



RETIREMENT BENEFITS FUND BOARD

INVESTMENT POLICY STATEMENT

30 JUNE 2009

This statement was authorised by the Retirement Benefits Fund Board on

29 July 2009

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1. PURPOSE OF THE FUND

The purpose of the Retirement Benefits Fund (the Fund) is to provide retirement benefits for present and future members, their partners and dependants. This is achieved through receiving employer and member contributions and the prudent oversight of investments.

The RBF Board (the Board) is the corporate Trustee of the Fund, the predominant fund for Tasmanian Public Sector employees and their partners. The Board administers the Fund on behalf of members.

The Board's vision is to be the leading provider of superannuation services to the Tasmanian Public Sector.

The Board's mission is to support members in achieving life-stage goals by providing valued financial solutions. Specifically with reference to the defined benefit schemes the Board's mission is also to satisfy the Tasmanian Government through efficient administration and achievement of agreed investment objectives.

2. INVESTMENT POWERS

The Board administers and manages the Fund in accordance with the following:

- *Retirement Benefits Act 1993*;
- *Public Sector Superannuation Reform Act 1999*;
- Retirement Benefit Regulations 2005;
- Retirement Benefits (Parliamentary Superannuation) Regulations 2002;
- Tasmanian Accumulation Scheme Trust Deed;
- State Fire Commission Superannuation Scheme Trust Deed;
- Tasmanian Ambulance Service Superannuation Scheme Trust Deed; and
- any other applicable law of the State or the Commonwealth.

3. COMPLIANCE WITH LEGISLATION

The Tasmanian Government is a signatory to a Heads of Government Agreement between the Commonwealth and all State Governments. This Agreement provides exemption for certain public sector schemes from the provisions of the *Superannuation Industry (Supervision) Act 1993* (SIS). However, the Agreement provides that Exempt Public Sector Superannuation Schemes must comply with the operating standards of SIS and are to be regarded as 'complying funds' for Commonwealth taxation purposes. The requirement (to comply with the operating standards) is also incorporated into the governing rules of the Fund.

4. FUND CHARACTERISTICS

4.1 Type of Fund

The Fund is comprised of six sub-funds, being:

- Five defined benefit schemes which are closed to new members being:
 - RBF Contributory Scheme;
 - Parliamentary Retiring Benefits Fund (PRBF);
 - Parliamentary Superannuation Fund (PSF);
 - State Fire Commission Superannuation Scheme (SFCSS); and
 - Tasmanian Ambulance Service Superannuation Scheme (TASSS).

- One accumulation scheme, the Tasmanian Accumulation Scheme (TAS), which encompasses:
 - RBF- SG Accounts
 - RBF Investment Accounts
 - RBF Allocated Pensions
 - RBF Term Allocated Pensions

4.2 Benefit Design

4.2.1 Defined Benefit Schemes

The defined benefit schemes administered by the Board provide retirement, death, disablement, redundancy and resignation benefits to members. The benefits are defined by reference to a formula which takes into account each member's salary, years of contributory service, contribution rates and where appropriate a benefit multiple factor.

Members of defined benefit schemes are required to pay contributions whilst they are employed by the Tasmanian Public Sector. Member contributions are a fixed percentage of fortnightly salary.

The RBF Contributory Scheme and the PSF are closed "unfunded" defined benefit schemes. These schemes are funded only by employee contributions with employer contributions being paid at the time of benefit emergence.

The PRBF, SFCSS and TASSS are funded closed defined benefit schemes whereby both the employee and employer pay contributions on an ongoing basis.

The largest closed defined benefit scheme in terms of members, funded assets and unfunded liabilities is the RBF Contributory Scheme which provides defined benefits to those permanent and eligible temporary and contract employees of the Tasmanian Public Sector who commenced employment prior to 15 May 1999.

With the defined benefit schemes, in most instances investment returns do not influence the value of a member's defined benefit. Tasmanian Public Sector employers bear the investment risk associated with providing the defined benefits. During periods of strong investment performance the Board can accumulate an actuarial surplus within each sub-fund. An actuarial surplus exists when the net assets of a sub-fund exceed the Board's obligations to pay the sub-fund's share of current and future benefits. An actuarial surplus has the effect of reducing employer costs over time. Conversely, periods of poor investment performance can result in an actuarial deficiency which has the impact of increasing employer costs and liabilities to

pay benefits. As a consequence investment performance impacts the amount and value of employer superannuation liabilities, particularly unfunded superannuation liabilities.

4.2.2 Accumulation Scheme

The Tasmanian Accumulation Scheme (TAS) has been open to employees who commenced work in the public sector on or after 15 May 1999, and other employees not in the RBF Contributory Scheme. TAS is a fully funded defined contribution or accumulation style superannuation scheme. TAS is the default superannuation fund for Tasmanian Public Sector employees.

Members of the Fund's defined benefit schemes may also utilise TAS products. The partners of fund members may also join. However, the Fund is constrained from accepting contributions from any employer outside the Tasmanian Public Sector.

TAS provides the following products to Fund members:

1. RBF-SG Account;
2. RBF Investment Account;
3. RBF Allocated Pension;
4. RBF Term Allocated Pension.

The RBF-SG product only accepts Superannuation Guarantee contributions paid by Tasmanian Public Sector employers on behalf of TAS members.

The RBF Investment Account enables all RBF members (including defined benefit scheme members) to enhance their retirement savings by accepting, in accordance with SIS Standards:

1. Member voluntary after tax contributions;
2. Member voluntary before tax contributions such as salary sacrifice and additional employer contributions;
3. Commonwealth co-contributions;
4. Spouse/partner contributions;
5. Rollover Superannuation Benefits;
6. Directed Termination Payments;
7. Contributions by self employed persons;
8. Internal fund transfers;
9. CGT Exempt contributions; and
10. Contributions arising from the structured settlement for personal injuries.

