Australian Government
Commonwealth Superannuation Corporation

ADF Super

Legislated Outcomes Assessment

30 June 2022

Commonwealth Superannuation Corporation

ADF Super – Member Outcomes Assessment for the financial year ending 30 June 2022

Introduction

This document contains information relevant to ADF Super MySuper Balanced and ADF Super Choice investment options[1].

The report comprises two key sections:

1) a **Product Comparison** section, which contrasts and compares ADF Super against other products in the market based on a prescribed set of factors (such as returns and fees), and,
2) a **Product Assessment** section where ADF Super has been reviewed on a set of qualitative measures considered to impact member outcomes (such as scale, investment strategy and product options, among others).

The Background to this report and Summary Findings are presented below. For the full body of detail for the Product Comparison and Product Assessment please refer to pages 6 and 9 respectively.

Background

In April 2019, the Superannuation Industry (Supervision) Act 1993 was amended to replace the MySuper scale test with an annual outcomes assessment – the Member Outcomes Assessment. Under the new provisions, CSC is required to determine annually whether products promote the financial interests of its members.

This report details the information considered by the Board to make its annual written determination as to whether the financial interests of the beneficiaries of the product are being promoted by CSC, based on the prescribed set of product comparisons (i.e. relative to other products in the market) and product assessments.

[1] ADF Super Choice refers to customer directed investment options, being: 'Aggressive', 'Income Focused' and 'Cash'.

Summary of Findings

Based on the comparisons and assessments detailed in the report below, and taking account of their broader responsibilities as Trustees, the CSC Board have concluded that all ADF Super products were promoting the financial interests of the beneficiaries during the financial year ended 30 June 2022.

The overriding consideration of the Board in making their determination is the net return delivered to members after fees, costs and taxes for the level of investment risk taken. This is a fundamental driver of CSC's key member outcome – member adequacy in retirement. However, a balanced scorecard approach is used across the various comparison and assessment measures to arrive at the overall determination.

Summarised Product Comparison factors

The key Product Comparison findings are as follows:

- **Returns:** All ADF Super investment options other than ADF Super Cash delivered **broadly median or above returns** when compared with peers. The Aggressive and Income Focused investment options were in the top quadrant of peer comparisons. The ADF Super Cash option underperformed peer products because it is a pure cash option, in accordance with APRA's guidelines for investment options labelled as 'cash'. This means it did not take on additional credit risk and duration risk. As such, the ADF Super Cash option represents a genuinely low risk, cash-only, investment option for customers.
- **Investment Risk:** The **level of investment risk was lower against peers** for all ADF Super investment options – that is, returns were generated at lower or equal levels of risk compared with other similar products. Our options are tailored to the risk-tolerance expected at each stage of our customers' work-life journey, so the relative risk profile of each of CSC's options can differ from that of peers.
- **Fees and costs:** Fees for all ADF Super investment options were **lower than or equal to peer medians across all investment options** CSC has done extensive work over the last five years to continuously improve the value we provide for costs incurred. Our total costs can fluctuate, but on average we aim to reduce costs over time[2].

[2] Total fees and costs include administration fees (the cost of administering member accounts) and investment costs (expenses related to managing member investments and paying investment managers).

The above findings are summarised as a scorecard in Table 1 below.

Table 1 - Product Comparison summary findings – financial year ended 30 June 2022

Comparison Item	My Super Balanced peer quadrant	Choice peer quadrant		
		Aggressive	Income Focused	Cash[3]
Returns after fees, costs and taxes[4]	●●○○	●●●●	●●●●	●○○○
Level of investment risk[5]	●●●○	●●●●	●●●○	●●●●
Fees and costs ($50k balance, year to 30 June 2022)	●●●○	●●●○	●●●○	●●●●

Legend

- ●●●● Top quadrant (75th percentile or higher against peers, i.e. highest quartile of returns, lowest quartile of risk, lowest quartile of fees)
- ●●●○ Second quadrant (50th to 74th percentile against peers)
- ●●○○ Third quadrant (25th to 49th percentile against peers)
- ●○○○ Bottom quadrant (24th percentile or lower against peers)

For additional detail regarding comparisons, refer to the Product Comparison section on page 6.

