

Member Investment Choice



STRONG FOUNDATIONS, EVEN STRONGER PERFORMANCE

With Member Investment Choice you can:

- **Have flexibility and control over your super**
- **Choose an investment option to suit your changing needs**
- **Reduce your risk by diversifying your investments**
- **Benefit from the expertise of investment managers that individual investors cannot normally access**

Contents

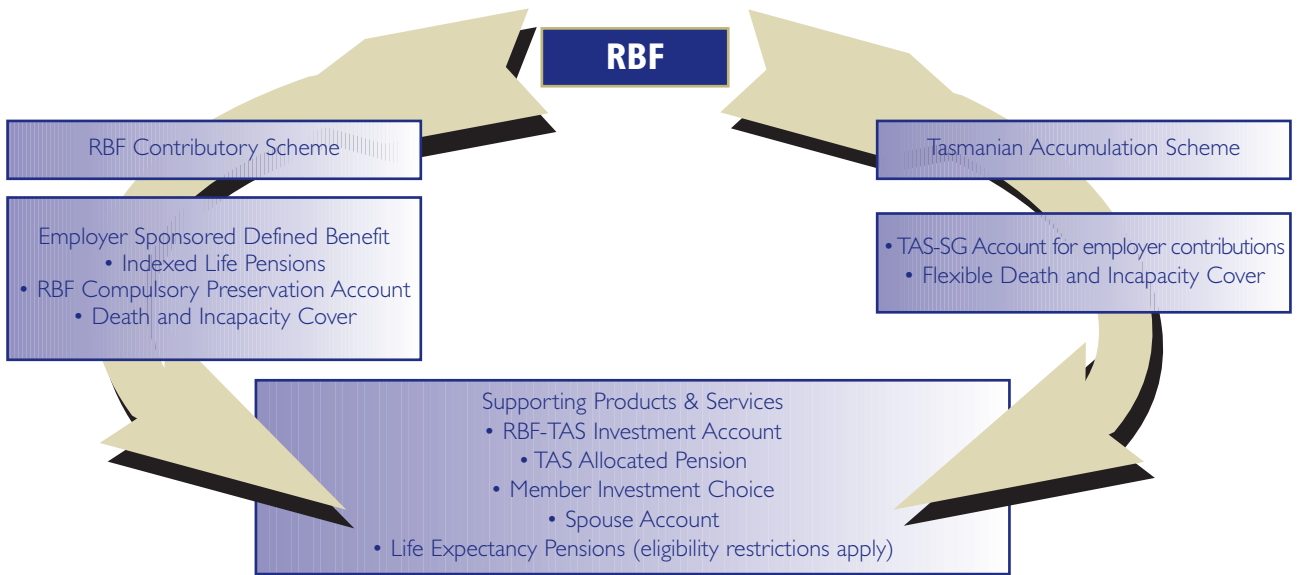
3	RBF – ‘Your lifetime fund of choice’	10	Matters to consider
4	Before you start making investment decisions	11	How Member Investment Choice operates
5	What is Member Investment Choice?	13	Definitions of financial terms
6	Investments, the basic principles	14	Further information

Thank you to members who appear in photos for this brochure.

The information contained in this document is not intended as investment advice and the Retirement Benefits Fund Board recommends that readers seek professional advice before making any investment decisions.

The privacy of your personal information is important to RBF. We understand the need for confidentiality. RBF will hold your personal information securely and use it only for the purposes described in the RBF Privacy Statement. Certain personal information you provide to RBF may be provided to your employing agency. RBF will not, however, provide your employer with details of the benefit that you will receive. Service providers to the Board may also have access to confidential information held by the Board. The privacy of members is protected by confidentiality clauses contained in the agreements with such service providers. If you would like to be provided with a copy of the RBF Privacy Statement please contact RBF. The Privacy Statement is also available on the RBF website.

RBF 'Your Lifetime Fund of Choice'



Superannuation can be complex. RBF has provided four simple steps to help you understand your superannuation and get the most out of the many benefits available.

RBF – MEMBER GUIDE

Step 1

UNDERSTANDING THE MANY RBF BENEFITS

IMPORTANT THINGS TO FOCUS ON

- How much Death and Incapacity Cover do you have? Is it enough?
- Where is your superannuation being invested?