The RBF Allocated Pension and Term Allocated Pension are account-based pension products that are provided to members who have retired from the workforce or are transitioning to retirement. Allocated Pensions can also be utilised by the surviving partner of a Fund member. The Term Allocated Pension closed to new members from September 2007.

Investment performance directly impacts the value of a TAS member's benefits. Benefits are determined by the amount of contributions (or withdrawals), fees and the investment performance of the member's nominated investment options. All TAS members determine how their retirement savings are invested by selecting one or more of the available Member Investment Choice options.

TAS benefits are not guaranteed by the State.

4.2.3 Crediting Rates

The earnings credited to a member's TAS account are based on the performance of their chosen investment option or combination of options. A crediting rate is calculated and applied to members' accounts each week.

Crediting rates are calculated in respect of each member's account having regard to:

- the earning rates of the Fund;
- the Board's investment strategy & policy as outlined in this document;
- the investment choice option nominated by the member or otherwise determined by the Board (default option);
- any allowances for unrealised capital gains or losses; and
- the cost of investment management, taxation and other expenses the Board has paid or is likely to pay.

4.3 Membership Characteristics

The defined benefit schemes are closed to new members.

Membership of TAS is available to people working on a casual, contract, permanent or temporary, full or part-time basis for a Tasmanian Public Sector employer and their spouses. Members who leave the Tasmanian Public Sector may, on satisfying certain conditions, continue to contribute to the RBF Investment Account.

5. RESPONSIBILITIES AND DELEGATIONS

5.1 Role of the Trustee

The Board, as Trustee, is wholly responsible for the management and administration of the Fund in accordance with the Fund's governing rules, legislation and prudential guidelines.

Under Section 52(2) of the SIS Act and associated regulations (the "SIS Regulations") the Trustee of a fund is required to formulate and give effect to an investment strategy having regard to the Fund's objectives and circumstances. The Fund's governing rules contain these same requirements.

The Board delegates the day to day responsibility for implementation, management and reporting to in-house staff and external experts.

5.2 Role of the Investment and Asset Allocation Committee

The Board has delegated certain powers, duties and functions to the Investment and Asset Allocation Committee ("Committee"), however ultimate responsibility for investment and asset allocation decisions remains with the Board.

The Committee is charged with the objective of making a positive contribution to the investment returns of the Fund through timely and appropriate investment strategy development.

The Committee is comprised of representative members of the Board and is supported by Officers of the Board together with external actuarial and asset management consultants.

The Committee meets every month and reviews the performance and management of investments against investment strategies each quarter. The Committees powers are defined in the Instrument of Delegation.

5.3 Use of external experts

Due to the specialised nature of investments the Board utilises the knowledge and expertise of a number of independent external experts to assist in the management of the Fund including, but not limited to:

Asset Consultant: The Board employs an Asset Consultant to assist with the following activities:

- Development and review of investment strategies;
- Portfolio construction including asset allocation;
- Investment performance monitoring, reviews and reporting;
- Investment manager selection and termination;
- Investment market and economic commentary; and
- Transition management and implementation.

The asset consultant(s) will assist in monitoring the performance of investment managers and keeping the Committee apprised on leading edge developments in investment thinking. This ensures that investment managers continue to have the appropriate skills and capabilities necessary to outperform in the future, and that their process remains appropriate for the investment objectives of the Fund.

Custodian: The Board utilises the services of a custodian to ensure the safe-keeping and efficient administration of Fund assets.

Taxation consultant(s): The Board utilises the expertise of external taxation consultants and in-house staff to efficiently manage the taxation affairs of the Fund and provide contemporary taxation advice regarding the management of the Fund's investments.

Actuarial services: The Board utilises the services of the State Actuary for the provision of actuarial advice in respect to liability management and reporting for the defined benefit schemes.

Legal Advisor(s): The Board utilises the services of legal investment professionals to ensure all investment contracts entered into by the Board comply with all legislative and prudential standards and protect the interests of the Board and Fund members.

5.4 Role of in-house staff

In order to support the activities of the Fund, the Board employs in-house staff whose role is, in part, to provide the Board with assistance in the strategic and operational aspects of administering the Fund's investments. The responsibilities of the Board's in-house staff include, but are not limited to:

- efficient implementation of the Board's decisions;

- reporting on portfolio positioning with respect to investment product and competitor alignment;
- monitoring compliance with the Fund’s investment strategy, investment manager mandates and prudential regulations;
- efficient calculation and processing of crediting rates; and
- providing contemporary investment information regarding the Fund.

5.5 Out-sourcing procedures

The Board maintains a Contract Management Policy in order to manage all outsourcing arrangements including the appointment of industry and sector expert advisers and consultants. The Contract Management Policy ensures appointments are made in an efficient and effective manner by ensuring all agreements are subject to due diligence, approval and ongoing monitoring. Each service provider’s performance against contract deliverables is monitored and reviewed at least every 12 months.

5.6 Delegation procedures

Delegations of the Board and Officers of the Board are defined in the Instrument of Delegation.

6. INVESTMENT CHOICE

Offering an appropriate number of options that cover a broad range of performance objectives and risk profiles will assist the Fund in best meeting the needs of members with different investment objectives and expectations with regard to future investment returns and tolerance to investment risk.

6.1 Approach to Investment Choice

Members of TAS can choose from a range of 14 Member Investment Choice (MIC) options to cater for their differing risk profiles.

