



Find out:

- > how the global financial crisis affects your super and what it may mean for you
- > information about the CSS's operation in 2008/09

Annual Report 2008/09

the facts  
in focus

# Welcome...

To make it easier for you to find the information you're interested in, this PDF works in a similar way to a website. Using the navigation panel and links within the text, you can click directly through to the things you want to focus on.

The articles are divided into four key sections:

#### **This is important**

The information in this Annual Report is general information only and has been prepared without taking into account your personal objectives, financial situation or needs. You should consider any advice in this document in light of your personal objectives, financial situation or needs before acting on it. You may wish to contact a licensed financial planner to do this. If you are looking at acquiring a financial product, you should obtain a Product Disclosure Statement and consider its contents before making any decisions.

This document was prepared on 18 September 2009 by ARIA ABN: 48 882 817 243 AFSL: 238069 RSE Licence No: L0001397, Trustee of the CSS ABN: 19 415 776 361 RSE: R100 4649. This Annual Report contains links to other websites. Information on those websites does not form part of your Annual Report, and ARIA is not responsible for, nor does it endorse that information.

We are required to provide you with any additional information you may reasonably need to understand your benefit entitlements, including death and invalidity benefits. Details of other investment options and contribution levels that may be available to you are also available on request from ARIA. To access or request this information, please contact us using the details set out in the **Contact us** section of this Annual Report.

# The year that's been...

The economic environment over the last year has been uncertain, to say the least. But with more than 30 years of managing super we've experienced the ups and downs and always have our members' best interests in mind.

## 2. What do negative returns really mean for you?

Most Australians with super accounts experienced a drop in their super balance in the last year. Find out what this really means for you at your stage in life.

2. What do negative returns really mean for you?

# Investment report

What has happened in investment markets over the last year?  
How has investment market volatility affected the CSS?  
What is the CSS doing about it?

The 2008/09 financial year was extremely difficult for financial markets. The fault lines, revealed by bad loans in the US sub-prime housing market, fractured into a full-blown banking crisis with the failure of the 160-year-old investment bank, Lehman Brothers. The inter-dependence of the global banking sector had been underestimated by regulators and market participants alike.

The banking sector pressures of the September 2008 quarter resulted in a dramatic reduction in credit to households and businesses for consumption and investment. A rapid deterioration into a broad global recession followed. The Australian economy endured this crisis better than most, in particular, due to our strong trade with China and our relatively sound housing sector fundamentals. However, our equity market declined in line with other developed markets, by a little over 50% from peak to trough.

All corporate debt and equity markets around the world fell because confidence in the financial system had evaporated. Corporate earnings and cash flow were also compromised due to a lack of available credit, and no one understood whether the policy responses would be enough to avert a 'depression'.

Over the first half of 2009, emerging signs indicated policy responses had stabilised the financial system, underpinning a recovery in equity markets. Some recovery has also been visible in corporate credit markets.

## Action we've taken

Over the past year, we've taken opportunities to invest in debt markets as the financial crisis provided attractive entry prices for these assets. These investments hampered performance in 2008 as market pricing was under extreme stress. However, as these markets began to recover in the last quarter of 2009, they have delivered strong returns.

We are also introducing investments like inflation-linked bonds into the portfolio to help protect the fund against potential inflation. Current market conditions give us the opportunity to do this at very attractive prices due to concerns about global depression.

2. What do negative returns really mean for you?

# What do negative returns mean for you when you're 26 to 44?

There's no doubt about it – a negative return isn't ideal at any age. But when you've got 10 or more years to go until you'll be looking to take your super, there is time for it to recover.

As a CSS member, the member and/or productivity components of your benefit are affected by investment performance (positive or negative).

However, if you leave as an age-retiree, your CPI-indexed pension, the most significant part of your benefit, is not affected by investment performance because it is determined by your final salary for super purposes, length of membership and age at exit. Any money you have transferred from another super fund, and government super co-contributions, may be affected by fund earnings.

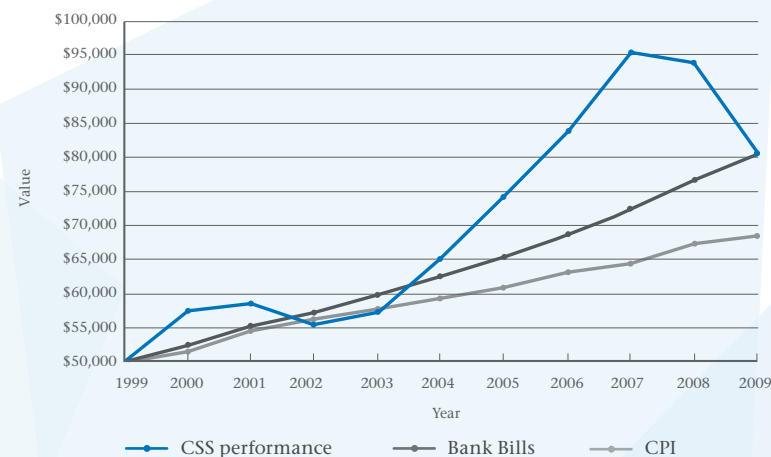
For more information see the article [How your super works.](#)

## Your super is a long-term investment

History shows that market ups and downs are a normal part of the investment cycle. The facts are:

- > in the short-term you can have periods of loss
- > over the long-term you can expect growth.