HOW TO BECOME INVOLVED WITH YOUR SUPERANNUATION

- Keep this brochure as a reference.
- Organise a workplace seminar with your fellow members.
- Register on the RBF website: www.rbf.com.au

Step 2

SIMPLE TECHNIQUES FOR IMPROVING YOUR RBF SUPER

- Benefits of salary sacrificing into RBF.
- Getting the most out of your RBF investments.
- Consolidating all your superannuation.
- Planning for the future with a Spouse Account.

- Read and keep your Membership Statements.
- Contact RBF or use the RBF website at www.rbf.com.au to view a range of education brochures. A list of brochures is on page fourteen.
- Attend an RBF investment seminar or education workshop. RBF runs seminars in all areas of the State.
- Talk to an RBF staff member.

Step 3

PLANNING TO MAXIMISE YOUR RBF RETIREMENT SAVINGS

- Do you know your Lump Sum or Allocated Pension entitlements on retirement at differing ages?
- What are your lifestyle expectations for the future?
- Do you know how tax and Centrelink impact on your retirement?

- Ask for an RBF entitlement letter. If you are over 50, RBF will regularly send you one.
- Attend an RBF workshop on financial planning, managing super or retirement planning.
- After the workshop, attend a personal interview with an RBF staff member who may refer you to free financial planning advice with RBF-TAS Planning.

Step 4

USING YOUR RBF RETIREMENT SAVINGS

- Can you still contribute to RBF after retirement?
- Use RBF to diversify your retirement investments using Member Investment Choice.
- How do you claim your RBF entitlements?

- Attend an RBF workshop on Member Investment Choice and Allocated Pensions.
- Review your Allocated Pension with RBF.
- Join a superannuants' or self-funded retirees' association.

Strong Foundations even stronger

Before you start making investment decisions

The first step ...

Making the first decision on which investment option is right for you is usually the hardest. RBF staff understand the complexity of investment choice and will provide you with all the information you need.

If, having read this brochure, you still require further information, RBF staff are available to discuss the various Member Investment Choice options. If investment advice is required, RBF may arrange a referral to RBF-TAS Planning Pty Ltd.

This booklet explains the different investment options available, known as Member Investment Choice, within the Retirement Benefits Fund. You can change your investment options as many times as you like.

Investment performance figures are updated monthly on RBF's website:

www.rbf.com.au. RBF suggests you register to access the site and review your account.

It is important to understand what type of RBF member you are.

Are you a ...

- RBF Contributory Scheme member; or
- Tasmanian Accumulation Scheme member?

If you are unsure which scheme you are in, check your last statement. Your scheme membership will make a difference when deciding to use Member Investment Choice.

If you do not choose a Member Investment Choice option the RBF Board provides an automatic investment decision for you. This is known as the **default option**.

Throughout this brochure you will notice words in purple text. These words are defined for you on page thirteen.



'Member Investment Choice enables me to have flexibility and control over my investments.'

performance.

What is Member Investment Choice?

Member Investment Choice means that you can choose which investment option is best for your superannuation. Before members had investment choice, the **Trustee** made the decision. There is an investment option that will apply to your superannuation account if you do not wish to make a decision. This is known as the **default option**.

Your lifestyle and personal circumstances are quite different from those of your workmates and other RBF members. What may suit your workmates may be totally inappropriate for your needs. Member Investment Choice allows you to choose the investment option that best suits your investment and security needs.

Why is Member Investment Choice important?

Different investment options are needed because not all members are best served by a 'one-size-fits-all' approach.

The age range of RBF members is diverse. It is important you consider your needs, preferences and goals before making a decision.

Does Member Investment Choice apply to all my RBF accounts?

No, not to all of them.

If you have a TAS-SG Account, Member Investment Choice applies to the superannuation guarantee contributions paid by your Agency or State Authority on your behalf.

If you have an RBF-TAS Investment Account, Member Investment Choice applies to:

- your own voluntary contributions (whether by lump sum or regular pay deductions);
- employer-sponsored contributions such as salary sacrifice;
- amounts rolled over from other superannuation funds; and
- any spouse contributions paid into your account.

If you have a TAS Allocated Pension Account, you can use Member Investment Choice.

I am an RBF Contributory Scheme member, do I have Member Investment Choice?