Summarised Product Assessment factors

With respect to product comparison factors, the following key findings were found:

- **Options, benefits and facilities:** ADF Super's products and services offer good value and are constantly shifting to meet the changing needs of our customers. This is evidenced by their strong ratings across key elements of SuperRatings' broad-based, independent, benchmark assessment.
- **Investment strategy:** The scheme is successfully continuing to deliver upon its outcome targets in relation to the weighted average funding ratios of ADF Super members, as well as delivering on investment performance consistent with the Board approved strategy.
- **Insurance strategy and fees:** ADF Super's life insurance offerings for ex-serving ADF personnel, which include Death, Total and Permanent Disablement (TPD) and Income Protection cover, were independently ranked as "benchmark" by SuperRatings. Serving ADF personnel have defined benefit-style insurance cover through the ADF Cover scheme.
- **Scale:** On a consolidated basis, CSC is the 13th largest fund among APRA regulated funds. This mid-range scale enables beneficiaries to access a broad investment universe, including both listed and unlisted assets, across most investment risk factors.
- **Operating costs and fee setting:** Base investment fees and corporate costs per customer have remained broadly stable since 2017. There has been some variance in performance fees, however these fees are designed to align the interests of our investment managers with our customers and can vary over time – when net returns are strong and adding to customer balances, performance fees are higher (to a limit) and vice versa.

The above findings are summarised as a scorecard in Table 2 below.

[3] The Cash option has low to no risk with a 0% allocation to growth assets.
[4] See 'Returns after fees, costs and taxes' section for comparison of 1, 3 and 5 year returns.
[5] For MySuper Balanced the Standard Risk Measure is used as a comparison measure with data provided by APRA. For Choice products the growth assets ratio is used as a comparison measure with data provided by SuperRatings.

Table 2 - Product Assessment summary findings – financial year ended 30 June 2022

ADF Super assessment items	Score
Investment Strategy	Appropriate
Scale	Appropriate
Insurance strategy	Appropriate
Options, benefits and facilities	Appropriate
Insurance fees	Appropriate
Operating costs	Appropriate
Fee setting basis	Appropriate

Legend

Appropriate – product is assessed to perform appropriately for our customers
Consider improvements – product can be improved to perform more appropriately for our customers

Product Comparison

The product comparison is based on a prescribed set of factors, and compares outcomes relative to other products in the market[6]. The comparison factors are:

a) Fees and costs - utilise 'representative' member fees and costs at item 4.4 of SRS 702.0[7];
b) Returns after fees, costs and taxes – utilise 'net return' at item 4.3 of SRS 702.0; and
c) Level of investment risk – utilise 'level of investment risk' at item 3 of SRS 700.0.

Reporting on products other than MySuper products is based on the relevant SuperRatings SR50 index data for each investment option.

The outcomes of the comparisons are presented below. For information regarding the assessment methodology, refer to *Appendix A - Product Comparison Methodology*.

Returns after fees, costs and taxes

ADF Super has four investment options available for members – MySuper Balanced, Aggressive, Income Focused and Cash.

Error! Reference source not found. below provides details on returns by investment option to 30 June 2022, including comparative performance to benchmark and the median returns of similar products offered in the comparison group of other super funds detailed in Appendix A[8].

Table 3 - Returns by investment option - to 30 June 2022

Investment option	1 year			3 year			5 year			10 year[9]
	Return	Median	Quartile	Return	Median	Quartile	Return	Median	Quartile	
MySuper Balanced	-3.52%	-3.63%	2nd	3.87%	4.13%	3rd	5.64%	5.75%	3rd	Fund less than 10 years old
Aggressive	-3.48%	-4.14%	2nd	6.65%	5.22%	1st	7.98%	6.74%	1st	
Income Focused	-1.25%	-2.43%	2nd	3.24%	1.96%	1st	4.58%	3.31%	1st	
Cash	0.05%	0.18%	4th	0.25%	0.44%	4th	0.77%	0.95%	4th	

As per the table above, the ADF Super **MySuper Balanced** investment option delivered average annual net returns of 3.87% and 5.64% to 30 June 2022 over 3 and 5 years respectively. The 12-month return to 30 June 2022 was negative (-3.52%) due to challenging economic conditions including higher inflation, rising interest rates, geopolitical conflict and lower economic growth. This environment led to significant corrections in global bond and share markets and consequently, impacted the performance of most Australian superannuation funds. MySuper Balanced option returns have been **broadly in line** with peer median returns across all time periods since inception.

[6] As per data published by APRA and SuperRatings
[7] SRS 702.0 and SRS 700.0 are APRA reporting standards applicable to Registerable Superannuation Entities (RSEs), available at apra.gov.au
[8] MySuper Balanced is compared against the broader APRA MySuper universe while the Choice options are compared against SuperRatings universes as detailed in the Appendix.
[9] 10 year returns for the ADF Super MySuper Balanced option not available as scheme only commenced on 1 July 2016.