How the CSS Default Fund performed over 10 years



The chart above shows how \$50,000 invested in the CSS has grown in the Default Fund over the past ten years (including tax), compared with how it would have grown if invested in a low-risk asset class like bank bills or cash (including tax). Remember, super is a long-term investment and past performance is no indication of future performance – investment markets are volatile, and it is not possible to predict when they will go up or down, or how quickly this will happen.

**If you're a contributing member (and you leave as an age-retiree) the most significant part of your benefit isn't affected by investment performance.**

2. What do negative returns really mean for you?



## What do negative returns mean for you when you're 26 to 44?

### Is your super invested to suit you?

If you haven't made an investment choice your super will be invested in the Default Fund. You can choose to move your super out of the Default Fund and invest it in the Cash Investment Option (you get two switches per calendar year).

This is important, because everybody is different and has different investment needs. Some people have a long investment time frame, while others have a short one. Some people are comfortable risking periods of negative returns with the aim of higher average returns in the long run, but others aren't.

To find out more see our article on [Switching investment strategies](#)

2. What do negative returns really mean for you?

# What do negative returns mean for you when you're 45 to 55?

When you're getting closer to the time when you will finish working, a negative return can be very concerning. It can also come as a shock after several years of relatively high superannuation returns.

As a CSS member, the member and/or productivity components of your benefit are affected by investment performance (positive or negative).

However, if you leave as an age retiree, your CPI-indexed pension, the most significant part of your benefit, is not affected by investment performance because it is determined by your final salary for super purposes, length of membership and age at exit. Any money you have transferred from another super fund and government super co-contributions, may be affected by fund earnings.

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**> When markets are down, it can be the worst time to switch investments, as you can 'lock in' your losses and miss out on the gains when markets recover.**

## I want to take the deferred option (commonly called '54/11'). What should I take into account?

The pension will be affected by investment returns as it is based on a formula using the accumulated basic contributions that form part of your lump sum. The earning rate on the date it is processed will apply to this calculation.

When considering this option you should take current investment returns into account.

Keep in mind, you don't have to claim your benefit immediately – you can actually claim it any time between 55 and 65.

The deferred benefit option is not necessarily the best option for everyone, so it is important that you compare options. One way to do this is to use the [i-Estimator](#) at [www.css.gov.au](http://www.css.gov.au) where you can look at estimates for both options.

Have a look at the [Focus on the future](#) article for more things you should be focusing on.

2. What do negative returns really mean for you?

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See a financial planner who will take into account your individual objectives, financial situation and needs.

2. What do negative returns really mean for you?

> [45 to 55 years](#)

# What do negative returns really mean for you when you're over 55?

With retirement in sight, getting a negative return now can be a shock – especially after you've had several years of relatively high returns. But, before you react, make sure you consider your longer-term plans and how this return really affects them.

As a CSS member, the member and/or productivity components of your benefit are affected by investment performance (positive or negative).

However, if you leave as an age retiree, your CPI-indexed pension, the most significant part of your benefit, is not affected by investment performance because it is determined by your final salary for super purposes, length of membership and age at exit. Any money you have transferred from another super fund and government super co-contributions may be affected by fund earnings.

For more information see the article [How your super works](#).

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2. What do negative returns really mean for you?

> [45 to 55 years](#)

## What do negative returns mean for you when you're over 55?

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2. What do negative returns really mean for you?

> [45 to 55 years](#)

# Investment option performance summary

Over the financial year to 30 June 2009, the CSS Default Fund fell by 14.3%. The major contributor to the disappointing return was the fall of around 28% in global share markets.

Diversification into government bonds, cash, high quality properties with long leases and actively diversified global managers, helped offset this major impact to some extent.

The CSS Default Fund had no direct exposure to the sub-prime market (that is, the excessive build-up of debt and poor lending practices in the United States housing market). It also had no exposure to fraudulent hedge fund operations, such as Madoff's fund, and minimal exposure to defaulting counterparties (groups that were transacted with).

**> Periods of volatility (and negative returns) are an inevitable part of the investment cycle. But so are periods of growth and recovery.**

Over the past year, we've taken opportunities to invest into debt markets as the financial crisis provided attractive entry prices for these assets. These investments hampered performance in 2008 as market pricing was under extreme stress. As markets begin to recover, we expect our investments in these areas to produce positive results over the long term.

The Cash Investment Option returned 4.6% after tax, which was in line with its investment objective and reflected the path of market interest rates. Over the course of 2008/09, the RBA cut the official cash rate from 7.25% to 3.0%, which lowered the investment returns of the CSS Cash Investment Option.

Investment option	1 year to 30 June 2009	5 years to 30 June 2009	10 years to 30 June 2009
Default Fund	-14.3%	4.3%	4.9%
Cash Investment Option	4.6%	5.2%*	N/A

All returns are after fees and taxes.

\* The Cash Investment Option five-year figure reflects performance from December 2004 to June 2009.

[Click here](#) for more detailed facts and figures on the CSS Default Fund and the Cash Investments Option.

