



Enjoy the **journey**,
you're heading in the
right direction



Deferred

Member Statement Guide
Annual Report 2007/08



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Welcome

This is important

The information in this combined Annual Report and Member Statement Guide 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 book 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.

Neither ARIA, nor the Australian Government takes any responsibility for the services or guarantees the performance of any product provided by third parties including American International Assurance Company (Australia) Limited ('AIG Life' or 'the insurer'), State Super Financial Services Australia Ltd ('SSFS') and Members Equity Bank ('ME'). You are under no obligation to use the services of SSFS, ME or the income protection offered by AIG Life and should always compare financial products to find one which best meets your personal objectives, financial situation and needs.

This document is part of your periodic statement for your CSS super account and was prepared on 25 August 2008 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. The components of your periodic statement are the Member Statement, Transaction Summary and combined Annual Report to Members and Member Statement Guide.

We are required to provide you with any additional information you may reasonably need to understand your benefit entitlements, including death and TPD benefits, insurance options, investment options and other contribution levels.

Welcome to your CSS Annual Report and Member Statement Guide for 2007/08. This booklet has three main sections:

- > **Planning for life after work**
This section outlines what super might mean to you at different ages and stages of your life. It offers some important tips about how to **Be prepared** and **Make your super work for you**.
- > **Member Statement Guide**
This section gives some tips to help you understand the different components of your Member Statement so you can get the most out of it.
- > **Report for the year**
This section contains summary information for members about the operation of the CSS during 2007/08, including news, investments, financial statements and trustees.

The following table sets out the effective rate of net earnings for each investment option in the 2007/08 reporting period.

How we performed in 2007/08

Default Fund	-1.6%
Cash Investment Option	6.1%
All returns for the period of 1 July 2007 to 30 June 2008 are after taxes and fees.	

To find out more about how we performed go to page 26.

If you need more information after reading this booklet:

- > visit **www.css.gov.au**
- > email **members@css.gov.au**
- > call **1300 000 277**
- > write to us at CSS, PO Box 22, Belconnen ACT 2616.

How to use this booklet

Even though you're no longer contributing to the CSS, you may have family members who are or you could be contributing to another super fund. The information provided in the next section – **Planning your life after work** – gives some general tips for people who are still contributing to a super fund, whether it's to the CSS or another fund.

If you don't need to read this information, go straight to page 10 for a guide to your Member Statement, or page 20 for a report about the CSS for the year.

Planning for life after work

This section provides some general information for people who are still contributing to a super fund, whether it's to the CSS or another fund. It offers some important tips about how to **Be prepared** and **Make your super work for you**.

Be prepared

We all want to be financially comfortable once we're no longer working, and knowing when to think about your super is an important step in ensuring you have adequate funds in place to be able to enjoy your life after work. Everyone's living expenses and financial goals are different, and you need to consider how you'll achieve your desired lifestyle once you stop working.

We've given you some basic information here and we've also created a lifestages section at www.css.gov.au that may give you some fresh ideas.

The main steps involve deciding how much money you think you'll need once you've stopped work, calculating what cash flows you're likely to have, and thinking about how to supplement your savings.

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 (available at www.superannuation.asn.au) gives you an indication of how much you might need. Doing a budget is a great way to estimate this, especially if you can compare your budget now with what you think you'll need for your life after work. You'll find a good budget template at www.understandingmoney.gov.au but remember that your needs may vary depending on your lifestage and lifestyle.

To paint a more accurate personal picture, ask yourself:

- > When do I want to retire?
- > Where do I want to live once I'm no longer working?
- > If I retire at that time, how long will my savings need to last? Consider 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?
- > How much will that lifestyle cost?





2. Calculate what cash flow 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 after you stop working. You can:

- > use the CSS i-Estimator via **Member services online** at www.css.gov.au
- > consider any 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 supplement your savings, to help you bridge the gap. Have a look at:

- > different ways you can top-up your super with your own money (visit www.css.gov.au for more information)
- > different options for claiming your super. You don't have to take it all at once – you can keep it invested so it continues to grow (visit www.fido.gov.au for useful information about your different options)
- > 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. You can access it via www.css.gov.au under the 55+ lifestage area.



Make your super work for you

This section contains general information about how you and your family members can make the most of your super.

Help your family to plan

We teach our kids many essential life skills. But can we help them become financially responsible, and ultimately independent? As every parent knows, kids learn as much from what we do as from what we say. As a first step, try to lead by example with your money management practices. Also, think about:

- > establishing jobs (outside of household chores) that can earn them pocket money
- > encouraging them to set money aside from their pocket money to save for something they really want
- > setting up a bank or credit union account for them so they can watch their savings grow over time, and learn about interest
- > for teenagers, starting to pay pocket money fortnightly or even monthly so they learn how to budget.

If your kids are working, and earned less than \$58,980 in 2007/08 (\$60,342 in 2008/09), they may be eligible for the super co-contribution. Encourage them to put \$1 of their own money into super and then the government will put in as much as another \$1.50* (up to a maximum of \$1,500 per year). It's as easy as making a bank deposit.

Another important point to make with your kids once they start investing in super is that they should, if possible, keep all their super in one fund, even when they change jobs. It makes things much simpler and it can also make a big difference to how much money they'll have by the time they want to claim their super.

* Subject to eligibility requirements visit www.ato.gov.au for full details.

