Australian Government
Commonwealth Superannuation Corporation

Annual Report

2020-2021

Commonwealth
Superannuation
Corporation

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Commonwealth Superannuation Corporation (CSC)

Website:	csc.gov.au
Postal Address:	GPO Box 2252 Canberra ACT 2601
Phone:	02 6275 7000
Fax:	02 6263 6900
ABN:	48 882 817 243
RSEL:	L0001397
Annual report:	https://www.csc.gov.au/Members/About-CSC/Corporate-governance/Annual-report-2020-21/

Superannuation schemes

CSS	ABN:	19 415 776 361	DFRB
	RSE:	R1004649	DFRDB
	USI:	19415776361001	DFSPB
PSS	ABN:	74 172 177 893	1922 Scheme
	RSE:	R1004595	PNG Scheme
	USI:	74172177893001	
MilitarySuper	ABN:	50 925 523 120	
	RSE:	R1000306	
	USI:	5092552312	
PSSap	ABN:	65 127 917 725	
	RSE:	R1004601	
	USI:	6512791772	
ADF Super	ABN:	90 302 247 344	
	RSE:	R1077063	
ADF Cover	ABN:	64 250 674 722	

Note: All statistics are derived solely from records available to CSC and Mercer Administration as of the time these statistics were compiled. Where statistics for earlier financial years are quoted, they may vary from those previously published due to the application of retrospective adjustments now reflected in this report. For similar reasons, statistical information in this report may also vary from that presented by other agencies.

Letter of Transmittal

Senator the Hon Simon Birmingham Minister for Finance

Parliament House Canberra ACT 2600

Dear Minister

I am pleased to provide you with the annual report of the Commonwealth Superannuation Corporation (CSC) for the year ended 30 June 2021.

CSC is a corporate Commonwealth entity established under section 5 of the *Governance of Australian Government Superannuation Schemes Act 2011* (the GAGSS Act) and for the period of this report was subject to the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act).

The Board of CSC is responsible for the preparation and contents of the Annual Report 2020–21. This report was approved by the Board on 29 September 2021 and satisfies Part 3, Division 2 of the GAGSS Act 2011, section 46 of the PGPA Act and the Public Governance, Performance and Accountability Rule 2014.

Section 30(4) of the GAGSS Act requires you to cause a copy of this report to be laid before each House of Parliament within 15 sitting days after receipt of this report.

Yours sincerely,

Garry Hounsell

Chair

29 September 2021

Reader’s guide

Our activities at CSC are guided by legislative and government requirements, and by our vision, mission statement and strategic objectives.

This annual report describes our activities for the 2020–21 financial year and satisfies the requirements listed in Part 3, Division 2 of the GAGSS Act, section 46 of the PGPA Act and in the Public Governance, Performance and Accountability Rule 2014.

The report is organised as described below.

Introduction
The introduction describes CSC, our superannuation schemes and our customers.

Our Performance
This section includes our Chair’s review of the year’s activities and our Annual Performance Statements as required under the PGPA Act.

Our Board of Directors
This section introduces CSC’s Board of Directors for 2020–21. It outlines their responsibilities, remuneration and director indemnity. It also describes how our Board delegates its authority and how its performance is reviewed.

Our Governance
The governance section describes our Board’s governance framework and CSC’s regulatory requirements. It explains our approach to financial and risk management, compliance, fraud control, member outcomes and internal auditing.

Our Investments
The investments section details how investment performance affects our customers’ superannuation benefits. It also describes CSC’s investment approach, strategy, governance, environmental and social practices, and investment options. Our investment performance to 30 June 2021 is shown.

Our Superannuation Services
This section outlines the superannuation services we provide to customers and employers, and details how satisfied our customers and employers are with those services.

Our Superannuation Schemes
This section outlines how we managed each super scheme on behalf of our customers in 2020–21 and accounts for our actions against CSC’s governing legislation.

Financial Statements
This section contains the audited financial statements for each fund and CSC.

Reporting Requirements
This section lists CSC’s specific reporting requirements.

Index
The index is a quick way to find specific details in the report.

Table of Contents

List of tables

List of figures

Section 01

Introduction

01

Introduction

About CSC

CSC is a corporate Commonwealth entity established on 1 July 2011 in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011*. We manage 11 government superannuation schemes (outlined on pages 72–101) and we provide superannuation services to current and former Australian Government employees and members of the Australian Defence Force (ADF).

CSC's primary function is to administer the schemes and to manage and invest the funds in the best interests of all our customers in accordance with the provisions of the various legislation and Trust Deeds that govern the schemes.

Our vision

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

Our legislative objectives and functions

Our objectives and functions, as set out under CSC's governing legislation, are to:

- administer the schemes and manage and invest the funds
- receive payments from employers in accordance with scheme legislation
- pay superannuation benefits to, or in respect of, customers
- provide information about scheme benefits or potential benefits
- provide advice to the Minister for Finance on proposed changes to the scheme legislation or Trust Deeds.

Our performance outcome

We exist to provide retirement and insurance benefits for scheme members and beneficiaries, including past, present and future employees of the Australian Government and other eligible employers and members of the ADF, through investment and administration of their superannuation funds and schemes.

This is CSC's performance outcome. Having a performance outcome is a requirement under the PGPA Act. CSC's performance outcome is published in CSC's *2020–21 Corporate Plan* and in the *2020–21 Portfolio Budget Statements*.

Regulated superannuation schemes

Regulated superannuation schemes must comply with the *Superannuation Industry (Supervision) Act 1993* (the SIS Act) and other prescribed regulatory provisions to be entitled to concessional tax treatment. We are the trustee of five regulated public sector and military schemes:

- Commonwealth Superannuation Scheme (CSS) established on 1 July 1976 by the *Superannuation Act 1976* (the CSS Act)

- Public Sector Superannuation Scheme (PSS) established on 1 July 1990 by the *Superannuation Act 1990* (the PSS Act)
- Military Superannuation and Benefits Scheme (MilitarySuper) established on 1 October 1991 by the *Military Superannuation and Benefits Act 1991* (the MilitarySuper Act)
- Public Sector Superannuation accumulation plan (PSSap) established on 1 July 2005 by the *Superannuation Act 2005* (the PSSap Act); under its Trust Deed the PSSap also offers an account-based pension product called Commonwealth Superannuation Corporation retirement income (CSCri)
- ADF Super scheme (ADF Super) established on 1 July 2016 by the *Australian Defence Force Superannuation Act 2015* (the ADF Super Act)

Exempt public sector schemes

Exempt public sector schemes are not regulated under the SIS Act. We administer six exempt public sector and military schemes. They are the:

- scheme established under the *Superannuation Act 1922* (the 1922 Act)
- Defence Forces Retirement Benefits Scheme (DFRB) established in 1948 by the *Defence Forces Retirement Benefits Act 1948* (the DFRB Act)
- Defence Force Retirement and Death Benefits Scheme (DFRDB) established by the *Defence Force Retirement and Death Benefits Act 1973* (the DFRDB Act)
- Papua New Guinea Scheme (PNG) constituted under the Superannuation (Papua New Guinea) Ordinance 1951 and administered in accordance with section 38 of the *Papua New Guinea (Staffing Assistance) Act 1973* (the PNG Act)
- Defence Force (Superannuation) (Productivity Benefit) Determination (DFSPB), issued under the *Defence Act 1903*, which is a productivity benefit paid by the Department of Defence
- ADF Cover scheme (ADF Cover) established on 1 July 2016 by the *Australian Defence Force Cover Act 2015* (the ADF Cover Act)

Our customers

Our customers generally fall into three categories:

- Those eligible to make 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 are eligible to continue to contribute to PSSap or ADF Super.
- 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 and are not eligible to continue contributing. We continue to maintain accounts for these customers and they can generally start making contributions again if they join a participating scheme employer.
- Those receiving a pension who have retired. Some ex-military customers 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.

Section 02

Our Performance

02

Our Performance

Report from our Chair

Introduction

Looking back on the 2020–21 year it would be safe to say it was a period full of significant events. The superannuation industry was no exception.

However, it was also a year that saw more stability and less volatility in relation to the COVID-19 pandemic and financial markets.

With the development of COVID-19 vaccines, a better understanding of the virus and governments and the broader population continually getting better at managing and controlling the spread of the disease, the light at the end of the tunnel is slowly getting bigger and brighter.

Of course, the COVID-19 pandemic continued to impact every corner of the globe and it will for some time. The way we work and live, financial markets, travel, trade, international relations and politics have all been impacted and changed to some degree by this pandemic.

For our part, CSC has responded well to the challenges that the pandemic has thrown at us.

Investment performance

Our investment strategy has held firm in the past 12 months. Our investment focus is to secure adequate retirement outcomes for our customers and our capital preservation bias has resulted in minimising the negative impacts on investment returns.

While the pandemic has interrupted our lives and livelihoods, your investments with CSC have grown strongly. Agile management of risks that were building in February 2020 has meant that we avoided the worst of the market drawdown in March and built cash that we have subsequently been able to redeploy into opportunities arising from government policy interventions, market behaviour and real economic conditions.

We remain vigilant to the dynamics in global vaccination distribution, monetary policy, public investment programs in green energy, regulatory interventions and the ever-present penetration of technology. To do this we focus on acquiring high-quality private assets that stand to benefit from some of these themes through time and on managing risks proactively as they begin to change the payoff to risk taking.

As a result of these strategies, our default option added more than 18% to retirement balances for the financial year 2020–21.

We take great care to look after your money responsibly and, in doing so, take a long-term view to protecting your savings into the future. We prepare our portfolios for the unknown by considering scenarios such as higher inflation, market corrections, recovery, escalating climate risk, and growth.

I'm sure you will agree that with all the uncertainty in the world at the moment, a dynamic and resilient investment strategy has never been so important. 2020–21 was a robust test of our investment strategy and we are pleased to be able to report that it worked as it was designed to work – to preserve your savings in very uncertain times and then to acquire quality assets only when our indicators signalled sustainable improvement in the fundamentals.

Our investment returns for the 1, 3, 5, 7, 10 and 15 years to 30 June 2021 for the Default, Balanced and MySuper Balanced options of the various schemes have continued to exceed their objectives. And over the medium and long term, investment returns for the 3, 5, 7, 10 and 15 years to 30 June 2021 for the Default, Balanced and MySuper Balanced options of the various schemes have continued to exceed their objectives.

Table 1. Investment returns to 30 June 2021 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		3.8	1.7	1.8	1.7	1.8	2.2
Investment option							
CSS Default	1.66	18.4	8.2	8.7	8.2	8.5	6.6
PSS Default	23.07	18.3	8.0	8.6	8.1	8.4	6.5
MilitarySuper Balanced	10.71	18.2	8.0	8.6	8.1	7.9	5.7
PSSap MySuper Balanced	15.32	18.2	8.0	8.5	8.0	8.4	6.5
ADF MySuper Balanced	0.74	17.9	7.8	8.4			
Target return		**7.3**	**5.2**	**5.3**	**5.2**	**5.3**	**5.7**

Note: Performance is presented net of fees and taxes.

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 three to four years out of 20). This investment objective is designed to provide adequacy in retirement for our average customer. 'Adequacy' is defined by the Association of Superannuation Funds of Australia (ASFA) as a 'comfortable standard', which accounts for post-retirement cost-of-living adjustments.

Managing climate change risk

The past year has seen an increasing focus on how governments and businesses globally are responding to climate change. Climate change is a core component of CSC's approach to environmental, social and governance issues, commonly referred to as ESG.

At CSC, we believe that there is significant embedded value in companies and organisations that operate ethically and sustainably. A variety of ESG metrics, sourced as widely as possible, assist us in assessing companies' development in these areas. As an active owner of the businesses we buy on your behalf, CSC is focused on engaging with companies to promote genuine sustainable impact. We believe that incremental, consistent changes are more effective in supporting robust and smooth transitions to a more sustainable future.

We manage climate investment risk principally in three ways. The first of these is through renewable investments. We invest in renewable-energy assets and strategies because renewable energy is the most likely future of our global energy system. We have a proud record of investing in both public and private assets in a way that has generated robust returns and, in so doing, has a measurable positive impact on the climate in the future.

Secondly, we invest innovation capital into companies that could produce breakthroughs that leapfrog existing climate solutions. Alongside this, we invest in producers of critical inputs into the new-energy supply chain (e.g., rare earth elements needed for battery production).

