

1999 Division C Annual Report

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Chairman's Report

As we move into a new century, we should reflect on the fact that, over the past 40 years, CSSF has been a major force in the evolution of superannuation in the private education sector. In 1958, when three schools decided to pool their resources and establish a common fund which could leverage economies of scale to benefit their respective members, they, perhaps unwittingly, spawned a fund of the type known today as an Industry Fund or a Master Fund.

Over the years, the Trustees have applied themselves with great resolve to the task of refining and extending the range of benefits and options available to Members so that investment yields are maximized, consistent with underlying security.

Investment Returns

These are shown elsewhere in detail, but in overview, your Directors are pleased with the results achieved, particularly in view of the very depressed returns which the market delivered in the nine months to 30th September 1999. The turnaround which came in the last Quarter provided a strong improvement, and enabled us to declare returns well in excess of our benchmarks. Members in the Balanced Portfolio, for example, have averaged returns of 9.8% p.a. over the past 5 years, compared to inflation of 2.0%.

Member Investment Choice / Unitisation

With the introduction of up to eight different Investment Options, as from 1st January 1999, it was essential that Members Accounts be unitised. Your Annual Benefit Statement shows the number of units which you have in each Portfolio, the dollar value per unit and the total dollar value of your Account. This is an important new process and necessary to ensure that all Members receive equitable treatment in market transactions, on a day to day basis.

APRA Review

During the year, the Australian Prudential Regulatory Authority (APRA) undertook a review of the Fund. Whilst the Industry and your Directors recognise the need for Governmental overview, and is supportive of that, the time and resources required from Directors of Trustee companies is considerable, and not inexpensive. The review is now complete.

Investment Managers

The Board keeps all of the Managers under review and a decision has been made to appoint an additional International Equities Manager, Fidelity Investment Management, with effect from 1 April 2000. This will mean that the International Equities Portfolio will be split equally between Bank of Ireland Asset Management and Fidelity Investment Management.

In addition, an investment of \$1.3 million has been made in Superannuation Members Home Loans Pty. Ltd which is owned by AXA (formerly National Mutual). This is a syndicated Mortgage Lending organisation, which Members may approach for a Home Loan, on either a fixed Interest or variable Interest basis.

Quarterly Newsletters/Websites

In order to improve communications with Members, we have introduced a full-colour Quarterly Newsletter, and an inter-active website. A review is currently being carried out with the aim of upgrading the website so that Members can access their personal account details and advise changes at any time.

Other Members' Benefits

In addition to the availability of Home Loans at competitive rates, the Fund has negotiated access to a range of Health Plans, through Medical Benefits Fund of Australia (MBF). Government legislation is encouraging people to take up Private Health Insurance (by increasing the tax rate of those who do not) and CSSF has arranged special Group Rates which are 20-30% less than those normally available.

Directors

Mr. Peter Trewin and Mr Frank Reid were welcomed to the Board with effect from 1st January 1999 at our meeting in February 1999. Mrs Shirley Willoughby retired through ill-health on 4th October 1999. Her contribution to the Board was a valuable one, and we thank her for her endeavours on behalf of the Fund.

The Future

CSSF has a proud heritage and your Directors are focused on building an even more exciting future. A corporate strategic plan has been drawn up and action plans put in place to deliver to all of our Members long-term financial security, as spelt out in our Mission Statement.

Over the next year or so, "Choice of Fund" legislations may well be implemented. Free and fair competition is the life-blood of a vibrant commercial sector in any society and CSSF is well positioned to gain substantial additional membership, if such legislation eventuates. Existing Members will, almost certainly, be approached with offers from alternative Funds which offer "better this" or "better that" but the determined aim of Directors is to ensure that CSSF is seen as the personal "Fund of Choice" of each and every Member because of its dedication to, and record in, delivering long-term security and personal service.

J R Evans

Chairman.

Investment Results

The unit prices for all Investment Options were:

Option	Unit price 01/01/99	Unit price 31/12/99	Annual yield
	%	%	%
Australian Shares	1.00	1.16182	16.18
Balanced	1.00	1.08140	8.14
Capital Stable	1.00	1.002487	2.49
Ethical	1.00*	1.08914	8.91*
Cash	1.00	1.02803	2.80

*Commenced 1st April, 1999

Asset Allocation

The allocation of assets through the range of investment sectors can have an important effect on yields achieved in the Balanced options. An overweight (or underweight) holding in shares, for example, can have a dramatic impact on potential returns, depending on whether one has "times" the market correctly, or not.

