

AGEST

Annual Report 2002



Australian Government Employees Superannuation Trust
www.agemst.com.au



AGEST

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What is AGEST?

AGEST is the Australian Government Employees Superannuation Trust. It is focused solely on managing superannuation savings in the interests of its members. All profits are shared by members. There are no commissions paid to financial advisers.

AGEST is the superannuation fund for Commonwealth, ACT and Northern Territory government employees who are not eligible to join other government superannuation funds, as well as for employees of a number of privatised government agencies. Non-government employers can also contribute to AGEST where one of their employees is already a member of AGEST.

Many members of other funds, like CSS and PSS, direct their salary sacrifice contributions to AGEST.

Spouses of members can also join AGEST.

The AGEST vision

The Board and management of AGEST are focused on meeting the following vision:

AGEST will be the most cost-effective, attractive and innovative superannuation fund available to employees in the public sector. It will deliver competitive investment returns to members, and provide excellent service to members and employers.

Message from the Chair



Welcome to AGEST's Annual Report for the year ending 30 June 2002. I hope you will find it helpful.

This has been one of the most difficult years for superannuation funds in the past decade. Investment performance was much lower than in previous years, and we continued to be presented with significant new legislation and its associated implementation cost. However, I am pleased to note that AGEST continues to grow in assets and membership. I'd like to highlight a few of the important developments this year.

What's new?

- We have a new Chief Executive, Michael Seton, who joined AGEST in January 2002. He has a record of achievement in previous superannuation management roles, and a strong enthusiasm for the future of AGEST. I am confident that his management will generate positive outcomes for members.
- We improved death and disability benefits for members, including higher maximum cover levels.
- We introduced an Allocated Pension in January 2002, with one of the lowest fees in Australia – much lower than typical retail fund fees.
- We removed the minimum balance requirement for investment choice.

A low-return year, but excellent over the long term

For the first time in AGEST's 12-year history, our Diversified Growth investment option has recorded a negative return, compared to its excellent returns in past years. This result is due to very low performances of all major sharemarkets around the world. The Australian sharemarket was one of the best – yet its performance was still minus 4.7%.

Throughout the year, investors have been concerned about the world's major economies, and the tragic events of 11 September 2001 introduced further uncertainty to world markets. In addition, investor confidence continues to fall due to accounting irregularities in some large US firms, with investors fearing that there may be more to come. All in all, a period of great uncertainty in investment markets.

As a result, poor returns have occurred this year in all super funds which invest in sharemarkets, like AGEST does.

Whilst low returns are always unwelcome, the nature of our Diversified Growth investments means that we will have some years with high returns (we earned 18.7% in 1997) and others with low or negative returns, like this year. A negative return once in 12 years is not unexpected.

Over the long term, we expect to produce strong results for members. The Diversified Growth option has averaged 8.3% pa over the last 12 years, compared to inflation of 2.5% pa over the same period. These figures show that investment returns have been very good over the long term – which is what superannuation is all about.

We have other investment options to cater for those who prefer a more stable return each year. It's your choice, and we are committed to providing you with sufficient options to satisfy your superannuation investment needs.

This Annual Report discusses the year's developments in detail. Please read it to learn how we are committed to providing you with the best possible outcomes.

I thank all those involved with the Fund's management over the year. Our strong management at AGEST places us well for the future.

Susan Doyle
Chair

The AGEST advantage



Are you aware of the benefits of belonging to a well-structured super fund like AGEST?

If you want to know what's available, read on.

Because there's much more to AGEST than meets the eye.

SuperExcellence

Lowest administration fees

A 2002 survey of industry funds in the *Superfunds* magazine (published by the Association of Superannuation Funds of Australia) shows that AGEST's administration fees for contributing members are the lowest of all national industry funds in Australia. We aim to keep it that way!

Our own Allocated Pension

Wondering what to do with your hard-earned super when you retire? Want flexibility, control and peace of mind? AGEST has its own Allocated Pension – at a very attractive low fee. Visit our website for details or contact AGEST Administration.

If you are a PSS or CSS member, you can use our allocated pension by becoming a member of AGEST before you retire.

Investment choice available to all members

We recognise that every member may want to choose how their money is invested. So we have removed AGEST's minimum account balance requirement for investment choice. This means that all members can now move their money between our four investment options. Just another way in which we make it easier for members in AGEST.

Spouse membership

Does your spouse want to join AGEST too? That's fine, we can arrange that. Spouse membership is becoming quite popular,

AGEST

Your Complete Super Package



Australian Government Employees Superannuation Trust

Member Investment Choice Insurance
Spouse Membership Allocated Pensions



AGEST

Want to know more about the advantages of AGEST? This new booklet has it all. Download it from our website or ask for a copy to be sent to you.

especially now that we have our own Allocated Pension. There may be tax benefits as well if you contribute for your spouse. How does your spouse join? Complete a form, and that's it. Visit our website for details or contact AGEST Administration.

That's the advantage of being a member of AGEST.

Features

- **Not-for-profit fund**
- **No commissions to financial advisers**
- **Competitive long-term returns**
- **Investment choice**
- **Allocated Pension**
- **Low administration fees**
- **Portability**
- **Employee online access**
- **Employer online contribution remittance**
- **Low-cost Death and Disablement cover**
- **Income Protection insurance**
- **Salary Sacrifice contributions**
- **Spouse membership**
- **Super Members Home Loans**

New Chief Executive gets down to business



Earlier this year, Michael Seton joined AGEST as its new Chief Executive. Here we find out his superannuation background, a bit about his personal life, what drives him, and how he intends to contribute to AGEST and your super success.

As I commute to work in Melbourne each day, I often reflect on the past year or so, and the great opportunity to work at AGEST.

A year ago, I knew very little about AGEST, as I worked for the multi-national company BOC Gases. For 12 years, I managed their superannuation fund for employees in Australia.

It was pleasing to see that a recent edition of *Choice* magazine ranked that fund second-best (in terms of returns to members) out of all industry, corporate and public sector super funds over the 5 years to 30 June 2001.