6.2 Default Option

The Board has provided a default option – RBF Actively Managed for members who do not select a specific alternative MIC option for the investment of their TAS benefits.

6.3 Current Options

The Board currently offers 5 diversified, 5 asset class and 4 individual manager investment options viz:

5 Diversified investment options:

- RBF Actively Managed (default option)
- RBF Conservative Growth
- RBF Diversified Growth
- RBF Long Term Growth
- RBF Socially Responsible Investments

5 asset class investment options:

- RBF Australian Shares
- RBF Cash
- RBF Diversified Fixed Interest
- RBF International Shares
- RBF Property & Alternative Investments

4 individual manager options:

- Maple-Brown Abbott Australian Shares
- Maple-Brown Abbott Balanced
- State Street Australian Shares Index
- State Street Balanced Index

7. CREDITING RATES

The mechanism by which the Board apply investment earnings to all options, in accordance with their respective investment strategy, is through the application of crediting rates.

Crediting rates are applied to each option on a weekly basis.

7.1 How returns are allocated to members

7.1.1 Defined Benefit Schemes

The defined benefit schemes administered by the Board provide benefits based on a formula which takes into account each member's salary, years of contributory service, contribution rates and where appropriate a benefit multiple factor.

Generally, investment performance does not affect the level of benefits paid to members of the defined benefit schemes.

7.1.2 Accumulation Scheme

Members of TAS can choose from a range of 14 Member Investment Choice (MIC) options to cater for their differing risk profiles. Investment earnings are applied to member accounts through the application of a crediting rate for each MIC option. Crediting rates are applied on a weekly basis.

Benefits are determined by the amount of contributions/withdrawals made, fees charged and the investment performance of the member's nominated investment options. Account balances in the RBF-SG Account, RBF Investment Account, RBF Allocated Pension Account, or an RBF Term Allocated Pension Account are the member's monies and are not guaranteed by the Board nor the State.

Over the long term, accumulated contributions and compounded investment returns ultimately determine the value of a TAS members retirement benefit.

In the case of RBF Allocated Pensions and Term Allocated Pensions the amount and frequency of pension payments plus capital withdrawals together with compounded investment returns will determine how long the income stream will last and whether it will provide the member with sufficient income to maintain their lifestyle in retirement.

7.2 Investment fluctuation reserves

The Board does not maintain reserves for the purpose of smoothing investment returns.

7.3 Equity between members

The Board maintains each sub-fund and option as a separately identifiable component of the Fund. This component structure means that:

- beneficiaries of each component are separately identifiable;
- a beneficiary of a particular component has an interest in that component only and not the whole Fund;
- a transfer of beneficial interests between one component and another is supported by a corresponding transfer of assets;
- while the assets of one or more component's may be pooled for investment purposes into one or more investment portfolios, the Board is able to determine the parts of each particular component invested in the investment portfolio; and
- administration and insurance costs levied on a component relate solely to the particular component.

8. INVESTMENT OBJECTIVES

8.1 Whole of Fund objectives

The Board is required to manage the Fund so as to maximise the return earned on the Fund having regard to:

- the need to make payments;
- the need to exercise reasonable care and prudence; and
- to enable the efficient and effective provision of member investment options.

To affect this, the Board determines investment objectives for each defined benefit scheme and member investment option which comprise the Tasmanian Accumulation Scheme. The Board then formulates the investment strategy for each defined benefit scheme and member investment option based on the investment objective as well as considering other factors as detailed in section 9, Investment Strategies.

The Board manage to the whole of fund objective by managing each defined benefit scheme and member investment option against their specific investment strategy.

The investment objectives of each sub-fund are as follows:

Contributory Scheme

- Investment returns (after tax and fees) to exceed the rate of inflation by 4.5% per annum over rolling 5 year periods.
- Ensure annual stability in the reported funding position.

Parliamentary Retiring Benefits Fund

- Investment returns (after tax and fees) to exceed the rate of inflation by 4.5% per annum over rolling 5 year periods.

Parliamentary Superannuation Fund

- Investment returns (after tax and fees) to exceed the rate of inflation by 4.5% per annum over rolling 5 year periods.

State Fire Commission Superannuation Scheme Fund

- Investment returns (after tax and fees) to exceed the rate of inflation by 4.5% per annum over rolling 5 year periods.

Tasmanian Ambulance Service Superannuation Scheme Fund

- Investment returns (after tax and fees) to exceed the rate of inflation by 4.5% per annum over rolling 5 year periods.

Tasmanian Accumulation Scheme (TAS)

- Member funds invested in TAS are directed by the member to an investment option or range of options of their choice. The investment objective is attributable to the relevant investment option which comprises TAS.

8.2 Specific Investment Objectives

8.2.1 Defined Benefit Schemes

The specific investment objectives of the Contributory Scheme are:

- **Primary objective:** Low risk of underperformance of CPI + 4.5% p.a. over 3-5 years.
- **Secondary objective:** Annual stability in reported funding position.

Further, the Board has also agreed the following performance measures for the RBF Contributory Scheme, to ensure ongoing monitoring regarding achievement of the objectives:

Measure 1 – Real Returns

Measure –	Returns of Fund versus CPI + 4.5%
Target Period –	3 and 5 year periods.

Measure 2 – Liability Protection

Measure –	Returns versus $[60\% * X + 40\% * Y] + 1\%$
Target Period –	Rolling 1 year periods.
	Where X is the return of the SuperRatings Median Balanced Fund
	And Y is the return from a 15-year inflation linked bond (ILB)

Measure 3 – Asset Class Performance

Measure –	Each asset class measured against its respective benchmark
Target Period –	Rolling 3 year periods.