Start your journey with the destination in sight

When it comes to super, it pays to be disciplined throughout your working life rather than sprinting at the end of your working journey.

To make the most of your super journey, you need to stay informed and check regularly whether your super is taking you where you want to go.

How your contributions affect your final benefit

Your CSS benefit consists of:

- > your basic contributions – the after-tax ones you paid each fortnight (plus Fund earnings)
- > your supplementary contributions – any additional after-tax contributions you made on top of your basic contribution (plus Fund earnings)
- > a productivity benefit – a fortnightly contribution by your employer (plus Fund earnings)
- > an employer-financed component – a defined amount financed by your employer, which you receive as a CPI-indexed pension once you've left the workforce
- > any amounts you've transferred from other super funds
- > any super co-contributions.

Find out more about your super

Understanding exactly how your CSS super works is important. It's also important to know when to think about your super, to make sure you have enough funds for your life after work.

We've given you a head start in this booklet about what you might want to think about according to your stage in life, and you can also visit our lifestages section at www.css.gov.au

Get some financial advice

Talking to a financial adviser can help make the superannuation journey less daunting. The Financial Planning Association of Australia (FPA) offers a number of resources to help you find the right adviser for you, tips about what to expect and lots more. Visit www.fpa.asn.au for more details.





Member Statement Guide

This section shows the various components of your CSS Member Statement and explains how your superannuation was calculated for 2007/08. It includes some tips to help you understand the CSS and make it work for you.

Your details

Do you have a Benefit Classification Certificate?

A Benefit Classification Certificate (BCC) lists any pre-existing medical conditions that might affect your ability to work until retirement. If this applies to you, you would have received a BCC following your medical examination when you first joined the CSS. If you have a BCC, it will be shown on your Member Statement.

If you have a BCC and the medical reason for a claim for invalidity or death benefits is related to a condition on your BCC, you or your dependants may not be eligible to receive full invalidity or death benefits. In some cases, the benefit is a lump sum only with no pension options.

The BCC will no longer apply if you have 20 years or more of CSS contributory membership. The death and invalidity estimates reported on your Member Statement are calculated assuming that BCC restrictions don't apply.

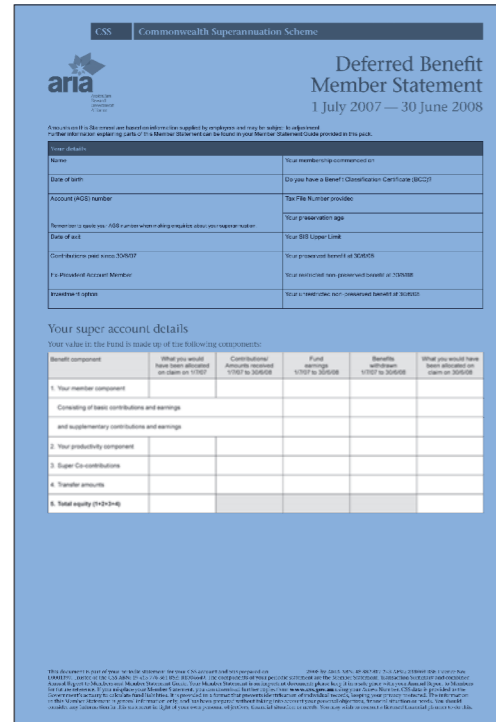
Your preservation age

Superannuation law places restrictions on when you can access lump sums. One of these restrictions is called the CSS preservation age and is in addition to the other restrictions on withdrawing your benefit. You generally can't access your entire benefit as a cash lump sum until you reach your preservation age, as shown in the table below.

Preservation age	
Date of birth	Preservation age
Before July 1960	55
1 July 1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
After 30 June 1964	60



Your super details



Investment option

This indicates the investment option in which your super was invested at 30 June 2008. As a deferred CSS member, you have the option of choosing how your super is invested.

We offer you two options – the Default Fund or Cash Investment Option. For more information about your investment options visit www.css.gov.au

Your member component

This represents your personal basic and supplementary contributions while you were a contributing member, plus Fund earnings to 30 June 2008.

Your productivity component (if applicable)

This represents the amount your employer contributed fortnightly while you were a contributing member (less 15% contributions tax on payments made after July 1990), together with allocated interest and Fund earnings up to 30 June 2008.

Super co-contributions

If you earned less than \$58,980 during 2007/08 and made personal, after-tax contributions to your super during 2007/08, you may be eligible for super co-contributions. If you are eligible and a payment has been made by the Australian Taxation Office (ATO), it will be shown here.

Please note that any super co-contribution payments in respect of your contributions during the 2007/08 financial year may not be received until after 30 June 2008. Super co-contribution payments received after 30 June 2008 will be shown in your Member Statement for the reporting period in which they are received. The amount of 'Super co-contributions' shown in your Member Statement for the 2007/08 reporting period is the total amount of super co-contributions payments received by the Fund during the 2007/08 reporting period (and may relate to after-tax contributions made during a previous reporting period).

Transfer amounts

Any amounts that you've transferred from other super funds are shown here. When you claim your CSS benefit, any transfer amounts will be paid as a lump sum in addition to the benefit you accrued while you were a CSS member.

Total equity

This is the total value of your equity as at 30 June 2008 including your member component, productivity component, super co-contributions, transfer amounts and employer component.

