

# 0607



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Australian Reward Investment Alliance (ARIA) ABN 48 882 817 243 AFSL 238069 RSE Licence No L0001397, Trustee of the Public Sector Superannuation accumulation plan (PSSap) RSE R1004601 ABN 65 127 917 725, Public Sector Superannuation Scheme (PSS) RSE R1004595 ABN 74 172 177 893, Commonwealth Superannuation Scheme (CSS) RSE R1001410 ABN 19 415 776 361

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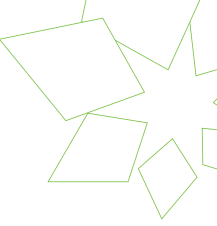


# Overview

|   | CSS  | PSS  | PSSap   |
|---|--|--|---|
| <b>Year established</b>                                       | 1976 (closed to new members in 1990)   | 1990 (closed to new members in 2005)   | 2005  |
| <b>Type</b>   | Hybrid-part accumulation, part defined benefit   | Defined benefit (effectively accumulation for preserved members)   | Accumulation  |
| <b>Default fund for</b>                                       | n/a  | n/a  | Australian Public Service   |
| <b>Public offer</b>   | No   | No   | No  |
| <b>Funds under management</b>                                 | \$6.6 billion+   | \$11.2 billion+  | \$468 million+  |
| <b>Members</b>  | 37,000+  | 237,000+   | 51,000+   |
| <b>Pensioners</b>   | 115,000+   | 14,600+  | n/a   |
| <b>Investment choice</b>                                      | Default Fund + Cash Investment Option  | Default Fund + Cash Investment Option (for preserved benefit members only)   | 11 investment options – default option is called Trustee Choice   |
| <b>Investment objective for default funds</b>                 | Target of inflation + 4.5% over the long-term (approx. 7% pa); with constraint that returns are positive in 24 out of 30 years   |  | Trustee Choice has a target of inflation + 4.5% over the long-term (approx. 7% p.a.); with constraint that returns are positive in 24 out of 30 years.  |
| <b>Returns 2006/07 (after tax and fees) for Default Funds</b> | 16.5%  | 17.7%  | 16.7%   |
| <b>3 year returns (after tax and fees)</b>                    | 14.5%  | 14.9%  | n/a   |
| <b>5 year returns (after tax and fees)</b>                    | 12.0%  | 12.2%  | n/a   |
| <b>10 year returns (after tax and fees)</b>                   | 9.1%   | 9.1%   | n/a   |
| <b>Administrator</b>  | ComSuper   |  |   |
| <b>Custodian</b>  | JPMorgan   |  |   |
| <b>Asset consultants</b>                                      | JANA Investment Advisors, Macquarie Funds Management, Franklin Templeton, Altius Associates, Pinnacle Property Group   |  |   |
| <b>Website</b>  | www.css.gov.au   | www.pss.gov.au   | www.pssap.gov.au  |
| <b>Ratings/awards</b>   | <ul style="list-style-type: none"> <li>&gt; United Nations Award for responsible and sustainable investments 2003</li> <li>&gt; Gold Communications Award 2001 (CMSF)</li> </ul> | <ul style="list-style-type: none"> <li>&gt; United Nations Award for responsible and sustainable investments 2003</li> <li>&gt; Gold + Excellence Communications Awards 2005 (CMSF)</li> </ul> | <ul style="list-style-type: none"> <li>&gt; Triple A rating 2005-06 (Selecting Super)</li> <li>&gt; Platinum rating 2006-07 + Rising Star finalist 2006/07 + Best New Product finalist 2005/06 (SuperRatings)</li> <li>&gt; Gold + Excellence Communications Awards 2006 (CMSF)</li> <li>&gt; Excellence + Lightning Rod Award 2007 (ASFA)</li> </ul> |
| <b>Legislative framework</b>                                  | <i>Superannuation Act 1976</i>   | <i>Superannuation Act 1990</i>   | <i>Superannuation Act 2005</i>  |



I am pleased to report that this year has been an excellent year for the Funds' investments and to present the annual report on the performance of the Funds and the management and administration of the CSS, PSS and PSSap.





## Chairman's report

The continued growth and performance of investment markets during the year resulted in a 16.5% return (after fees and taxes) for the CSS Default Fund and 17.7% (after fees and taxes) for the PSS Default Fund. Also, both the CSS and PSS Cash Investment Options achieved a net return of 5.4%.

In its second year, the PSSap also performed strongly in all investment choice options with the Trustee Choice default fund returning 16.7% (after fees and taxes), well above its long-term target return of 7% per annum.

Late this financial year the Trustee adopted a new Earnings Rate Policy for the CSS and PSS. It replaces the previous methodology for applying interest to members' accounts. From 1 July 2007, Fund earnings are allocated to members' accounts on a continuing basis, rather than when the member exits.

