Australian Government

Commonwealth Superannuation Corporation

CSCri

Legislated Outcomes Assessment

30 June 2022

Commonwealth Superannuation Corporation

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

Introduction

This document contains information relevant to CSCri, our retirement income stream product. This includes the two types of retirement income streams offered– a pre-retirement income stream (CSCri Transition to Retirement Income Stream (TRIS)) and a post- retirement income stream (CSCri Retirement Income Stream (RIS)). It covers all investment options offered.

The report comprises two key sections:

1) a **Product Comparison** section, which contrasts and compares CSCri 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 CSCri 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 the Summary Findings are presented below. For the full body of detail for the Product Comparison and Product Assessment please refer to pages 6 and 10 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 its 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.

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 CSCri 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 relevant to CSCri RIS and CSCri TRIS are as follows:

- **Returns:** All CSCri RIS and CSCri TRIS investment options other than CSCri Cash delivered broadly **median or above returns** when compared with peers. A number of the investment options were in the highest quadrant of peer comparisons – specifically CSCri RIS Balanced and the Aggressive and Income Focused options in both CSCri RIS and CSCri TRIS. The CSCri RIS and CSCri TRIS Cash options underperformed peer products because they are pure cash options, in accordance with APRA's guidelines for investment options labelled as 'cash'. This means they did not take on additional credit risk or duration risk. As such, these options represent a genuinely low risk, cash-only, investment selection for customers.
- **Investment Risk:** The level of investment risk in **CSCri RIS** was **lower than peer medians for the Income Focused and Cash** investment options and **higher than peer medians for the CSC RIS Balanced and Aggressive** options. The level of investment risk in **CSCri TRIS was lower than peer medians across all investment options**, with the Balanced, Aggressive and Cash options all in the highest peer comparison quadrant. The two products hold different risk profiles - CSCri RIS, being a purely retirement product, has a lower proportion of growth assets to lessen investment risk in retirement and is compared against other similarly conservative products. Meanwhile CSCri TRIS, being a 'pre-retirement' product, has a higher proportion of growth assets and is compared against other similar, more growth oriented products[1]. **CSC aims to ensure both products' investment risk profiles are suitable to customers at their respective pre and post retirement life stages.**
- **Fees and costs:** Fees for CSCri RIS and CSCri TRIS products were **on average higher than peer medians** for a $50,000 balance. This is partly because CSCri charges a higher flat administration fee regardless of account balance, rather than an administration fee that increases as the balance does. Most CSCri account balances are well above the $50,000 level required to be used for the fees and costs comparison however, so our flat administration fee is a relative advantage to customers as their balance increases. 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, however on average we aim to reduce costs over time[2].

[1] See Appendix A for more information on the Product Comparison Methodology

[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

CSCri comparison items	Balanced	Aggressive	Income Focused	Cash[3]
CSCri RIS				
Returns after fees, costs and taxes [4]	●●●●	●●●●	●●●●	●○○○
Level of investment risk	●●○○	●○○○	●●●○	●●●●
Fees and costs ($50k balance, year to 30 June 2022)	●○○○	●○○○	●○○○	●○○○
CSCri TRIS				
Returns after fees, costs and taxes	●●○○	●●●●	●●●●	●○○○
Level of investment risk	●●●●	●●●●	●●●○	●●●●
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:** CSCri'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 CSCri products are successfully continuing to deliver upon their investment performance targets consistent with the Board approved strategy.
- **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 relatively 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.

[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.

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

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

CSCri assessment items	Score
Investment Strategy	Appropriate
Scale	Appropriate
Insurance strategy	*Not Applicable*
Options, benefits and facilities	Appropriate
Insurance fees	*Not Applicable*
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[5]. The comparison factors are:

a) Fees and costs - utilise 'representative' member fees and costs at item 4.4 of SRS 702.0;
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 CSCri products is based on the relevant SuperRatings 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

Each of CSCri's two types of retirement income streams – the pre-retirement income stream (CSCri Transition to Retirement Income Stream (TRIS)) and the post- retirement income stream (CSCri Retirement Income Stream (RIS)), have four investment options – Balanced, Aggressive, Income Focused and Cash.

Table 3 below provides details on returns by investment option to 30 June 2022 for CSCri RIS (top section) and CSCri TRIS (bottom section). It includes comparative performance to benchmark and the median returns of similar products in the comparison group of other super funds detailed in Appendix A [6].

