Australian Government
Commonwealth Superannuation Corporation

ANNUAL REPORT
to customers 2021-22

Commonwealth Superannuation Corporation

100 Years of Service

CONTENTS

Financial advice for your needs and goals

Obtaining professional advice from an experienced financial planner can help you reach your financial goals. CSC's authorised* financial planners provide 'fee for service' advice, which means you receive a fixed quote upfront. There are no obligations, commissions or hidden fees.

To arrange an initial advice appointment please call **1300 277 777** during business hours. If you wish to find out more, please visit **csc.gov.au**

*CSC's authorised financial planners are authorised to provide advice by Guideway Financial Services (ABN 46 156 498 538, AFSL 420367). Guideway is a licensed financial services business providing CSC financial planners with support to provide members with specialist advice, education and strategies.

About this report

This is the annual report for the year ended 30 June 2022 to members of the: Public Sector Superannuation Scheme (PSS) ABN: 74 172 177 893 RSE: R1004595 Commonwealth Superannuation Scheme (CSS) ABN: 19 415 776 361 RSE: R1004649 Military Superannuation and Benefits Scheme (MilitarySuper) ABN: 50 925 523 120 RSE: R1000306 Public Sector Superannuation accumulation plan (PSSap) ABN: 65 127 917 725 RSE: R1004601 Commonwealth Superannuation Corporation retirement income (CSCri) ABN: 65 127 917 725 RSE: R1004601 Australian Defence Force Superannuation Scheme (ADF Super) ABN: 90 302 247 344 RSE: R1077063

This report was prepared in September 2021 by Commonwealth Superannuation Corporation (CSC) (ABN: 48 882 817 243 AFSL: 238069 RSEL: L0001397). CSC manages and is responsible for all aspects of PSSap and CSCri, including investment strategy, administration and member communications.

CSC is licensed under the *Corporations Act 2001* and the *Superannuation Industry (Supervision) Act 1993*. CSC is the trustee of five regulated superannuation schemes: CSS, PSS, MilitarySuper, PSSap, ADF Super. CSC also administers six exempt public sector and military schemes.

General advice only

Any financial product advice in this report is general advice only and has been prepared without taking account of your personal objectives, financial situation or needs. Before acting on any such general advice, you should consider the appropriateness of the advice, having regard to your own objectives, financial situation and needs. You may wish to consult a licensed financial adviser. You should obtain a copy of the Product Disclosure Statement (PDS) for the relevant scheme and consider its contents before making any decision regarding your super.

REPORT FROM OUR CHAIR

Introduction

For the past three years our lives have been dominated by COVID-19 and it has genuinely been a global effort to work our way through it. Pleasingly, the huge amount of uncertainty and associated anxiety that we saw at the start of the pandemic has been tapering away and the reality of living with COVID seems to be a fair bit clearer now.

During the past year we've seen a shift away from all-consuming COVID-related market impacts towards rising inflation and the increased cost of living, which have become the predominant influences. These inflationary pressures have had an impact on the Australian and international economies and this has resulted in financial markets seeing lower levels of growth, which, in turn, has had an impact on superannuation investment returns.

Combine this with a change in the Australian Government and the accompanying shifts in policy positions and priorities, particularly around wage reform and climate change, and we are navigating an economy and investment markets that are arguably as dynamic and complex as any time in history. We also saw the direct and indirect impacts of Russia's invasion of Ukraine overlap with these other significant global and domestic issues to add another level of uncertainty and volatility to global investment markets.

Despite these significant headwinds, CSC has continued to perform robustly and our ongoing efforts to transform into a truly customer-centred business have progressed significantly over the past year.

Investment performance

Global share and bond markets experienced negative returns for the 2021–22 financial year. We appreciate these one-year results may be concerning to our customers but they must be considered in context. The one-year results for our investment options are more moderate than the results from these underlying markets. This is because of the diversification we build into our portfolios and the high-quality private assets we have included.

As discussed previously at our Annual Member Meetings and in our quarterly Customer Newsletters, we have been – and continue to be – proactively preparing our investment portfolios to weather higher inflation and lower asset values as central banks respond to that inflation. Details can be found in the Investment section of this report.

Our focus on downside protection and high-quality assets means that these price variations do not erode the underlying value of the investments we make on our customers' behalf. Rather, they remain temporary fluctuations not permanent impairments to our customers' savings – as demonstrated in our history[1].

[1] We measure our fitness or ability to recover from adverse events and not incur writedowns (permanent loss of capital), e.g. in the Global Financial Crisis, we had no collateralised debt obligations in our portfolio

Over the longer term, investment returns for the 10 years to 30 June 2022 for the Default, Balanced and MySuper Balanced options of the various schemes continue to exceed their objectives

Table 1. Investment returns to 30 June 2022 for CSC's Default, Balanced and MySuper Balanced scheme options

	AUM $billion	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	7 years (%) p.a.	10 years (%) p.a.	15 years (%) p.a.
Inflation		6.1	3.2	2.6	2.3	2.3	2.5
Investment option							
CSS Default	1.25	-3.3	4.3	6.0	5.9	7.9	5.2
PSS Default	22.32	-3.4	4.2	5.9	5.8	7.8	5.1
MilitarySuper Balanced	10.21	-3.4	4.1	5.9	5.8	7.7	4.4
PSSap MySuper Balanced	15.28	-3.4	4.1	5.8	5.7	7.8	5.1
ADF MySuper Balanced	0.94	-3.4	4.0	5.8			
Target return		9.6	6.7	6.1	5.8	5.8	6.0

Note: Performance is presented net of fees and taxes. Investment performance is subject to market volatilities and past performance is not an indicator of future performance.

We also continue to measurably outperform our regulated reference portfolios across all options, which the regulator monitors to assess the quality of superannuation fund investment capability[2].

CSC's primary investment objective is to maximise long-term, real (that is, above inflation) returns for customers, with a target of 3.5% p.a. over rolling three-year periods for our Default, Balanced and MySuper Balanced options, while keeping risk to an acceptable level (defined as a probability of loss in no more than five years out of 20). This investment objective is designed to provide adequacy in retirement for our average customer. 'Adequacy' is defined by the Australian Superannuation Fund Association (ASFA) as a 'comfortable standard', which accounts for post-retirement cost-of-living adjustments[3].

[2] Our MySuper Balanced, Income-focused and Aggressive options have all passed APRA's annual performance test for 8 years to 30 June 2022 apra.gov.au/your-future-your-super-performance-test. Investment performance is subject to market volatilities and past performance is not an indicator of future performance.

[3] Source: APRA. The comfortable retirement standard allows retirees to maintain a good standard of living in their post work years. It accounts for daily essentials, such as groceries, transport and home repairs, as well as private health insurance, a range of exercise and leisure activities and the occasional restaurant meal. Importantly it enables retirees to remain connected to family and friends virtually – through technology – and in person, with an annual domestic trip and an international trip once every

100 years of service

During 2022 CSC celebrates 100 years of service, making us one of the oldest and experienced super providers in the country.

This is a milestone everyone at CSC is incredibly proud of and at the beginning of 2022 we launched our 100 Year Anniversary celebrations, kicking off a year-long program of activity showcasing the history and evolution of the fund and its ongoing commitment to Australia's public service, defence force and veteran communities.

Since its inception in 1922, as the 1922 Scheme, the Government-owned super fund has grown significantly and now serve 733,000 customers, of which 245,000 are pensioners.

We have used this milestone to celebrate our proud heritage, how we support and guide our customers today, and how the business is transforming to deliver improved customer-centric services into the future.

AVSuper merger

In May 2022 AvSuper and CSC announced that the two funds were considering merging. We put in place a Memorandum of Understanding to conduct due diligence to determine whether a merger of the two organisations would be in the best interests of both AvSuper and CSC customers. At the time of writing we are still conducting that due diligence.

AvSuper, a public offer fund, was formed in 1990 and is dedicated to the aviation and aviation safety industries.

The merger, which requires Government approval along with the passage of appropriate legislation through Parliament, is seen as an opportunity to bring together two super funds that share a common heritage and provide superannuation to those who serve our country.

AvSuper's members will benefit from CSC's $60 billion scale in investments and CSC members are likely to see a larger, more diversified customer base.

Stapling: a significant change to the super industry

From 1 November 2021 the 'stapling' of super funds to employees was put into place. It has been one of the most significant changes to super in decades. Put simply, stapling means that one super fund will follow an employee from job to job and contributions will be paid to that single super fund unless the employee explicitly decides to change to another super fund. Prior to stapling, when an employee changed jobs their contributions were defaulted into their new employer's chosen super fund, unless they actively nominated a different super fund.

Stapling is intended to limit the creation of unintended multiple accounts among employees when changing jobs, which the Productivity Commission estimates cost members $2.6 billion annually in unnecessary fees and insurance premiums.

Stapling does not impact Australian Government employees or ADF personnel with defined benefit accounts, such as PSS, CSS, MilitarySuper or DFRDB accounts. These defined benefit accounts are excluded from the stapling changes and their respective rules around eligibility take priority over stapling.

Celebrating 100 Years of Service

1922

Bold beginning

Strength to strength

Becoming the super fund of choice

The next generation

2022

CSC Commonwealth Superannuation Corporation

100 Years of Service

Royal Commission into Defence and Veteran Suicide

On 8 July 2021 the Governor-General His Excellency General the Honourable David Hurley AC DSC (Retd) issued Letters Patent, which established the Royal Commission into Defence and Veteran Suicide.

CSC's CEO Damian Hill appeared as a witness at that Royal Commission on 12 April 2022 and spoke about the joint efforts of CSC, the Department of Veterans' Affairs (DVA) and the Australian Defence Force to reduce red tape and improve the process for veterans during their transition from the military to civilian life.

Prior to the Royal Commission beginning, the Joint Transition Authority (JTA) was established to look across the entire transitions system to identify opportunities for improvement, address gaps, remove unnecessary duplication, integrate existing services and influence new ones as they are developed. The JTA is located within the Department of Defence and is partnering with the DVA and CSC, as well as ex-service organisations and other government agencies that deliver transition support services to veterans.

Retirement income strategy

On 1 July 2022 we published our Retirement Income Strategy (RIS), which is a new framework that will see us develop and implement an expanded range of products and services for CSC customers who are retired or about to retire.

Over the coming year we will be developing new retirement products and related support and guidance for our PSSap, ADF Super and CSCri customers, along with those of our defined benefit customers who continue to make or receive contributions, or have a preserved account balance. These new products will supplement our existing account-based and defined benefit pension products.

The purpose of CSC's RIS is to achieve and balance the following objectives over the period of a customer's retirement:

- To maximise expected retirement income over the whole period of retirement.
- To manage expected risks – like the risk of outliving super money, investment risks and inflation risks – so that retirement income is sustainable and stable.
- To provide flexible access to super to meet unforeseen needs in retirement.

CSC board director changes

During the 2021–22 financial year CSC welcomed two new Board Directors: Ms Juliet Brown OAM and Ms Jacqueline Hey. Juliet and Jacqueline replaced outgoing Board Directors Ms Patricia Cross (CSC's previous Chair) and Dr Michael Vertigan.

Both Juliet and Jacqueline have extensive experience in the financial services sector and will bring a wealth of knowledge to our already skilled Board.

I want to thank both Patricia and Michael for their extended service to CSC.

