

Officers' Superannuation Fund

Your Fund. Your future.

March
2005

Welcome to the first OSF newsletter for 2005. As this newsletter is being drafted the main superannuation issue in the press is the pending introduction of the Choice of Fund arrangements from July 2005. Whilst the full details of how these changes will affect OSF members are still to be determined, we are aware of the need for members to better understand how their superannuation currently works. This newsletter is one of the ways that the Trustee seeks to inform and educate you on your super and we encourage you to read the articles.

Should you require any further information on any of the topics covered or your super please contact one of our customer service team members (OSF Member Services) at the contact points shown on page 6.

How the OSF is managed

The eight member Trustee Board of Directors meets regularly to discuss and resolve issues relating to the management of the OSF.

All directors are members of the OSF and do not receive payment from the Fund, for their director roles. The Trustee Board is supported by a number of sub-committees, a management team who handle the day-to-day running of the OSF, external professional advisers and external investment managers.

To help you get to know the people who look after your superannuation, we will provide profiles on each director in this and future newsletters. This edition contains a profile on Les Cupper, the current Chairman of the Board. You should also read pages 12 to 20 of the OSF's 2004 Member Annual Report for further information on how the OSF is managed.

The main role of the Trustee Board is to ensure the security of your benefits and to make certain your rights as a member are protected at all times. In carrying out its role, the Board is aware that particular care needs to be taken to ensure that any related party transactions between itself and the

Commonwealth Bank and potential conflicts of interest are properly managed.

As the Bank is a major provider of leading edge financial services and products it is not surprising that in managing the OSF, the Trustee may engage the Bank to provide some services (e.g. investment management or fund administration). Any decision to engage the Bank in the provision of the services required is only made after the Trustee has evaluated the options available within the marketplace and decided that the Bank is the most suitable supplier. In most cases external advice from an independent specialist adviser is also obtained as part of the evaluation. The appointment of the Bank to supply the services is subject to legally binding contracts at least equivalent to standard industry terms and conditions and market competitive pricing.

All service providers are regularly monitored by the Trustee to ensure that they are providing the services required and are meeting the terms of their contracts. Where a supplier is not meeting our requirements a market review is carried out and suitable alternative arrangements put in place.

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Have you accessed the Staff Super Intranet site?

For daily unit prices, forms, Fact Sheets, Member Booklets or Product Disclosure Statements, please visit the Staff Super Intranet site.

To access the Staff Super Intranet site:

☞ Go to the CommNet Home page

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Or simply visit =>

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OSF returns

In investing the OSF assets, the Trustee has established a number of investment portfolios at an asset class level. The six main asset classes used by the Trustee are – Australian Equities, International Equities, Property, Fixed Interest, Alternatives and Cash. The investment returns generated on your accumulation-style super (if applicable) will depend on the net returns generated by each asset class investment portfolio and the percentage invested in each asset class [i.e. the relevant asset allocation for your respective Member Investment Choice (MIC) options].

Table of OSF gross returns by asset class to 31 January 2005

(These returns are based on taxable unit prices released on 31 January 2005).

Asset Class	Quarter %		1 year %		3 years % p.a.		5 years % p.a.	
	OSF	Benchmark	OSF	Benchmark	OSF	Benchmark	OSF	Benchmark
Australian Equities	11.0	9.4	33.2	30.8	11.8	10.4	11.6	9.9
International Equities	4.8	2.9	9.8	8.4	-3.7	-6.8	-1.4	-5.4
Property	2.5	2.4	7.9	8.8	8.8	8.8	10.1	9.6
Diversified Fixed Interest	1.9	1.6	9.7	8.7	7.8	7.0	8.2	7.7
Cash	1.4	1.4	5.7	5.6	5.4	5.1	5.7	5.4
Alternatives	5.6	3.3	15.6	12.6	n/a*	n/a*	n/a*	n/a*

* Alternatives was introduced as a separate asset class to the accumulation part of the OSF from 28 November 2003. Consequently longer term performance is not available.

TRUSTEE DIRECTOR profile:

Les Cupper – Chairman

Les Cupper has been a Trustee Director and Chairman of the Board since 1998. Les is also a Board member of the CBA (UK) Staff Benefit Scheme.