8.2.2 Accumulation Scheme - Member Investment Choice Options

The investment objectives of each MIC option of TAS are documented below. The Board gives no assurance that any of the objectives will be achieved. The Board may alter the objectives at its discretion from time to time.

8.2.2.1 Diversified Options

RBF Actively Managed (default):

- To provide a moderate to high level of capital growth over the medium to long term.
- To achieve a return (after investment management fees and taxes) of CPI plus 4% per annum over rolling five year periods.
- Level of risk: Moderate to High – negative returns expected 1 year in every 5-6 years.

Further, the Board has set the following performance measures for RBF Actively Managed, to ensure ongoing monitoring regarding achievement of the objectives:

- **Accountability Measure 1: “Down Markets” Measure** – When the annual return of the median manager in the SuperRatings Balanced Survey (SBS) is less than the annual return of the UBSA Bank Bill Index:
 - To achieve Top Quartile performance in the SuperRatings Balanced Survey on a rolling annual basis.
- **Accountability Measure 2: “Up Markets” Measure** – When the annual return of the median manager in the SuperRatings Balanced Survey is greater than the return of the annual UBSA Bank Bill Index (i.e. “up markets”):
 - To achieve second quartile performance over rolling 3 year periods

RBF Conservative Growth:

- To provide some capital growth over the short to medium term while also maintaining a moderate to high level of capital stability and a low probability of negative return in any one year.
- To achieve a return (after investment management fees and taxes) of CPI plus 2% per annum over rolling three year periods.
- Level of risk: Low – negative returns expected 1 year in every 7-8 years.

RBF Diversified Growth:

- To provide a moderate to high level of capital growth over the medium to long term.
- To achieve a return (after investment management fees and taxes) of CPI plus 4% per annum over rolling five year periods.
- Level of risk: Moderate to High – negative returns expected 1 year in every 5-6 years.

RBF Long Term Growth:

- To provide a high level of capital growth over the long term.
- To achieve a return (after investment management fees and taxes) of CPI plus 5.5% per annum over rolling seven year periods.
- Level of risk: High – negative returns expected 1 year in every 4-5 years.

RBF Socially Responsible Investments:

- To provide a moderate level of capital growth over the long-term, by investment in Australian and overseas companies that will form part of a socially and environmentally sustainable future and that meet ethical investment criteria.
- To achieve a return (after investment management fees and taxes) of CPI plus 4% per annum over rolling five year periods.
- Level of risk: Moderate to High – negative returns expected 1 year in every 5-6 years.

8.2.2.2 Asset Class Investment Options**RBF Cash:**

- To provide a high level of capital security and maintain the purchasing power of the capital invested.
- To achieve a return (after investment management fees and taxes) of CPI plus 0.5% over one year periods.
- Level of risk: Low – risk of negative returns for any year is also low.

RBF Fixed Interest:

- To provide a regular income stream and retain capital value over the medium term.
- To achieve a return (after investment management fees and taxes) of CPI plus 2% per annum over rolling three year periods.
- Level of risk: Moderate – negative returns expected 1 year in every 6-7 years.

RBF Property & Alternative Investments:

- To provide a stable income stream and also offer the opportunity for capital growth over the longer-term.
- To achieve a return (after investment management fees and taxes) of CPI plus 4.5% per annum over rolling five year periods.
- Level of risk: Moderate to High – negative returns expected 1 year in every 5-6 years.

RBF Australian Shares:

- To provide a high level of capital growth over the long-term by investment in Australian shares.
- To achieve a return (after investment management fees and taxes) of CPI plus 5.5% per annum over rolling seven year periods.
- Level of risk: High – negative returns expected 1 year in every 4-5 years.

RBF International Shares:

- To provide a high level of capital growth over the long-term by investment in a portfolio of International shares.
- To achieve a return (after investment management fees and taxes) of CPI plus 5.5% per annum over rolling seven year periods.
- Level of risk: High – negative returns expected 1 year in every 4-5 years.

8.2.2.3 Manager Specific Options**State Street Australian Shares Index:**

- The performance objective set by State Street Global Advisors Australia is to closely track the monthly rates of return of the S&P/ASX200 Accumulation Index.
- The performance objective set by the Board is to achieve a return (after investment management fees and taxes) of CPI plus 4.5% per annum over rolling seven year periods.
- Level of risk: High – negative returns expected 1 year in every 4-5 years.

State Street Balanced Index:

- The performance objective set by State Street Global Advisors Australia is to closely track the monthly rates of return of a composite benchmark with exposure to both equity (shares) and fixed income assets.
- The performance objective set by the Board is to achieve a return (after investment management fees and taxes) of CPI plus 3.5% per annum over rolling four year periods.
- Level of risk: Moderate to High – negative returns expected 1 year in every 5-6 years.

Maple-Brown Abbott Australian Shares:

- The performance objective set by Maple-Brown Abbott is provide a superior rate of return relative to the S&P/ASX300 Accumulation Index.
- The performance objective set by the Board is to achieve a return (after investment management fees and taxes) of CPI plus 4.5% per annum over rolling seven year periods.
- Level of risk: High – negative returns expected 1 year in every 4-5 years.

Maple-Brown Abbott Balanced:

- The performance objective set by Maple-Brown Abbott is provide a superior rate of return relative to the average of similar balanced funds as measured by the ASSIRT Multi-Sector 70 Wholesale Index over rolling three year periods.
- The performance objective set by the Board is to achieve a return (after investment management fees and taxes) of CPI plus 4% per annum over rolling five year periods.
- Level of risk: Moderate to High – negative returns expected 1 year in every 5-6 years.