Finally, we support robust transitions from fossil fuels. As long-term investors, we can support a transition from fossil fuels that respects the practical demands for energy in our country and around the world, that recognises the labour force impacts of the transition and that understands simply divesting is unlikely to reduce climate risk. In this way, we focus our investment exposures in the relatively cleaner producers and, in the case of Australia for example, we are also investing in renewables and operating with relatively high social and community standards.

We measure our success in this regard by the disciplined generation of returns we generate from investing in climate-relevant strategies and by the impact that these initiatives have on our net portfolio climate footprint over time. While we do not have a specific temperature target, we build our portfolio consistent with achieving the targets of the Paris Agreement.

Our most recent material initiatives in 2020–21 to further reduce our climate footprint were three-fold. The first of these was to divest from undiversified 'pure play' coal companies. From 5 March 2021, CSC portfolios started to exclude undiversified companies that derive 70% or more of their revenue from thermal coal production/extraction. We use divestment only when engagement with companies cannot reduce the risks to the long-term viability of the business (e.g., tobacco, since 2013) and/or because the activity is contrary to Australian Government regulations, sanctions, treaties or conventions (e.g., cluster munitions, since 2011).

The second initiative was to actively reduce the ESG risks of investing in companies that misuse scarce natural resources. To implement this, we've appointed Osmosis Investment Management as an Investment Manager. Osmosis has a robust, effective and objective way to reduce ESG risk and aims to optimise our investment exposure to companies that use water and energy efficiently, and reduce waste.

Sustainability means always seeking the most productive ways to use our scarce natural resources. ESG considerations are an essential part of our broad-based risk management strategy. Because risks interact with each other, we're not focusing on just a single environmental risk. Instead, we've adopted sustainable management across multiple key scarce resources.

The third initiative involved the decarbonisation of our international shares index portfolio. Our investment manager now optimises the passive portfolio to reduce carbon exposure relative to the market-capitalisation weighted index. As a result, this portfolio's carbon footprint is 50% lower than the benchmark.

Your Future, Your Super – significant super industry reforms

In the 2020–21 Federal Budget, the Government announced a number of significant reforms to super. Called 'Your Future, Your Super', the legislation passed in June 2021 enabled three key measures to be introduced:

- From 1 November 2021, employees will be 'stapled' to their current super fund for the remainder of their working life unless they actively choose another super fund. This measure aims to reduce duplicate super accounts and reduce excess and unnecessary fees.
- A new 'YourSuper' online comparison tool will be available so that people can compare key data on all super funds' MySuper products.
- A new super fund underperformance assessment will be conducted by the Australian Prudential Regulation Authority (APRA) and published on the ATO's website.

Whilst we believe that the changes will result in fewer Australians having multiple superannuation accounts, there are some risks with the measures that will impact CSC. Firstly, the YourSuper online comparison tool only has very basic information on it when comparing products. It will be important for consumers to supplement this information with further research to be able to make the best decision for them.

Secondly, the underperformance test conducted by APRA only takes into account investment returns and fees. It takes no account of the risk taken to achieve investment returns. Our investment focus is to secure adequate retirement outcomes for our customers and our capital preservation bias has resulted in minimising the negative impacts on investment returns.

We focus on preserving your savings through very poor market environments so that strong market returns can be captured and sustainably built on top of your higher contribution rates.

Changes to PSSap and ADF Super

CSC is always trying to make things better for our customers by advocating for legislative or scheme rule changes and regularly reviewing and looking to improve the products we offer, whether that be super or insurance.

To make the process of transitioning out of the ADF simpler for our customers, we proposed a change to ADF Super to enable those leaving the ADF to retain ADF Super as their superannuation fund of choice, post-service. This resulted in 'ADF Super Choice' being put into place from July 2020, which will allow customers leaving the ADF to keep contributing to ADF Super with their new employer.

In March 2021, we saw changes to PSSap that enable both APS and non-APS employer contributions to be made into a PSSap account at the same time and to make additional contributions regardless of current employment arrangements. The change will also mean PSS or CSS customers can open a PSSap Ancillary account to make personal and non-APS employer contributions and have their super all in one place.

Supporting veterans in their transition from the ADF

The Australian Government established the Joint Transition Authority (JTA) within the Department of Defence in October 2020. Along with the Department of Veterans' Affairs (DVA), CSC is a partner agency of the JTA. The purpose of the JTA is to better prepare and support ADF personnel as they transition from military to civilian life. Currently the JTA is in an implementation phase, identifying how services can be better connected and improved across the transition ecosystem.

Outside of our work to improve the connections between Defence, DVA and CSC, our primary role in the transition ecosystem is supporting the financial wellbeing of veterans and their families. CSC provides general advice and information on superannuation and retirement planning via public and in-house seminars and webinars, and general advice delivered person-to-person.

CSC has also undertaken a re-design of our internal processes and resourcing, particularly in relation to veterans who have been medically discharged or who are claiming and/or receiving service-related support payments and services. These changes will result in a more streamlined and needs-based approach to supporting veterans who are transitioning into civilian life.

CSC is a safe set of hands when it's needed most

CSC is the most regulated super provider in the country, primarily because we are a government agency. While the regulatory mandate can be quite burdensome for us, it can be a good thing for our customers. I mention this because during times of crisis, volatility or uncertainty, people generally seek guidance and leadership from people or institutions they can trust and depend on. CSC provides our customers with market-leading investment expertise, great service and rigorous governance, risk and compliance processes.

Our governance, risk and compliance processes and protocols are among the most comprehensive in the Australian public and private financial services sector, not just the super industry.

Because CSC carries the government crest and the accountabilities that come with that, we are a safe set of hands for our customers' super.

Listening to our customers – the CSC compass

The past year saw us further embed and develop our customer listening program, known as the Compass. Through the Compass we actively seek feedback, comments and insights from our customers, and we use that to see how we've gone and where we should be heading. The Compass points us in the right direction, making sure we're on the right track to meeting our customers' needs.

The Compass is the catalyst to make improvements to our products and services. One such example saw us deliver our customers' super statements digitally for the first time in late 2020. This was a direct result of our Compass customer listening program. Based on that we will continue to deliver digital statements each year and make improvements as a result of customer feedback.

A niche specialist super fund for the APS and ADF

CSC is unashamedly a niche super provider – we aren't the biggest and we aren't for everyone. CSC's customers in the APS and ADF are unique and so is what we offer them, whether that be our investments, our education and advice offerings, or the empathy and understanding our staff demonstrate every day. No other super fund knows our APS and ADF customers like we do.

CSC's customer-centric strategy means we are actively and constantly listening to our customers and transforming our service offering and products around their needs. Based on what our customers tell us, we are changing our business model and the processes and systems we use to ensure we are delivering what our customers want and need.

Everyone who works at CSC is proud to serve those who serve.

CSC Board Director and Chair changes

The end of the 2020–21 saw the seven-year term of CSC's Chair, Patricia Cross, come to an end.

Patricia was an outstanding Chair who led CSC through an incredibly challenging period, which included significant regulatory, market and social change and volatility. Throughout her term, Patricia led CSC with exceptional skill, wisdom and a confident calmness.

Highly regarded and hugely respected, Patricia's stewardship saw CSC achieve solid and consistent investment performance, while also keeping on top of the broader governance, regulatory, political, social and workplace influences and forces.

I want to thank Patricia for her outstanding leadership of CSC for the past seven years.

I also want to thank Dr Mike Vertigan whose term as a Director on the CSC Board also concluded on 30 June 2021. This was Mike's second term on the CSC Board and his expertise and deep knowledge of the public service as well as the super industry was greatly valued among his colleagues on the Board.

I look forward to welcoming two new directors in the coming months.

Thank you

During the past year CSC has taken great steps towards significantly transforming our business to improve things for our customers. At the same time, we have also continued to efficiently maintain our core functions – investing, paying pensions and allocating super contributions.

There is a huge amount of effort and rigorous process that goes on every week for these functions to run without issue – often it can go unrecognised. The fact that our staff at CSC successfully manage the hundreds of thousands of transactions, processes and customer interactions week-in and week-out is a testament to their skill, teamwork and expertise.

Finally, it is a privilege to be the new Chair of CSC. I would like to thank CSC's staff and my fellow directors for their continued focus on our customers, their ongoing commitment to continuously improving our business and their passion to serve those who serve our country.

Garry Hounsell
Chair

29 September 2021

CSC's Annual Performance Statements

Statement from CSC's Board

We, the CSC Board, as the accountable authority of CSC, present the 2020–21 Annual Performance Statements of CSC, as required under section 39(1)(a) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). In our opinion, these Annual Performance Statements are based on properly maintained records, accurately reflect the performance of CSC and comply with section 39(2) of the PGPA Act.

CSC purpose and vision

CSC's purpose and vision is to build, support and protect better retirement outcomes for all our customers (being current and former Australian Government employees and members of the ADF) and their families.

CSC performance outcome

CSC's performance outcome is to provide retirement and insurance benefits for scheme members and beneficiaries, including past, present and future employees of the Australian Government and other eligible employers and members of the ADF, through investment and administration of their superannuation funds and schemes.

CSC's performance outcome is stated in CSC's 2020–21 Corporate Plan and in the 2020–21 Portfolio Budget Statements.

Managing and investing our funds

Table 2. CSC's investment performance: criteria and results

Performance criteria	Results
CSC's investment performance for its default accumulation options over a rolling three-year period. (SOURCE: CSC's *2020–21 Corporate Plan*, p. 10; 2020–21 Portfolio Budget Statements, p. 101)	**Achieved:** CSC's default accumulation option achieved its annual real return target of 3.5% per annum over the rolling three-year period to 30 June 2021.
CSC's investment portfolio is maintained within Board-approved risk parameters, such that negative returns are expected in no more than four out of every 20 years for the default accumulation option. (SOURCE: CSC's *2020–21 Corporate Plan*, p. 10; 2020–21 Portfolio Budget Statements, p. 101)	**Achieved:** CSC's portfolio risk for its default accumulation option has been managed such that there have been no more than four years of negative returns over the 20-year period to 30 June 2021.

Our performance helps customers reach a comfortable retirement

By consistently achieving our investment performance criteria, summarised above, CSC increases the probability that the average CSC accumulation customer in retirement will reach the ASFA's 'comfortable retirement standard' of income for Australian retirees (see page 11 of this report for definitions). We track five customer cohorts, by gender, to ensure our investment objectives continue to appropriately support this ambition for all our customers.

Today, our average defined contribution customer across all cohorts has accumulated savings that are on track to deliver a retirement income equivalent to almost 30% more than the ASFA comfortable retirement standard. Further, the majority of our full-time working customers are on track to achieve that standard as well. This ratio will change over time and differs between customers depending on their personal circumstances. However, by ensuring that all our customers can track – via our website – their individual savings against the ASFA standard and their cohort of peers, we can assist every individual to choose wisely their level of investment risk, the contributions they make and their retirement age.

Our investment options cater to individuals

We provide three pre-mixed investment options plus a purely cash option. All are explicitly designed to work together or separately to allow tailored risk-taking appropriate to the different stages of the working life cycle and individual customers' circumstances. The one thing in common for all our investment options is the strength of our investment risk management. It enables us to consistently generate some of the highest net real returns to investment risk-taking in the industry. This means that our customers can choose between our options with confidence.

- Our **Income** fund option focuses on generating a sustainable income with moderate capital growth and is suitable when the capacity to recover from market volatility is lower. This option is consistently rated in the top quartile of its type in SuperRatings survey (net returns taking into account risk) and was first across all time horizons greater than one year to 30 June 2021.
- Our **Aggressive** fund option focuses on generating high real returns over the long term and is suitable for individuals with a capacity for higher risk investments and volatility in their balance. This option is consistently rated at the top end of the top quartile of the

SuperRatings survey across all time periods to 30 June 2021.