What you would have been allocated on claim on 1/7/07

This represents the withdrawal benefit you would have received if you'd claimed your benefit on that date. Your withdrawal benefit as at 1 July 2007 is based on notional amounts that would have been allocated to you if you'd taken your benefit at that date.

Contributions/amounts received 1/7/07 to 30/6/08

This represents any personal basic, supplementary or productivity contributions and any co-contributions and transfer amounts paid into your account during the reporting period.

Fund earnings 1/7/07 to 30/6/08 (net)

Each business day ARIA determines an earning rate for the Default Fund and Cash Investment Option. That rate is used to calculate entitlements for members exiting the Scheme.

For deferred benefit members, the earnings are allocated to your account on the basis of the rates determined for that month.

This column shows the Fund earnings for the year across the components of your final benefit (see page 26 for more information about Fund performance).

See the **CSS PDS** at www.css.gov.au for more details.

Benefits withdrawn 1/7/07 to 30/6/08

If you've withdrawn any part of your benefit during 2007/08, it will be shown here.

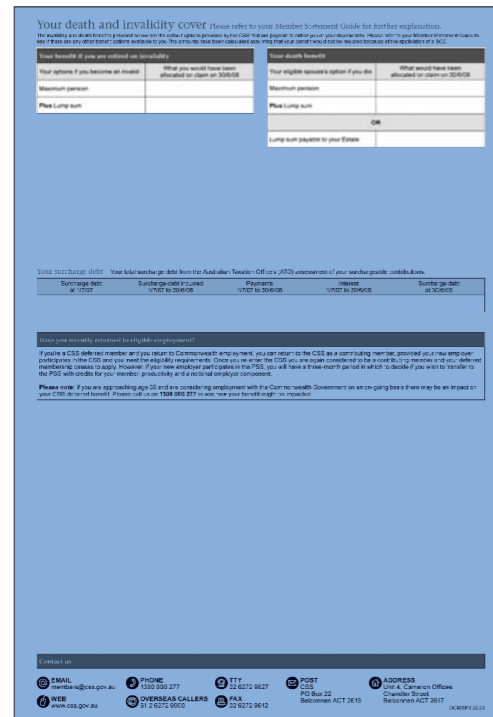
What you would have been allocated on claim on 30/6/08

This represents the withdrawal benefit you would have received if you'd claimed your benefit on that date.

Your withdrawal benefit as at 30 June 2008 is based on actual amounts that would have been allocated to you if you'd claimed your benefit at that date. Please note that these amounts may change, so you should seek more information from us about your benefits before you claim your CSS entitlement.



Your death and invalidity benefit



As a CSS deferred benefit member, you or your eligible dependants automatically receive benefits in the event of your permanent invalidity or death.

The invalidity and death benefits provided on your Member Statement are the default options provided by the CSS. This is what you (or your dependants) will receive if you (or they) don't select an alternative benefit option.

The invalidity and death benefits reported on your Member Statement reflect your situation on 30 June 2008 and might change.

These amounts have been calculated assuming that your benefit would not be reduced due to any pre-existing medical conditions on a Benefit Clarification Certificate (BCC). The following sections provide additional information about invalidity and death benefits.

In the event of permanent invalidity

In the event of permanent invalidity you can choose between the following benefit options:

Option 1

Taking the Maximum Pension Option—this is the value shown on your Member Statement. This provides you with the maximum pension payable. This includes an employer financed (indexed) standard pension together with an additional (non-indexed) pension. This additional pension is purchased with your member component only. Any supplementary contributions and your productivity component (if administered by ComSuper) will be paid as a lump sum.

Option 2

Taking an employer financed (indexed) standard pension together with a lump sum of your member amount and your productivity component (if administered by ComSuper).

If you have less than 15 years of contributory membership, and the medical reason for your invalidity retirement is related to a condition on your BCC, you also have the option of taking your benefit as a lump sum only.

You can use the CSS i-Estimator to estimate your invalidity benefit and other benefit options at various dates. You'll need an access number to use this service. If you don't have an access number, or you've lost it, you can call us on **1300 000 277**.

For more information about this option, see www.css.gov.au or call **1300 000 277**.

How is an invalidity benefit calculated?

CPI-indexed pension

Your CPI-indexed pension is based on your basic contributions and Fund earnings accrued in the CSS at the date the invalidity benefit is approved.

This amount is multiplied first by 2.5 and then by a factor that is based on your age on the date of approval. You can find these factors at www.css.gov.au

Non-indexed pension

Your non-indexed pension is calculated by multiplying your basic contributions and Fund earnings (on the date the invalidity benefit is approved) by a factor based on your age.

You can find these factors at www.css.gov.au



In the event of death

If you die before claiming your deferred benefit

If you die while you're a deferred benefit member, the pension your eligible spouse(s) will receive will be a percentage of the invalidity pension they would have received if you'd retired on invalidity grounds.

The various percentages are shown in the second column of the table below.

The potential invalidity pension would take into account any reduction in benefits that may apply because of the condition listed on your BCC.

An eligible spouse may choose from similar benefit choices to those that would have been available to you on invalidity retirement. For example, if your eligible

spouse decided to take a standard CPI-indexed pension and a lump sum, they would be paid a pension of 67% of your potential invalidity standard CPI-indexed pension and 100% of the lump sum you would have received (that is, a lump sum of your member and productivity components).