Thank you

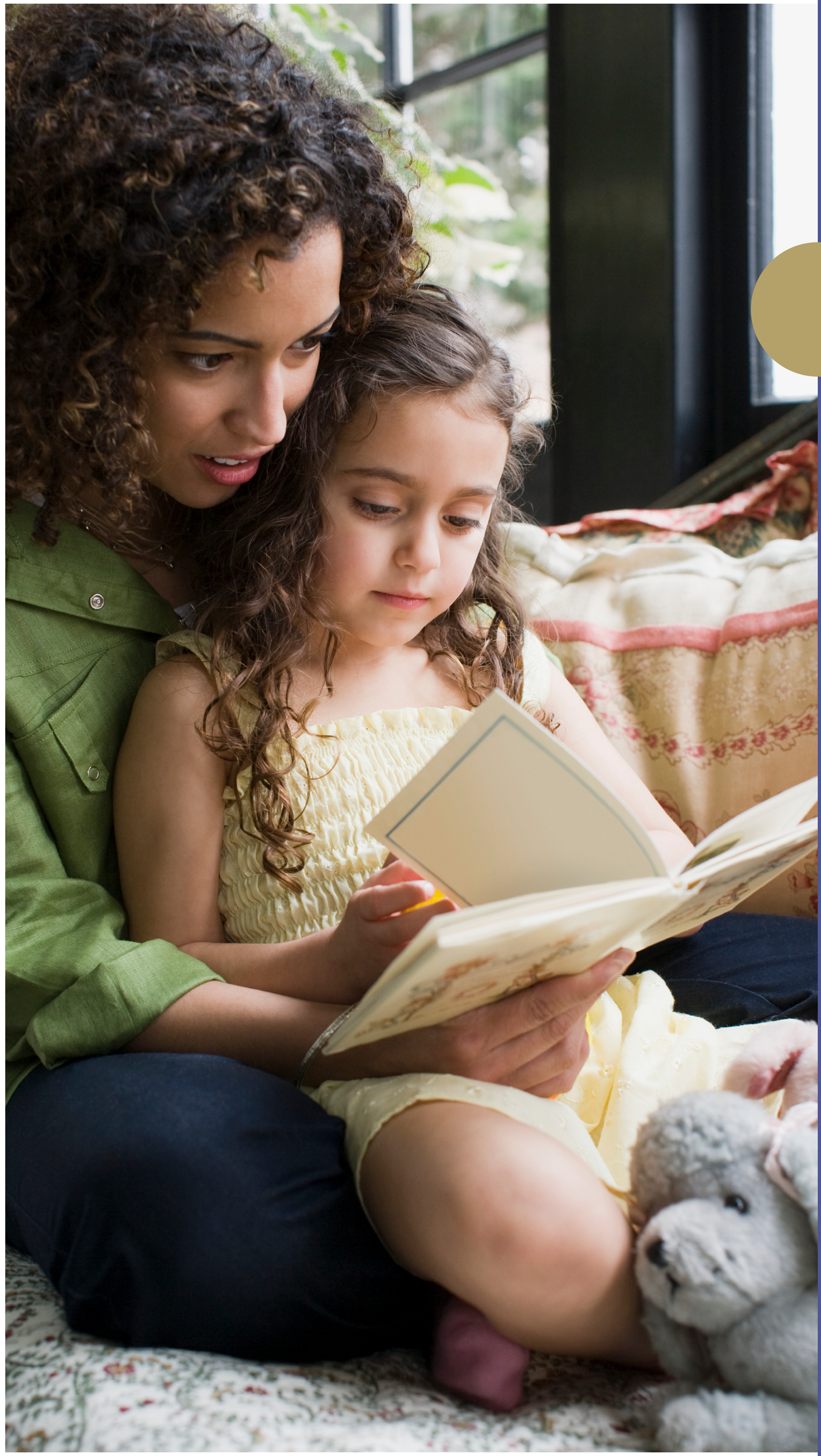
We take on the job of trustee of our customers' superannuation with a great sense of pride – it is a privilege to serve those who serve Australia.

Many of our customers have been at the frontline of the COVID-19 pandemic, helping fellow Australians in their time of need and playing a key role in forging a path forward towards a world where the health and economic impacts are overcome or minimised. Many of our customers in the Australian Public Service and the ADF stepped forward to support their fellow Australians and I want to acknowledge and thank them for the important work they've done during the pandemic and in more recent disasters.

Garry Hounsell

Chair

28 September 2022



Our vision is to build, support and protect better retirement outcomes for all our customers and their families

ABOUT OUR SCHEMES

CSC is the trustee of five superannuation schemes regulated under the *Superannuation Industry (Supervision) Act 1993*, and we administer six exempt public sector and military schemes. This report provides information on the regulated schemes— i.e. CSS, PSS, MilitarySuper, PSSap, and ADF Super. Information about our exempt public sector and military schemes— including the Defence Force Retirement and Death Benefits (DFRDB) Scheme—is available on our website csc.gov.au

The Public Sector Superannuation Accumulation Plan (PSSap) and the Australian Defence Force Superannuation Scheme (ADF Super) are open to eligible current and former Australian Government employees and members of the Australian Defence Force. These are accumulation funds meaning super accumulates depending on contributions and investment performance. As 'not-for-profit funds' all net investment returns are returned to customers.

Access to insurance through super is a major benefit we offer our customers. Eligible PSSap customers have access to lifePLUS cover and ADF Super customers who have left the ADF (and satisfy eligibility conditions) have access to lifePLUS Protect. This can be a cost effective way to hold Life and Income Protection insurance at rates that are generally lower than what you could get outside super and premiums are paid from your super balance, not your take home pay. Serving ADF members who are eligible for ADF Super are provided Death and Invalidity benefits through ADF Cover.

The Public Sector Superannuation Scheme (PSS) is a defined benefit scheme which is closed to new customers. The Commonwealth Superannuation Scheme (CSS) is a hybrid scheme, being part accumulation and defined benefit. This scheme is also closed to new customers. Eligible PSS and CSS customers can open a PSSap Ancillary account, or access our account based pension product—Commonwealth Superannuation Corporation retirement income (CSCri)—giving them more flexibility to make the most of their super.

A PSSap Ancillary membership provides the opportunity to grow super, access additional investment options, and take out additional insurance—like income protection. CSCri is designed to complement existing benefits by allowing customers to keep some or all of their super invested while also receiving regular income payments in retirement.

Military Superannuation and Benefits Scheme (MilitarySuper) is a hybrid scheme, being part accumulation and defined benefit. This scheme is also closed to new customers.

Our customers

Our customers generally fall into three categories:

Those making superannuation contributions who are either employed by a participating scheme employer (usually an Australian Government entity or the ADF), or customers who were formerly employed by a participating scheme employer, and who elected to continue to contribute to PSSap or ADF Super with their new employer.

Those with preserved or deferred benefits who are no longer able to contribute to their scheme, because they no longer work for a participating employer, or are no longer ADF members. We continue to maintain accounts for these customers and they can generally start making contributions again if they join a participating employer or re-join the ADF.

Those receiving a pension who have retired. Some ex-military members receiving a pension may start making contributions again, if they re-enter the ADF for a period of more than 12 months.

CSC customers also include former spouses, following a family law split; spouses and eligible children of deceased customers; and customers who have multiple superannuation accounts with us.

YOUR INVESTMENTS

Our investment objectives

We aim to achieve consistent long-term returns within a structured risk framework. To achieve this, we manage and invest each scheme's investment option to enable its stated investment objective within strictly defined risk limits. Each scheme is also managed in a way that allows for payment of monies to meet customer benefit payments, and to achieve equity among all customers, as well as exercising care and diligence to maintain and grow the assets of the schemes.

CSC jointly invests the assets of CSS, PSS, MilitarySuper, PSSap and ADF Super, providing economy-of-scale benefits to customers in each regulated scheme. We partner with professional external investment managers for their specialised expertise in the implementation and operational management of CSC's individual investments. This means that CSC's investment options in each scheme benefit from tailored oversight of their exposures, despite the fact that they span a very broad and diversified range of asset classes. Asset allocation and rebalancing ranges are set, fit for the purpose of each of CSC's investment options.

Our strategy

Today, our average defined contribution customer across all cohorts has accumulated savings that are expected to be on track to deliver a retirement income equivalent to approximately 30% more than the ASFA comfortable retirement lump sum standard*. CSC's investment strategy is designed to help all of our customers achieve a standard of living in retirement that is 'comfortable', as defined by ASFA, regardless of whether they retire in strong or weak conditions. We expect every investment risk we take to improve the probability that our customers' balances will meet the ASFA standard by the time they retire at an assumed age of 65.

On the long-term horizon, for customers in our balanced option, we expect to deliver competitive returns with greater certainty of income-sufficiency at retirement.

Our income-focused and aggressive funds are expected to deliver competitive returns consistently as their risk appetite is more directly comparable to that of other funds.

Our investment performance

Investment performance for each option is calculated after fees and taxes (please note that past performance is no indication of future performance).

Performance is calculated based on the actual value of investment option assets as at the end of the quoted performance period (which is 1 July 2021 to 30 June 2022 for this report) and is indicative only of the returns that a customer achieves on their investment.

Earning rates (for CSS and PSS) and unit prices (for MilitarySuper, PSSap, CSCri and ADF Super) are used for daily customer transactions and will determine the actual performance a customer achieves based on the timing and amount of their individual transactions. The earning rates and unit prices are determined based on the best available information at the time they are declared. Valuations are incorporated into the calculations for earning rates and unit prices as soon as practical after they are received.

*For retirees aged 65-85 who own their own home outright and are relatively healthy. The Australian Comfortable Retirement Income Standard for couples is higher.

Using earning rates or unit prices to calculate investment performance for the 1 July 2021 to 30 June 2022 period will provide similar – but not identical – returns to the investment performance figures published below. Analysis of CSC's investment performance is included in our Chair's report on pages 4–9.

Some of the key portfolio activities in 2021-22 that contributed to our performance include:

1. **Sourcing the types of investments that build more inflation-hedging into our customers' savings or reduce the downside risk to those savings, whilst ensuring they continue to grow robustly**. Our investment portfolios have to be able to withstand many different economic, policy, political and market environments over the long time-span to our customers' retirement. Therefore, we build them with a wide view to the potential risks and macro scenarios that could plausibly occur, along with their likelihood and sequencing.

   For example, a year ago, we considered it likely that laggard central banks would have to respond to more-persistent-than-expected inflation with larger-than-expected interest rate rises[4]. As a result, the risk of either a recession (negative growth and success in lowering inflation) or stagflation (low insipid growth but high average inflation) were identified as potential outcomes in 2022/23.

   We responded by prioritising inflation-linked assets in our private asset pipeline and building some downside protection into our investment portfolios back in 2021, before markets began to re-price on these risks. For example:

   - Our investment in Amplitel in 2020/21 provided cash flows that benefited from the persistent rise in inflation over the past year, as it was designed to[5].
   - We recycled our profits out of our early investment in an Australian windfarm, into a European-based, global developer, operator and owner of renewable energy assets. This business originally focused on windfarm developments in Western Europe, but has expanded beyond this to build a larger pipeline of solar, wind and battery development opportunities in Western Europe, Central Europe, Latin America and North America. The structured nature of the investment gives CSC customers downside protection, while allowing us to participate in growth upside.

   In the 2021–22 financial year, we also invested in a Dutch residential broadband network, and signed agreements to invest in Australian residential broadband business and a US data centre's business. These two assets further diversify our portfolio of digital assets geographically and across different types of digital infrastructure investments[6]. We seek to find digital assets that have both defensive cash flows from infrastructure-like business model, with exposure to growth from digitisation trends that are less correlated to market and economic cycles – such as working from home, growth in data usage and storage, and shifts from traditional to 'cloud'-based workloads.