Member Investment Choice applies to RBF Contributory Scheme members only if they have an RBF-TAS Investment Account. The RBF Contributory Scheme is known as a defined benefit scheme. A defined benefit is where your end benefit is determined by your years of service, salary and contribution rate(s) upon termination of employment. Unlike an accumulation benefit, the amount of your defined benefit is not affected by the investment performance of RBF.

The RBF Contributory Scheme is an unfunded scheme. Your employer (the State Government) contributes its share of your benefit when you retire or, in the case of resignation, when you attain your **preservation age**. This means RBF does not have that money to invest during your working life. Therefore, your employer is bearing the investment **risk** associated with the RBF Contributory Scheme, and your financial benefit is not determined by RBF's investment performance.

What if I don't want to make a choice?

It is up to you whether you wish to choose an investment option under Member Investment Choice. If you do not choose an investment option, your money will be invested in the Actively Managed option. This is RBF's **default option** and is the investment strategy set and reviewed regularly by the RBF Board as corporate trustee of the Fund.

Each Member Investment Choice has a different mix of **assets** and a different level of **risk**. Each investment option is described in more detail in the Member Investment Choice options brochure.

Today, anyone can be wealthy, if

Investments, the basic principles

What is investment?

Investment is about earning a **return** on your money. It's a balancing act between creating wealth and protecting what you already have.

This involves:

- comparing the returns that the investments are expected to offer and their level of **risk**, over a period of time;
- considering your investment **time horizon**; and
- looking at your Member Investment Choice options.

What is a return?

A **return** is the money you make from investing.

A positive return can be in the form of income such as **interest**, dividends from shares or rental income from a property. Some types of investments may also increase in capital value over time (**capital growth**), thereby increasing the total return.

A negative return (**capital loss**) would result from a fall in the capital value of **assets** (e.g. a fall in the market price of shares).

Returns, positive or negative, are usually expressed as percentages.

Returns can either be gross returns or net returns. A net return is the gross return minus expenses (such as fees and tax) and is known as the **crediting rate**. RBF applies the crediting rate to your account and this is done on a weekly basis.

Each Member Investment Choice option will have a different crediting rate.

What effect does inflation have on returns?

To increase the real value of your investment, it is necessary to earn a **return** greater than the **inflation** rate. **Real returns** are measured as a percentage above the Consumer Price Index.

For example, if your investment return is 6% and inflation is 2%, then the real return on your investment is 4%.

What is risk?

Risk is the amount by which the value of your investment is likely to fluctuate in any given period.

Different investment types carry different risks. For example, the cash in your bank account does not change its value so this is a low risk type of investment. However, the value of shares can rise and fall substantially, so shares are regarded as a high risk investment.

When choosing a Member Investment Choice option, you need to understand what the risks are and how much risk you will accept in both the short and long term.

Generally there is a trade-off between risk and **return**. When you invest in lower-risk **assets**, you will usually get relatively small changes in the value of your investment in the short term and fairly low returns in the long term. With higher risk investments you may experience larger changes in the value of your investment in the short term but will usually get higher returns in the long term.

Cash is generally the asset type with the lowest risk and provides lower returns over time. Shares and property are examples of higher risk investments which should provide higher returns over time.

they choose the right investment

How do I reduce risk?

It is almost impossible to avoid **risk** altogether, but its impact can be minimised.

You can invest in a number of broad categories or asset classes. The most common asset classes are cash, fixed interest, property and shares. The amount apportioned between each asset type is called **asset allocation**.

Investing in a mixture of asset classes is known as **diversification**.

Diversification avoids "putting all your eggs in one basket". If one asset type is falling in value, another asset type may be rising in value.



'With Member Investment Choice I can choose an investment option to suit my changing needs.'

How much risk should I take?

The level of **risk** you are prepared to take may be quite different from your workmates. It is a personal choice based on your own preferences and circumstances.

When considering the trade-off between **return** and risk for your various investment options, you should not only look at how important short term fluctuations in the value of your investment are to you, but also consider your long term investment **time horizon**.

Investment time horizon

The higher **risk** investments such as shares are generally regarded as long term investments and can generally be expected to obtain their best returns over seven years or more.

It is important to note that, even at retirement, you may need investment income for perhaps another twenty years.

How important is market timing?

Investment markets are extremely unpredictable. You should be wary of trying to judge future market movements. If you do, you risk buying into markets at their peak price and selling out at a lower price.