9. INVESTMENT STRATEGIES

9.1 Types of assets to be invested in

The Board's current underlying investments within each of the major asset classes are summarised in the following table.

Asset Class	Underlying investments
Australian Shares	<ul style="list-style-type: none">• Australian listed shares• Limited exposure of up to 10% to listed New Zealand shares
International Shares	<ul style="list-style-type: none">• International listed shares
Property	<ul style="list-style-type: none">• Unlisted Property Trusts• Tasmanian Direct Property Holdings
Alternative Investments	<ul style="list-style-type: none">• Long/Short share strategies• Private Equity Investments• Credit Opportunities• Absolute return hedge funds• Infrastructure Investments• High Yield Debt
Fixed Interest	<ul style="list-style-type: none">• Australian and overseas fixed interest investments• Tasmanian Commercial First Mortgages
Cash	<ul style="list-style-type: none">• A portfolio of securities with a low level of interest rate risk

The Board will consider the inclusion of other investments including non-traditional assets as part of the Board's diversified portfolio as prescribed in Section 10.3.

9.1.1 Investment in Tasmania

The Board has a continuing commitment to investing in Tasmania and Tasmanian business and looks for new opportunities that would provide good risk adjusted returns for members.

The Board considers that the following areas provide attractive investment opportunities in Tasmania:

- First mortgages;
- Direct and indirect property;
- Infrastructure; and
- Liquidity (Cash).

These opportunities are subject to the same rigorous investigations undertaken on other non-Tasmanian investments. The management of all Tasmanian investments is subject to the same level of review by the Fund's external Asset Consultant as are other investment managers.

9.2 Asset Allocation (benchmark & strategic ranges)

The Board has formulated an investment strategy and asset allocation for each defined benefit scheme and investment option. The asset allocations are consistent with the investment objectives adopted for the various schemes and options.

9.2.1 Defined Benefit Schemes

The asset allocation and ranges for the defined benefit schemes are as follows:

RBF Contributory Scheme

Asset Classes	Allocation	Range
Australian Shares	25%	15 - 35%
International Shares (incl Long/Short equities)	25%	6 - 35%
Property	16%	6 - 31%
Alternative Investments	16%	6 - 26%
Fixed Interest	10%	0 - 20%
Cash	8%	4 - 20%

Parliamentary Superannuation Fund;

Parliamentary Superannuation Retiring Benefits Fund;

State Fire Commission Superannuation Scheme; and

Tasmanian Ambulance Service Superannuation Scheme

Asset Classes	Allocation
Australian Shares	25%
International Shares (incl Long/Short equities)	25%
Property	16%
Alternative Investments	16%
Fixed Interest	10%
Cash	8%

9.2.2 Member Investment Choice Options

The asset allocations for the Fund's investment options are detailed below.

Each of the Fund's diversified investment options is designed with different investment objectives, strategies and risk profiles established by the Board in consultation with the Asset Consultant.

RBF Actively Managed

The Board maintains a Dynamic Asset Allocation (DAA) for RBF Actively Managed. DAA refers to the process by which the asset allocation of a fund is changed on a short-term basis (1-2 years) to take advantage of forecast differences in relative values of the various asset classes. The Board receives advice from its Asset Consultant to assist in making this assessment. The DAA of RBF Actively Managed is set on an annual basis and reviewed on a quarterly basis. The allocation to various asset classes in RBF Actively Managed is maintained within the specified ranges.

RBF Actively Managed is rebalanced on a weekly basis to its benchmark. The current benchmark and ranges of RBF Actively Managed are:

Asset Classes	Benchmark	Range
Australian Shares	34%	±5%
International Shares	26%	±5%
Property	12%	±5%
Alternative Investments	15%	±5%
Fixed Interest	11%	±3%
Enhanced Cash	2%	±2%

Diversified Member Investment Choice Options

For the other investment options the asset allocation is rebalanced on a weekly basis to maintain the neutral asset allocation weightings, which are currently:

Asset Classes	RBF Conservative Growth	RBF Diversified Growth	RBF Long Term Growth	RBF Socially Responsible Investments*
Australian Shares	15%	40%	50%	38%
International Shares	10%	20%	25%	22%
Property	3%	6%	12%	13%
Alternative Investments	2%	4%	8%	1%
Fixed Interest	45%	30%	5%	23%
Enhanced Cash	25%	0%	0%	3%

Note that the Board reserves the right to alter these benchmarks and ranges at any time. Each Member Investment Choice option is composed of a series of diversified underlying investments in a range of asset classes and the performance of each investment as well as individual managers are closely monitored and reviewed.

*AMP Capital Responsible Investment Leaders Balanced Fund is the sole investment for this option. This is a fund of fund pooled investment with the Asset Allocation reviewed by AMP Capital on an annual basis and rebalanced within set ranges.

Asset Class Specific Member Investment Choice Options

The asset class specific investment options have a 100% allocation to the respective asset class.

Asset Classes	RBF Australian Equities	RBF International Equities	RBF Property & Alternatives	RBF Fixed Interest
Australian Shares	100%	-	-	-
International Shares	-	100%	-	-
Property	-	-	63%	-
Alternative Investments	-	-	37%	-
Fixed Interest	-	-	-	100%

Manager Specific Member Investment Choice Options

The manager specific investment options have a 100% allocation to the respective manager product.