In 2001 it was time to move on, but before throwing myself into another job, my wife and I decided that we'd travel around Australia with our three young children. We hitched up the caravan and away we went. One hundred days and 22,000 kilometres of sheer enjoyment. We loved meeting people from all walks of life, and came to understand the true meaning of the Australian character.

The importance of superannuation for Australians was something that struck home as we travelled and met so many people. Many didn't understand superannuation at all, and they'd given up trying. A challenge to all of us who manage super funds.

I was very pleased to be selected by the Board of AGEST as its new Chief Executive in 2002. At AGEST, I plan to have an impact on the retirement savings of over 120,000 Australians. I want to simplify the superannuation message as much as possible. I want AGEST to become better and better for all members. One of my challenges is to continually improve our products and services, without altering our low-cost status.

I am pleased to report on some early progress towards this goal. We have reviewed all of our communications material, and have significantly cut the number of publications by combining and simplifying. We are upgrading our website and intend to keep it regularly updated. We have removed the minimum balance requirement for investment choice. We have set a vision for the future.

There is more to do, but it's a solid start. And of course our investments will be a major focus. This year has been one of great volatility and uncertainty, so our ongoing challenge is to select investment managers who can perform well for us, in good times and in bad.

Thank you for putting your super with AGEST. We take our business seriously – after all, it's your money, not ours. We must continually earn your confidence, so I encourage you to let me know if we fall short of your expectations.

Regards
Michael Seton

Got a question?

Here is the easiest way to get the answer – online at www.agemt.com.au

It's a brand new site, with all the latest applications, publications, news and more. It is updated when anything changes, and you can get what you want in just one click. It doesn't get easier than that.

[Check it out today.](http://www.agemt.com.au)



Death and Permanent Disablement cover

One important aspect of AGEST is our low-cost insurance cover.

We upgraded the cover in October 2001.

Here, we explain some of the details.

For full details see our website or contact AGEST Administration. This is a summary only.

Death and TPD cover

When you join AGEST, you are automatically provided with one unit of Death & Total and Permanent Disablement (TPD) Insurance. Cover starts from the earliest date in the period covered by the first employer contribution for you. For example, if you worked from 15 February to 28 February and your employer pays a contribution for you to AGEST on 15 March, your cover and premiums start from 15 February.

You will receive this cover provided that:

- you are actively at work on the day that cover commences; and
- you have not been paid, and are not entitled to apply for the payment of, a TPD benefit from AGEST, another superannuation fund or life insurance policy.

Can I have more than one unit of Death and TPD cover?

Yes. You can apply to have more units of cover if you wish, up to a maximum of \$300,000 (or the nearest whole number of units). You will have to complete an application form which can be found in our *Your Complete Super Package* booklet. Download it from our website or contact us for a copy.



Automatic cover – a hidden blessing

On Father's Day 2001, Amelia Mason's husband Kevin died of a sudden heart attack at his home in Stanhope (northern Victoria).

Why is cover automatic on joining the fund?

If insurance is not automatic for all new members, the premiums would be significantly higher than \$1.30 per unit per week. This is largely due to the fact that the insurer would have to medically assess each application – a costly exercise. This would mean that insurance would cost much more for those who need it.

However, we can negotiate much better premium rates if cover is automatic for everyone. No medical evidence is required, so costs are kept low.

We believe that this is the best arrangement for members. If a member does not want cover, then they can cancel it.

Census and Federal Election workers

We receive many calls from people who become AGEST members only because they have worked in conjunction with the Federal Election or the Census. They complain that insurance premiums have been deducted from their account. Note that Federal Election and Census workers would have received documents from their employer explaining our insurance arrangements when they first started work.

Kevin, aged 50, was a Census Collector and had only been in AGEST a few weeks. As part of AGEST's commitment to protecting its members, Kevin had been automatically issued with death and permanent disablement insurance cover when he joined. Amelia received the \$47,600 death benefit.

Amelia said, 'AGEST's insurance was a hidden blessing for my family. This will really help my three sons and me. No one can ever anticipate situations like my husband's and I just want to encourage all people to understand the importance of insurance, because you never know when something might happen.'

Hopefully, you'll never have to call on a benefit such as this. AGEST's low-cost insurance cover for both death and total and permanent disablement insurance, will be there if you ever do.

Mrs Amelia Mason, Nurse, Stanhope, Victoria.

We understand this concern if you don't want cover, so we allow you to cancel it by writing to us. Unless you do this, premiums will be deducted. Our 'welcome letter' to new members working on the 2001 Census detailed our insurance arrangements and offered an option to cancel cover.

Whilst you may not want cover, many others do, so we believe that our arrangements are the best outcome for everyone. Note that we have recently paid out insurance claims for Census workers who have died, and the beneficiaries have been grateful for the cover provided by AGEST.

CAN I CANCEL MY AUTOMATIC DEATH AND TPD COVER?

Yes. If you wish to cancel your insurance cover, you must write to us requesting this. The request must contain your name, membership number, specify that you wish to cancel your insurance cover, and be signed and dated. Faxes and emails are acceptable, but we cannot accept telephone calls, as we must have your request in writing.

Premium deductions will stop from the day that AGEST receives your request.

If you later want to reinstate your cover, you will have to complete a health statement.

Who receives the death benefit if I die?

The Trustee has discretion to whom they pay the benefit, but generally it will be your dependants or legal personal representative. A 'dependant' is your spouse, child or anyone who is financially dependent on you at the date of your death.

The *Member Application* includes a space for you to nominate the person or persons to whom you would like the benefit to be paid. You may change this nomination at any time by writing to AGEST Administration and advising us of your new preferred beneficiaries.

Should you die, the Trustee will consider your nomination, as well as all other available information, before making its decision. Your wishes cannot bind the Trustee, but will be taken into account. It is important that you have a current Will and keep your preferred beneficiary nomination at AGEST up-to-date.

If you have no dependants or legal personal representative, the Trustee may pay the benefit to another person (eg a parent).