The **ADF Super Aggressive** option has delivered average annual net returns of -3.48%, 6.65% and 7.98% over 1, 3 and 5 years respectively to 30 June 2022. It has **performed significantly ahead** of peer median returns over all time periods

The **ADF Super Income Focused** option has delivered average annual net returns of -1.25%, 3.24% and 4.58% over 1, 3 and 5 years respectively. It has **consistently outperformed** the median peer option across all the time periods presented.

The **ADF Super Cash** option has delivered average annual net returns of 0.05%, 0.25% and 0.77% over 1, 3 and 5 years respectively. It **has underperformed** peer products because it is a pure cash option, in accordance with APRA's guidelines for investment options labelled as 'cash'. This means it did not take on additional credit risk, concentration risk or duration risk, as some peer cash options choose to do.

Level of investment risk

The level of investment risk embedded within CSC's Balanced, Aggressive and Income Focused options is tailored to the risk-tolerance expected at each stage of our customers' work-life journey. Our Cash option seeks to provide customers the 'risk-free' return of a pure cash offering. The outcome of this customer focus is that the relative risk profile of each of CSC's options can differ from that of peers.

Our analysis compares the results of each ADF Super investment option with respect to risk captured by the Standard Risk Measure (SRM) for ADF Super MySuper Balanced and the Growth Assets Ratio (GAR) for ADF Choice investment options.

The SRM is published by APRA for MySuper Balanced products and indicates the estimated number of expected negative net investment returns over a 20-year period. The lower the SRM, the lower the risk. The SRM is not published for Choice products and as such the Growth Asset Ratio is used as a replacement measure of risk. The GAR indicates the proportion of risk assets used to generate returns for customers, with a lower value corresponding to a lower level of risk.

As per Table 4 below, the SRM for **ADF Super MySuper Balanced** was 3.8 demonstrating a **slightly lower risk profile** than the median MySuper Balanced option of 3.9.

Table 4 - SRM for ADF MySuper Balanced - to 30 June 2022

Investment option	Standard Risk Measure	Median	Quartile
MySuper Balanced	3.8	3.9	2nd

Table 5 below illustrates the Growth Asset Ratios for ADF Super Choice investment options. Both the Aggressive and Income Focused investment options exhibited a lower level of growth assets, and thus **lower potential risk**, compared with peers.

The **ADF Super Cash** investment option was not measured against peers as it contained no growth assets and thus exhibited low to no risk characteristics.

Table 5– Growth Assets Ratio for ADF Choice investment options - to 30 June 2022

Investment option	Growth Asset Ratio	Median	Quartile[10]
Aggressive	81%	85%	1st
Income Focused	31%	33%	2nd
Cash	0%	0%	Not applicable

[10] Higher quartiles represent lower risk on a peer comparison basis

Fees and Costs

Total fees and costs include administration fees (the cost of administering member accounts) and investment costs (expenses related to managing member investments and paying investment managers).

Detail regarding total fees and costs for a $50,000 account balance can be found in Table 6 below.

Table 6 - total fees and costs - financial year ending 30 June 2022

Investment option	$50,000 balance			
	Total fees and costs ($)	Total fees and costs (%)	Median	Quartile[11]
MySuper Balanced	$524	1.05%	1.05%	2nd
Aggressive	$539	1.08%	1.08%	2nd
Income Focused	$394	0.79%	0.85%	2nd
Cash	$119	0.24%	0.40%	1st

As per the table above, **total fees and costs were lower than or equal to the median across all ADF Super investment options**[12]. These competitive results reflect our disciplined focus on delivering value for money. This focus includes continuously improving the value we provide for costs incurred. While total costs can fluctuate based on investment manager performance, on average we aim to reduce and limit costs over time.

[11] Higher quartiles represent lower fees on a peer comparison basis

[12] Assuming a $50,000 account balance

Product Assessment

Summary

The products have been reviewed on a set of qualitative measures that are considered to impact outcomes for our customers. The qualitative measures are independently defined in the Superannuation Industry (Supervision) Act 1993 and include the following[13]:

a) Options, Benefits and Facilities;
b) Investment Strategy;
c) Insurance Strategy and Fees;
d) Scale;
e) Operating Cost Assessment; and,
f) Setting of Fees

Each measure and the corresponding findings are addressed below. For information regarding the assessment methodology, **refer to *Appendix B - Product Assessment Methodology***.

Options, Benefits and Facilities

The Options, Benefits and Facilities assessment is based on the 2022 ADF Super SuperRatings Benchmark Report. The Benchmark report compares options, benefits and facilities across a range of metrics, across the superannuation industry.