- Our **Balanced** fund, as its name suggests, balances capital growth with capital protection to deliver greater outcome certainty. This is our default option. It targets net investment returns of 3.5% per annum above inflation. This target is the average annual growth rate in real savings that we estimate is needed to provide the ASFA comfortable standard in retirement income to our average accumulation customer. It takes into account that customer's age, current superannuation balance, amount of superannuation contributions, cost-of-living adjustments and likely retirement age. Our strategy is to capture most of the upside in markets and avoid much more of the downside to increase the probability that all our customers will retire with adequate income. While this strategy serves our customers and aims to maximise their retirement income, it does mean we will not always be first on ranking charts or charge the lowest fees. We are comfortable taking that approach because our primary goal is to ensure our customers have sufficient income when they retire. However, the return generated per unit of risk taken in this option is rated in the top quartile of the SuperRatings survey over long horizons (7 and 10 years) and above median for 3 and 5 years, despite taking less risk than other funds in this category. Our retirement income Balanced fund is in the first quartile over all time periods.
- Our **Cash** fund aims to preserve capital and is 100% invested in cash assets.
- Our customers can factor in their individual characteristics on the retirement income calculator on our website and track their progress towards retirement.
- As explained in detail later in the report, we integrate risk management, including environmental, social and governance (ESG) risks, across all our customers' portfolios, rather than offer a standalone option. This is because we believe sound practices are relevant to achieve long-term sustainable value and positive impact in all our customers' investments.

Our investment strategy

CSC's investment strategy is designed to help all 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 market 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.

This means that we focus on the fundamentals of cash-flow generation and its sustainability, rather than on market sentiment. We use market price momentum and reversals as opportunities to buy assets at prices that are low relative to our assessment of long-term fundamental value, or we divest from assets that are no longer expected to deliver sustainable cash flow.

Compared with other superannuation funds, this means that our Default Funds generally suffer fewer or smaller losses when markets are falling, but still capture a large proportion of the gains when markets are rising strongly. This reflects our intentional strategy design to truly balance the need to preserve our customers' capital through downside risk management, while ensuring that they take sufficient risk into opportunities that can grow their savings above inflation through market recoveries.

We take this approach to protect the relatively stronger funding positions of our customers compared to peer funds, as a result of the combination of investment returns and the higher contribution rates generally applicable to our customers.

Over 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.

We actively protect our customers' savings and hunt for robust opportunities to grow their savings without undue risk. We are early adopters of new and innovative investment opportunities including technology infrastructure like data centres, which are only now gaining popularity with institutional investors, fibre/cable broadband internet businesses, telecommunication satellites, mobile phone towers and renewable energy investments.

We continuously assess whether investment returns for assets, net of costs and tax, are sufficient to compensate for any evolving risks to which those assets are exposed and vulnerable. Risks are not just those visible in an asset's short-term earnings; they can also arise long-term in an asset's ecosystem and may reduce potential earnings capacity.

Such risks include how an asset or business is governed; how well it understands its competitive environment; the threats and opportunities of technology; how it supports, trains, manages and aligns its employees to its purpose and values; how it considers and manages its impact on the environment; and the community in which it operates. We believe the most robust insights into these factors come from a strong understanding of the governing body and management of an organisation, and by looking for consistency between a business's long-run strategies and short-term performance.

Competitive and consistent returns for our customers

Our investment strategy aims to achieve a cumulative return for our customers which is:

- fit for our customers' purpose: delivering the ASFA comfortable retirement income by the age of 65;
- resilient to developments in external market environments: by proactively managing risk especially as exogenous shocks occur, e.g., pandemic and associated market volatility and buying high-quality assets and strategies, and profitable and sustainable businesses at fair or better prices; and
- competitive: compared with other superannuation funds with different strategies because we aim to consistently generate a robust return for every investment risk we take. By avoiding the risk of capital impairment but being prepared to take risk when prices are below long-run value, we expect competitive longer-term returns and reliable long-run outcomes.

Our investment performance to 30 June 2021

The 2020–21 financial year was strong for financial markets as economies and markets bounced back with post-pandemic policy responses, global vaccination development and high levels of household wealth (housing and financial assets). Domestic and international share markets were very buoyant as economic growth rebounded and central banks around the world committed to continuing to underwrite that recovery.

Our investment returns for the 1, 3, 5, 7, 10 and 15 years to 30 June 2021 for the Default, Balanced and MySuper Balanced options of the various schemes exceeded their objectives and no risk limits were breached through the very dramatic and violent falls in equity markets in March 2020.

Our investment discipline is to seek investment opportunities on an apples-to-apples comparison – return adjusted for risk and fees – rather than simply taking on more and more risk to capture higher returns in an increasingly precarious way. Some of the key portfolio activities in 2020–21 that contributed to our performance included:

1. Diversification of our portfolio's economic risks through innovative investments supported by long-term structural trends across global infrastructure needs, technology adoption, healthcare, agriculture and supply-chain resilience and sustainable resource use. These assets are selected to produce high-quality, often inflation-linked cash flows and still achieve capital growth. For example:
   - Complementing our existing digital-data centre assets – in which we were a first mover in Australia – we acquired an essential governance stake in Telstra's Australian mobile towers network and invested further capital in a 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. These assets are all expected to benefit from higher average work-from-home practices and the accelerated adoption of digital technology into business models through the pandemic.
   - We also added to our existing wind and solar renewables portfolio with a European owner and operator of hydroelectric facilities, windfarms and solar farms.
   - We invested in an Australian diagnostic imaging business that provides preventative healthcare infrastructure and growth of new clinics in regional areas.
   - We bought a business in the US that specialises in the storage, logistics and preparation of food, contributing to essential food supply chains across the US. This adds to our existing investment in an Australian agricultural business that uses technology to produce food innovatively and prioritises sustainable use of limited natural resources.
2. We continued our private equity program, co-investing in high-quality and targeted opportunities – efficiently but robustly – to ensure that our customers benefited from the past year's very strong returns achieved through initial public offerings (IPOs). IPOs are the process by which private companies are floated on public stock exchanges. Many of our private companies have also been acquired by larger companies, for trade premiums, thereby generating exceptional investment returns. Examples include:
   - healthcare and biotech companies that have also contributed to COVID-19 vaccine trials, pathology testing laboratories, FDA-approved allergy immunotherapy treatment and FDA-approved therapy treatment of blood-clotting diseases.
   - palm-oil-free chocolate producer seeking to protect endangered species.
   - maintenance services and commercial cleaning for customers across government, education, healthcare, retail, corporate, entertainment and hospitality – many critical essential service sectors during COVID-19.
   - technology companies that have delivered solutions to encourage exercise with entertainment and efficient and robust cloud-computing services.
3. We re-invested in our innovations. Over the last year, for example, we have:
   - added to our public-market program that seeds new overseas investment management businesses focused on generating diversifying active returns; 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 your savings against event risks such as the US presidential election.
   - pro-active and integrated responses to the results of our climate and ESG stress tests with, for example, the use of two new international shares mandates: (i) passively implemented decarbonisation index to reduce our carbon emissions by 50% vs public listed equity benchmark; and (ii) optimisation mandate that reduces misuse of scarce natural resources – 50% less carbon, 50% less water use, 50% less waste; and
   - active ownership of our public companies which is executed indirectly through voting on all shareholder resolutions and directly via engagement. Where engagement cannot work because revenue is concentrated in a single risky activity, and the risks to value are material, we divested from public companies. The latest example of this was our divestment from undiversified public companies that generate 70%+ revenue from thermal coal production because the financial risks to these companies are rising and engagement is unviable (consistent with our earlier divestments of tobacco and cluster munitions manufacturers).

We build our portfolio to be resilient in the face of unexpected shocks, such as those of the past year, and we reinvest in our capacity to remain agile, pro-active and one step ahead of others in the deployment of capital to capture good entry prices and the tailwinds of demand momentum. Private assets, windfarms, data centres, innovation capital and resource-waste-mitigation are just some examples of this. We also overlay your portfolios with risk management designed to preserve capital in down markets but still capture most of the upside when conditions warrant.

You can see our risk management reflected in the pattern of returns of the past year, where returns have recovered from -0.9% (June 2020 despite more than 30% falls in equity markets through the first two quarters of 2020) to +18.2% by June 2021, as the quality of our portfolio and dynamic risk management began to payoff. We recognise that sometimes customers can be flexible about when they retire but not always (e.g., due to ill health). Hence, we aim to manage downside risk for our customers by reducing the risk that a customer retires at a time when investment returns are unfavourable, resulting in less money for their retirement (sequencing or retirement date risk).

Over the last ten years to 30 June 2021 – spanning both bull and bear markets – we have avoided 39% of the losses that peers incurred when markets fell, while capturing most (89%) of the gains in strong markets relative to our Balanced fund peers. Additionally, the Balanced fund has historically been in the top quartile of our peers over the long term (7 and 10 years to 30 June 2021) when comparisons take into account the amount of risk that customers are exposed to. Our Income-focused and Aggressive options have been consistently in the top 2 funds for net risk adjusted returns in their peer groups for all time periods.

Our investment governance model is unique and designed specifically to support our capacity to take investment decisions in real time, rather than subject to the constraints of the Board meeting cycle, and to proactively identify and manage risks with agility before they can materially impact customers' superannuation savings. We operate with full transparency, clarity of risk appetites and tolerances, and delegated accountability in all investment decisions.

Our investment governance framework means that CSC implements its investment decisions through:

- **a structured and transparent set of delegations**, ensuring the right decisions are taken at the right time by dedicated professionals best skilled and, therefore, accountable to take them;
- **a robust set of specialised, external agents** who complement CSC's internal resources, are agile and targeted to be fit for specific CSC investment purposes, and materially reduce our uncompensated operational risks; and
- **a nimble, stable and skilled internal investment team** focused on ensuring CSC's comparative advantages are used to our customers' best interests, are empowered to continuously innovate to maintain our global best-practice credentials and are focused on assessing and managing the implications for risk taking that flow from a continuously evolving, global market.

To learn more about CSC's investment approach and strategy, go to the Investment section of this report on page 52.

The global investment outlook

The future feels difficult to predict today. There is much that is changing, including the shape of our communities and their demographics, and the role that technology plays in almost everything – reshaping opportunity and risk as cyber security rises to the top of the World Economic Forum's global risk list. Governments are more directly involved in the income, health and industry design within economies across both the developed and developing worlds. Interest rates remain historically low and negative in real terms (after accounting for the erosion of income represented by inflation) in many regions of the world. Central banks admit that policy initiatives may feel experimental as we continue to emerge from the enforced economic lockdowns of the past year. So, there is real risk, as described by genuine uncertainty, rather than temporary volatility associated with investment portfolios today.

The final consequences of many years of unconventional monetary policies and now the large expansion of government debt are still unknown. We see the effects in financial asset inflation, concerns about bubbles forming in some segments of equity markets and, more recently, in increased speculative behaviours in such stocks as GameStop. But we also see these effects manifest in a resumption of the global economic cycle, across both manufacturing and services sectors. The impact on productivity, which could help to return the world to a non-inflationary growth path, as the impact of pandemic-related supply shortages on consumer price inflation dissipates, is not yet clear.

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 to evolving and perhaps very different market conditions to those prevailing at present. 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.

Administration of our schemes

Table 3. CSC's operational performance: criteria and results

Performance criteria	Result
Achievement of operational objectives for contributions processing, and benefits/pensions payments (SOURCE: CSC's 2020–21 Corporate Plan, p.10; 2020–21 Portfolio Budget Statements, p. 101).	**Achieved:** 90% or more of each operational objective was met, as shown below. **Benefit payment objectives met:** • 97% of benefit payments to customers in CSC's defined benefit schemes were paid within five business days of CSC receiving all required documents (exceeding our performance criterion of85.5%). • 99% of benefit payments to customers in CSC's defined contribution schemes were paid within three business days of CSC receiving all required documentation (exceeding our performance criterion of85.5%). **Pension payment objectives met:** • 100% of fortnightly pension payment files for CSC's defined benefit schemes were lodged with CSC's bank on Wednesday morning prior to pay day (meeting our performance criterion of 90%). • 100% of pension payments for CSCri and ADF Cover were completed by the 21st of each month (meeting our performance criterion of 90%). **Contribution processing objectives met:** • 99% of contributions to CSC's defined benefit schemes were allocated to customer accounts within four days of CSC validating the contribution (exceeding our performance criterion of 85.5%). • 100% of paper-based contributions for CSC's defined contributions were allocated to customer accounts within three business days of the contribution being validated (exceeding our performance criterion of 85.5%).

How we administer our superannuation schemes

Mercer Administration Services (Australia) Pty Ltd (Mercer Administration) is contracted by CSC to administer our PSSap, CSCri and ADF Super schemes. We administer all our other superannuation schemes.

