are due.

Members in Pension Phase

The age profile of the STC Pooled Fund's pensioners at year end was:

**Fund Membership (Pensioners) at 30 June 2013
Age Profile in Years**



Source: Trustees (unaudited).

The graph shows 17 per cent of pensioners have reached age 80, 2,789 of whom are older than 90. As pensioners are living longer, 38 per cent of the members in the pension phase are under 65 years old.

Of the 61,251 pensioners at 30 June 2013:

- 63 per cent exited the workforce under normal or early retirement conditions (including retrenchment)
- 21 per cent exited through invalid retirement (including Police 'hurt on duty' discussed above)
- 15 per cent became entitled to a child or spouse pension after the death of a member.

Over
17 per cent of
the STC Pooled
Fund's
pensioners are
80 years or
older

PCS Fund Membership

The PCS Fund provides superannuation arrangements for members of parliament who were re-elected to parliament up until the 2007 election. The table below summarises the PCS Fund's membership at 30 June each year.

At 30 June	2013	2012	2011	2010	2009
Contributory members(a)	43	45	47	95	97
Non-contributory members(b)	--	1	1	1	--
Deferred members (c)	10	10	11	4	3
Suspended pensioners (d)	7	7	5	6	6
Pensioners (e)	268	272	279	257	258
Total	328	335	343	363	364

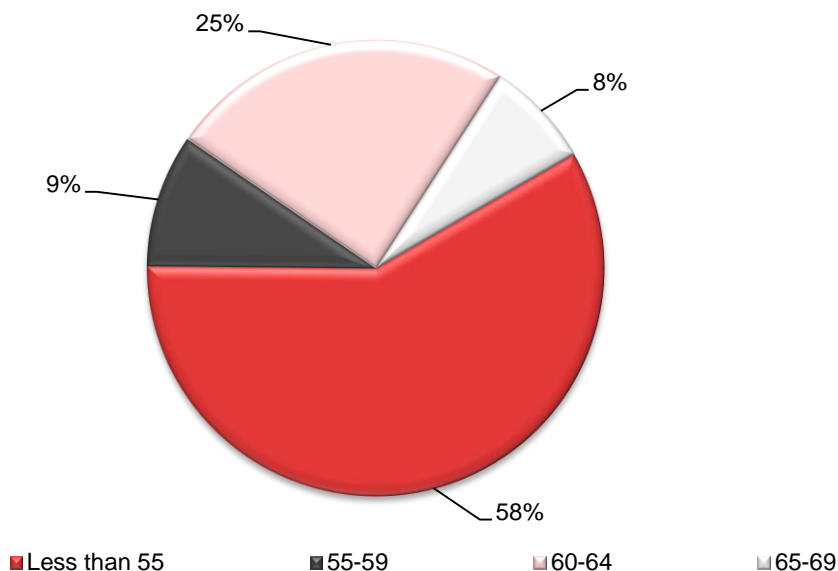
- a Contributory members - current members of the Legislative Council and Legislative Assembly who are contributing to the Fund.
- b Non-contributory members - current members of parliament who elected under Fund legislation to cease making contributions as they had attained 65 years of age and completed 20 years of service.
- c Deferred members - either deferred pensioners: former members of parliament who, under Fund legislation, cannot receive payment of their pensions until they attain the age of 55, or deferred lump sum members: former members of parliament who have elected to keep a lump sum benefit deferred or preserved in the Fund.
- d Suspended pensioners - former members of parliament whose pension is suspended under Fund legislation as they later became a member of the Commonwealth or another State Parliament, or a former member of parliament whose pension is suspended under section 19AA of Fund legislation. Under this section, the pension entitlement is suspended while criminal proceedings for a serious offence are pending.
- e Pensioners - former members of parliament and spouses and children of deceased members, who are receiving pensions from the Fund.

Source: Trustees (unaudited).

Active and Deferred Members

The age profile of the PCS Fund's active and deferred members at 30 June 2013 was:

Fund Membership (Active and Deferred) at 30 June 2013
Age Profile in Years



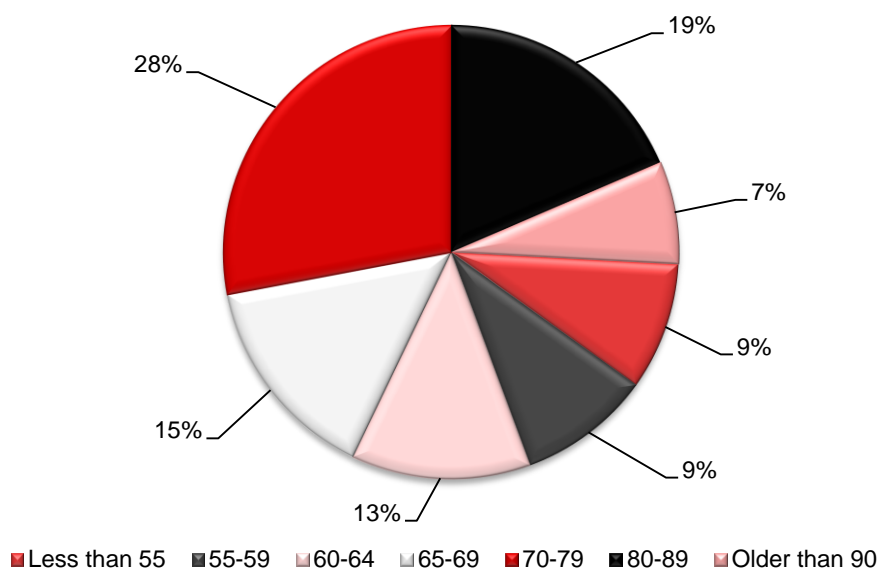
Source: Trustees (unaudited).

Of the 53 active and deferred members in the fund, 42 per cent are above the retirement age of 55 years. As these members retire, a significant increase in lump sum benefits and pension payments will occur. The Trustee and its asset consultants continue to monitor the liquidity of the fund to ensure it is able to pay these liabilities when due.

Members in Pension Phase

The age profile of the PCS Fund's pensioners at 30 June 2013 was:

Fund Membership (Pensioners - Current and Suspended)
at 30 June 2013
Age Profile in Years



Source: Trustees (unaudited).

The graph shows 26 per cent of pensioners are currently 80 years or older, the highest proportion of the three defined benefit funds.

Forty two per cent of PCS Fund members are older than 55 and eligible for retirement benefits under fund rules

Twenty-six per cent of PCS Fund pensioners are currently 80 years or older

EISS Fund Membership

The tables below summarise the Energy Industries Superannuation Scheme membership at 30 June each year for the EISS Pool A and Pool B respectively:

EISS Pool A- Defined Contribution Scheme

At 30 June	2013	2012	2011	2010	2009
Active members (contributors)	17,063	17,308	16,773	16,104	15,183
Pension members	1,450	1,255	1,133	952	835
Total	18,513	18,563	17,906	17,056	16,018

EISS Pool B- Closed Defined Benefit Scheme

At 30 June	2013	2012	2011	2010	2009
Active members	3,287	3,581	3,787	4,002	3,583
Deferred members *	689	707	743	759	707
Pensioners	510	461	429	404	461
Total	4,486	4,749	4,959	5,165	4,751

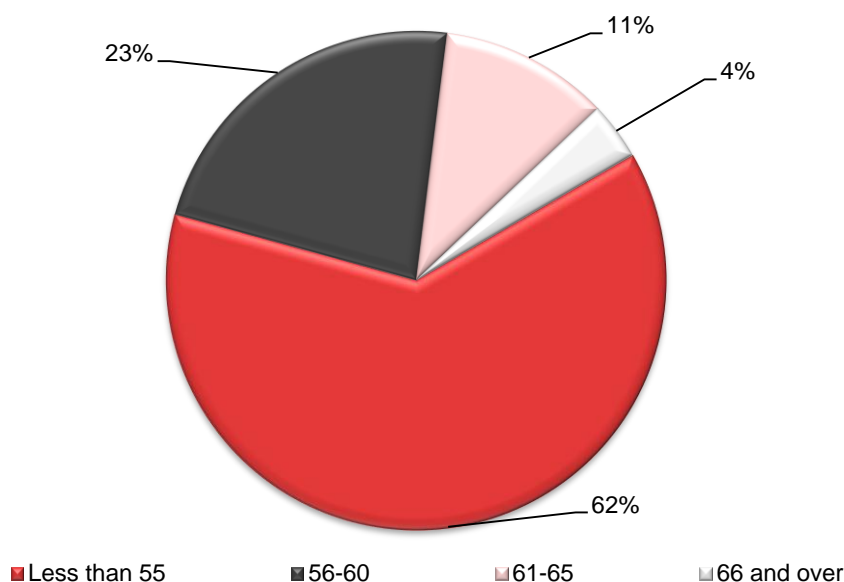
* Deferred members are those who are not actively contributing to their superannuation accounts and have not started their pensions or withdrawn their benefit from the schemes.

Source: Trustees (unaudited).

Active and Deferred Members: EISS Pool B

The age profile of EISS Pool B's active and deferred members at 30 June 2013 was:

EISS Pool B - Fund Membership (Active and Deferred) at 30 June 2013
Age Profile in Years



Source: Trustees (unaudited).

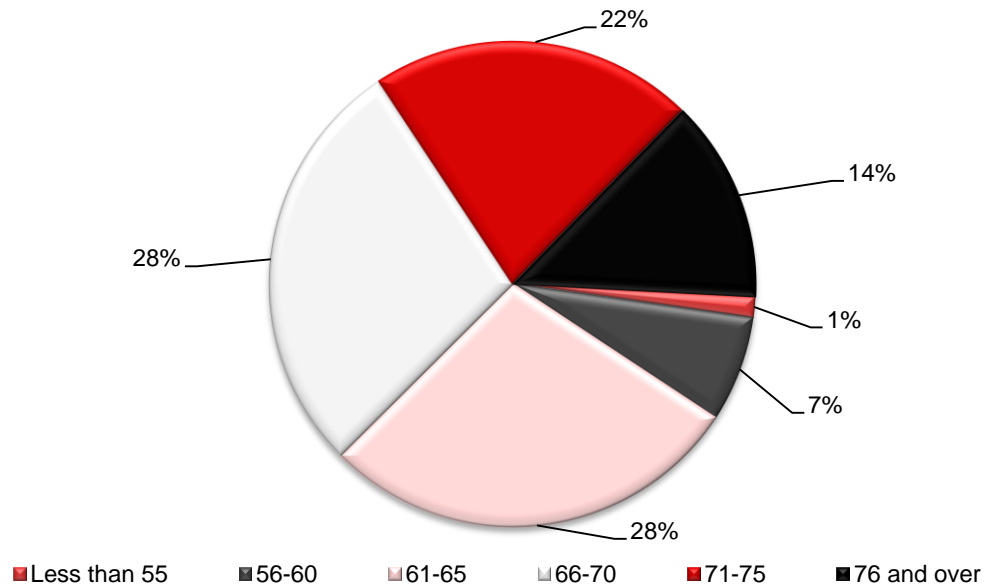
The graph above shows 23 per cent of members are approaching retirement and 14 per cent are above normal retirement age. The fund can expect over 35 per cent, or approximately 1,500 members, to exit the scheme within the decade. The trustee is closely monitoring the demographics of the scheme's membership to ensure sufficient liquidity is available to pay these liabilities when due.

Over 35 per cent of EISS Pool B members will retire within the decade

Members in Pension Phase: EISS Pool B

The age profile of EISS Pool B's pensioners at 30 June 2013 was:

EISS Pool B - Fund Membership (Pensioners) at 30 June 2013
Age Profile in Years



Source: Trustees (unaudited).

At 30 June 2013, 36 per cent of EISS Pool B pensioners were older than 70. Despite the increasing life expectancy of Australian workers, as discussed earlier, the unfunded defined benefit liability for EISS Pool B is only \$15 million at 30 June 2013. This is due to the structure of the electricity industry and historically high level of employer contributions.

Financial Information

Following are abridged financial statements for the three major NSW Government defined benefit superannuation funds.

Defined Benefit Funds

Fund	STC Pooled Fund		EISS - Pool B		PCS Fund		Total	
	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m
Statement of Changes in Net Assets (abridged)								
Year ended 30 June								
Net assets available at beginning of financial year	34,352	32,179	1,968	1,964	199	212	36,519	34,355
Total revenue	3,386	7,950	248	216	29	24	3,663	8,190
Total expenses	(4,182)	(3,810)	(192)	(147)	(23)	(24)	(4,397)	(3,981)
Increase/(decrease) in net market value of investments	4,777	(1,240)	208	(43)	24	(11)	5,009	(1,294)
Income tax expense	(124)	(727)	(33)	(22)	(1)	(2)	(158)	(751)
Net assets available at end of financial year	38,209	34,352	2,199	1,968	228	199	40,636	36,519
Statement of Net Assets (abridged)								
At 30 June								
Investments	37,841	34,830	2,162	1,931	227	198	40,230	36,959
Other assets	673	483	38	49	6	6	717	538
Total assets	38,514	35,313	2,200	1,980	233	204	40,947	37,497
Total liabilities	305	961	1	12	5	5	311	978
Net assets available to pay benefits	38,209	34,352	2,199	1,968	228	199	40,636	36,519

Source: Financial statements (audited).

Following are abridged financial statements for NSW Government defined contribution superannuation funds.

Contribution Funds

Fund	EISS - Pool A		State Super Retirement Fund		State Super Investment Fund		Total	
	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m	2013 \$m	2012 \$m
Statement of Comprehensive Income (abridged)								
Year ended 30 June								
Total revenue	500	320	2,835	1,646	41	10	3,376	1,976
Total expenses	(12)	(11)	(126)	(105)	(4)	(4)	(142)	(120)
Income tax (expense)/benefit	(38)	(25)	23	19	--	--	(15)	(6)
Benefits accrued as a result of operations after income tax	450	284	2,732	1,560	37	6	3,219	1,850
Statement of Financial Position (abridged)								
At 30 June								
Investments	1,825	1,475	11,138	9,400	398	351	13,361	11,226
Other assets	40	51	422	275	27	23	489	349
Total assets	1,865	1,526	11,560	9,675	425	374	13,850	11,575
Total liabilities	14	15	81	45	9	5	104	65
Net assets available to pay benefits	1,851	1,511	11,479	9,630	416	369	13,746	11,510

Source: Financial statements (audited).

