

Your quick guide to the PSSap

The PSSap is set up solely to meet the super needs of Australian Government employees.

ARIA represents more than 30 years experience and we're always at work for you, helping you make the most of your financial future. We aim for consistent returns and provide useful services to you, all at a competitive cost.

We also help you develop the knowledge and skills you need to manage your super confidently with a super education program which you can access at your place of work.

Use this checklist to see how we work for you.

Some things you should consider when choosing a super fund		Here's how we stack up
1	Investment performance	We aim for consistent returns over the long term, at a competitive cost to you. For the latest performance information visit our website www.pssap.gov.au . Click on 'Investments' and then 'Investment performance'.
2	Fees, charges and commissions	We are a 'profit for members' fund which means that, after fees, taxes and costs, we return investment earnings to members. Employers also reduce your cost by contributing towards the cost of administering the PSSap, in addition to the contributions they make to your super. The PSSap pays no commissions to financial advisers, however, there are some fees and charges, such as insurance premiums, that we will deduct from your super account. See the Fees and other costs section of the PDS for more information.
3	Level of contribution by your employer	We attract a level of employer contribution well above the superannuation guarantee (SG) which is currently 9%. The government has announced a proposal to increase the superannuation guarantee to 12% gradually over the years up to 2019/20. Your employer must contribute at least 15.4% of your super salary to your PSSap super account, subject to superannuation law.
4	Investment choice	We offer a range of options to suit your goals and risk tolerance. You can choose from four pre-mixed options – Conservative, Balanced, Trustee Choice (the default option), and Aggressive. We also offer seven asset class options which you can mix and match to suit your needs. These are Cash, Government bonds, International shares (unhedged), International shares, Australian shares, Property and Sustainable.

The choice is yours, but so is the responsibility

The opportunity to choose how you invest your super carries with it a responsibility to make well-informed decisions suitable to your personal objectives, financial situation and needs.

For example, you should consider:

- > the amount of time your money will be invested before you need it for retirement
- > the level of investment earnings that you are hoping for
- > the level of risk and fluctuation in the value of your investment that you can tolerate.

Once you have made your choice, you also need to keep an eye on your investments, particularly if you have created your own portfolio using individual asset class options. Market movements may take your individual asset class proportions away from the point at which you started. As this happens, your fees and risk level may change and you will need to decide if you want to ‘rebalance’ them.

We rebalance the individual asset class allocations in the pre-mixed options regularly.

Please make sure you read **Table 6 on page 26** carefully.

Risk and return

Risk can be managed and even minimised, but cannot be eliminated. No matter how skilled the investment manager, or how strong performance has been in the past, there is always a chance you could receive less than you invested.

Ways in which risk can be managed include diversification across different asset classes and investment managers and understanding the inherent risks of any particular type of investment.

See **Table 2 on page 10** for significant risks that may affect the fund and its services, and **Table 5a on page 24** for risk levels of your investment options, which are:

- > **Low** – for those who do not like risk and/or need to access their super in the near future.
- > **Moderate** – for those prepared to take more risk in exchange for potentially higher returns on their investment over the medium term, and are comfortable with moderate levels of volatility and periods of negative return.
- > **High** – for those prepared to take more risk in exchange for potentially higher returns on their investment over the longer term, and are comfortable with higher levels of volatility and periods of negative returns. Such investors tend to have a long investment time horizon.

How the PSSap performs

Performance information can be found on our website www.pss.gov.au. Select ‘Investments’ and then ‘Investment performance’. As this information changes we recommend that you refer to the website for the latest information.

Putting investment performance into perspective

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.

Table 5a: Investment options overview

Pre-mixed options				
Effective as of February 2010	Conservative	Balanced	Trustee Choice	Aggressive
Investment objectives	To outperform the Consumer Price Index (CPI) by 3% per annum over the medium to long-term.	To outperform the Consumer Price Index (CPI) by 4% per annum over the medium to long-term.	To outperform the Consumer Price Index (CPI) by 4.5% per annum over the medium to long-term.	To outperform the Consumer Price Index (CPI) by 5% per annum over the medium to long-term.
Target asset class allocation*	Australian equity 12%	Australian equity 16%	Australian equity 27%	Australian equity 37%
	International equity 9%	International equity 14%	International equity 25%	International equity 31%
	Long short equity funds -	Long short equity funds 4%	Long short equity funds 2%	Long short equity funds -
	Real assets 6%	Real assets 12%	Real assets 15%	Real assets 15%
	Alternatives -	Alternatives 20%	Alternatives 16%	Alternatives 8%
	Fixed income 43%	Fixed income 24%	Fixed income 13%	Fixed income 6%
	Cash 30%	Cash 10%	Cash 2%	Cash 3%
Investor time horizon	Short to medium	Medium to long	Medium to long	Long
Risk level (also see Table 2)	Low	Moderate	Moderate to high	High
Funds under management at 30 September 2010 (millions)	13.9	21.5	1,975.3	60.5

* This asset allocation is indicative only; the targets may change and the actual allocation to each category will vary within a range – please see page 26.