Insurance Scale for Death & Total and Permanent Disablement Cover

Age Next Birthday	One Unit of Cover
Up to 51	\$52,000
52	\$46,000
53	\$39,000
54	\$33,000
55	\$24,800
56	\$18,200
57	\$14,900
58	\$12,400
59	\$ 9,900
60	\$ 8,200
61	\$ 7,400
62 – 65	\$ 6,550
66	\$ 6,000*
67	\$ 5,450*
68	\$ 4,950*
69	\$ 4,600*
70	\$ 4,150*

* Cover from age 65 is for Death only.

Definition of Total and Permanent Disablement (TPD)

This definition is contained in our insurance policy with Colonial. It says that TPD means:

- (a) while covered under the terms of this policy; and
- (b) resulting from illness, accident or injury and as a result of which the insured member:
 - (i) suffers the total and permanent loss of use of two limbs or the sight of both eyes or the total and permanent loss of use of one limb and the sight of one eye (where limb is defined as the whole hand or the whole foot); or
 - (ii) is unable to follow his or her own occupation and any other occupation to which he or she is reasonably suited by education, training or experience for six consecutive months after the date of disablement and the insurer considers, on the basis of medical or other evidence satisfactory to the insurer, that the insured member is unlikely ever to be employed or attend to any such occupation.

Features and conditions

- The premium for this cover is \$1.30 per unit per week. This is deducted from your account.
- There is no TPD cover from age 65, only death cover.
- A 5% Bonus Cover applies for members with 5 or more years of continuous insured membership (this is subject to review).
- Cover ceases if employer contributions are not paid on time, which is currently within 6 months of the due date or such other time as agreed between your employer and the Trustee.
- After employer contributions cease, premiums will continue to be deducted from your account for a further 6 months (provided that there is sufficient money in your account). This gives you time to arrange cover elsewhere if you wish to do so. This means you continue to be covered during this 6-month period. We'll write to you after 5 months to warn you that your cover is about to expire.
- If you wish to extend your cover for a further 6 months, you should request this in writing to AGEST Administration before the first 6 months expire.



- When insurance premiums cease to be deducted from your account, the insurer (Colonial) will provide you with an additional 45 days of 'death only' cover at no extra cost. During this time you may apply for an individual policy with Colonial without the need to supply evidence of good health (other than an AIDS declaration).

SuperTips

HOW QUICKLY SHOULD I EXPECT A REPLY TO AN EMAIL QUERY?

If you send a query to info@agest.com.au, we expect to reply to you within a couple of days. However, with over 120,000 members, it is hard to know how many emails we'll receive each day, especially as more members go online and visit our website. So our response time may vary on some days. Sometimes responses can be quick, but others may need more investigation, so the nature of your query will also affect our response time.

CAN I CHANGE MY BENEFICIARIES OVER THE PHONE?

Sorry, we must get this in writing with your signature. This ensures that we know it has come from you. Simply write to us at AGEST Administration.

Income Protection insurance

How would you cope without it?

How would you cope financially if you were injured or became ill and were unable to work? Who would pay your rent or mortgage and meet other regular expenses? Have you ever thought how your dependants would cope?

Unless you have insurance or other income to meet your financial commitments, it's a scary thought.

This is why AGEST can provide you with low-cost income protection insurance. It is voluntary, and can cover you for up to 75% of your income whilst you are temporarily disabled and unable to work. (The maximum benefit period is 24 months.)

To apply, you must complete an application form which can be found in our *Your Complete Super Package* booklet. Download it from our website or contact us for a copy.

For those who have taken it up, it's peace of mind for them and their dependants.



Because you never know when you're going to get caught!

When Sandy Devine is not working, she's mad on fishing. Here's her latest – a 91 cm Barramundi, caught near her home in Darwin, to prove it. But much as we'd like it, life's not all blue skies, good health and great fishing. That's why Sandy took out AGEST's income protection insurance.

'If I'm unable to work, I need to know I am protected. I have a mortgage and the everyday living expenses we all have. With AGEST's income protection I feel secure knowing that

if something happens to me, I will still have an income.

'Prior to joining AGEST, I looked around for this type of insurance. It was far too expensive, so wasn't an option. AGEST's income protection costs next to nothing, is easy to join and the service from AGEST staff was excellent.'

Beginning at only \$1 a week for a monthly benefit of \$650, AGEST's income protection can cover you for up to 75% of your income for two years. If Sandy has an accident and can't work, she'll be covered.

'I think it's everyone's responsibility to have income protection. You never know what's around the corner do you?' said Sandy.

Sandy Devine, Executive Assistant, Environment Australia, Darwin

NEW, HIGHER COVER LIMITS

Good news! We have increased the maximum cover limits for income protection. The new maximum is 20 units or \$13,000 per month, subject to a maximum of 75% of salary. Each unit costs only \$1 per week. You can choose the number of units you require. Cover is subject to satisfactory evidence of your health. Apply today – visit our website or contact AGEST Administration.

SuperTips

WANT TO INCREASE YOUR INSURANCE COVER?

You can do this by completing a form and medical statement about your health. Just visit our website for details or contact AGEST Administration.

WHY MUST I HAVE INSURANCE COVER?

You don't have to have it, but to get the best premium rates for those who do want cover, it is automatically provided to everyone on joining.

DON'T WANT INSURANCE COVER?

You can cancel it by writing to us and requesting this. But think about it first – it's likely to be cheaper than you'd get elsewhere.

AGEST
Your Complete Super Package



Australian Government Employees Superannuation Trust
Member Investment Choice
Insurance
Spouse Membership
Allocated Pensions



Want to know more about the advantages of AGEST? This new booklet has it all. Download it from our website or ask for a copy to be sent to you.

www.apest.com.au

Investment Policy

The Trustee is responsible for managing the fund's investments in the best interests of members and in line with legislative requirements.

We recognise that members have different investment needs. Therefore, we aim to provide a range of competitive investment options to meet such requirements.

Investment Choice

AGEST allows members to choose an investment strategy that best suits them.

However, we recognise that some members do not wish to choose their own investment mix, preferring to leave such investment decisions to the Trustee. Therefore, the Trustee has established a default investment option ('Diversified Growth') which invests your superannuation for long term growth and gives you a great chance of achieving your retirement objectives.