Following are abridged financial statements for NSW Government trustee entities.

Trustee Entities

Trustee	SAS Trustee Corporation		EISS Pty Limited		LGSS Pty Limited		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Statement of Comprehensive Income (abridged)								
Year ended 30 June								
Revenue	34,542	35,235	17,340	18,913	37,564	34,914	89,446	89,062
Employee related expenditure	3,489	6,052	2,257	3,467	7,930	7,790	13,676	17,309
Administration fees	25,068	24,895	8,546	11,295	19,456	18,675	53,070	54,865
Professional fees	3,100	2,820	2,828	1,597	2,755	2,425	8,683	6,842
Other expenses	2,885	1,468	3,709	2,554	7,396	6,015	13,990	10,037
Total expenses	34,542	35,235	17,340	18,913	37,537	34,905	89,419	89,053
Profit before income tax	--	--	--	--	27	9	27	9
Income tax benefit/(expense)	--	--	15	(1)	(26)	(8)	(11)	(9)
Profit/(loss)	--	--	15	(1)	1	1	16	--
Other Comprehensive income	--	--	--	--	--	--	--	--
Total comprehensive income/(expense)	--	--	15	(1)	1	1	16	--
Statement of Financial Position (abridged)								
At 30 June								
Cash and cash equivalents	1,740	950	2,218	1,015	620	2,051	4,578	4,016
Other assets	5,511	7,425	1,245	1,054	6,343	1,270	13,099	9,749
Total assets	7,251	8,375	3,463	2,069	6,963	3,321	17,677	13,765
Employee benefits	--#	--#	969	1,432	1,797	1,538	2,766	2,970
Other payables	7,251	8,375	2,480	639	5,164	1,782	14,895	10,796
Total liabilities	7,251	8,375	3,449	2,071	6,961	3,320	17,661	13,766
Net assets/(liabilities)	--	--	14	(2)	2	1	16	(1)

The employee benefits liabilities for STC are not recorded separately in their financial statements. These liabilities totaled \$1.2 million at 30 June 2013 (\$1.1 million in 2012)

Source: Financial statements (audited).

The table above does not include trustee entities of the Crown Employees (NSW Fire Brigades Fire Fighting Staff Death and Disability) Superannuation Fund and the Parliamentary Contributory Superannuation Fund as these entities are dormant and all transactions are processed through the respective funds.

Following are abridged financial statements for NSW Government-controlled other superannuation entities.

Other Superannuation Entities

Trustee	Pillar Administration		State Super Financial Services Australia Limited		Crown Employees Fire Fund	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Statement of Comprehensive Income (abridged)						
Year ended 30 June						
Revenue	86,189	78,833	123,847	107,482	17,396	13,321
Expenses	84,639	82,281	78,844	58,572	17,269	13,507
Profit/(loss) before income tax	1,550	(3,448)	45,003	48,910	127	(186)
Income tax benefit/(expense)	15	1,236	(13,583)	(14,716)	(14)	56
Profit/(loss)	1,565	(2,212)	31,420	34,194	113	(130)
Statement of Financial Position (abridged)						
At 30 June						
Current assets	19,898	17,180	50,147	51,761	--	--
Non-current assets	16,532	18,057	18,441	13,625	--	--
Total assets	36,430	35,237	68,588	65,386	1,255*	1,226*
Current liabilities	12,437	10,498	25,983	18,066	--	--
Non-current liabilities	3,571	4,431	1,281	1,110	--	--
Total liabilities	16,008	14,929	27,264	19,176	859*	943*
Net assets	20,422	20,308	41,324	46,210	396	283

* Crown Employees Fire Fund financial statements do not distinguish asset and liability amounts into current and non-current.

Source: Financial statements (audited).

Background

All NSW Government superannuation funds are statutory bodies. They have objectives to:

- support the future well-being of members by delivering up-to-date superannuation benefits and high quality service
- help members make informed decisions by providing relevant and up-to-date superannuation information
- engage stakeholders in productive dialogue
- provide optimal investment returns to employers and members.

Superannuation Funds

SAS Trustee Corporation Pooled Fund

The SAS Trustee Corporation Pooled Fund (STC Pooled Fund) is a reporting entity which consists of the following schemes:

Scheme	Status	Benefit type
SSS ^(a)	Closed 1985	Pension
SASS ^(b)	Closed 1992	Lump sum
SANCS ^(c)	Closed 1992	Lump sum
PSS ^(d)	Closed 1988	Pension

a State Superannuation Scheme (SSS).

b State Authorities Superannuation Scheme (SASS).

c Employees do not contribute towards the benefit in State Authorities Non-contributory Superannuation Scheme (SANCS). It is an employer financed lump sum benefit of three per cent of the final average salary for each year of membership for SASS, PSS and SSS members.

d Police Superannuation Scheme (PSS).

The STC Pooled Fund is a closed defined benefit superannuation fund for public sector members and had net assets of \$38.2 billion at 30 June 2013. The State Authorities Superannuation Scheme also has a member funded accumulation component.

All of the schemes assets are combined and invested through one fund, the STC Pooled Fund. This fund is the entity for financial reporting and taxation purposes of the four schemes. The Australian Prudential Regulation Authority (APRA) does not regulate the fund because it is an exempt public sector superannuation scheme.

The Superannuation Administration Corporation, trading as Pillar Administration, provides scheme administration services to the fund. JP Morgan Investor Services performs custodial activities. A number of investment fund managers provide funds management services for the fund. The Trustee's executive monitors each manager to ensure compliance with investment mandates and satisfactory investment performance. Refer earlier in this Overview for further commentary about outsourcing arrangements in NSW public sector superannuation funds.

Comment on the SAS Trustee Corporation is provided below. Comments on the Superannuation Administration Corporation are included elsewhere in this report.

For further information on the STC Pooled Fund, refer to www.statesuper.nsw.gov.au.

Controlled Entities

State Super Financial Services Australia Limited is a 100 per cent controlled entity of the STC Pooled Fund, with commentary on this entity included elsewhere in this report.

The following controlled entities have not been reported separately as they are considered immaterial by the size or nature of their operations to the consolidated entity.

Entity name	Status	Website
Buroba Pty Ltd	Entity is dormant	*
Valley Commerce Pty Limited	Entity is dormant	*
State Infrastructure Trust	Entity is dormant	*
State Infrastructure Holdings (SEA Gas) Pty Ltd	Deregistered with ASIC on 28 October 2012.	*
STC Pisco 1 Unit Trust	Investment holding entity	*
STC Pisco 2 Unit Trust	Investment holding entity	*
Southern Way Unit Trust	Investment holding entity	*

* This entity has no website.

Trustee

The SAS Trustee Corporation is the trustee of the STC Pooled Fund, under the *Superannuation Administration Act 1996*. It holds in trust all assets of the fund and was established as a statutory body on 1 July 1996 under the *Superannuation Administration Act 1996*. It is subject to the direction of the Minister in the limited circumstances set out in the Act.

The consolidated group comprises the SAS Trustee Corporation and the controlled entity SAS Trustee Corporation Division of the Government Service of NSW.

Energy Industries Superannuation Scheme

The EISS is a \$4.05 billion superannuation fund for NSW Energy Industry employees. It comprises two schemes established under the *Superannuation Administration Act 1996*:

Fund	Fund type	Status
Energy Industries Superannuation Scheme (EISS) Pool A	Accumulation	Open
EISS Pool B	Defined benefit	Closed 1992

Separate financial reports are prepared for each Pool. The assets of both schemes are combined and invested through one fund, the Energy Investment Fund. The Energy Industries Superannuation Scheme Pty Limited is the trustee of both pools.

EISS Pool A is an accumulation scheme and comprises:

- Division A (accumulation scheme) - employees of certain NSW State owned corporations operating in the electricity industry
- Division E (executive scheme) - former members of the Public Sector Executives Superannuation Scheme
- Division F - Account Based Pension and Rollover Plan
- Division N (Electrical Contractors Division) - established for employees in the electrical contracting industry.

EISS Pool B is a defined benefit scheme and comprises:

- Division B (retirement scheme) - former members of the State Authorities Superannuation Scheme
- Division C (basic benefit scheme) - former members of the State Authorities Non-contributory Superannuation Scheme
- Division D (defined benefit scheme) - former members of the State Superannuation Scheme.

Following the sale of FuturePlus in 2012-13, Link Group provides administrative services to the EISS Trustee. The custodial service for the Energy Investment Fund and EISS is provided by JP Morgan Chase Bank and funds management is provided by several investment managers.

For further information, refer to www.eisuper.com.au.

Controlled Entity

The following controlled entities have not been reported on separately as they are not considered material by size or the nature of operations to the consolidated entity.

Entity name	Website
Energy Investment Fund	www.eisuper.com.au
EIF Pty Limited	www.eisuper.com.au

Trustee

Energy Industries Superannuation Scheme Pty Limited is the trustee of the funds. It holds in trust all assets of the fund.

Parliamentary Contributory Superannuation Fund

The PCS Fund operates under the *Parliamentary Contributory Superannuation Act 1971*. It is a \$228 million closed defined benefit superannuation fund for members of the Legislative Council and Legislative Assembly and beneficiaries of deceased former members.

Fund	Status	Benefit type	Members	Pensioners
PCS Fund	Closed 2007	Pension	46	289

Members of Parliament elected after the 2007 State election can no longer join the fund. Members now join other superannuation funds of their choice.

Most member benefits are calculated using the member's salary and years of membership, with a small number of benefits affected by fund performance. Contributions by fund members are fixed at 12.5 per cent of salary as a Member of Parliament, minister or office holder.

Trustee

The Trustee entity of the PCS Fund is a statutory body which holds in trust all assets of the fund. It comprises two trustees from the Legislative Council, five trustees from the Legislative Assembly, and the Secretary of The Treasury (or a Treasury official appointed in his absence). The Trustee has not been reported on separately in this overview since it is a dormant entity and all expenses associated with running the fund are paid out of fund accounts.

Financial Planning and Fund Management Services

State Super Financial Services Australia Limited

State Super Financial Services Australia Limited (SSFSAL) provides past and present New South Wales and Commonwealth public sector employees and their family members with financial planning and funds management services. Funds under management were \$11.9 billion at 30 June 2013 (\$10.0 billion at 30 June 2012).

It was established by the SAS Trustee Corporation and is 100 per cent owned (at 30 June 2013) by the SAS Trustee Corporation Pooled Fund. Comment on the STC Pooled Fund is included elsewhere in this Overview.

SSFSAL acts as the Responsible Entity for the State Super Investment Fund, and as 'Registrable Superannuation Entities' Licensee for the State Super Retirement Fund and State Super Fixed Term Pension Plan.

For further information, refer to www.ssfs.com.au.

Administration Services

Superannuation Administration Corporation (Pillar Administration)

Superannuation Administration Corporation (Pillar Administration) is a statutory State owned corporation. It administers both public sector superannuation schemes and private sector schemes.

Pillar has not been reported on separately in this report. It is considered immaterial by size and nature of its operations.

Other Entities

Local Government Superannuation Scheme

LGSS Pty Limited is the trustee of two superannuation plans for which separate financial statements are prepared:

- Local Government Superannuation Scheme – Pool A (accumulation scheme).
- Local Government Superannuation Scheme – Pool B (defined benefit scheme).

Pool A is open to new members. Pool B is closed to new members. All schemes are combined and invested through one fund, the Local Government Investment Fund.

Comment on LGSS Pty Limited has not been reported on separately as it is not considered material by its size or nature of its operations. I audit the trustee, but do not audit either superannuation scheme.

Non-Government Controlled Superannuation Funds

Many NSW public sector employees are members of the First State Superannuation Scheme and the Local Government Superannuation Scheme. As neither scheme is part of the NSW Government, they are not included in this report

From May 2006, the First State Superannuation Scheme became a public offer fund under the *Superannuation Industry (Supervision) Act 1993*, which allows it to accept contributions from employees outside the public sector.

University Superannuation Funds

The Macquarie University Professorial Superannuation Scheme and University of Sydney Professorial Superannuation System are closed superannuation funds. They manage and invest superannuation assets for university professors in the respective universities at the time the funds were closed.

These funds are not controlled by the NSW Government. I have been requested under the *Public Financial and Audit Act 1983* to be the auditor of these funds.

Other University Professorial Superannuation Schemes, which I do not audit, are:

- The University of New England Professorial Superannuation Fund
- The University of Wollongong Professorial Superannuation Scheme
- The University of New South Wales Professorial Superannuation Fund.

Section Two

Agencies with Individual Comments

Minister for Finance and Services

Crown Employees (NSW Fire Brigades Firefighting Staff Death & Disability)
Superannuation Fund

Department of Finance and Services

Lifetime Care and Support Authority of New South Wales

WorkCover Authority of New South Wales

Treasurer

New South Wales Treasury Corporation

The Treasury

Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund

Audit Opinion

Unqualified audit opinions were issued on the Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Funds' (the Crown Fire Fund) and its Trustees' 30 June 2013 financial statements.

Key Issues

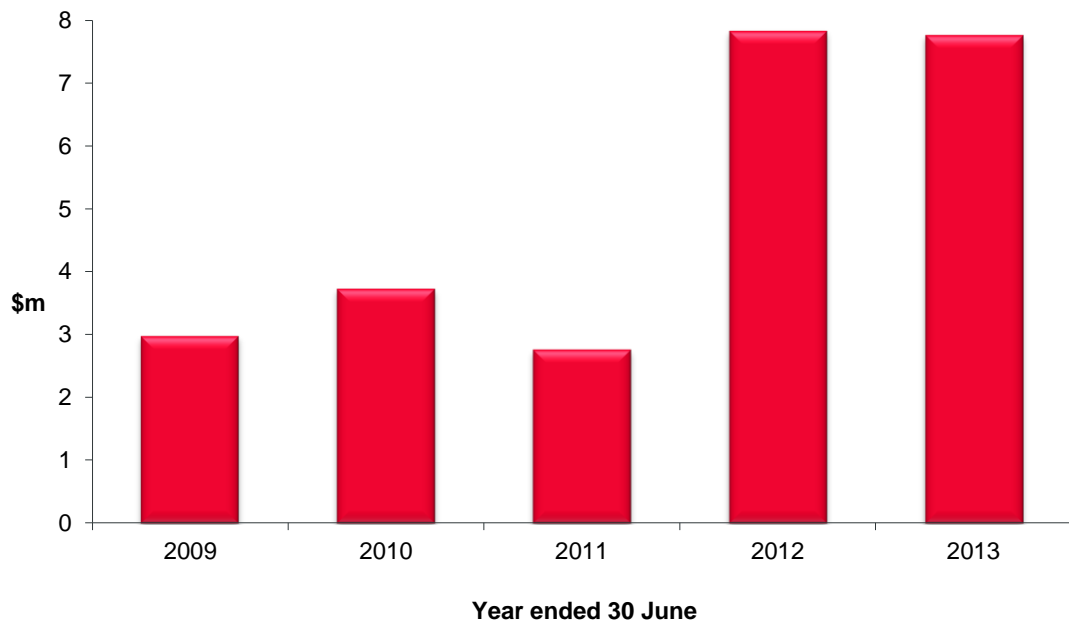
Benefits Paid

Benefits paid to current and former fire fighters under the Crown Fire Fund's legislation have increased by about 160 per cent since 2009. They reached \$7.7 million in 2012-13 (\$3.0 million in 2008-09).