The Directors are of the view that a "risk neutral" stance in this area would be in the best interest of Members, hence the asset allocation, ie, the percentage of assets which are allocated to each specific sector, reflects the average of all of the Managers, as listed in leading Performance Surveys.

By removing this area of risk, the Directors feel that Members are more likely to reap the rewards arising from the expertise of the selected Sector Specialist Managers, and reduce the potential "downside" that might otherwise exist.

The following chart shows the % range, and Benchmarks, which now apply.

Asset Class	Asset Range %	Benchmark %	Actual %	
			1999	1998
Australian Equities	32-42	37.4	38.4	37.9
International Equities	14-24	18.8	21.4	17.4
Property	11	10.8	8.7	12.2
Diversified Fixed Interest	24	24.0	22.7	23.2
Cash	4-14	9.0	8.8	9.3
		100.0	100.0	100.0

CSSF Personal Benefit Account (PBA)

Members who need an avenue to preserve their benefits on termination of employment can, provided their account balance is at least \$1,000, transfer their account to the PBA.

There are over 650 members (with assets of about \$14 million) who participate.

Members transfer to an Account in their own name within CSSF which can be used to:

- receive ongoing contribution (if any)
- continue life cover
- select your preferred investment vehicle
- switch same, as required
- draw down moneys, if needed
- access CSSF Advisory personnel

New Format

This Report is being presented in a new format containing a range of information which was previously communicated to Members via the member Booklet, and Member Investment Option Booklets. Not only will this significantly reduce costs, but also it will enable Members to have all relevant information available in one publication.

Investment Strategy & Objectives

The Directors are of the view that, over time, Members will wish to have greater input into the investment of the monies which form part of their retirement savings. To this end, a number of Member Investment Choice options have been put in place, effective from 1st January 1999.

The various options are listed below:

- ▶ Australian Shares
- ▶ International Shares
- ▶ Diversified Fixed Interest
- ▶ Property
- ▶ Balanced
- ▶ Capital Stable
- ▶ Ethical
- ▶ Cash

If no specific choice is made by a Member, the Balanced Option will be the Default Option, and the objectives of that Option are as follows:

1. The assets of the Fund are to be invested with a high level of security.
2. Investment returns should average 4-5% per annum in excess of the Consumer Price Index rate of inflation over rolling 5 year periods.
3. Rates of return should place the Fund in the upper half of results recorded in a recognised survey of Pooled Superannuation Funds over rolling 3 year periods.
4. There should only be a minimal chance of a negative return in any one year.

With those investment objectives in mind the Trustee will implement the following policy to achieve those objectives.

- a. The assets should be diversified amongst the major asset classes to reduce the risk of an excessive dependence on the performance of any single asset class.
- b. The assets should be invested by several leading portfolio Managers to reduce the risk of the Fund or any one Manager under performing its peers for an extended period.
- c. Appropriate ranges for asset classes have been set and will be reviewed at least annually.
- d. The benchmark portfolio derived from the setting of the asset class ranges is expected to achieve investment returns of 4-5% in excess of inflation measured against the Consumer Price Index over rolling 5 year periods with less than a 15% chance of a negative return in any single year.
- e. The Investment Fluctuation Reserve of the Fund has been maintained to assist in smoothing out returns for members so that these can be enhanced in years when investment returns are low and the reserve can be replenished when investment returns are high.

The following chart shows the % range, and Benchmarks, which now apply.

Asset Class	Asset Range %	Benchmark %	Actual %	
			1998	1997
Australian Equities	32-34	37.4	37.9	33.8
International Equities	14-24	18.8	17.4	13.0
Property	11	10.8	12.2	10.8
Diversified Fixed Interest	23	23.0	22.2	12.4
Indexed Bonds	1	1.0	1.0	0.2
Cash	4-14	9.0	9.3	29.8
		100.0	100.00	100.0

The Fund's Finances

The audited Financial accounts of the Fund for year ended 31 December 1999 show the following movement in the Fund's net assets.