There are four investment options available. Each has its own objective.

We believe that our current options, and combinations of them, provide members with sufficient opportunity to select a strategy to suit their own circumstances.

Each investment option will have different returns each year, as they are invested in different ways. The table on page 10 shows the differences between the options.

You can choose any option or any combination in 10% multiples. For example, you may choose 70% Diversified Growth and 30% Cash. The choice is yours.

Whilst it is expected that the Diversified Growth and Shares options will give you higher returns over the long term than the other options, there will be short-term volatility such as we witnessed this year. There may be long periods of time when low or negative returns occur. The performance of each option cannot be guaranteed in any way, so you may wish to seek independent financial advice to help you make a choice.

Remember, you do not have to make a choice – the Diversified Growth option is the default option in such cases.

Note that AGEST staff cannot advise or assist you to make a choice.

Changing your investment choice

You can change your investment choice by completing the relevant form (visit our website for details or contact AGEST Administration). All forms received by AGEST Administration at any time during a calendar month will take



Doug Dart – Lives adventurously, invests wisely.

Photographed here, on a recent a safari in South Africa, it's clear Doug Dart likes to live his life adventurously.

Doug is only two years away from retiring and, consequently, wanted a secure investment option for his superannuation. In line with this thinking he rolled a lump sum into AGEST's

effect from the first day of the following month. A switching fee of \$20 will be deducted from your account.

Note, however, that one-off contributions and rollovers can be directed to an investment option which is different from the rest of your account. To do this, complete the relevant section on the *Investment Choice* form and send it in with your contribution/rollover.

Investment Managers

We invest our assets with investment managers who specialise in particular types of investment, such as shares and property.

The Trustee regularly monitors the performance of all investment managers, along with the asset allocation strategy of the Diversified Growth option. We will be appointing some active (as opposed to passive) managers in some sectors during 2002/03.

Our current investment managers are listed on the back page of this report.

The Trustee has authorised investment managers to use derivatives such as options

Fixed Interest/Cash option. He knew the market was volatile, so low risk and decent returns seemed the correct investment strategy for him.

'I knew Cash and Australian fixed interest options have had good returns over the years. I wanted to be sure if there was a market crash, my savings were secure.'

For the year just ended, Doug will receive a return of 3.9% on his Cash option and 4.3% on his Fixed Interest/Cash option. Doug's already planning his next adventure.

Doug Dart, Bus Driver, Canberra, ACT

and futures to manage fund assets, within guidelines. Derivatives are used to control risk, and are not used to leverage the fund or speculate. Standard accounting practices are used for recording derivatives in the financial accounts.

Investment Consultant

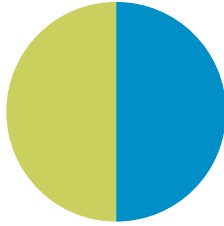
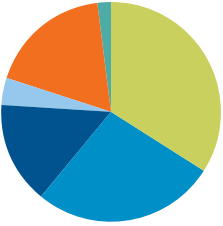
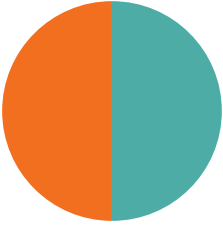
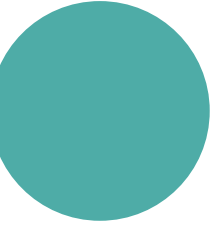
Frontier Investment Consulting has been appointed by the Trustee to assist it in formulating investment strategy and selecting investment managers.

INVESTMENT CHOICE AVAILABLE TO ALL

From 1 October 2002 all members can make an investment choice, no matter how large or small your account balance may be. You can choose between our four investment options, or have a mixture of each.

Visit our website for details or contact AGEST Administration.

Investment Options

Investment Option	Shares		Diversified Growth		Fixed Interest/Cash		Cash	
Date commenced	1 December 1999		1 July 1990		1 December 1999		1 December 1999	
Investment objective	To achieve the stated target return whilst minimising the chance of a negative return to once every 6 years. ¹		To achieve consistent real returns over the long term whilst minimising the chance of a negative return to once every 10 years. ¹		To achieve the stated target return whilst minimising the chance of a negative return to once every 20 years. ¹		To achieve the stated target return whilst virtually eliminating the chance of a negative return in any one year. ¹	
Target return over investment time horizon	To exceed inflation + 4.0% pa		To exceed inflation + 3.5% pa		To exceed inflation + 2.5% pa		To exceed inflation	
Investment time horizon	Long term		Long term		Medium term		Short term	
Investment sectors	100% shares		80% shares, infrastructure and property 20% cash and fixed interest securities		100% cash and fixed interest securities		100% cash	
Asset allocation								
	Legend: ● Australian shares ● International Shares ● Property ● Infrastructure ● Australian Fixed Interest ● Cash							
Level of investment risk	High		Medium		Low		Very Low	
Use of reserves to smooth investment returns	No		Yes		No		No	
Foreign currency	50% hedged to \$A		50% hedged to \$A		na		na	
Past investment performance (year ending 30 June)	Earning rate	Crediting rate	Earning rate	Crediting rate	Earning rate	Crediting rate	Earning rate	Crediting rate
2002	-12.5%	-12.5%	-4.3%	-3.7%	4.3%	4.3%	3.9%	3.9%
2001	-1.8%	-1.8%	1.3%	4.0%	5.5%	5.5%	5.0%	5.0%
2000	17.0%pa ²	17.0%pa ²	12.7%	14.0%	4.8%pa ²	4.8%pa ²	5.1%pa ²	5.1%pa ²
1999			7.6%	9.0%				
1998			11.3%	10.5%				
1997			18.7%	17.0%				
1996			10.5%	10.0%				
1995			4.5%	5.0%				
1994			6.5%	8.0%				
1993			9.7%	9.5%				
5-year average to 30/6/2002	na	na	5.5%pa	6.6%pa	na	na	na	na
Historical average³	-2.2%pa	-2.2%pa	8.3%pa	8.5%pa	4.9%pa	4.9%pa	4.6%pa	4.6%pa

¹ Based on long-term assumptions about capital markets. Actual performance may be different.

