



# The facts about

## Allocation of PSS Fund earnings

### Who should read this?

All PSS members.

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### Why did we change the way earnings are allocated?

Until 2004, Fund earnings were allocated to member accounts by means of an annual crediting rate determined by the Trustees. The rules governing the scheme did not enable a crediting rate to be negative, and once allocated, earnings could not be reduced. When Fund earnings were negative, this created an inequity between members who exited the scheme during this time and continuing members. Future income was used to top up the Fund where payments had been made in excess of the actual equity held by an exiting member.

To reflect the actual earnings of the Fund and provide equity between continuing and exiting members, the way earnings were allocated was changed in 2004. Members receive their fair share of all Fund earnings when they exit. Continuing members' equity consists of the amount allocated to 30 June 2003 and contributions and interest since that date. That

'interest' has reflected the actual performance of the Fund since 30 June 2003. We have been referring to this as the unallocated earnings on your Member Statements.

We advised you of these changes in your 2003/04 Member Statement and there have been updates provided at [www.pss.gov.au](http://www.pss.gov.au)

After 1 July 2007, we will allocate these unallocated earnings to your account.

### Allocating Fund earnings from 1 July 2007

From 1 July 2007, earnings will be allocated in a way that reflects actual investment performance of the Fund.

From 1 July 2007, there will be the following changes:

- > Ongoing, declared earning rates will reflect the performance of the Fund, be that positive or negative.
- > The allocation of earnings from 1 July 2003 to 1 July 2007 to members' accounts. This will occur in the 2007/08 financial year and will be reflected on your 2007/08 Member Statement.
- > A Minimum Amount on Exit (MAE). This is generally your account balance at 30 June 2003 plus any contributed amounts from 1 July 2003 to 30 June 2007. The purpose of the Minimum Amount on Exit is to ensure the legislation changes do not have a retrospective effect on a member's benefit.

A member leaving the scheme after 1 July 2007 will have their account balance calculated on the date of processing.

## Has the investment strategy changed?

No. There is no change to the investment strategy. We still expect to achieve an average real return of at least 4.5% per annum after tax and fees, which derives from a nominal return of 7% per annum over the long-term.

There is also no change to the risk assumptions used.

You can find more information about the investment strategy at [www.pss.gov.au](http://www.pss.gov.au)

## How will the changes affect your benefit?

The following table outlines how the changes affect you.

<b>If you are a contributing member</b>	Your total benefit is largely unaffected by Fund earnings because it is 'defined' by your Final Average Salary and a factor called an Accrued Benefit Multiple. Your Accrued Benefit Multiple is determined by how many years you contribute and the percentage rate of contributions you elect to pay. Your member and productivity components and any money you have transferred from other funds are affected by investment performance. Positive or negative earnings will be applied to your account in line with investment performance.
<b>If you are a preserved benefit or associate member</b>	Investment earnings have a more direct impact on your benefit. Your total benefit is no longer defined by Final Average Salary and an Accrued Benefit Multiple. Instead, your member and productivity components and any money you have transferred from other funds are affected by investment performance. This means that these components can now be subject to negative earnings. The earnings will depend on whether you are in the Default Fund or have elected to transfer to the Cash Investment Option. The employer financed-component is not affected by investment performance. For preserved benefit members, your employer-financed component will continue to grow in line with the Consumer Price Index (CPI). For associate members, this component grows in line with the long term Treasury bond rate.

## Some commonly asked questions

**Q. Will I receive my fair share of Fund earnings?**

A. Yes.

**Q. Will I be subsidising departing members?**

A. No

**Q. What happens to my benefit if earnings are negative?**

A. Your benefit will continue to be subject to the investment performance of the Fund. If the Fund returns a negative performance for a period, then your benefit will be adjusted downwards in line with investment earnings.

**Q. When will my contributions start to accrue earnings?**

A. From the day your contribution was paid to the PSS

**Q. When will earnings stop accruing?**

A. From the date we pay your benefit.

**Q. What is the benefit payment date?**

A. This will be the date your benefit payment is processed. We can only pay your benefit once all required information (including information from your employer) has been received.

**Q. What rate will be used to calculate my benefit?**

A. Generally, this will be the rate on the date that your benefit is paid.

**Q. I am in the Cash Investment Option. Can the Cash Investment Option have negative earnings rates?**

A. Yes, although this is very unusual.

## Where can you get more information?

**EMAIL** members@pss.gov.au

**PHONE** 1300 000 377

**FAX** 02 6272 9613

**MAIL** PSS  
PO Box 22  
Belconnen ACT 2616

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

### Warning - This Document Contains General Advice or Information Only

Any advice in this document has been prepared without taking account of your personal objectives, financial situation or needs. Because of this, you should, before acting on any advice in this document, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs.

You may wish to consult a licensed financial planner to do this.

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ABN: 48 882 817 243 AFSL: 238069 RSE Licence no: L0001397,  
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