If you die while you're receiving a CSS pension, your eligible spouse is entitled to receive a pension that's a percentage of the pension you were receiving when you died.

The percentage payable will depend on whether you choose the higher dependant pension option when you stop working. The various pension percentages are shown in the table below.

This table shows the percentage of pension payable where there's one eligible spouse and up to three eligible children. These amounts may change if there's more than one eligible spouse.

Calculation of spouse's pension		
Number of dependents	Amount as a percentage of former member's standard rate pension	Amount as a percentage of former member's reduced rate pension*
Spouse only	67%	85%
Spouse and one child	78%	97%
Spouse and two children	89%	108%
Spouse and three children	100%	108%

* These percentage rates apply to members that elect for the higher dependant pension option when they retire.

Higher dependant pension option

If you claim your deferred benefit on age grounds, you can elect to receive a lower pension at that time in return for your spouse and/or children receiving a higher pension when you die.

You can elect to reduce your pension to 93% of the normal pension rate and, in return, your eligible spouse and/or children will receive a higher pension when you die (see the table on the page opposite).

This option is not available if you retire on invalidity grounds or if you die while you're still a deferred benefit member of the CSS.

If you have no dependants

If you don't have any dependants, a lump sum of your member contributions, super guarantee top-up and any productivity component will be paid to your estate.

For more information, see the **Death benefits** fact sheet available at www.css.gov.au or call us on **1300 000 277**.

Superannuation surcharge

The Australian Government abolished the superannuation surcharge from 1 July 2005.

However, there are some circumstances under which you may still have to pay the superannuation surcharge. For example, if your adjusted taxable income since 1996 has been higher than the annual thresholds, or if 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. You can reduce the debt, if you want to, 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 at 30 June each year.

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

Things you should know

Transaction Summary

Your Transaction Summary:

- > reports any payments that were made by you (or on your behalf) to the CSS for the 2007/08 reporting period
- > summarises the management costs and fees payable in respect of your account and any other amount paid directly from your account.

The other management costs section sets out the approximate amount of management costs deducted from your investment that were not paid directly out of your account.

Those costs are calculated by applying the Fund's indirect cost ratio (ICR) to the average of your account balance over the year. The ICR is the ratio of the Fund's management costs to the total average net assets of the CSS fund during 2007/08. CSS fund management costs include fees paid to fund managers, custodian fees and other investment-related expenses. Changes in underlying management costs can occur during the year, so the Fund's ICR may differ from year to year.

Additional explanation of fees and costs

The benefit of any tax deduction is reflected in the investment return and not in the form of reduced fees or costs.

Options for claiming your benefit

You can claim your deferred benefit once you reach your minimum retiring age, which is generally 55. You can claim an employer-financed pension (based on 2.5 times your basic contributions and Fund earnings, multiplied by a factor that depends on your age at claim date) and either:

- > a non-indexed pension, or
- > a lump sum of your member component.

If you have a productivity component in the CSS, you can take this as a lump sum or a non-indexed pension.

If you're an ex-Provident Account member and you claim your benefit when you're 60 or older, you can take your total benefit as a lump sum.

The amount of the lump sum is based on three times your basic contributions and Fund earnings, plus any supplementary contributions and Fund earnings and any productivity component.

You can use the CSS i-Estimator to estimate your retirement benefit. You'll need an access number to use this service. If you don't have an access number, or you've lost it, call us on **1300 000 277**.

For more information about this option, see www.css.gov.au or call us on **1300 000 277**.

Minimum Amount on Exit

A Minimum Amount on Exit (MAE) will now apply to your account. The MAE is the balance of your account at 30 June 2003 (this is the last date on which the last allocation to contributing members was made) plus contributions up to 30 June 2007.

More information can be found in the **Fund allocation** fact sheet at www.css.gov.au

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
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. In such circumstances, you would lose any pension options that applied to you.

Are you contemplating or have you recently returned to eligible employment?

If you're a CSS deferred member and you return to eligible employment, you can return to the CSS as a contributing member, provided your new employer participates in the CSS and you meet the eligibility requirements. Once you re-enter the CSS, you are again considered to be a contributing member and your deferred membership ceases.

If your new employer also participates in the Public Sector Superannuation Scheme (PSS), you'll have a three-month period in which you can decide to transfer to the PSS defined benefit scheme with credits for your member, productivity and notional employer components. We recommend you seek financial advice and see the **CSS PDS** before making this decision.



Report for the year



This section contains summary information for members about the operation of the CSS during 2007/08, including news, investments, financial statements and trustees.

Chairman's report

Dear member

On behalf of the Trustee and the management team of the CSS, I am pleased to present the report for the year ending 30 June 2008 and to report to you generally on the operation of your Scheme.

Investment performance

The CSS Default Fund recorded a return (after tax, fees and charges) of -1.6%, while the Cash Investment Option returned 6.1% (after tax, fees and charges). Despite the 2007/08 results, the CSS Default Fund's longer-term performance exceeds its long-term objectives.

Looking forward

We are committed to delivering quality investment returns and understanding the riskiness of our environment so that long-term the contribution that this Fund makes to your superannuation outcome is valuable.

In the year ahead, we'll continue to review our investment governance arrangements. This will help us to focus on our core business of investment and uphold best practice standards in Trustee responsibility and investment beliefs.