2. We continued to deploy capital selectively and increasingly via co-investment across private equity opportunities because they offered high-quality and targeted access to innovative-company formation and structurally-supported industries[7]. All of these investments stand on their own financial merit and produce positive impact. Examples in 2021–22 include:

   - **Digital security & user safeguarding**: A market-leading computing platform to support pupil safety and wellbeing. The importance of having a cloud-based safeguarding solution was especially relevant during Covid-19, with schools needing to transition all manual processes to digital. Since 2018, the company has experienced very significant organic growth, growing its client base from around 6,000 schools to more than 14,000 schools, with their safeguarding software now being subscribed to by more than half of all schools in England.
   - **Consumer staples**: A leading modern convenience store retailer in Poland, with a network of 8,500 stores and dominant market position: Poland has absorbed over 1.4 million refugees from Ukraine since the start of the Russian invasion, and this company has pursued a range of charitable activities to support Ukrainians both in Poland and Ukraine.
   - **Healthcare innovations**: A business that created a highly innovative medicine based on RNA (RiboNucleic Acid) technology that can safely lower LDL ('bad') cholesterol in patients by half with only two doses per year: the medicine helps patients lower LDL cholesterol which is a major risk factor for cardiovascular disease and the leading cause of death globally and has regulatory approvals in both the US and Europe.
   - **Healthcare distribution**: A US-based market leading manufacturer and distributor of medical supplies to the healthcare sector, including hospitals, nursing homes and physician offices, offering a wide array of 340k+ medical products.
   - **Healthcare operational efficiency**: A medical software platform focusing on the rollup of mission critical software solutions catering to specialty retail medical practices such as dental, orthodontic, chiropractic, optometry, nutritionists, and integrated medicine
   - **Digital services**: An American online retailer of prescription glasses and sunglasses, which has allowed customers to easily afford and comfortably purchase online, by circumventing traditional supply channels, designing glasses in-house and engaging with customers directly. The company works with partners worldwide to ensure that for every pair of glasses sold, a pair is distributed to someone in need. To date, over 8 million pairs of glasses have been distributed through their Buy a Pair, Give a Pair program.

3. We continued to build new investment management businesses. Over the last year, for example, we have:

   - Identified and partnered with global best practice investment talent to create new sources of investment returns for our customers in a tailored and cost-effective way. By seeding these new businesses early, we are able to share profits in the partnership, effectively lowering fees over time, as the businesses grow by winning additional new global clients that increase their assets under management; and
   - Added to our internal, proprietary strategies for active return generation.

4. Integrated management of all risks. Our pro-active management of short-, medium- and, importantly, long-horizon risks continued with:

   - The deployment of dynamic capital-protection strategies to hedge our customers' savings against event risks.
   - Pro-active and integrated responses to the results of our climate and ESG stress tests e.g. we have substantially increased the share of public equity capital managed to optimise the use of scarce natural resources and mitigate waste; and
   - Active ownership of our public companies which is executed indirectly by voting on all shareholder resolutions and directly via engagement by our new engagement specialist on international listed companies, Hermes Equity Ownership Services (EOS) Limited. This is complementary to the direct engagement conducted by our active investment managers.

5. Continue to achieve the best value for money for our customers. Specifically, our focus on continuous improvement means that structures we having been putting in place over the past six years are flowing through to sustainably reduce the investment costs of our Balanced, Aggressive and Income-focused investment options. This trend is visible in the financial year 2021–22. Our fee structures focus on alignment of our investment agents with our customer outcomes, by ensuring that investment-manager performance is rewarded fairly when they deliver at or above our customer's objectives, but clawed-back when it is not. For example, we have:

   - responded pro-actively to efficiencies arising from changing market dynamics;
   - exploited inefficiencies arising from Australian industry dynamics;
   - used our pricing power to reduce the costs but maintain the quality of financial value we can create over our customers' working lifetime; and
   - kept our focus on value-for-money, rather than just lowest cost.

Further, our seeder program, our internal dynamic macro fund (unlevered) strategy, our private equity and hedge fund co-investment program and our internalised risk capability have all reduced costs while adding value compared to external structures used by smaller peers.

[4] Have things become more expensive? Is it just temporary? (September 2021)

[5] Growing CSC's infrastructure assets of the future

[6] Starting with domestic data centres in 2016, we have added an Australian wireless tower infrastructure, pan-European mobile towers network, a fibre optic network business in Europe, data centres and fibre assets in Asia, and a broadband investment in the US in the last 6 years.

[7] Since 1996, we have invested in high quality private businesses, e.g. technology innovators, biotechnology and pharmaceutical businesses through private equity funds and more recently co-investments. This portfolio has generated strong profits as these early-stage businesses matured into listings on public stock markets, were purchased by other private equity funds, or through trade sales to larger, established corporations looking to grow through acquisition. These investments have meant that we added more than 4.5% per annum post all fees above public share market benchmarks since inception.

The global investment outlook

The effects of rapidly increasing interest rates, high inflation, continuing supply chain issues and reduced consumer spending have all contributed to slowing growth in 2022. As we move from a cyclical recovery (post COVID), we consider the potential scenarios that could eventuate according to how the following plays out:

- **The interest rate balancing act**. Central banks around the world are raising key interest rates in response to very high inflation. The pace and size of the rate increases needed to control inflation for 2022/23 remains highly uncertain. We also note that each central bank has a delicate balancing act to negotiate – raise rates too much and push its economy into a deep recession or too little and fail to blunt inflation.
- **The debt overhang**. According to the IMF, global debt has increased to a new historical high of c. 250% of global GDP. The associated large potential fiscal cliff (reduction in government spending) in many countries in 2022/2023 would require a smooth transition of spending from the public sector to the private sector, with cycle extension towards self- (rather than policy-) reliance.
- **The protracted Russia/Ukraine conflict**. The Russia/Ukraine war continues to grind on with little resolution in sight. Both the war – and the subsequent imposition of sanctions on Russia – have impacted the prices of energy and food, leading to a dampening of world growth and sparking a humanitarian crisis. With Russia continuing to view its huge gas and oil reserves as a tool for economic coercion, the continuing conflict increases the likelihood that Europe and the UK will fall into recession later this year. The lower availability and higher pricing of agricultural inputs and produce have increased food security concerns, particularly across many emerging regions.
- **Stickier inflation**. The probability of a longer and stickier period of inflation depends on a number of factors. Supply chains – a source of supply-side inflation – appear to be operating more smoothly but are still not back to pre-COVID levels. The demand stimulated in developed markets through the past two years appears to be responding to higher interest rates, but there remains much uncertainty about the slope of its trajectory. The Chinese policy cycle is out of sync with that of the developed world and is widely expected to move more aggressively accommodative over the coming year. This will have implications for global growth, input costs and inflation expectations. The prospective dynamics back to wage inflation and the responses in labour markets (e.g. labour mobility, technology substitution, job security, industry specific drivers) are also now at play, with consequences for the pace and ultimate settlement rate of inflation.

Resilient portfolios for a wide range of plausible scenarios

By considering a wide range of plausible fundamental developments, we examine what our customers' portfolios need to be resilient. We search for assets capable of dependably generating inflation-linked cash flows without also eroding capital value, and that can therefore benefit from any upside surprises in inflation as central banks target higher wages and prices.

We look for high-quality assets that are more resilient to temporary collapses in economic growth because they provide essential services or inputs into activity. We look for excellence in the management teams that operate our assets, so that they can agilely position their businesses for comparative advantage, deploy technology smartly and be proactive about the structural changes underway almost everywhere today.

Specifically, over the past number of years, we have been preparing our customers' portfolios for resilience by:

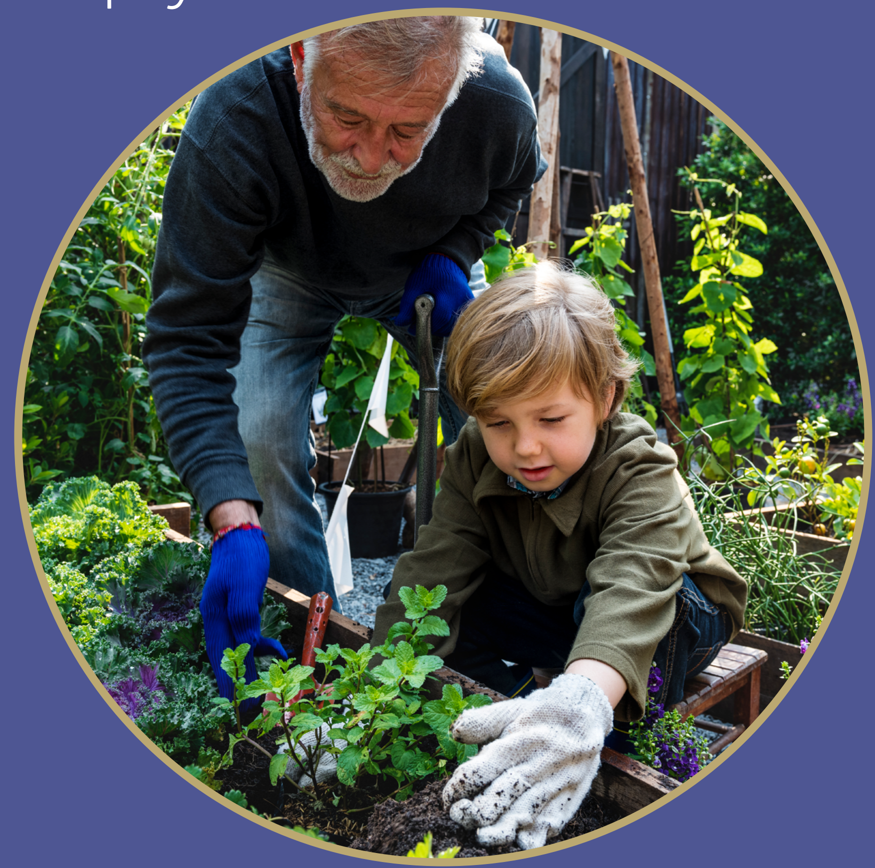
- building greater geographic diversity into our defensive assets and currencies;
- financing new private assets and businesses, rather than trading claims on operating ones;
- building new asset management businesses with revenue-sharing arrangements;
- hedging against long-term inflation risk;
- maintaining our focus on the fundamental value and quality of assets, rather than their current prices; and
- being mindful of the fact that conditions are now conducive to creating extreme bubbles in some segments of financial markets, though with no certainty on timing.

In these ways we continue to seek to deliver to our purpose and measure our success by:

- the level of financial adequacy we can generate for our customers in retirement;
- avoiding capital-impairing risks along that journey;
- early-identification and execution into high-quality assets whose cashflows are supported by structural trends rather than cyclical conditions or fads; and
- avoiding material losses through periods of market setback.

In the face of these uncertainties, our relative size and governance advantages enable us to manage risks nimbly, move early and invest robustly into more complex opportunities where capital is scarcer. We believe these areas are likely to be the richest sources of return going forward.

Our investment philosophy



Our investment purpose is to provide sustainable retirement outcomes to Australian public service and defence customers, and your families.

CSS

Commonwealth Superannuation Scheme

CSS was established on 1 July 1976, and closed to new customers on 30 June 1990. CSS is a hybrid scheme (part accumulation, part defined benefit) where benefits derive from customer and employer-financed benefits. The accumulation benefit is formed by customer and productivity contributions, and fund earnings. The defined benefit is the employer-financed amount, which (in most cases) is paid as a lifetime non-commutable indexed pension.