Asset Classes	MBA Australian Shares	MBA Balanced			SSgA Australian Shares Index	SSgA Balanced Index
		Neutral	Min %	Max %		
Australian Shares	100%	45%	25	65	100%	35%
International Shares	-	15%	5	25	-	25%
Property	-	10%	5	15	-	10%
Alternative Investments	-	5%	0	10	-	-
Fixed Interest	-	18%	10	50	-	25%
Cash	-	7%	0	25	-	5%

9.3 Benchmarks against which performance will be judged

Performance benchmarks are used to assess the active return and risk contributed by individual managers and their contribution to asset class returns. The performance of each asset class is measured against the market benchmark indices and index composites set out in the following table:

Asset Class	Investment Objective
Australian Shares	Outperform the S&P/ASX300 Accumulation Index + 2% over 3 years
International Shares	Outperform the MSCI All Countries World ex-Aust Index (unhedged) + 2% over 3 years
Property	Outperform the Mercer Unlisted Property Index by 0.5% over 1 year
Alternative Investments	Outperform the UBSA Bank Bill Index + 5% over 1 year
Fixed Interest	Outperform 70% UBS Composite Bond Index/ 30% Barclays Global Agg Index + 0.75% over 3 years
Cash	Outperform the UBSA Bank Bill Index + 0.2% over 1 year

The benchmarks of the individual managers within each asset class are included in Appendix 1.

10. GENERAL STRATEGIC/IMPLEMENTATION ISSUES

10.1 Use of external investment managers

The Board is empowered to delegate the investment of the Fund's assets to investment managers. The Board believes that it is in the interests of the efficient running of the Fund to appoint external investment managers to undertake the daily investment and process related matters.

The Board will engage the services of sector specialist investment management organisations that will have the responsibility for the investment in specific classes of assets within specified constraints.

The appointment, monitoring and termination of investment managers is the responsibility of the Board which has been delegated to the Investment and Asset Allocation Committee.

When assessing appropriate investment managers two major areas are focussed upon:

1. To what degree each manager's investment philosophy is complementary to the Board's investment philosophy and how the interaction of each manager's philosophy meets with the Board's, in a global sense.
2. To what degree the managers meet the Board's extensive selection criteria which include:
 - financial stability and size of organisation;
 - quality and stability of key investment personnel within the organisation;
 - past investment performance, in both "good" times and "bad" times;
 - reasons for performance;
 - access to information - both in Australia and overseas;
 - fees and charges.

10.2 Use of internal investment managers

The Board has delegated the management of the mortgage portfolio to the Investment and Asset Allocation Committee. Day-to-day management has been delegated to Board Officers. The Instrument of Delegation specifies the criteria on which mortgages can be granted which include issues relating to risk reduction.

The Board has delegated the management of the directly held property portfolio to the Investment and Asset Allocation Committee with day-to-day management delegated to Board Officers.

The monitoring of these direct investments is the responsibility of the Investment and Asset Allocation Committee who are assisted by the Board's in-house investments staff.

10.3 Multiple investment managers to reduce risk

In addition to diversification at the asset class level, the Board also employs diversification at investment manager level by appointing multiple sector specialist managers with different investment styles. Diversification at manager level reduces the risk of capital loss through the spreading of investment decisions across several managers within the same asset class.

10.3.1 Management styles

Consideration is given to the merits of style neutrality versus particular style biases in each of the major asset classes when reviewing the investment arrangements for each one from time to time and when appointing new investment managers. Based on the outcome of this analysis, style neutrality or particular style biases may be adopted in the major asset classes.

10.3.2 Limitations on amount invested with any manager

As part of the investment approval process, the Board make an assessment of the likely contribution to total return by the proposed asset to ensure a meaningful level of investment is made.

10.3.3 Expectations of managers

The majority of the Fund's investments are held via discrete mandates or via Trust Deeds or Information Memorandums, in addition to direct investments of the Tasmanian Property portfolio and the RBF commercial first mortgage portfolio.

Investment managers with discrete mandates are governed by Investment Management Agreements. These managers have agreed to prudential guide-lines which were formulated with regard to the Fund's investment objectives. These agreements limit the exposure of each portfolio to individual securities, market segments, countries, liquidity and define a number of other risk constraints usually relative to a benchmark index. The constraints placed on managers regarding exposure are monitored regularly by way of an audit model, which highlights any deviation from the manager's investment mandate.

External investments governed by Information Memorandum and Trust Deeds provide sufficient and comparable protection to individual investment mandates.

10.3.4 How managers will be appointed

When selecting managers the Asset Consultant will generally provide the Board's in-house staff with a researched short-list of three recommended investment managers for consideration. The Board's in-house staff will then work with the Asset Consultant to determine the manager which best fits the Fund's requirements, taking into consideration the investment strategies of the component parts of the Fund. The Asset Consultant and Board's in-house staff will then recommend the relevant manager to the Board.

When providing recommendations, the Board's Asset Consultant will provide the education for the Board regarding the potential risk and return of any proposed investment, and assist with due diligence. In the event that consideration is being given to a highly specialised investment, the short list may comprise of less than three investment managers.

10.3.5 How managers will be terminated

Managers may be replaced if they fail to meet the performance objectives set out above and/or the Board believes that the manager is not capable of achieving the performance objectives in the future (by virtue of a loss in confidence in the manager's ability to satisfy the selection criteria above), or where in the opinion of the Investment and Asset Allocation Committee there is a material event which may change or put at risk the ability of the investment manager to continue the appointment to the satisfaction of the Board.

10.3.6 Managing transitions

The Board employs a specialist transition manager for the purposes of minimising unanticipated losses to the portfolio when changing investment managers.

10.4 Strategies to add value

The Board looks to employ strategies (or tilts) deemed appropriate to the profile of the Fund in order to add value to the portfolio. The Asset Consultant will provide ongoing research and present such options to the Board as appropriate.