The investment and superannuation industries continue to experience change, with the superannuation reforms, announced by the government in the 2006/07 Budget, now in effect. Throughout the year, ARIA has been working with its scheme administrator, to ensure the new systems are in place and members are being informed about the 'Better Super' rules.

Further reforms to the public sector schemes were also announced as part of the 2007/08 Budget. Details of the new arrangements are set out in the 29th PSS Amending Deed and the Superannuation Legislation Amendment Bill 2007. These new arrangements will have a material impact on the superannuation arrangements of scheme members. ARIA recognises it will have a central role in the education of its schemes' members to ensure they are able to take informed decisions in respect to these changes.

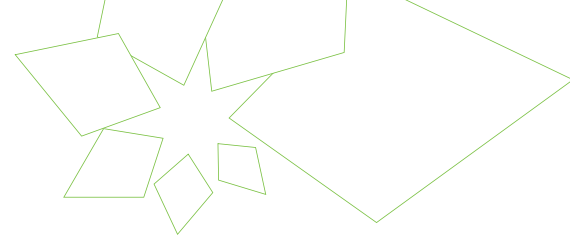
I would like to thank the Minister for Finance and Administration and his department for their continued assistance throughout the year. I would also like to thank our key partners: ComSuper, JPMorgan, JANA Investment Advisors, all of our fund managers and other service providers for their work and commitment throughout the year.

On behalf of the Trustee I would also like to thank the ARIA staff for their continuing dedication and support throughout what was a challenging yet rewarding year.

Finally, I commend and thank my fellow trustees for their assistance, advice and support.



**Susan Doyle**  
Chairman



The principal responsibility of the Trustee is to manage and invest the Funds to maximise benefits to members.





# Trustees

ARIA was established under the *Superannuation Act 1990* and is licensed under the *Corporations Act 2001* and the *Superannuation Industry (Supervision) Act 1993 (SIS Act)*.

The seven trustees of ARIA are appointed by the Minister for Finance and Administration. Three are nominated by the government as employer, three by the Australian Council of Trade Unions (ACTU) and the Chairman is independent.

## **Ms Susan Doyle**

**First appointed 28 July 2003**

**Current term expires**

**27 July 2009**

On 28 July 2003, Ms Susan Doyle was appointed Chairman of the CSS and PSS Boards (now ARIA). Ms Doyle has many years experience in the area of superannuation and investments. She worked for Commonwealth Funds Management for 20 years and was Manager Equities and Fixed Interest,

Suncorp Insurance and Finance, and Chief General Manager, NRMA Asset Management Pty Ltd. She is currently a Guardian of the Future Fund and a Director of SA Water Corporation and Chairman of its Audit Committee.

## **Mr David Connolly AM**

**First appointed 19 September 2002**

**Current term expires**

**18 September 2008**

Mr Connolly is also Chair of the Audit and Risk Management Committee. Mr Connolly is Chairman of Rice Warner Actuaries and serves as a part-time member of the Administrative Review Tribunal. He was a career diplomat for a number of years and held the post of Australia's High Commissioner to South Africa. Elected to the Australian Parliament (1974–1996), he served as Chair of the Public Accounts Committee and held various shadow portfolios, including superannuation and retirement incomes.



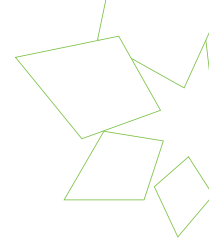
## **Mr Peter Feltham**

**First appointed 1 July 2005**

**Current term expires**

**30 June 2009**

Mr Feltham is currently an Industrial Officer with the CPSU, the Community and Public Sector Union. He has worked for the CPSU and its predecessor organisations for over 20 years in a range of capacities at the state and national level as both an employee and official. Prior to this Mr Feltham worked for 10 years in the Federal Public Service.



# Trustees (cont.)

**Ms Winsome Hall**  
First appointed 1 July 1996  
Current term expires  
30 September 2008

Ms Hall is also a member of the Audit and Risk Management Committee. Ms Hall is an independent director of a number of companies including: State Superannuation Financial Services Australia Limited as a nominee of ARIA, a financial planning company providing services



to NSW and Commonwealth public servants and their families; Colonial First State Private Capital Limited, a listed private capital and infrastructure investment company; Uniseed ( UIIT Pty Ltd) as a nominee of Westscheme. Uniseed funds emerging businesses arising from research at the universities of Melbourne, Queensland and New South Wales; Financial Industry Complaints Scheme as a consumer representative. Ms Hall is also a consultant to the Association of Superannuation Funds Australia. Ms Hall was previously Director of Economic and Income Security in the Office of the Status of Women, Department of Prime Minister and Cabinet and ACT Branch Secretary of the Community and Public Sector Union.