We'll continue to work with our administrator, ComSuper, to provide effective and efficient superannuation services to our members.

New trustees appointed

The Minister for Finance and Deregulation appointed three new ARIA trustees in October 2007: Ms Margaret Gillespie, Mr Steven Crane and Mr Dennis Trewin AO.

Ms Gillespie has been appointed to replace Ms Joy Palmer, an ACTU-nominated trustee who has been with ARIA since 1996. Mr Crane replaces Mr Des Moore, a government-nominated trustee, first appointed in September 2003.

Mr Trewin's appointment commences on 20 December 2007 at the expiration of the appointment of Mr Graham Rogers, a government-nominated trustee first appointed on 20 December 2004.

Our former trustees' contributions appreciated

I would like to take this opportunity to thank our former trustees Mr Des Moore, Mr Graham Rogers and Ms Joy Palmer. They each have made valuable contributions to ARIA over the years and their support is appreciated.

Welcome to our new Chief Executive Officer

Mr Lochiel Crafter was appointed Chief Executive Officer of ARIA this year and started in May. Lochiel has extensive experience in the financial services industry and we welcome him to ARIA and being a part of our future success.

Thank you

I would like to thank our management team and valued service providers for their dedicated efforts during the year and in anticipation of their continuing commitment and enthusiasm for the year ahead. I also wish to acknowledge the Minister for Finance and Deregulation and his department for their support and hard work during the year.

I'm sure you'll find this report a useful source of information, as it contains important information about CSS operations and achievements, and it will help you get the most from your super.

Yours faithfully

Susan Doyle
Chairman



News

Performance in an uncertain market

After four consecutive years of strong equity market advances, 2007/08 broke the trend with both Australian and overseas equity markets recording double digit declines. Expectations of a marked slowing in global economic growth and a significant increase in inflationary pressures stemming from large rises in oil and food prices have contributed to weakness in global equity markets.

As a consequence of this environment, the CSS Default Fund posted a negative return, given its significant allocation to equity markets. However, performance over the longer-term remains very strong. In the three years to June 2008, the CSS Default Fund achieved a return of 8.2% a year, while the figure for the five years ending June 2008 was 10.4% a year. These figures compare favourably with the long-term objective of the CSS Default Fund.

Monthly fund allocation – what it means for you

In 2004 we changed the way we allocate earnings to members' accounts. This change meant that we could allocate Fund earnings more equitably between members who claim a benefit and those who stay in the Scheme. The allocation reflects the actual performance of the Fund, positive or otherwise.

We have now completed the next step in this process and have moved to monthly allocation of earnings. To do this, we've allocated the previous unallocated fund earnings to members' accounts.

You still receive your fair share of earnings when you leave the CSS. The changes to the method of allocating earnings simply mean that earnings will now be allocated to your account monthly, rather than only on exit.

A Minimum Amount on Exit (MAE) will apply. The MAE is the balance of your account at 30 June 2003 (which is the date on which the last allocation to continuing members was made) plus contributions from that date to 30 June 2007.

For more information, see the **Fund allocation** fact sheet at www.css.gov.au

Budget 2007 update

Throughout 2007/08 a number of changes were implemented that were announced in the 2007 Budget, including:

- > early access to benefits
- > voluntary contributions.

Changes announced in the 2008 Budget

The Australian Government announced that legislation to remove same-sex discrimination from a wide range of Commonwealth laws, including those relating to superannuation, would be introduced in 2008.

A Bill to amend the CSS Scheme legislation is currently under review in Parliament. If the Bill becomes law, we'll notify you and explain the details of these changes in the **News** section of our website at www.css.gov.au

Miscalculation of exit rate for 2005/06 – now addressed

Our review and compliance process identified issues with accounting information used to calculate the Default Fund exit rates in the 2005/06 financial year. This led to an understatement of investment earnings and a miscalculation of exit rates used for members taking a benefit that year. This error was corrected and new exit rates were posted.

We're pleased to report that all affected members have now received additional benefit payments that are due, including any interest through to the date of payment.

We thank our members for their patience as we worked through this issue.

Refreshing our newsletter

We've redesigned our quarterly newsletter to make it more informative and easier to read. We'll continue to bring you the latest CSS news to keep you informed of developments that may affect your super, as well as industry-focused news.

Improving our workshop booking system

We've upgraded our **At Work for You** online booking system, making it easier for you to locate super workshops near you and to register.

The new online booking system presents all upcoming **At Work for You** workshops in a user-friendly format. You can book in immediately, automatically receive a confirmation email and be notified of any updates or changes as they happen.





What the CSS offers

The CSS provides superannuation products and services to employees of the Australian Government and participating employers. We understand your employment conditions and aim to deliver consistent returns and useful services, all at a competitive cost. For deferred benefit members, the CSS offers:

- > no administration fees (your previous employer pays this cost)
- > a CPI-indexed pension for life once you've stopped working
- > a choice between two different investment options – the Default Fund or the Cash Investment Option
- > automatic death and invalidity cover at no extra cost to you
- > access to low-cost home loans and banking services through Members Equity Bank
- > access to financial advisers through State Super Financial Services.

CSS investments

Our goal is to maximise long-term returns while minimising short-term risks.

How investment performance affects your benefit

As a deferred benefit member the members and/or productivity components of your benefit are affected by investment earnings, as is the starting value of your CPI-indexed pension, which is calculated and payable when you claim your entitlement.