Division C	1999 \$	1998 \$
Net assets at beginning of year	5,537,095	4,984,671
Plus		
Employer contributions	1,247,483	1,137,648
Increase in market value of investments	547,883	633,242
Member contributions	23,616	3,400
Transfers from other funds	114,720	100,499
	1,933,706	1,874,789
Less		
Administration costs	54,571	51,392
Advertising & promotion	1,198	-
APRA fees	4,000	1,200
Audit costs	8,030	2,000
Benefits paid/payable	1,061,890	1,008,415
Direct investment costs	5,826	3,240
Exit fees	9,050	14,200
Income tax expenses	201,735	189,257
Investment consulting	1,718	-
Legal costs	1,480	1,500
Other administration costs	1,548	-
Printing & stationery costs	12,136	8,334
Professional service fees	3,677	-
Prudential & unit pricing review	3,333	-
Secretarial costs	45,476	42,827
Trustee indemnity insurance	605	-
	1,416,273	1,322,365
Net assets at end of year	6,054,528	5,537,095

Division C (continued)	1999 \$	1998 \$
The fund's net assets at the end of year were made up of the following assets and liabilities		
Current assets		
Cash	332,719	93,974
Accounts receivable	-	6,708
Contributions owing by schools	26,681	37,880
Income receivable	39,308	21,975
	398,708	160,537
Investments	6,282,243	5,911,051
Total assets	6,680,951	6,071,588
Less		
Current liabilities		
Accrued liabilities	9,759	90,080
Unpaid withdrawal benefits	376,005	252,748
Provision for income tax	172,382	152,741
Provision for deferred income tax	68,277	38,924
Total liabilities	626,423	534,493
Net Assets	6,054,528	5,537,095

Further Information

Elections for Directors of Trustee Company

Mrs S. Willoughby retired as Director on 5th October 1999. Mr F. Johnson was appointed Independent Director for a period of one year from 1st January 2000.

On the 31st December 1999, the following Directors retired and were re-elected.

Member Representative Employer Representative Mr H. McGrath Mr C. Bonner Mr R. Sait Mr E. K Doery.

The Trustee has published rules for the appointment of Directors. Members may obtain a copy from the Inquiries Officer (see Contact Details).

All Schools and Colleges and their employees who are members of the Fund, may nominate a representative to their respective Representative College.

Directors are elected for three years and may be considered for re-election when their term of office has expired.

Eligible Rollover Fund (ERF)

When your employment is terminated and you are entitled to receive a benefit, you may choose to roll over your preserved benefit to the Personal Benefit Account (PBA) or another superannuation entity.

The Trustee will ask you to nominate the entity to which you wish to have the benefit paid. If you do not give a direction to the Trustee or if the entity nominated by you refuses to accept the payment, the Trustee will then transfer it to the PBA or the Eligible Rollover Fund (ERF) that it has chosen for this purpose, usually after 30 days.

If your benefit is transferred to the ERF, your membership of the Fund will cease. You can withdraw your benefit from the ERF at any time, subject to the preservation requirements. (See Contact Details for details of the Fund's ERF).

In the interest of *your better investment choices* we recommend you read the information detailed in the "Important things you need to know" page on our website (in "About CSSF").

Participating Schools

Divisions A & B

Aitken College
Ascension College
Bacchus Marsh Grammar School
Ballarat and Clarendon College
Ballarat and Queens Anglican Grammar School
Beaconhills Christian Community College
Belgrave Heights Christian School
Billanook College
Braemar College
Canberra Grammar School
Caulfield Grammar School
Christ Church Grammar School
Christian College Highton
Flinders College
Free Kindergarten Association of Australia
Gippsland Grammar
Goulburn Valley Grammar School
Haileybury College
Heathdale Christian College
The Knox School
Launceston Church Grammar School
Leibler Yavneh College
Macedon Grammar School
MLC School, Burwood - NSW
Mountain District Christian School
Mowbray College
Newhaven College
Overnewton Anglican Community College
Rossbourne School
Sophia Mundi Rudolf Steiner School
St Andrews Christian College
Sunshine Christian College
Taylors Schools Ltd
The Geelong College
The Village School
Trinity Anglican School - Cairns
Trinity Grammar School - Summerhill, NSW
Victorian Municipal Pre-School Association
Westernport Christian College
Yarra Valley Grammar School

Combined Schools Superannuation Fund
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