Les joined the Commonwealth Bank of Australia in January 1996 with a diverse career background,



covering both line management and strategy roles in financial services, mining, manufacturing and academia. Before joining the Commonwealth Bank, Les was Managing Director of Comalco Extruded and Foundry Products with

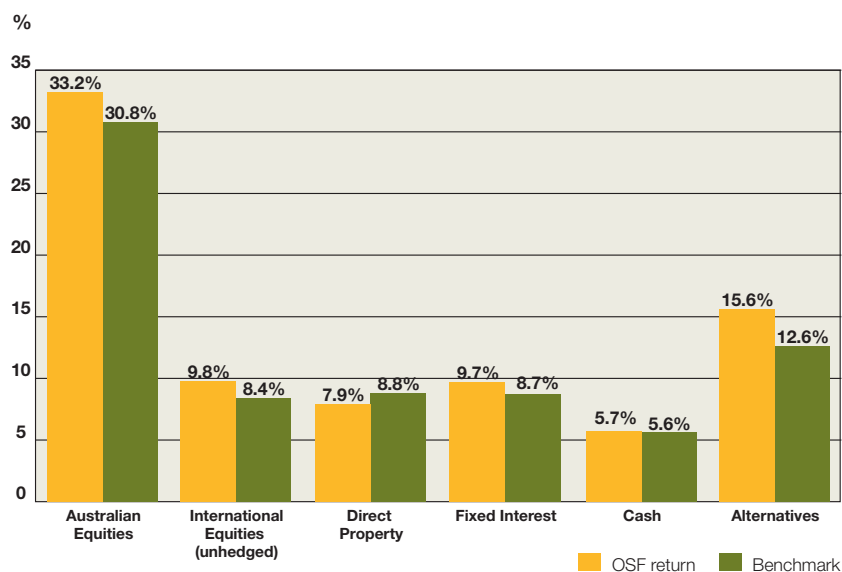
responsibility for operations in Australia and joint ventures in the USA and New Zealand.

Les also worked for two years as Corporate Employee Relations Policy Adviser with CSR and twelve years with CRA Ltd (now Rio Tinto) in senior people strategy and line management roles. Prior to this, Les worked for 10 years in Tertiary Education specialising in industrial relations.

Currently, Les is Group Executive People Services. He is also a member of the Bank's Executive Committee and a Board member of ASB in New Zealand. Les has a Masters in Economics and has completed post graduate studies in education and the Harvard Advanced Management Programme. He is married with two children.

Each asset class has outperformed its benchmark (usually the appropriate market return) over the longer term (refer to the details in the table above). This means that value continues to be added to your superannuation savings by the combined actions of the investment managers selected by the Trustee.

OSF investment returns by asset class for the year ended 31 January 2005



Asset class	Benchmark
Australian Equities	Standard & Poors ASX 300 Accumulation Index
International Equities	MSCI World ex Australia Gross Dividends AUD
Direct Property	CPI plus 6% p.a.
Fixed Interest	Diversified Fixed Interest Composite Benchmark
Cash	UBS Australia Bank Bill Index
Alternatives	Composite Benchmark

Investment mix returns

The investment earnings calculated are based on the change in unit prices for each investment option during the relevant period. The actual investment earnings credited to your OSF account will depend on the investment options you have chosen and the timing of any transactions (e.g. switches and contributions) into and out of these options.

These returns are only applicable to those members with Member Investment Choice (MIC). For more details about the investment options, please refer to Part 2 of the OSF Product Disclosure Statement (PDS) – Investments and Fees (issue date 11 March 2004). A copy of the PDS is available on the Staff Super Intranet site or from OSF Member Services.

OSF Division F returns to 31 January 2005

Investment option	Quarter %	1 year %	2 year % p.a.	3 year % p.a.
Mix Cash	1.1	4.8	4.9	4.9
Mix 30	2.8	9.5	8.0	6.1
Mix 50	3.8	11.0	9.6	6.1
Mix 70	4.9	12.6	11.2	5.8
Mix 90	5.9	13.8	12.7	5.1

Note:

- The Mix Cash option was Mix 10 prior to 3 October 2003.
- Asset allocations for the remaining options were changed effective 28 November 2003.
- These returns are based on taxable unit prices 'released' on 31 January 2005, and are calculated net of fees and taxes. There is currently a four business day delay in calculating unit prices. Consequently, the release prices used include the effect of market movements up to the close of 24 January 2005.