If you're planning to stop work or claim your deferred benefit in the next 12 months, please call us on **1300 000 277** for a detailed estimate of your benefit.

For more information, see your Member Statement and the section in this booklet about 'Understanding your Member Statement' starting on page 10.

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

It's important to maintain a balance between short-term and long-term investment. Our investment strategy is based on a long-term outlook rather than short-term expectations, but we're aware of the desirability of reducing short-term volatility.

3. Diversification

In order to spread risk, your Fund's investments are spread over all major asset classes, a number of investment managers and many investment styles.

4. Structuring to capture market returns

While the overwhelming majority of your Fund's investments are actively managed by specialist investment managers, these managers generally operate within investment constraints designed to ensure that their returns capture at least most of the return delivered by the market in which they operate.



Default Fund

Overview and results

The Fund posted a net return (after tax and fees) of -1.6%, its first negative year after several years of strong returns.

After four consecutive years of strong equity market advances, 2007/08 broke the trend with both Australian and overseas equity markets recording double digit declines. Expectations of a marked slowing in global economic growth and a significant increase in inflationary pressures stemming from large rises in oil and food prices have contributed to weakness in global equity markets.

As a consequence of this environment, the Fund posted a negative return given its significant allocation to equity markets. Despite the 2007/08 results, the Fund's longer-term investment performance remains ahead of the long-term objectives of the CSS Default Fund. Over the past three years, the Fund return averaged 8.2% a year, while over 10 years the Fund return averaged 7.5% a year.

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.

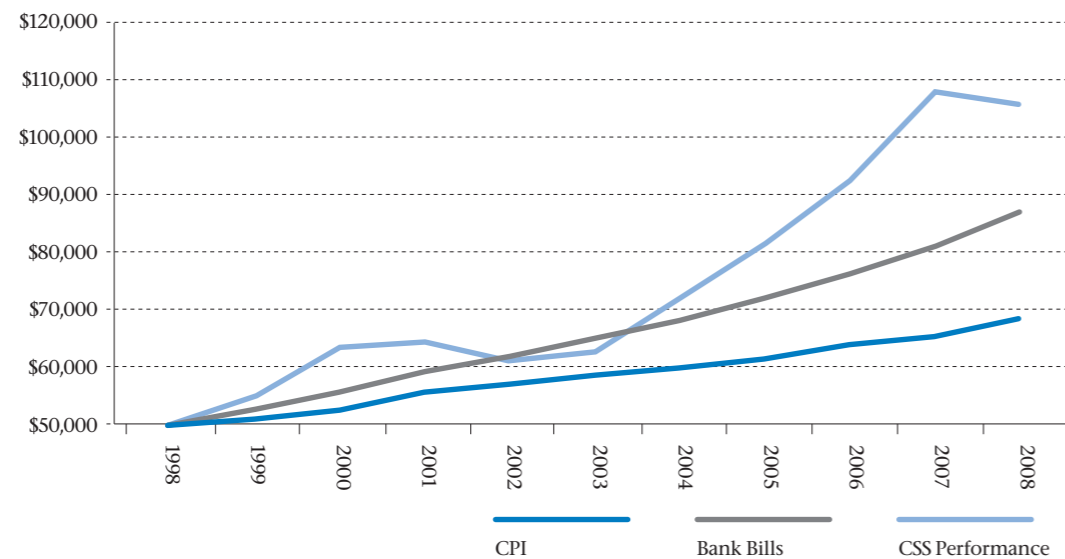
ARIA manages the assets of the CSS, the Public Sector Superannuation Scheme (PSS) and the Public Sector Superannuation accumulation plan (PSSap) in a single investment vehicle. This provides greater economies of scale in managing the closed CSS fund and helps to keep the running cost of the fund at a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

Investment objectives

Your Fund's key investment objective is to maximise the long-term real return within some risk constraints. It's difficult to predict the investment environment going forward, but ARIA is constantly monitoring its strategic asset allocation and the global economic environment in which your money is invested.

Currently, a little over half the Fund's assets are invested in equities, with the remainder invested in bonds, property, cash, market-neutral strategies and alternative investments, such as private equity. Market-neutral strategies are investments that are expected to behave differently from equities and bonds, to help us ride out any short-term volatility in the more traditional asset classes.