2. What do negative returns really mean for you?

> 45 to 55 years

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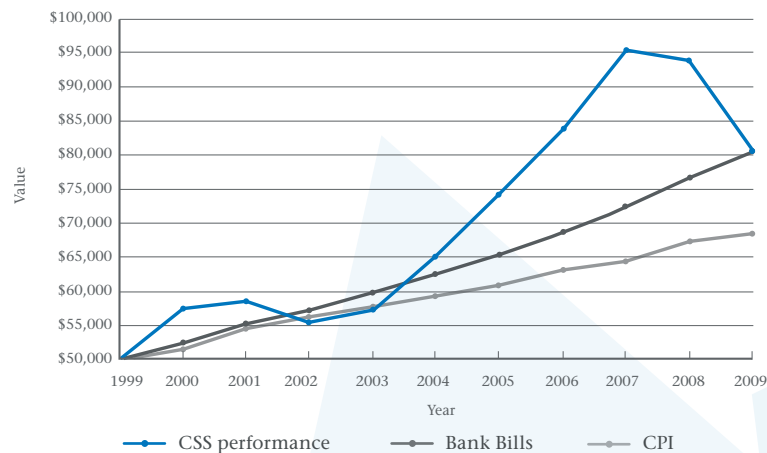
## Investment option performance summary

### Super is a long-term investment

History shows that market ups and downs are a normal part of the investment cycle. The facts are:

- > in the short-term you can have periods of loss
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How the CSS Default Fund performed over 10 years



The chart above shows how \$50,000 invested in the CSS has grown in the Default Fund over the past ten years (including tax), compared with how it would have grown if invested in a low-risk asset class like bank bills or cash (including tax). Remember, super is a long-term investment and past performance is no indication of future performance – investment markets are volatile, and it is not possible to predict when they will go up or down, or how quickly this will happen.

Keep in mind that if you take your super as an age retiree, your CPI-indexed pension (generally the largest part of your benefit) won't be affected by investment performance. It's determined by your final salary for super purposes, length of membership and age at exit. However, the member and productivity components of your benefit, and any super co-contributions or money you've transferred from other funds, are affected by fund earnings.

2. What do negative returns really mean for you?

> 45 to 55 years

# What you need to know before you change your investment strategy

The opportunity to choose how your super is invested carries with it a responsibility to make well-informed decisions that fit with your personal objectives, financial situation and needs.

In the CSS you can choose to invest your super in the Cash Investment Option or leave it in the CSS Default Fund.

See the investments section of this report for more information on the investment objective, strategy, timeframe and risk level of each of these options.

## Be informed before you choose

Deciding to make an investment choice can be empowering, but it can also be a bit daunting. Financial advisers recommend you consider three key factors:

**> When markets are down, it can be the worst time to switch investments, as you can 'lock in' your losses and miss out on the gains when markets recover.**

- 1. Your investment timeframe** – the period of time your money will be invested before you need it for retirement.
- 2. The level of investment earnings you're hoping for** – if you're after a higher return, over the long term, then you need to be willing to accept greater volatility.
- 3. The level of risk you can tolerate** – the level of risk and fluctuation in the value of your investment that you can tolerate.

The Cash Investment Option provides you with an alternative to the CSS Default Fund investment strategy. It is an opportunity to have less volatile earnings for your taxed accumulation (member and productivity) components, in exchange for the possibly higher, but more volatile, return of the Default Fund.

Before you make an investment choice you should get advice from a licensed financial adviser and read the [CSS product disclosure statement](#).

If you decide that you want to change your investment strategy, download the relevant [Transfer form](#).

2. What do negative returns really mean for you?

> 45 to 55 years

# You and your super

At ARIA, we're here to help you make the most of your life after work.

## 2. Achieving your lifestyle goals

By planning ahead and making the right choices at the right time, you can enjoy your life after work. These two steps will help you get off to a good start:

### 1. Focus on the future

2. Focus on what you can do now:

2. Achieving your lifestyle goals

> Focus on what you can do now

# How your super works

Unlike most Australians, your super is part defined benefit and part accumulation. For contributing members (if you leave as an age-retiree), your CPI-indexed pension isn't affected by investment performance.

For CSS members, your benefit is made up of:

1. Your member component – your basic contributions (5% or 0% of your salary) and your supplementary contributions (any contributions above your basic contributions). This includes fund earnings (positive or negative).
2. Your productivity component – your fortnightly employer contributions. This includes fund earnings (positive or negative).

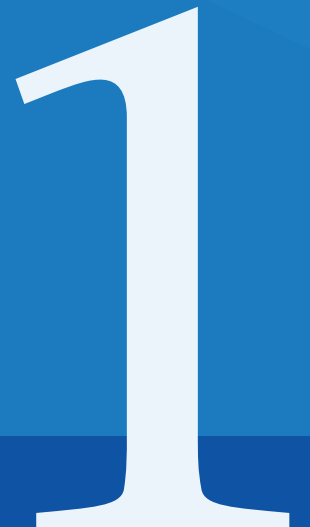
3. Employer-financed component – this is a defined amount financed by your employer, which you receive as a Consumer Priced Indexed-pension when you leave the workforce.
4. Any amounts you've transferred in from other super funds and any government super co-contributions.

## Why is contributing so important?

If you're a CSS contributing member, one of the most important choices you have to make is the rate at which you're going to contribute. For many people, this mostly affects the accumulation part of their super, but for some members it will also affect the pension benefit they're entitled to. Before you decide to stop contributing, you should seek professional advice from an experienced financial adviser.