CSS investment performance summary

Table 2: All CSS options performance over last 15 years to 30 June 2022

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	7 yrs (% pa)	10 yrs (% pa)	15 yrs (% pa)
Default Fund	-3.3	4.3	6.0	5.9	7.9	5.2
Cash Investment Option	0.2	0.4	0.9	1.1	1.5	2.4
Australian Inflation	6.1	3.2	2.6	2.3	2.3	2.5

Note: All returns are calculated as the annually compounded average rate of earnings after tax and fees. Past performance is not indicative of future performance. CPI inflation shown to assist with comparison to objectives.

Table 3: CSS Default Fund and Cash option performance over last five financial years

Financial year	Default	Cash
2017–18	9.4	1.5
2018–19	7.9	1.7
2019-20	-0.8	0.9
2020-21	18.4	0.1
2021-22	-3.3	0.2

Note: All returns are calculated after tax and fees and are for the investment option as a whole; these returns are not your personal investment returns in CSS. Past performance is not indicative of future performance.

About CSS investment options

Cash option

OBJECTIVE

The objective is to preserve its capital and earn a pre-tax return close to that of the Bloomberg AusBond Bank Bill Index by investing 100% in cash assets.

ASSET ALLOCATION

Table 4: CSS Cash option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	0 (0-100)	100	100

Default Fund option

OBJECTIVE

The objective is to outperform the CPI by 3.5% per annum over 10 years.

ASSET ALLOCATION

Table 5. CSS Default Fund option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	11.5 (0–65)	9.4	9.7
Fixed interest	11 (0–65)	9.9	9.8
Equities	57.5 (15–75)	60.3	59.1
Property	6.5 (5–25)	6.3	6.2
Infrastructure	6 (0–20)	5.0	7.3
Alternatives	7.5 (0–30)	9.1	7.9

To manage the level of short-term volatility of returns and maintain appropriate levels of liquidity in the Fund, the target asset allocation to illiquid assets is limited to around 25% of the Default Fund's investments, with a rebalancing range of plus or minus 10% around that target.

FUNDS UNDER MANAGEMENT

Table 6: CSS Funds under management

Asset class	At 30 June 2021 ($m)	At 30 June 2022 ($m)
Cash	131.82	106.93
Balanced	1,656.33	1,250.87
Operational Risk Reserve	6.73	4.86
Total	**1,794.88**	**1,362.66**

Note: The Operational Risk Reserve is not an investment option. It is required by law for the purpose of providing a source of financial resources to help protect customers' interests should an operational risk event occur, such as the use of an inaccurate unit price to process a transaction that results in losses to the Fund or to customers.

Other information about our investments

Assets in excess of 5% of the Fund

There was no single asset greater than 5% of the total assets of the Fund at 30 June 2022.

CSS FINANCIAL OVERVIEW 2021–22

Table 46. CSS unaudited financial information for 2021–22

	$'000
Net assets available to pay benefits as at 30 June 2021	1,816,963
Inflows	
Changes in fair value of investments	(40,124)
Interest	15
Member contributions	18,890
Employer contributions	5,860
Low income superannuation tax offset contributions	3
Government co-contributions	8
Net appropriation from Consolidated Revenue Fund	4,347,580
Outflows[1]	
Benefits and pensions paid	(4,757,154)
Income tax expense	(881)
Net assets available to pay benefits as at 30 June 2022	1,391,160
Assets and liabilities as at 30 June 2022[2]	
Investments[3]	1,361,034
Cash	34,085
Other receivables	20
Benefits payable	(3,273)
Other payable	(189)
Tax liabilities	(517)
Net assets as at 30 June 2022	1,391,160

[1]Expenses relating to investment management were borne by the underlying investments of the Scheme. Costs other than those incurred in managing and investing Scheme assets are met by CSC. Administrative fees are paid by employers to meet these costs.

[2]Excludes member benefit liabilities of $61.7 billion, of which $60.3 billion is funded by the Commonwealth Government.

[3]The value of investments shown above reconciles with the total Fund values shown in Table 6 on page 15 as follows:

	$'000
CSS Options	
Default Fund	1,250,865
Cash Investment Option	106,932
Investments backing the operational risk reserve	4,863
Total Fund	1,362,660
Add/(less)	
Adjustment from unit pricing to financial statements valuation basis	(1,626)
	1,361,034

The assets of CSS are invested through the ARIA Investments Trust (AIT), where they are pooled with the investments of CSC's other schemes.

The AIT invests in multiple specialist investment funds and portfolios.

The AIT receives income such as dividends, interest, trust distributions and gains and losses on sale and incurs administration and management expenses including expenses that would otherwise be incurred by CSS.

The operating surplus or deficit generated by the AIT is reflected in daily unit prices released by the AIT for its unitholders including CSS, and daily earning rates based on the unit prices are published on the CSC website. If you would like to see a copy of CSS audited financial statements for this year and the report from the auditor, please refer to our Annual Report to Parliament (which is published and tabled in Parliament in October) at csc.gov.au, send an email to members@css.gov.au, call us on **1300 000 277** or write to CSS, GPO Box 2252, Canberra ACT 2601.

The Scheme holds an operational risk reserve. The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address potential losses arising from an operational risk event (such as the use of an inaccurate unit price or earning rate to process a transaction that results in losses to the fund or to customers). The operational risk reserve target amount is determined in accordance with CSC's Operational Risk Financial Requirement Strategy, and any accruals to and calls upon the reserve are also managed in accordance with that strategy. The total of the reserve as at 30 June for the past three years was $4.9 million in 2022, $6.7 million in 2021 and $6.7 million in 2020.

PSS

Public Sector Superannuation Scheme

PSS was established on 1 July 1990, and closed to new customers on 30 June 2005. PSS is a defined benefit scheme. On retirement, customers can usually convert 50% or more of their final benefit accrual to a lifetime non-commutable indexed pension, paid by the Australian Government. Any remaining balance, as well as any transfer amounts, will be paid as a lump sum.

PSS investment performance summary

Table 7: All PSS options performance over last 15 years to 30 June 2022

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	7 yrs (% pa)	10 yrs (% pa)	15 yrs (% pa)
Default Fund	-3.4	4.2	5.9	5.8	7.8	5.1
Cash Investment Option	0.1	0.3	0.8	1.1	1.4	2.4
Australian Inflation	6.1	3.2	2.6	2.3	2.3	2.5

Note: All returns are calculated as the annually compounded average rate of earnings after tax and fees. Past performance is not indicative of future performance. CPI inflation shown to assist with comparison to objectives.

Table 8: PSS Default Fund and Cash options performance over last five financial years

Financial year	Default	Cash
2017–18	9.3	1.5
2018–19	7.7	1.7
2019-20	-1.1	0.8
2020-21	18.3	0.1
2021-22	-3.4	0.1

Note: All returns are calculated after tax and fees and are for the investment option as a whole; these returns are not your personal investment returns in PSS. Past performance is not indicative of future performance.

About PSS investment options

Cash option

OBJECTIVE

The objective is to preserve its capital and earn a pre-tax return close to that of the Bloomberg AusBond Bank Bill Index by investing 100% in cash assets.

ASSET ALLOCATION

Table 9: PSS Cash option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	0 (0-100)	100	100

Default Fund option

OBJECTIVE

The objective is to outperform the CPI by 3.5% per annum over 10 years.

ASSET ALLOCATION

Table 10: PSS Default Fund option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	11.5 (0–65)	9.4	9.7
Fixed interest	11 (0–65)	9.9	9.8
Equities	57.5 (15–75)	60.3	59.1
Property	6.5 (5–25)	6.3	6.2
Infrastructure	6 (0–20)	5.0	7.3
Alternatives	7.5 (0–30)	9.1	7.9

To manage the level of short-term volatility of returns and maintain appropriate levels of liquidity in the Fund, the target asset allocation to illiquid assets is limited to around 25% of the Default Fund's investments, with a rebalancing range of plus or minus 10% around that target.

FUNDS UNDER MANAGEMENT

Table 11: PSS Funds under management

Asset class	At 30 June 2021 ($m)	At 30 June 2022 ($m)
Cash	55.15	49.25
Balanced	23,066.05	22,320.14
Operational Risk Reserve	74.58	72.34
Total	**23,195.78**	**22,441.72**

Note: The Operational Risk Reserve is not an investment option. It is required by law for the purpose of providing a source of financial resources to help protect customers' interests should an operational risk event occur, such as the use of an inaccurate unit price to process a transaction that results in losses to the Fund or to customers.

Other information about our investments

Assets in excess of 5% of the Fund

There was no single asset greater than 5% of the total assets of the Fund at 30 June 2022.

PSS FINANCIAL OVERVIEW 2021–22

Table 47. PSS unaudited financial information for 2021–22

	$'000
Net assets available to pay benefits as at 30 June 2021	23,162,329
Inflows	
Changes in fair value of investments	-797,208
Changes in fair value of deferred payable to the Consolidated Revenue Fund	47,777
Insurance premiums charged to customers	3,388
Other revenue	2,813
Member contributions	569,769
Employer contributions	171,321
Low income superannuation tax offset contributions	234
Government co-contributions	597
Net appropriation from Consolidated Revenue Fund	1,576,634
Outflows[1]	
Benefits and pensions paid	(3,147,996)
Insurance premiums paid	(3,388)
Income tax expense	(25,482)
Net assets available to pay benefits as at 30 June 2022	21,560,788
Assets and liabilities as at 30 June 2022[2]	
Investments[3]	22,412,610
Cash	19,197
Other receivables	1,073
Benefits payable	(9,507)
Other payables	(1,449)
Deferred payable to the Consolidated Revenue Fund	(846,048)
Net tax liabilities	(15,088)
Net assets as at 30 June 2022	21,560,788

[1]Expenses relating to investment management were borne by the underlying investments of the Scheme. Costs other than those incurred in managing and investing Scheme assets are met by CSC. Administrative fees are paid by employers to meet these costs.
[2]Excludes member benefit liabilities of $99.4 billion, of which $77.9 billion is funded by the Commonwealth Government.
[3]The value of investments shown above reconciles with the total Fund values shown in Table 11 on page 19 as follows:

	$'000
PSS Options	
Default Fund	22,320,136
Cash Investment Option	49,250
Investments backing the operational risk reserve	72,336
Total Fund	22,441,722
Add/(less)	
Adjustment from unit pricing to financial statements valuation basis	(29,112)
	22,412,610

The assets of PSS are invested through the AIT, where they are pooled with the investments of CSC's other schemes.

The AIT invests in multiple specialist investment funds and portfolios.

The AIT receives income such as dividends, interest, trust distributions and gains and losses on sale and incurs administration and management expenses including expenses that would otherwise be incurred by PSS.

The operating surplus or deficit generated by the AIT is reflected in daily unit prices released by the AIT for its unitholders including PSS, and daily earning rates based on the unit prices are published on the CSC website.

If you would like to see a copy of PSS audited financial statements for this year and the report from the auditor, please refer to our Annual Report to Parliament (which is published and tabled in Parliament in October) at **csc.gov.au**, send an email to **members@pss.gov.au**, call us on **1300 000 377** or write to PSS, GPO Box 2252, Canberra ACT 2601.

The Scheme holds an operational risk reserve. The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address potential losses arising from an operational risk event (such as the use of an inaccurate unit price or earning rate to process a transaction that results in losses to the fund or to customers). The operational risk reserve target amount is determined in accordance with CSC's Operational Risk Financial Requirement Strategy, and any accruals to and calls upon the reserve are also managed in accordance with that strategy. The total of the reserve as at 30 June for the past three years was $72.3 million in 2022, $74.6 million in 2021 and $73.9 million in 2020.