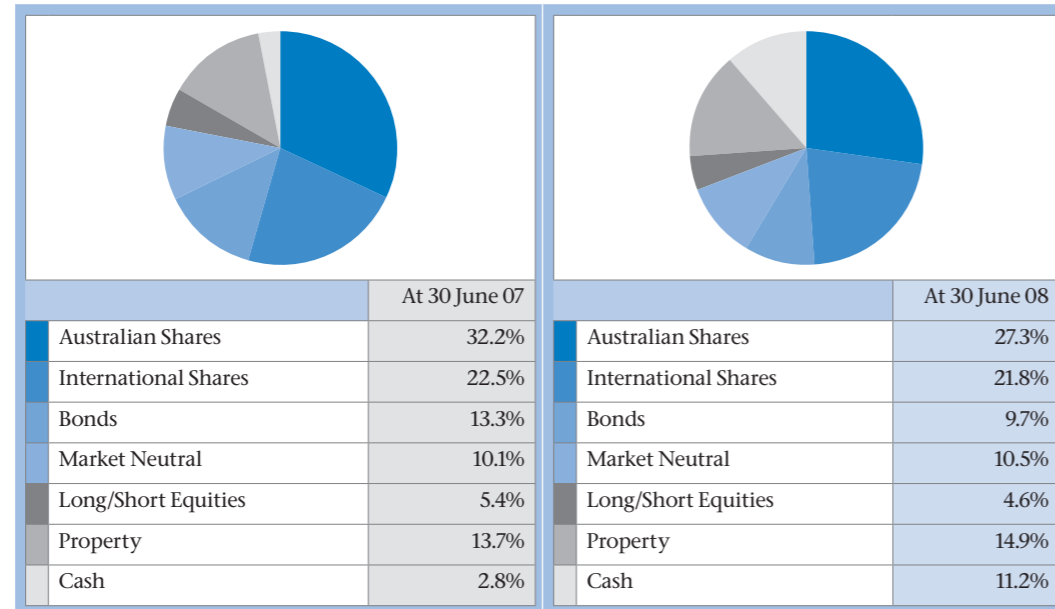
How the Default Fund performed over 10 years



The chart above shows how \$50,000 invested in the CSS has grown in the Default Fund over the past ten years, compared with how it would have grown if invested in a low-risk asset class like bank bills or cash. 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.



Default Fund asset allocation



Default Fund performance 2007/08

	Holdings at 30/6/07 \$m	Holdings at 30/6/08 \$m	1 year performance % p.a.	3 year performance % p.a.	5 year performance % p.a.
Total Fund return	6,642.5	5,718.2	-1.6	8.2	10.4

All performance information is after tax and fees.

For more information about our investment performance, see **Investments** at www.css.gov.au

Default Fund earning rates

Over the five years ending 30 June 2008, the compound average rate of earnings (after tax and fees) for the Default Fund is 10.4% a year.

Year	Earning rate (after tax and fees) %	Inflation rate %
2003/04	13.9	2.5
2004/05	13.9	2.5
2005/06	13.1	4.0
2006/07	13.7	2.1
2007/08	-1.6	4.5

Cash Investment Option

Overview and results

The Cash Investment Option returned 6.1% (unaudited), after tax and fees, in 2007/08.

	2006/07	2007/08
Investment return (after tax and fees)	5.4%	6.1%

Investment objectives

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

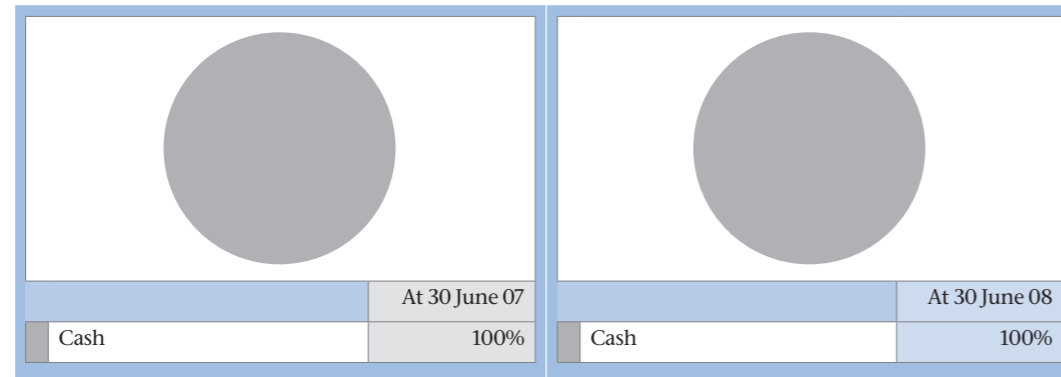
Investment strategy

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



Cash Investment Option performance 2007/08

	Holdings at 30/6/07 \$m	Holdings at 30/6/08 \$m	1 year performance % p.a.	3 year performance % p.a.	5 year performance % p.a.
Total Fund return	113.2	320.1	6.1	5.3	-

All performance information is after tax and fees.

For more information about investment performance, see **Investments** at www.css.gov.au

Cash Investment Option earning rates

For the period 1 December 2004 to 30 June 2008, 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

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

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 Investment managers 2007/08
Default fund managers
452 Capital Pty Limited
AMP Capital Investors Limited
AMP Life Limited
Arcadia Funds Management Limited
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
Concord Capital Limited
Eureka Funds Management Company
Fiduciary Trust Company International
GMO Australia Limited
Harris Alternatives LLC
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
Templeton Capital Advisors Ltd
Vanguard Investments Australia Limited
Wallara Asset Management
Wellington International Management Company Pte Ltd
Cash Investment Option Manager
Macquarie Investment Management Limited

These are only the investment managers that hold more than 1% of the Fund.



Financial statements

These are the unaudited financial accounts for 2007/08.