² Annualised returns for the period 1 December 1999 to 30 June 2000.

³ Average annual result from 'Date commenced' to 30 June 2002.

Investment markets in 2001/02

This has been one of the worst investment years in the past decade, due to falling share markets across the world. If you have read the newspapers over the last few months, you will not be surprised to learn that our two growth investment options – Shares and Diversified Growth – have had negative returns this year.

This is the first year that we have had to declare a negative crediting rate for our Diversified Growth option. Investing in share markets means that there is always a risk of volatile returns, in the expectation of superior long-term performance. This means that we will have some years with high returns (we earned 18.7% in 1997) and others with low or negative returns, like this year. A negative return once in 12 years is not unexpected.

Most super funds have recorded negative returns this year, but AGEST's long-term performance is still ahead of our objectives.

Why did we get a negative return?

This is best illustrated in the table opposite. Markets vary in performance from year to year, and you'll see that the international shares sector is the main cause of negative returns. However, note that it was also the reason for strong positive returns in past years. So in 2002, some of the gains of previous years were reversed. It's really as simple as that. Over the long term, both Australian and international shares have been good performers for our fund. In fact, they have been the best investment sectors over the last 10 years.

Asset Class	Asset Class Return to 30 June (AS MEASURED BY THE RELEVANT MARKET INDEX – NO ALLOWANCE FOR MANAGEMENT FEES OR TAXATION)					10 Year Average to 30 June 2002
	2002	2001	2000	1999	1998	
Australian Shares	-4.7%	9.1%	15.5%	15.3%	1.6%	11.0% pa
International Shares (in \$A Unhedged)	-23.5%	-6.0%	23.8%	8.2%	42.2%	10.9% pa
International Shares (in \$A Hedged)	-19.1%	-15.7%	12.6%	15.8%	21.8%	8.5% pa
Direct Property	9.5%	10.4%	10.9%	10.0%	10.8%	6.9% pa
Australian Fixed Interest	6.2%	7.4%	6.2%	3.3%	10.9%	8.4% pa
Cash	4.7%	6.1%	5.6%	5.0%	5.1%	5.9% pa
Diversified Growth crediting rate	-3.7%	4.0%	14.0%	9.0%	10.5%	8.2% pa
Inflation	2.8%	6.0%	3.2%	1.1%	0.7%	2.5% pa
Excess return over inflation	-6.5%	-2.0%	10.8%	7.9%	9.8%	5.7% pa

Key: Australian Shares S&P/ASX 200 Merged Accumulation Index
 International Shares MSCI World ex-Australia Accumulation Index
 Direct Property InTech Asset Weighted Average Direct Property Index
 Australian Fixed Interest UBSWA Composite All Maturities Bond Index
 Cash UBSWA Bank Bill Index
 Inflation Consumer Price Index (CPI)

What's the difference between the earning rate and the crediting rate?

The **earning rate** reflects the return achieved by each investment option during the year, after deduction of investment management fees and taxation.

The **crediting rate** is the return credited to members' accounts. For all options other than the Diversified Growth option, the crediting rate is the same as the earning rate.

For the Diversified Growth option, the earning rate is adjusted by reserves to produce the crediting rate (see page 12).

Both the earning and crediting rates can be positive or negative, as they depend on investment returns.

During the year we set an **interim crediting rate** to reflect actual returns in the year to date. The interim crediting rate could be negative when markets have a severe correction, such as occurred in September 2001 and July 2002. It can change without notice, and will affect benefit payments immediately.

WOULDN'T I BE BETTER OFF WITH MY MONEY IN A MORE SECURE OPTION?

A focus on short-term results hides the excellent long-term results that have been achieved in AGEST.

Over the last 10 years, the Diversified Growth crediting rate has averaged 8.2% per annum, which is 5.7% per annum above inflation. And that includes the negative year we've just had. This may be of little comfort to anyone who has just joined AGEST, but the long-term nature of superannuation means that the Diversified Growth option is likely to stand up very well over time.

So before switching to a less volatile investment option within AGEST, think about whether you're able to bear the ups and downs of the Diversified Growth option for its expected long-term benefits.

Allocated Pension returns

Investment returns are different for Allocated Pensions, because of their different tax treatment. Details of past investment

performance to 30 June 2002 for Allocated Pensions (which only commenced in AGEST in January 2002) are outlined below.

Allocated Pension Investment Options	Earning Rate	Crediting Rate
Shares	-13.1%pa	-13.1%pa
Diversified Growth	-4.8%pa	-4.1%pa
Fixed Interest/Cash	5.1%pa	5.1%pa
Cash	4.6%pa	4.6%pa

Fees, taxes and reserves

Fees

AGEST is solely focused on managing superannuation savings in the interests of its members. All profits are shared by members. There are no commissions paid to financial advisers.

Our administration fees are amongst the lowest for a superannuation fund in Australia, and are actually lower than they were 10 years ago! We are committed to keeping them low and simple, whilst maintaining a high level of service and good range of products.

We have previously advised members that administration fees will remain unaltered until 30 June 2003. However, cost pressures will make it difficult for us to maintain these fees from July 2003. New legislation, higher compliance costs and increased member expectations of us in regard to service and products all mean that we are unlikely to keep fees at their current levels. For example, the new *Financial Services Reform Act* will involve major implementation and ongoing costs.

Nevertheless, we intend to keep our fees significantly lower than just about any other major superannuation fund.

It is likely that a fee increase will occur from July 2003. However, new fees will not be determined until closer to that date. We'll advise members of the new fees on our website in June 2003.

Current administration fees

Description	Amount
Account keeping fee	40 cents per week
Employer contribution fee	20 cents per week
Voluntary contribution fee	13 cents for each voluntary employee contribution
Benefit transfers to PSS or other approved funds under the <i>Superannuation (Productivity Benefit) Act 1988</i>	\$11
Investment Choice – Switch fee	\$20 per switch

Investment management fees

All investment managers receive fees for the services they provide to AGEST. These fees are deducted from the assets under their management, and the earning rate for each

investment option is calculated after these fees have been deducted. In 2001/02, investment management fees averaged approximately 0.2% of total assets.