The significant rise in benefit payments in recent years brings the claim rate into line with the original projections when the Crown Fire Fund was being established. The Trustee has not noted any specific underlying causes for this increase. However, greater awareness of the death and disability scheme, and a lack of suitable positions for firefighters unable to return to their roles, are likely contributing factors.

Benefits paid during the year totalled \$7.7 million, a rise of almost 160 per cent in five years

Benefits Paid



Source: Crown Employees (NSW Fire Brigades Firefighting Staff Death and Disability) Superannuation Fund Financial Statements (audited).

Funding for the scheme is increasing but remains below the level forecasted when the Crown Fire Fund was established

Benefit claim type Year ended 30 June	2013	2012	2011
Death – on duty	--	--	1
Death – off duty	1	8	2
Total and permanent invalidity – on duty	13	13	8
Total and permanent invalidity – off duty	16	14	2
Total	30	35	13

The Trustee and Fire and Rescue New South Wales should continue to monitor funding levels to ensure adequate liquidity is available to meet future benefit payments. The Trustee has advised that while funding levels are increasing, the amount remains below the forecasts when the Crown Fire Fund was established.

As the employer sponsor, Fire and Rescue New South Wales is responsible for ensuring adequate funding is available to meet benefit liabilities as and when they fall due. Total benefit payments are likely to increase in years to come given the relatively young composition of contributory members and pensioners and Australia's living standards leading to longer life expectancy.

Other Information

Fund Membership

The table below summarises the Fund's membership at 30 June each year:

At 30 June	2013	2012	2011	2010	2009
Contributory members*	6,357	6,305	6,411	6,503	6,295
Pensioners**	56	46	40	26	20
Total	6,413	6,351	6,451	6,529	6,315

* Contributory members - current firefighting employees of Fire and Rescue New South Wales who are contributing to the Fund.

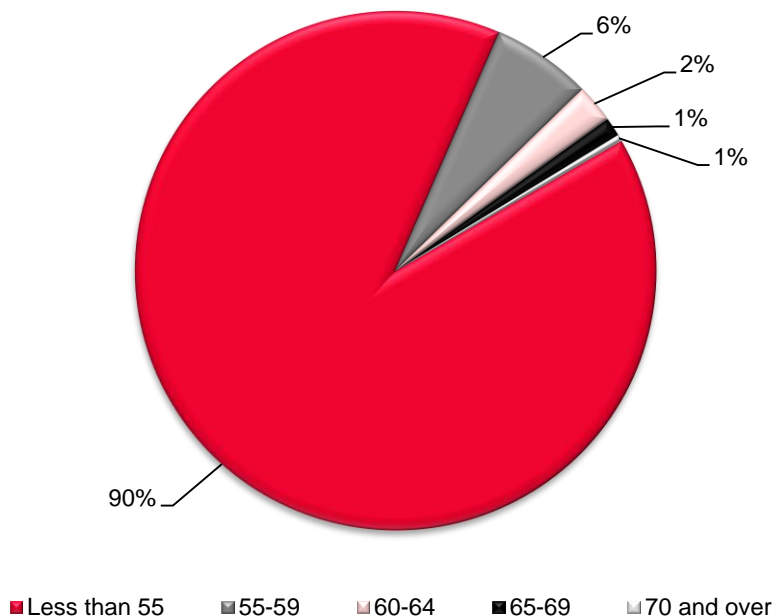
** Pensioners – former Fire and Rescue New South Wales employees and the spouses and children of deceased former members who are receiving death and total and permanent incapacity benefits from the Fund.

Source: Fund Administrator (unaudited).

Age Profile of Contributory Members

The age profile of the fund's contributory members at 30 June 2013 was:

Active and Deferred Members at 30 June 2013
Age Profile in years



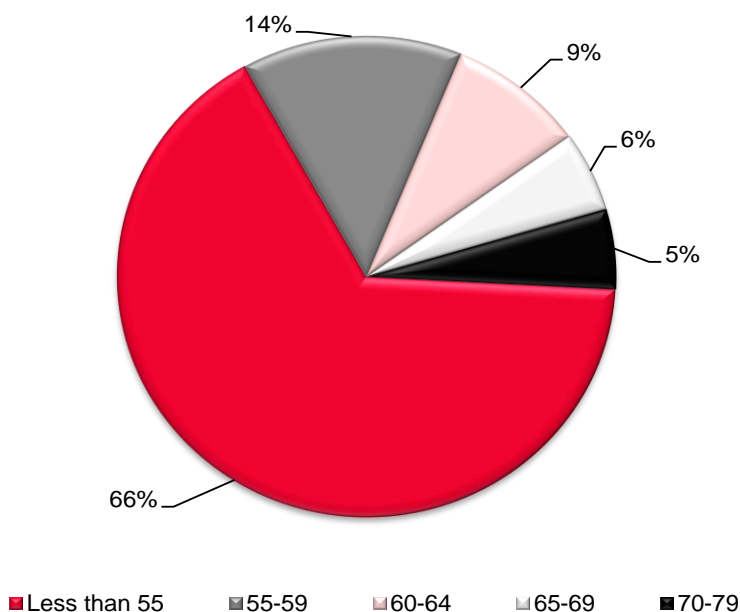
Source: Fund Administrator (unaudited).

The age profile highlights the majority of contributory members in the Fund are less than 55 years of age. Given the unique characteristic of this Fund, providing death and permanent incapacity benefits to firefighting employees when they occur, the value and timing of cash outflows cannot be reliably estimated.

Age Profile of Pensioners

The age profile of the Fund's pensioners at year end was:

Pensioners at 30 June 2013
Age Profile in years



Source: Fund Administrator (unaudited).

Crown Fire Fund pensioners are relatively young compared to other NSW Government defined benefit superannuation funds.

Up to 80 per cent of Crown Fire Fund pensioners are less than 60 years old compared to 15 per cent in the STC Pooled Fund. This variation is due to the fact the Crown Fire Fund was only established in 2004. There were only 56 pensioners at 30 June 2013.

The continued increase in Australian's life expectancy will mean these younger pensioners will need to be funded by Fire and Rescue New South Wales for many more years into the future.

Department of Finance and Services

Audit Opinion

An unqualified audit opinion was issued on the Department of Finance and Services' (the Department) 30 June 2013 financial statements.

During the year, The Treasury issued TC 13/01 'Mandatory early close procedures for 2013'. This Circular aimed to improve the quality and timeliness of agencies' annual financial statements.

The Department was successful in performing the procedures, which helped them submit financial statements by an earlier due date. This in turn enabled the financial statements audit to be finalised within the earlier timeframe of eight weeks (nine weeks in 2011-12).

The early close procedures also resulted in improvements to the quality of the financial statements as evidenced by fewer reported misstatements in 2012-13 compared to 2011-12.

Operational Snapshot

The Department's divisional operational highlights are illustrated below.

NSW Public Works	NSW Public works managed \$1 billion worth of projects.
NSW Fair Trading	NSW Fair Trading responded to 951,255 telephone inquiries from consumers and traders, and had 3.8 million visits to its website.
NSW Procurement	Total expenditure under whole of government procurement arrangements was \$3.8 billion.
Office of State Revenue	Collected more than \$19 billion in revenue including \$7.8 billion payroll tax, \$6.1 billion in duties, and \$2.4 billion in land tax.
Land and Property Information	LPI conducted 2.5 million land valuations for councils, Office of State Revenue and other government agencies.

The net result for the year was a deficit of \$35.9 million compared to a budgeted surplus of \$1.1 million. Most revenues and expenditures for 2013 were below both the 2013 budget and previous year figures. A transfer of \$65.0 million accumulated StateFleet profits to the Crown was the main reason for the deficit for the year.

Key Issues

Government Property Register

In previous years, I reported issues around limitations of the Government Property Register in providing a complete and reliable record of all NSW Government property assets.

The Register is now the responsibility of Government Property NSW which will be reported in Volume Nine of the Auditor-General's Report to Parliament 2013.

Cross City Tunnel

In previous years, I reported on an objection to an assessment of approximately \$60.0 million in duty, interest and penalty tax charged to the acquirer of the Cross City Tunnel.

The Supreme Court decided in favour of the Cross City Tunnel Motorway on 9 August 2013 for the amount of taxes, interest and penalty charges included in receivables of \$63.3 million at 30 June 2013. The Chief Commissioner has appealed the decision.

Government Licensing System Project

The Government Licensing System (GLS) provides licensing, compliance and other transactions to nine of the State's super departments. It administers 5.0 million transactions and \$180 million of revenue each year. There are 7.2 million licence records.

The project started in 2001 and has replaced 41 systems to date. Last year I reported that there continues to be a lack of clarity around the GLS project responsibilities – specifically data quality assurance responsibilities.

The Department is working towards further improvements in communicating processes and procedures, including development of a service catalogue and engagement pack for agencies. New services implemented in 2013 included: licensing schemes for tattoo parlours, small liquor bars, the security industry and gaming machine technicians.

Performance Information

Government Services

Procurement

Recommendation

The Procurement Board establish a comprehensive benefits realisation framework and mandate reporting by agencies to measure specific savings achieved from procurement initiatives.

Expenditure through government contracts in recent years is shown below:

Year ended 30 June	Target (\$m)	Actual (\$m)			
	2014	2013	2012	2011	2010
Government contracts	3,600	3,835	3,870	3,726	3,675

Source: Department of Finance and Services (unaudited).

The NSW Procurement Board contributes towards the governments' commitment to achieve \$1.0 billion procurement savings over the four years to 2014-15. Targeted savings for government agencies as determined by the Treasury Expenditure Review Committee are as follows:

Year ended 30 June	Targeted savings (\$m)			
	2015	2014	2013	2012
Target Procurement Savings	413	331	199	72

In November 2012, the NSW Procurement Board identified the need to implement a comprehensive benefits realisation framework around the broader concept of value for money, rather than just direct cost savings or budget reductions.

Corporate and Shared Services Reform Program (CSSR Program)

Recommendation

The Department and central agencies should develop key performance indicators to measure efficiencies derived from shared services initiatives.

The CSSR Program began in 2010 to:

- benchmark the efficiency of departments' corporate operations
- develop standard administrative processes to sustainably reduce the cost and complexity of back office functions
- oversee the delivery of the program across government.

The CSSR Program spans the five years to 2015 and started with an approved budget of \$112 million.

Machinery of government changes post April 2011 substantially impacted proposed reforms.

A review of the CSSR Program in mid-2012 resulted in refinements to the original 2010 scope. There was a refocus on assisting the department clusters to implement their corporate and shared services initiatives. The review resulted in a revision of the approved budget from \$112 million to \$89.4 million. A total of \$70.0 million of this revised budget was spent by 30 June 2013.

The initial business case proposed efficiency savings of \$750 million to \$895 million over five years (2010 to 2015). The Department has not quantified savings to date.

Policy and Strategy

Information and Communications Technology Strategy

Recommendation

The Department should develop key performance indicators around implementation progress and improved service delivery.

The NSW Government Information Communications Strategy (NSW ICT) 2012, (the ICT Strategy), was launched in May 2012. It sets out priority initiatives to improve performance in key service areas such as public transport, health, education and emergency services. It contains 85 actions to improve service delivery and achieve better value investment in government ICT. Of these actions, 36 were scheduled for and completed in 2013.

Implementation of the ICT Strategy is being facilitated by the Department. The ICT Board, the ICT Leadership Group and the independent ICT Advisory Panel provide ongoing oversight of the State's \$2.0 billion annual ICT expenditure.

Key actions completed in 2013 included:

- a whole-of-government Open Government Plan was published, requiring the government to increase online access to government information and services
- the OpenGov.nsw.gov.au and Data.nsw.gov.au websites were significantly enhanced to provide better access to government information and data
- a Cloud Pilot project was launched to test the cost effectiveness, security and efficiency of multiple cloud-based systems across different scenarios and environments
- agencies commenced implementation of the new Digital Information Security Policy.

At this point, there appears to be no definitive method applied by the Department to measure the benefits of the ICT Strategy.

ServiceFirst

Recommendations

ServiceFirst should perform regular and timely customer satisfaction surveys and develop strategies to address low ratings.

ServiceFirst should move towards having annual service level agreements with all clients.

ServiceFirst provides shared HR, ICT and finance services to the Department and clients including the Department of Premiers and Cabinet, The Treasury and the Public Service Commission.

ServiceFirst performs customer surveys to measure their client's satisfaction rate. The first customer survey by ServiceFirst in December 2011 resulted in a 52 per cent satisfaction rate. There was no set target for the 2011 survey. The next survey will be run in November 2013 where the targeted result is 65 per cent.

In 2013, 12 of the 38 annual service level agreements with user entities had not been signed. These 12 clients received extension letters which were a continuation of their Memorandum of Understanding signed in 2011.

Office of State Revenue

The Department uses key performance indicators to measure its effectiveness and efficiency at collecting taxes, fees and fines for the government, including:

Key performance indicators Year ended 30 June	Target	Actual			
	2013	2013	2012	2011	2010
Revenue collected as a percentage of budget (%)	98	98	101	100	106
Cost to collect \$100 of tax revenue (\$)	≤0.5	0.5	0.5	0.5	0.6
Cost to collect \$100 of fine revenue (\$)	≤13.1	10.1	12.2	12.7	11.7
Total overdue tax debt as a percentage of total revenue (%)	≤1.5	1.3	1.3	1.5	1.4

Source: Department of Finance and Services (unaudited).