SuperRatings believes that ADF Super has delivered good quality outcomes to members with the fund demonstrating a robust strategic planning process as well as showing a strong capacity to enact change to its products and services. As per the report, ADF Super's performance during the year remained strong across all assessment areas. Their findings are provided in Table 7 below.

Table 7 - SuperRatings findings 2022

SuperRatings Element	SuperRatings Rating
Overall fund rating	Gold
Investment	Above Benchmark
Fees and charges	Above Benchmark
Insurance coverage and costs	Benchmark
Member Servicing	Above Benchmark
Administration	Above Benchmark
Governance	Above Benchmark

[13] See *Appendices C - Regulatory references to the Superannuation Industry (Supervision) Act 1993*

Investment Strategy

The investment strategy is designed (via the mechanisms of portfolio return and risk objectives) to increase the probability of achieving a comfortable level of retirement income for customers, as defined by ASFA's comfortable standard. The investment strategy implementation is executed, managed and controlled in continuous time by a number of risk limits, risk triggers, and absolute and relative performance metrics at the asset, segment, sector, option and total fund levels. CSC prosecutes as an active owner and an early mover into innovation, all facilitated by the investments we have made and continue to make in our own governance and integrated risk management systems and capabilities.

Our purpose is to improve our customer's retirement outcomes. This purpose means that we focus on acquiring high-quality assets at fair to better prices, and actively own those assets to underwrite and grow their value over the long-term.

The prices of those types of assets may grow less strongly than speculative strategies through market booms, but unlike speculative assets, while their prices may sometimes be volatile, we would expect their underlying value to be robust to market weakness or economic recessions.

In this way, the risk of permanent loss of our customer's capital is materially reduced. This is demonstrated by our relative outperformance versus peers when equity markets are falling. Over the long working-life timeframes relevant to our customers, our Balanced portfolios need to take less risk to generate their investment objectives. This is measured by the fact that we consistently preserve 30% more capital than peer funds when equity markets fall, but still capture 90% of the gains in equity markets when they are rising.

Figure - CSC default balanced option - performance versus peers - 10 years to 30 June 2022[14]

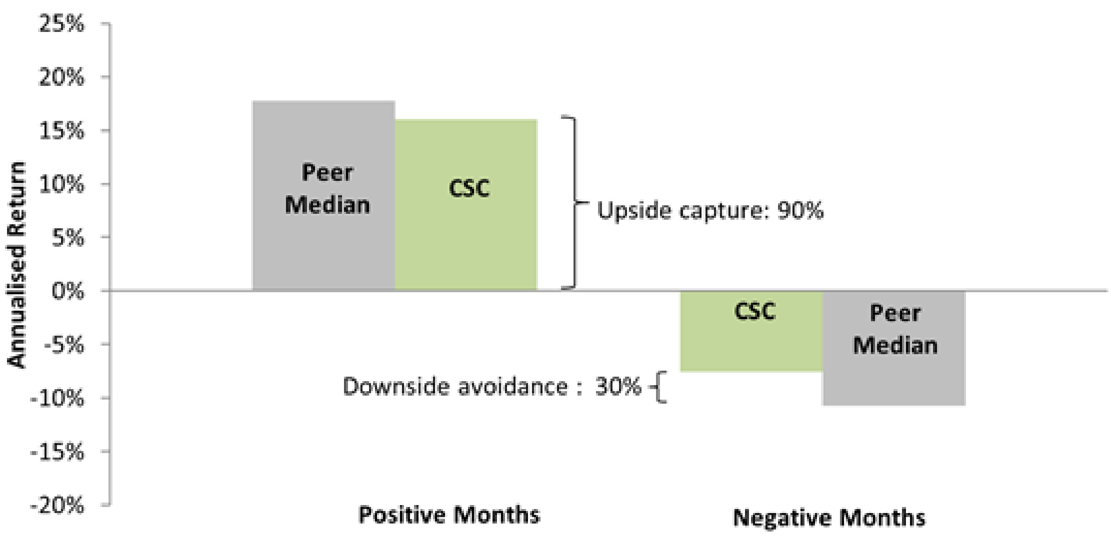


Table 8 below presents the ADF Super ratio of returns to risk (Sharpe Ratios) over 5-year time horizons[15]. All ADF Super investment options delivered higher levels of return per unit of risk than

[14] Source: SuperRatings

[15] The Sharpe Ratios measure returns with respect to the level of risk and volatility. The higher the ratio, the better the portfolio has performed from a 'return per unit of risk' perspective.

peer medians over five years. ADF Super Cash is not presented as it does not have a measurable risk profile, being a low to no risk option.

