



CSS ERP

09/14

Earning Rate Policy

Background

This Earning Rate Policy applies to all member accounts*. The Policy summarises the requirements of the *Superannuation Act 1976 (Allocated Interest – CSS) Determination 2007*, which is the legal document that sets out how interest allocations are made within CSS.

** This Earning Rate Policy commenced on 28 June 2007. A different methodology applied prior to that date.*

Earning Rates

Commonwealth Superannuation Corporation (CSC) determines, for each business day, an 'Earning Rate' for the Cash Investment Option and for the Default Fund offered by CSS.

Each Earning Rate is expressed as a percentage and represents the earnings for the Cash Investment Option or Default Fund from the beginning of the calendar month to the business day to which the Earning Rate relates.

Allocation of Earning Rates

Allocation of Earnings Rates during membership

The Earning Rate determined for the last business day of a calendar month is used to calculate earnings for member account balances held throughout that month.

Allocation of Earning Rates for transactions to member accounts

For transactions that have been processed into a member's account, such as payment of contributions, transferred amounts, co-contributions, etc, the Earning Rate determined for the business day before the transaction date and the Earning Rate determined for the last business day of that month are used to calculate the growth factor applicable to the transaction amount for the period the amount was in CSS. The transaction date for contributions is the date when contributions are due. For transfer amounts, the Earning Rate applicable on the first payday after the transaction date is used.

Allocation of Earning Rates when a benefit is paid

For transactions that have been processed from a member's account, such as the payment of a benefit, the Earning Rate last determined prior to the date of processing (but for a date on or after the date of claim or exit) will be used to calculate earnings applicable to the member.

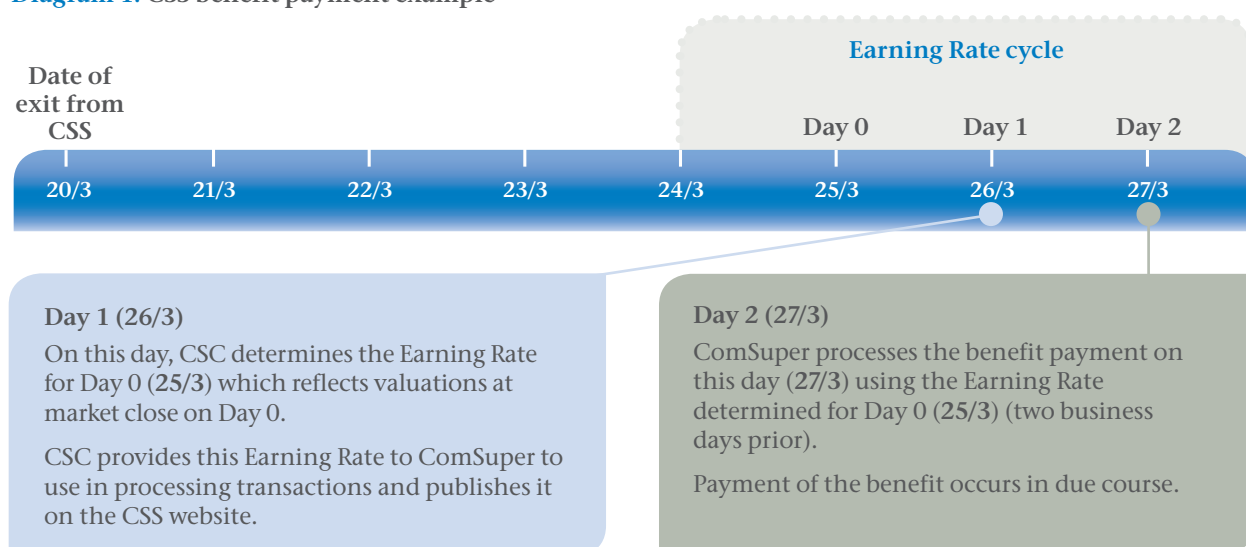
In normal circumstances, the Earning Rate used to determine the amount of benefit to be paid will be the Earning Rate which reflects the close of market valuations two business days prior to processing, as set out in the following diagram.

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Diagram 1: CSS benefit payment example



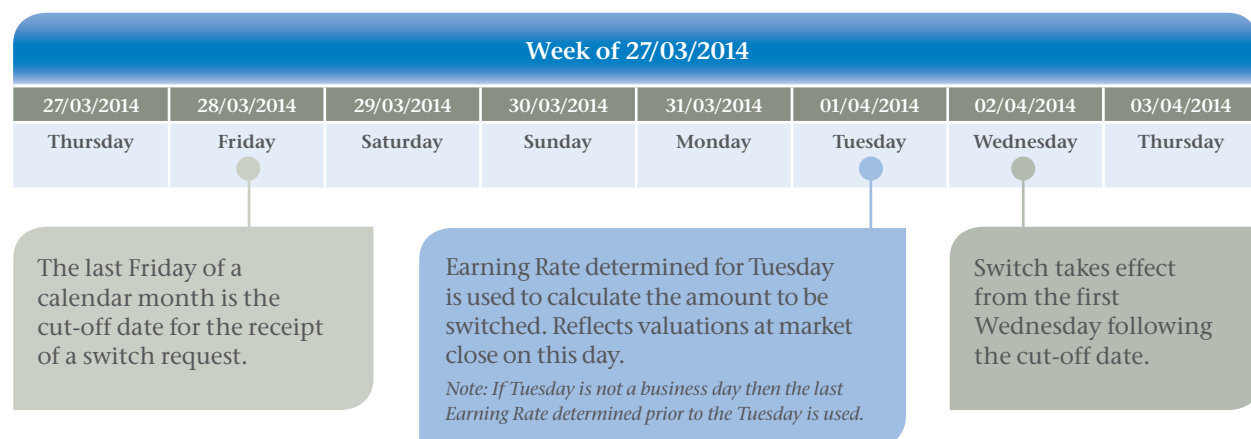
Allocation of Earning Rates when a pension benefit is payable

When a pension benefit is paid on cessation of a membership or to a member with a preserved benefit (ie a deferred benefit calculation where the pension is based on a notional accrual of basic contributions), the pension is calculated at the date of processing using the most recent Earning Rate determined prior to the date of processing. This is normally the Earning Rate which reflects the close of market valuations two business days prior to processing.

Processing transactions to member accounts

Transactions will be processed to member accounts after they have been validated by ComSuper in accordance with agreed service levels.

Diagram 2: CSS switch example



Switching

Members and associate members with account balances in CSS greater than \$1,000 may switch the funded component of their account balance between the Default Fund and Cash Investment Option twice in any calendar year.

The cut-off time for the submission of switch requests from members is close of business on the last Friday of the calendar month. The date of effect of the switch request for switches received by the cut-off time is the date of the following Wednesday.

NOTE: For switches between investment options, the equity to be transferred between options is calculated using the most recent Earning Rate determined prior to the date of effect of the transfer.

Minimum Amount on Exit

A Minimum Amount on Exit (MAE) record was established for each member of CSS as at 30 June 2007. The MAE represents the member's account balance at 30 June 2003 plus contributions (not including earnings) paid up to 30 June 2007. The dollar amount of a member's MAE is reported on the

member's annual statement and is also available upon request. The balance of a member's account may, at any time, fall below the MAE. However, when a member exits from CSS, at least the total dollar amount of the member's MAE will be paid to the member. Partial withdrawals will reduce the MAE by the amount of each withdrawal.

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