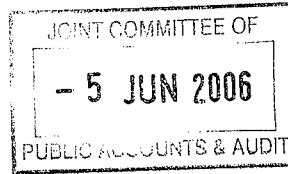




Committee Secretary  
Joint Committee of Public Accounts and Audit  
Department of the House of Representatives  
PO Box 6021  
Parliament House  
Canberra ACT 2600



Dear Secretary

**RE: JCPAA Review of Audit Report no 22, 2004-05 Investment of Public Funds**

As requested, I am writing to update the Committee on the Scheme's progress towards addressing the following issues which were raised at the public hearing on 5 September 2005:

- the updating of the Scheme's Investment Management Strategy; and
- market testing of the Scheme's investment management arrangements.

The Scheme's Investment Management Policy has been comprehensively reviewed and updated. An external investment consultant was engaged to complete a review of the policy and this was recently completed. Processes have now also been put in place to ensure the policy is reviewed annually.

The Scheme has engaged an independent consultant to develop a model that will enable the Scheme to perform internal investment performance benchmarking and market testing on a regular basis to ensure consistent strong returns and value for money for investment management services. As a part of its development, the model will be applied to the current environment in a market testing exercise.

If you have any further questions, please do not hesitate to contact the Scheme's National Manager, Dermot Walsh, on 02 6225 4425.

Yours faithfully



Matthew Klippan  
A/g General Manager  
2 June 2006