Government taxes

Contributions tax	15% of employer and salary sacrifice contributions
Contribution surcharge tax	The maximum additional tax of 15% applies for 'adjusted taxable incomes' (ATI) above \$109,924. The surcharge is phased in for ATI between \$90,527 and \$109,924. (ATI is the sum of a person's taxable income, deductible superannuation contributions, and grossed-up fringe benefits. Deductible contributions include employer and salary sacrifice contributions, and any personal contributions for which you have claimed a tax deduction.)

All fees and taxes are deducted from your account.

Reserves in the Diversified Growth option

	30 June 2002	30 June 2001	30 June 2000
\$ value	3,281,712	7,016,104	15,316,590
% of members' accounts	0.70	1.74	4.84

We only use reserves in the Diversified Growth investment option. Their purpose is to 'smooth' the interest rate credited to members' accounts each year, rather than it being very high one year and very low the next. Reserves also allow us to target higher long-term returns. This year

investment markets have declined significantly, so we have had insufficient reserves to enable us to declare a positive crediting rate. A small reserve is always kept to meet administration and taxation liabilities.

SuperTips

WHY DID YOU TAKE TAX OUT OF MY ACCOUNT?

Tax is a compulsory deduction from employer and salary sacrifice contributions, as well as from benefits, whether you give us your Tax File Number or not. If you don't supply us with your Tax File Number, tax will be deducted at higher levels. Our website has details of tax rates in superannuation.

Financial Accounts

STATEMENT OF CHANGE IN NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE		
	2002	2001
	\$	\$
NET MARKET VALUE OF ASSETS AT BEGINNING OF PERIOD	409,400,072	331,699,860
PLUS contributions by employers	97,208,907	76,018,589
contributions by members	10,233,397	7,986,376
transfers	36,601,137	36,000,761
investment revenue	(21,120,860)	4,545,417
OTHER INCOME		
bank interest	163,263	196,238
insurance proceeds	2,153,890	2,591,180
other	32,075	5,118
LESS		
government taxes	13,861,504	11,033,506
insurance costs	3,228,560	2,359,257
administration costs	3,381,617	2,980,328
benefits paid	42,153,248	33,270,376
NET MARKET VALUE AT END OF PERIOD	472,046,952	409,400,072
consisting of members' funds	468,765,240	402,383,968
reserves	3,281,712	7,016,104
NET ASSETS	472,046,952	409,400,072
STATEMENT OF ASSETS AND LIABILITIES AT 30 JUNE		
investments	461,102,925	405,945,779
current assets	20,884,613	13,859,593
	481,987,538	419,805,372
CURRENT LIABILITIES		
benefits payable	1,662,270	669,812
taxation	6,147,153	6,086,184
other liabilities	2,131,163	3,649,304
TOTAL LIABILITIES	9,940,586	10,405,300
NET ASSETS OF THE FUND	472,046,952	409,400,072

Source – Audited Accounts

AGEST's accounts are prepared in accordance with Australian Accounting Standard 25 and have been audited by Ernst & Young. The table on this page is a summary of the audited accounts. Members are entitled to a copy of the audited accounts on request.

SOME AGEST STATISTICS

Members at 30/6/2002

122,031

Employers at 30/6/2002

2,126

Monthly averages

Contributions each month

\$11.5 million

Benefit payments each month

\$3.2 million

Telephone enquiries each month

4,500

What's new in Super

We have come to expect new laws in relation to superannuation every year, and 2002 was no different. Here we summarise some of the new pieces of legislation, as well as some changes announced but not yet legislated.

Superannuation Guarantee (SG) increase

The final increase in the SG level took effect on 1 July 2002. From that date, employer contributions under the Superannuation Guarantee legislation increased from 8% to 9% of earnings. For employees covered by the *Superannuation (Productivity Benefit) Act 1988*, the new contribution rates are shown in the table below.

Weekly Rate of Salary	Weekly Contribution
Less than \$150.33	\$13.53
\$150.33 to \$2,247.69	9% of the employee's pay period rate of salary
\$2,247.69 or more	\$202.29

Currently employers must pay all their SG contributions for the previous tax year by 28 July. From 1 July 2003, this will change to quarterly payments. For example, contributions in respect of your earnings in August will have to be paid into a fund by 28 October, instead of 9 months later.

Family Law changes

New laws come into effect on 28 December 2002 that will allow divorcing couples to split their superannuation balances between them. Until now, your super was in your name only, and no part of it could be assigned to another person.

What this means is that divorcing couples no longer will have to use other assets to help finalise property settlements involving superannuation. Super funds like AGEST will be required to act on a Court order to split a super benefit into two, in the proportions outlined in the order. This means that we will split the accumulated account into two separate accounts – one for the member and one for the (former) spouse. The spouse will be able to leave their benefit in AGEST or transfer it elsewhere.

Alternatively we may be ordered to 'flag' a benefit for splitting at a later date.

If this issue is relevant to you, we suggest that you seek legal and financial advice.

Note that the law allows us to charge additional fees to members and (former) spouses for the work involved in complying with this new legislation. At the time of writing, these fees had not been set. We will place them on our new website when they are determined.

Child accounts

The law now allows superannuation contributions to be made to funds on behalf of children. These contributions can be made by parents, grandparents, other relations and friends.

There are limits (\$3,000 every 3 years) and no tax incentives. The contributions will be preserved until the child turns 60 – a long way away!

AGEST is not currently offering this facility to members, as there are still some outstanding issues in relation to the new laws. Watch our website for progress on this matter.

Release of benefits for temporary residents leaving Australia

From 1 July 2002, people who entered Australia on a temporary resident visa can receive their accumulated super after they permanently leave Australia. The payment is subject to withholding tax, and there are restrictions on the eligible classes of visas. For example, it does not apply to New Zealand citizens.