Table 8 - Sharpe Ratios by option

Investment option	5 year		
	Sharpe Ratio	Median	Relative to median
MySuper Balanced	0.77	0.76	Above
Aggressive	1.06	0.73	Above
Income Focused	1.28	0.77	Above

The Board maintains ongoing monitoring and formal review of the investment strategy. CSC measures the net financial returns, capital-loss risks, and environmental, social and governance (ESG) impact of our entire portfolio, with the objective of continuous improvement across all these measures over time. CSC's Investment Governance Framework is mapped to APRA's SPS 530 governance requirements, and is subject to a triennial independent review. The results of the last review were favourable.

The relative size of CSC's business operations, access to investment opportunities and net real returns per unit of risk over the long-term is strong. This is a contributory factor to the strong funding ratios for member adequacy, which as per Figure 2 below, is approximately 150% of the ASFA standard for our ADF contributors on a weighted average basis. Funding ratios are particularly strong amongst younger age cohorts. The 50+ age cohorts have lower funding ratios given their shorter tenure in the fund and resulting lower balances. We expect this is because many of these customers have superannuation savings outside of ADF Super.

Figure 2 - ADF Super funding ratios by age cohorts as at 30 June 2022

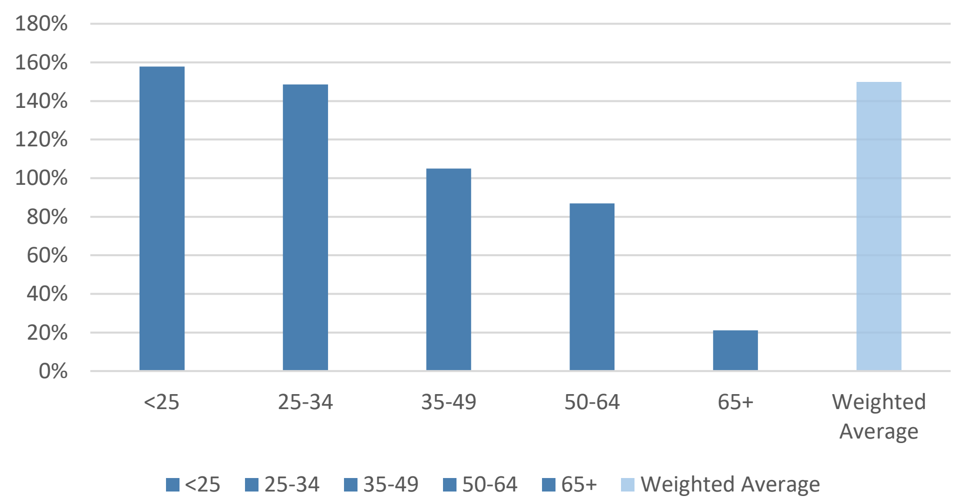
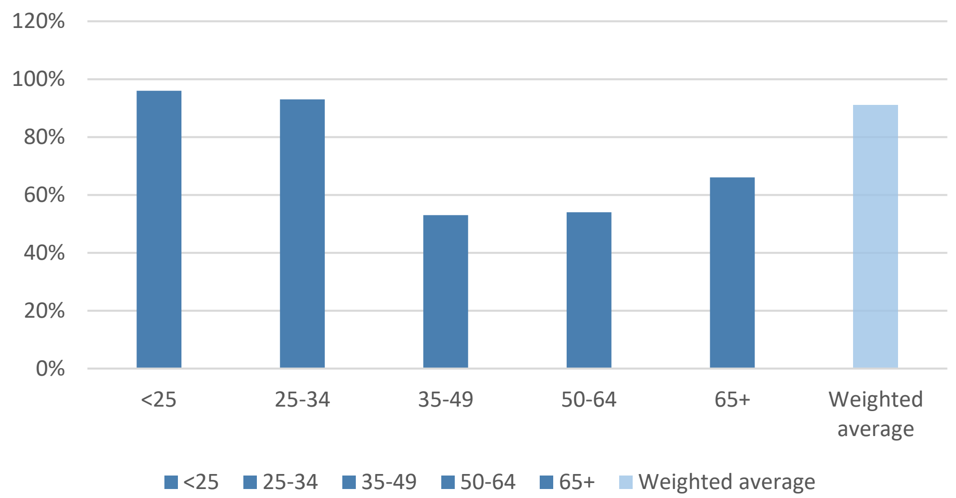


Figure 3 below details the estimated proportion of our customers on track to meet the ASFA comfortable standard by retirement at 65. A high proportion of early and mid-career customers are on track to retire with a comfortable retirement[16]. Late career customers have lower ratios and again we expect this is because many of these customers have superannuation savings outside of ADF Super.

