



# The CSS cash investment option

## Who should read this?

CSS members and associate members who want more information about the Cash Investment Option.

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## What you should know up front

It is important that you read the disclaimer at the end of this fact sheet. Before making any decisions, please read the **CSS product disclosure statement** and consider seeking advice from a licensed professional such as a financial planner, accountant or solicitor.

## What is the Cash Investment Option?

The Cash Investment Option gives you an alternative to the CSS Default Fund investment strategy. It is an opportunity to have more surety of earnings for your taxed accumulation (member and productivity) components, in exchange for the possibly higher, but more volatile, return of the Default Fund. See **Tables 1 and 2** for the key features and risks of the Cash Investment Option and the Default Fund.

## What components of my benefit can I transfer into the Cash Investment Option?

You can only transfer your taxed accumulation (member and productivity) components to the Cash Investment Option. If you have paid any amounts from other super funds or had a super co-contribution paid to the CSS, these amounts will also be transferred to the Cash Investment Option.

**Table 1: Key features of the two investment strategies**

This table illustrates the investment objectives and risk profile of the Cash Investment Option and the Default Fund.

	Cash Investment Option	Default Fund
What is our investment objective?	To earn a return close to that of the Official Cash Rate (the 11am cash rate determined by the Reserve Bank of Australia).	Our key investment objective is to maximise the long-term real return on members' contributions, whilst minimising short-term risks.
How do we invest?	We invest in: <ul style="list-style-type: none"> <li>&gt; cash (deposits with a bank)</li> <li>&gt; Australian-dollar-denominated money market securities that are issued or guaranteed by a government, bank or corporate entity with a minimum credit rating of A1+ (or its floating rate equivalent) for short-term securities and a minimum credit rating of AA for long-term securities. Standard &amp; Poor's (or the equivalent from Moody's or Fitch if no Standard &amp; Poor's rating is available) determine these ratings</li> <li>&gt; interest rate futures options, swaps and repurchase agreements.</li> </ul>	We follow a balanced strategy, spreading investments over all major asset classes, in local and international markets, to spread the risk. We divide the fund's investment portfolio into asset classes such as shares, property or cash. We then invest in assets, providing exposure to these asset classes in accordance with our investment strategy.
Comparative risk level (for more information on risk, see Table 2)	Lower – investment performance is likely to be less volatile.	Higher – investment performance more likely to be volatile.
Can the strategy earn a negative return in any year?	Unlikely, but not impossible.	Yes. In some years the Default Fund may have negative earnings and your account balance may reduce.

**Table 2: Summary of risk**

This table indicates the different risk profiles of the two investment strategies.

Risk	Description	Cash Investment Option Is it relevant, and how do we manage it?	Default Fund Is it relevant and how do we manage it?
Inflation	Inflation may exceed the return on your investment.	It is possible that the rate of inflation at times will be greater than the investment return of the Cash Investment Option. Inflation risk is relevant, but cannot be managed for a single asset class such as Cash.	We spread investments across a number of asset classes that together are expected to return better than inflation in the long term.
Asset investment risk	Individual assets we buy can (and do) fall in value for many reasons, such as changes in the internal operations or management of a fund or company we invest in, or in its business environment.	We control asset risk by investing in cash, highly rated Australian-dollar-denominated securities, and interest rate futures and options.	We spread investments across a large number of individual assets, to minimise the impact of the failure of any single investment.
Market risk	Economic, technological, political or legal conditions, and even market sentiment, can (and do) change, and this can mean that changes in the value of investment markets can affect the value of the investments in the fund.	Cash investments are not as exposed to market risk, as investments in other types of assets. This risk cannot be managed for a single asset class such as Cash.	We use research and analysis to form a view on these matters as best we can, and then rebalance the investment mix of the fund to reduce the impact.
Interest rate risk	Changes in interest rates can have a positive or negative impact directly or indirectly on investment value or returns.	Interest rate movements will impact the Cash Investment Option return. This risk cannot be managed for a single asset class such as Cash.	We spread investments to minimise the negative impact of interest rate movements.
Currency risk	We invest in other countries, and if their currencies change in value relative to our dollar, the value of the investment can change.	Not applicable. All of the investments in the Cash Investment Option will be Australian-dollar based.	We allow for some foreign currency exposure in our investment strategy, because we believe that, generally, some foreign currency exposure can be beneficial to long-term performance. When we consider it to be beneficial, we may change the level of exposure through hedging.

## How does the Cash Investment Option perform

**Table 3: Performance comparison**

The following table compares the performance of the Default Fund to the Cash Investment Option since the beginning of the Cash Investment Option in December 2004.

March ending	Cash Investment Option (after tax and after fees)	Default Fund (after tax and after fees)
2004/05	2.7% *	13.9%
2005/06	4.9%	13.1%
2006/07	5.4%	13.7%
2007/08	6.1%	-1.6%

\* The 2004/05 return number reflects performance from December 2004 to June 2005

Please remember that past performance is no indication of future performance – returns are volatile, and it is not possible to predict when they will go up or down or how quickly this will happen.

We have not included this information to indicate future performance of the Cash Investment Option or the Default Fund. Instead, we have included this information to illustrate the historical difference between the two.

### Are there any restrictions on transferring to the Cash Investment Option?

If your member and productivity components total less than \$1,000, you will not be able to transfer these to the Cash Investment Option. You must transfer the total of your member and productivity components to the Cash Investment Option. You cannot transfer part of these components. If you have multiple super accounts with the CSS, you must complete a **Cash investment option transfer (switch)** form for each account. Any contributions you make after the transfer to the Cash Investment Option are then invested in the Cash Investment Option investment strategy.

You cannot make any more than two transfers in a calendar year.