The best place to access detailed information about this is on the Tax Office website at www.ato.gov.au. Alternatively call the Tax Office on 13 10 20.

Contributions to age 75

From 1 July 2002, people who are working at least 10 hours per week can now continue contributing to super up to age 75. The previous maximum age for contributions was 70.

Co-contributions

The Federal Government is planning to replace the current tax rebate (maximum \$100) for low-income earners with a Government 'co-contribution' that matches personal contributions made to super by anyone earning less than \$20,000 per annum. A maximum co-contribution of \$1,000 applies. The co-contribution phases out by 8 cents per dollar of income above \$20,000. It stops completely when an income level of \$32,500 is reached. The planned start date was 1 July 2002. However, at the time of writing, this was not legislated. You won't need to apply – the Tax Office will work it out for you when you complete your 2003 Tax Return.

Splitting superannuation contributions between couples

The Federal Government has proposed that members of accumulation funds will be allowed to split employer contributions with their spouse. The proposed start date is 1 July 2003. Few details are available at this stage. Watch our website for developments.

Reduction in the superannuation surcharge

The Federal Government has introduced a Bill that reduces the superannuation surcharge tax by 1.5% per year for the next 3 years, so that a maximum of 10.5% applies from 1 July 2004. The proposed start date was 1 July 2002, but this was not legislated at the time of writing.

SuperTips

HOW DO I FIND OUT MY CURRENT ACCOUNT BALANCE?

You can do this online via our website, or you can call us. The quote will not include investment earnings for the current financial year, and may not include all contributions, premiums and fees for the current month.

See the back cover of this report for contact details. Call AGEST Administration to obtain a PIN for online access.

Information you should know

Retirement

If you retire after attaining your preservation age, you are entitled to receive the balance of your AGEST account. Your preservation age is determined by your date of birth as follows:

Member's Date of Birth	Preservation Age
Before July 1960	55
July 1960 – June 1961	56
July 1961 – June 1962	57
July 1962 – June 1963	58
July 1963 – June 1964	59
After June 1964	60

Leaving employment before you reach preservation age

Superannuation benefits are generally preserved and cannot be paid directly to you until your retirement from the workforce after reaching your preservation age. If you leave employment before reaching your preservation age, you may either:

- keep your benefits in AGEST and, if you wish, request future employers (including non-government employers) to pay superannuation into your account; or
- transfer your benefits to another superannuation fund.

If you become eligible to join another government superannuation fund and wish to transfer your AGEST benefit to it, this can be arranged even though you are not ceasing employment. A transfer processing fee of \$11 is charged and deducted from your account prior to transfer.

There are special circumstances, including financial hardship and compassionate grounds, where you may apply to receive your preserved benefits before your preservation age. Members are required to meet set criteria before benefits can be paid in these circumstances. Please contact AGEST Administration for further information.

Trust Deed amendments

During the year, two Trust Deed amendments were made:

- 5 March 2002: this amendment added the new Allocated Pension rules to the Trust Deed, and made minor changes to clarify trustee indemnity provisions;
- 9 May 2002: this amendment corrected minor provisions in relation to the payment of income protection claims.

None of these changes affected members' accrued benefits. They were essentially administrative. A copy of the latest Trust Deed can be downloaded from our website, or you can contact us and ask for a copy.

AGEST protects small accounts

If you have an account balance of under \$1,000, it is protected by law to ensure that administration costs do not exceed the investment earnings credited to your account. This is known as 'member protection'. It means that if the administration costs are greater than the investment earnings, the difference will be added to your account in the form of a rebate. However, this rebate does not extend to negative investment earnings.

There is an exception to the member protection requirements. In any period when the total investment earnings to be distributed to members are insufficient to cover the total administration costs to be deducted from members' benefits, member protection will not apply in the way described above. In such a period, AGEST is able to charge members with small balances an administration fee equal to the amount of any positive interest, plus up to \$10.

Communication with members

AGEST strives to provide members with excellent service. We aim to answer your queries as quickly as possible, to your complete satisfaction. However, if you feel dissatisfied with any aspect of the fund, please address your concerns to AGEST in writing. Correspondence should be addressed to:

The Complaints Officer

AGEST

Locked Bag 999

Carlton South VIC 3053

We aim to resolve all complaints within 90 days.

If you are dissatisfied with our response, you may contact the Superannuation Complaints Tribunal (SCT) for a further review of your complaint.

You may contact the SCT on:

Phone 1300 884 114

Address The Secretariat

Superannuation Complaints Tribunal

Locked Bag 3060 GPO

Melbourne VIC 3001

The SCT is an independent body set up by the Commonwealth Government to assist members or beneficiaries, to resolve certain superannuation complaints. The SCT is a free service.

The tribunal may be able to assist you to resolve your complaint, but only if you are not satisfied with the response received from us. If the tribunal accepts your complaint, it will attempt to resolve the matter through conciliation, which involves assisting you and the fund to come to an agreement. If the conciliation is unsuccessful, the complaint is referred to the tribunal for a determination which is binding.

Privacy Statement

Protecting your personal information has always been important to AGEST. Changes to the Commonwealth *Privacy Act* effective 21 December 2001 require that AGEST handle your personal information in accordance with a set of National Privacy Principles.

At AGEST, we only collect information that is necessary to administer your ongoing AGEST membership. Information that we collect is used to establish an AGEST membership account for you, to process contributions to your account, to enable benefit payments to be made, to correspond with you, to search for any unclaimed benefits you may have and to keep you up to date with opportunities available to you as a member of AGEST.

AGEST outsources the administration of its member and employer records to an external superannuation administration company and contracts with life insurers and other service providers to provide services to you on AGEST's behalf. They are authorised to use your personal information only to administer your AGEST membership, under the strictest confidence.

Your personal information will not be used or disclosed for any other purpose without your consent, except where required by law. For example, AGEST Administration is required to report certain information to the Australian Taxation Office (ATO) for tax-related purposes.

AGEST intends to regularly search the Lost Members' Register (held by the ATO) for any unclaimed benefits you may have. You can opt out of this process by contacting us.