10.5 Non-traditional assets

The Board will consider the inclusion of non-traditional assets including but not limited to infrastructure, private equity and absolute return or hedge funds as part of the Board's diversified portfolio.

Recommendations for the inclusion of such non-traditional assets in the Board's portfolio will be provided by the Board's Asset Consultant. When providing recommendations the Board's Asset Consultant will provide the education for the Board regarding the potential risk and return of any proposed investment, and assist with due diligence.

10.6 Environmental, Social and Governance (ESG) considerations

The Board has delegated authority for the selection, retention and realisation of investments to investment managers. The Board's current policy is not to impose any specific requirements on its managers in regard to the extent to which labour standards or social, environmental or ethical considerations are taken into account for the purpose of selecting, retaining or realising investments. The exception being those managers employed for the RBF Socially Responsible Investment member investment choice option.

10.7 Currency management

The Fund has exposure to offshore investments within the Australian Shares, International Shares, Property, Alternative Investments and Fixed Interest asset classes. Investments in all other asset classes other than International Shares are managed against a hedged benchmark.

The Board (with guidance from the Asset Consultant) actively monitors the overall exposure to foreign currencies.

The Board also engages a specialist manager to monitor and manage the foreign currency exposure of the Board's International Shares and other investments, where applicable, exposed to foreign currency in accordance with the Board's hedging policy.

Any action by the Board to reduce the level of foreign currency exposure is undertaken with the primary aim of reducing the level of currency risk to which the Fund is exposed.

10.8 Derivatives policy

Investment managers may use derivatives if the Board deems this appropriate and it is documented in contracts with the individual managers. The investment managers provide the Board with detailed risk management statements which outline their approach to derivatives and confirm that their approach is applicable to the investments they manage. The Board monitors investment managers to confirm that the use of derivatives accords with the overall investment strategy of the Fund and is consistent with the performance objectives of each portfolio and sub-fund. The Board maintains a Fund Reference Derivative Risk Statement Part A in accordance with the APRA requirements.

10.9 Rebalancing

The Board rebalances the TAS Member Investment Choice options and the 4 smaller defined benefit schemes to their set asset allocation on a weekly basis using the RBF Contributory Scheme.

The asset allocation of the RBF Contributory Scheme is managed within set ranges as defined in section 9.2. If as a consequence of the change in market, currency values or the rebalancing process above, the Contributory Scheme has ceased to conform to its specified ranges, steps are taken to re-balance the Contributory Scheme to be within its specified ranges within a reasonable time after the valuation.

The actual asset allocation of the RBF Contributory Scheme is monitored on a weekly basis by the Board's in-house staff. The Board's Asset Consultant monitors the impacts of the rebalancing process on the RBF Contributory Scheme each month.

10.10 Switching

Members of TAS are able to change their investment choice at any time.

Elections received during a given week (ended Friday) for the Investment Account and the TAS-SG Accounts are processed during the following week (after the application of the crediting rates).

MIC switching elections for Allocated Pension Accounts and Term Allocated Pension Accounts are processed on a fortnightly basis in order to allow for the drawdown of pension payments. Such elections are still processed with effect from the Friday of the week in which the MIC switching election was lodged.

The Board reserves the right to impose a no exit or no switching period for any Member Investment Choice option without prior notice to members. Such an action may occur in times of sudden or severe economic, social or political change which impacts on the liquidity, return or value of an option.

The Board does not currently charge a fee for switching between MIC options, however the Board reserves the right to charge a fee in the future.

10.11 Liquidity and cash flow

In formulating the investment strategy the Board has considered the liquidity and cash flow position of the Fund, particularly:

- the required amount of investments in cash or in assets readily convertible to cash without material loss;
- the expected timing though cash flow projections of investment income and contributions;
- the age profile of members and forecasted inward contribution and outward benefit payment levels;
- whether portability and choice of fund are available to members;
- actual, contingent or expected expenditure for example fees due under contracts with service providers, taxation etc; and
- procedures for managing liquidity, including a contingency plan for dealing with a liquidity shortfall.

To ensure on-going compliance with and management to the investment strategy, the Board continually monitor and review the various aspects of liquidity within the portfolio. Such aspects include:

- Cash flow monitoring to ensure sufficient cash is held to meet operational expenses;
- Accumulation scheme member switches between investment choice options; and
- The level of illiquid investments held within the Fund and each sub-fund.

10.12 Dealing with market fluctuations

Asset allocation is reviewed annually to ensure the strategy is set to meet the Fund's objectives in the light of prevailing shorter term views of markets and economic conditions.

10.13 Active share ownership

The Board invests in shares through individual mandates or within pooled products (rather than directly).

The Board has delegated to the Fund's investment managers the ability to exercise any rights attaching to investments (including voting rights) on behalf of the Board. The investment managers have full discretion to act outside these guidelines but are required to report to the Board with an explanation of their actions.

10.14 Safeguarding the Fund's assets

10.14.1 Use of custodian

The Board has appointed a Custodian to hold and safe-keep the indirect investments of the Fund. The Custodian also undertakes a range of services for the Board as defined in the Service Level Agreement. The appointment of the Custodian is governed by the Global Custody Agreement between the Board and the Custodian. The performance of the Custodian against agreed service levels is reviewed quarterly.

The Instrument of Delegation provides Certifying Officers the authority to provide instructions to the custodian. Such instructions require certification from any two of the Certifying Officers.