Military Super

Military Superannuation and Benefits Scheme

MilitarySuper was established on 1 October 1991, and closed to new customers on 30 June 2016. MilitarySuper is a hybrid scheme (part accumulation, part defined benefit). MilitarySuper also offers an ancillary benefit (which is also available to eligible DFRDB members) to those who wish to make additional contributions and transfers, such as additional personal, salary sacrifice and spouse contributions.

MilitarySuper investment performance summary

Table 12: All MilitarySuper options performance over last 15 years to 30 June 2022

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	7 yrs (% pa)	10 yrs (% pa)	15 yrs (% pa)
Cash	0.1	0.3	0.8	1.0	1.4	2.4
Income Focused	-1.2	3.3	4.6	5.0	5.3	4.1
Balanced (Default)	-3.4	4.1	5.9	5.8	7.7	4.4
Aggressive	-3.6	6.7	8.0	7.6	9.8	4.9
Australian Inflation	6.1	3.2	2.6	2.3	2.3	2.5

Note: All returns are calculated as the annually compounded average rate of earnings after tax and fees. Past performance is not indicative of future performance. CPI inflation shown to assist with comparison to objectives.

Table 13: All MilitarySuper options performance over last 5 financial years

Financial year	Balanced (Default)	Aggressive	Income Focused	Cash
2017–18	9.3	10.5	6.2	1.4
2018–19	7.7	9.5	7.0	1.6
2019-20	-1.1	1.7	3.5	0.7
2020-21	18.2	23.7	7.8	0.0
2021-22	-3.4	-3.6	-1.2	0.1

Note: All returns are calculated as the annual average rate of earnings after fees and taxes. Past performance is not indicative of future performance.

About MilitarySuper investment options

Cash option

OBJECTIVE

The objective is to preserve its capital and earn a pre-tax return close to that of the Bloomberg AusBond Bank Bill Index by investing 100% in cash assets.

ASSET ALLOCATION

Table 14: MilitarySuper Cash option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	0 (0-100)	100	100

Income Focused option

OBJECTIVE

The objective is to outperform the CPI by 2% per annum over 10 years.

ASSET ALLOCATION

Table 15: MilitarySuper Income Focused option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	28.5 (10–100)	22.1	30.2
Fixed interest	26 (10–100)	18.2	20.9
Equities	17.5 (0–40)	23.1	17
Property	10 (0–35)	14.0	6.8
Infrastructure	10 (0–35)	8.4	19.4
Alternatives	8 (0–70)	14.2	5.7

Balanced (default) option

OBJECTIVE

The objective is to outperform the CPI by 3.5% per annum over 10 years.

ASSET ALLOCATION

Table 16: MilitarySuper Balanced (default) option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	11.5 (0-65)	9.4	9.7
Fixed interest	11 (0-65)	9.9	9.8
Equities	57.5 (15–75)	60.3	59.1
Property	6.5 (5–25)	6.3	6.2
Infrastructure	6 (0–20)	5.0	7.3
Alternatives	7.5 (0–30)	9.1	7.9

Aggressive option

OBJECTIVE

The objective is to outperform the CPI by 4.5% per annum over 10 years.

ASSET ALLOCATION

Table 17: MilitarySuper Aggressive option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	4 (0–35)	1.4	3.4
Fixed interest	4 (0–35)	2.3	2.6
Equities	70 (20–95)	76.1	74.4
Property	7 (0–50)	7.4	7.4
Infrastructure	7 (0–50)	6.3	7.3
Alternatives	8 (0–70)	6.5	4.9

Our investment information

FUNDS UNDER MANAGEMENT

Table 18: MilitarySuper Funds under management

Asset class	At 30 June 2021 ($m)	At 30 June 2022 ($m)
Cash	90.52	124.01
Income Focused	89.34	84.85
Balanced (Default)	10,707.99	10,214.37
Aggressive	1,325.66	1,382.60
Operational Risk Reserve	42.30	43.10
Total	**12,255.81**	**11,848.94**

Note: The Operational Risk Reserve is not an investment option. It is required by law for the purpose of providing a source of financial resources to help protect customers' interests should an operational risk event occur, such as the use of an inaccurate unit price to process a transaction that results in losses to the Fund or to customers.

Other information about our investments

Asset in excess of 5% of the Fund

There was no single asset greater than 5% of the total assets of the Fund at 30 June 2022.

Calculation of unit prices

Your investment in MilitarySuper is valued in units. The unit price for an investment option reflects the total value of assets in the investment option (less expenses and taxes), divided by the number of all units issued in the investment option.

MilitarySuper uses units and daily unit prices to process transactions on your account, perform switches between investment options and track the value of your investment in the Fund.

When contributions are paid into your account, that money buys a number of units and the value of each unit (in dollars) is known as the unit price. Each investment option has a different unit price that can change daily, due to changes in investment markets and the value of assets. Investment earnings attributable to your account are reflected in the price of units that you hold.

Generally CSC bases its calculation of the value of assets in each investment option on the latest available market value at the end of each business day. Using these values, CSC will generally calculate the unit price for a given business day on the next business day. For example, CSC will generally calculate the unit price for 1 September (if a business day) and make it available on 2 September (if a business day).

If CSC is unable to determine a unit price for a business day on the following business day due to an unforeseeable event, such as a trading suspension in relevant markets, all reasonable steps will be taken to recommence unit pricing as soon as possible.

For further information, refer to the Fees and other costs booklet, which forms part of the **MilitarySuper Product Disclosure Statement** (PDS), available at **csc.gov.au**

MILITARYSUPER FINANCIAL OVERVIEW 2021–22

Table 48. MilitarySuper unaudited financial information for 2021–22

	$'000
Net assets available to pay benefits as at 30 June 2021	12,260,945
Inflows	
Changes in fair value of investments	(418,396)
Interest	13
Member contributions	231,525
Employer contributions	152,927
Low income superannuation tax offset contributions	96
Government co-contributions	369
Net appropriation from Consolidated Revenue Fund	1,412,430
Outflows[1]	
Benefits and pensions paid	(1,760,545)
Income tax expense	(23,005)
Net assets available to pay benefits as at 30 June 2022	11,856,359
Assets and liabilities as at 30 June 2022[2]	
Investments	11,848,881
Cash	20,376
Other receivables	3,349
Benefits payable	(1,981)
Other payables	(500)
Tax liabilities	(13,766)
Net assets as at 30 June 2022	11,856,359

[1]Expenses relating to investment management were borne by the underlying investments of the Scheme. Costs other than those incurred in managing and investing Scheme assets are met by CSC. Administrative fees are paid by employers to meet these costs.
[2]Excludes member benefit liabilities of $76.4 billion, of which $64.5 billion is funded by the Commonwealth Government.

The assets of MilitarySuper are invested through the AIT, where they are pooled with the investments of CSC's other schemes.

The AIT invests in multiple specialist investment funds and portfolios.

The AIT receives income such as dividends, interest, trust distributions and gains and losses on sale and incurs administration and management expenses including expenses that would otherwise be incurred by MilitarySuper.

The operating surplus or deficit generated by the AIT is reflected in daily unit prices released by the AIT for its unitholders including MilitarySuper, and daily MilitarySuper unit prices based on the AIT unit prices are published on the CSC website. If you would like to see a copy of MilitarySuper audited financial statements for this year and the report from the auditor, please refer to our Annual Report to Parliament (which is published and tabled in Parliament in October) at **csc.gov.au**, send an email to **members@enq.militarysuper.gov.au**, call us on **1300 006 727** or write to MilitarySuper, GPO Box 2252 Canberra ACT 2601.

The Scheme holds an operational risk reserve. The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address potential losses arising from an operational risk event (such as the use of an inaccurate unit price or earning rate to process a transaction that results in losses to the fund or to customers). The operational risk reserve target amount is determined in accordance with CSC's Operational Risk Financial Requirement Strategy, and any accruals to and calls upon the reserve are also managed in accordance with that strategy. The total of the reserve as at 30 June for the past three years was $43.1 million in 2022, $42.3 million in 2021 and $39.7 million in 2020.

PSSap

Public Sector Superannuation accumulation plan

PSSap was established on 1 July 2005 and is an open accumulation scheme. PSSap is generally available to current and former Australian Government employees (with some qualifying conditions). For PSSap members, the employer will contribute at a rate of 15.4%

PSSap offers an account-based pension product known as CSCri (Commonwealth Superannuation Corporation retirement income), to eligible customers.

Eligible CSS and PSS customers are also able to take up an ancillary membership PSSap.

PSSap investment performance summary

Table 19: All PSSap options performance over last 15 years to 30 June 2022

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	7 yrs (% pa)	10 yrs (% pa)	15 yrs (% pa)
Cash	0.1	0.3	0.8	1.0	1.4	2.4
Income Focused	-1.1	3.4	4.7	5.0	5.6	4.8
MySuper Balanced (Default)	-3.4	4.1	5.8	5.7	7.8	5.1
Balanced (Ancillary members only)	-3.4	4.1	5.8	5.7	7.6	5.7
Aggressive	-3.5	6.7	8.0	7.5	9.9	6.1
Australian Inflation	6.1	3.2	2.6	2.3	2.3	2.5

Note: All returns are calculated as the annually compounded average rate of earnings after fees and taxes. Past performance is not indicative of future performance. CPI inflation shown to assist with comparison to objectives.

Table 20: All PSSap options performance over last 5 financial years

Financial year	Balanced (Default)	Aggressive	Balanced (Ancillary)	Income Focused	Cash
2017–18	9.3	10.5	9.2	6.2	1.4
2018–19	7.7	9.5	7.7	7.1	1.6
2019-20	-1.1	1.9	-1.1	3.6	0.7
2020-21	18.2	23.7	18.2	7.9	0.0
2022-23	-3.4	-3.5	-3.4	-1.1	0.1

Note: All returns are calculated as the annual average rate of earnings after fees and taxes. Past performance is not indicative of future performance.

Table 21: All CSCri options performance over last 9 years to 30 June 2022

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	7 yrs (% pa)	9 yrs (% pa)
Cash	0.1	0.3	0.9	1.2	1.5
Income Focused (Default)	-1.5	3.8	5.1	5.4	5.8
Balanced	-3.0	3.7	5.8	5.9	7.5
Aggressive	-2.8	7.3	8.8	8.2	10.0
Australian Inflation	6.1	3.2	2.6	2.3	2.3

Note: All returns are calculated as the annual average rate of earnings after fees and taxes. Past performance is not indicative of future performance. CPI inflation shown to assist with comparison to objectives.

Table 22: All CSCri options performance over last 5 financial years

Financial year	Balanced	Aggressive	Income Focused (Default)	Cash
2017–18	9.8	11.6	6.5	1.7
2018–19	8.2	10.6	7.7	1.9
2019-20	-0.3	2.5	4.4	0.9
2020-21	15.5	24.0	8.9	0.0
2021-22	-3.0	-2.8	-1.5	0.1

Note: All returns are calculated as the annual average rate of earnings after fees and taxes. Past performance is not indicative of future performance.

Table 23: All CSCri TRIS options performance over last 5 years to 30 June 2022

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)
Cash	0.1	0.3	0.8
Income Focused	-1.2	3.4	4.8
Balanced (Default)	-3.4	4.2	6.0
Aggressive	-3.5	6.9	8.2
Australian Inflation	6.1	3.2	2.6

Note: All returns are calculated as the annual average rate of earnings after fees and taxes. Past performance is not indicative of future performance. CPI inflation shown to assist with comparison to objectives.