Long term **capital growth** is usually achieved by staying in a particular investment throughout its life cycle.

It is always a good idea to monitor the performance of your investments. It may also be advisable to attend one of RBF's regular investment seminars. If investment advice is required, RBF can arrange a referral to RBF-TAS Planning Pty Ltd, a principal member of the Financial Planning Association.

A dollar saved is one thing, but another, and another...

What are the main investment types?

Investment types are commonly referred to as **assets**. They can be divided into two main categories:

● **Defensive Assets**

DEFENSIVE ASSETS ARE INCLUDED IN PORTFOLIOS TO REDUCE RISK AND PROVIDE SOME STABILITY IN RETURNS. THE LEVEL OF RETURN AND DEGREE OF RISK IS NORMALLY LOW TO MODERATE.

THE MOST COMMON DEFENSIVE ASSET TYPES ARE CASH AND FIXED INTEREST SECURITIES (E.G. COMPANY DEBENTURES AND GOVERNMENT BONDS).

EXAMPLES

● **Cash**

Cash describes investments in bank bills and other short-term deposits. The return on cash comes from interest earned. Over the longer term, cash usually offers the lowest returns because it has the lowest level of risk.

● **Fixed Interest**

Fixed interest investments are funds invested in securities issued by governments or corporations. In each case, money is invested for a pre-determined period of time with a fixed rate of interest over that time.

Fixed interest securities are traded in the market (like shares). The price depends on a number of factors, such as the current level of interest rates at the time of trade. As general interest rates fall, the price of a fixed interest security will rise.

Fixed interest is considered moderate risk.

● **Growth Assets**

GROWTH ASSETS ARE INCLUDED IN PORTFOLIOS TO PROVIDE CAPITAL GROWTH AS WELL AS REGULAR INCOME. GROWTH ASSETS ARE RISKIER THAN DEFENSIVE ASSETS. OVER THE LONG TERM THESE ARE EXPECTED TO PRODUCE SIGNIFICANTLY HIGHER RETURNS.

THE MOST COMMON GROWTH ASSETS ARE SHARES AND PROPERTY. OTHERS INCLUDE INFRASTRUCTURE (E.G. POWER, UTILITIES, TOLL ROADS ETC.) AND DEVELOPMENT CAPITAL (E.G. NEW COMPANIES).

EXAMPLES

● **Property**

Property investments consist of residential (e.g. houses), retail (e.g. shops, shopping centres), commercial (e.g. office buildings) and industrial (e.g. factories, warehouses). Property can be held directly (just as you may own your own home) or indirectly through an externally-managed investment vehicle where your money is pooled with that of other investors.

Property investments provide an income (through rental paid by tenants), and can rise and fall in value over time.

Returns from property can be moderate to high, with the degree of risk also moderate to high.

● **Shares**

Shares, also known as **equities**, represent ownership in companies both in Australia and overseas. Shares are bought and sold on a stock exchange. The day-to-day prices are determined by normal market forces of supply and demand. These market forces are influenced in turn by many factors, including how well the company is performing and the state of the general economy.

Shares generally provide returns as income, in the form of dividends and, in the longer term, as capital growth.

The value of shares can fluctuate considerably, and can produce both positive and negative returns. The degree of risk is therefore high. However, history has shown that, over the longer term, shares can be expected to produce the highest returns.

● **Alternative Investments**

Alternative investments are part-ownership of enterprises not listed on a stock exchange, such as infrastructure, development capital and rural trusts. Like shares, returns can be high, but the degree of risk is also high.

a dollar in RBF is another, and

How have these asset types performed in the past?

Cash and fixed interest are described as defensive assets because typically they are used to defend the value of your **capital** from erosion by **inflation**.

Property and shares are growth assets as they offer the possibility of future capital gains.

Generally growth assets will produce higher returns over time than defensive assets.