1. The investment options shown above started on 1 July 2005.
2. To see investment returns for any of the funds managed by ARIA go to www.aria.gov.au.

Table 5b: Individual asset class options

Individual asset class options					
Effective as of February 2010	Investment objectives	Asset allocation	Investor time horizon	Risk level (also see Table 2)	Funds under management at 30 Sept 2010 (millions)
Cash	Before the payment of tax, to match the return from the UBS Australian Bank Bill Index.	100%	Short	Low	42.1
Government bonds	Before the payment of tax, to at least match the performance of the Barclays Global Treasury GDP Weighted by Country Index.	100%	Short to medium	Low to moderate	6.5
Australian shares	Before the payment of tax, to at least match the performance of the ASX 300 Index.	100%	Long	High	35.1
International shares (unhedged)	Before the payment of tax, to at least match the return of the MSCI World (excluding Australia) Index.	100%	Long	High	2.1
International shares	Before the payment of tax, to at least match the return of the MSCI World (excluding Australia) Index with a hedging ratio determined by the Trustee.	100%	Long	High	3.9
Property	Before the payment of tax, to outperform the Consumer Price Index (CPI) by 5% per annum over the medium to long-term.	100%	Long	Moderate	9.8
Sustainable	<p>Investing in the Sustainable option means you are investing in securities of companies that are included in the State Street Global Advisors (SSgA) Australia SAM Sustainability Index Trust, which is managed by SSgA. That fund invests in securities of companies recognised by their inclusion in the Australian Sustainable Asset Management (SAM) Sustainability Index (the AuSSI) to be leaders in sustainable business practice in the relevant Australian industries in which those companies operate ('Australian Sustainability Leaders'). See the section Taking into account labour standards and environmental, social and ethical considerations in the Sustainable option on page 28 for more information.</p> <p>The Sustainable option is passively managed and represents a well diversified portfolio that has expected risk and total return characteristics similar to the broader Australian share market (as represented by the S&P/ASX 200 Index). You should be aware that ARIA's Sustainable option returns may deviate from SSgA's underlying returns due to members' investing in and out of the option and ARIA's costs associated with administering this option.</p>	100%	Long	High	8.0

* Government bonds option effective from December 2008. Five-year compound return includes investment returns of the previous Bonds/Fixed interest option.

Table 7: Individual asset class option descriptions

This table gives a description of the individual asset class options. This is a general description and does not limit the assets we may buy or hold for any investment option.

Asset class option
<p>Cash</p> <p>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. These securities must have 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 & Poor's (or the equivalent from Moody's or Fitch if no Standard & Poor's rating is available) determine these ratings. Interest rate futures, swaps and repurchase agreements are also investible securities in this sector.</p>
<p>Government bonds</p> <p>Investing in Government bonds basically means your money is lent to governments wishing to raise capital. Generally in return, you receive a fixed rate of interest, until the bond matures and the amount invested is repayable. ARIA invests in those government bonds listed on the Barclays Global Treasury GDP Weighted by Country Index. This is a comprehensive government bond index made up of over 1,000 bond series issued by governments with relatively well-developed bond markets. If a government issues a new bond that satisfies the requirements of the index, this bond will be included in the index. This is generally considered a relatively low risk investment as the predominant exposure is to sovereign risk (that is the risk that a government cannot or will not honour its obligations or changes its policy in a way that affects those obligations).</p>
<p>Australian shares</p> <p>Investing in Australian shares means you are investing in companies listed on the Australian Stock Exchange. The return on your share investments is your part of the companies' profit which is paid to shareholders in the form of dividends, and any capital gains or losses from share price fluctuations. Australian companies are exposed to both local and global market fluctuations and as the companies' fortunes fluctuate, so will the value of any shares. Share prices are affected by market forces and are considered to be one of the more risky investments, but over the longer term may offer relatively higher returns.</p>
<p>International shares (unhedged)</p> <p>Investing in International shares (unhedged) is like investing in Australian shares except that the companies are selected from those listed on international stock markets rather than the Australia stock market. In addition to being exposed to global stock market fluctuations, investment returns can also be influenced by currency movements, as investments are not hedged to Australian dollars.</p>
<p>International shares</p> <p>Investing in International shares is like investing in Australian shares except that the companies are selected from those listed on international stock markets rather than the Australian stock market. Foreign currency exposure is managed through hedging against Australian dollars. The level of hedging is determined by ARIA and may vary from time to time. This option will usually be less exposed to currency fluctuations than the International shares (unhedged) option, although a portion of your investment will still be subject to currency risk.</p>
<p>Property</p> <p>Property includes investments in established buildings and properties, for example shopping centres, or buildings under construction. We also invest money in trusts and property companies, which means we pool your money together with that of other investors, in order to have the scale to purchase a share of very large properties. The investment returns on property come from rent and changes to property values over time. Our property portfolio generally has lower returns than Australian shares as its risk profile is more moderate.</p>
<p>Sustainable</p> <p>Investing in the Sustainable option means you are investing in companies that lead their industry peers in terms of sustainable business practice ('Australian Sustainable Leaders'). The option seeks to capture the performance of Australia's Sustainability Leaders with a well-diversified portfolio that has expected risk and total return characteristics similar to the broader Australian share market (as represented by the S&P/ASX 200 Index). The portfolio holds securities included in the Australian Sustainable Asset Management (SAM) Sustainability Index (the AuSSI). SAM selects approximately 70 stocks for inclusion in the AuSSI from a universe of 200 of Australia's largest listed companies. Most of these companies have a primary listing on the Australian Securities Exchange (ASX). This universe may also include other selected stocks that are well traded, with adequate liquidity on the ASX and have a significant part of their business operations in Australia. Be aware that ARIA's Sustainable option returns may deviate from SSGA's underlying returns due to members' investing in and out of the option and ARIA's costs associated with administering this option.</p>