Accurate and efficient administration

We have a well-developed governance framework for managing the administration of our customers' superannuation savings. This framework includes:

- activities to ensure we receive accurate and complete data from our customers' employers
- forecasts of workloads to ensure that staff are deployed most effectively during peak service periods
- continuous technology improvements so that administration is compliant, fast and accurate, and staff spend more time on customer needs.

Our services to customers

We are committed to guiding our customers towards their retirement dreams. Our commitment is embedded in our brand. We aim to be the guide for our customers. In addition to the core administration of our customers' superannuation savings, we provide a range of services to help our customers achieve the retirement outcomes they seek.

These other services include:

- one-on-one and group seminars covering a range of superannuation topics, tailored to each of our superannuation schemes
- financial planning services, which are provided on a fee-for-service basis; each of our financial planners is independently certified by our financial planning partner, Guideway Financial Services
- general support and advice via our customer contact channels (phone, email, social media and in person)
- dedicated service teams to support employers in their management of contributory customers
- a dedicated team to provide services to beneficiaries when a customer dies.

We recognise that our customers' needs and expectations are constantly changing and we must continually change and adapt our service model and how we communicate, to ensure we stay relevant and of value to our customers.

Customer feedback

We are committed to listening to our customers' feedback. We capture and respond to feedback through a Net Promoter System (NPS).

Each month we survey one-twelfth of our customers about their CSC experiences. The first survey question is: how likely would you be to recommend your CSC scheme to a friend or family member? The information gathered in these surveys is used to:

- improve our customer-facing teams' engagement with customers
- prioritise improvement initiatives and investments.

How did we perform?

Table 4. CSC's service performance: criteria and results

Performance criteria	Results
Adequate satisfaction levels of customers, beneficiaries and employers with the service provided. (SOURCE: CSC's *2020–21 Corporate Plan*, p.10)	**Not Achieved**: Across all customers the NPS score fell 2 points.

Customer satisfaction

Our June 2021 NPS score was -12, a decrease of 2 points from our score in June 2020. While the overall NPS score dropped, this was primarily due to preserved customers continuing to perceive us negatively, with a sharp decline in scores from our ADF customers. Scores are increasing considerably for our contributing customers.

We believe that the changes around invalidity tax as a result of the Full Federal Court decision in Commissioner of Taxation v Douglas [2020] FCAFC 220 have been the main contributor to the significant drop in NPS for preserved ADF customers in June.

On the other hand, NPS scores for our PSSap customers rose to -10, an increase of 21 points from last year. This positive movement reflects improvements in our key touchpoints at joining and our annual statements, as well as general service experience improvements. Improvements in communications and product design also contributed.

We also surveyed our customers at particular touchpoints and important events. The NPS results for these touchpoints are shown in the table below.

Table 5. NPS results across CSC in 2020–21

Touchpoint	NPS
On-boarding	-21
Financial advice	+44
Member education (seminars and one-on-ones)	+58
Ancillary on-boarding	+18
Retirement	+41

These results demonstrate that when we engage with our customers, they are more likely to recommend CSC. Our challenge is to engage all our customers in the way they want and to continually improve that experience. Our lowest scoring touchpoint of on-boarding has increased by 3 points since last financial year, driven by a number of improvements in how we engage and set up new customers.

Employer satisfaction

We surveyed a number of employers in the last year, testing the strength of our relationship and identifying areas for improvement. The employer satisfaction NPS in 2020–21 was +27, up from +9 when we last surveyed our employers.

Section 03

Our Board of Directors

03

Our Board of Directors

CSC's governing legislation establishes the CSC Board of Directors. The function of the Board is to ensure that CSC performs its functions as outlined in the governing legislation in a proper, efficient and effective manner. The Board has the power to do all things necessary for, or in connection with, the performance of its functions.

This section details the composition and responsibilities of the Board, Board remuneration and director indemnity, as well as explaining how the Board's authority is delegated and how Board performance is reviewed.

Directors for 2020–21 are listed below.

Composition

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.

Responsibilities

The Board is responsible for the sound and prudent management of CSC's superannuation schemes. Directors and CSC employees are required to comply with the Board's governance policy framework.

The framework includes policies such as the Board Charter, Conflicts Management Policy and Framework, Fit and Proper, Board Renewal and Board Performance Evaluation. The Board Governance policy framework is discussed in section 4 'Our Governance' on page 39.

Delegated authority

CSC may delegate its powers under scheme legislation. The Board has delegated authority for many activities, corporate and investment matters and scheme administration. Delegations are reviewed regularly to ensure they remain current. CSC employees exercising delegations are accountable to the CEO, who, in turn, is responsible to the Board. Sensitive or extraordinary matters that arise within delegated powers are usually referred by the CEO to the Board.

Performance review

The Board's performance is formally evaluated annually, including evaluation of the Board as a whole, the Chair, individual directors and Board committees. A range of matters are examined as part of this review process including performance relative to objectives, fulfilment of responsibilities, structure and skills, strategic direction and planning, policy development, and monitoring and supervision. Every three years the review is performed by an independent third party who is selected based on submissions and market references.

Board Performance Assessment was undertaken by Lintstock Limited (London) and was concluded in June 2021. With a view of improving performance, all directors also participate in ongoing professional development activities in accordance with the CSC Fit and Proper Policy and the Board Skills Matrix. The Board Skills Matrix can be found on the CSC Website: https://www.csc.gov.au/Members/About-CSC/Corporate-governance

Remuneration

The Remuneration Tribunal determines the remuneration of CSC directors (*Remuneration Tribunal Act 1973*), including for members of the Audit Committee and the Reconsideration Committees.

Remuneration is disclosed in this report on page 46.

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.

Diversity

CSC aims to work in a supportive and collaborative way. We support and encourage a diverse and inclusive workforce by fostering a culture and environment of respect, courtesy, honesty and integrity, and treat others as we wish to be treated ourselves. We appreciate difference and respect other perspectives and cultures.

Our commitment to diversity starts at the Board level. CSC believes we will achieve better outcomes for customers, a higher standard of corporate governance, improved financial performance and attract and retain talented staff if we genuinely embrace the goal of cognitive diversity, which is realised through workforce equality and a spectrum of skills and experience. We have also learned through the COVID-19 disruptions that our teams value and respond positively to more flexibility.

We aim to capture these learnings.

CSC's commitment to diversity is detailed in our Diversity Policy, available on our website at csc.gov.au.

In accordance with these commitments, CSC actively encourages our investment managers to engage with investee companies that support these targets.

Our Board members in 2020–21

Mrs Patricia Cross

Appointed 1 July 2014; re-appointed 1 July 2017 to 30 June 2020 and 1 July 2020 to 30 June 2021

- Chair of the Board
- Member of the Board Governance Committee
- Member of the Remuneration and HR Committee
- Director of ARIA Co Pty Ltd

Mrs Cross is a Non-executive Director of Aviva plc (since 2013), a senior independent Director of Aviva Investors Holdings Limited (since January 2017), a member of the Future Fund Board of Guardians (appointed 25 May 2021) and an Ambassador of the Australian Indigenous Education Foundation (since 2008).

Having begun her career in public service with the United States Government, Mrs Cross went on to gain extensive international financial services experience living and working in seven countries. She worked with Chase Manhattan Bank and Chase Investment Bank (1981–87), Banque Nationale de Paris (1987–88) and National Australia Bank (1988–96) where she ran Wholesale Banking & Finance and was a Member of the Group Executive Committee.

Since 1996, she has served as a public company director for Suncorp-Metway Limited (1996–2000), AMP Limited (2000–03), Wesfarmers Ltd (2003–10), Qantas Airways Limited (2004–13), National Australia Bank (2005–13), Macquarie Group Limited (2013–18) and Macquarie Bank Limited (2013–18). She was also Chairman of Qantas Superannuation Limited (2002–05), Deputy Chairman of the Transport Accident Commission of Victoria (1997–2001), a founding director of the Grattan Institute (2008–15) and founding Chair of 30% Club Australia (2015–18).

Mrs Cross has held a number of honorary government positions, including with the Financial Sector Advisory Council, Companies and Securities Advisory Committee, Panel of Experts to Australia as a Financial Centre Forum and Sydney APEC Business Advisory Council.

Mrs Cross has previously served on a wide range of not-for-profit boards, including the Murdoch Children's Research Institute (2002–11), and was the Co-Chair of WomenCorporateDirectors (WCD) in Australia (2014–17). In 2001, Mrs Cross received the Australian Centenary Medal for service to Australian society through the finance industry.

Mrs Cross has a BSc (Hons) in International Economics from Georgetown University School of Foreign Services. In 2018, she was awarded Life Fellowship with the Australian Institute of Company Directors.

Mrs Ariane Barker

Appointed 13 September 2016 to 12 September 2019; re-appointed 13 September 2019 to 30 June 2022

- Member of the Board Governance Committee
- Member of the Risk Committee
- Member of the Member Outcomes Committee
- Chair of ARIA Co Pty Ltd

Mrs. Barker is currently a Director and Chair of the Audit and Risk Committee at IDP Education (since 2015), a Director and Chair of the Audit and Risk Committee at Atlas Arteria (since March 2021), and a member of the Investment Committee at the Murdoch Children's Research Institute (since 2011).

Mrs Barker was previously the CEO of Scale Investors (from 2017 to February 2021), a Board Director at Taralye, the Oral Language Centre for Deaf Children (2011–14), and a member of the Community Advisory Committee at the Royal Victorian Eye and Ear Hospital (2013–18). Mrs Barker has over 20 years of experience in international banking and finance, including roles as General Manager, Products and Markets at JBWere (2015–17); Director, Equities Division at HSBC (2005–08); Executive Director, Equities Division at Goldman Sachs (Asia) (2000–02); and Associate – Capital Markets at Merrill Lynch International (1994–99).

Mrs Barker has a Bachelor of Arts degree in Economics and Mathematics from Boston University and is a Fellow of the Australian Institute of Company Directors.

The Hon. Chris Ellison

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

- Chair of the Remuneration and HR Committee
- Chair of the APS Reconsideration Committee
- Member of the Members Outcome Committee
- Director of ARIA Co Pty Ltd

The Hon. Chris Ellison is a Director of the University of Notre Dame (since 2015) and Chancellor of the University of Notre Dame in Western Australia (since 2018, having previously been Governor since 2009). He is an advisor to Quintis Corporation (formerly TFS Corporation) (since 2009) and a Director/Trustee of the SAS Resource Fund Trust (since June 2020).

The Hon. Chris Ellison is a member of the WA Law Society and Chair of the SAS Regiment Resources Fund fundraising committee (since 2014). He was previously a Director of Doric Construction Group (2011–15), Chairman of Australia's North West Tourism Board (2011–15), a member of the Study Group Academic (SGA) Council, and Chair of the Academic Board West for SGA (2014–18).

He was a Cabinet Minister in the Howard Government and in the Ministry for over 10 years (1997– 2007). He held a number of portfolios including Justice and Customs, and he remains Australia's longest serving Justice Minister. He has also held a legal practising certificate for over 40 years. He has a B.Juris and LLB both from the University of Western Australia.

Ms Melissa Donnelly

Appointed 1 July 2020 to 30 June 2023

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

Ms Donnelly is the National Secretary of the Community and Public Sector Union (CPSU). In her time at the CPSU, Ms Donnelly has occupied a range of roles, including leading the national political, industrial research and legal team prior to joining the national Executive Committee in 2015.

Ms Donnelly is involved in setting the national strategic direction of the CPSU, as well as governance and budgetary processes.

Ms Donnelly has worked across all areas of the CPSU including the federal public sector, telecommunications, broadcasting and private sector industries. Ms Donnelly was previously a Director of Telstra Super and currently serves as a Director of the McKell Institute, Shared Advantage Limited and ACTU Education Inc. Training.

Ms Donnelly holds degrees in law and social science.

Mr Garry Hounsell

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

- Chair of the Audit Committee
- Member of the Risk Committee
- Member of the Board Governance Committee
- Director of ARIA Co Pty Ltd

Mr Hounsell is the Chairman of HelloWorld Travel Limited (since 2016) and Non-executive Director and Chair of the Audit Committee at Treasury Wine Estates Limited (since 2012). Mr Hounsell is also a Director of Findex (since January 2020).