A ServiceFirst client satisfaction survey for 2013 will occur in November

A number of initiatives in 2012-13 resulted in the cost of collecting fines decreasing from that of previous years and being well below the 2013 target. New initiatives included phone message reminders, contracting out to private sector debt collection agencies, and reforms to reduce overdue fine debt.

Given the success in reducing the costs to collect fine revenue, the Department will need to reassess and lower the target to drive continuous improvement

Administered Activities

The following table details taxes, fees and fines administered by the Department on behalf of the Crown Entity.

Year ended 30 June	2013 \$m	2012 \$m	2011 \$m	2010 \$m	2009 \$m
Payroll tax	7,872	7,661	7,279	7,049	7,212
Duties	6,255	5,323	5,481	5,183	4,108
Land tax	2,371	2,387	2,323	2,335	2,289
Gaming and racing	1,698	1,658	1,617	1,347	1,217
Fines	514	377	338	331	296
Other	1,183	1,041	1,153	1,054	964
Total	19,893	18,447	18,191	17,299	16,086

Duties revenue increased by 17.5 per cent over the previous year. This is due to higher property demand in the NSW real estate market.

Fines revenue increased primarily due to the recognition of \$66.0 million of revenue that was previously considered not collectable.

Land and Property Information

The land and property division provides titling, valuation, surveying, mapping and spatial services to the people of New South Wales on a commercial basis. The services underpin the property industry of New South Wales and include the statutory functions of the Registrar-General, Surveyor-General and Valuer-General. The division's performance indicators include:

Key performance indicators Year ended 30 June	Target	Actual			
	2013	2013	2012	2011	2010
Total valuations completed (millions)	2.5	2.5	2.5	2.4	2.4
Documents lodged	805,559	739,002	722,243	719,000	781,000
Plans lodged	10,000	9,186	8,833	9,948	9,776

Source: The Department of Finance and Services (unaudited).

The target is based on long-term historical trends and anticipation of significant growth levels in the property market.

Valuer-General's Land Valuation System

The Parliamentary Joint Standing Committee commenced an Inquiry into the NSW land valuation system in January 2013. The Inquiry's report was tabled in May 2013 with 29 recommendations.

The government lodged a formal response to the Inquiry on 4 November 2013. The response stated that work will commence on a range of measures suggested by the Committee to improve transparency, fairness and accountability, while maintaining focus on minimising costs wherever possible to avoid any impacts on local councils or other parties.

Financial Information

Abridged Statement of Profit and Loss and Other Comprehensive Income

Year ended 30 June	Actual	
	2013 \$'000	2012 \$'000
Employee related	571,444	656,320
Depreciation and amortisation	191,015	204,117
Grants and subsidies	243,530	228,385
Finance costs	31,987	32,275
Book value of motor vehicles sold	107,148	118,775
Transfers to Treasury	64,962	--
Other expenses	266,448	306,731
Total expenses	1,476,534	1,546,603
Government contributions	318,720	392,045
Sale of goods and services	892,885	977,161
Investment revenue	15,042	22,892
Retained taxes, fees and fines	61,640	59,562
Grants and contributions	32,763	19,789
Proceeds from sale of motor vehicles	125,582	146,715
Other revenue	5,406	3,136
Total revenues	1,452,038	1,621,300
(Loss)/gain on disposal	(5,632)	2,038
Other losses	(5,727)	(5,632)
Net result – (deficit)/surplus	(35,855)	71,103
Other comprehensive income		
Net increase in revaluation of assets	1,844	--
Superannuation actuarial gains/(losses)	254,917	(606,682)
Investment valuation gains	1,075	2,600
Total other comprehensive income/(expense)	257,836	(604,082)
Total comprehensive income/(expense)	221,981	(532,979)

Abridged Statement of Financial Position

At 30 June	Actual	
	2013 \$'000	2012 \$'000
Current assets	700,359	845,989
Non-current assets	879,281	940,279
Total assets	1,579,640	1,786,268
Current liabilities	625,881	708,905
Non-current liabilities	928,727	1,215,859
Total liabilities	1,554,608	1,924,764
Net assets/(liabilities)	25,032	(138,496)

The Department had a positive equity position of \$25 million

At 30 June 2013, the Department had net assets of \$25.0 million (\$138 million net liabilities at 30 June 2012). The net asset improvement is mainly due to the actuarial assessment for Defined Benefit Superannuation Scheme liabilities decreasing from \$860 million at 30 June 2012 to \$563 million at 30 June 2013.

Abridged Service Group Information

The Department's net result on a service group basis is detailed below:

Year ended 30 June	2013	
	Actual net result surplus/(deficit) \$'000	Actual net assets/(liabilities) \$'000
Fair trading	(53,270)	199,657
Public works and services	(5,986)	(204,370)
Government services	(101,612)	47,472
Policy and strategy	(174,255)	48,920
Land and property information	23,982	(148,370)
Office of State Revenue	(129,061)	77,781
Personnel services	85,627	--
Not attributable	318,720	3,942
Total all service groups	(35,855)	25,032

Consolidated Entity

During 2012-2013, an Administrative Order effective 12 September 2012 transferred NSW Industrial Relations and Long Service Leave Corporation to NSW Treasury.

The NSW Telecommunications Authority (Telco) was separated from the Department from 1 July 2012 now reporting as an independent entity.

The Australian Centre for Advanced Computing and Communications Pty Ltd (ac3) is no longer consolidated into the Department's financial statements.

Department's Activities

The Department of Finance and Services is a service provider, regulator and central agency of government. It is responsible for supporting sustainable government finances, major public works and maintenance programs, government procurement, information and communications technology, corporate and shared services, consumer protection, administration of State taxation and revenue collection, NSW land and property administration services and metropolitan water policy.

For further information on the Department, refer to www.services.nsw.gov.au.

Lifetime Care and Support Authority of New South Wales

Audit Opinion

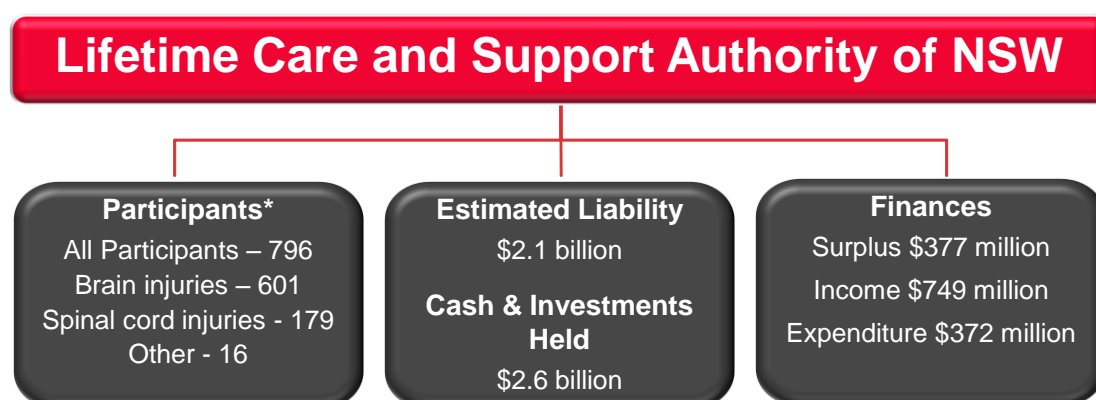
An unqualified audit opinion was issued on Lifetime Care and Support Authority's (LTCSA) 30 June 2013 financial statements.

However, the auditors' report drew attention to the provision for participants' care and support services of \$2.1 billion and the related expense item of \$176.2 million. There is significant uncertainty associated with the estimate of the provision because of its long term nature and the limited participants' experience to date. This uncertainty will remain until sufficient participants' experience is available.

Operational Snapshot

LTCSA is responsible for administering the Lifetime Care and Support Scheme (the scheme). It provides lifelong treatment, rehabilitation and attendant care for people severely injured in a motor vehicle accident in New South Wales, regardless of who was at fault.

Below is a snapshot of LTCSA's operations.



* Participant numbers (unaudited).

Source: Lifetime Care and Support Authority of New South Wales.

Key Issues

Major Projects – Sargood Centre

Recommendation:

LTCSA should action and respond to the risks identified in the Sargood project independent assessment.

The Sargood Centre is a joint project between ERF Industries Pty Limited, The Ability Australia Foundation and LTCSA. The centre will provide residential care services for people with spinal cord injuries. It aims to be a life learning campus for people with spinal cord injuries. It is intended to operate under a fee-for-service model, however a detailed business plan was not presented to LTCSA to demonstrate its financial viability. LTCSA has no obligation to provide ongoing funding for the centre or to use the facilities.

Last year's report to Parliament recommended that LTCSA prepare business cases to support all major financial decisions.

An independent consultant conducted a review of the Sargood Centre Project in 2013. Their review concluded that there are a number of significant risks in relation to the project. The most significant risks relate to the viability of the Sargood Centre Project and its governance arrangements.

In 2011-12, LTCSA paid \$6.0 million for land at Collaroy Beach on which the Sargood facility will be constructed. It was subsequently leased to Sargood Centre for a lease term of 30 years with an option to renew for 30 years at a peppercorn rental of \$10 per annum. There was a significant reduction in the fair value assessment in 2013, resulting in an impairment loss of \$5.8 million.

Performance Information

Scheme Participants

Scheme participants are those with spinal cord injuries, moderate to severe brain injuries, multiple amputations, severe burns or blindness as a result of a motor vehicle accident in New South Wales. The scheme had the following actual participants.

At 30 June	Actual				
	2013	2012	2011	2010	2009
Traumatic brain injury	601	502	406	306	180
Spinal cord injury*	179	148	119	79	48
Other injuries	16	10	6	5	5
Total	796	660	531	390	233
Represented by:					
Children	84	80	63	46	30
Adults	712	580	468	344	203
Male	565	476	374	269	162
Female	231	184	157	121	71

* Includes participants with combined traumatic brain injury and spinal cord injury.

Source: Lifetime Care and Support Authority of New South Wales (unaudited).

The following are observations from the scheme participant profile:

- Children – 11 per cent of the scheme participants are children who will require lifelong treatment and attendant care.
- Young people – 30 per cent of the scheme participants were aged between 15 and 24 years of age at 30 June 2013. They are disproportionately high and have the largest number of participants. This illustrates the critical importance of road safety initiatives for young people in all respects of road use.
- Older people entering the scheme – 17 per cent of scheme participants were 60 years of age or older at the time of their injuries.
- Motorcycle rider during accidents – 23 per cent of scheme participants sustained their injuries in motorcycle accidents. Motorcycle injuries are significantly overrepresented in the scheme when the number of motorcycle registrations is compared to the total number of registered vehicles on our roads.

At 30 June 2013, LTCSA's liability for participants' care and support services was \$2.1 billion (\$1.8 billion at 30 June 2012). The LTCSA's actuary estimates liabilities will be \$4.5 billion by 30 June 2018, based on claim incidence and other assumptions. Additional levy revenues generated from Compulsory Third Party (CTP) insurance premiums collected by licensed insurers in accordance with notices issued are anticipated to offset the increase in liabilities.

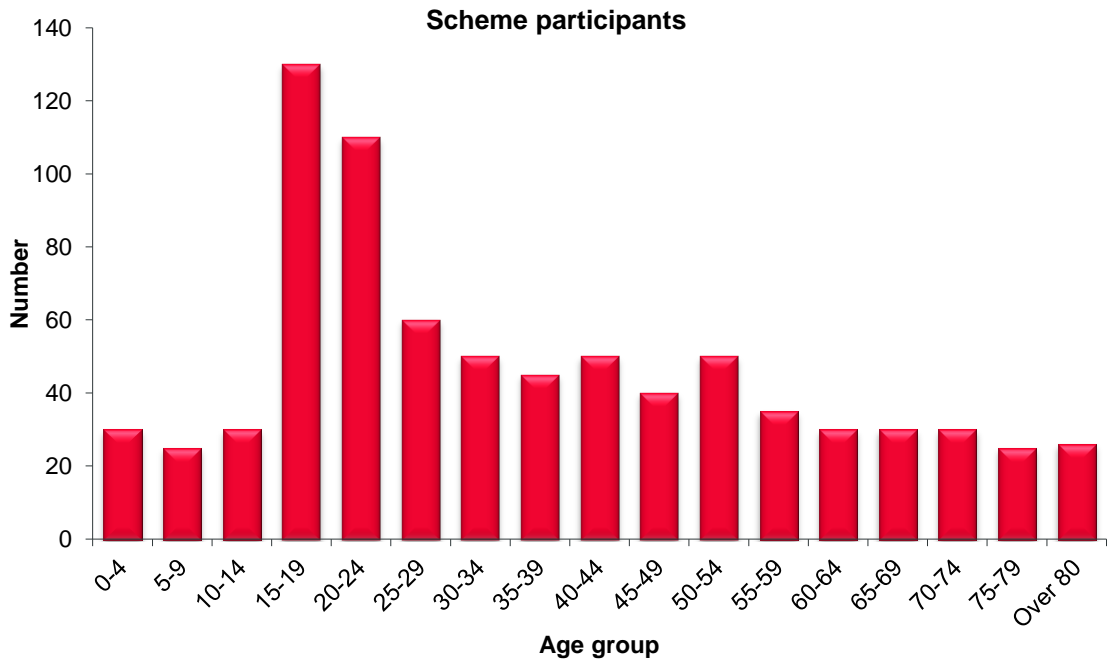
Eleven per cent of scheme participants are children who will require lifelong treatment and attendant care

Almost one in five scheme participants sustained their injury in a motorcycle accident. They are significantly over-represented in the scheme

The liability for people severely injured in motor vehicle accidents in New South Wales is estimated to increase to \$4.5 billion by 2018

The following graph demonstrates the age profile of actual scheme participants at 30 June 2013.

Road safety initiatives for our young drivers are important given 30 per cent of scheme participants were aged between 15 and 24 years of age



Source: Lifetime Care and Support Authority of New South Wales (unaudited).

The graph indicates the importance of road safety initiatives for young drivers given 30 per cent of scheme participants were aged between 15 and 24 years of age.

For further information on LTCSA refer to www.lifetimecare.nsw.gov.au.