Table 24: All CSCri TRIS options performance over last 5 financial years

Financial year	Balanced	Aggressive	Income Focused	Cash
2017–18	9.5	10.9	6.7	1.4
2018–19	7.7	9.5	7.2	1.6
2019-20	-1.0	2.1	3.6	0.7
2020-21	18.4	24.1	8.1	0.0
2021-22	-3.4	-3.5	-1.2	0.1

Note: All returns are calculated as the annual average rate of earnings after fees and taxes. Past performance is not indicative of future performance.

About PSSap, CSCri and CSCri TRIS investment options

Cash option

OBJECTIVE

The objective is to preserve its capital and earn a pre-tax return close to that of the Bloomberg AusBond Bank Bill Index by investing 100% in cash assets.

ASSET ALLOCATION

Table 25: PSSap & CSCri Cash options asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	0 (0-100)	100	100

Income Focused option

OBJECTIVE

The objective is to outperform the CPI by 2% per annum over 10 years.

ASSET ALLOCATION

Table 26: PSSap Income Focused option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	28.5 (10–100)	22.1	30.2
Fixed interest	26 (10–100)	18.2	20.9
Equities	17.5 (0–40)	23.1	17.0
Property	10 (0–35)	14.0	6.8
Infrastructure	10 (0–35)	8.4	19.4
Alternatives	8 (0–70)	14.2	5.7

Table 27: CSCri Income Focused option asset allocation

Asset class	Target (%range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	28.5 (10–100)	27.5	30.3
Fixed interest	26 (10–100)	18.2	21.0
Equities	17.5 (0–40)	20.5	16.9
Property	10 (0–35)	13.9	6.8
Infrastructure	10 (0–35)	8.3	19.6
Alternatives	8 (0–70)	11.6	5.4

Table 28: CSCri TRIS Income Focused option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	28.5 (10–100)	22.1	30.2
Fixed interest	26 (10–100)	18.2	20.9
Equities	17.5 (0–40)	23.1	17.0
Property	10 (0–35)	14.0	6.8
Infrastructure	10 (0–35)	8.4	19.4
Alternatives	8 (0–70)	14.2	5.7

PSSap MySuper Balanced (default) and Balanced (PSSap Ancillary and CSCri) options

PSSap's default investment option is called MySuper Balanced (default). PSSap Ancillary and CSCri customers can also invest in a 'balanced' option (called the Balanced option).

OBJECTIVE

The objective is to outperform the CPI by 3.5% per annum over 10 years.

ASSET ALLOCATION

Table 29: PSSap MySuper Balanced (default) option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	11.5 (0–65)	9.4	9.7
Fixed interest	11 (0–65)	9.9	9.8
Equities	57.5 (15–75)	60.3	59.1
Property	6.5 (5–25)	6.3	6.2
Infrastructure	6 (0–20)	5.0	7.3
Alternatives	7.5 (0–30)	9.1	7.9

Table 30: Balanced option (PSSap Ancillary members only) asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	11.5 (0–65)	9.4	9.7
Fixed interest	11 (0–65)	9.9	9.8
Equities	57.5 (15–75)	60.3	59.1
Property	6.5 (5–25)	6.3	6.2
Infrastructure	6 (0–20)	5.0	7.3
Alternatives	7.5 (0–30)	9.1	7.9

Table 31: CSCri Balanced option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	8.5 (0–65)	16.2	15.2
Fixed interest	24.5 (0–65)	16.5	17.6
Equities	42 (15–75)	44.9	43.1
Property	7 (5–25)	7.1	7.0
Infrastructure	7 (0–20)	5.1	8.8
Alternatives	11 (0–30)	10.2	8.3

Table 32: CSCri TRIS Balanced option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	11.5 (0–65)	9.4	9.7
Fixed interest	11 (0–65)	9.9	9.8
Equities	57.5 (15–75)	60.3	59.1
Property	6.5 (5–25)	6.3	6.2
Infrastructure	6 (0–20)	5.0	7.3
Alternatives	7.5 (0–30)	9.1	7.9

Aggressive option

OBJECTIVE

The objective is to outperform the CPI by 4.5% per annum over 10 years.

ASSET ALLOCATION

Table 33: PSSap Aggressive option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	4 (0–35)	1.4	3.4
Fixed interest	4 (0–35)	2.3	2.6
Equities	70 (20–95)	76.1	74.4
Property	7 (0–50)	7.4	7.4
Infrastructure	7 (0–50)	6.3	7.3
Alternatives	8 (0–70)	6.5	4.9

Table 34: CSCri Aggressive option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	6 (0–35)	2.4	7.9
Fixed interest	10 (0–35)	4.2	4.4
Equities	61 (20–95)	64.7	62.2
Property	7 (0–50)	8.9	7.8
Infrastructure	7 (0–50)	6.7	7.6
Alternatives	9 (0–70)	13.1	10.0

Table 35: CSCri TRIS Aggressive option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	4 (0–35)	1.4	3.4
Fixed interest	4 (0–35)	2.3	2.6
Equities	70 (20–95)	76.1	74.4
Property	7 (0–50)	7.4	7.4
Infrastructure	7 (0–50)	6.3	7.3
Alternatives	8 (0–70)	6.5	4.9

FUNDS UNDER MANAGEMENT

Table 36: PSSap Funds under management

Asset class	At 30 June 2021 $(m)	At 30 June 2022 $(m)
Cash	284.33	428.71
Income Focused	431.30	456.16
MySuper Balanced (Default)	15,315.89	15,275.21
Balanced	202.99	235.07
Aggressive	2,389.12	2,538.38
Operational Risk Reserve	64.58	66.45
Total	**18,688.21**	**18,999.98**

Note: The Operational Risk Reserve is not an investment option. It is required by law for the purpose of providing a source of financial resources to help protect customers' interests should an operational risk event occur, such as the use of an inaccurate unit price to process a transaction that results in losses to the Fund or to customers.

Table 37: CSCri Funds under management

Asset class	At 30 June 2021 $(m)	At 30 June 2022 $(m)
Cash	23.94	45.56
Income Focused (Default)	215.60	224.38
Balanced	175.29	187.87
Aggressive	40.02	45.49
Operational Risk Reserve	1.59	1.63
Total	**456.44**	**504.93**

Note: The Operational Risk Reserve is not an investment option. It is required by law for the purpose of providing a source of financial resources to help protect customers' interests should an operational risk event occur, such as the use of an inaccurate unit price to process a transaction that results in losses to the Fund or to customers.

Table 38: CSCri TRIS Funds under management

Asset class	At 30 June 2021 $(m)	At 30 June 2022 $(m)
Cash	3.60	4.83
Income Focused	20.87	20.48
Balanced (Default)	22.95	19.50
Aggressive	6.26	6.23
Operational Risk Reserve	0.24	0.24
Total	**53.92**	**51.28**

Note: The Operational Risk Reserve is not an investment option. It is required by law for the purpose of providing a source of financial resources to help protect customers' interests should an operational risk event occur, such as the use of an inaccurate unit price to process a transaction that results in losses to the Fund or to customers.

Other information about our investments

Assets in excess of 5% of Fund

There was no single asset greater than 5% of the total assets of the Fund at 30 June 2022.

Calculation of unit prices

Your investment in PSSap is valued in units. The unit price for an investment option reflects the total value of assets in the investment option (less expense and taxes other than those deducted directly from your account), divided by the number of all units issued in the investment option.

PSSap uses units and daily unit prices to process transactions on your account, perform switches between investment options and track the value of your investment in the Fund.

When contributions are paid into your account, that money buys a number of units and the value of each unit (in dollars) is known as the unit price. Each investment option has a different unit price that can change daily, due to changes in investment markets and the value of assets. Investment earnings attributable to your account are reflected in the price of units that you hold.

Generally CSC bases its calculation of the value of assets in each investment option on the latest available market value at the end of each business day. Using these values, CSC will generally calculate the unit price for a given business day on the next business day. For example, CSC will generally calculate the unit price for 1 September (if a business day) and make it available on 2 September (if a business day).

If CSC is unable to determine a unit price for a business day on the following business day due to an unforeseeable event, such as a trading suspension in relevant markets, all reasonable steps will be taken to recommence unit pricing as soon as possible. The costs associated with the purchase or sale of fund investments are reflected in the unit price for the relevant investment option through a buy-sell spread. For further information, refer to the Fees and other costs booklet, which forms part of the PSSap Product Disclosure Statement (PDS), available at **csc.gov.au**

PSSAP FINANCIAL OVERVIEW 2021–22

Table 49. PSSap unaudited financial information for 2021–22

	$'000
Net assets available to pay benefits as at 30 June 2021	19,188,043
Revenue	
Interest	89
Changes in fair value of investments	(681,317)
Employer contributions	1,580,384
Member contributions	141,722
Transfers from other funds	585,576
Government co-contributions	246
Low income superannuation tax offset contributions	2,327
Insurance claims received and other revenue	56,406
Total revenue	1,685,433
Insurance premium expense	(112,483)
Other administration expenses	(17,783)
Benefits, transfers and pensions paid and payable	(972,113)
Total expenses[1]	(1,102,379)
Income tax expense	(227,674)
Net increase in net assets available to pay benefits	355,380
Net assets available to pay benefits as at 30 June 2022	19,543,423
Assets and liabilities as at 30 June 2022[1]	
Investments [2]	19,531,445
Cash	157,943
Other assets	4,696
Total assets	19,694,084
Liabilities	
Benefits and pensions payable	(1,327)
Other payables	(11,823)
Current tax liabilities	(137,511)
Total liabilities	(150,661)
Net assets available to pay benefits as at 30 June 2022	19,543,423

[1]Expenses relating to investment management were borne by the underlying investments of the Plan. Costs other than those incurred in managing and investing Plan assets are met by CSC and are disclosed as 'other administration expenses' above. Administration fees are paid by members to cover these costs.
[2]The value of investments shown above reconciles with the total Fund values shown in tables 36, 37 and 38 on page 34 as follows:

	$'000
PSSap options	
Cash	428,714
Income Focused	456,163
MySuper Balanced	15,275,213
Balanced	235,069
Aggressive	2,538,379
CSCri options	
Cash	45,561
Income Focused	224,384
Balanced	187,865
Aggressive	45,488
Cash – TRIS	4,833
Income Focused – TRIS	20,475
Balanced – TRIS	19,502
Aggressive – TRIS	6,227
Investments backing the operational risk reserve	68,321
Total Fund	19,556,194
Add/(less)	
Adjustment from unit pricing to financial statements valuation basis	(24,749)
	19,531,445

The assets of PSSap are invested in the AIT, where they are pooled with the investments of CSC's other schemes. The AIT invests in multiple specialist investment funds and portfolios.

The AIT receives income such as dividends, interest, trust distributions and gains and losses on sale and incurs administration and management expenses including expenses that would otherwise be incurred by PSSap.

The operating surplus or deficit generated by the AIT is reflected in daily unit prices released by the AIT for its unitholders including PSSap, and daily PSSap unit prices based on the AIT unit prices are published on the CSC website. If you would like to see a copy of the PSSap audited financial statements for this year and the report from the auditor, please refer to our Annual Report to Parliament (which is published and tabled in the Parliament in October) at **csc.gov.au**, send an email to **members@pssap.com.au**, call us on **1300 725 171** or write to PSSap, Locked Bag 9300, Wollongong DC NSW 2500.