Mr Hounsell was previously the Chairman of Myer Holdings Limited (2017–20; Executive Chairman February–June 2018), Chairman and a Non-Executive Director of Spotless Group Holdings Limited (2014–17), the Chairman of Emitch Limited (2006–08) and PanAust Limited (2008–15). He was also previously an Advisory Board Member of PanAust Limited (2015–17), Rothschild Australia Limited (2012–17) and Investec Global Aircraft Fund (2007–19). He was a Director at Orica Limited (2004–13), Nufarm Limited (2004–12), Qantas Airways Limited (2005–15), Mitchell Communication Group Limited (2008–10), Integral Diagnostics Limited (2015–17), Dulux Group Limited (2010–17) and Investec Aircraft Syndicate Limited (2012–18).

Mr Hounsell was a Senior Partner at Ernst & Young (2002–04), CEO and Managing Partner of Arthur Andersen (2001–02) and a Partner at Arthur Andersen (1989–2002).

Mr Hounsell has a Bachelor of Business (Accounting) from the Swinburne Institute of Technology (1975) and is a Fellow of Chartered Accountants Australia and New Zealand, and a Fellow of the Australian Institute of Company Directors.

Air Vice-Marshal Tony Needham, AM

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

- Nominee of the Chief of the Defence Force
- Chair of the Member Outcomes Committee
- Member of the Remuneration and HR Committee
- Deputy Chair of the MilitarySuper Reconsideration Committee
- Deputy Chair of the Defence Force Case Assessment Panel
- Director of ARIA Co Pty Ltd

Air Vice-Marshal Needham is a member of the Royal Australian Air Force Active Reserve (since early 2016), following a distinguished career over three decades in the permanent Air Force (1978–2016). He served as operational aircrew on the P-3C Orion and Royal Air Force Nimrod Mark 2 aircraft, the latter as aircraft captain. His military service included holding the positions of Head People Capability, Department of Defence (2014–15) and Deputy Commander, Joint Task Force 633, Middle East (2013).

Air Vice-Marshal Needham also served as a Commissioner of the Military Rehabilitation and Compensation Commission (2014–15) and Chair of the Defence Force Recruiting Board of Management (2014–15).

Air Vice-Marshal Needham holds a Master of Arts in Strategic Studies, Deakin University, a Graduate Diploma in Management Studies and is a Graduate of the Australian Institute of Company Directors. Air Vice-Marshal Needham was appointed as a member in the Order of Australia in 2005, primarily for work in the personnel area for the RAAF.

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

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

- 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 Ltd

Air Vice-Marshal Staib is a Director of QinetiQ Australia (since 2017), a Director of the Australian Strategic Policy Institute (from 2015 – January 2021), a member of the industry advisory boards of C|T Group (since 2018) and the Centre for Supply Chain and Logistics at Deakin University (since 2017). She was appointed as the Australian Government Freight Controller in April 2020. She is a member of the Royal Australian Air Force Active Reserve (since 2012), following a distinguished career over three decades in the permanent Air Force. In December 2019, she was appointed to the National Board of Chief Executive Women (CEW), in her capacity as ACT Chapter Chair.

Air Vice-Marshal Staib is also a Division Councillor of the Royal Aeronautical Society (Australian division) and a Northern Territory Defence and National Security Advocate (from 2017 – June 2020). Her military service included holding the position of Commander Joint Logistics and Commandant of the Australian Defence Force Academy.

Air Vice-Marshal Staib formerly held the position of Chief Executive Officer of Airservices Australia (2012–15). She was also a member of the Industry Advisory Board for the Centre for Aeronautical and Aviation Leadership of Embry-Riddle Aeronautical University (2010–15).

Air Vice-Marshal Staib holds a Bachelor of Business Studies, Master of Business Logistics and Master of Arts in Strategic Studies. She has received the United States Meritorious Service Medal, the Outstanding Contribution to Supply Chain Management in Australia Award and was appointed in 2009 as a member in the Military Division of the Order of Australia. In 2000, Air Vice-Marshal Staib's contribution and leadership in the field of ADF Aviation Inventory Management was recognised when she was awarded the Conspicuous Service Cross.

Dr Michael John Vertigan, AC

Appointed from 1 July 2017 to 30 June 2020; re-appointed 1 July 2020 to 30 June 2021

- Chair of the Board Governance Committee
- Member of the Audit Committee
- Member of the Risk Committee
- Director of ARIA Co Pty Ltd

Dr Vertigan has experience in the public, higher education, philanthropy and business sectors. He is the former Chair of the AGEST Superannuation Fund (2004–08) and former Secretary of the Victorian (1993–98) and Tasmanian (1989–93) Departments of Treasury and Finance. He has held a number of academic appointments and is a former Chancellor of the University of Tasmania.

Dr Vertigan was the Independent Chair of the Gas Market Reform Group established by the COAG Energy Council (from 2016–19). He has previously held appointments on corporate boards and on a wide range of Commonwealth, state and territory government businesses, statutory bodies and advisory panels. He was a Director of CSC (2011–16) and a member of the ComCare Audit and Risk Committee (2016–19).

Dr Vertigan has a Bachelor of Economics (Hons) from the University of Tasmania and a PhD from the University of California (Berkeley). Dr Vertigan was made a Companion of the Order of Australia in 2004. He is a fellow of the Australian Institute of Company Directors (since 1998) and the Institute of Public Administration of Australia (since 1994).

Mr Alistair Waters

Appointed 25 February 2020 to 24 February 2023

- Member of the Audit Committee
- Member of the Risk Committee
- Member of the APS Reconsideration Committee
- Member of the Member Outcomes Committee
- Director of ARIA Co Pty Ltd

Mr Waters is National President of the PSU Group of the Community and Public Sector Union (CPSU) (since 2015). He has performed various governance, industrial, organising and policy roles at the CPSU since 1997. Mr Waters has worked with and represented CPSU members working in the ATO, Services Australia, Prime Minister & Cabinet and across the Australian Public Service and broader public sector for many years.

Mr Waters was previously a Board Director at Trades Hall Building Limited (2015–18).

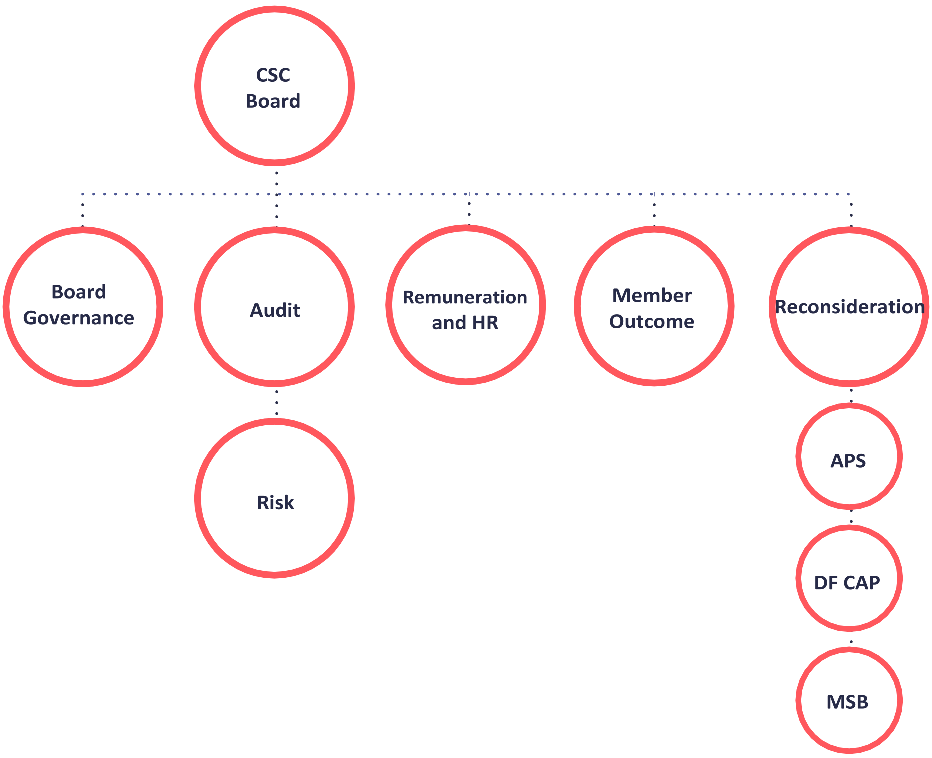
Mr Waters has a Bachelor of Arts degree in Politics, Philosophy and Sociology from Murdoch University.

Board meeting attendance

Table 6. Board and standing Board committee meeting attendance in 2020–21

Board Member	Board meetings (8)	
	Attended	Eligible to attend
Patricia Cross	8	8
Ariane Barker	8	8
Melissa Donnelly	8	8
Chris Ellison	8	8
Garry Hounsell	8	8
Tony Needham	7	8
Margaret Staib	8	8
Michael Vertigan	7	8
Alistair Waters	8	8

Board committees



Established committees assist the CSC Board to carry out its responsibilities. Committee members are appointed by the Board and each committee has its own Board-approved terms of reference, which are reviewed from time to time.

The Board has four standing committees: the Audit Committee, the Risk Committee, the Board

Governance Committee and the Remuneration and HR Committee. All standing committees' Terms of Reference are available on the CSC webpage https://www.csc.gov.au/Members/About-CSC/Corporate-governance

Table 7. CSC Audit Committee

CSC Audit Committee		
To assist the Board in discharging its responsibilities by providing an objective, non-executive review of CSC's financial reporting, taxation and regulatory compliance. Functions include: • integrity of financial reports • significant financial and accounting issues and policies • regulatory requirements and compliance • assurances on internal control and compliance systems • audit effectiveness, independence, scope and planning.		
Membership	**Attended**	**Eligible to attend**
Garry Hounsell	6	6
Margaret Staib	6	6
Mike Vertigan	6	6
Alistair Waters	6	6

Table 8. CSC Risk Committee

Risk Committee		
To assist the Board in discharging its responsibilities by overseeing CSC's risk culture, risk frameworks and management of risk. Functions include: • business operations • technology and cyber security • fraud • insurance • business continuity and recovery • liquidity • investment governance • counterparty risk compliance.		
Membership	**Attended**	**Eligible to attend**
Garry Hounsell	5	5
Ariane Barker	5	5
David Coogan (consultant to committee)	5	5
Margaret Staib	5	5
Mike Vertigan	5	5
Alistair Waters	5	5

Table 9. CSC Board Governance Committee

Board Governance Committee		
To assist the Board by advising and making recommendations on issues relevant to the corporate governance of CSC and the identification, education and evaluation of directors. Functions include: • critical review of corporate governance policies and procedures • review of the skills of the Board and its committees • support the Chair of the Board in respect to succession planning strategies for the Chair, Board and the CEO • review and evaluate induction programs, and identify ongoing professional development requirements for existing directors • develop and implement performance evaluation and improvements processes for the Board, Committees and Directors.		
Membership	**Attended**	**Eligible to attend**
Ariane Barker	6	6
Patricia Cross	6	6
Melissa Donnelly	6	6
Garry Hounsell	6	6
Michael Vertigan	6	6

Table 10. CSC Remuneration and HR Committee

Remuneration and HR Committee		
To assist the Board by advising and making recommendations on issues relevant to its Remuneration Policy and human resource obligations. Functions include: • regular review of the Remuneration Policy, including assessment on its effectiveness and compliance with the requirements of the Australian Prudential Regulation Authority's *Prudential Standard SPS 510 Governance* • make recommendations regarding CEO remuneration • make recommendations on the remuneration outcomes for CSC staff and on the investment pool available for variable remuneration • satisfy the committee that CSC's people, policies and practices support the attainment of CSC's strategic goals.		
Membership	**Attended**	**Eligible to attend**
Patricia Cross	7	7
Melissa Donnelly	7	7
Chris Ellison	7	7
Tony Needham	7	7

Other Board committees

The Board has also established three committees which, on application by affected customers, reconsider some decisions made under scheme legislation. These committees are the:

- Australian Public Sector Schemes Reconsideration Committee
- MilitarySuper Reconsideration Committee
- Defence Force Case Assessment Panel.

CSC may, from time to time, establish other ad-hoc committees to meet a specific requirement or change. Currently CSC has one ad-hoc committee, the Member Outcomes Committee, established in August 2019 to help the Board develop and implement practices to ensure that CSC meets the requirements of the Australian Prudential Regulation Authority's *Prudential Standard SPS 515*. The committee membership in 2020–21 included Tony Needham (Chair), Chris Ellison, Ariane Barker and Alistair Waters.