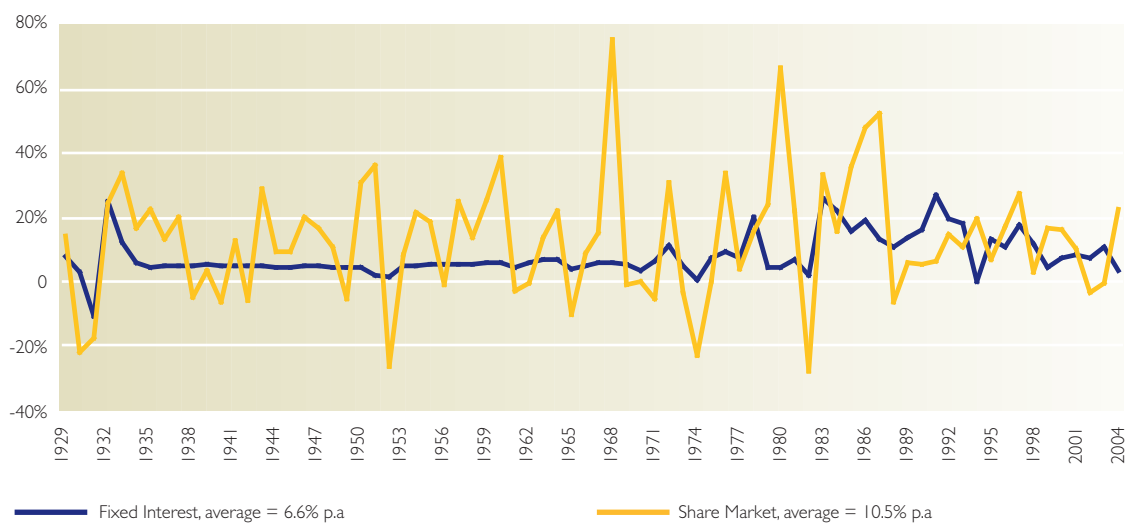
A combination of both types (**diversification**) can provide a useful balance.

The following chart shows the difference in annual **returns** between Australian fixed interest and shares over the long term. As can be seen, the sharemarket returns are far more volatile, or risky, from year to year. Over the long term, however, the average return from the sharemarket has been significantly greater than that for fixed interest. Both asset classes have exceeded the rate of inflation which has averaged 4.6% pa over the period shown.

What is the chance of negative returns?

Negative returns are always possible with any type of investment but they are more likely to occur with growth assets than with defensive assets. However, if you have a long-term investment **time-horizon**, then you will be less concerned with the short-term **volatility** in returns. Over the longer term, positive returns should more than make up for any short-term negative returns.

FIXED INTEREST VERSUS SHARE MARKET RETURNS 1929 TO 2004



Strong Foundations...

A wide choice of investments is NOT selection & flexibility to change your

Matters to consider

What factors should I consider when making a choice?

All members will have different selection criteria to determine which options suit them best. It is important that all your personal circumstances are considered when making your decision. If you need further information on the various options, RBF staff are available to assist. Should you require financial planning advice, RBF may arrange a referral to RBF-TAS Planning Pty Ltd.

Some issues you should consider are:

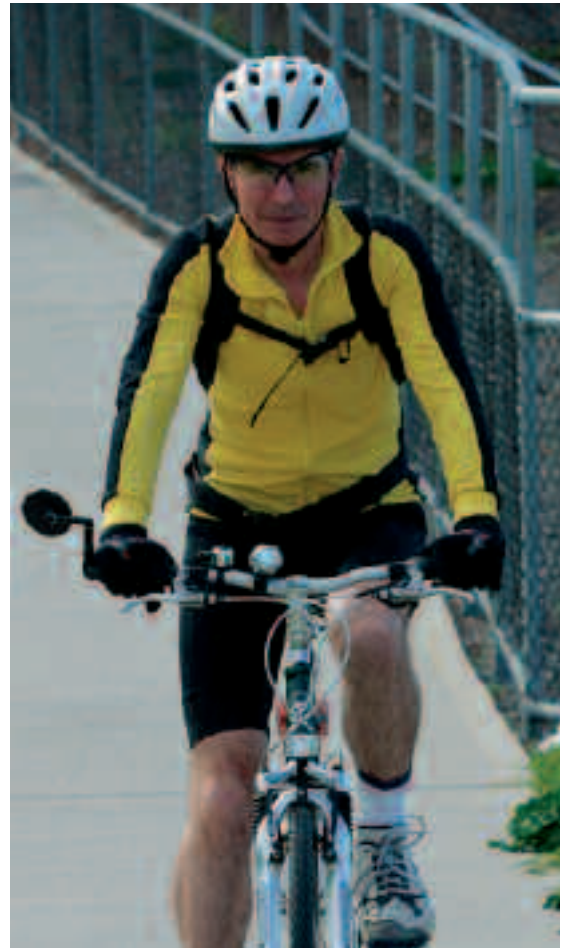
- your desire to increase your wealth compared to your tolerance for **risk**;
- your investment **time horizon**; and
- your personal circumstances.