You cannot transfer untaxed productivity components (see **Table 5**).

### How can I transfer to the Cash Investment Option?

Simply complete a **Cash investment option transfer (switch) form** at [www.css.gov.au](http://www.css.gov.au) and post or fax it to us. For security reasons, we cannot accept hand-delivered or emailed transfer forms.

### When can I transfer?

You can elect to transfer to the Cash Investment Option on the last Friday of each month. If we receive your form on (or before) this date, we will apply your change on the following Wednesday.

If posting the form, please allow enough time for delivery. If we do not receive your transfer form by the last Friday of the month, we cannot process it until the following month.

### Can I transfer back to the Default Fund?

Yes, you can transfer back to the Default Fund, and you can transfer back into the Cash Investment Option again, but you cannot make any more than two transfers in a calendar year. The restrictions that apply to transfers to the Cash Investment Option also apply to transfers back into the Default Fund.

To transfer into the Default Fund, you need to complete a **Default fund transfer (switch)** form. You can find this form at [www.css.gov.au](http://www.css.gov.au)

### Can there be a suspension on transfers?

Yes. We reserve the right to suspend member transfers, if there is a major material event that has an impact on the Default Fund and/or the Cash Investment Option. If such an event occurs, we will suspend transfers until the situation is resolved to our satisfaction. We would keep you posted about developments at [www.css.gov.au](http://www.css.gov.au)

## What are the taxes and fees for the Cash Investment Option?

Your employer covers administration fees and charges (or your previous employer if you are a deferred benefit member) for the Cash Investment Option. We deduct taxes, transaction costs and investment management fees from Cash Investment Option earnings before we allocate fund earnings to you. This is the same for the Default Fund. The fund pays a standard tax of 15% on earnings and an ongoing investment management fee rate of approximately 1%. Transaction costs cover the costs of disposing of assets in the investment strategy you are transferring out of, and also of acquiring assets for the investment strategy you are transferring into.

**Table 4: How we determine your entitlement to Fund earnings**

<p><b>Situation 1</b> You remain in the Default Fund</p>	<p>Your final entitlement will be determined based on the prevailing earning rate at the date of processing.</p>
<p><b>Situation 2</b> You transfer to, and remain in, the Cash Investment Option</p>	<p>The initial amount to be transferred to the Cash Investment Option will be calculated as for Situation 1 (as if you were claiming your CSS benefit), less an allowance for transaction costs. Your final entitlement will be based on the amount transferred into the Cash Investment Option, subsequent contributions, and earnings from the Cash Investment Option strategy from the time you join the Cash Investment Option.</p>
<p><b>Situation 3</b> You transfer to the Cash Investment Option, and then transfer between strategies on at least one occasion</p>	<p>The amount transferred when you initially transfer to the Cash Investment Option is determined as for Situation 1. The amount transferred back to the Default Fund on your first transfer is determined as for Situation 2 (as if you were exiting CSS at the time of the transfer). The amount transferred on subsequent transfers, including your final entitlement, will be based on <b>the amount</b> transferred into the relevant investment strategy, <b>the contributions</b> to the relevant investment strategy and <b>the earnings</b> for that investment strategy for the period you are invested in it less an allowance for transaction costs.</p>

You can find more information about earnings rates at [www.css.gov.au](http://www.css.gov.au)

**Table 5: The taxed accumulation components that can be transferred**

Three main components make up your CSS benefit:

<p><b>1. Member component</b> This is your fortnightly contributions plus fund earnings. Your contributions comprise your basic contributions and any supplementary contributions which you may pay over this amount</p>	<p>We call these two components taxed components because they are paid directly into the CSS to be invested, and therefore accumulate fund earnings. These can be transferred into the Cash Investment Option.</p>
<p><b>2. Productivity component</b> (if applicable) This is your employer's fortnightly contributions less tax, plus fund earnings. Your productivity component may include some untaxed productivity which is not able to be transferred, see below.</p>	
<p><b>3. Employer financed component</b> This is an amount financed by your employer and calculated only when you claim your benefit. We generally pay this component as a pension.</p>	<p>We call this an untaxed component, because it is only paid when your retirement benefit is payable, usually when you retire – ie. it is not given to the CSS to invest on your behalf, and therefore cannot be transferred to the Cash Investment Option.</p>

## How to transfer

We have prepared this document without taking into account your objectives, financial situation or needs. Before making any investment decisions, you should consider the appropriateness of this document and the two investment strategies explained in it, with regard to your objectives, financial situation and needs. You may wish to consult a licensed financial planner to do this.

### Step 1

If you decide that the Cash Investment Option meets your specific needs, simply complete the **Cash Investment Option Transfer (Switch)** form available from [www.css.gov.au](http://www.css.gov.au) and:

#### Post

PSS/CSS Cash Investment Option  
Reply Paid 244  
Belconnen ACT 2616

or

#### Fax

02 6272 9612

No stamp is required, but please make sure you allow enough time for postage so that we receive your form before the last Friday of the month.

### Step 2

Once we process your transfer, we will send you a confirmation letter.

#### Can I withdraw my request to transfer?

Yes. But you need to notify us in writing before the last Friday in the month that applies to your transfer.

## If you need advice

This document does not take into account your own personal objectives, financial situation or needs, and does not constitute investment advice.

**If you have questions about super and investing in general, we recommend that you seek investment advice from a licensed financial planner.**

## Where can I get more information?

EMAIL [members@css.gov.au](mailto:members@css.gov.au)

PHONE 1300 000 277

FAX 02 6272 9612

MAIL CSS  
PO Box 22  
Belconnen ACT 2616

WEB [www.css.gov.au](http://www.css.gov.au)