**Mr Des Moore**  
First appointed 9 September 2003  
Current term expires  
30 September 2007

Mr Moore is also a member of the Audit and Risk Management Committee. Mr Moore has had considerable experience in analysing economic issues. Mr Moore worked for 28 years in the Commonwealth Treasury, including five years as one of three Deputy Secretaries. During his time in the Treasury, Mr Moore headed most of the main policy areas before he left in 1987. He is currently Director of the Institute for Private Enterprise in Melbourne, and before that was Senior Fellow, Economic Policy at the Institute of Public Affairs. Mr Moore is also a Council Member of the Australian Strategic Policy Institute.



### **Ms Joy Palmer**

**First appointed 1 July 1996**

**Current term expires**

**30 September 2007**

Ms Palmer is also a member of the Audit and Risk Management Committee. Ms Palmer's extensive experience in the superannuation industry includes current appointments as Chair of Statewide Superannuation Trust and Chair of Statewide Financial Management Services. She is a member of the State Executive of Association of Superannuation Funds Australia, and holds the professional accreditation of Fellow of ASFA (FASFA). Ms Palmer has previously held directorships with AGEST superannuation, CPSUSF Super Fund and the ASFA Board. She is currently also a director of Austraining International.

### **Mr Graham Rogers**

**First appointed 20 December 2004**

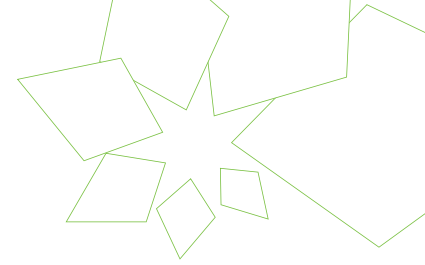
**Current term expires**

**19 December 2007**

Mr Rogers is an independent company director and chairman with over 25 years experience as a business leader in the financial services industry. He is an actuary by profession. Past roles include Chief Executive of Equitable Life and founder and first chief executive of Jacques Martin Group. Mr Rogers has restructured the QBE group, rebuilt Colonial Investment Management Ltd, following the 1987 crash, and initiated the Colonial Group's thrust into Asia. He also served two terms as Deputy Chairman of PHIAC (the Australian Health Insurance Regulator). He is currently Deputy Chair of Australian Wealth Management, Chair of Grange Asset Management Ltd and Chair of Regional Imaging Ltd.



ARIA finished the 2006/07 year with over \$18 billion funds under management and over 325,500 members in the CSS, PSS and PSSap.



# Chief executive review

## Investment results

ARIA finished the 2006/07 year with over \$18 billion funds under management and over 325,500 members in the CSS, PSS and PSSap.

### CSS and PSS Default Funds

The CSS Default Fund posted a net return of 16.5% and the PSS Default Fund posted a net return of 17.7%, the fourth consecutive year of double digit returns. This performance well exceeded the long-term target of 7% per annum.

This return was largely due to the robust returns delivered by the listed equity markets worldwide. Australian equities continued a strong positive momentum finishing the year up 27.9% in the CSS and 28.1% in the PSS, buoyed by healthy domestic economic growth, a positive terms of trade derived from our integration into Asian growth and a flurry of merger and acquisition activity. In the CSS, international equities gained 25.1% in local

currency terms and 13.2% in Australian dollar terms over the year. In the PSS, international equities gained 25.7% in local currency terms and 13.2% in Australian dollar terms over the year. The Funds' foreign asset returns were somewhat protected from the negative impact of the rise in the Australian dollar by the strategic decision taken to largely hedge the Funds' developed markets exposure.

Solid returns were also achieved by other asset classes with the exception of bonds. The CSS Fund's property sector returned 12.4% over the year with the PSS Fund's property sector returning 12.1% over the year. The market neutral strategies and long/short equity strategies gained 10.1% and 16.3% respectively for the CSS. While the PSS Fund's market neutral strategies and long/short equity strategies gained 10.4% and 16.2% respectively. In contrast, the Fund's bond portfolio only managed a return of 4.5% for the CSS and 4.6% for the PSS, but the decision to remain underweighted in bonds

helped to alleviate the impact of this on the Funds.

Both Funds' longer-term investment performance remains ahead of target.

The CSS, over the past three years to 30 June 2007, returned an average of 14.5% per annum. The five year average return of 12.0% is above the long-term target. Over ten years, the Fund return averaged 9.1% per annum compared with an average inflation rate of 2.7% per annum.

The PSS, over the past three years return averaged 14.9% per annum. The five year average return of 12.2% is above the long term target. Over ten years the Fund averaged 9.1% per annum compared with average inflation of 2.7% per annum.

