

PSS accumulation plan

The PSS Accumulation Plan (PSSap) is the latest step in the evolution of commonwealth public sector superannuation. Following in the footsteps of CSS and PSS, defined benefit schemes which are now closed to new members, the new fund is the accumulation default super fund for most Australian Government employees.

Steve Gibbs, chief executive officer of Australian Reward Investment Alliance (ARIA), which is the trustee of the fund, said the public sector is different to what it used to be.

"The old view of the public sector has changed."

Gibbs said the average age of someone joining the public sector is 32 and they stay on average for only seven to eight years.

So when the defined benefit version of PSS was closed to new members in 2005 they set about designing a fund that was much more contemporary, flexible and responsive to the needs of more modern and mobile public sector employees but which still took advantage of the strengths and experience of PSS and CSS, like how in 2003 they won the premier United Nations award for responsible and sustainable investment.

This is why PSSap should really be thought of as an industry fund with member investment choice, insurance choices and a good range of extra benefits, but customised for the public sector, said Gibbs.

Where PSSap really stands out, however, is that members get all this for an incredibly low fee of only 25 to 30 basis points.

Gibbs said PSSap, even though it's only a young fund with \$110 million invested, effectively gets all the economies of scale benefits of PSS's and CSS's combined \$15 billion in assets under management.

No wonder members have really taken a shine to the new fund too, with nearly half its inflows coming from transfers as members have consolidated their super into PSSap on joining the public sector. "It already has 28,000 members after just over one year," said Gibbs.

PSSap, however, also plays a very important strategic role.

"What creating PSSap has done is allow us to create opportunities for PSS and CSS members. A real issue in time would be declining economies of scale and how this would impact how we handled, for example, illiquid assets," said Gibbs.

"In this way it's a classic win-win for everybody."

Counting on the contributions

"Employer contributions to PSSap have to be 15.4 per cent of a member's salary," said Gibbs, explaining that this fact alone makes the fund extremely attractive.

"In a choice environment it could, however, be a threat and members need to understand that if they choose another fund they may not always get the same contribution into their new fund."

This is a fundamentally crucial point members must understand, he emphasises, because depending on the award or the employer, if a member opts for another fund they may find they will only be receiving the 9 per cent SG.

But it might also be why only three members have ever chosen to leave the fund through a super choice decision, he said.

"It means that if you are a member of PSSap you will get a decent retirement."

In addition to very generous contribution arrangements, PSSap also offers compulsory insur-



Steve Gibbs

ance. "It's salary based but you can change to a unit based structure if you like. For income protection it is also opt-out."

PSSap offers some insurance benefits that other super funds would struggle to match. The best example is how the fund has recently introduced an enhanced deal whereby members who are posted overseas, for no increase in premium, are provided with cover for an unlimited time and irrespective of where they are posted. The extra deal even extends to income protection, though acts of war are excluded in these cases.

According to SelectingSuper, the PSSap insurance deals are still very sharply priced. Gibbs, however, said, "We are always looking at the quality of our insurance."

Performance that pays

PSSap has 11 investment options, four of which are pre-mixed and seven which are single asset classes. "This range effectively gives unlimited choices and so we have no plans to add more choices for their own sake," said Gibbs.

This is also where more of the advantages of being part of ARIA come into play because these options are blended across 34 investment managers, many of which would not be available to a small, albeit rapidly growing, super fund.

Linking with the ARIA investment engine enabled the default option to return 14.3 per cent for 2005-06, which is 70 basis points above the market average. The growth option matched the market asset sector average.

PSSap can also play above its weight. Illustrating this, while the balanced option is quite a conservative strategy, being a logical mix of half growth assets and half defensive assets, it beat much more aggressive options and even matched the balanced benchmark.

The Australian equities option achieved a full 1 per cent better than the market average, the international equities option matched the average but the property option was slightly shaded.

With the ARIA funds having the enviable track record of achieving returns of slightly more than 9 per cent per annum over the decade, PSSap members should therefore have a lot to look forward to.

Advice on advisers

Being part of the public sector can sometimes mean members have more complex legacy arrangements than other super fund members.

This is why PSSap fund members might need financial advice when considering some of their strategic options. But if the on-site workplace education seminars don't answer all your questions, PSSap can also provide easy access to financial planning.

"We are part owner of [NSW based] State Super Financial Services and [among our members] it's gradually taking off," said Gibbs.

"But the most important thing for our members when they seek advice is to go to a planner who understands the [CSS, PSS and PSSap] schemes. In Canberra it's usually okay, but around Australia it's not always easy."

To help members along, though, PSSap has a life stages approaches that is really quite impressive. Not too complex, but not too simplistic either. With the PSS fund having a background in working with Dr Karl and Adam Spencer to create innovative learning materials and videos about super and saving, it's no wonder PSSap is continuing to lead from the front.

STATS AT A GLANCE

PSS ACCUMULATION PLAN

Performance 30 June 2006, best in each sector after fees

Sector	1 yr	3 yrs	5 yrs
Growth	16.1%		
Balanced	10.2%		
Capital stable	7.6%		
Capital protected			
Australian equities	22.3%		
International equities	17.8%		
Property	11.7%		
Australian fixed interest	2.0%		
International fixed interest			
Cash	4.6%		
Other	19.0%		

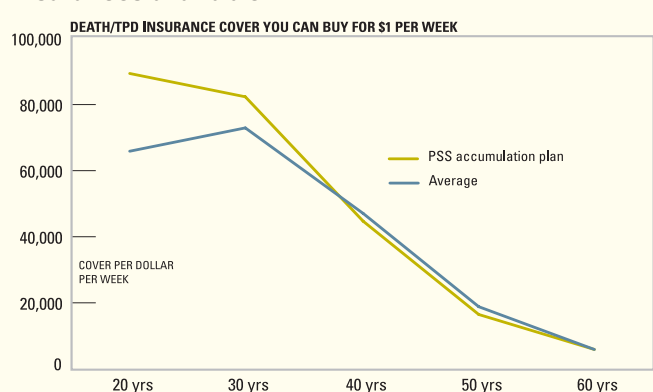
Kwikstats

Year established	2005
Segment	Government fund
Public offer	No
FUM	\$110 million
FUM growth rate (over 5 years)	
Total membership	28,000
Average account balance	
Asset consultant	Jana, Russell
Administrator	ComSuper
Website	www.aria.gov.au
SelectingSuper Fund quality rating	AAA

Investment menu

Sector	Multi-manager	Single manager	Total
Growth	2		2
Balanced	1		1
Capital stable	1		1
Capital guaranteed			
Australian equities	2		2
International equities	2		2
Property	1		1
Australian fixed interest			
International fixed interest			
Cash	1		1
Other	1		1
Offers direct shares			No
Total	11		11

Insurances available



Source: Rainmaker Information

www.selectingsuper.com.au