The personal information collected by AGEST from you, or through your employer, includes your contact details, date of birth and Tax File Number (if you have chosen to quote it). Over time, this will be supplemented with financial and other information necessary to administer your membership with AGEST. In the event of a benefit payment to you, we will require further identification documents and information from you, in order to ensure correct payment details.

Additional information may be collected from you or your medical practitioners or from your employer for the purpose of assessing your eligibility for insurance cover or for the assessment of a claim. AGEST would only seek to collect such information with your consent.

AGEST has strict security measures in place, and the staff who handle your personal information have the knowledge, skills and commitment to protect it from unauthorised access or misuse. As a member of AGEST, you may ask to see the information held about you and to have it corrected if necessary.

If you would like more information about the *Privacy Act*, you can contact the Federal Privacy Commissioner's hotline service on 1300 363 992 or visit the Privacy Commissioner's website at www.privacy.gov.au

Small inactive accounts

In accordance with legislation, AGEST has nominated an 'eligible rollover fund' to receive small inactive accounts from AGEST. Our nominated eligible rollover fund is the Australian Preservation Fund (APF).

The law allows us to transfer the balance in your account to the APF under certain situations. Our current practice is to transfer your benefit if you have not received a contribution for over 12 months and your account balance is less than \$500. These terms may be altered by the Trustee in the future. We will advise you if we are about to make the transfer. If at that time you do not want your AGEST account closed, you should immediately contact us.

Contact details for the APF are:

Australian Preservation Fund

PO Box 2468

Kent Town SA 5071

Phone 1300 361 798

REFUNDS

If a member or an employer makes a payment to AGEST that is later found to have been made in error, it will be refunded without interest.

Who manages your fund?

The Trustee

AGEST is managed by a corporate trustee, AUSGEST Pty Ltd, ABN 44 007 390 392, which controls and manages the fund. AUSGEST was established by the Commonwealth Government and the ACTU in 1990. Three Directors are appointed by the Minister for Finance and Administration, and three Directors are appointed by the ACTU Secretary. The seventh Director is the independent Chairperson who is jointly appointed by the Minister for Finance and Administration and the ACTU Secretary. Appointments continue until withdrawn by their nominee (Minister/ACTU) or they resign.

There were no changes to the Trustee Directors during 2001/02. John Flitcroft (former Public Servant and Superannuation Trustee) continued as an Alternate Director for Joy Palmer.

Trustee Directors

Susan Doyle

Over 30 years' experience in financial markets with CSS/PSS, Suncorp and Insurance Australia Group
Independent Director and Chair



Tony Hyams

Advisory Director of Credit Suisse First Boston and director of other companies
Appointed by Minister for Finance and Administration



Bill Mansfield

Assistant Secretary, ACTU
Appointed by ACTU Secretary



Gail Owen

Partner, Blake Dawson Waldron (Solicitors); former Superannuation Trustee
Appointed by Minister for Finance and Administration



Joy Palmer

Superannuation Trustee; former Joint National Secretary and National President, Community and Public Sector Union
Appointed by ACTU Secretary



Michael Vertigan

Chancellor, University of Tasmania; Deputy Chair of NT Power and Water Corporation; former Secretary of Treasury and Finance in Victoria and Tasmania
Appointed by Minister for Finance and Administration



Catherine (Kate) Wood

Superannuation Trustee; former Executive Officer, Trade Union Training Authority
Appointed by ACTU Secretary



Directors' Remuneration

Directors' fees are based on Remuneration Tribunal determinations for Boards with similar responsibilities. Effective 5 April 2002, the Chairperson's and Directors' fees are \$35,000 pa and \$18,400 pa, respectively. Payment of fees for the services of Bill Mansfield is made to the ACTU. There is no fee paid to the Alternate Director.

Indemnity Insurance

The Trustee holds indemnity insurance to protect the Trustee and fund assets from losses arising from claims against it. This cover has been provided throughout the year by Royal and Sun Alliance, and was renewed on 30 June 2002 for a further 12 months.

Key AGEST Staff

(Please note: all administration and statement queries should be directed to AGEST Administration on 1300 7 AGEST, not to the AGEST staff below.)



Michael Seton

Chief Executive, Melbourne
michael.seton@agest.com.au
Phone (03) 9657 4241

Kerry Arnold

Office Manager, Melbourne
kerry.arnold@agest.com.au
Phone (03) 9657 4258

Helen Newton

National Member Adviser, Canberra
helen.newton@agest.com.au
Phone (02) 6217 7310

Helen Newton runs day and evening seminars across the country, and can assist members and employers with information on the products that AGEST offers.

CONTACT DETAILS

AGEST Administration

If you have any queries about AGEST's products and services, contact the AGEST Administration team:

Member Hotline 1300 7 AGEST
(that's 1300 7 24378) or
+61 3 9200 4576
(if calling from overseas)

Fax 1800 634 571 or
+61 3 9200 4172
(if faxing from overseas)

Email info@agest.com.au

Website www.agest.com.au

Postal Address Locked Bag 999
Carlton South VIC 3053

Chief Executive/Trustee Office

Level 28, 2 Lonsdale Street, Melbourne VIC 3000
Phone (03) 9657 4258
Fax (03) 9657 4243
Email trustee@agest.com.au

KEY SERVICE PROVIDERS

Administrator

Superpartners Pty Ltd

Auditor

Ernst & Young

Eligible Rollover Fund

Australian Preservation Fund

Insurer

The Colonial Mutual Life Assurance Society Limited

Investment Managers

- State Street Global Advisors
Australian/International Shares
- ISPT Pty Ltd
Direct Property
- Hastings Funds Management Ltd
Infrastructure
- Barclays Global Investors
Listed Property/Fixed Interest
- Super Members Home Loans
Fixed Interest
- IFBT Pty Ltd (Members Equity)
Fixed Interest
- Macquarie Investment Management Ltd
Cash

VISITED OUR NEW WEBSITE?

It's new, dynamic and expanding every month. We'll be updating it regularly to keep in touch with you. Call AGEST Administration today to obtain a PIN for online access to your account.
www.agest.com.au