IMPORTANT NOTICE FOR DIVISION F MEMBERS:

Unit pricing adjustment

The unit prices applying for the Member Investment Choice (MIC) options for members of Division F are calculated by the Fund's master custodian, who is responsible for maintaining the investment records including calculating and reconciling net investment returns (i.e. after deduction of taxes and fees).

Recently the Trustee became aware of errors by the custodian in the calculation of unit prices for all MIC options, except Mix Cash. Whilst the errors have now been corrected, it has been necessary to re-calculate the daily unit prices released from 8 July 2004 through to 30 December 2004. The extent of the changes at 30 December 2004, which is the point of greatest difference, is shown in the table.

The revised unit prices can be obtained from OSF Member Services.

Impact on Members

To ensure that members are not impacted by the unit price error, the Trustee has recalculated the number of units applying to all transactions (contributions, transfers-in, investment switches and withdrawals). Where an incorrect unit price had previously been used, member accounts have been adjusted to reflect the correct number of units. Division F members who left the Fund during this period will receive an additional ETP payment (if applicable).

FUND MANAGER PROFILE

Barclays Global Investors (BGI)

Barclays Global Investors (BGI) is one of the main investment managers within the Australian equities portfolio. BGI is a wholly owned subsidiary of Barclays Plc which manages some A\$1,500 billion of institutional assets globally placing them in the top tier of fund managers. The Australian office of BGI manages approximately \$35 billion.

BGI is highly rated by the broader investment community and by the Trustee's investment consultant, Watson Wyatt. BGI performs a core role within the OSF's portfolio and the expectation is that BGI will construct a portfolio of Australian shares that will consistently outperform the market by around 1% p.a. over the long term.

The investment management process used by BGI is designed to provide broad exposure to the Australian equity market. Risk is diversified by investing smaller amounts across a broad range of stocks in a variety of industries, rather than taking large investments in a few individual stocks. Their Australian equity portfolio will typically contain 110 to 130 stocks, with somewhat lower risk than many other managers in the Australian market. In order to avoid certain risks, stocks selected are neutral on industries and sectors, as well as in style and size. This diversification is designed to provide more consistent outperformance over time.

BGI uses quantitative (computer driven) techniques to identify the relative attractiveness of Australian equities through price anomalies. BGI buys and sells stocks based on quantitative 'signals', which are:

- Earnings expectations;
- Relative value;
- Earnings quality; and
- Market and management skills.

BGI's discipline in following quantitative signals results in them investing in a cost effective and risk controlled manner, in companies that:

- have improving earnings expectations;
- appear undervalued relative to companies in the same sector;
- have strong quality and sustainability of earnings; and
- show an upward trend in share price movements, and exhibit positive company management actions.

BGI have large local and global research teams to ensure that the signals they use remain appropriate, and to develop new ideas based on economically sound research.

Disclaimer

This information has been prepared by the OSF Trustee, solely for the purpose of general information to its members, and does not constitute investment advice. Neither the Commonwealth Bank Group or Barclays Global Investors and associated companies accept any liability or responsibility for any statement contained within. The information provided was current as at February 2005.

How does the OSF invest in Australian Equities?

To help you understand how each asset class portfolio is managed we are writing a series of articles for inclusion in our newsletters. In this edition, we take a look at the Australian Equities asset class.

The OSF Australian Equity portfolio is a multi-manager portfolio providing you with access to a number of professional investment managers.

The Trustee has selected these managers based on an assessment that each manager has a sustainable competitive advantage that will enable it to outperform the market over the long term. We also aim to select a combination of managers who have complementary investment styles so that performance is not dependent on any one manager or style.

Objective

The Trustee's goal for the Australian equities portfolio is to produce returns over the long term that outperform the market by 1.5% p.a. This is measured by the Standard & Poor's ASX 300 Accumulation Index.

How are returns generated?

The Australian equities asset class contains share investments in companies that are listed on the Australian Stock Exchange (ASX). This enables the assets to be invested across a broad range of companies representing a number of different sectors, including financials, industrials, consumer (retail), manufacturing, telecommunications, resources etc.

Returns from Australian equities come from the capital gains and / or losses in the market prices of the equities and income through the receipt of company dividends.

Each investment manager used by the Trustee constructs a portfolio of shares based on their research and beliefs on which shares will produce higher than average investment returns. The total return achieved by the portfolio depends on the returns generated by each manager portfolio and the percentage of assets allocated to each manager.