How will I decide which option to choose?

The RBF Board cannot advise you which option or combination of options best suits your circumstances, but we can explain each option. This brochure can assist you to understand Member Investment Choice, the options available and the level of **risk** associated with each option. After reviewing your personal circumstances, it is up to you to decide which option or combination of options best suits your circumstances.

It is very important when making a long-term financial decision that you gain good financial advice. RBF encourages you to attend one of its regular investment seminars or to ask for a referral to RBF-TAS Planning Pty Ltd. RBF contact details are provided at the back of this brochure.

RBF has produced a Member Investment Choice Worksheet to help you in making your choice.



'With Member Investment Choice I can choose a socially responsible investment option.'

enough – you need a quality strategy quickly, at little cost.

How Member Investment Choice operates

Can I choose a combination of options?

You can choose either one option or a combination of options.

For example, you may wish to:

- make regular payroll contributions to one of the options; or
- pay cash contributions or rollovers to one or more of the options; or
- make a direct deposit; or
- transfer investments between options.

A Member Investment Choice Transfer and Election form is enclosed at the back of the Member Investment Choice options brochure. The form can also be obtained from

www.rbf.com.au

Can I change my choice in the future?

You can change your choice or choices at any time, as many times as you like. This is known as investment **switching**.

Only correctly completed election forms can be accepted.

In the future the RBF Board may charge a fee for Member Investment Choice switches.

What happens if I don't make a choice?

If you don't make a choice, your future contributions and accumulated balance will be invested in the **default option**.

Is there a cost for Member Investment Choice?

RBF applies a **crediting rate** to your account that is net of all fees and taxes.

Each investment option has a different **investment management fee**, e.g. RBF Long Term Growth has a higher fee than the RBF Cash option. In addition the **administration fee** for each option varies according to the product to which the investment option applies, e.g. the Administration Fee for TAS Allocated Pensions is higher than the fee for the RBF-TAS Investment Account. If you add the Investment Management Fee and the Administration Fee together, this will provide you with what is known as the **ongoing management expense ratio (MER)**.

Who will be looking after my investments?

The Retirement Benefits Fund Board invests the assets of the Fund. The Board combines internal and external specialist investment managers to invest in the various asset types. The Board undertakes a rigorous selection process in appointing managers. The managers are subject to regular review and are accountable for achieving predetermined performance levels.

If I have taken an anti-detriment redundancy benefit, can I make a choice?

If you wish to retain access to a pension divisor of 12, your money must remain invested in the RBF Actively Managed option.

RBF will confirm

After each switch you should receive written confirmation from RBF of your investment choice within 14 days. If no confirmation is received, please contact RBF.

Your twice-yearly membership statements from RBF will keep you up-to-date with your investment performance.

You can also review daily changes in your RBF account(s) at www.rbf.com.au

Your needs will change as you progress through life, RBF is now your lifelong financial partner.

Is there anything else I should know?

The RBF Board reserves the right to make changes to Member Investment Choice options. This can include closing options, opening new options, changing option investment strategies, changing **investment managers**, changing the asset valuation and pricing methods, and imposing new or varying fees and charges.

Performance expectations

Members should note that the RBF Board does not guarantee the performance of any of its investment managers.

The Board actively monitors the performance of all managers and investments against their investment mandates.

Make RBF your lifetime fund of choice

Take full advantage of the many low-cost investment options available to you. Consolidate your other superannuation accounts into RBF – your lifetime fund of choice.



'With Member Investment Choice I can benefit from the expertise of investment managers that I would not otherwise be able to access.'