Table 3 - CSCri - returns by investment option - to 30 June 2022

Product and investment options	1 year			3 year			5 year			10 year
	Return	Median	Quartile	Return	Median	Quartile	Return	Median	Quartile	
CSCri RIS										
Balanced	-2.98%	-3.30%	2nd	3.74%	3.52%	2nd	5.82%	5.09%	1st	Not applicable – product less than 10 years' old
Aggressive	-2.83%	-4.91%	1st	7.29%	4.41%	1st	8.80%	6.23%	1st	
Income Focused	-1.48%	-3.95%	1st	3.83%	1.64%	1st	5.14%	3.30%	1st	
Cash	0.07%	0.19%	4th	0.31%	0.51%	4th	0.90%	1.11%	4th	
CSCri TRIS										
Balanced	-3.44%	-3.44%	2nd	4.23%	4.34%	3rd	Not applicable – product less than five years' old			
Aggressive	-3.54%	-4.14%	2nd	6.90%	5.22%	1st				
Income Focused	-1.16%	-2.43%	1st	3.44%	1.96%	1st				
Cash	0.06%	0.18%	4th	0.26%	0.44%	4th				

The 12-month returns to 30 June 2022 were negative across the Balanced, Income Focused and Aggressive CSCri RIS and TRIS options 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.

[5] As per data published by APRA and SuperRatings
[6] As a pre-retirement option, CSCri TRIS is benchmarked against accumulation superannuation funds. On the other hand, CSCri RIS options are benchmarked against the post-retirement universe. Details are found in Appendix A.

Returns - CSCri RIS

As per the above table, the **CSCri RIS Balanced** investment option has delivered **higher than median** net returns of -2.98%, 3.74% and 5.82% over 1, 3 and 5 years respectively to 30 June 2022[7]. Long-term 10-year performance was not measured as the product is less than 10 years old.

Similarly, the **CSCri RIS Aggressive** investment option performed **significantly better than median**, delivering -2.83%, 7.29% and 8.80% net returns over 1, 3 and 5 years respectively.

The **CSCri RIS Income Focused** option consistently **outperformed the median** peer option across 1, 3 and 5-year time frames, delivering net returns of -1.48%, 3.83% and 5.14% over 1, 3 and 5 years respectively.

The **CSCri RIS Cash** option has delivered net returns of 0.07%, 0.31% and 0.90% 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.

Returns - CSCri TRIS

As per Table 3 above, the **CSCri TRIS Balanced** investment option has delivered **around median** net returns of -3.44% and 4.23% over 1 and 3 years respectively to 30 June 2022[8]. Five and ten-year data is not available as the product offering is less than five years' old.

The **CSCri TRIS Aggressive** option performed **higher than median**, delivering -3.54% and 6.90% net returns over 1 and 3 years respectively.

The **CSCri TRIS Income Focused** option **outperformed the median** peer option across 1 and 3-year time frames, delivering net returns of -1.16% and 3.44% respectively.

The **CSCri TRIS Cash** option has delivered net returns of 0.06% and 0.26% over 1 and 3 years respectively. It has **underperformed** peer products because, as with CSCri RIS Cash returns described above, it is a pure cash option, in accordance with APRA's guidelines for investment options labelled as 'cash'.

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 CSCri RIS and CSCri TRIS investment option with respect to risk captured by the Growth Assets Ratio (GAR). 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.

Table 4 below illustrates the Growth Asset Ratios for CSCri RIS and CSCri TRIS products and compares them with peer medians. As CSCri RIS options have a 0% tax rate on their investment earnings, their investment strategies are designed to generate the same level of returns as the corresponding CSCri TRIS options with lower investment risk.

Table 4 - Growth Assets Ratios for CSCri investment options - to 30 June 2022

[7] Net of fees, costs and taxes
[8] Net of fees, costs and taxes

Investment option	Growth Assets Ratio	Median	Quartiles[9]
CSCri RIS			
Balanced	55%	54%	3rd
Aggressive	73%	70%	4th
Income Focused	32%	32%	2nd
Cash	0%	0%	Not applicable
CSCri TRIS			
Balanced	68%	70%	1st
Aggressive	81%	85%	1st
Income Focused	31%	33%	2nd
Cash	0%	0%	Not applicable

Level of investment risk - CSCri RIS

As per the table above, the **CSCri RIS Balanced and CSCri RIS Aggressive** investment options exhibited higher level of growth assets, and thus **higher potential risk**, compared with peers. Meanwhile the **CSCri RIS Income-Focused** option had an equal proportion of growth assets, and thus **similar potential risk**, when compared with peers. **CSCri RIS Cash** was not measured against peers as it contained no growth assets.