The Plan holds specific reserves including an operational risk reserve and an administration reserve. The administration reserve was established during 2020-21 financial year. The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address potential losses arising from an operational risk event (such as the use of an inaccurate unit price to process a transaction that results in losses to the fund or to customers). The operational risk reserve target amount is determined in accordance with CSC's Operational Risk Financial Requirement Strategy, and any accruals to and calls upon the reserve are also managed in accordance with that strategy. The purpose of the administration reserve is to pay for non-recurring expenses of the Plan relating to legislative change, enhancements to member services, extensions to the product range of the Plan, changes to achieve operational efficiencies or to enable the Plan to sustain operations through delays in payments of committed funding. The administration reserve was funded from unallocated interest income held in fund bank accounts on establishment. No further funds will be transferred to the administration reserve, nor will interest accrue to the administration reserve. The use and management of the administration reserve is conducted in accordance with CSC's Administration Reserve Strategy. The total of the reserves as at 30 June for the past three years was $76.4 million in 2022, $78.9 million in 2021 and $59.0 million in 2020.

ADFSuper

Australian Defence Force Superannuation Scheme

ADF Super was established on 1 July 2016 and is an open accumulation scheme. ADF Super is generally available to current and former members of the Australian Defence Force (subject to conditions), including reservists who are in full-time continuous service.

ADF Super investment performance summary

Table 39: All ADF Super investment options performance over last 6 years to 30 June 2022

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	6 yrs (% pa)
Cash	0.1	0.3	0.8	0.9
Income Focused	-1.2	3.2	4.6	4.8
Balanced (Default)	-3.4	4.0	5.8	6.4
Aggressive	-3.5	6.7	8.0	8.6
Australian Inflation	6.1	3.2	2.6	2.5

Note: All returns are calculated as the annually compounded average rate of earnings after tax and fees. Past performance is not indicative of future performance. CPI inflation shown to assist with comparison to objectives.

Investment performance

Table 40: All ADF Super options performance over last five financial years

Financial year	Balanced (Default)	Aggressive	Income Focused	Cash
2017–18	9.3	10.6	6.2	1.5
2018–19	7.6	9.4	7.0	1.6
2019-20	-1.3	1.8	3.4	0.7
2020-21	17.9	23.4	7.8	0.0
2021-22	-3.4	-3.5	-1.2	0.1

Note: All returns are calculated as the annual average rate of earnings after fees and taxes. Past performance is not indicative of future performance.

About ADF Super investment options

Cash option

OBJECTIVE

The objective is to preserve its capital and earn a pre-tax return close to that of the Bloomberg AusBond bank bill index by investing 100% in cash assets.

ASSET ALLOCATION

Table 41: ADF Super Cash option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	0 (0-100)	100	100

Income Focused option

OBJECTIVE

To outperform the CPI by 2% per annum over 10 years.

ASSET ALLOCATION

Table 42: ADF Super Income Focused option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	28.5 (10–100)	22.1	30.2
Fixed interest	26 (10–100)	18.2	20.9
Equities	17.5 (0–40)	23.1	17.0
Property	10 (0–35)	14.0	6.8
Infrastructure	10 (0–35)	8.4	19.4
Alternatives	8 (0–70)	14.2	5.7

MySuper Balanced (default) option

The ADF Super default option is called the MySuper Balanced option.

OBJECTIVE

The objective is to outperform the CPI by 3.5% per annum over 10 years.

ASSET ALLOCATION

Table 43: ADF Super MySuper Balanced (default) option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	11.5 (0–65)	9.4	9.7
Fixed interest	11 (0–65)	9.9	9.8
Equities	57.5 (15–75)	60.3	59.1
Property	6.5 (5–25)	6.3	6.2
Infrastructure	6 (0–20)	5.0	7.3
Alternatives	7.5 (0–30)	9.1	7.9

Aggressive option

OBJECTIVE

The objective is to outperform the CPI by 4.5% per annum over 10 years.

ASSET ALLOCATION

Table 44: ADF Super Aggressive option asset allocation

Asset class	Target (% range)	Actual at 30 June 2021 (%)	Actual at 30 June 2022 (%)
Cash	4 (0–35)	1.4	3.4
Fixed interest	4 (0–35)	2.3	2.6
Equities	70 (20–95)	76.1	74.4
Property	7 (0–50)	7.4	7.4
Infrastructure	7 (0–50)	6.3	7.3
Alternatives	8 (0–70)	6.5	4.9

FUNDS UNDER MANAGEMENT

Table 45: ADF Super Funds under management

Asset class	Actual at 30 June 2021 $(m)	Actual at 30 June 2022 $(m)
Cash	2.75	5.49
Income Focused	4.23	6.99
Balanced (Default)	742.15	944.10
Aggressive	83.06	129.05
Operational Risk Reserve	0.67	0.86
Total	**832.86**	**1,086.49**

Other information about our investments

Assets in excess of 5% of the Fund

There was no single asset greater than 5% of the total assets of the Fund at 30 June 2022.

Calculation of unit prices

Your investment in ADF Super is valued in units. The unit price for an investment option reflects the total value of assets in the investment option (less expense and taxes other than those deducted directly from your account), divided by the number of all units issued in the investment option.

ADF Super uses units and daily unit prices to process transactions on your account, perform switches between investment options and track the value of your investment in the Fund.

When contributions are paid into your account, that money buys a number of units and the value of each unit (in dollars) is known as the unit price. Each investment option has a different unit price that can change daily, due to changes in investment markets and the value of assets. Investment earnings attributable to your account are reflected in the price of units that you hold.

Generally CSC bases its calculation of the value of assets in each investment option on the latest available market value at the end of each business day. Using these values, CSC will generally calculate the unit price for a given business day on the next business day. For example, CSC will generally calculate the unit price for 1 September (if a business day) and make it available on 2 September (if a business day).

If CSC is unable to determine a unit price for a business day on the following business day due to an unforeseeable event, such as a trading suspension in relevant markets, all reasonable steps will be taken to recommence unit pricing as soon as possible. The costs associated with the purchase or sale of fund investments are reflected in the unit price for the relevant investment option through a buy-sell spread. For further information, refer to the Fees and other costs booklet, which forms part of the ADF Super Product Disclosure Statement (PDS), available at csc.gov.au

ADF SUPER FINANCIAL OVERVIEW 2021–22

Table 50. ADF Super unaudited financial information for 2021–22

	$'000
Net assets available to pay benefits as at 30 June 2021	832,585
Revenue	
Interest	15
Changes in fair value of investments	(43,507)
Employer contributions	299,866
Member contributions	7,097
Transfers from other funds	61,432
Government co-contributions	113
Low income superannuation tax offset contributions	944
Other revenue	5
Total revenue	325,965
Administration and other expenses	(2,529)
Insurance premiums paid to insurer	(125)
Benefits and transfers paid and payable	(25,326)
Total expenses[1]	(27,980)
Income tax expense	(44,862)
Net increase in net assets available to pay benefits	253,123
Net assets available to pay benefits as at 30 June 2022	1,085,708
Assets and liabilities as at 30 June 2022[2]	
Investments[2]	1,085,072
Cash	27,657
Other assets	102
Total assets	1,112,831
Liabilities	
Benefit payables	(4)
Other payables	(254)
Current tax liabilities	(26,865)
Total liabilities	(27,123)
Net assets available to pay benefits	1,085,708

[1] Expenses relating to investment management were borne by the underlying investments of the Scheme. Costs other than those incurred in managing and investing Scheme assets are met by CSC and are disclosed as 'other administration expenses' above. Administration fees are paid by customers to cover these costs. As the Scheme is yet to reach the sufficient scale required to cover its total administration costs from the administration fees paid by customers, the Department of Defence has also contributed further administration funding;

[2] The value of investments shown above reconciles with the total Fund values shown on table 45 on page 41 as follows:

ADF Super options	
Cash	5,493
Income Focused	6,992
MySuper Balanced	944,099
Aggressive	129,047
Assets backing the operational risk reserve	855
Total Fund	1,086,486
Add/(less)	
Adjustment from unit pricing to financial statements valuation basis	(1,414)
Net assets available to pay benefits	1,085,072

The assets of ADF Super are invested in the AIT, where they are pooled with the investments of CSC's other schemes. The AIT invests in multiple specialist investment funds and portfolios.

The AIT receives income such as dividends, interest, trust distributions and gains and losses on sale and incurs administration and management expenses including expenses that would otherwise be incurred by ADF Super.

The operating surplus or deficit generated by the AIT is reflected in daily unit prices released by the AIT for its unitholders including ADF Super, and daily ADF Super unit prices based on the AIT unit prices are published on the CSC website. If you would like to see a copy of the ADF Super audited financial statements for this year and the report from the auditor, please refer to our Annual Report to Parliament (which is published and tabled in the Parliament in October) at **csc.gov.au**, send an email to **members@adfsuper.gov.au**, call us on **1300 203 3439** or write to ADF Super, Locked Bag 9400, Wollongong DC NSW 2500.

The Scheme holds specific reserves including an operational risk reserve and an administration reserve. The administration reserve was established during 2020-21 financial year. The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address potential losses arising from an operational risk event (such as the use of an inaccurate unit price to process a transaction that results in losses to the fund or to customers). The operational risk reserve target amount is determined in accordance with CSC's Operational Risk Financial Requirement Strategy, and any accruals to and calls upon the reserve are also managed in accordance with that strategy. The purpose of the administration reserve is to pay for non-recurring expenses of the Scheme relating to legislative change, enhancements to member services, extensions to the product range of the Scheme, changes to achieve operational efficiencies or to enable the Scheme to sustain operations through delays in payments of committed funding. The administration reserve was funded from unallocated interest income held in fund bank accounts on establishment. No further funds will be transferred to the administration reserve, nor will interest accrue to the administration reserve. The use and management of the administration reserve is conducted in accordance with CSC's Administration Reserve Strategy. The total of the reserves as at 30 June for the past three years was $0.9 million in 2022, $0.9 million in 2021 and $0.4 million in 2020.

Our investment management

Listed below are the investment managers appointed to invest assets, as well as specialist investment funds and portfolios. Investments that represent less than 0.5% of CSC's funds under management as at 30 June 2022 are not included.

- Advent International
- Airlie Funds Management Pty Limited
- Alliance Bernstein LP
- Antipodes Partners Limited
- Arcadia Funds Management Limited
- AXA Investment Managers
- Bridgewater Associates, Inc
- Capital Today
- Challenger Investment Solutions Management Pty Limited
- First Sentier Investors
- Harbourvest Partners
- HRL Morrison & Co (Australia) Pty Limited
- Jennison Associates LLC
- Macquarie Investment Management Global Limited
- Menlo Ventures
- One Equity Partners LP
- Osmosis Investment Management UK Limited
- Paradice Investment Management Pty Limited
- PGIM, Inc
- Platinum Investment Management Limited
- Schroder Investment Management Australia Limited
- Sequoia Capital
- State Street Global Advisors, Australia, Limited
- Steadfast Financial LP
- Stonepeak Infrastructure Partners
- Sunley House Capital Fund Limited
- T. Rowe Price International Ltd
- True Ventures
- Wellington Management Australia Pty Limited
- Yarra Funds Management Limited

Our derivatives policy

Investment managers who enter into an investment management agreement with CSC may use derivative securities (known as 'derivatives') to facilitate increases or decreases in the Fund's exposure to different investment markets.

Derivatives are financial instruments whose value changes in response to the changes in underlying variables. Examples include futures, options and forward exchange contracts.