WorkCover Authority of New South Wales

Audit opinion

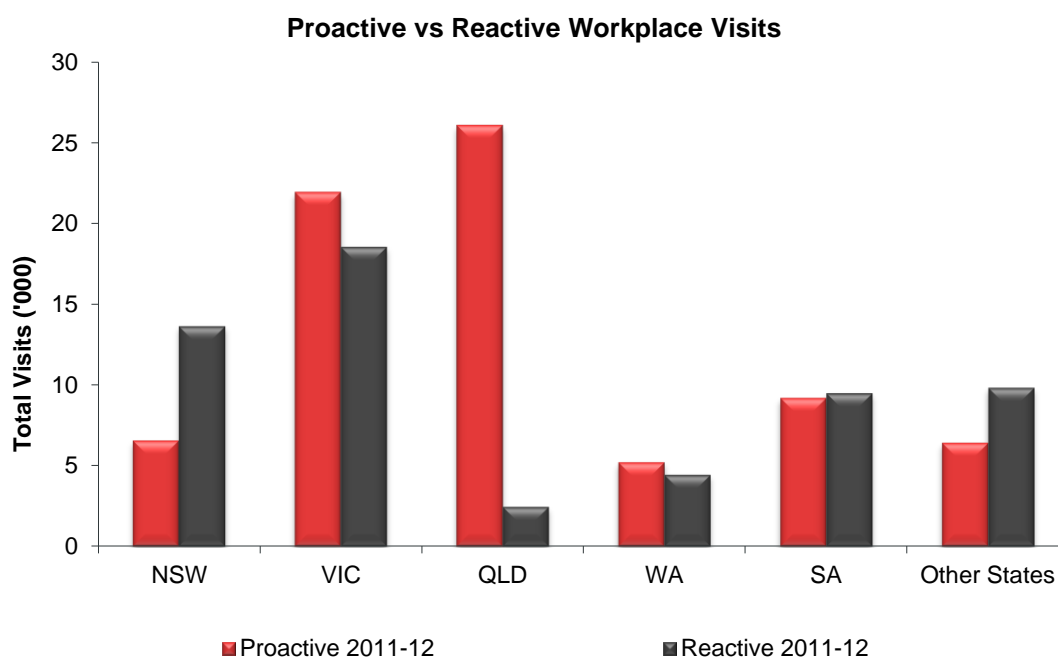
An unqualified audit opinion was issued on WorkCover Authority of New South Wales' (WCA) 30 June 2013 financial statements.

Workplace inspections, fines and enforcement activity

Recommendation

WCA should periodically assess and report in its annual report, the success of its risk based integrated proactive/reactive prevention programs to better manage workplace incidents for compliance and enforcement.

A state wide comparison of proactive versus reactive workplace visits in 2011-12 indicates a lower level of proactive workplace visits in New South Wales compared to Victoria and Queensland.



Source: Safe Work Australia Comparative Performance Monitoring Report 15th Edition (unaudited).

WCA advised that one of its strategies is to ensure every interaction with a workplace, including a reactive response activity, integrates an advisory/prevention approach where advice and assistance are provided. This approach includes workplace advisory visits, rebates, webinars etc. This is reflected in the increased number of other reactive interventions to workplaces in 2011-12 compared to previous years.

In line with the changes to the national legislation and harmonised processes, New South Wales introduced the 'National Framework for a common approach to Work Health and Safety Regulator Event Triaging' to assess incidents notified under the Work Health and Safety legislations and determine a response. This framework, which applies the principles of the National Compliance and Enforcement Policy, seeks to ensure resources are targeted towards the areas of greatest risk.

WCA also commenced a number of key priority risk based programs including the 'The High Consequence Low Frequency' (HCLF) Program in 2011-12. It is a risk based proactive intervention program designed to prevent workplace injury and illness. HCLF risk areas include major hazard facilities, asbestos and demolition work, explosives, high risk plant, hazardous chemicals usage and bulk storage. There were 2,786 HCLF verification field visits in 2012-13 (1,449 in 2011-12).

Last year, I recommended WCA should ensure relevant officers complete the necessary training programs on changes to the work, health and safety laws. WCA has responded to this and provided training to inspectors and business advisory officers during the year.

Enforcement activity

Year ended 30 June	Notices Issued		
	2013	2012	2011
Penalty notices ^(a)	124	357	587
Prohibition notices ^(b)	550	601	832
Improvement notices ^(c)	6,111	8,858	11,318
Confirmation of 'advice records' replaced with inspection reports from January 2012 ^(d)	6,686	4,220	2,272

- a Issued for offences under the *Occupational Health and Safety Act 2000*, *Occupational Health and Safety Regulation 2001*, the *Occupational Health and Safety (Clothing Factory Registration) Regulation 2001* (from 1 July 2011 to 31 December 2011) and the *Work Health and Safety Act 2011* (from 1 January 2012 to 30 June 2013) where it appears that a person has committed an offence.
- b Issued in response to an immediate risk to the health or safety of any person and prohibits the activity until the risk is remedied. These will usually, but not always, constitute a breach of the *Occupation Health and Safety Act 2000* or the *Occupational Health and Safety Regulation 2001* (from 1 July 2011 to 31 December 2011) and the *Work Health and Safety Act 2011* (from 1 January 2012 to 30 June 2013).
- c Issued in response to apparent breaches of the *Occupation Health and Safety Act 2000*, the *Occupational Health and Safety Regulation 2001*, the *Occupational Health and Safety (Clothing Factory Registration) Regulation 2001* (from 1 July 2011 to 31 December 2011) and the *Work Health and Safety Act 2011* (from 1 January 2012 to 30 June 2013) or for administrative breaches of legislation, to rectify systems of work or hazards which do not pose an immediate risk to the health or safety of any person.
- d Encourage employers to examine how they can make improvements to the way they manage workplace safety.

Source: WorkCover Authority (unaudited).

The number of Penalty, Prohibition and Improvement notices issued continued to decrease in recent years. WCA attributes this to its increased focus on providing information and advice to help employers meet their workplace safety obligations.

The significant reduction in notices issued is consistent with the decrease in the trend of injuries coupled with a revised focus on risk based monitoring of workplace risk. Refer to the Insurance and Compensation Overview for further details on workplace injury rates.

Confirmation of 'advice records' increased as a result of the national harmonisation of WCA's workplace health and safety approach to compliance and enforcement. These document advice provided onsite following workplace visits. There were 19,633 workplace visits in 2012-13 (19,545 in 2011-12). In line with NSW 2021 (State Plan), WCA implemented a number of structural, functional, cultural and operational changes to ensure that services are co-designed with the community and align to community needs.

For further information on WCA, refer to www.workcover.nsw.gov.au.

There was a significant decrease in the number of penalty notices issued in 2013

New South Wales Treasury Corporation

Audit Opinion

Unqualified audit opinions were issued on the New South Wales Treasury Corporation's (TCorp) and its controlled entities' financial statements for the year ended 30 June 2013.

Unless otherwise stated, the following commentary relates to the consolidated entity.

Operational Snapshot

TCorp is the central financing authority for the NSW Public Sector. It raises funds in the financial markets, which it lends to government agencies.

Year ended 30 June	2013 \$'000	2012 \$'000
Profit after tax	88,732	54,159
Loans to the NSW Public Sector	59,330,677	58,406,519
Assets managed for the NSW Public Sector	16,923,174	18,548,157
Liabilities managed for the NSW Public Sector	45,388,982	45,519,283

Key Issues

AAA Credit Rating

New South Wales has credit ratings of AAA/negative outlook from Standard & Poor's and Aaa/Stable from Moody's Investors Service. In March 2013, Fitch Ratings affirmed the State's AAA credit rating and announced it would no longer provide ratings for the State.

In May 2013, Moody's affirmed its Aaa rating and stable outlook, noting New South Wales is well placed compared to most Australian states and territories. Most recently in October 2013, Standard & Poor's affirmed its AAA rating and its unchanged negative outlook.

Ratings agencies use a variety of factors and apply judgment when determining the State's rating. Factors relevant to the agencies' decisions to maintain the AAA rating included, in no particular order:

- a diversified economy
- moderate budgetary flexibility and performance
- the State's commitment to reductions in expenditure growth
- an escalating but manageable debt burden, including large unfunded superannuation liabilities
- a large infrastructure program
- strong liquidity and access to capital markets
- large grant payments from the Commonwealth government and the likelihood of support from the Commonwealth should acute liquidity stress occur.

Ratings agencies may update their formal opinions at any time if they perceive material changes in credit-worthiness have occurred.

The State of New South Wales maintained its AAA credit rating during 2012-13

Performance Information

Funding the NSW Public Sector

Infrastructure investment programs are funded through revenues, capital grants from the State Budget and debt. The government's 2013-14 Infrastructure Statement includes increased capital spending on transport infrastructure such as the North West Rail Link and the WestConnex Motorway.

TCorp issued three new benchmark bonds in 2012-13, raising over \$6.0 billion, to take advantage of strong investor demand for AAA rated bonds. TCorp also issued a new \$2.5 billion three-year Floating Rate Note to meet investor demand from the banking sector.

Opportunities for non-Australian dollar funding were limited, reflecting the preference of offshore investors for Australian dollar bonds. TCorp reduced its outstanding's in offshore programs over the year by repurchasing and retiring deals in the Japanese market.

The long term lease by the Government of the ports in Sydney and Port Kembla generated proceeds in excess of \$5.0 billion. Some of these proceeds went towards repaying TCorp debt and reducing near-term borrowing needs.

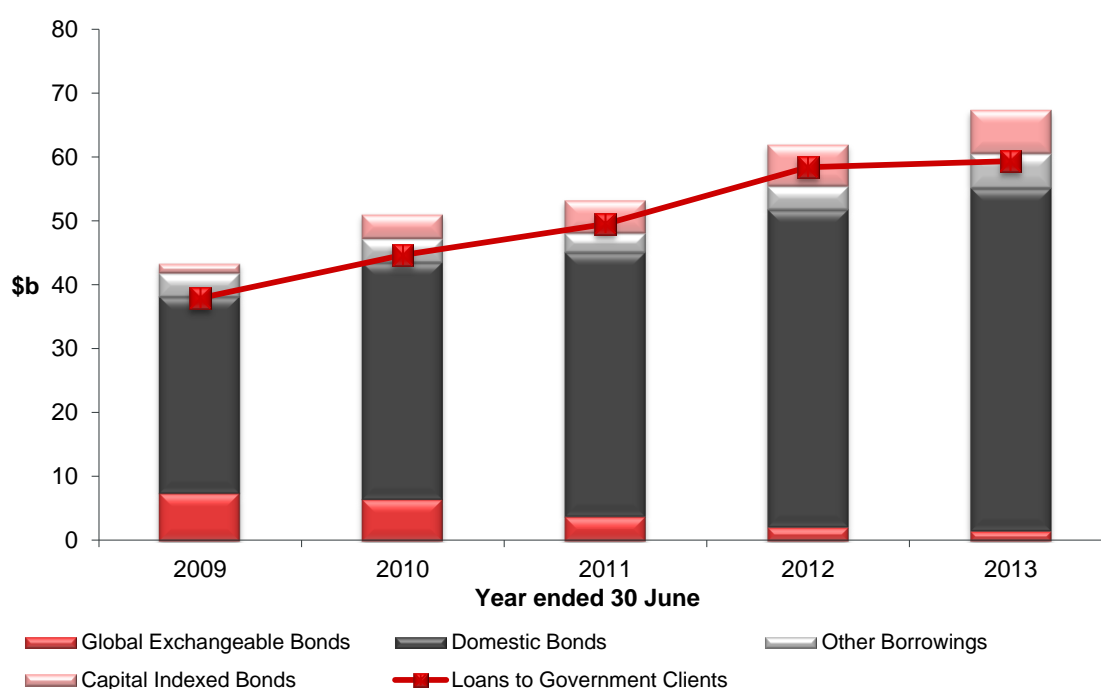
These activities improved TCorp's liquidity and as a result, at 30 June 2013 TCorp had about \$3.6 billion in funds to meet new client loans or repay existing debt.

The State of New South Wales has participated in the Australian Government Guarantee Scheme since June 2009. The Guarantee Scheme closed to new issuances from 31 December 2010. Total guarantee fees paid by the State in 2012-13 were \$15.4 million (\$21.7 million).

TCorp continues to encourage investors to switch from Commonwealth guaranteed bonds to State guaranteed bonds. This strategy resulted in retiring \$4.8 billion in Commonwealth guaranteed bonds during 2012-13 (\$4.7 billion) and will reduce guarantee fees in the future. However, payments will continue until the last Commonwealth guaranteed bond matures on 1 May 2023. Total Benchmark Bonds on issue were \$55.1 billion (\$51.8 billion) at 30 June 2013, which includes \$9.1 billion (\$13.9 billion) of Commonwealth guaranteed borrowings.

TCorp continued its commitment to issue capital indexed bonds (CIB) with \$6.9 billion (\$6.5 billion) on issue at year-end. These funds are used to meet the demand for capital indexed loans, which are attractive to clients whose revenues are subject to movements in CPI.

Loans to Clients, Domestic and Global Bonds



Loans to Government Clients

At 30 June	2013 \$'000	2012 \$'000
NSW Public Sector clients		
Crown entity	26,225,667	25,651,454
Electricity sector	21,902,270	21,554,379
Transport sector	1,760,840	1,299,296
Water sector	8,127,766	7,851,155
Other sectors	1,269,987	2,005,175
Universities	44,147	45,060
Total loans to government clients	59,330,677	58,406,519

The 2013-14 NSW State budget papers project \$59.7 billion of capital spending over the four years to June 2017. This investment is a key driver of funding requirements and therefore loans to clients will increase over that period.

Refer to industry overviews and individual agency comments in this and other volumes of my 2013 Report for details on capital programs and borrowings.

Waratah Bonds

Proceeds from Waratah Bonds are invested in Restart NSW, the State's infrastructure fund, established to fund critical economic and social infrastructure projects across the State. Interest in Waratah Bonds continued to grow over 2012-13 as falling deposit rates made fixed interest rate bonds more attractive to investors.

Public interest in Waratah bonds continued to grow over 2012-13

TCorp expects increased interest in Waratah Bonds as they are included on more financial planners' approved product lists.

At 30 June 2013 TCorp had issued approximately \$75.7 million (\$19.2 million) of Waratah bonds.