10.14.2 Rules for transferring money

The Instrument of Delegation provides Certifying Officers the authority to provide instructions to the Board's banker to effect the transfer of monies from the Fund's bank account to a Fund Manager or Custodian in order to implement Board decisions. Such instructions require certification from any two of the Certifying Officers subject to the conditions that:

- transactions which occur between meetings of the Board and/or the Investment and Asset Allocation Committee, must not in aggregate be greater than \$20 million in any week; and
- all transactions are to be duly recorded and reported to the Investment and Asset Allocation Committee.

10.14.3 Other precautions

In investing the assets of the Fund, the Board monitors compliance with the SIS Act. These constraints address non-arms length transactions, borrowing, loans to members and in-house assets.

11. MONITORING AND REVIEW

11.1 Ongoing monitoring procedures

The Board has delegated authority of ongoing monitoring of the Fund's investments to the Investment and Asset Allocation Committee ("Committee").

On a quarterly basis, the Committee reviews the performance, compared with the objectives, and management of each investment manager, member investment choice option and asset class portfolio, taking into account prevailing economic and financial conditions.

In reviewing each investment manager employed by the Board, the Committee considers the manager's investment style, resources, organisational strength, and any other relevant factors. This review is assisted by a comprehensive report provided by the Board's Asset Consultant.

The principal aims of performance monitoring are to:

- Compare the performance of the Fund's appointed managers against expectations, the performance of other relevant professional managers and market indices;
- Ascertain the existence of any particular weakness in the managers; and
- Allow the Board to continually assess the ability of the managers to successfully meet the Fund's objectives

Performance for individual asset classes is measured against the investment objectives shown in Section 9.3.

Performance for the Board's individual investment managers is measured against various criteria including the investment objectives shown as Appendix 1.

The Board's officers maintain monthly compliance monitoring for managers with discrete mandates. Reports are provided to the Board on an exceptions basis.

The Board also meets with the Board's investment managers periodically.

11.2 Periodic review of the investment policy

At least annually the Board reviews the Investment Strategy of the Fund including the investment objectives and strategy of each option, taking into consideration current and expected future economic conditions.

APPENDIX – INVESTMENT MANAGER PERFORMANCE BENCHMARKS

452 Capital	Outperform the S&P/ASX300 Accumulation Index by 3% pa over rolling 3 year periods (before tax and after fees)
Alliance Bernstein	Outperform the MSCI World Index ex Aus (unhedged) by 3% pa over rolling 3 year periods (before tax and fees)
AMP Capital (property)	Outperform the Mercer Unlisted Property Trust Index (post tax) over 3 to 5 years (after fees)
AMP Capital (Infrastructure)	Outperform the UBS Composite Bond by 4.5% pa
AMP Capital (SPP3)	Achieve a return of 14% pa post fees
AMP Capital (SITE)	Outperform the UBS Composite Bond by 4.5% pa
Baillie Gifford	Outperform the MSCI ex Aust by 3% pa over rolling 5 year periods (before tax and fees)
Brandywine	Outperform the Barclays Capital Global Aggregate Bond Index (hedged) by 1.5% pa after fees over rolling 3 year periods
Capital International	Outperform the MSCI ex Aust (unhedged) by at least 2% pa over rolling 3 year periods (before tax and fees)
IFM	Outperform the UBS Bank Bill Index by 6% pa
FTIL	Outperform the UBS Bank Bill Index by 10% pa
GMO	Outperform the UBS Australian Bank Bill Index + 6% pa (after fees)
Goldman Sachs	Outperform the MSCI ex Aust (unhedged) by 4.5% pa over rolling 3-5 year periods (before tax and after fees)
Goodman International	Achieve a return of 10% pa (after fees)
Gresham	Achieve a return of 18% pa before fees and tax
Hastings (HYF)	Outperform the UBS Bank Bill Index by 3% pa before fees
Hastings (UTA)	Outperform CPI by 6% pa over rolling 5 years
Internally managed mortgages	Outperform with the UBS Bank Bill Index by 0.75% pa
Internally managed property	Perform in line with the Mercer Australia Unlisted Property Index (pre tax)
Lend Lease/APPF	Outperform the relevant PCA Sector index over rolling 3 years (before tax and after management fees and expenses)
Lend Lease/REP2	Achieve a return of 15% pa after base and performance fees
Lend Lease /CF2	Outperform the Mercer Australia Unlisted Property Index (pre tax) by 5% pa
Macquarie RVG	Perform in line with the Mercer Australia Unlisted Property Index (pre tax)

Maple-Brown Abbott (discrete)	Outperform the S&P/ASX300 Accumulation Index by 3% p.a. over rolling 3 year periods (before tax and after fees)
Paradice	Outperform the S&P/ASX200 Accumulation Index by 3% pa over 3 year periods (before tax and after fees)
Perennial	Outperform the UBS Bank Bill Index by 0.5% over rolling 3 year periods (before fees)
PIMCO – Australian Bonds	Outperform the UBS Composite Bond Index by 1% pa over rolling 3 years
Pzena	Outperform the MSCI World ex Australia Index by 4% pa over rolling 4 year periods
Super Loans Trust	To outperform the UBS Bank Bill Index by 1% pa over rolling three years
State Street (discrete)	Outperform the S&P/ASX200 Accumulation Index by 3% pa over rolling 3 year periods (before tax and after fees)
State Street Long/Short	Outperform the S&P/ASX200 Accumulation Index by 5-7% pa over rolling 3-5 year periods (before fees)
Tascorp	Guaranteed UBS Bank Bill Index return
TCG Holdings	Outperform the UBS Australian Bank Bill Index by 6% pa
Triplepoint	Outperform the UBS Australian Bank Bill Index by 6% pa
Wellington	Outperform the MSCI ex Aust (unhedged) by 3-4% pa over rolling 3-5 year periods (before tax and after fees)