### CSS and PSS Cash Investment Option

The CSS and PSS Cash Investment Option both posted a net return of 5.4%, which is in line with its strategic investment objective.

## Chief executive review (cont.)

### PSSap

The PSSap investment choice options collectively performed well in 2006/07. Most financial markets rose strongly throughout the financial year and for the one year period ending 30 June 2007, the Trustee Choice default fund returned 16.7% which was well above its long-term target return of 7% per annum.

The other three pre-mixed, diversified options also performed well, with the highest returns achieved by the options with the largest allocation to equities. The Aggressive option led the way, with a return of 20.3%. This was followed by the Balanced option's 12.2% and the Conservative option's 9.3%.

All single asset class options also performed well, with all but the Fixed Interest and Cash options delivering double digit returns. The Fixed Interest option's performance of 3.0%, while low, is well within the expected range of outcomes in any given year. Its performance reflected an environment of

rising bond yields, which depress the capital value of fixed interest securities and lower their overall return.

### Major events and developments

The reforms to superannuation announced by the government in the 2006/07 Budget have now come into effect. The 'Better Super' reforms involved significant changes to our scheme administrator's systems and communication to members in relation to the changes. ARIA and its administrator were pleased with the successful implementation of the changes.

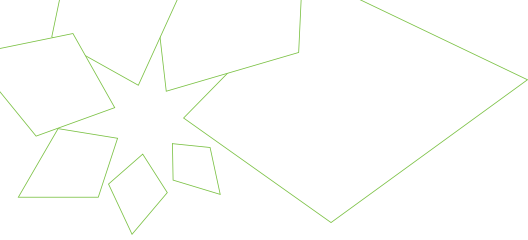
Another key development for 2006/07 was the change to the CSS and PSS Earning Rate Policy allowing ARIA to distribute Fund earnings more equitably among members who leave the scheme and those who stay during a period of negative earnings. The next step in this process is to move to monthly allocation of Fund earnings, whether positive or negative. To do this, we need to allocate

unallocated Fund earnings to members' accounts. We will commence this process during 2007/08.

Significant scheme changes were announced as part of the 2007/08 Budget. These will affect all members of the CSS and PSS once they are implemented (scheduled for 2008). ARIA will liaise with the government and other stakeholders on the impact of these proposals during 2007/08.

ARIA's investment team changed in 2006/07 with the appointment of Ms Alison Tarditi as Chief Investment Officer (CIO) in June 2007, following the resignation of the previous CIO, Mr André Morony in late 2006. Mr Greg Bayles was also appointed as ARIA's alternative investments portfolio manager.

The executive team was also enhanced with the announcement that Mr Paul Watson would join ARIA as Deputy Chief Executive Officer late in July 2007.



### ARIA and PSSap recognised

ARIA and the PSSap were recognised during the year by Australia's leading super ratings agencies and the Association of Superannuation Funds of Australia (ASFA).

During 2006/07 the PSSap was awarded the following:

- > Platinum Rating 2006 (SuperRatings)
- > AAA Rating (Selecting Super)
- > Rising Star finalist 2006 (SuperRatings)
- > Excellence award – Member reporting category (ASFA)
- > Lightning Rod award – for best use of electronic media (ASFA).



A Platinum rating is the highest awarded by SuperRatings and marks the PSSap as a 'best value for money fund' which provides features that should assist most individuals to meet their retirement goals. This year a Platinum rating was only awarded to 30 (15%) of the 200 funds SuperRatings assessed.

Triple A is the highest quality rating from SelectingSuper and marks the PSSap as an exceptional quality superannuation fund. In assessing the PSSap, SelectingSuper examined a number of the Fund's features including: organisational strength; administration; communications; investment mix, analysis and processes; insurance; extra services; and fees and charges.

The ASFA Communications Awards aim to help raise the overall standard of communication in the super industry and recognise those who have excelled. ARIA and the PSSap was recognised in

the Member Reporting Communication category, taking out the Excellence award for the PSSap interactive web-based member statement. The statement was also awarded the prestigious Lightning Rod award – for best use of electronic media.

### Investment and corporate governance

ARIA is at the forefront of fiduciary, investment and corporate governance, recognising that poor environmental, corporate governance and social practices can lead to a decline in investment value as much as financial risk can.

ARIA continues to manage risk actively through the casting of proxy votes in the Australian and international companies in which it invests and also through Regnan, the Governance Advisory Service it assisted to create for the primary purpose of proactive engagement with investee companies.