Management of Client Debt

TCorp managed 20 client debt portfolios at 30 June 2013 with a total portfolio value of \$45.4 billion (\$45.5 billion). The largest portfolio was Treasury's \$25.7 billion (\$24.9 billion) Crown debt portfolio.

TCorp is responsible for managing the interest rate risk on these portfolios. The historically low interest rates this year provided an opportunity to lengthen clients' portfolios. TCorp was able to lock in historically low interest costs resulting in a very low refinancing requirement next financial year.

TCorp reviewed its debt management model this year. The review confirmed that while the settings in the model remained broadly appropriate, debt management strategies should be executed through physical debt rather than futures. The majority of debt portfolios transitioned into longer duration physical debt in early 2012-13. This resulted in positive outcomes for clients when bond yields rose later in the year.

Management of Client Investments

TCorp manages client investments through Hour-Glass investment facilities and discrete client mandates. Cash and fixed income Hour-Glass sectors are primarily managed internally while remaining sectors are outsourced to external fund managers.

Hour-Glass Investment Facilities

Hour-Glass Investment Facilities are managed funds established to meet the investment needs of public sector agencies. They provide public sector agencies with access to investment portfolios aligned to their specific risk appetite.

The strategies adopted for the core facilities this year were successful with the returns on all facilities exceeding benchmarks.

TCorp provided the following information about its Hour-Glass Investment Facilities performance:

Year ended 30 June	2013	2012	2011	2010
Hour-Glass Cash Facility return %pa	3.69	4.90	5.37	4.46
Benchmark index return %pa	3.28	4.70	4.98	3.89
Total market value \$m 30 June	3,023	4,113	3,747	3,465
Hour-Glass Strategic Cash Facility return %pa	4.16	5.02	5.58	4.62
Benchmark index return %pa	3.28	4.70	4.98	3.89
Total market value \$m 30 June	2,166	1,955	1,724	1,632
Hour-Glass Medium-term Growth Facility return %pa	10.74	4.28	7.13	8.69
Benchmark return %pa	9.56	4.69	7.06	8.39
Total market value \$m 30 June	194	183	231	372
Hour-Glass Long-term Growth Facility return %pa	20.55	(0.73)	8.51	11.28
Benchmark return %pa	18.79	0.61	8.43	10.86
Total market value \$m 30 June	1,300	1,142	1,202	938

Note:

Benchmarks are market index returns and as such have no adjustment for management fees and expenses.

Hour-Glass returns are reported net of fees.

Source: New South Wales Treasury Corporation (unaudited).

TCorp managed agency debt portfolios valued at \$45.4 billion

Core Hour-Glass investment facilities exceeded their benchmarks this year

Discrete Client Funds

TCorp internally manages specific cash and fixed income portfolios for some public sector agencies. Funds under management decreased to \$7.7 billion (\$10.8 billion) at 30 June 2013. The decrease in funds under management was due to the closure of two client portfolios.

TCorp takes a conservative approach to credit risk, consistent with the risk profile of client mandates. Its decisions around portfolio construction, timing of investments and security selection significantly influence investment returns. During 2012-13, investment returns on most client portfolios outperformed benchmarks.

Significant investment performance is reported in separate comments for each agency in this and my other 2013 volumes.

Other Information

Opportunities for TCorp to improve its internal control procedures were identified and reported to management. Management has taken appropriate action.

Information Technology

Information technology is critical to TCorp's day-to-day operations and management decision making. TCorp is progressing with its strategy to replace existing financial management software and hardware to meet clients' needs, and maintain best practice in respect of systems, processing and control.

Financial Information

Abridged Consolidated Statement of Comprehensive Income

Year ended 30 June	2013 \$'000	2012 \$'000
Income from changes in fair value	4,970,893	8,174,991
Expenses from changes in fair value	4,823,167	8,076,666
Net income from changes in fair value	147,726	98,325
Fees and commissions	24,340	22,057
Total net income	172,066	120,382
Staff costs	23,901	18,331
Other costs	21,265	24,900
Total general administrative costs	45,166	43,231
Profit before income tax equivalent expense	126,900	77,151
Income tax equivalent expense	38,168	22,992
Profit after tax	88,732	54,159
Other comprehensive gains/(losses)	326	(510)
Total comprehensive income	89,058	53,649

TCorp made a
profit before
tax of
\$126.9 million

TCorp's profit before tax of \$126.9 million was well above budget. The improved result was in part due to favourable movements in relative interest rates between TCorp and the Commonwealth and other State Governments. TCorp also improved outcomes from its management of balance sheet and funding risks.

The large decrease in income and expenses from changes in fair value reflected the impact of movements in outright interest rates on balance sheet valuations. Movements in outright interest rates were varied and not as large this year, however last year outright interest rates dropped significantly across all maturities which resulted in larger revaluation impacts. As TCorp's assets and liabilities are largely matched, the movements in income and expenses from changes in fair value are largely offset.

Abridged Consolidated Statement of Financial Position

At 30 June	2013 \$'000	2012 \$'000
Cash and liquid assets	952,827	1,650,752
Outstanding settlements receivable	34,802	--
Due from financial institutions	6,285,218	3,353,203
Securities held	5,559,197	6,216,622
Derivative financial instruments receivable	553,068	594,085
Loans to clients	59,330,677	58,406,519
Other assets	21,254	32,633
Total assets	72,737,043	70,253,814
Due to financial institutions	4,240,775	6,639,725
Outstanding settlements payable	144,249	25,155
Due to clients	219,520	748,128
Borrowings	67,337,267	61,968,874
Derivative financial instruments payable	584,371	693,865
Other liabilities and provisions	78,880	74,644
Total liabilities	72,605,062	70,150,391
Net assets	131,981	103,423

TCorp paid a dividend of \$60.5 million

The movements in the statement of financial position primarily reflect the decisions made to meet and manage the funding requirements of the NSW Public Sector. TCorp placed surplus proceeds from borrowings with major Australian banks in advance of funding loans to clients.

TCorp operates under self-imposed capital requirements based on prudential statements published by the Australian Prudential Regulation Authority. The increase in TCorp's capital base over 2012-13 followed agreement with NSW Treasury. After allowing for tax equivalent payments and the increase in the capital base, \$60.5 million (\$50.5 million in 2011-12) was returned to the Crown in dividends.

Derivative Financial Instruments

TCorp does not use derivative financial instruments for speculative purposes. Derivatives are used to manage risks from its borrowing and investing activities. These transactions comply with established board policies and client mandate agreements, which stipulate instrument risk limits.

Corporation Activities

TCorp provides specialised financial services to the NSW Public Sector. These include acting as a central borrowing authority and providing corporate treasury, corporate finance, and debt and asset management services.

TCorp raises funds in the financial markets and lends the funds to agencies. TCorp borrows funds more cost effectively than private sector organisations because the government guarantees repayment. Public sector agencies are required to borrow funds through TCorp unless specific approval is obtained from the Treasurer.

While TCorp is able to raise funds using the strong credit rating of the State, borrowing costs for individual agencies operating as Government businesses are based on their individual credit ratings. If an agency has a lower credit rating than the State, Treasury levies a guarantee fee relative to that credit rating. This ensures that while the State benefits from cost effective funding, agencies' borrowing costs are based on their individual financial positions.

TCorp is constituted under the *Treasury Corporation Act 1983* and is subject to the control and direction of the Treasurer. Its Chief Executive manages the affairs of TCorp in accordance with its board's policies and directions. TCorp may borrow, invest and undertake financial management transactions under the *Public Authorities (Financial Arrangements) Act 1987*.

For further information on TCorp, refer to www.tcorp.nsw.gov.au.

Controlled Entities

The following controlled entities have not been reported separately because they are not considered material by size or nature of operations to the controlled entity.

Entity Name	Website
TCorp Nominees Pty Limited	*
Treasury Corporation Division of the Government Service	*

* This entity has no website.

The Treasury

Audit Opinion

An unqualified audit opinion was issued on Treasury's 30 June 2013 financial statements.

Operational Snapshot

At 30 June 2013, Treasury operated five directorates:

- Fiscal and Economic – the NSW Government's central source of advice on State fiscal and economic strategy, responsible for preparation of the Total State Sector Accounts, managing the State's Budget process and the sector's financial management framework
- Resource Allocation – oversees the recurrent and capital expenditure of the general government sector, provides advice on use of State resources and is the main interface between Treasury and public sector agencies on financial and policy matters
- Commercial Policy and Financing – exercises oversight of Government businesses and provides advice on infrastructure financing, asset transactions and effective use of the State's balance sheet
- NSW Industrial Relations – provides policy advice to the NSW Government and support to public sector agencies on the application and implementation of Government policy and reforms
- Corporate.

Other Information

Transformation Program

During 2011-12, Treasury began a series of changes aimed at improving structures, processes and resources to deliver on required fiscal management and economic reform objectives expected by the Government and other stakeholders. In March 2013, Treasury's Transformation program was split into two areas:

- organisational change, which focused on improving capability and efficiency within Treasury and resulted in new organisational and leadership structures
- financial management transformation (FMT), which is a whole-of-government program of reform to raise the quality of financial management and financial reporting across the public sector.

Treasury advises the following aims of the FMT:

- increased transparency of existing expenditures
- improved robustness of forward estimates
- a more strategic whole-of-lifecycle view of programs and assets
- clearer accountabilities for the management of public money.

Treasury expects FMT will produce comprehensive, integrated, sector-wide reforms that will lead to significant changes to financial management and reporting for all agencies. Treasury is currently working on a sector-wide business case for completion in early 2014.

Transfer of Functions

Treasury functions and staff numbers increased in the 2012-13 financial year as a result of administrative restructures.

The Public Sector Employment and Management (Industrial Relations) Order 2012 transferred the functions of NSW Industrial Relations and related staff from the Department of Finance and Services (DFS) to Treasury effective 12 September 2012.

The Public Sector Employment and Management (Treasury) Order 2012 transferred staff related to the Long Service Corporation from DFS to Treasury effective 12 September 2012.

Also, effective 1 July 2013, the Public Sector Employment and Management (NSW Self Insurance Corporation) Order 2013 transferred staff related to the NSW Self Insurance Corporation from Treasury to the DFS.

Financial Information

Abridged Statement of Comprehensive Income

Year ended 30 June	2013 \$'000	2012 \$'000
Employee related expenses	68,784	49,657
Depreciation and amortisation	900	997
Grants and subsidies	169	169
Other expenses	19,223	24,262
Total expenses	89,076	75,085
Government contributions	71,969	63,722
Sale of goods and services	16,444	12,076
Personnel services revenue	2,672	--
Investment revenue	578	737
Other revenue	76	9
Total revenues	91,739	76,544
Other losses	(4)	(9)
Net result – surplus	2,659	1,450
Other comprehensive income		
Superannuation actuarial gains on defined benefit plans	1,885	--
Total comprehensive income	4,544	1,450

The transfer of staff and functions from DFS contributed to a general increase in revenues, expenses, assets and liabilities.

Abridged Statement of Financial Position

At 30 June	2013 \$'000	2012 \$'000
Current assets	31,468	20,427
Non-current assets	7,446	2,428
Total assets	38,914	22,855
Current liabilities	18,517	12,723
Non-current liabilities	6,619	1,105
Total liabilities	25,136	13,828
Net assets	13,778	9,027

Treasury Activities

Treasury acts as the fiscal and economic adviser to the NSW Government and its main goal within the NSW 2021 State Plan is to rebuild State finances. Treasury also advises Government on industrial relations matters, co-ordinates the State Budget, and manages the activities of a range of other agencies within the Treasury cluster.

For further information refer to www.treasury.nsw.gov.au.

Appendix 1

Agencies not commented on in this volume, by Minister

The following audits resulted in unqualified independent auditor's reports and did not identify any significant issues or risks.

Entity name	Website	Year ended
Minister for Citizenship and Communities		
Trustees of the ANZAC Memorial Building	www.anzacmemorial.nsw.gov.au	30 June 2013
Minister for Finance and Services		
Australian Centre for Advanced Computing and Communications Pty Limited	www.ac3.com.au	30 June 2013
Board of Surveying and Spatial Information	www.bossi.nsw.gov.au	30 June 2013
Fair Trading Administration Corporation	www.fairtrading.nsw.gov.au	30 June 2013
Financial Counselling Trust Fund	www.fairtrading.nsw.gov.au	30 June 2013
Motor Vehicle Repair Industry Authority	www.fairtrading.nsw.gov.au	30 June 2013
New South Wales Government Telecommunications Authority	www.telco.nsw.gov.au	30 June 2013
NSW Architects Registration Board	www.architects.nsw.gov.au	30 June 2013
Rental Bond Board	www.fairtrading.nsw.gov.au	30 June 2013
Minister for Planning and Infrastructure		
Building Professionals Board	www.bpb.nsw.gov.au	30 June 2013
Treasurer		
State Rail Authority Residual Holding Corporation	*	30 June 2013

* This entity has no website

Index

A

Aboriginal Affairs, Minister for	Vol 11 2012
Aboriginal Housing Office	Vol 5 2013
Aboriginal Land Council, New South Wales	Vol 11 2012
Access Macquarie Limited	Vol 2 2013
accessUTS Pty Limited	Vol 2 2013
ACN 125 694 546 Pty Ltd	Vol 2 2012

Agencies not commented on in this Volume, by Minister 90

Agency for Clinical Innovation	Vol 11 2012
Agency for Clinical Innovation Special Purpose Service Entity	Vol 11 2012
Agricultural Business Research Institute	Vol 2 2013
AGSM Limited	Vol 2 2013
Albury Base Hospital	Vol 11 2012
Albury Wodonga Health	Vol 11 2012
ANZAC Health and Medical Research Foundation	Vol 11 2012
ANZAC Health and Medical Research Foundation Trust Fund	Vol 11 2012

Architects Registration Board, NSW 90

Art Gallery of New South Wales Foundation	Vol 9 2012
Art Gallery of New South Wales Trust	Vol 9 2012
Arts and Cultural Overview	Vol 9 2012
Arts, Minister for the	Vol 9 2012
Asia Pacific Football Institute Operations Pty Ltd	Vol 2 2013
Attorney-General	Vol 6 2013
Attorney-General and Justice, Department of	Vol 6 2013
Ausgrid	Vol 4 2013
Ausgrid Pty Limited	Vol 4 2013
AustLii Foundation Limited	Vol 2 2013