Section 04
Our Governance

04

Our Governance

Introduction

The CSC Board aspires to best practice and to be a leader in governance policy and practice. Our Board's governance framework includes the following policies (most of which are also available on our website):

- **Board Charter**
- **Board Performance Evaluation Policy**
- **Board Renewal Policy**
- **Business Continuity Management Policy**
- **Conflicts Management Framework and Policy**
- **Diversity Policy**
- **Fit and Proper Policy**
- **Governance Framework**
- **Privacy Policy**
- **Remuneration Policy**
- **Whistleblower Protection and Public Interest Disclosure Policy**

Following are the details of CSC's regulatory requirements, our approach to financial management, risk management, member outcomes and our compliance program. Also outlined are the fraud control and internal audit measures CSC has put in place.

Our regulatory requirements

CSC was established under the *Governance of Australian Government Superannuation Schemes Act 2011* (GAGSS Act) and is responsible for the super schemes covered in this report. Our objectives and functions, as set out in CSC's governing legislation, are outlined on page 6. Our governing legislation establishes accountability arrangements for CSC, including annual reporting to Parliament and tabling of audited financial statements.

CSC holds both a Registrable Superannuation Entity (RSE) licence and an Australian Financial Services (AFS) licence, which means we are regulated by the Australian Prudential Regulation Authority (APRA) under the *Superannuation Industry (Supervision) Act 1993* and the Australian Securities and Investments Commission under the *Corporations Act 2001*. CSC must uphold the conditions of both licences and comply with financial services law.

CSC is also bound by provisions of the various Acts and Deeds that establish and govern our individual schemes. Our regulated schemes must be managed and invested in accordance with the CSS Act, the PSS Act, the MilitarySuper Act, the PSSap Act and the ADF Super Act, together with any relevant Trust Deeds under these Acts.

Our unregulated schemes are established by and must be administered in accordance with the 1922 Act, the DFRB Act, the DFRDB Act, the PNG Act and the ADF Cover Act, as relevant.

Our financial management

CSC's finances are managed in accordance with the PGPA Act, our governing legislation and relevant scheme legislation. A Board-approved budget is in place and the Board has delegated its authority to individual staff to make and implement certain financial decisions.

Our risk management

Our Risk Management Strategy sets out CSC's risk management principles, our risk management framework and the underlying components and processes we use to identify, assess and mitigate risks. Our Risk Appetite Statement describes the level of risk CSC is prepared to take on to achieve its objectives. The Risk Appetite Statement (RAS) and Risk Management Strategy (RMS) meet APRA's requirements under *Prudential Standard SPS 220* and both are reviewed at least annually and updated as required. The RAS and RMS were last reviewed in September 2020.

Our compliance program

A detailed compliance program underpins CSC's Risk Management Strategy, satisfying the requirements of our RSE and AFS licences. Staff and certain service providers must regularly certify that they comply with all relevant legislative requirements, contractual provisions, regulatory policy and service standards, as well as any relevant licence conditions. Any instance of non-compliance must be reported.

CSC's Audit Committee oversees compliance reporting, including remediation if a breach has occurred. CSC has a Breach and Compliance Policy that describes how to report such breaches and this policy is distributed to our relevant service providers.

Fraud control

Strategies to manage the risks of fraud and corruption are set out in CSC's Fraud Control and Corruption Plan. The plan is reviewed annually and updated as required. The Fraud Control and Corruption Plan is available on the CSC Website.

Internal audit

Internal audit provides independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.

CSC operates an outsourced internal audit model where internal audit functions and services are provided by KPMG under contract. CSC maintains internal oversight of the internal audit function through the Chief Operating Officer portfolio. The internal audit function also has a direct reporting line to the Audit Committee and may raise matters directly with the committee as necessary.

Internal audit undertakes approximately 10 audits per year spanning financial, operational and regulatory subjects. A plan of audit topics is prepared on an annual basis. However, audits to address changes to business priorities or to CSC's risk profile can be initiated at any time by either the Board or the Audit Committee. The Audit Committee's annual internal audit plan takes into account previously identified risks, the results and recommendations of previous internal and external audits, legislative and regulatory changes and requirements, and anticipated business changes.

Member Outcomes

Member Outcomes is a regulatory initiative that came into operation on 1 January 2020. CSC must demonstrate objectively and transparently that our customers and the business initiatives we pursue and deliver are meeting the best interests of our fund customers and groups of customers within our funds.

For CSC, Member Outcomes is about holding ourselves to account for our vision, our customer promise and our customer commitments.

We deliver Member Outcomes through three core functions:

1. Providing adequate retirement savings.
2. Enabling customers to make informed and engaged decisions.
3. Embedding ease, efficiency and effectiveness into our products and services.

CSC has identified five core business capabilities that support the core functions:

1. Organisational governance.
2. Risk management.
3. People and culture.
4. Data management.
5. Corporate effectiveness and infrastructure.

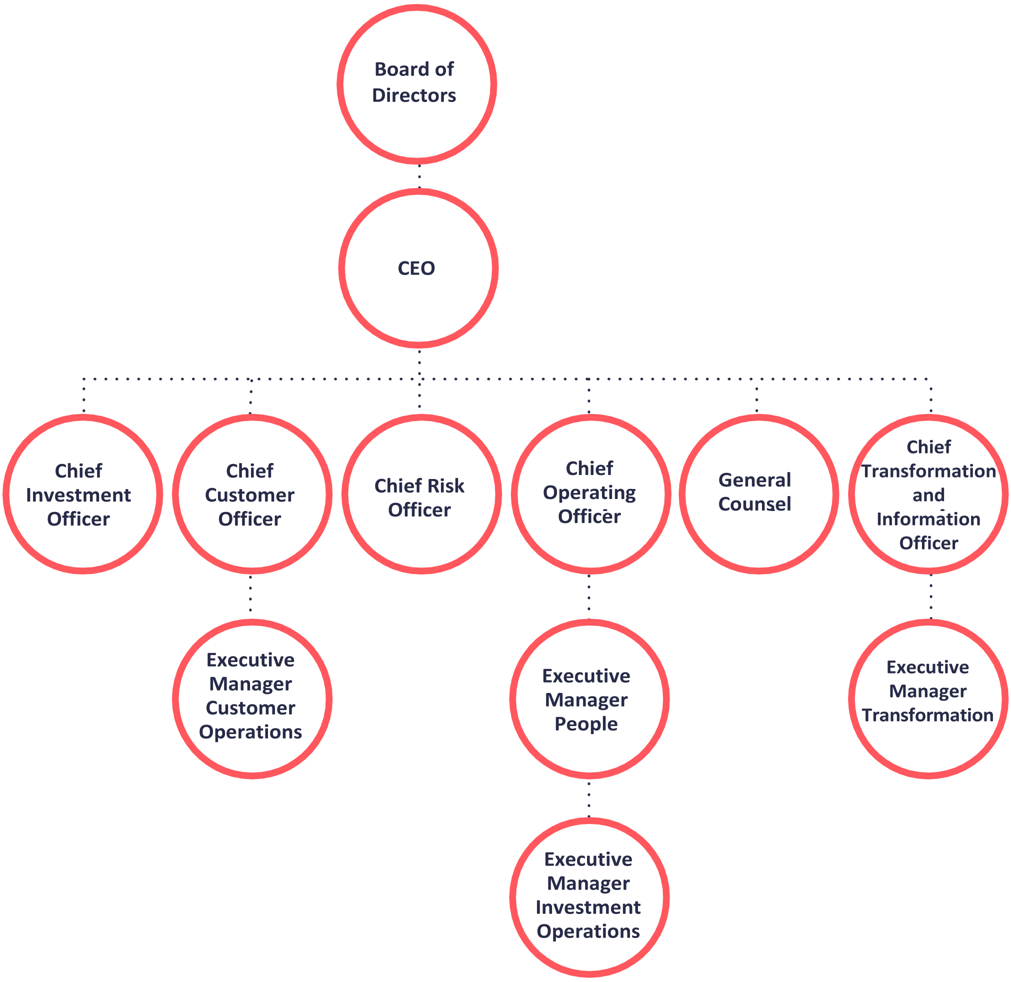
CSC is implementing the operational, reporting and accountability processes to ensure that genuinely positive Member Outcomes are realised by our customers, in accordance with the requirements of APRA's *Prudential Standard SPS 515*. CSC has implemented a structured approach to the ongoing review and delivery of our Member Outcomes initiatives and activities. This is a cyclical annual process that involves five primary steps:

1. Reviewing and refining the member and business outcomes that we continuously seek to achieve.
2. Identifying and formalising strategic objectives to defend, improve or achieve those outcomes over planning periods of three years.
3. Developing a business plan, including key initiatives, that sets out how CSC will deliver on its strategic objectives.
4. Undertaking an annual business performance review that examines performance against outcomes and against the business plan.
5. Flowing from the business performance review, identifying the actions CSC will take through future strategic objectives and initiatives to maintain, adjust or change practices, anchored on a cycle of continuous review and delivery of Member Outcomes.

To 30 June 2021, CSC had undertaken the following activities as part of its Member Outcomes implementation:

- Publication of the Board-approved Legislative Outcomes Assessment (9 March 2021).
- Annual Business Performance Review, completed for December 2020.
- Member Outcomes Assessment, completed for December 2020.
- Development of Strategic Objectives, Key Business Initiatives and three-year financials (October 2020–June 2021).
- Board approval of the 2021–24 Business Plan (June 2021).

Our organisational chart



Our human resources

CSC's workforce of 490 full- and part-time staff is organised into three primary functions: Investments, Customer Innovation and Services, and Corporate. We also have stand-alone Transformation and Technology, Risk and General Counsel units, which report directly to the CEO.

Table 11. Total permanent employees in current report period, 2020–21

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total male	Full-time	Part-time	Total female	Full-time	Part-time	Total indeterminate	
NSW	21	0	21	8	2	10	0	0	0	31
Qld	2	1	3	0	0	0	0	0	0	3
SA	1	0	1	0	0	0	0	0	0	1
Tas	0	0	0	0	0	0	0	0	0	0
Vic	3	0	3	0	0	0	0	0	0	3
WA	0	0	0	0	0	0	0	0	0	0
ACT	197	5	202	186	40	226	0	0	0	428
Overseas	0	0	0	0	1	1	0	0	0	1
Total	**224**	**6**	**230**	**194**	**43**	**237**	**0**	**0**	**0**	**467**

Table 12. Total temporary employees in current report period, 2020–21

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total male	Full-time	Part-time	Total female	Full-time	Part-time	Total indeterminate	
NSW	0	0	0	0	0	0	0	0	0	0
Qld	1	0	1	0	0	0	0	0	0	1
SA	0	0	0	0	0	0	0	0	0	0
Tas	0	0	0	1	0	1	0	0	0	1
Vic	0	0	0	0	0	0	0	0	0	0
WA	0	0	0	1	0	1	0	0	0	1
ACT	11	0	11	8	0	8	0	0	0	19
Overseas	1	0	1	0	0	0	0	0	0	1
Total	**13**	**0**	**13**	**10**	**0**	**10**	**0**	**0**	**0**	**23**

Table 13. Total ongoing employees in previous report period, 2019–20

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total male	Full-time	Part-time	Total female	Full-time	Part-time	Total indeterminate	
NSW	19	0	19	6	0	6	0	0	0	25
Qld	2	0	2	0	0	0	0	0	0	2
SA	1	0	1	0	0	0	0	0	0	1
Tas	0	0	0	0	0	0	0	0	0	0
Vic	1	1	2	0	0	0	0	0	0	2
WA	0	0	0	0	0	0	0	0	0	0
ACT	202	5	207	188	41	229	0	0	0	436
Overseas	0	0	0	0	0	0	0	0	0	0
Total	**225**	**6**	**231**	**194**	**41**	**235**	**0**	**0**	**0**	**466**

Table 14. Total non-ongoing employees in previous report period, 2019–20

	Male			Female			Indeterminate			Total
	Full-time	Part-time	Total male	Full-time	Part-time	Total female	Full-time	Part-time	Total indeterminate	
NSW	2	0	2	0	0	0	0	0	0	2
Qld	0	0	0	0	0	0	0	0	0	0
SA	0	0	0	0	0	0	0	0	0	0
Tas	0	0	0	0	0	0	0	0	0	0
Vic	0	0	0	0	0	0	0	0	0	0
WA	0	0	0	0	0	0	0	0	0	0
ACT	5	0	5	7	0	7	0	0	0	12
Overseas	1	0	1	0	0	0	0	0	0	1
Total	**8**	**0**	**8**	**7**	**0**	**7**	**0**	**0**	**0**	**15**

Our employees' remuneration

Our Remuneration Policy outlines CSC's objectives and the structure of our remuneration agreements, including performance-based remuneration. CSC acknowledges the connection between good risk management, customer outcomes and compensation, incentive and remuneration. In this context, customers include current and potential customers and employers. The policy is designed to:

- drive and reward the best possible risk (both financial and non-financial) management practices and customer outcomes
- ensure that poor conduct and poor risk outcomes are recognised and not rewarded.