We reserve the right to add or remove an option and to change the investment options and strategic asset allocation for any option. The asset allocation is our target allocation. Actual holdings may vary from this allocation. We will contact you if you are invested in an option we are about to cancel. If we are unable to contact you, or you do not nominate a new investment option, we will switch any funds you have in the investment option we are closing to our default option called Trustee Choice.

Making your first investment choice and switching between strategies

Until you tell us what you want to do, we will invest your super in the default option called Trustee Choice.

You can switch to a different investment strategy any time by:

- > logging onto **Your account** online at **www.pssap.gov.au**
- > downloading an **Investment choice** form at **www.pssap.gov.au**
- > calling us on **1300 725 171** for us to email or post you an **Investment choice** form.

It doesn't cost you anything to make your first investment choice, if you do so within 30 days of joining the PSSap. You also have two free switches each financial year and further switches cost \$20 each.

If you decide to change your investment strategy for future contributions, and you do not switch the investment strategy for your existing super account, then we count this as a 'first choice' and switch fees do not apply.

You will receive written confirmation when we have processed your investment switch – we aim to do this within five business days after we validate your request.

Also see **Fees, taxes and other costs** on **page 50**.

Taking into account labour standards and environmental, social and ethical considerations in the Sustainable option

The Sustainable option invests in the SSgA Australian SAM Sustainability Index Trust (ARSN 098 283 446), which is managed by State Street Global Advisors, Australia, Limited, ABN 42 003 914 225; AFSL 238276. SSgA has consented to being named in this PDS and to including information about the SSgA Australian SAM Sustainability Index Trust in this PDS in the form and context in which it is included. At the date of this PDS, that consent has not been withdrawn.

The SSgA Australian SAM Sustainability Index Trust invests in securities of companies that are included in the Australian SAM Sustainability Index (the AuSSI). The AuSSI is an index of companies which SAM considers to lead their industry peers in Australia in terms of sustainable business practice ('Australian Sustainable Leaders').

SAM is a Swiss based company, established in 1995 and recognised as a global leader in the field of sustainability research. SAM has consented to being named in this PDS and to including the information about them in the PDS in the form and context in which it is included. At the date of this PDS, that consent has not been withdrawn.

Investment by SSgA

SSgA uses securities in the AuSSI to create a portfolio with characteristics (industry weight and asset size distribution) similar to those of the broader Australian equity market (as represented by the S&P/ASX 200 Index). The Sustainable option invests in this fund.

SSgA does not independently monitor or review the securities in the SSgA Australia SAM Sustainability Index Trust for compliance with the social, environmental and labour criteria outlined above, but relies on the inclusion by SAM of a security in the AuSSI to indicate that SAM has made this assessment. SAM updates the AuSSI on an annual basis, as described above. If a company is removed from the AuSSI, SSgA will consider on a case by case basis whether to dispose of that security and the time for doing so.

Sustainable investment policy

Stock selection

The portfolio holds securities included in the Australian SAM Sustainability Index (the AuSSI). SAM selects approximately 70 stocks for inclusion in the AuSSI from a universe of 200 of Australia's largest listed companies and 21 industry clusters covering the entire Australian economy. Most of these companies have a primary listing on the Australian Securities Exchange (ASX). This universe may also include other selected stocks that are well traded, with adequate liquidity on the ASX and have a significant part of their business operations in Australia.

SAM analysts assess companies in the universe in terms of their sustainability performance. A defined set of criteria and weightings is used to assess the opportunities and risks deriving from economic, environmental and social developments for the eligible companies. Based on these assessments, companies are ranked within their industry group and selected for the Australian SAM Sustainability Index, if they are among the sustainability leaders

in their field. A major source of information is the SAM questionnaire which is completed by companies participating in the annual review. Further sources include company and third-party documents. The final step of the assessment involves media and stakeholder analysis. This involves SAM analysts reviewing final assessments and scores to determine if they are fair and accurate given more recent developments and news.

Portfolio construction

SSgA uses securities in the AuSSI to create a portfolio with characteristics (industry weights and asset size distribution) similar to those of the broader Australian equity market (as represented by the S&P/ASX 200 Index). The fund will hold most, but not necessarily all of the shares in the AuSSI.