[16] The budget for a comfortable lifestyle is updated regularly at [Retirement Standard - ASFA (superannuation.asn.au)]

Figure 3 – ADF Super customers on track to achieve 100% ASFA comfortable standard by cohort as at 30 June 2022



Insurance Strategy and Fees

Serving ADF personnel have defined benefit-style insurance cover through the ADF Cover scheme. CSC provides Death and Total and Permanent Disablement (TPD) and Income Protection (IP) cover to ex-serving ADF members through the lifePLUS group insurance product.

The May 2022 ADF SuperRatings Fundamentals Report rated the ADF Super insurance offering as "benchmark".

The Board conducted an annual review of the Insurance Management Framework (IMF) and Insurance Strategy in September 2022. The Board determined that the lifePLUS group insurance for ex-ADF members was appropriate to their beneficiaries and has appropriate fees, which do not inappropriately erode the retirement income of those beneficiaries, having regard to fees as a percentage of the average customer's salary. A comprehensive external review of the IMF in compliance with APRA Prudential Standard SPS250 was earlier completed by KPMG in September 2021 with an overall 'Strong Controls' rating.

Scale

On a consolidated basis, at $56.3bn as at 30 June 2022, CSC is the 13th largest superannuation fund among APRA regulated funds. This provides advantages in terms of the relative size of its business operations and access to investment opportunities. CSC competes in a market for investment opportunities, customers and employees.

Scale - Talent

CSC offers competitive remuneration, opportunities and workplace conditions to all staff relative to our peers in the superannuation and the financial services industries. CSC recognises that employees also value non-financial rewards and we place significant value on career experience, quality of work, peer capability and culture to attract and retain talent, which is critical in ensuring the delivery of services and investment outcomes for all of our CSC customers.

Scale - Financial

CSC is sufficiently large enough to provide investment capability (and investments in) larger scale or illiquid investment opportunities, but not so large as to eliminate access to smaller-scale opportunities or prevent active management of all relevant market segments. This relative advantage allows beneficiaries access to a broad range of investment opportunities, competitive investment costs across different investment types and competitive long term net returns.

Investments in CSC's five regulated schemes are pooled in the ARIA Investment Trust (AIT), via which beneficiaries are able to access a broad investment universe, including both listed and unlisted assets, across most investment risk factors. The absence of any particular risk factor exposure in the investment portfolio results from deliberate investment decisions and is not the result of any scale constraint. CSC's investment strategy capitalises on organisational comparative advantages to access the highest risk- adjusted returns possible, within the Board's approved risk budget limits.

Scale - Demographics

ADF Super has benefited from relatively high default membership and is designed for current and former Australian Defence Force personnel. ADF Super reflects the demographics of the overall ADF, with a significantly higher percentage of males to females.

ADF Super was established in 2016 and the larger percentage of customers are in the career starter phase (under 35 year olds). Many ADF customers in the older age categories are customers of predecessor ADF funds. Figure 4 provides a snapshot of ADF Super member demographics as at 30 June 2022.

Figure 4 - ADF Super membership demographics as at 30 June 2022

Item	ADF Super	
Accounts	30,011	
FUM ($m)	$1,086.49	
Membership (Average Years)	3	
Contributors	28,515	95%
Contributors - Male	21,287	75%
Contributors - Female	7,228	25%
Age demographics		
Contributors - Under 35 (Career Starters)	25,462	89%
Contributors - 35 - 49 (Career Builders)	2,178	8%
Contributors - 50 + (Pre-Retirees)	875	3%
Preserved/Deferred	1,496	5%
Preserved - Male	1,185	79%
Preserved - Female	311	21%
Age demographics		
Preserved - Under 35 (Career Starters)	1,361	91%
Preserved - 35 - 49 (Career Builders)	97	6%
Preserved - 50 + (Pre-Retirees)	38	3%

Scale – APRA heatmaps

APRA considers a range of scale metrics, including 3-year average Adjusted Total Accounts Growth Rates and Net Cash Flow Ratios, when assessing sustainability in its annual heatmap[17]. These measures were not highlighted for ADF Super by APRA in its latest heatmap released in December

[17] Available at https://www.apra.gov.au/mysuper-product-heatmap

2022 – the measures are all positive indicating that scale is supporting a likely ability to continue to deliver quality member outcomes into the future.