## Chief executive review (cont.)

Chart 1: Rate comparisons

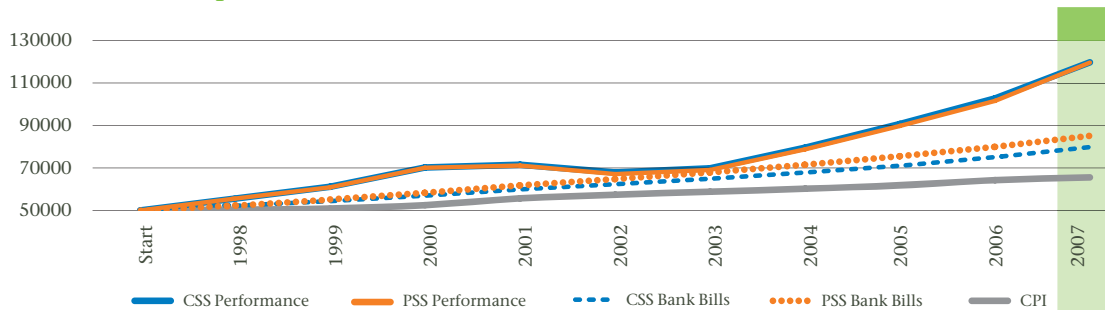


Table 1: Performance

|                      | CSS Default Fund (% p.a.) | CSS Cash Investment Option (% p.a.) | PSS Default Fund (% p.a.) | PSS Cash Investment Option (% p.a.) | PSSap - Trustee Choice Option (% p.a.) |
|----------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|--|
| <b>2006/07</b>       | 16.5                      | 5.4                                 | 17.7                      | 5.4                                 | 16.7                                   |
| <b>Over 3 years</b>  | 14.5                      | n/a                                 | 14.9                      | n/a                                 | n/a                                    |
| <b>Over 5 years</b>  | 12.0                      | n/a                                 | 12.2                      | n/a                                 | n/a                                    |
| <b>Over 10 years</b> | 9.1                       | n/a                                 | 9.1                       | n/a                                 | n/a                                    |

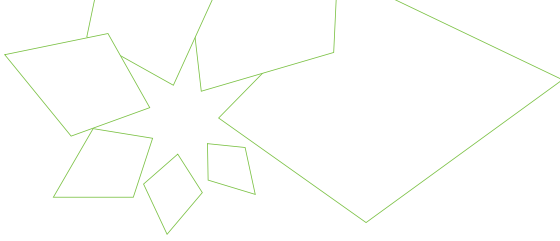
Evolving from the former BT Governance Advisory Service (GAS), Regnan was established by ARIA and seven other major institutional investors in May 2007.

Regnan is Australia's only investment risk management service which focuses on an engagement process to meet the oversight needs of institutional investors. It addresses portfolio exposure to environmental, social and governance risks by directly engaging with companies and performing specialist research and analysis.

In December 2006 ARIA became a signatory to the United Nations Principles for Responsible Investment (PRI) and is actively committed to ensuring that all investment activities are undertaken consistently with these principles.

Following the positive results of these initiatives, ARIA will continue to act as a responsible corporate citizen and will embrace its proxy voting





responsibilities and increase market and public awareness of governance issues to raise standards, minimising the financial risk to our members.

### **Administration**

ARIA and its administrator, ComSuper will work together to improve member services. ARIA conducts regular reviews of the effectiveness of all aspects of its scheme administrator.

In 2006/07 our administrator has been focused on:

- > improving customer service for both members and employers
- > enhancing systems as a result of the 'Better Super' changes; and
- > implementing ARIA's Fund allocation project and related changes.

In the 2007/08 Budget, the Minister for Finance and Administration announced additional funding

for ComSuper, over a number of years, to allow it to modernise IT systems and meet ongoing regulatory requirements.

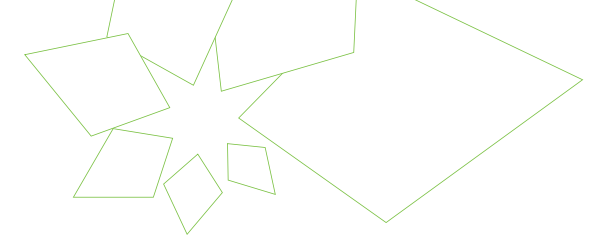
### **Future directions**

2007/08 will be another busy year for ARIA. We will continue to work with the Department of Finance and Administration and other key stakeholders to ensure that the Australian Government is able to provide its employees with affordable, well structured superannuation arrangements, with the aim of achieving consistently good returns.

There are a number of significant projects on the agenda for 2007/08 including the finalisation of fund allocation to members and the practical implementation of the major changes to CSS and PSS announced in the 2007 Budget.

We will collaborate with our administrator, ComSuper, to define the requirements for systems to replace those currently used for the CSS and PSS. These systems will service members and employers and so continue to meet their needs and requirements into the future.