Australian Centre for Advanced Computing and Communications Pty Ltd 74

Australian Education Consultancy Limited	Vol 2 2013
Australian Institute of Asian Culture and Visual Arts Limited, The	Vol 9 2012
Australian Museum Trust	Vol 9 2012
Australian Plant DNA Bank Limited	Vol 2 2012
Australian Proteome Analysis Facility Limited	Vol 2 2013

Australian Technology Park Sydney Limited	Vol 6 2012
----------------------------------------------	------------

Australian Water Technologies Pty Ltd	Vol 6 2012
------------------------------------------	------------

B

Bandwidth Foundry International Pty Ltd	Vol 2 2013
Barangaroo Delivery Authority	Vol 6 2012
Barangaroo Delivery Authority, Office of the	Vol 6 2012
Belgenny Farm Agricultural Heritage Centre Trust	Vol 11 2012
Bequest from the State of FJ Walsh	Vol 2 2013
Biobank Pty Ltd	Vol 2 2012
Board of Studies	Vol 5 2013
Board of Studies, Office of the	Vol 5 2013
Board of Studies Casual Staff Division	Vol 5 2013

Board of Surveying and Spatial Information 90

Board of Vocational Education and Training, NSW	Vol 5 2013
Border Rivers-Gwydir Catchment Management Authority	Vol 6 2012
Brett Whiteley Foundation, The	Vol 9 2012

Building Professionals Board 90

Bureau of Health Information	Vol 11 2012
Bureau of Health Information Special Purpose Service Entity	Vol 11 2012

Buroba Pty Ltd 58

Bush Fire Co-ordinating Committee	Vol 6 2013
Businesslink Pty Ltd, NSW	Vol 9 2012

C

Cancer Institute NSW	Vol 11 2012
Cancer Institute Division	Vol 11 2012
C.B. Alexander Foundation	Vol 6 2012
CADRE Design Pty Limited	Vol 2 2013
CADRE Design Unit Trust	Vol 2 2013
Cancer Institute NSW	Vol 11 2012
Cancer Institute Division	Vol 11 2012
CCP Holdings Pty Limited	Vol 4 2013
Centennial Park and Moore Park Trust	Vol 6 2012
Centennial Parklands Foundation	Vol 6 2012
Central Coast Local Health District	Vol 11 2012
Central Coast Local Health District Special Purpose Service Entity	Vol 11 2012
Central Coast Regional Development Corporation	Vol 6 2012

Central West Catchment Management Authority	Vol 6 2012	Crime Commission, Office of the New South Wales	Vol 6 2013
Charles Sturt Campus Services Limited	Vol 2 2013	Crime Commission Division, New South Wales	Vol 6 2013
Charles Sturt Foundation Limited	Vol 2 2012	Crown Employees (NSW Fire Brigades Firefighting Staff, Death and Disability) Superannuation Fund	64
Charles Sturt Services Limited	Vol 2 2013	Crown Entity	Vol 2 2013
Charles Sturt University Foundation Trust	Vol 2 2013	Cystemix Pty Limited	Vol 2 2013
Charles Sturt University	Vol 2 2013	D	
Chief Investigator of the Office of Transport Safety Investigations	Vol 8 2012	Dams Safety Committee	Vol 6 2012
Chipping Norton Lake Authority	Vol 11 2012	Delta Electricity	Vol 4 2013
Chiropractic Council of New South Wales	Vol 11 2012	Delta Electricity Australia Pty Ltd	Vol 4 2013
Clinical Excellence Commission	Vol 11 2012	Dental Council of New South Wales	Vol 11 2012
Clinical Excellence Commission Special Purpose Service Entity	Vol 11 2012	Destination NSW	Vol 6 2012
CMBF Limited	Vol 2 2013	Director of Public Prosecutions, Office of the	Vol 6 2013
Cobar Water Board	Vol 11 2012	E	
Cobbora Coal Mine Pty Limited	Vol 4 2013	Education and Communities, Department of	Vol 5 2013
Cobbora Coal Unit Trust	Vol 4 2013	Education Overview	Vol 5 2013
Cobbora Holding Company Pty Limited	Vol 4 2013	Education, Minister for	Vol 5 2013
Cobbora Management Company Pty Limited	Vol 4 2013	EIF Pty Limited	59
Cobbora Rail Company Pty Limited	Vol 4 2013	Election Funding Authority of New South Wales	Vol 6 2012
COH Property Trust	Vol 2 2013	Electoral Commission, New South Wales	Vol 6 2012
Coffs Harbour Technology Park Limited	Vol 9 2012	Electoral Commission, Office of the New South Wales	Vol 6 2012
Combat Sports Authority of NSW	Vol 9 2012	Electricity Industry Overview	Vol 4 2013
Commission for Children and Young People, NSW	Vol 9 2012	Emergency Services Overview	Vol 6 2013
Community Relations Commission for a Multicultural New South Wales	Vol 9 2012	Endeavour Energy	Vol 4 2013
Compensation Authorities Staff Division	Vol 5 2012	Energy Industries Superannuation Scheme	40
Cooks Cove Development Corporation	Vol 6 2012	Energy Industries Superannuation Scheme Pty Limited	58
Corporation Sole 'Minister Administering the <i>Environmental Planning and Assessment Act, 1979</i> '	Vol 6 2012	Energy Industries Superannuation Scheme Pool A	28
Corporation Sole 'Minister Administering the <i>Heritage Act, 1977</i> '	Vol 6 2012	Energy Industries Superannuation Scheme Pool B	28
Country Rail Infrastructure Authority	Vol 8 2012	Energy Investment Fund	58
Cowra Japanese Garden Maintenance Foundation Limited	Vol 6 2012	Environment, Minister for	Vol 6 2012
Cowra Japanese Garden Trust	Vol 6 2012	Environment Overview	Vol 6 2012
Crime Commission, New South Wales	Vol 6 2013	Environment Protection Authority	Vol 6 2012
		Environmental Trust	Vol 6 2012
		Eraring Energy	Vol 4 2013
		Essential Energy	Vol 4 2013
		Events New South Wales Pty Limited	Vol 6 2012

F

Fair Trading Administration Corporation

90

Far West Local Health District	Vol 11 2012
Far West Local Health District Special Purpose Entity	Vol 11 2012
Film and Television Office, New South Wales	Vol 6 2012
Fire and Rescue New South Wales	Vol 6 2013
Family and Community Services, Department of	Vol 9 2012
Family and Community Services, Minister of	Vol 9 2012

Finance and Services, Department of

68

Finance and Services, Minister for

64

Financial Counselling Trust Fund

90

Financial Statements not received by Statutory Date (at 9 December 2012)	Vol 11 2012
Financial Statements Received but audit incomplete by Statutory Date (at 9 December 2012)	Vol 11 2012
Fire Brigades Superannuation Pty Limited, NSW	Vol 5 2012
Food Authority, NSW	Vol 6 2012
Food Authority, Office of the NSW	Vol 6 2012
Forestry Commission of New South Wales (Trading as Forests NSW)	Vol 6 2012
Forestry Commission Division	Vol 6 2012
Foundation for the Historic Houses Trust of New South Wales Limited	Vol 9 2012
Foundation for the Historic Houses Trust of New South Wales	Vol 9 2012

G

Game Council of New South Wales	Vol 6 2012
Game Council Division	Vol 6 2012
Gosford Water Supply Authority	Vol 2 2012

Government Telecommunications Authority, New South Wales

90

GraduateSchool.com Pty Limited	Vol 2 2013
Graythwaite Trust	Vol 11 2012

H

Hamilton Rouse Hill Trust	Vol 9 2012
Hawkesbury-Nepean, Office of the	Vol 11 2012
Hawkesbury-Nepean Catchment Management Authority	Vol 6 2012
Health Administration Corporation	Vol 11 2012
Health Care Complaints Commission	Vol 11 2012

Health Care Complaints Commission, Office of the Vol 11 2012

Health Education and Training Institute Vol 11 2012

Health Education and Training Institute Special Purpose Service Entity Vol 11 2012

Health Foundation, New South Wales Vol 11 2012

Health, Minister for Vol 1 2012

Health, Ministry of Vol 11 2012

Health Overview Vol 11 2012

Health Professional Councils Authority Vol 11 2012

Health Reform Transitional Organisation Northern Vol 11 2012

Health Reform Transitional Organisation Southern Vol 11 2012

Health Reform Transitional Organisation Western Vol 11 2012

Heritage, Minister of Vol 9 2012

Historic Houses Trust of New South Wales Vol 9 2012

Home Care Service of New South Wales Vol 9 2012

Home Care Service Division Vol 9 2012

Home Purchase Assistance Fund Vol 5 2013

Home Warranty Insurance Fund

25

Hunter Development Corporation Vol 6 2012

Hunter International Sports Centre Club Vol 1 2012

Hunter New England Local Health District Vol 11 2012

Hunter New England Local Health District Special Purpose Entity Vol 11 2012

Hunter Region Sporting Venues Authority Vol 1 2012

Hunter Water Australia Pty Limited Vol 6 2012

Hunter Water Corporation Vol 6 2012

Hunter-Central Rivers Catchment Management Authority Vol 6 2012

I

Illawarra Health and Medical Research Institute Limited Vol 11 2012

Illawarra Shoalhaven Local Health District Vol 11 2012

Illawarra Shoalhaven Local Health District Special Purpose Entity Vol 11 2012

Illawarra Venues Authority Vol 9 2012

Independent Commission Against Corruption Vol 6 2012

Independent liquor and Gaming Authority Vol 9 2012

Independent Pricing and Regulatory Tribunal	Vol 6 2012	Land and Housing Corporation, NSW	Vol 5 2013
Independent Pricing and Regulatory Tribunal Division	Vol 6 2012	Land and Property Information	72
Independent Transport Safety Regulator	Vol 8 2012	Landcom	Vol 6 2012
Independent Transport Safety Regulator Division	Vol 8 2012	Law and Order Overview	Vol 6 2013
Information and Privacy Commission NSW	Vol 6 2013	Legal Aid Commission of New South Wales	Vol 6 2013
Infrastructure NSW	Vol 5 2012	Legal Aid Commission, Office of the	Vol 6 2013
Insearch Education	Vol 2 2013	Legal Aid Temporary Staff Division	Vol 6 2013
Insearch Education International Pty Limited	Vol 2 2013	Legal Opinions Provided by the Crown Solicitor	Vol 3 2012
Insearch Limited	Vol 2 2013	Legal Profession Admission Board	Vol 6 2013
Insearch (Shanghai) Limited	Vol 2 2013	Legislature, The	Vol 2 2013
Institute of Psychiatry, New South Wales	Vol 11 2012	Legislature (Audit of Members' Additional Entitlements), The	Vol 2 2013
Institute of Sport, New South Wales	Vol 9 2012	Liability Management Ministerial Corporation	Vol 5 2012
Institute of Sport Division	Vol 9 2012	Library Council of New South Wales	Vol 9 2012
Institute of Teachers, NSW	Vol 5 2013	Lifetime Care and Support Authority of New South Wales	75
Institute of Teachers, Office of the	Vol 5 2013	Local Government Superannuation Scheme	8
Insurance and Compensation Overview	8	Long Service Corporation	88
Internal Audit Bureau of New South Wales	Vol 6 2012	Lord Howe Island Board	Vol 6 2012
International Film School Sydney Pty Ltd	Vol 2 2013	Lotteries Assets Ministerial Holding Corporation	Vol 5 2012
International School of European Aviation Pty Ltd	Vol 2 2012	Lower Murray-Darling Catchment Management Authority	Vol 2 2013
ITC Aviation Pty Ltd	Vol 2 2013	Luna Park Reserve Trust	Vol 6 2012
ITC Education Ltd	Vol 2 2013	M	
ITC Ltd	Vol 2 2013	Macquarie Education South Africa NPC	Vol 2 2013
ITC (New Zealand) Limited	Vol 2 2013	Macquarie Generation	Vol 4 2013
J		Macquarie Graduate School of Management Pty Limited	Vol 2 2013
Jenolan Caves Reserve Trust	Vol 6 2012	Macquarie University Professorial Superannuation Scheme	Vol 2 2013
Jenolan Caves Reserve Trust Division	Vol 6 2012	Macquarie University Property Investment Company No. 2 Pty Limited	Vol 2 2013
John Williams Memorial Charitable Trust	Vol 9 2012	Macquarie University Property Investment Company No. 3 Pty Limited	Vol 2 2013
Judicial Commission of New South Wales	Vol 6 2013	Macquarie University Property Investment Company Pty Limited	Vol 2 2013
Justice and Forensic Mental Health	Vol 11 2012	Macquarie University Property Investment Trust	Vol 2 2013
Justice and Forensic Mental Health Network Special Purpose Service Entity	Vol 11 2012	Macquarie University	Vol 2 2013
L		Maritime Authority of NSW	Vol 8 2012
Lachlan Catchment Management Authority	Vol 6 2012	Maritime Authority of NSW Division	Vol 8 2012
Lake Illawarra Authority	Vol 11 2012		
LAMS Foundation Limited	Vol 2 2013		
LAMS International Pty Ltd	Vol 2 2013		