2. Achieving your lifestyle goals

> Focus on what you can do now



## How your super works

### It's a fact – the CSS has many benefits.

You get:

- > a high-value employer benefit well above the superannuation guarantee
- > no administration fees (your employer pays this cost)
- > the ability to change your contribution rate at any time to suit your financial needs
- > automatic death and invalidity cover at no extra cost to you
- > a choice between two different investment options – the Default Fund or Cash Investment Option
- > a range of flexible retirement options, including a CPI-indexed pension for life.

### Eligible Rollover Fund

Generally, if your super becomes payable as a lump sum and we don't receive instructions within 90 days of you stopping work about how you'd like your claim paid, it can be paid into an Eligible Rollover Fund (ERF).

The ERF selected by ARIA is:

AUSfund  
PO Box 2468  
Kent Town SA 5071

**Phone:** 1300 361 798

Once your benefit is transferred, you must claim it from the ERF and you'll be subject to the terms and conditions of that fund.

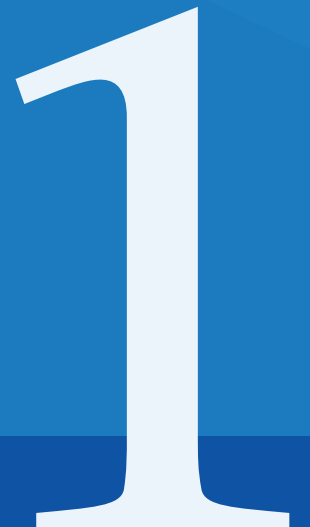
### Superannuation surcharge

The Australian Government abolished the superannuation surcharge on 1 July 2005. However, you may still have to pay it in certain circumstances. For example, if your adjusted taxable income since 1996 has been higher than the annual thresholds, or you didn't provide your tax file number (TFN) to the CSS, you may have a surcharge debt in relation to certain employer contributions reported to the ATO up to and including the 2004/05 financial year. The ATO determines whether you've incurred a surcharge debt. If you have, the amount will be shown in the surcharge debt table on your Member Statement. If you have a surcharge debt, you don't have to pay it now – it will be deducted from your CSS benefit when it's paid to you. If you want to, you can reduce your surcharge debt by making payments. Interest calculated at the 10-year Treasury Bond Rate will be applied to any outstanding balance of your surcharge debt account as on 30 June each year.

If the amount of surcharge shown in your Member Statement varies from the amount you were advised by the ATO, please contact the ATO on 13 10 20.

2. Achieving your lifestyle goals

> Focus on what you can do now



# Focus on the future

We all want to be in a comfortable financial position when we begin our life after work. But, everyone's goals and expectations are different. The key to reaching your goals is for you to be prepared, and it is never too early to start.

## 1. Work out how much money you're likely to need

Most of us have an idea of when we want to stop working but we might not know how much money we're going to need to enjoy that phase of our lives. There's no 'one size fits all' answer, but the [Westpac-ASFA Retirement Living Standard Research](#) will give you an idea of how much you might need.

To paint a more accurate personal picture, ask yourself:

- > When do I want to retire?
- > If I retire then, how long will my savings need to last? (Remember that the average life expectancy for a man is 78 years and for a woman is 83 years)
- > Will I still have debts to cover?
- > What sort of lifestyle do I want and how much will it cost?
- > Where do I want to live once I'm no longer working?

Then try doing a budget to see what the lifestyle you want will cost. You'll find a good template at [www.understandingmoney.gov.au](http://www.understandingmoney.gov.au)

> **It's never too early to start planning for your life after work.**

## 2. Achieving your lifestyle goals

- > Focus on what you can do now



## Focus on the future

### 2. Work out how much money you're likely to have

The next step in putting together a plan is to get an idea of the income from super and other sources that you're likely to have once you stop working. You can:

- > use the [CSS i-Estimator](#) to estimate your final benefit
- > consider other ways you may be able to supplement your super, such as investing in shares or property.

### 3. Have a look at ways you can supplement your savings

If there's a big difference between how much money you think you're going to need and how much you're likely to have, there's no need to panic. There are a number of different things you can do to help you bridge the gap. Have a look at:

- > increasing your rate of contribution – see [Contributions](#) to find out more.
- > your different options for claiming your super – [www.fido.gov.au](http://www.fido.gov.au) has some useful information.
- > the tax and social security implications of your different choices – the [Centrelink planning for retirement service](#) is a useful online guide to payments, services, programs, publications and forms relating to life after work.

## 2. Achieving your lifestyle goals

- > Focus on what you can do now



# 26 to 44 years?

Juggling work, our everyday responsibilities and family and friends often leave us little time for much else. But if you can set aside a little bit of time to focus on your super, it will pay off when it's time to stop working and enjoy life in retirement.

## Focus on the future

We all want to be in a comfortable financial position when we begin our life after work. But, everyone's goals and expectations are different. The key to reaching your goals is being prepared, and it is never too early to start.

See the [Focus on the future](#) article for some things you can do to prepare.

## Monitor your progress

To see if you're on track to achieve the lifestyle you want when you finish working, use the [CSS i-Estimator](#) to estimate your potential benefit.

## Think about making additional contributions

When it comes to super, it pays to be disciplined throughout your working life, rather than leaving it until a few years before you're ready to finish working. If you make regular contributions to your super now, and top these up whenever you can, you'll be much better off than if you try and get yourself over the line in the last few years of your working life.