**Steve Gibbs**  
Chief Executive Officer



# Scheme performance

**Table 2: CSS and PSS Default Fund investments 2006/07**

| Asset class                 | Holdings at 30 June 2006 (\$m) |         | Holdings at 30 June 2007 (\$m) |          | Proportion of Fund (%) |       |
|-----------------------------|--------------------------------|---------|--------------------------------|----------|------------------------|-------|
|                             | CSS                            | PSS     | CSS                            | PSS      | CSS                    | PSS   |
| <b>Australian shares</b>    | 2,034.6                        | 2,984.5 | 2,196.2                        | 3,777.3  | 32.2                   | 32.8  |
| <b>International shares</b> | 1,422.4                        | 2,137.6 | 1,485.2                        | 2,525.0  | 21.7                   | 21.8  |
| <b>Bonds</b>                | 839.0                          | 1,178.1 | 720.2                          | 1,208.4  | 10.5                   | 10.5  |
| <b>Market neutral funds</b> | 637.0                          | 921.6   | 638.0                          | 1,057.8  | 9.3                    | 9.2   |
| <b>Long/short equities</b>  | 341.7                          | 444.3   | 308.7                          | 518.3    | 4.5                    | 4.5   |
| <b>Property</b>             | 867.5                          | 1,042.0 | 924.8                          | 1,401.2  | 13.5                   | 12.2  |
| <b>Cash</b>                 | 169.8                          | 592.2   | 566.4                          | 1,042.4  | 8.3                    | 9.0   |
| <b>Total Fund</b>           | 6,147.0                        | 9,104.2 | 6,642.5                        | 11,253.2 | 100.0                  | 100.0 |

**Table 3: CSS and PSS Default Fund performance 2006/07**

| Asset class                 | One-year performance (%) |      | Three-year performance (%) |      | Five-year performance (%) |      |
|-----------------------------|--------------------------|------|----------------------------|------|---------------------------|------|
|                             | CSS                      | PSS  | CSS                        | PSS  | CSS                       | PSS  |
| <b>Australian shares</b>    | 27.9                     | 28.1 | 24.4                       | 24.6 | 19.0                      | 19.0 |
| <b>International shares</b> | 25.5                     | 25.7 | 19.5                       | 19.5 | 15.1                      | 15.1 |
| <b>Bonds</b>                | 4.5                      | 4.6  | 6.4                        | 6.4  | 8.5                       | 8.3  |
| <b>Market neutral funds</b> | 10.1                     | 10.4 | 9.1                        | 9.3  | 9.8                       | 9.9  |
| <b>Long/short equities</b>  | 16.3                     | 16.2 | n/a                        | n/a  | n/a                       | n/a  |
| <b>Property</b>             | 12.4                     | 12.1 | 13.8                       | 13.6 | 12.4                      | 12.2 |
| <b>Cash</b>                 | 6.5                      | 6.5  | 5.4                        | 5.9  | 5.1                       | 5.5  |
| <b>Total Fund</b>           | 16.5                     | 17.7 | 14.5                       | 14.9 | 12.0                      | 12.2 |

**Table 4: CSS and PSS Cash Investment Option investments 2006/07**

| Investments       | Holdings at 30 June 2006 (\$m) |     | Holdings at 30 June 2007 (\$m) |     | Proportion of Fund (%) |       |
|-------------------|--------------------------------|-----|--------------------------------|-----|------------------------|-------|
|                   | CSS                            | PSS | CSS                            | PSS | CSS                    | PSS   |
| <b>Cash</b>       | 118.1                          | 7.9 | 113.2                          | 7.9 | 100.0                  | 100.0 |
| <b>Total Fund</b> | 118.1                          | 7.9 | 113.2                          | 7.9 | 100.0                  | 100.0 |

**Table 5: CSS and PSS Cash Investment Option performance 2006/07**

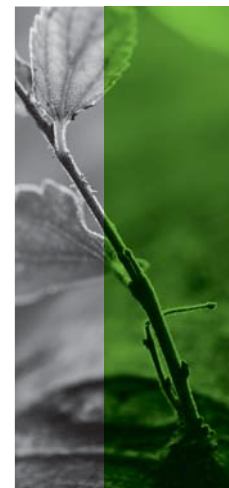
|                   | One-year performance(%) |     | Three-year performance (%) |     | Five-year performance (%) |     |
|-------------------|-------------------------|-----|----------------------------|-----|---------------------------|-----|
|                   | CSS                     | PSS | CSS                        | PSS | CSS                       | PSS |
| <b>Total Fund</b> | 5.4                     | 5.4 | n/a                        | n/a | n/a                       | n/a |