Level of investment risk - CSCri TRIS

The **CSCri TRIS Balanced, CSCRI TRIS Aggressive** and **CSCri TRIS Income-Focused** investment options had lower levels of growth assets, and thus **lower potential risk,** compared with peers. **CSCri TRIS Cash** was not measured against peers as it contained no growth assets.

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 5 below.

Table 5 - total fees and costs for an account with $50,000 balance - financial year ending 30 June 2022

Product and investment options	$50,000 balance			
	Total fees and costs ($)	Total fees and costs (%)	Median	Quartiles[10]
CSCri RIS				
Balanced	$665	1.33%	0.91%	4th
Aggressive	$720	1.44%	1.05%	4th
Income Focused	$535	1.07%	0.86%	4th
Cash	$275	0.55%	0.42%	4th
CSCri TRIS				
Balanced	$675	1.35%	1.05%	4th
Aggressive	$690	1.38%	1.08%	4th
Income Focused	$545	1.09%	0.85%	4th
Cash	$275	0.55%	0.40%	3rd

Total fees and costs were **higher** in each **CSCri RIS and CSCri TRIS** investment option than industry medians[11]. The higher comparative costs partly reflect CSCri's fee structure, which has a higher flat administration fee regardless of account balance, rather than an administration fee that increases as the balance does (most CSCri account balances are well above the $50,000 level required to be used

[9] Higher quartiles represent lower risk on a peer comparison basis
[10] Higher quartiles represent lower fees on a peer comparison basis
[11] Assuming a $50,000 account balance

for the fees and costs comparison). 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, however on average we aim to reduce costs over time.

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[12]:

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

Insurance Strategy and Fees are not applicable to retirement income stream products, as they do not offer insurance cover. Each other 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 CSCri SuperRatings Benchmark Report. The Benchmark report compares options, benefits and facilities across a range of metrics, across the superannuation industry.

SuperRatings articulates that CSCri performance has remained strong, with the product achieving a Platinum Rating for 2022, as a 'best value for money' pension product. With respect to product flexibility, CSCri was assessed as at, or above, benchmark for factors such as pension payment options, transition to retirement options, drawdown orders, automatic increases, estate planning and access to savings. SuperRatings' findings are provided in Table 6 below.

Table 6 - SuperRatings findings 2022

SuperRatings Element	SuperRatings Rating
Overall fund rating	Platinum
Investment	Well Above Benchmark
Fees and charges	Above Benchmark
Product flexibility	Above Benchmark
Member Servicing	Above Benchmark
Administration	Above Benchmark
Governance	Above Benchmark

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

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

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. As per the figure below, 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[13].

Figure 1 - CSC default balanced option - performance versus peers - 10 years to 30 June 2022