Definitions of financial terms

Administration fee	This is a fee charged by the Retirement Benefits Fund Board to cover administration expense. The Retirement Benefits Fund is a non-profit organisation.
Assets	Individual types of investment such as shares, property or cash.
Asset allocation	The amount invested in each asset type within a portfolio (e.g. 50% shares, 40% property, 10% cash).
Benchmark	An index used as a yardstick against which something (such as performance) can be measured, e.g. the S&P/ASX300 Accumulation Index is a measure of performance of the Australian sharemarket.
Capital	An amount invested.
Capital growth	The increase over time in the value of an investment (e.g. the increase in the share price of a company).
Capital loss	The decrease in the value of an investment (e.g. the decrease in the share price of a company).
Compound interest	Where interest is calculated on both the principal sum (the amount invested) and the newly accumulated interest on that principal sum.
Crediting rate	Return which is paid to member accounts. Calculated as gross return minus investment and administrative fees minus income tax expense.
Custodian	A company that holds a superannuation fund's assets for safekeeping.
Default option	This investment option is used when members do not choose an investment option. The RBF Board automatically applies this investment option to accounts where a member has not exercised Member Investment Choice.
Diversification	A mix of a number of different assets combined in a total investment portfolio, in order to decrease the level of risk in that portfolio.
Equities	Another name for shares.
Inflation	The rate of increase in the price of numerous everyday items and services, usually measured by increases in the Consumer Price Index (CPI).
Interest	Percentage amount paid on money invested or borrowed.
Investment manager	A person or organisation hired to manage investments on behalf of the investor (in this case the superannuation fund).
Investment management fee	This is a fee charged to the Fund by the particular investment manager of an option. RBF then deducts this fee from member accounts if that particular investment option is used. The investment management fee will differ for each investment option.
Ongoing management expense ratio (MER)	This is a term used to represent the total administration expense of an investment. It comprises the investment management fee and the administration fee.
Portfolio	A mix of assets selected to provide diversification.
Preservation age	Monies held in superannuation accounts are subject to preservation rules enforced by legislation. Preservation means that monies cannot be released to an individual unless he/she has reached the prescribed retirement age.
Reserves	A portion of the earnings of a portfolio in one period set aside for payment in other period(s).
Return	The increase in value of an investment, together with the income (interest) from the investment.
Real Return	Return that exceeds the rate of inflation.
Risk	An indication of how much the value of an investment can be expected to rise or fall.
Securities	Another name for assets.
Switching	The process of transferring from one investment option to another.
Time horizon	A period of time over which an investor intends to keep his or her investment.
Trustee	A person or company who manages a superannuation fund for its members.
Volatility	A means of measuring risk, i.e. the amount by which the investment may move either up or down.

Now you can **reap the rewards**
of successful investment at RBF.

Further Information

If you would like further information about Member Investment Choice you can contact RBF. You can also explore your superannuation options by reading one of RBF's brochures. RBF has a full range of brochures on the following topics:

- Looking after your Super
- Salary Sacrifice
- Retirement
- Spouse Account
- Voluntary Contributions
- RBF-TAS Investment Account

To receive a brochure contact RBF on 1 800 622 631 or go to the RBF website at www.rbf.com.au

Do you have the correct Member Investment Choice options brochure?

Please confirm with RBF that the Member Investment Choice options brochure enclosed with this booklet is current, as the brochure is updated on a regular basis.



'Attending an RBF member interview really helped us to understand our superannuation.'

USE THE WEBSITE AT:

www.rbf.com.au

PHONE US ON:

03 6233 3672 or 1800 622 631

FAX US ON:

03 6233 3357

E-MAIL US AT:

super@rbf.com.au

WRITE TO:

The Chief Executive Officer
Retirement Benefits Fund Board
GPO Box 446 HOBART TAS 7001

VISIT US AT:

Retirement Benefits Fund Board
39 Sandy Bay Road Hobart

PERSONAL INTERVIEWS

Personal interviews available in Hobart, Launceston, Burnie and Devonport, by appointment only. To arrange an interview, telephone 1800 622 631.

Every care has been taken with the information provided in this document. However, the Retirement Benefits Fund Board reserves the right to correct any errors or omissions. If there is a discrepancy between the information contained in this document and the Tasmanian Accumulation Scheme Trust Deed or the governing legislation, the Trust Deed and the legislation will be the final authority.

Information in this brochure was current at publication but is subject to change without notice. If you wish to confirm whether any of the information has changed, please contact RBF. The information contained in this document is not intended as investment advice and the Retirement Benefits Fund Board recommends that readers seek professional advice before making any investment decisions.

This brochure was designed and printed in Tasmania in September 2004