In the CSS, you can choose to contribute 0% or 5% or more of your after-tax salary.

2. Achieving your lifestyle goals

> Focus on what you can do now



26 to 44 years?

### Check your eligibility for the super co-contribution

If your income is less than \$61,920, you may qualify for the government co-contribution. If you do, the government will contribute up to \$1.00\* for every after-tax \$1.00 you put into your super (to an annual maximum of \$1,000). Have a look at the [Super co-contributions](#) fact sheet to find out if you qualify and how much you could get.

For more information about your CSS contribution options, see our [Contributing to the CSS](#) fact sheet. To change your contribution rate, complete the [Election to vary contribution rate](#) form.

\* Subject to eligibility requirements and [caps](#).

### See if your super is invested to suit you

If you haven't made an investment choice, your super will currently be invested in the Default Fund. You can choose to move your super out of the Default Fund and invest it in the Cash Investment Option. This is important, because for many people the length of time they have until they take their super affects the way that they want to invest it. To find out more, see our article on [Switching investment strategies](#).

2. Achieving your lifestyle goals

> Focus on what you can do now

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# 45 to 55 years?

Retirement is getting closer, and you're probably keen to make sure you'll be financially comfortable when you stop working. Now is the time to review your living expenses, double-check your plan (or make one if you don't have one) and top-up your super savings if you need to.

## Start thinking about when you want to retire

Having an idea of when you're going to finish up work, and how you'll go about it, will allow you to put together a plan to keep you on the right track. To get yourself off to a good start, why not have a look at our [Focus on the future](#) article?

## Monitor your progress

To see if you're on track to achieve the lifestyle you want when you finish working, use the [CSS i-Estimator](#) to estimate your potential benefit.

**> Tax breaks and compound interest mean that every extra dollar you put into your super goes a long way. And the earlier you put it in, the further it goes.**

## Check your eligibility for the super co-contribution

If your income is less than \$61,920 and you choose to contribute to your super, chances are you will qualify for the government co-contribution. If you do, the government will contribute up to \$1.00\* for every after-tax \$1.00 that you put into your super (to an annual maximum of \$1,000). Have a look at the [Super co-contributions](#) fact sheet to find out if you qualify and how much you could get.

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2. Achieving your lifestyle goals

> Focus on what you can do now



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2. Achieving your lifestyle goals

> Focus on what you can do now

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# 55+ years?

You're nearing the end of your working life and getting close to beginning your life after work. But it's not too late to adapt your strategy if you need to.

## Start thinking about when you want to retire

Having an idea of when you're going to finish up work, and how you'll go about it, will allow you to put together a plan to keep you on the right track. To get some ideas, why not have a look at our [Focus on the future](#) article?

## Monitor your progress

To see if you're on track to achieve the lifestyle you want when you finish working, use the [CSS i-Estimator](#) to estimate your potential benefit.

**> What you plan on doing with your super when you come to take it, and how you take it, both play a big part in determining your investment timeframe.**

## Check your eligibility for the super co-contribution

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2. Achieving your lifestyle goals

> Focus on what you can do now

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# Investments

In this section you'll find all the facts and figures that relate to your CSS Default Fund and the Cash Investment Option.

## 2. Your investment options

This section provides you with an overview of each investment option, its performance and results for the year, as well as information on its investment strategies and asset allocation as at 30 June 2008 and 30 June 2009.

2. Your investment options

# The CSS investment strategy

The CSS investment strategy is based on four key principles:

## 1. Taking a global view

Investing only in Australia can limit potential returns, so ARIA also searches for investment opportunities in both established and emerging international markets.

## 2. Long-term versus short-term

Our investment strategy focuses on acquiring assets that can sustainably deliver returns to members over the long term. We seek to exploit shorter-term pricing opportunities to enter or exit our investment strategies, and we are aware of the desirability of reducing short-term return volatility, where possible.

## 3. Diversification

Where fund investment constraints permit, we invest your super across different asset classes to reduce concentrating risks in any one theme.

## 4. Best-practice due diligence and manager selection

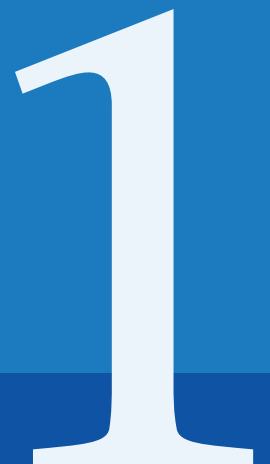
We focus on identifying asset managers with the skill to understand asset market fundamentals, price risk appropriately, and generate consistent risk-adjusted returns.

## Looking to the future

The CSS is a large superannuation fund by Australian standards, and it will likely continue to be for many years yet. However, with fund outflows from departing members now exceeding fund inflows, we increasingly take account of liquidity considerations in framing our investment strategy.

ARIA manages the assets of the PSSap, PSS and CSS in a single investment vehicle. This provides greater economies of scale in managing the closed CSS fund and helps to keep the running cost of the fund at a competitive level.

2. Your investment options



# Default Fund

## Investment objectives

Your option's key investment objective is to maximise the long-term real return within certain risk constraints. Whilst the investment climate going forward cannot be predicted, ARIA is constantly monitoring its strategic asset allocation and the global economic environment in which your money is invested.