	\$ million
Value of Fund as at 1 July 2007	6,797.2
Inflows	
Changes in market value of investments	(136.1)
Other income	3.2
Employee contributions	118.6
Employer contributions	41.3
Government co-contributions	2.2
Appropriation from Consolidated Revenue Fund	2,876.3
Outflows¹	
Benefits paid	(3,653.2)
Income tax expense	(6.2)
Value of the Fund as at 30 June 2008	6,043.3
Assets and liabilities as at 30 June 2008	
Investments ²	6,025.5
Cash at bank	46.9
Amounts to be appropriated from Consolidated Revenue Fund	0.6
Other receivables	0.3
Benefits payable	(22.6)
Provision for tax	(6.4)
Other payables	(1.0)
Net assets as at 30 June 2008	6,043.3
1. The expenses of the CSS are met in the ARIA Investments Trust; accordingly no administration or investment expenses appear in the financial statements of the CSS.	
2. The value of investments shown above reconciles with the Total Fund values shown on pages 28 and 30 as follows:	
Default Fund	5,718.2
Cash Investment Option	320.1
Total Fund	6,038.3
Add/(less)	
Allowance for cost of disposal	(12.8)
Total	6,025.5

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) at www.aria.gov.au, send an email to members@css.gov.au, call us on **1300 000 277** or write to CSS, PO Box 22, Belconnen ACT 2616.

Your trustees for 2007/08

Your trustees are appointed to work in the best interests of members, and manage PSS 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 2008



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



Joy Palmer
Trustee
(ACTU nominated)
Appointed 1 July
1996, reappointed
to 30 September 2007



Des Moore
Trustee
(employer nominated)
Appointed 9 September
2003 to 8 September
2006, reappointed to
30 September 2007



Graham Rogers
Trustee
(employer nominated)
Appointed
20 December 2004
to 19 December 2007

Biographies can be found at www.aria.gov.au

Details of the procedure for trustees' appointments and terminations are available from our website at www.aria.gov.au. 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.

Feedback

If you have a complaint, you can be sure it will be dealt with as quickly as possible.

To register your complaint

We want you to be completely satisfied with our service, but if you feel you need to make a complaint, just call us on **1300 000 277**. If you're not satisfied with the response, ask to speak to a supervisor. If you still feel the issue has not been explained or resolved to your satisfaction, ask to be transferred to the Complaints Officer, or contact them direct in one of the following ways:

Email
complaints@css.gov.au

Phone
02 6272 9081

Fax
02 6272 9802

Post
CSS Complaints Officer
PO Box 22
Belconnen ACT 2616

If you're still not satisfied

The Superannuation Complaints Tribunal is an independent arbitrator set up by the Australian Government to resolve members' complaints. For information about the tribunal, visit www.sct.gov.au

You can lodge a complaint with the tribunal free of charge if you're dissatisfied with our response or if we can't resolve your situation within 90 days. You can contact the tribunal in one of the following ways:

Email
info@sct.gov.au

Web
www.sct.gov.au

Phone
1300 780 808

Fax
03 8635 5588

Post
Superannuation Complaints Tribunal
Locked Bag 3060
GPO Melbourne VIC 3001

For more information on the standards you can expect in dealing with the CSS, refer to our administrator's service charter at www.css.gov.au or call us on **1300 000 277** and ask for a copy to be posted to you.



Contact us

If you're making decisions about your super, we can get you off to a good start by giving you accurate information about the CSS. Visit **www.css.gov.au** for convenient access to:

- > our Product Disclosure Statement
- > a 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 at **www.css.gov.au** If you need help to do this, call us or send us an email.

Email
members@css.gov.au

Phone
1300 000 277

TTY
02 6272 9827

Fax
02 6272 9613

Post
CSS Member Services
PO Box 22
Belconnen ACT 2616

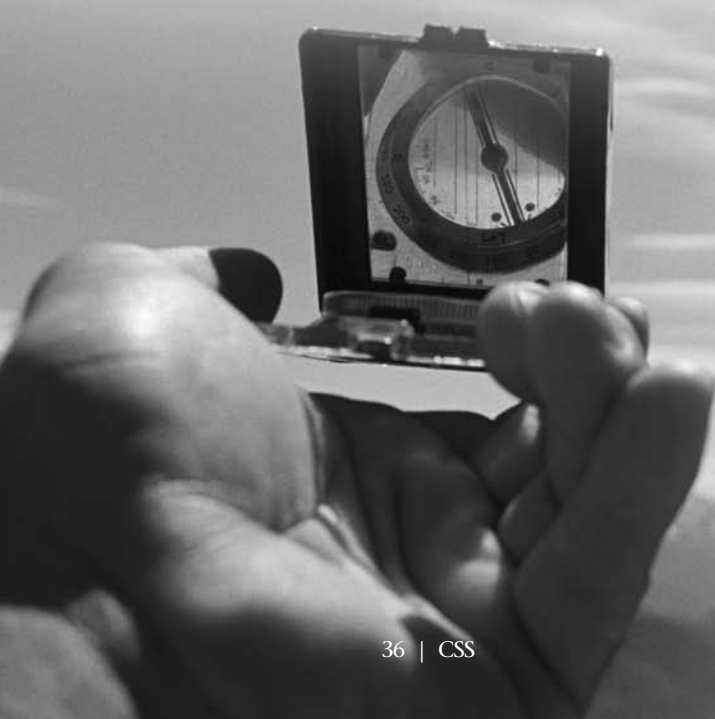
For information about your Fund's investments and governance, contact ARIA in one of the following ways:

Email
secretary@aria.gov.au

Phone
02 6263 6999

Fax
02 6263 6900

Post
ARIA
GPO Box 1907
Canberra ACT 2601



www.css.gov.au

email: members@css.gov.au
phone: 1300 000 277



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