This policy complies with the requirements of APRA's *Prudential Standard SPS 510 Governance*. It is approved by our Board and forms part of CSC's risk management framework. It is an important tool in our talent retention strategy.

As provided by the legislation establishing CSC, the GAGSS Act, the Remuneration Tribunal determines the remuneration of CSC directors, including for members of the Audit Committee and Reconsideration Committee. Remuneration is shown in the following tables.

Employees are engaged under individual contracts or in accordance with an Enterprise Agreement, which transferred to CSC upon the merger of ComSuper and CSC on 1 July 2015. Employees set annual performance objectives and personal development plans to enhance skills and professional development, and to ensure that professional qualifications are maintained.

Our Performance and Development Policy outlines that CSC is committed to building and sustaining a culture of strategically aligned performance and accountability. Actively planning and reviewing the performance of our employees happens throughout the year with a formal review taking place at the end of the financial year. A mandatory risk KPI which is relevant to an employee's work must be successfully met as a prerequisite to being considered eligible for any variable remuneration component. The remuneration process is designed to encourage behaviour that aligns with CSC's values and that supports:

- protecting the interests, and meeting the reasonable expectations, of customers
- the long-term financial soundness of CSC and its subsidiaries
- CSC's risk management framework.

CSC places importance on remuneration objectives that are clear, transparent, equitable and objectively determined.

Our remuneration arrangements for employees on individual contracts specify measures of performance, a mix of fixed and variable remuneration components, and outline timing and eligibility requirements relating to an employee's role within the organisation.

Individual employment contracts indicate the maximum percentage of the employee's total remuneration package that the Board may determine to pay as a short-term cash amount each year. However, these payments are made entirely at the discretion of the Board of Directors.

In determining variable remuneration to an individual, the Board of Directors gives consideration to investment performance, corporate performance, individual performance and adherence to CSC's values. Individual performance is measured relative to the achievement of key individual performance objectives agreed at the start of each financial year. Investment performance is measured relative to the achievement of the published return target of the default investment option over a rolling three-year period. Corporate performance is measured relative to the achievement of the strategic and operational targets agreed by and reported to the Board of Directors.

In consideration of the ongoing economic and social impacts of the COVID-19 pandemic on our CSC customers, stakeholders and the wider Australian community, despite CSC employees meeting the requirements to receive variable remuneration, blanket reductions were applied to the variable remuneration pool approved by CSC's Board in August 2020. A tiered reduction was applied, whereby eligible amounts were reduced by 30% for executives and by either 20% or 10% for other eligible CSC employees, depending on the size of their potential variable remuneration component relative to their fixed component.

Employee salaries are benchmarked against the Financial Institutions Remuneration Group's (FIRG) market surveys. FIRG is a not-for-profit association of more than 120 banking and financial services member organisations that share anonymous remuneration data to identify market levels and trends. FIRG members match each of their employees to a role from approximately 1,200 potential job codes in FIRG's General Remuneration Survey and in the case of senior executives to around 150 positions in the Industry Leaders Survey.

FIRG distributes the survey data every six months. This data is used to determine if our employees are already paid at market levels or whether a salary adjustment is needed for CSC to remain a competitive employer. Our Board has final approval of the pool of recommended fixed salary increases for employees and directly determines the remuneration of the CEO, with the option of seeking external expert assistance as necessary.

In 2020–21, the Board chose not to undertake an annual review of fixed remuneration of CSC employees in consideration of the hardship being experienced by all Australians due to the COVID-19 pandemic.

Table 15. Remuneration of key CSC management personnel, 2020-21

Name	Position title	Short-term benefits			Post- employment benefits	Other long-term benefits	Termination benefits $	Total remuneration $	Of which relates to membership of the Audit Committee $
		Base salary $	Bonuses $	Other benefits and allowances $	Superannuation contributions $	Long-service leave $			
Ariane Barker	Director	67,485	-	-	6,411	-	-	73,896	-
Patricia Cross	Chair (Term ended 30 June 2021)	140,820	-	-	13,378	-	-	154,197	-
Melissa Donnelly	Director (Appointed 1 July 2020)	66,323	-	-	10,214	-	-	76,537	-
Chris Ellison	Director	70,700	-	-	10,888	-	-	81,588	-
Garry Hounsell	Director	83,680	-	-	7,950	-	-	91,629	16,320
Tony Needham	Director	74,048	-	-	11,403	-	-	85,451	-
Margaret Staib	Director	83,470	-	-	12,854	-	-	96,324	8,160
Michael Vertigan	Director (Term ended 30 June 2021)	75,394	-	-	7,163	-	-	82,557	8,034
Alistair Waters	Director	78,404	-	-	12,074	-	-	90,479	8,034
Paul Abraham	Executive Manager, Investment Operations	272,554	57,737	-	25,000	11,169	-	366,461	-
Catharina Armitage	Executive Manager, People (Previously Head of People until 30 June 2021)	236,611	32,558	-	25,000	6,419	-	300,589	-
Peter Carrigy-Ryan	Chief Executive Officer (Retired 12 July 2020)	137,687	128,521	-	20,292	(1,498)	-	285,001	-
Robert Firth	Chief Risk Officer	278,967	55,116	-	25,000	17,448	-	376,532	-
Philip George	Executive Manager, Transformation (Previously Special Advisor, Member Outcomes until 31 July 2020 and Chief Transformation Officer from 1 August 2020 until 30 June 2021)	343,404	16,459	-	2,541	15,327	-	377,731	-
Damian Hill	Chief Executive Officer (Commenced 13 July 2020)	615,821	-	-	25,000	18,426	-	659,247	-

Name	Position title	Short-term benefits			Post- employment benefits	Other long-term benefits	Termination benefits $	Total remuneration $	Of which relates to membership of the Audit Committee $
		Base salary $	Bonuses $	Other benefits and allowances $	Superannuation contributions $	Long-service leave $			
Peter Jamieson	Chief Customer Officer	384,807	76,188	-	25,000	19,187	-	505,183	
Andrew Matuszczak	Chief Transformation and Information Officer (Previously Executive Manager, Technology from 31 August 2020 until 30 June 2021)	301,530	-	-	25,942	4,035	-	331,508	
Adam Nettheim	Executive Manager, Customer Operations (Previously Head of Customer Operations until 30 June 2021)	284,522	36,399	-	25,000	17,631	-	363,552	-
Alana Scheiffers	General Counsel	322,649	52,401	-	25,000	10,006	-	410,056	
Alison Tarditi	Chief Investment Officer	640,295	417,129	-	25,000	27,684	-	1,110,109	
Andy Young	Chief Operating Officer	397,030	79,997	-	25,000	13,349	-	515,377	

Table 16. Other highly paid staff

Total remuneration bands	Number of other highly paid staff	Short-term benefits			Post- employment benefits	Other long-term benefits	Average Termination benefits $	Average Total remuneration $
		Average Base salary $	Average Bonuses $	Average Other benefits and allowances $	Average Superannuation contributions $	Average Long-service leave $		
$230,001-$250,000	9	181,512	19,327	-	26,151	10,457	-	237,446
$250,001-$275,000	5	177,166	20,727	-	23,998	8,149	29,921	259,961
$275,001-$300,000	4	218,028	31,715	-	23,054	14,372	-	287,169
$300,001-$325,000	2	221,013	38,865	-	31,595	16,650	-	308,122
$325,001-$350,000	2	257,266	39,910	-	25,000	9,774	-	331,949
$350,001-$375,000	1	267,494	65,986	-	25,000	12,965	-	371,444
$375,001-$400,000	2	284,982	54,621	-	36,848	10,037	-	386,488
$400,001-$425,000	1	303,849	61,512	-	25,000	11,860	-	402,222

Total remuneration bands	Number of other highly paid staff	Short-term benefits			Post- employment benefits	Other long-term benefits	Average Termination benefits $	Average Total remuneration $
		Average Base salary $	Average Bonuses $	Average Other benefits and allowances $	Average Superannuation contributions $	Average Long-service leave $		
$400,001-$425,000	1	303,849	61,512	-	25,000	11,860	-	402,222
$425,001-$450,000	1	335,276	81,643	-	25,000	7,757	-	449,676
$475,001-$500,000	1	351,962	57,120	-	25,000	43,747	-	477,828
$500,001-$525,000	2	354,506	103,310	-	25,000	18,546	-	501,362
$625,001-$650,000	1	326,553	272,144	-	25,000	14,126	-	637,823

Section 05
Our Investments

05

Our Investments

Introduction

CSC manages and invests five schemes:

- **CSS (Commonwealth Superannuation Scheme)**
- **PSS (Public Sector Superannuation Scheme)**
- **MilitarySuper (Military Superannuation & Benefits Scheme)**
- **PSSap (Public Sector Superannuation accumulation plan, including CSCri: Commonwealth Superannuation Corporation retirement income)**
- **ADF Super (Australian Defence Force Superannuation)**

This section details how investment performance of these schemes affects a customer’s superannuation benefit.

It also provides CSC investment performance to 30 June 2021, together with information on our investment approach, strategy, internal governance, environmental, social and governance practices as they relate to investments and investment options.

How investment performance affects a customer’s benefit

The impact of investment performance on a customer’s benefit differs across our schemes. Investment returns do not affect PSS contributing customers’ final benefits. Investment performance has a greater impact on CSS contributing and deferred benefit customers and on PSS preserved benefit customers because in those circumstances performance directly influences a customer’s final benefit.

In some circumstances, investment returns also affect the Australian Government’s financial outlays on customers’ benefits, such as in the case of PSS contributing customers.

For MilitarySuper, investment performance directly affects the final benefit for all customers, together with a small part of the employer benefit for contributing customers.

Benefits in PSSap, ADF Super and CSCri (including transition to retirement income streams) are directly affected by investment performance.

The 1922, DFRB, DFRDB and the PNG schemes are unfunded superannuation schemes. While CSC administers these schemes, CSC does not invest monies for these schemes. Details of each scheme’s structure is found in the Investment Options and Risk Product Disclosure Statement: https://www.csc.gov.au/Members/Advice-and-resources/Product-Disclosure-Statement/

Our investment approach

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 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 schemes in one pooled investment trust, providing economy-of-scale benefits to customers of each regulated scheme.

Professional external investment managers are responsible for managing investments, which enables investment options in each scheme to gain exposure to a number of different asset classes. Target asset allocation and rebalancing ranges are set for each investment option. These allocations and ranges are outlined in Table 18 on page 60.

Our investment strategy

Our investment strategy focuses on providing financial adequacy in retirement for all scheme customers. The level of risk taken focuses on maximising the likelihood of achieving this outcome for all CSC customers.

This means that CSC-managed investment portfolios, relative to those managed by other superannuation fund providers, should preserve more wealth through periods of negative equity market returns and capture a significant proportion, but not all, of the returns available through very strong market conditions. Note, however, that through periods of strong equity market returns, CSC customers' investment returns should comfortably exceed targeted objectives.

Over the full investment horizon (that is, the length of time an investor expects to hold an investment product), as more capital is preserved in weak markets and most of the returns are captured in strong markets, the cumulative return to customers will be very competitive and the volatility of returns will be reduced.

Our investment governance

Our investment governance focuses on managing and pricing investment risks efficiently. CSC's primary objective is to achieve stated investment objectives within strictly defined risk limits.

Our Board has established a comprehensive investment governance framework, which includes a clear statement of both Board and Executive responsibilities.

The CSC Board

Our Board is responsible for the sound and prudent management of the assets of CSC's schemes. It sets, reviews and oversees the investment strategy, mission statement and core investment beliefs. It approves and monitors investment strategies for each investment option, agrees the budget and determines appropriate delegations.