Currently, a little over half of the fund's assets are invested in equities, the majority of which are traded on listed exchanges. The fund also has a substantial program of alternative investments, including private equity and market-neutral strategies. These are expected to behave to a degree independently of listed equity and bond markets, thus reducing the overall risk of the fund through the benefits of diversification.

Other investments include a portfolio of direct and indirect property holdings, actively diversified funds, government and corporate bonds, and cash.

## Default Fund asset allocation

Asset allocation	At 30 June 08	At 30 June 09
Australian equity	27.3%	25.4%
International equity	21.8%	23.8%
Long/short equity funds	4.6%	3.4%
Real assets	14.9%	17.2%
Alternatives	10.5%	9.3%
Fixed income	9.7%	11.2%
Cash	11.2%	9.7%

## Default Fund performance 2008/09

	Holdings at 30/6/08 \$m	Holdings at 30/6/09 \$m	1 year % p.a.	3 year % p.a.	5 year % p.a.
Total Fund Return	5,718.2	4,214.3	-14.3%	-1.4%	4.3%

All performance information is after tax and fees.

ARIA determines an earning rate for the Default Fund every business day, and earnings are allocated to members' accounts monthly. These daily rates are used to calculate entitlements for members exiting the CSS.

For more information about our investment performance, see [Investments](#).

## Default Fund earning rates

Over the five years ending 30 June 2009, the compound average rate of earnings (after tax and fees) for the Default Fund is 4.3% per annum.

Year	Earning rate (after tax and fees)	Inflation rate
2004/05	13.9%	2.5%
2005/06	13.1%	4.0%
2006/07	13.7%	2.1%
2007/08	-1.6%	4.5%
2008/09	-14.3%	1.5%

# Cash Investment Option

## Investment objectives

This option's key investment objective is to preserve its capital and earn a return close to that of the UBSA Bank Bill Index.

## Investment strategy

The Cash Investment Option invests in:

- > cash (deposits with a bank)
- > Australian-dollar-denominated money market securities that are issued or guaranteed by a government, bank or corporate entity with a minimum credit rating of AA (or its floating rate equivalent), as determined by Standard & Poor's (or the equivalent from Moody's or Fitch if no Standard & Poor's rating is available)
- > interest rate futures and options traded on the Sydney Futures Exchange.

## Cash Investment Option asset allocation

Asset allocation	At 30 June 08	At 30 June 09
Cash	100%	100%

## Cash Investment Option Performance 2008/09

	Holdings at 30/6/08 \$m	Holdings at 30/6/09 \$m	1 year % p.a.	3 year % p.a.	5 year % p.a.
Total Fund Return	320.1	536.0	4.6%	5.2%	5.2%*
All performance information is after tax and fees.					

\* The Cash Investment Option five-year figure reflects performance from December 2004 to June 2009.

ARIA determines an earning rate for the Cash Investment Option every business day, and earnings are allocated to members' accounts monthly. These daily rates are used to calculate entitlements for members exiting the CSS.

For more information about our investment performance, see [Investments](#).

## Cash Investment Option earning rates

For the period 1 December 2004 to 30 June 2009, the compound average rate of earnings (after tax and fees) for the Cash Investment Option is 5.2%.

Year	Earning rate (after tax and fees)	Inflation rate
2004/05	2.7%*	2.5%
2005/06	4.9%	4.0%
2006/07	5.4%	2.1%
2007/08	6.1%	4.5%
2008/09	4.6%	1.5%

\* The 2004/05 return numbers reflect performances from December 2004 to June 2005.



# Investment managers

ARIA works with more than 30 leading investment managers to ensure that your super is well-managed.

## Our policy on derivatives

Investment managers who enter into an Investment Management Agreement with ARIA may use a number of derivative securities (known as derivatives) to facilitate increases or decreases in the fund's exposure to different investment markets. Derivatives are financial instruments whose value changes in response to the changes in underlying variables. Examples include futures, options and forward exchange contracts.

Derivatives are mainly used to reduce risk for you. Our investment managers don't use derivative securities for gearing the fund or any part of the fund, or for placing the fund in a position where it's short an asset class.

The investment mandates we grant to our investment managers, allowing them to use derivatives, reflect the policy for the fund as a whole. If ARIA's investment managers use derivative securities, ARIA's internal investment team and/or investment advisers monitor whether this use is consistent with ARIA's policy, and advise ARIA of any breach.

If you'd like more information about our derivatives policy, call ARIA on 02 6263 6999.

## CSS Default Investment managers 2008/09

452 Capital Pty Limited  
AMP Capital Investors Limited  
Arcadia Funds Management Limited  
Aurora Investment Management LLC  
AXA Rosenberg Investment Management Ltd  
Balanced Equity Management Pty Ltd  
Barclays Global Investors Australia Limited  
BlackRock Financial Management  
Brandywine Asset Management LLC  
Bridgewater Associates Inc  
Colonial First State Property Limited  
Concord Capital Limited  
Dexus Property Group Limited  
Eureka Funds Management Company  
Fiduciary Trust Company International  
GMO Australia Limited  
Holowesko Partners Limited  
Lend Lease Real Estate Investments Limited  
Loomis Sayles & Company LP  
Macquarie Investment Management Limited  
Marathon Asset Management Limited  
Marvin & Palmer Associates Inc  
Mesirow Advanced Strategies Inc  
MIR Investment Management Limited  
Orbis Investment Management Limited  
Perpetual Investments  
Platinum Asset Management  
Principal Global Investors (Australia) Limited  
Rexiter Capital Management Limited  
Rogge Global Partners PLC  
State Street Global Advisors Limited  
Vanguard Investments Australia Limited  
Wallara Asset Management  
Wellington International Management Company Pty Ltd

## Cash Investment Option manager

Macquarie Investment Management Limited

2. Your investment options

3

# Report

This section focuses on the operations of the CSS during 2008/09. It includes the trustee report, news, financial statements and information on the CSS trustees.

