



# Public Sector Superannuation Scheme

## Supplementary Product Disclosure Statement

This Supplementary Product Disclosure Statement ('SPDS') dated 5 February 2008 supplements the Public Sector Superannuation Scheme Product Disclosure Statement, second edition, dated 30 November 2007 issued by Australian Reward Investment Alliance ('ARIA') (ABN 48 882 817 243) (ASFL 238069) ('PDS') and should be read together with the PDS.

This SPDS provides general information only, and has been prepared without taking into account your personal objectives, financial situation or needs. You should consider this information in light of your own personal objectives, financial situation or needs. You may wish to consult a licensed financial planner to do this.

The PDS is amended by:

- (a) inserting the following paragraph under the last paragraph in the first column on page 11:  
‘We do not take labour standards or environmental, social or ethical considerations into account when making decisions to buy, hold or sell investments.’
- (b) deleting Table 7 on page 30 and replacing with the following table:

**Table 7: Investment objectives and strategies**

	Default Fund	Cash Option
<b>Investment Objective</b>	This Fund’s key investment objective is to maximise long-term real returns within some risk constraints.	This Fund’s key investment objective is to preserve its capital and earn a return close to that of the UBSA Bank Bill Index.
<b>How do we invest?</b>	<p>In developing its investment strategy to achieve this objective, ARIA has adopted the following constraint to manage the level of short-term volatility of returns and maintain appropriate levels of liquidity in the Fund:</p> <ul style="list-style-type: none"> <li>&gt; not more than 25% of the Fund’s investments are to be invested in illiquid assets, with a minimum cash allocation of 2%.</li> </ul> <p>The investment environment going forward cannot be predicted, however ARIA is constantly monitoring its strategic asset allocation and the global economic environment in which your money is invested.</p> <p>Currently, a significant portion of the Fund’s assets are invested in equities, with the remainder invested in bonds, property, cash, market-neutral strategies and alternative investments, such as private equity.</p>	<p>The Cash Investment Option invests in:</p> <ul style="list-style-type: none"> <li>&gt; cash (deposits with a bank)</li> <li>&gt; 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) as determined by Standard &amp; Poor’s (or the equivalent from Moody’s or Fitch if no Standard &amp; Poor’s rating is available); and</li> <li>&gt; interest rate futures and options traded on the Sydney Futures Exchange.</li> </ul>
<b>Comparative risk level (also see Table 2)</b>	Higher-investment performance is more likely to be volatile.	Lower-investment performance is likely to be less volatile.
<b>Investment return</b>	12.2% p.a. (5 year return to 30 June 2007 - after fees and taxes)	5.0% p.a. (since inception* - after fees and taxes)
<b>Funds under management at 31 December 2007</b>	\$11,766.4 million	\$8.08 million

\* Commenced December 2004.

- (c) deleting pages 58, 59, 60 and 61 and replacing them with the following pages:

## Fees and other costs

### DID YOU KNOW?

Small differences in investment performance and fees and costs can have a substantial impact on your long term investment returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable\*. Ask the Fund or your financial adviser.

### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website has a superannuation fee calculator to help you check out different fee options ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)).

*\* We are required by law to provide you with the above information. The information provided can help you compare different super funds and their products to the PSS. No fees and expenses are deducted directly or indirectly from a PSS contributing member's account, nor do the Fund's fees, expenses and costs affect a PSS contributing member's benefit during the period of contributory membership.*

## PSS fees and costs

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from the returns on your investment or from the fund assets as a whole. Taxes are set out on *pages 61 to 64*.

You should read all of the information about fees and charges as it is important to understand their impact on your investment in the PSS.

The PSS pays no commissions to financial planners. We do have an investment in State Super Financial Services Australia Limited (SSFS) which provides financial planning services and we have an arrangement with Members Equity Bank (ME) which provides home loan and banking services.

Neither ARIA nor the Australian Government takes any responsibility for the services, or guarantees the performance of any product provided by third parties, such as SSFS or ME.

**Table 19: Significant fees**

Type of fee or cost	Amount	How and when paid
<b>Fees when your money moves in or out of the Fund</b>		
<b>Establishment fee:</b> This is the fee to set up your account in the PSS.	Nil	
<b>Contribution fee:</b> This is the fee for the initial and every subsequent contribution you make to the PSS (or that may be made on your behalf, e.g. by an employer).	Nil	
<b>Withdrawal fee:</b> This is the fee charged for each withdrawal you make from the PSS (including any instalment payments and your final payment).	Nil	
<b>Termination fee:</b> This is the fee when you close your account with the PSS.	Nil	
<b>Management costs</b>		
<b>Administration costs:</b> These are the fees and costs for operating the PSS. They include administration and other fees charged by ARIA, distribution costs and other expenses incurred in operating the Fund.	Nil	