As part of its regular monitoring of the multi-manager portfolio, the Trustee has recently changed the proportion of the portfolio managed by each manager. The change involved a reduction in the proportion managed by Colonial First State (CFS) from 50% to 32.5% and an increase in the proportion managed by Barclays Global Investors (BGI) from 15% to 32.5%.

The current managers are:

Investment Manager	Proportion Managed (%)
Colonial First State (CFS)	32.5
Barclays Global Investors (BGI)	32.5
Lazard Asset Management Pacific Co	12.5
Merrill Lynch Investment Managers Ltd	12.5
AMP Capital Investors (small caps)^	5.0
Acorn Capital Ltd (microcaps)#	5.0

^ small caps = companies outside the ASX top 100 companies ranked by market capitalisation.

microcaps = companies outside the ASX top 250 companies ranked by market capitalisation.

Performance Record

The table below shows the performance record of each of the above managers for the period ending 31 January 2005:

Period Ending 31 January 2005	January Quarter %	1 year %	3 years % p.a.	5 years % p.a.
Colonial First State (CFS)	11.4	32.3	10.1	10.4
Barclays Global Investors (BGI)	10.2	33.1	12.2	n/a
Lazard Asset Management Pacific Co*	12.5	38.1	n/a	n/a
Merrill Lynch Investment Managers Ltd*	12.6	38.3	n/a	n/a
AMP Capital Investors	10.5	41.5	18.6	15.5
Acorn Capital Ltd*	8.9	23.1	n/a	n/a
Total Portfolio	11.0	33.2	11.8	11.6
Market benchmark	9.4	30.8	10.4	9.9

* These Managers were added to the Multi Manager Group in late 2003. Consequently longer term performance is not available.

Defined benefit changes

Transfer of exit benefit to Division F

The OSF Rules have recently been amended to allow defined benefit members (or their dependants in the case of death) to transfer their lump sum exit benefit into the Post-Employment section of Division F.

This will allow these members (or their dependants) to retain the benefit in the OSF, bringing them in line with accumulation members who have had access to this facility since November 2000. The changes will also allow members to access the Division F Allocated Pension at retirement (and a dependant to transfer a lump sum death benefit to a Division F Allocated Pension account).

A Fact Sheet has been prepared providing further details on these changes. You can obtain a copy of the Fact Sheet from the Staff Super Intranet site (under your division page) or by contacting OSF Member Services.

Division B & C Pensions

If you are a Division B or C Member of the OSF, you may receive a lifetime pension when you retire from the Bank. If you die whilst in receipt of this pension, a reversionary pension benefit is payable to a person who meets the definition of 'Spouse'. An additional amount may also be payable in respect of dependent children.

In relation to reversionary (Division B and C) pensions and other benefits payable on the death of a pensioner, there are specific conditions that must be met in relation to persons who become a spouse or dependent child of the pensioner after the pensioner has turned 60 years of age. Previously, the relationship with the deceased pensioner was required to have been in place for at least 5 years prior to his/her death. Following recent changes to the OSF Trust Deed and Rules, the minimum required period has been reduced from 5 years to 3 years. For more information, you can obtain a Fact Sheet from the Staff Super Intranet Site, or from OSF Member Services.

Legislation update

Choice of superannuation fund

The Government has passed superannuation legislation which will allow certain employees to choose the fund into which their employer Superannuation Guarantee (SG) contributions are paid. Choice of superannuation fund commences on 1 July 2005 and, if applicable as part of your employment arrangements, will apply to SG contributions made from this date.

We will provide more detailed information in the next newsletter.

Government Co-contributions

In the last newsletter, we provided details of the introduction by the Federal Government of a co-contribution scheme, in respect of personal superannuation contributions made by lower income earners.

The Government Co-contribution scheme is an incentive for people to increase their retirement savings. Under the scheme, the Government will contribute to a person's superannuation account, if the person is a low-middle income earner and makes personal undeducted (i.e. after-tax) contributions to superannuation (other conditions also apply).

The first payments under this scheme have recently been made by the Government. As at 28 February 2005, the OSF had received co-contributions in respect of 1,930 OSF members totalling \$902,831.50, for the 2003-04 financial year.