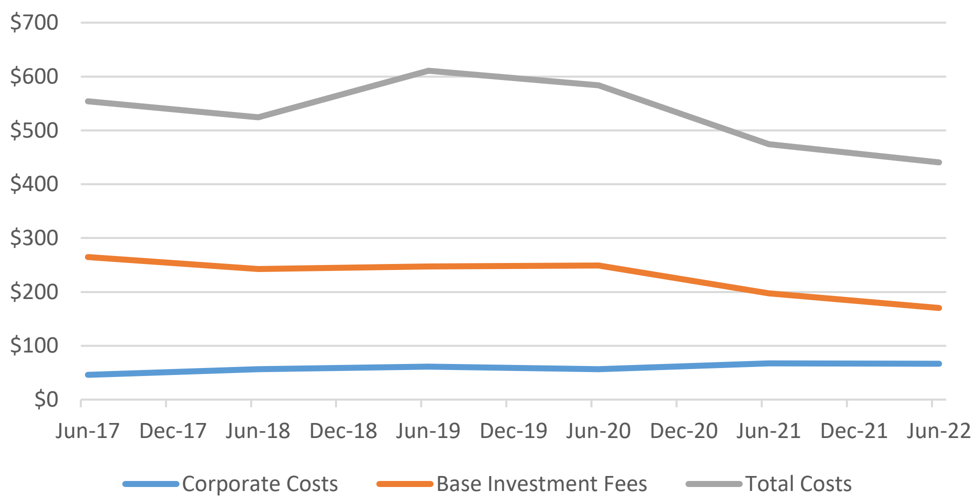
Operating Cost Assessment

The 2022 Super Ratings Benchmark Report stated, 'ADF Super is positioned outside the lowest operating cost quadrant, with the fund's level of operating expenses, relative to the size of its membership positioned below industry medians'.

ADF Super's fees are partly linked to investment performance, and there is a premium in purchasing high quality assets. This is in the best interest of our customers' long-term returns because they receive the net benefit from investments in higher-quality assets, including inflation linked cash flows and diversification against different environments, in order to allow customers to retire when they plan to, regardless of the market conditions at the time.

Figure 5 below presents costs per customer in ADF Super over time. Base investment fees and corporate costs per customer have remained relatively stable since 2017. On the other hand, there has been some variance in performance fees (which sum up to total costs). These fees are designed to align the interests of our investment managers with our customers and can vary over time – when net returns are strong and adding to customer balances, performance fees are higher (to a limit) and vice versa. This design has resulted in higher total investment costs per customer in the 2019 and 2020 financial years, due to strong net performance in some assets, adding to member adequacy and funding ratios. Both base investment fees and performance fees were lower over the 2022 financial year as our investment fee savings measures materialised.

Figure 5 - Costs per customer - based on $50,000 customer account size over the period



Setting of Fees

CSC allocates costs fairly and reasonably across all fund members, including the MySuper members, in accordance with the processes detailed in CSC's Cost Recovery and Allocation of Costs Policy. Costs are continually monitored to ensure accruals are fairly based, and accruals are applied through the daily unit price, which impacts only those members who transact, at the time they transact, and in proportion to the nature and size of their transactions. This avoids cross-subsidisation across classes of beneficiaries.

Appendices

Appendix A - Product Comparison Methodology

Reporting on MySuper products is based on the methodology set out in APRA Prudential Practice Guide SPS 516 Business Performance Review. It uses data published in APRA's MySuper Quarterly Statistics provided under APRA Reporting Standard SRS 702.0 Investment Performance (SRS 702.0) and Reporting Standard SRS 700.0 Product Dashboard (SRS 700.0) as follows:

a) 'fees and costs' - utilise 'representative' member fees and costs at item 4.4 of SRS 702.0;
b) 'the return' – utilise 'net return' at item 4.3 of SRS 702.0; and
c) 'the level of investment risk' – utilise 'level of investment risk' at item 3 of SRS 700.0.

Reporting on products other than MySuper products is based on the relevant SuperRatings data for each investment option.

Comparisons are made based on the universe of comparable products i.e. all products in APRA's MySuper Quarterly Statistics for CSC's MySuper products, and all of the products in the relevant SuperRatings pre or post retirement universes for CSC's Choice products.

Option	Peer Universe
MySuper Balanced	APRA MySuper Quarterly Statistics
Aggressive	SuperRatings SR50 Growth
Income Focused	SuperRatings SR50 Capital Stable
Cash	SuperRatings SR50 Cash

Comparison of investment returns (representative member investment performance) is conducted for 1, 3 and 5 year periods, subject to the start date of the investment option.