Medical Council of New South Wales	Vol 11 2012	NewSouth Innovations Pty Ltd	Vol 2 2013
MGSM Ltd (formerly ACN 153 973 481)	Vol 2 2013	New South Wales Minerals Industry/University of NSW Education Trust, The	Vol 2 2013
Mid North Coast Local Health District	Vol 11 2012	Nippon Foundation Fund for Japanese Language Education	Vol 2 2013
Mid North Coast Local Health District Special Purpose Entity	Vol 11 2012	Norsearch Limited	Vol 2 2013
Mid West Primary Pty Ltd	Vol 4 2013	Northern NSW Local Health District	Vol 11 2012
Midwest Development Corporation Pty Limited	Vol 4 2013	Northern NSW Local Health District Special Purpose Entity	Vol 11 2012
Milk Marketing (NSW) Pty Limited	Vol 11 2012	Northern Rivers Catchment Management Authority	Vol 6 2012
Mine Subsidence Board	Vol 6 2012	Northern Sydney Local Health District	Vol 11 2012
Ministerial Corporation for Industry	Vol 1 2013	Northern Sydney Local Health District Special Purpose Entity	Vol 11 2012
Ministerial Holding Corporation	Vol 2 2013	NorthPower Energy Services Pty Limited	Vol 4 2013
Motor Accidents Authority of New South Wales	8	NSW Self Insurance Corporation	8
Motor Vehicle Repair Industry Authority	90	NSW Trustee and Guardian	Vol 6 2013
MU Hospital Pty Limited	Vol 2 2013	NSW Trustee and Guardian Common Fund - Trustee	Vol 6 2013
MUH Operations No. 2 Limited	Vol 2 2013	NSW Trustee and Guardian Common Fund – Financial Management	Vol 11 2012
MUH Operations Pty Limited	Vol 2 2013	Nursing and Midwifery Council of New South Wales	Vol 11 2012
MUPH Clinic Pty Limited	Vol 2 2013	O	
MUPH Hospital Pty Limited	Vol 2 2013	Ombudsman's Office	Vol 6 2012
Murray Catchment Management Authority	Vol 2 2013	Optometry Council of New South Wales	Vol 11 2012
Murrumbidgee Catchment Management Authority	Vol 6 2012	Osteopathy Council of New South Wales	Vol 11 2012
Murrumbidgee Local Health District	Vol 11 2012	Overview of 2012	Vol 1 2013
Murrumbidgee Local Health District Special Purpose Entity	Vol 11 2012	Ovine Johne's Disease Transaction Based Contribution Scheme, NSW	Vol 6 2012
N		P	
Namoi Catchment Management Authority	Vol 6 2012	Pacific Industry Services Corporation Pty Limited	Vol 6 2012
National Art School	Vol 2 2013	Pacific Solar Pty Limited	Vol 1 2013
National Marine Science Centre Pty Ltd	Vol 2 2012	Parliamentary Contributory Superannuation Fund	32
Natural Resources Commission	Vol 6 2012	Parramatta Park Trust	Vol 6 2012
Natural Resources Commission Division	Vol 6 2012	Parramatta Stadium Trust	Vol 9 2012
Nepean Blue Mountains Local Health District	Vol 11 2012	Pharmacy Council of New South Wales	Vol 11 2012
Nepean Blue Mountains Local Health District Special Purpose Entity	Vol 11 2012	Physiotherapy Council of New South Wales	Vol 11 2012
Networks NSW Pty Limited	Vol 4 2013	Pisco STC Funds Unit Trust 1	58
Newcastle Innovation Limited	Vol 2 2013	Pisco STC Funds Unit Trust 1	58
Newcastle International Sports Centre Club	Vol 5 2013		
Newcastle Port Corporation	Vol 8 2012		
NewSouth Global (Thailand) Limited	Vol 2 2013		

Planning and Infrastructure, Department of	Vol 6 2012	Roads and Maritime Services Division	Vol 8 2012
Planning and Infrastructure, Minister for	90	Roads and Ports, Minister for	Vol 8 2012
Podiatry Council of New South Wales	Vol 11 2012	Roads and Traffic Authority of New South Wales	Vol 8 2012
Police Force, NSW	Vol 6 2013	Roads and Traffic Authority Division	Vol 8 2012
Police Integrity Commission	Vol 6 2013	Rocky Point Holdings Pty Limited	Vol 4 2013
Police Integrity Commission Division	Vol 6 2013	Rouse Hill Hamilton Collection Pty Limited	Vol 9 2012
Police and Emergency Services, Minister for	Vol 6 2013	Royal Botanic Gardens and Domain Trust	Vol 6 2012
Police and Emergency Services, Ministry for	Vol 6 2013	Rural Assistance Authority, New South Wales	Vol 6 2012
Port Kembla Port Corporation	Vol 8 2012	Rural Assistance Authority, Office of the	Vol 6 2012
Ports Overview	Vol 8 2012	Rural Fire Service, New South Wales	Vol 6 2013
Premier	Vol 2 2013		
Premier and Cabinet, Department of	Vol 6 2012	S	
Primary Industries, Minister for	Vol 2 2013	SAS Trustee Corporation	39
Protective Commissioner - Common Fund, Office of the	Vol 1 2012	SAS Trustee Corporation - Pooled Fund	32
Psychology Council of New South Wales	Vol 11 2012	SAS Trustee Corporation Division of the Government Service of NSW	58
Public Health System Support Division		SCU College Pty Ltd	Vol 2 2013
Special Purpose Service Entity	Vol 11 2012	Services UNE Ltd	Vol 2 2013
Public Service Commission	Vol 5 2012	Sesquicentenary of Responsible Government Trust Fund	Vol 6 2012
Public Transport Ticketing Corporation	Vol 8 2012	Small Business Development Corporation of New South Wales	Vol 2 2013
Q		South Eastern Sydney Local Health District	Vol 11 2012
Qualified Independent Audit Reports Issued	Vol 11 2012	South Eastern Sydney Local Health District Special Purpose Entity	Vol 11 2012
Qucor Pty Ltd	Vol 2 2013	South Western Sydney Local Health District	Vol 11 2012
R		South Western Sydney Local Health District Special Purpose Entity	Vol 11 2012
Rail Corporation New South Wales	Vol 8 2012	Southern Cross University	Vol 2 2013
Redfern-Waterloo Authority	Vol 6 2012	Southern NSW Local Health District	Vol 11 2012
Redfern Waterloo Authority, Office of the	Vol 6 2012	Southern NSW Local Health District Special Purpose Entity	Vol 11 2012
Regional Infrastructure and Services, Minister for	Vol 6 2013	Southern Rivers Catchment Management Authority	Vol 6 2012
Rental Bond Board	90	Southern Way Unit Trust	58
Residual Business Management Corporation	Vol 1 2013	Sport and Recreation, Minister for	Vol 5 2013
Responsible Gambling Fund	Vol 9 2012	Sport Knowledge Australia Pty Limited	Vol 2 2013
Rice Marketing Board for the State of New South Wales	Vol 6 2012	Sport UNE Limited	Vol 2 2013
Resources and Energy, Minister for	Vol 4 2013	State Council of Rural Land Protection Boards of NSW	Vol 6 2012
Risk Frontiers Flood (Australia) Pty Ltd	Vol 2 2013		
Risk Frontiers Group Pty Ltd	Vol 2 2013		
Riverina Citrus	Vol 6 2013		
Roads and Maritime Services	Vol 8 2012		

State Council of Rural Land Protection Board Division	Vol 6 2012	Sydney Local Health District Special Purpose Entity	Vol 11 2012
State Emergency Service	Vol 2 2013	Sydney Metro	Vol 8 2012
State Infrastructure Holdings (Sea Gas) Pty Ltd	58	Sydney Metropolitan Catchment Management Authority	Vol 6 2012
State Infrastructure Trust	58	Sydney Metropolitan Development Authority	Vol 6 2012
State Library of New South Wales Foundation	Vol 9 2012	Sydney Metropolitan Development Authority, Office of	Vol 6 2012
State Management Council of Livestock Health and Pest Authorities of New South Wales	Vol 1 2013	Sydney Olympic Park Authority	Vol 5 2013
State Property Authority	Vol 6 2012	Sydney Opera House Trust	Vol 9 2012
State Rail Authority Residual Holding Corporation	90	Sydney Ports Corporation	Vol 8 2012
State Records Authority of New South Wales	Vol 2 2013	Sydney Talent Pty Limited	Vol 2 2013
State Rescue Board	Vol 6 2013	Sydney Water Corporation	Vol 6 2012
State Super Financial Services Australia Limited	31	SydneyLearning Pty Limited	Vol 2 2013
State Super Fixed Term Pension Plan	32	T	
State Super Investment Fund	31	Taronga Conservation Society Australia	Vol 6 2012
State Super Retirement Fund	31	Taronga Conservation Society Australia Division	Vol 6 2012
State Transit Authority of New South Wales	Vol 8 2012	TCorp Nominees Pty Limited	86
State Transit Authority Division	Vol 8 2012	Teacher Housing Authority of New South Wales	Vol 5 2013
State Water Corporation	Vol 6 2012	Technical and Further Education Commission, New South Wales	Vol 5 2013
Statement of the Budget Result	Vol 3 2012	Technical Education Trust Funds	Vol 2 2013
Superannuation Administration Corporation	57	Television Sydney Foundation Limited	Vol 2 2013
Superannuation Industry Overview	27	Television Sydney Foundation Trust	Vol 2 2013
Sydney Business School Pty Ltd, The	Vol 2 2013	Television Sydney (TVS) Limited	Vol 2 2013
Sydney Catchment Authority	Vol 6 2012	Timber and Carbon Plantation Pty Ltd	Vol 2 2012
Sydney Catchment Authority Division	Vol 6 2012	Total State Sector Accounts	Vol 3 2012
Sydney Children's Hospital Network, The	Vol 11 2012	Tourism, Major Events, Hospitality and Racing, Minister for	Vol 6 2012
Sydney Children's Hospital Network Special Purpose Service Entity, The	Vol 11 2012	Trade and Investment, Regional Infrastructure and Services, Department of	Vol 6 2012
Sydney Cricket and Sports Ground Trust	Vol 5 2013	Trainworks Limited	Vol 8 2012
Sydney Cricket and Sports Ground Trust Division	Vol 5 2013	TransGrid	Vol 4 2013
Sydney Desalination Plant Pty Limited	Vol 6 2012	Transport Department of	Vol 8 2012
Sydney Educational Broadcasting Limited	Vol 2 2013	Transport, Minister for	Vol 8 2012
Sydney Ferries	Vol 8 2012	Transport Construction Authority	Vol 8 2012
Sydney Harbour Foreshore Authority	Vol 6 2012	Transport for NSW	Vol 8 2012
Sydney Harbour Foreshore Authority Casual Staff Division,	Vol 6 2012	Transport Overview	Vol 8 2012
Sydney Local Health District	Vol 11 2012	Transport Service	Vol 8 2012
		Treasurer	80
		Treasury, The	87
		Treasury Corporation, New South Wales	80

Treasury Corporation Division of the Government Service 86

Trustees of the ANZAC Memorial Building 90

Trustees of the Farrer Memorial Research Scholarship Fund Vol 2 2012

Trustees of the Museum of Applied Arts and Sciences Vol 9 2012

U

U@MQ Limited Vol 2 2013

UNE Foundation Ltd Vol 2 2013

UNE Foundation Vol 2 2013

UNE Open Pty Ltd Vol 2 2013

UNE Partnerships Pty Limited Vol 2 2013

UNE Physician Practice Management Company Pty Ltd Vol 2 2013

UniCentre Conferences and Functions Pty Limited Vol 2 2013

United States Studies Centre Limited Vol 2 2013

Universities Admissions Centre (NSW & ACT) Pty Limited Vol 5 2013

University Overview Vol 2 2013

University of New England Vol 2 2013

University of New South Wales Vol 2 2013

University of New South Wales Foundation Vol 2 2013

University of New South Wales Foundation Limited Vol 2 2013

University of New South Wales International House Limited Vol 2 2013

University of New South Wales Press Limited Vol 2 2013

University of Newcastle Vol 2 2013

University of Sydney, The Vol 2 2013

University of Sydney Professorial Superannuation System Vol 2 2013

University of Technology, Sydney Vol 2 2013

University of Western Sydney Vol 2 2013

University of Western Sydney Foundation Limited Vol 2 2013

University of Western Sydney Foundation Trust Vol 2 2013

University of Wollongong Vol 2 2013

University of Wollongong Recreation and Aquatic Centre Limited Vol 2 2013

UNSW & Study Abroad - Friends and U.S. Alumni, Inc. Vol 2 2013

UNSW (Thailand) Limited Vol 2 2013

UNSW Global (Singapore) Pte Limited Vol 2 2013

UNSW Global India Private Limited Vol 2 2013

UNSW Global Pty Limited Vol 2 2013

UNSW Hong Kong Foundation Limited Vol 2 2013

UNSW Hong Kong Limited Vol 2 2013

UON Foundation Vol 2 2012

UON Foundation Ltd Vol 2 2012

UON Services Limited Vol 2 2013

UON Singapore Pte Ltd Vol 2 2013

Upper Parramatta River Catchment Trust Vol 11 2012

Upper Parramatta River Catchment Trust Division Vol 11 2012

UTS Global Pty Limited Vol 2 2013

UWS College Pty Limited Vol 2 2013

UWS Early Learning Limited Vol 2 2013

uwsconnect Limited Vol 2 2013

V

Valley Commerce Pty Limited 58

Venues NSW Vol 5 2013

Veterinary Practitioners Board Vol 6 2012

W

Warren Centre for Advanced Engineering Limited, The Vol 2 2013

Waste Assets Management Corporation Vol 6 2012

Water Overview Vol 6 2012

Water Administration Ministerial Corporation Vol 6 2012

Wayahead Pty Limited Vol 2 2013

Wentworth Annexe Limited Vol 2 2012

Wentworth Park Sporting Complex Trust Vol 5 2013

Western Catchment Management Authority Vol 6 2012

Western NSW Local Health District Vol 11 2012

Western NSW Local Health District Special Purpose Entity Vol 11 2012

Western Sydney Buses Division Vol 8 2012

Western Sydney Local Health District Vol 11 2012

Western Sydney Local Health District Special Purpose Entity Vol 11 2012

Western Sydney Parklands Trust Vol 6 2012

Whitlam Institute Within the University of Western Sydney Limited Vol 2 2013

Whitlam Institute Within the University of Western Sydney Trust Vol 2 2013

Wild Dog Destruction Board Vol 2 2013

Wild Dog Destruction Board Division	Vol 2 2013
Wine Grapes Marketing Board	Vol 2 2013
Wollongong UniCentre Limited	Vol 2 2013
WorkCover Authority of New South Wales	8
Workers Compensation Commission of New South Wales	8
Workers' Compensation (Dust Diseases) Board	8
Workers Compensation Nominal Insurer	8
Wyong Water Supply Authority	Vol 6 2012

Our vision

To make the people of New South Wales
proud of the work we do.

Our mission

To perform high quality independent audits
of government in New South Wales.

Our values

Purpose – we have an impact, are
accountable, and work as a team.

People – we trust and respect others
and have a balanced approach to work.

Professionalism – we are recognised
for our independence and integrity
and the value we deliver.

Professional people with purpose

Making the people of New South Wales
proud of the work we do.

Level 15, 1 Margaret Street
Sydney NSW 2000 Australia

t +61 2 9275 7100

f +61 2 9275 7200

e mail@audit.nsw.gov.au

office hours 8.30 am–5.00 pm

audit.nsw.gov.au