## 2. News

In this section, we bring you an update on key achievements, initiatives and changes during the year.

# Trustee report

## Dear member

The Trustee is pleased to present the CSS's report for the year ending 30 June 2009, and to report to you on the operation of your fund.

We're sure that you'll find this online report useful, as it contains important information about our operations and achievements, and it will help you get the most from your super.

## A volatile year – investment performance

2008/09 was a particularly challenging year for investment markets, with the Australian share market falling by around 24%, while international shares declined even further. This contributed to most superannuation investment options recording negative returns in 2008/09.

The CSS Default Fund recorded a return of -14.3%, and the CSS Cash Investment Option achieved a return of 4.6%. While this year's Default Fund return was negative, CSS's longer-term performance remains competitive. For further information, see [Investments](#).

## The year ahead

Although we continue to see signs of improvement in the global economy, it is impossible to predict when the economy will sustainably recover.

With this in mind, we expect the year ahead will bring many challenges.

Our focus remains on achieving strong investment returns over the long term, and our investment team is always looking for opportunities to acquire strong long-term investments.

One of the major events this coming financial year is the Australian Government's proposed merger between ARIA (the Trustee of the CSS, PSS and PSSap), the Military Superannuation and Benefits Scheme (MSBS) and the Defence Force Retirement and Death Benefits Scheme (DFRDB). The government announced that the reforms would not affect members' superannuation benefits in any way.

We will work with the Department of Finance and Deregulation to implement any changes as a result of the proposed merger.

## New trustee appointed

The Minister for Finance and Deregulation appointed a new ARIA trustee – Mr Brian Daley – in March 2009.

Mr Daley was appointed to replace Mr David Connolly AM, an employer-nominated trustee who had been with ARIA since September 2002.

We would like to thank Mr Connolly for his valuable contribution over the past six years.

## Thank you

We would like to thank our management team and valued service providers for their efforts during the year and in anticipation of their continuing dedication and enthusiasm for the coming year.

# News

In this section, we bring you an update on key achievements, initiatives and changes during the year.

## Your new-look member statement pack

### What is The facts in focus?

Previously, we included a printed copy of our annual report in the annual member statement pack that you receive in the mail.

This year, we developed this interactive online publication – **The facts in focus**. It saves time, is easier to find, and it's better for the environment too.

We hope that you're finding it a useful tool.

### New interactive tool to help you read your member statement

This year, we've introduced a new online tool to help you work through your member statement. The interactive member statement guide allows you to cross-reference your statement with easy-to-use help screens. Check out the [interactive guide](#).

### Want to get your full annual member statement pack online in 2010?

It's easy – just log on to [Member services online](#), update your email contact details, follow the links to review the relevant information, and check the appropriate box to receive your full annual member statement pack online in 2010.

## Budget super changes

There were a number of new superannuation proposals announced in the 2009 Federal Budget.

The change that affects CSS members directly is the reduction of the government's super co-contribution rates. From 1 July 2009, the matching rate and maximum co-contribution payable on eligible personal non-concessional superannuation contributions has been temporarily reduced.

Other budget changes that do not affect you as a CSS member, but may be relevant to other super accounts you hold, include:

- > The concessional contributions cap will be reduced from \$50,000 to \$25,000 p.a. (indexed) from the 2009/10 financial year.
- > The existing transitional concessional contributions cap for those aged 50 and over (applicable for the 2009/10, 2010/11 and 2011/12 financial years) will be reduced from \$100,000 to \$50,000 p.a. (not indexed). From 1 July 2012, the lower cap will apply (\$25,000, or applicable indexed amount) to those under 50.

[Find out more about the changes.](#)

## News

### Government announcement on merger

#### Arrangements for merger of Australian Government superannuation schemes

In October 2008, the Australian Government announced a package of reforms to improve and consolidate governance and administration of Australian Government superannuation schemes, including the CSS.

The Australian Government proposed that on 1 July 2010, the boards of ARIA (the Trustee of the CSS, PSS and PSSap), the Military Superannuation and Benefits Scheme and the Defence Force Retirement and Death Benefits Scheme (DFRDB) merge. The new board will be responsible for the management of superannuation and benefits for public service and defence force employees and for the DFRDB.

The government announced that the reforms would not affect members' superannuation benefits in any way, and that each scheme would retain its own legislative base and provisions. We will keep you up-to-date about the progress of this package through the [News](#) section of our website.

### New legislation to recognise de facto couples in family law

*The Family Law Amendment (De Facto Financial Matters and Other Measures) Act 2008* came into effect on 1 March 2009. The new legislation updates the *Family Law Act 1975* to provide for opposite-sex and same-sex de facto couples to access the Federal Family Law courts on property and maintenance matters.