The Government has made further changes to the Co-contribution scheme, applying to the 2004/05 and future financial years. These changes increase the maximum co-contribution from \$1,000 to \$1,500 (\$1.50 for every dollar contributed) and increase the maximum level of income where a co-contribution may apply from \$40,000 to \$58,000. In terms of the new rules, the maximum co-contribution may be available to persons on income levels* up to \$28,000 (previously \$27,500) and reduces by 5 cents (previously 8 cents) for each dollar of income above \$28,000. It phases out completely at an income of \$58,000 (previously \$40,000).

To be eligible for the co-contribution, a person must earn at least 10% of his/her total income as an employee (and make personal undeducted contributions). Originally, the requirement was that the person must be eligible to receive employer superannuation support. This change is effective from 1 July 2003. For more information on the Government co-contribution scheme, you can obtain a Fact Sheet from the Staff Super Intranet Site, or from OSF Member Services. Any members who wish to commence or increase their own contributions into the OSF should also contact OSF Member Services.

** assessable income plus reportable fringe benefits.*

Reduction in the superannuation surcharge rate

The Government has further reduced the superannuation contributions surcharge rate. The maximum surcharge rates are:

- 12.5% for 2004/05 financial year; and
- 10% for 2005/06 financial year.

For the 2003/04 financial year, the maximum surcharge rate was 14.5%. For more information on superannuation surcharge, refer to the Fact Sheet available on the Staff Super Intranet site or contact OSF Member Services for a copy.

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New cashing rules for superannuation from 1 July 2004

From 1 July 2004, the rules about when superannuation benefits must be paid or begin to be paid, have changed:

- If you are aged between 65 and 74, your benefit must be paid out unless you have worked at least 240 hours in the previous financial year.
- If you reach age 75 after 30 June 2004, then your benefit must be paid out.
- If you reached age 75 before 1 July 2004, your benefit must be paid unless you are employed for at least 30 hours each week.

Preservation of Employer Eligible Termination Payments (ETPs)

Before 1 July 2004, an Employer ETP which was rolled over into a superannuation fund was classified as an 'unrestricted non-preserved amount', meaning that it could be accessed by the member at any time (without having to satisfy a payment condition of release). A change in legislation from 1 July 2004 means that any employer ETP rolled into a fund on or after that date will be required to be preserved. The change does not affect employer ETPs rolled into the OSF before that date.

Service directory

If you have an enquiry about your benefit entitlements, membership and other matters relating to your benefits, please contact OSF Member Services.

Members of Divisions B, C, D, E and F, should contact OSF Member Services by:

Phone: 1800 023 928 between 8.30 am-5.00 pm (Sydney time) Monday-Friday (national freecall unless from a mobile phone)
If calling from outside Australia, please call **61 2 9841 7462**.

Fax: 02 9841 6455

E-mail: osfms@cba.com.au

Write to: **OSF Member Services**
Level 12
150 George Street
Parramatta NSW 2150
(CBA 2052 153)

Members of Divisions CB, CC, CD, CE, CF, CH, CK, CM, CN and CO, should contact OSF Member Services (managed by Mellon Human Resources and Investor Solutions) by:

Phone: 1300 363 016 between 8.30 am-5.00 pm (Melbourne time) Monday-Friday (at the cost of a local call unless from a mobile phone)
If calling from outside Australia, please call **61 3 9222 4444**.

Fax: 03 9222 4350

E-mail: osf@mellon.com.au

Write to: **OSF Member Services**
C/- Mellon Human Resources & Investor Solutions
GPO Box 9946
Melbourne VIC 3000

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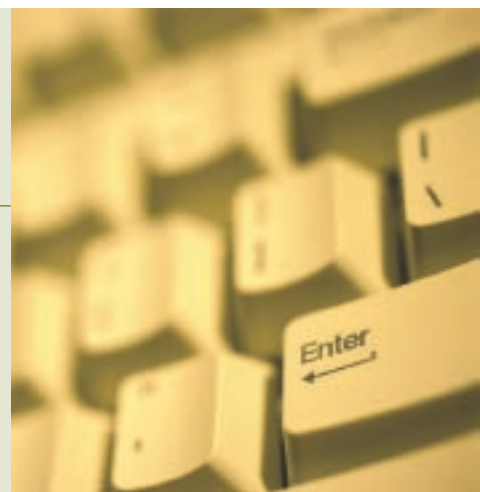
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