Data used is for the year (or years) ended 30 June 2022 where available. Fees and costs data for all products are based on the December 2022 SuperRatings report data, which included CSC's fees and costs for the year ended 30 June 2022. Fees and costs data for peer products other than MySuper products may not be directly comparable as a result, but were based on the best data available at the time of making the assessment.

Final quadrant results in the summary scorecard are based on the simple average of percentiles for all presented time periods.

Appendix B - Product Assessment Methodology

1. Comparative information shall be limited to publicly available data.
2. The assessment of whether options, benefits and facilities are appropriate shall be determined with reference to the following elements of the most recent SuperRatings benchmark report available for the products:
   a) Overall fund rating;
   b) Investments;
   c) Insurance;
   d) Fees and Charges;
   e) Member Servicing;
   f) Administration;
   g) Governance.

   Ratings (as per SuperRatings) are as follows:

SuperRatings Benchmark Assessment	SuperRatings Score	SuperRatings 'Road sign'	CSC Rating
Well Above Benchmark	75%–100%	110/ Excellent	Appropriate
Above Benchmark	51%–74%	80/Good	Appropriate
Benchmark	26%–50%	60/ Average	Appropriate
Below Benchmark	below 25%	40/Below Average	Consider Improvements

3. The insurance assessments shall be made based on the outcomes of the Board's review of the Insurance Strategy and Insurance Management Framework, which reference Section 52 (7) of SIS and APRA Prudential Standard SPS 250 *Insurance in Superannuation*.
4. Assessment of the appropriateness of investment strategy for beneficiaries, including the level of risk and the return target, shall be based on:
   a) the Board's ongoing assessment of investment strategy execution at each Board meeting;
   b) the Board's regular reviews of investment strategy;
   c) the Board's (at least) triennial review of the Investment Governance Framework referenced to APRA Prudential Standard SPS 530 *Investment Governance*;
   d) independent annual asset allocation reviews;
   e) independent, comprehensive triennial reviews of the Investment Governance Framework.
5. In undertaking scale and operating cost product assessments the CSC Board will have regard to:
   a) the total pool of assets in CSC's pooled superannuation trust - the ARIA Investments Trust ("AIT");
   b) the number of members in PSSap and ADF Super subject to collective investment and administration arrangements.
6. Item 5 is considered appropriate as:
   a) the funded components of all the superannuation funds that CSC is trustee for are pooled into the AIT for the benefit of all CSC scheme members;
   b) collective administration arrangements apply across PSSap and ADF Super.
7. Disadvantage due to scale shall be assessed by reference to:
   a) Investment scale:
      i. Access to investment opportunities;
      ii. Level and change in investment costs and negotiating power with regard to different investments held;
      iii. Total net return expected to accrue to members.
   b) Administrative scale
      i. Member demographics and trends;
      ii. Cost per member measures;
      iii. Ability to attract and retain key staff.

8. Inappropriate effect on financial interests due to operating costs shall be assessed by reference to trends in operating cost base
9. Appropriateness of fee structures shall be assessed through review of the Cost Recovery and Allocation of Costs Policy
10. Assessments shall be made using the latest available, finalised information or reports at the time of preparing the assessments in January 2023.

Appendix C - Regulatory references to the Superannuation Industry (Supervision) Act 1993

s52(11) - In determining whether the financial interests of the beneficiaries of the entity who hold a MySuper product or choice product are being promoted by the trustee, the trustee must assess each of the following:

1. s52(11)(a) - whether the **options, benefits and facilities offered** under the product are appropriate to those beneficiaries
2. s52(11)(b) - whether **the investment strategy** for the product, including the level of investment risk and the return target, is appropriate to those beneficiaries
3. s52(11)(c) - whether the **insurance strategy** for the product is appropriate to those beneficiaries
4. s52(11)(d) - whether **any insurance fees charged** in relation to the product **inappropriately erode** the retirement income of those beneficiaries
5. s52(11)(e) - any other relevant matters, including any matters set out in the prudential standards:
    - SPS 515 Paragraph 23: Pursuant to section 52(11)(e) of the SIS Act, in determining whether the financial interests of the beneficiaries of the RSE who hold a MySuper product or choice product are being promoted, an RSE licensee must also assess the following matters:
        - i. 23(a) - whether because of the scale of, and within, the RSE licensee's business operations, those beneficiaries are disadvantaged
        - ii. 23(b) - whether the operating costs of the RSE licensee's business operations are inappropriately affecting the financial interests of those beneficiaries.
        - iii. 23(c) – whether the basis for the setting of fees is appropriate for those beneficiaries.