**Table 6: PSSap performance 2006/07**

| Investment Option                      | Holdings at 30 June 2006 (\$m) | Holdings at 30 June 2007 (\$m) | Performance (%) 2005/06 | Performance (%) 2006/07 |
|--|--------------------------------|--------------------------------|-------------------------|-------------------------|
| <b>Conservative</b>                    | 0.5                            | 2.1                            | 7.7                     | 9.3                     |
| <b>Balanced (50/50)</b>                | 1.0                            | 3.2                            | 10.2                    | 12.2                    |
| <b>Trustee Choice</b>                  | 97.4                           | 436.0                          | 14.3                    | 16.7                    |
| <b>Aggressive</b>                      | 2.5                            | 14.8                           | 16.1                    | 20.3                    |
| <b>Cash</b>                            | 0.1                            | 0.7                            | 4.6                     | 5.2                     |
| <b>Bonds/Fixed interest</b>            | 0.1                            | 0.3                            | 2.0                     | 3.0                     |
| <b>Australian shares</b>               | 0.5                            | 4.8                            | 22.3                    | 25.8                    |
| <b>International shares (unhedged)</b> | 0.2                            | 0.8                            | 17.8                    | 10.9                    |
| <b>International shares (hedged)</b>   | 0.2                            | 1.0                            | 15.5                    | 21.1                    |
| <b>Property</b>                        | 1.2                            | 2.3                            | 11.7                    | 14.4                    |
| <b>Sustainable</b>                     | 0.2                            | 1.8                            | 19.0                    | 24.1                    |

# CSS Financial Statements

|   | \$ million     |
|---|----------------|
| <b>Value of Fund as at 1 July 2006</b>                    | <b>6,351.2</b> |
| <b>Inflows</b>  |                |
| Changes in market value of investments                    | 1,000.0        |
| Other income  | 2.3            |
| Employee contributions                                    | 136.0          |
| Employer contributions                                    | 43.5           |
| Government co-contributions                               | 2.8            |
| Appropriation from Consolidated Revenue Fund              | 2,738.1        |
| Other inflows   | 0.1            |
| <b>Outflows<sup>1</sup></b>                               |                |
| Benefits payable  | (3,465.2)      |
| Transfers to the Public Sector Superannuation Scheme      | (0.4)          |
| Income tax expense  | (11.2)         |
| <b>Value of the Fund as at 30 June 2007</b>               | <b>6,797.2</b> |
| <b>Assets and liabilities as at 30 June 2007</b>          |                |
| Investments <sup>2</sup>                                  | 6,756.6        |
| Cash at bank  | 59.8           |
| Amounts to be appropriated from Consolidated Revenue Fund | 0.4            |
| Other receivables   | 0.3            |
| Benefits payable  | (13.5)         |
| Provision for tax   | (5.5)          |
| Other payables  | (0.9)          |
| <b>Net assets as at 30 June 2007</b>                      | <b>6,797.2</b> |



# CSS Financial Statements (cont.)

Notes: 1. No administration or investment expenses are shown as the expenses of the CSS are met in the ARIA Investments Trust  
2. The value of investments shown above reconciles with the Total Fund values shown on pages 16 and 17 as follows:

|                                | <b>\$ million</b>     |
|--------------------------------|-----------------------|
| Default Fund                   | 6,642.5               |
| Cash Investment Option         | <u>113.2</u>          |
| Total Fund                     | 6,755.7               |
| Add/(less)                     |                       |
| Allowance for cost of disposal | (14.9)                |
| Income tax adjustment          | 15.0                  |
| Other (net)                    | <u>0.8</u>            |
|                                | <u><b>6,756.6</b></u> |

The assets of the CSS are invested in the ARIA Investments Trusts (AIT) where they are pooled with the investments of the other Commonwealth public sector superannuation funds, the PSS and the PSSap, in order to deliver a cost efficient investment process. The AIT invests in multiple specialist investment funds and portfolios. The AIT receives income such as dividends, interest, trust distributions and gains and losses on sale and incurs administration and management expenses including those expenses otherwise incurred by the CSS. The operating surplus or deficit generated by the AIT is reflected in the daily unit prices published by the AIT to its unitholders, the superannuation funds.