Derivatives within investment mandates are mainly used to reduce risk for customers. CSC's investment managers are not permitted to use derivative securities for gearing the Fund or any part of the Fund, or for placing the Fund in a position where it is short in an asset class.

Any investment mandates which permit an investment manager to use derivatives reflect the derivatives policy of the Fund as a whole. If CSC's investment managers are permitted to use derivatives, the limits will be clearly set out in the mandate. CSC's internal investment and operations teams (and custodian) monitor whether derivatives use is consistent with CSC's policy.

Payment of surcharge liability

Surcharge is a tax on surchargeable superannuation contributions. It was abolished in July 2005 but still applies if a customer's adjusted taxable income prior to 2005-06 exceeded a certain amount. If we are informed by the Australian Taxation Office (ATO) that a customer's is assessed as having a surcharge liability, the customer can either have the amount deducted from their final benefit before it is paid, or pay some or all of their surcharge debt at any time before their benefit is payable.

Each scheme maintains a surcharge debt account for each customer to record any surcharge assessments from the ATO, together with any payments made by the customer and any interest required to be imposed.

OUR BOARD

Chair

Mr Garry Hounsell

Appointed 1 July 2016; re-appointed 1 July 2019; appointed as Chair 25 July 2021 to 30 June 2024.

- Chair of the Board since 25 July 2021
- Member of the Board Governance Committee
- Member of the Risk Committee (until 18 November 2021)
- Member of the Remuneration and HR Committee (from 18 November 2021)
- Director of ARIA Co Pty Ltd

In 2020–21 the Board consisted of an independent Chair and eight other directors. The Minister for Finance (the Minister) chooses four directors in consultation with the Minister for Defence. Of the remaining directors, two are nominated by the President of the Australian Council of Trade Unions (ACTU) and two are nominated by the Chief of the Defence Force. The Minister appoints all directors.

The Chair is appointed by the Minister after consultation with the Minister for Defence, and after the Board has agreed to the person proposed by the Minister.

All directors must meet the fitness and proprietary standards under the *SIS Act*. Director biographies are available at csc.gov.au

Directors

Mrs Ariane Barker

Appointed 13 September 2016; re-appointed 13 September 2019; re-appointed 1 July 2022 to 30 June 2025.

- Chair of the Board Governance Committee Member of the Audit Committee (until 18 November 2021)
- Member of the Risk Committee
- Member of the Member Outcomes Committee (until 18 November 2021)
- Chair of ARIA Co Pty Ltd

The Hon. Chris Ellison

Appointed 1 July 2014; re-appointed 1 July 2017; re-appointed 1 July 2020 to 30 June 2023

- Chair of the Remuneration and HR Committee
- Chair of the APS Reconsideration Committee (until 31 December 2021)
- Member of the Members Outcome Committee (until 18 November 2021)
- Member of the Board Governance Committee (from 18 November 2021)
- Director of ARIA Co Pty Ltd

Ms Melissa Donnelly

Appointed 1 July 2020 to 30 June 2023

- Nominee of the President of the ACTU
- Member of the Board Governance Committee
- Member of the Remuneration and HR Committee
- Director of ARIA Co Pty Ltd.

Ms Jacqueline Hey

Appointed 21 October 2021 to 30 June 2024

- Member of the Remuneration and HR Committee (from 18 November 2021)
- Director of ARIA Co Pty Ltd.

Air Vice-Marshal Margaret Staib, AM, CSC, FAICD

Appointed 2 May 2014; re-appointed 2 May 2017; re-appointed 2 May 2020 to 1 May 2023

Nominee of the Chief of the Defence Force

- Nominee of the Chief of the Defence Force
- Chair of the MilitarySuper Reconsideration Committee
- Chair of the Defence Force Case Assessment Panel
- Chair of the Risk Committee
- Member of the Audit Committee
- Director of ARIA Co Pty Ltdc

Air Vice-Marshal Tony Needham, AM

Appointed 1 July 2016; re-appointed 1 July 2019 to 30 June 2022

- Nominee of the Chief of the Defence Force
- Chair of the Member Outcomes Committee (until 18 November 2021)
- Member of the Remuneration and HR Committee
- Member of the Audit Committee (from 18 November 2021)
- Deputy Chair of the MilitarySuper Reconsideration Committee
- Deputy Chair of the Defence Force Case Assessment Panel
- Director of ARIA Co Pty Ltd

Ms Juliet Brown OAM, LLB, FAICD

Appointed 13 September 2021 to 30 June 2024

- Chair of the Audit Committee (from 18 November 2021)
- Member of the Risk Committee (from 18 November 2021)
- Director of ARIA Co Pty Ltd

Mr Alistair Waters

Appointed 25 February 2020 to 24 February 2023

- Nominee of the President of the ACTU
- Member of the Audit Committee
- Member of the Risk Committee
- Member of the APS Reconsideration Committee (until 31 December2021)
- Member of the Member Outcomes Committee (until 18 November 2021)
- Director of ARIA Co Pty Ltd

Director indemnity

The director or a delegate of the Board, acting in good faith, will not be subject to any action, liability, claim or demand, for anything done (or not done) in the performance of their functions under CSC's governing legislation. CSC, however, may be subject to an action, liability, claim or demand.

As well as legislative indemnity for directors and delegates of the Board, CSC holds trustee liability and comprehensive crime insurance which complies with the *Corporations Act 2001*. CSC has provided all directors with a deed of indemnity, insurance and access.

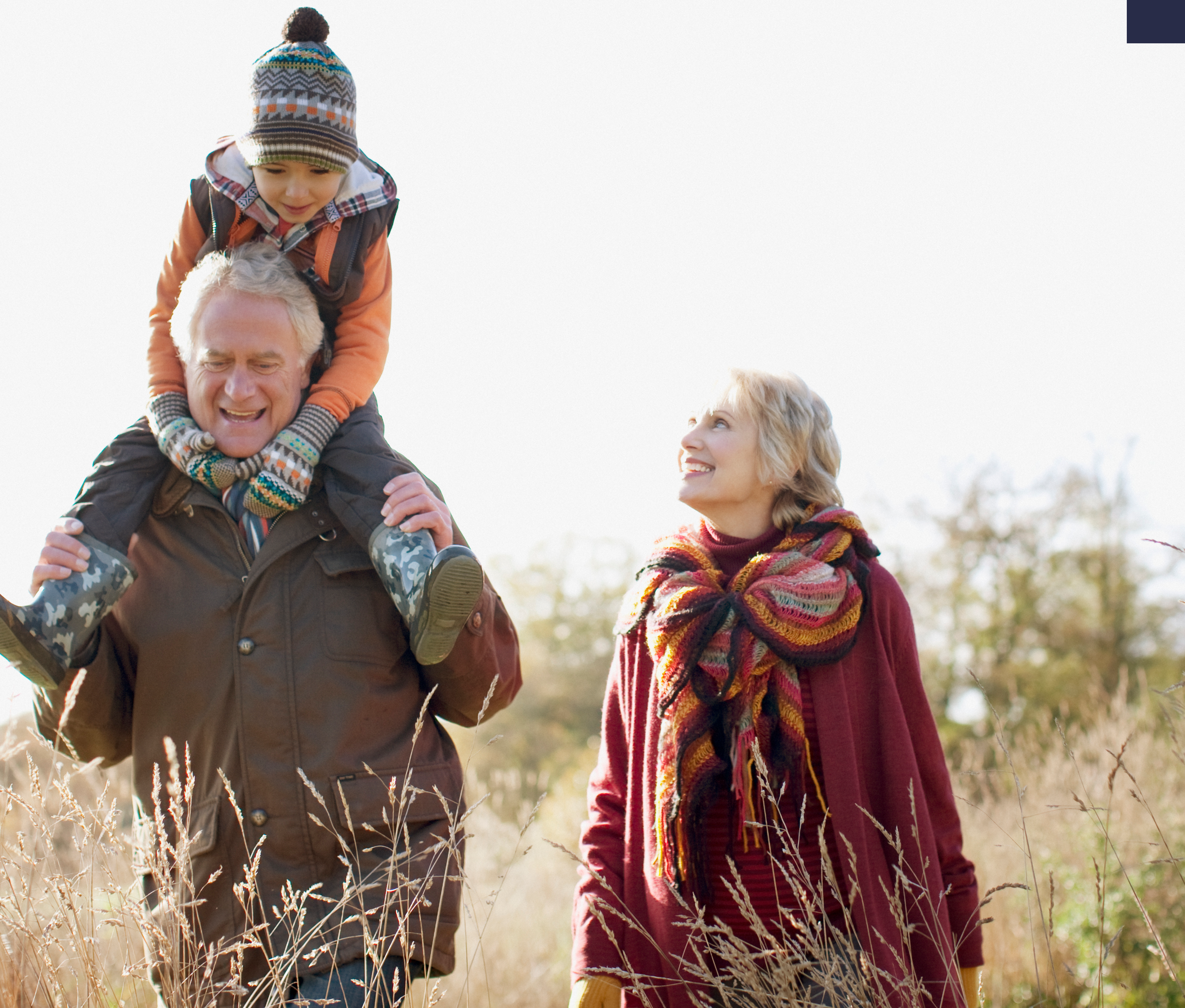
OUR VALUES

Future focused
We embrace change and challenge ourselves to continuously improve

Customer driver
We care about our customers and seek to understand their needs

United
We work as one positively connected team

Accountable
We take responsibility and act with integrity



CONTACT US

For all the information you need to make smart choices about your super, visit **csc.gov.au**

On our website you'll find:

- the **CSS, PSS, MilitarySuper, PSSap, CSCri and ADF Super Product Disclosure Statements**
- forms and publications to help you manage your account
- news and information
- dates and locations for CSC's free **At Work for You** superannuation seminars
- **Customer Services Online**

If you haven't registered yet, or forgot your password, you can register or reset your password online. If you need help, please contact us.

CSS **Commonwealth Superannuation Scheme**

EMAIL members@css.gov.au
PHONE 1300 000 277
FAX (02) 6275 7010
MAIL CSS
GPO Box 2252,
Canberra, ACT, 2601
WEB csc.gov.au

PSS **Public Sector Superannuation Scheme**

EMAIL members@pss.gov.au
PHONE 1300 000 377
FAX (02) 6275 7010
MAIL PSS
GPO Box 2252,
Canberra, ACT, 2601
WEB csc.gov.au

Military Super **Military Superannuation & Benefits Scheme**

EMAIL members@enq.militarysuper.gov.au
PHONE 1300 006 727
FAX (02) 6275 7010
MAIL MilitarySuper
GPO Box 2252
Canberra, ACT, 2601
WEB csc.gov.au

PSSap **Public Sector Superannuation accumulation plan**

EMAIL members@pssap.com.au
PHONE 1300 725 171
FAX 1300 364 144
MAIL PSSap
Locked Bag 9300,
Wollongong DC, NSW, 2500
WEB csc.gov.au

ADF Super **Australian Defence Force Superannuation**

EMAIL members@adfsuper.gov.au
PHONE 1300 203 439
FAX 1300 204 314
MAIL ADF Super
Locked Bag 9400, Wollongong DC, NSW, 2500
WEB csc.gov.au

If you would like more information about your Fund's investments and governance, you can also contact CSC in one of the following ways:

EMAIL secretary@csc.gov.au
PHONE 1300 001 777
FAX 02 6275 7010
MAIL CSC
GPO Box 2252
Canberra ACT 2601
STREET ADDRESS 7 London Circuit
Canberra, ACT, 2600
WEB csc.gov.au