

Chairman's report





I am delighted to present the annual report on the performance of the funds and the management and administration of the PSS and PSSap for the last financial year. The PSS investment target is an average real return after tax and fees of no less than 4.5% per annum, which derives from a nominal return of 7% per annum over the long term. In 2005/06 the PSS achieved a return of 13.1%. Over the long-term we have consistently exceeded our target with returns which average 13.7% per annum over three years, 7.4% per annum over five years and 9.1% per annum over ten years.

I am also pleased to report a strong first year of growth for the PSSap. The Trustee Choice default fund returned 14.3%, and the pre-mixed options also performed well. The Aggressive option led the way with a return of 16.1%, followed by the Balanced option with a return of 10.2% and the Conservative option finished with 7.7%.

The significant activity of the Board in the last financial year was the establishment of a single trustee called Australian Reward Investment Alliance (ARIA), which in effect is a merger of the two boards that were previously responsible for the PSS and CSS. In addition to modernising and strengthening our governance procedures with ARIA, we have established a more rational and effective investment structure for all of the schemes that will benefit all members now and well into the future. I would like to thank the staff and stakeholders who worked so hard to achieve this outcome.

During the year the PSS Board was granted a licence by the Australian Prudential Regulation Authority. A significant amount of work was necessary to satisfy the regulator's requirements for the granting of a licence and significant resources will be required to meet licence conditions.

The investment and superannuation industry remains in a state of constant and vigorous change, particularly with the implementation of choice of fund from 1 July 2005. This new regime also applies to the federal public sector from 1 July 2006 when all new employees are able to choose their own fund. ARIA remains extremely well placed to provide competitive products and services for both existing and new members of the schemes for which it is responsible in this new competitive environment.

The changes announced in the 2006 May Budget will, if implemented in the form proposed, have a significant long term impact on the superannuation and retirement industry. The proposals represent a dramatic simplification of the rules applying to superannuation, particularly in relation to taxation, and ARIA will be continuing its discussion with the Government to seek the best outcome for all of our members as a result of those changes.

I would like to thank the Minister and his department for their continued assistance throughout the year. I would also like to thank our partners: ComSuper, JPMorgan, JANA Investment Advisors, all of our fund managers and other service providers for their work throughout the year.

Susan Doyle
Chairman
Australian Reward Investment Alliance (ARIA)