



The cash investment option for preserved benefit and associate members

Who should read this?

Preserved benefit or 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 **PSS 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 PSS 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 PSS, these amounts will also be transferred to the cash investment option.

Your employer component grows in line with the Consumer Price Index and is paid from Consolidated Revenue Fund so it cannot be transferred into 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?	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 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 & Poor's (or the equivalent from Moody's or Fitch if no Standard & Poor's rating is available) determine these ratings; and interest rate futures options, swaps and repurchase agreements.	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. To that end, when we consider it to be beneficial, we may change the level of exposure through hedging.

How the cash investment option has performed

Table 3: Performance comparison

The following table compares the performance of the default fund to the cash investment option since the inception of the cash investment option in December 2004.

March ending	PSS cash investment option (after tax and after fees)	PSS default fund (after tax and after fees)
2004-05	2.8%*	13.9%
2005-06	4.8%	13.1%
2006-07	5.4%	14.1%
2007-08	6.1%	-1.9%
2008-09	4.6%	-14.2%
2009-10	3.2%	9.2%
2010-11	4.3%	7.4%

* 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.

This information is not included 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 can only 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 PSS, you must complete a transfer 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.

Untaxed productivity components (see Table 5) cannot be transferred.

How can I transfer to the cash investment option?

Fill out **Cash investment option transfer (switch)** form available at www.pss.gov.au under **Forms and publications**. You need to post or fax the form to us so we receive it before the choice cut-off date, which is the last Friday of the month. This will be processed by the following Wednesday. For security reasons, transfer forms cannot be hand delivered or emailed. See **How to transfer** for more details.

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. These forms can be found under **Forms and publications** at www.pss.gov.au

When can I transfer?

Generally, there will be one opportunity each month to transfer (or switch) to the cash investment option. Please note, you cannot make any more than two switches a year. To enable efficient and timely processing of your transfers, we have established choice cut-off dates. The choice cut-off date is the latest date we can receive your transfer form in order to implement it on the Wednesday following the choice cut-off date. If you choose to post your transfer form, it is important that you allow enough time for postage, because if we do not receive your transfer form by the choice cut-off date, then we cannot process it until the next available choice cut-off date.

Can transfers be suspended?

Yes. We reserve the right to suspend the ability to transfer, 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, transfers will be suspended until the situation is resolved to our satisfaction. For updates see www.pss.gov.au

What are the taxes and fees for the cash investment option?

Administration fees and charges are covered by your previous employer for the cash investment option as in the default fund. Taxes, transaction costs and investment management fees are deducted from cash investment option earnings before fund earnings are allocated 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 your entitlement to fund earnings is determined

<p>Situation 1 You remain in the default fund</p>	<p>Your final entitlement will be determined by allocating the earning rate of the fund, at the time you claim your benefit, to your account balance.</p>
<p>Situation 2 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 PSS benefit), less an allowance for transaction costs. Your final entitlement will be based on the amount transferred into the cash investment option, as well as subsequent contributions, and earnings from the cash investment option strategy from the time you join the cash investment option.</p>
<p>Situation 3 You transfer to the cash investment option, and then transfer between strategies at least once</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 PSS default fund on your first transfer is determined as for Situation 2 (as if you were exiting PSS at the time of the transfer). The amount transferred on subsequent transfers, including your final entitlement, will be based on the amount transferred into the relevant investment strategy, the contributions to the relevant investment strategy and the earnings for that investment strategy for the period you are invested in it less an allowance for transaction costs.</p>

More information about earnings rates can be found at www.pss.gov.au under **Investments**.

Table 5: The taxed accumulation components that can be transferred

Your PSS account is made up of three main components:

1. Member component (If not already withdrawn) – this is your fortnightly contributions plus fund earnings.	We call these two components ‘taxed accumulation components’ because they are paid directly into the PSS to be invested, and therefore accumulate in line with fund earnings. These can be transferred into the cash investment option.
2. Productivity component 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)	
3. Employer financed component This is an amount financed by your employer.	We call this an ‘untaxed component’, because it is only paid when your retirement benefit is paid. In other words it is not given to the PSS to invest on your behalf, and therefore cannot be transferred to the cash investment option.

How to transfer

This document has been prepared 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, fill out the **cash investment option transfer (switch) form** available from www.pss.gov.au and post it to:

PSS/CSS cash investment option
 Reply Paid 244
 Belconnen ACT 2616

No stamp is required, but please make sure you allow enough time for postage to meet the choice cut-off date

or

fax to 02 6272 9613

Step 2

You will receive a confirmation letter that the transfer has been received and implemented, after it has been processed.

Can I withdraw my request to transfer?

Yes. But we need you to notify us in writing before the choice cut-off date 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@pss.gov.au

PHONE 1300 000 377

FAX 02 6272 9613

MAIL PSS
 PO Box 22
 Belconnen ACT 2616

WEB 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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