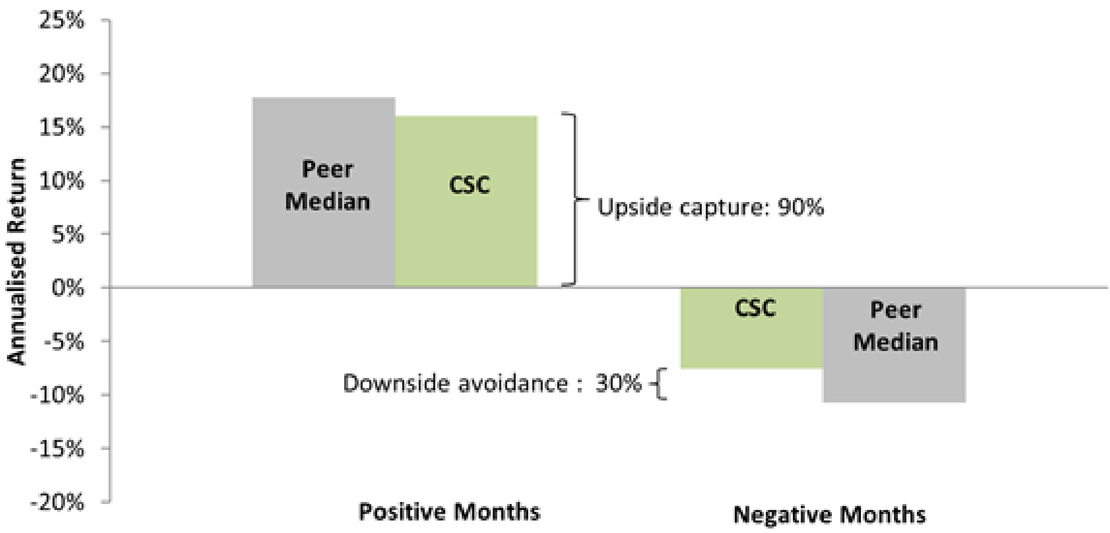


Table 7 below presents the CSCri RIS ratio of returns to risk (Sharpe Ratios) over 5-year time horizons[14]. All CSCri RIS investment options delivered higher levels of return per unit of risk than peer medians. The Cash investment options are not presented as they do not have measurable risk profiles, being low to no risk options.

[13] Source: SuperRatings

[14] 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 'return per unit of risk' perspective.

Table 7 - Sharpe Ratios by option

Product and investment options	5 year		
	Sharpe Ratio	Median	Relative to median
CSCri RIS			
Balanced	0.84	0.75	Above
Aggressive	1.13	0.69	Above
Income Focused	1.42	0.65	Above
CSCri TRIS			
Balanced	Not applicable – product less than five years old		
Aggressive			
Income Focused			

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.

Scale

On a consolidated basis, at $56.3bn as at 30 June 2022, CSC is the 13th largest 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

CSCri is a relatively recent retirement focused product - as such the number of accounts is about 2,100. As would be expected for a retirement income stream product, the demographic cohort is entirely aged 50 or higher. Both member and FUM growth have been significantly higher than the industry median with SuperRatings reporting these growth metrics as well above benchmark. Figure 2 below provides a snapshot of CSCri member demographics as at 30 June 2022.

Figure 2 - CSCri membership demographics - June 2022

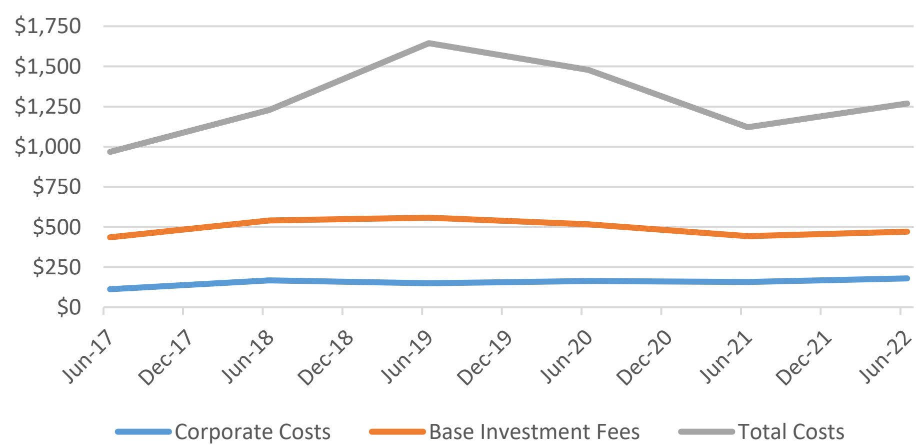
Item	**CSCri**	
Accounts	2,126	
Membership (Average Years)	2	
Male	1,115	52%
Female	1,011	48%
Total	2,126	100%
Under 35 (Career Starters)	0	0%
35 - 49 (Career Builders)	6	0%
50 + (Pre and Post Retirees)	2,120	100%
Total	2,126	100%

Operating Cost Assessment

CSCri'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 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 have the retirement income they planned for, regardless of the market conditions at the time.

Figure 3 below presents costs per customer in CSCri RIS and CSCri TRIS combined 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. Fees have trended lower since 2019 as our investment fee savings measures materialised.

Figure 3 - Costs per customer - based on $150,000 customer account size over the period



Setting of Fees

CSC allocates costs fairly and reasonably across all fund 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 other choice products.

RIS (post retirement)	Peer Universe
Balanced	SuperRatings SRP25 Conservative Balanced
Aggressive	SuperRatings SRP50 Balanced
Income Focused	SuperRatings SRP50 Capital Stable
Cash	SuperRatings SRP50 Cash

TRIS (pre-retirement)	Peer Universe
Balanced	SuperRatings SR50 Balanced
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) Fees and Charges;
    d) Product Flexibility;
    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' 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, ADF Super and CSCri 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 to PSSap, ADF Super and CSCri.
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 effects 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.