<b>Investment costs:</b> These are the fees and costs for investing the assets. They include fees charged by ARIA, fees paid to external investment managers and other expenses incurred in investing the assets (excluding transaction costs).	<b>Default Fund</b> - 0.6*% p.a of the average net assets of the Default Fund.	This is an estimate of the amount we deduct from the total investment earnings of the PSS Fund before determining the Default Fund or Cash Investment Option Earnings Rates.
	<b>Cash Investment Option</b> - 0.12% p.a of the average net assets of the Cash Investment option.	
<b>Additional service fees**</b>		
<b>Switching fee:</b> This is the fee charged when you switch between investment options offered by the PSS.	Nil	

\* This amount includes performance based fees (PBFs). The estimated fees for PBFs, assuming all of the investment managers who charge a PBF exceeded their benchmarks by 1%, is 0.05% for the Default Fund. These costs might change based on actual performance. See **Performance based fees** in the **Additional explanation of fees and costs** below for more information.

\*\* Please see 'Additional explanation of fees and costs' below for additional service fees such as reconsideration fees.

## Additional explanation of fees and costs

### Changes to fees

We may need to change the fees referred to in this Product Disclosure Statement from time to time. We will advise you of any fee change that we believe will materially affect you.

### Additional death and invalidity cover

This is the fee charge to cover the cost of your additional death and invalidity cover, if you choose this option (see *page 37*). The premium you pay is dependant on the amount of cover you choose and your personal circumstances (e.g. your health and age). To get a quote on the premium which will apply to you, call us on **1300 000 377**.

*Table 9* on *page 37* shows the annual cost of additional death and invalidity cover, based on your age. The premium is deducted from your pay each fortnight. Generally, half of the premium for standard cover will be paid by your employer.

### Reconsideration of a decision

We charge a fee of \$150 (including GST) when you request ARIA to reconsider a decision that it has made (there is no fee payable when you request reconsideration of a decision made by a Delegate). This amount must be paid when you lodge your application for reconsideration. The fee will be refunded if your request is not accepted for reconsideration and also in the event you are successful in your reconsideration.

### Performance based fees

We pay performance based fees (PBFs) to some of the Fund's investment managers. If the performance of an investment manager exceeds certain benchmarks, they will become entitled to a PBF and this will increase management costs. Accordingly, PBFs only arise when higher returns are achieved by the investment manager, which will limit the extent to which the performance of an investment option is boosted. Estimated PBFs for the Default Fund are 0.05% p.a. of the average net assets of the Default Fund. No PBFs are paid in relation to the Cash Investment Option.

Obviously, the extent of any PBF cannot be determined in advance. Actual PBFs will depend upon the level of performance achieved by investment managers that charge PBFs and the weighting of those managers in the Default Fund.

The PBF estimated above would be reflected in the earning rate for the Default Fund assuming all of the investment managers who charge a PBF exceeded their benchmarks by 1%.

The PBF estimate above is included to indicate the extent to which PBFs may potentially impact on overall management costs. This is not a forecast of performance or an estimate of PBFs that may actually be incurred and consequently actual fees may differ from those shown.

PBFs, like other investment management costs, are deducted from investment earnings before determining the Default Fund earning rate. PBFs do not affect the amount your benefit while you are a contributing member because your benefit is a defined benefit and not impacted by fund earnings.

**Table 20: Example of annual fees and costs for a balanced investment option**

This table shows an example of how the fees and costs in the Default Fund for this product can affect your super investment over a one (1) year period. You should use this table to compare this product with other super products you may be considering.

Example – the Default Fund (a balanced investment option)		Balance of \$50,000 with total contributions of \$5,000 during the year
Contribution Fees	Nil	For every \$5,000 you put in, you will be charged \$0.
PLUS Management Costs	0.6%	<b>And</b> , for every \$50,000 you have in the Fund you will be charged \$300 each year.
EQUALS Cost of the Fund		If you put in \$5,000 during a year and your balance was \$50,000, then for that year you will be charged fees of:  \$300*.  <b>What it costs you will depend on the investment option you choose.</b>

*\* Please note that this is a notional amount only. This amount is not deducted from, nor does it have any effect on the value of, your account or benefit while you are a contributing member. As your benefit is a defined benefit, and is not impacted by Fund earnings, the Fund's management costs do not affect the amount of your benefit while you are a contributing member.*

*Additional fees may apply, including fees for additional death and invalidity cover or reconsideration of a decision.*

*Note that we are required by law to include the above information.*

## Tax and your super

Tax on super benefits is very complex and subject to change from time to time. For these reasons, we strongly recommend that you seek independent financial and tax advice on your benefit in the PSS.

Tax is paid on contributions, Fund earnings and some benefits.

### Tax on contributions

Member contributions paid to the PSS are paid from your after-tax income and are not subject to tax in the PSS. These contributions are known as 'nonconcessional contributions' for tax purposes.

Your employer productivity contributions are taxed at 15% - this tax is deducted from the contributions when we receive them from your employer.

These contributions are known as 'concessional contributions' for tax purposes.