# PSS Financial Statements

|   | <b>\$ million</b> |
|---|-------------------|
| <b>Value of Fund as at 1 July 2006</b>                    | <b>9,125.0</b>    |
| <b>Inflows</b>  |                   |
| Changes in market value of investments                    | 1,612.6           |
| Other income  | 2.5               |
| Employee contributions                                    | 543.0             |
| Employer contributions                                    | 227.8             |
| Government co-contributions                               | 36.5              |
| Appropriation from Consolidated Revenue Fund              | 181.9             |
| Transfers from the Commonwealth Superannuation Scheme     | 0.4               |
| Other inflows   | 0.6               |
| <b>Outflows<sup>1</sup></b>                               |                   |
| Benefits payable  | (458.5)           |
| Income tax expense  | (35.2)            |
| <b>Value of the Fund as at 30 June 2007</b>               | <b>11,236.6</b>   |
| <b>Assets and liabilities as at 30 June 2007</b>          |                   |
| Investments <sup>2</sup>                                  | 11,260.2          |
| Cash at bank  | 25.3              |
| Amounts to be appropriated from Consolidated Revenue Fund | 6.9               |
| Other receivables   | 0.6               |
| Benefits payable  | (20.3)            |
| Other payables  | (1.6)             |
| Provision for tax   | (34.5)            |
| <b>Net assets as at 30 June 2007</b>                      | <b>11,236.6</b>   |

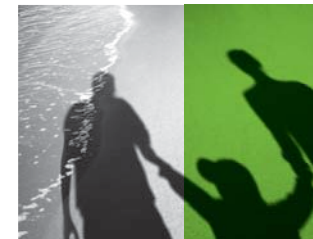


# PSS Financial Statements (cont.)

Notes: 1. No administration or investment expenses are shown as the expenses of the PSS are met in the ARIA Investments Trust  
 2. The value of investments shown above reconciles with the Total Fund values shown on pages 16 and 17 as follows:

|                                | \$ million      |
|--------------------------------|-----------------|
| Default Fund                   | 11,253.2        |
| Cash Investment Option         | <u>7.9</u>      |
| Total Fund                     | <u>11,261.1</u> |
| Add/(less)                     |                 |
| Allowance for cost of disposal | (25.3)          |
| Income tax adjustment          | 21.9            |
| Other (net)                    | <u>2.5</u>      |
|                                | <u>11,260.2</u> |

The assets of the PSS are invested in the ARIA Investments Trusts (AIT) where they are pooled with the investments of the other Commonwealth public sector superannuation funds, the CSS and the PSSap, in order to deliver a cost efficient investment process. The AIT invests in multiple specialist investment funds and portfolios. The AIT receives income such as dividends, interest, trust distributions and gains and losses on sale and incurs administration and management expenses including those expenses otherwise incurred by the PSS. The operating surplus or deficit generated by the AIT is reflected in the daily unitprices published by the AIT to its unitholders, the superannuation funds.



# PSSap Financial Statements

2007  
\$'000

## Operating Statement for the year ended 30 June 2007

### Revenue

|  |         |
|--|---------|
| Interest on cash at bank                   | 1,866   |
| Changes in net market value of investments | 41,901  |
| Employer contributions                     | 231,830 |
| Member contributions                       | 9,828   |
| Transfer from other funds                  | 137,275 |
| Government co-contributions                | 1,932   |
| Insurance proceeds                         | 85      |

**Total Revenue** 424,717

**Insurance premium expense** (10,923)

**Superannuation contributions (surcharge) tax** (41)

**Income tax expense** (34,628)

**Liability for accrued benefits at the end of the year** 379,125

### Assets and liabilities as at 30 June 2007

#### Assets

|              |         |
|--------------|---------|
| Investments  | 468,356 |
| Cash at bank | 51,706  |
| Other assets | 383     |

**Total Assets** 520,445

#### Liabilities

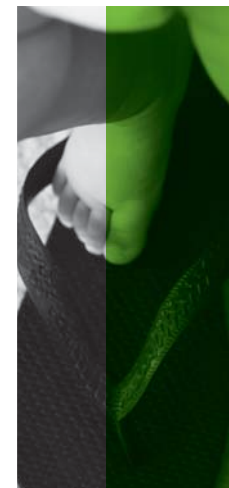
|                   |          |
|-------------------|----------|
| Benefits payable  | (169)    |
| Sundry creditors  | (1,168)  |
| Provision for tax | (34,698) |

**Total Liabilities** (36,035)

**Net assets available to pay benefits** 484,410

Notes: 1. Expenses relating to member administration are borne by the fund administrator out of fees received from participating employers

2. Expenses relating to investment management are borne by the underlying investments.







## Contact us



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[www.aria.gov.au](http://www.aria.gov.au)

for:

- > links to scheme websites
- > 2006/07 Annual Reports to Parliament
- > Legislation
- > Contracts Lists
- > Product Disclosure Statements



[www.finance.gov.au](http://www.finance.gov.au)

for:

the most recent actuarial review of the PSS and CSS, completed by Mercer Human Resource Consulting Pty Ltd during 2005/06 – results were included in the 2005 PSS and CSS Long Term Cost report tabled in Parliament on 14 June 2006.