### New quarterly investment report – Review

In July, we emailed our members a special first edition of our investment newsletter – [Review](#) – which outlines our investment performance in 2008/09.

Each quarter, [Review](#) will cover market developments and include commentary from our investment team.

To receive your copy, log on to [member services online](#), update your email contact details, and tick the box for online news updates by email.

# Financial statements

## CSS unaudited financial statements for 2008/09

	\$ million
<b>Value of the fund as at 1 July 2008</b>	<b>6,073.5</b>
<b>Inflows</b>	
Changes in market value of investments	(811.4)
Other income	2.3
Employee contributions	108.6
Employer contributions	38.9
Government co-contributions	1.9
Appropriation from Consolidated Revenue Fund	3,070.4
<b>Outflows<sup>1</sup></b>	
Benefits paid	(3,736.6)
Income tax expense	(6.2)
<b>Value of the fund as at 30 June 2009</b>	<b>4,741.4</b>
<b>Assets and liabilities as at 30 June 2009</b>	
Investments <sup>2</sup>	4,715.6
Cash at bank	37.6
Amounts to be appropriated from Consolidated Revenue Fund	0.0
Other receivables	0.1
Benefits payable	(4.9)
Other payables	(0.8)
Provisions for tax	(6.2)
<b>Net assets as at 30 June 2009</b>	<b>4,741.4</b>
1. The expenses of the CSS are met in the ARIA Investments Trust; accordingly, no administration or investment expenses appear here.	
2. The value of investments shown above reconciles with the <b>Total Fund values</b> shown on pages 27 and 28 as follows:	
Default Fund	4,214.3
Cash Investment Option	536.0
Total fund	4,750.3
<b>Add/(less)</b>	
Valuation difference due to timing	(34.7)
	<b>4,715.6</b>

### Notes:

The assets of the CSS are invested in the ARIA Investments Trust (AIT), where they're pooled with the investments of the other Commonwealth public sector superannuation funds – the Public Sector Superannuation Scheme (PSS) and the Public Sector Superannuation accumulation plan (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, including the CSS, and monthly earning rates based on the unit prices as published on the CSS website. If you'd like to see a copy of the CSS audited financial statements for this year and the reports from the auditor, please refer to our [Annual Report to Parliament](#) (published in October).

# Your trustees for 2008/09

Your trustees are appointed to work in the best interests of members, and manage CSS administration, investment strategy and member communications.

## Susan Doyle

**Chairman (independent)**

Appointed Chairman 28 July 2003 to 27 July 2006, reappointed to 27 July 2009

## David Connolly AM

**Trustee (employer-nominated)**

Appointed 19 September 2002 to 18 September 2005, reappointed to 18 September 2008

## Peter Feltham

**Trustee (ACTU-nominated)**

Appointed 1 July 2005, reappointed to 30 June 2009

## Winsome Hall

**Trustee (ACTU-nominated)**

Appointed 1 July 1996, reappointed to 30 September 2010

## Dennis Trewin AO

**Trustee (employer-nominated)**

Appointed 20 December 2007 to 30 September 2009

## Steven Crane

**Trustee (employer-nominated)**

Appointed 1 October 2007 to 30 September 2010

## Margaret Gillespie

**Trustee (ACTU-nominated)**

Appointed 1 October 2007 to 30 September 2010

## Brian Daley

**Trustee (employer-nominated)**

Appointed 19 March 2009 to 12 March 2012

For biographies of all trustees [click here](#).

For details of the procedure for trustees' appointments and terminations [click here](#). The trustees manage the CSS in accordance with the law and relevant regulatory requirements. All trustees are appointed in writing by the Minister for Finance and Deregulation.

ARIA and individual trustees are covered by indemnity insurance to protect themselves and the CSS from losses arising from claims against them in certain circumstances. To date, there has never been a claim against ARIA or a trustee that has resulted in the loss of members' monies, nor have any regulatory penalties been imposed.

# Contact us

If you're making decisions about your super, you can get yourself off to a good start by visiting:

- > our [product disclosure statement](#)
- > [glossary of terms](#)
- > [forms and publications](#)
- > [news](#) and information
- > free [At Work for You](#) workshop dates, locations and booking facility
- > [member services online](#) where, with a secure access number, you can:
  - use the CSS [i-Estimator](#) (our online calculator) to estimate your benefit
  - update your address and contact details
  - view and download your Member Statement
  - pay surcharge and leave-without-pay contributions via BPAY.

If you've lost or forgotten your secure access number, you can re-set it in the [Member services online](#) login area. If you need help to do this, call us or send us an email.

**Email:** [members@css.gov.au](mailto:members@css.gov.au)  
**Phone:** 1300 000 277  
**TTY:** 02 6272 9827  
**Fax:** 02 6272 9612  
**Post:** CSS Member Services  
PO Box 22  
Belconnen ACT 2616

For information about your fund's investments and governance, contact ARIA in one of the following ways:

**Email:** [secretary@aria.gov.au](mailto:secretary@aria.gov.au)  
**Phone:** 02 6263 6999  
**Fax:** 02 6263 6900  
**Post:** ARIA  
GPO Box 1907  
Canberra ACT 2601