To approve CSC's investment strategy, factors such as CSC's specific scheme-membership characteristics – including demographics, perceived organisational comparative advantages, scale (as measured by funds under management) and the broader investment environment – are all explicitly considered.

To approve an investment strategy for an individual investment option, the Board considers the objective, in terms of return and risk measures, and the investment horizon, in the context of these factors.

Our Board delegates management of investment activities to relevant members of the Executive. Reports on approved investment policies, investment performance, liquidity, risk, external investment manager and portfolio activity, portfolio structure, capital allocation and the risk budget are submitted and discussed at every Board meeting.

Our Investment team

Our Investment team advises the Board on investments, implements Board-approved strategies and manages all investments that fall within Board-approved delegations. The team is led by the Chief Investment Officer (CIO) and manages investments in a manner consistent with the Board's investment strategy, its decisions on asset allocation and its detailed investment policies.

Our Investment team performs two major functions:

- It executes investment strategy, option design and risk budget deployment, and monitors the evolving risks and opportunities for each fund as well as for broader financial markets.
- It identifies the most efficient implementation channels for investment strategies, where 'efficient' is defined as the highest prospective, net (of fees), return per unit of risk.

Both functions are fulfilled by specialist senior investment managers, supported by investment analysts, who report directly to the CIO.

Our Investment Operations team

Our Investment Operations team is led by the Executive Manager Investment Operations. This executive position reports to CSC's Chief Operating Officer, who reports to the CEO. Responsibilities of the Investment Operations team include:

- implementation of investment team decisions, in accordance with Board-approved delegations
- management of CSC's custodial relationship and its associated activities
- assurance that CSC's external investment managers comply with all CSC requirements
- conduct of operational due diligence.

Investment managers

Under scheme legislation, CSC is required to invest through external investment managers. On the recommendation of the CIO, the Board approves the appointment of 'investment-grade' managers who may be appointed at any time by CSC.

Investment managers are selected for their specific expertise and invest according to individual mandates set by CSC that address our specific portfolio requirements. These mandates provide direction to the type of investments to be held, the maximum and minimum holdings for each investment type, and target rates of return and risk limits.

External investment managers are paid fees that are designed to align the interests of our external managers with that of our customers, to encourage portfolio decisions that prioritise *rewarded* risk taking.

Fees reflect investment costs applicable to each asset class category and the investment style of each manager.

A note on fees

With the new Your Future, Your Super regulations, there has been an explicit stand-alone focus on fees, in isolation from net returns or risk. The ambition of this policy is to make the complex simple and to standardise the way that fees are reported. However, anomalies and subjectivity remain. CSC has always focused on the value that we derive from the costs that we incur, rather than on costs in isolation. Importantly, super funds with lower fees don't necessarily offer the best value, nor the most sustainable value, as savings transition across changing market environments.

We believe that what ultimately matters is the wealth that is able to be preserved as well as grown to ensure income in retirement is reliable. We expend costs not just to transact assets but importantly to reinvest in them, sustain their cashflow generation and enable them to continue to compete effectively as the world around them evolves. We also incur costs in building diversified sources of returns that contribute to the resilience of our customer's portfolios, making them less vulnerable to market conditions that may not always be benign, over the timeframes that matter to our customers, all the way up to and beyond retirement.

In short, we are incurring costs to increase the probability of our average member achieving a comfortable retirement through portfolio diversification, high-quality private assets and agile asset allocation. We are conscious that value is not price and that we invest alongside market participants with different agendas, time horizons and appetites for loss.

Examples of assets that are not able to be accessed cheaply include high-quality private infrastructure like windfarms and satellites, private companies where the owners control the business and have expertise in the industries and ecosystem in which it operates, and property assets where the costs of operating and pro-actively managing the assets to maintain their experiential, green and technology-efficient offerings are more visible and explicit than those involved in generic exposures to very small shares in such assets through listed markets (where these costs are subsumed in net returns).

Risk is all about what happens next, rather than events to date. We are constantly preparing our portfolios to be able to cope with the potential scenarios that can occur going forward. Today those scenarios span the gamut of much higher inflation, a return to recession conditions, 'goldilocks' growth resumption, and hyperinflation. Debt levels are at all-time highs. Interest rates are at all-time lows. Governments are increasing their public investments in energy transition. And the disinflationary cross-current of technological change remains a transformative influence on companies everywhere. Not much is certain but the type of asset allocation that is required for the future is unlikely to be what worked in the past.

Environmental, social and governance factors

We are proactive asset owners and engage with companies that our customers' savings are most exposed to in order to support areas such as smooth transitions in the use of energy in the economy and robust and accountable management of human resources in the companies' day-to-day operations (for example, pollution and carbon footprint). We concentrate on understanding the robustness of our investee companies' governance frameworks and focus on observing their consequences. We believe that when these are done well, management of environmental, social, human capital and other strategic risks is more likely to also be robust.

Customer savings are proactively invested in the infrastructure, technologies and innovations of the future to both improve the retirement outcomes of customers financially but also contribute positively to the environmental, social and governance (ESG) goals of society (e.g., United Nations Social Development Goals, or SDGs). Case studies are available online and include renewable energy projects, biotech and pharmaceutical solutions, healthcare services, data centres, telecommunication satellites, affordable and reliable access to water and sanitation, energy and education.

We endeavour to integrate consideration of all relevant risk factors into our investment process, including those that have the potential to impact future franchise values over long horizons. We take this responsibility seriously and we have been recognised globally for our innovation and market-leading approach by the United Nations' PRI innovation awards, the Bretton Woods II Most Responsible Asset Allocator Initiative and the Asian Investor Excellence Award in the categories of governance, innovation, ESG engagement and COVID-19 response.

We actively pursue the principles of good governance in our operations and seek them in the companies in which we invest. Poor governance, sometimes evident in poor environmental and social practices, can be a sign of poor corporate management and may lead to a decline in the value of our customers' investments. We seek to identify these risks and mitigate them, where they are potentially material to our customers' superannuation savings. To this end, CSC is an active owner of all our investments. Our mission is to create and steward enduring wealth for our customers.

Our ownership is prosecuted through several channels, including:

- voting on all shareholder resolutions of our Australian and international investee companies
- voting on all private capital advisory board resolutions, where an advisory board position is held
- publicly communicating our ESG and proxy voting policies and practices, to which our external managers are asked to adhere
- engaging constructively and proactively with our material public-investee companies in Australia, to deepen internal corporate governance and fit-for-purpose strategic execution
- directly influencing governance practices and decision-making in our private capital investments
- committing to reflect these practices firstly in our own governance and innovation execution, for example:
    - In 2002 we founded an industry-first research capability after recognising an industry-wide gap in understanding and measuring of the impact of ESG factors on investment portfolios. This allowed us to gain insight and actively engage with Australian public companies that we materially invest in regarding their governance practices, environmental footprints and the social externalities of their operations.
    - In 2006 we were an early signatory to the United Nations–backed Principles for Responsible Investment (PRI), founded in April 2006 (see more below).
    - In 2009 we were the first Australian fund to have its portfolio carbon footprinted by the Climate Change Institute.
    - In 2015 we were an early signatory to the Montreal Carbon Pledge (see more below).

CSC is currently:

- rated A+ by the PRI global benchmarking exercise on responsible-investment prosecution by asset owners and managers

- in the top 20% of the 2019 global Most Responsible Asset Allocators Initiative. This follows on from CSC's position among the most responsible asset allocators among Sovereign Wealth Funds and Government Pension Plans around the globe in the inaugural leaders list in 2017.

CSC's investment approach is aligned with the Paris Agreement, which seeks to limit the increase in the global temperature to 'well below 2 degrees C' above pre-industrial levels. This is also consistent with the Australian Government's ratification of the Agreement in 2016. We also publicly support the Task Force on Climate-related Financial Disclosures, established by the Financial Stability Board.

We believe, as Harvard University research also attests, that voice is much more powerful than divestment where companies do have the capacity to improve and execute change well. Divesting from a coal mine, for example, changes the shareholding of that mine but doesn't necessarily shut down the production from that mine and therefore has no impact on the environment. Engagement works much more effectively when it's collective and there is a material shareholding representing that voice.

This is why we have been a signatory to the Carbon Disclosure Project since 2002.

- We have collaborated with other leading investors to engage companies to reduce their carbon emissions, safeguard water resources and protect forests.
- An example of the effectiveness of that is in 2021 we were one of 168 institutional investors from 28 countries to engage with more than 1,300 companies, representing about $US28 trillion in market capitalisation and producing more than 4,700 megatonnes of carbon dioxide (equivalent to more than the entire European Union's carbon emissions) to improve reporting of their carbon emissions and what they're doing to reduce them.
- By improving transparency, we support capital markets to be part of the solution to an inclusive, robust and fast transition to a new energy mix.

Over the past year, our engagement meetings with companies have typically focused on corporate governance and overall strategy, including but not limited to climate change.

On climate change, we have focused on supporting:

- transparent reporting of risks at the standard recommended by the Task Force on Climate-related Financial Disclosures
- including utilisation of different climate-related scenarios to test resilience of companies' asset bases.

We have been proactively triangulating corporations' financial value with their exposure to long-term and often slow-to-manifest governance, environmental and social risks for more than two decades, work recognised by the United Nations Innovation Award for Sustainability in 2003 and still acknowledged as global best practice today. We use these measures and others to actively engage with public and private companies that we own on your behalf when the potential to monetise better practices is material, and we vote on all shareholder resolutions proposed by all our public companies.

In particular, we have been focusing on our investment managers and service providers in the last few years to understand how they identify, manage and monitor risks of modern slavery in their supply chain. This has culminated in CSC's Modern Slavery Statement which has been published online: https://www.csc.gov.au/-/media/Files/Corporate-Governance-files/Modern-Slavery/CSC-Modern-Slavery-Statement-2019-20.pdf

During 2020–21, we also reviewed and assessed our investment manager and advisor pandemic risk management plans and practices to ensure they had satisfactory COVID-19 risk management and return-to-work contingency planning to protect against investment or operational failures, including staff health and safety.

Principles for Responsible Investment

In November 2006, CSC was among the earliest signatories of the United Nations–supported Principles for Responsible Investment (PRI, founded in April 2006). PRI provides a framework for institutional investors to align investment activities with the broader interests of society while maximising long-term returns for their beneficiaries.

The six principles of PRI and its signatories are:

- We will incorporate ESG issues into investment analysis and decision-making processes.
- We will be active owners and incorporate ESG issues into our ownership policies and practices.
- We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- We will promote acceptance and implementation of the Principles within the investment industry.
- We will work together to enhance our effectiveness in implementing the Principles.
- We will each report on our activities and progress towards implementing the Principles.

Montreal Carbon Pledge

We are a signatory to the Montreal Carbon Pledge which is supported by PRI. It aims to increase investor awareness, understanding and management of climate change–related impacts, risks and opportunities. Under the pledge, we commit to measuring and disclosing, on at least an annual basis, the carbon footprint of our public market equities portfolio.

Table 17. CSC's public market equities carbon footprint at 30 June 2021

CSC listed equities	CSC	Benchmark	Difference
Carbon footprint*	62	80	18

* Carbon footprint is measured in tonnes of $C0^2e$ (Scope 1 + Scope 2) per AUD million invested (as at 30 June 2021).

**Please note that in the 2019–20 Annual Report there was an error in this table – it should have read "tonnes of CO^2 emissions per AUD million".

At present we have over A$1,097 million invested in high-quality private and public assets including wind farms, waste management infrastructure projects and renewable energy initiatives that add to the net new supply of facilities (as at 30 June 2021).

These investments reduce our portfolio carbon emissions by over 427,000 tonnes of CO^2 per annum, compared to having this money invested passively to meet a similar level of energy demand (for financial year to 30 June 2021).

CSC has been investing in new-energy-system assets for over two decades both directly, through our private asset portfolio, and via tailored public market indices. By being a first mover, we have been able to avoid trade-offs more easily accepted by charitable organisations and instead capture strong financial returns for our customers which also deliver positive impact in the world our customers will retire into. By way of example, we were an early investor in windfarms, acquiring in 2015 half of the largest wind farm in the southern hemisphere at that time, Macarthur Wind Farm.

This investment has generated strong returns of 14% per annum to December 2020 because we recognised the structural tailwinds to renewables before others did and were therefore able to make a very low-risk investment at a relatively low price per megawatt of generation capacity. Our competitors who have followed us into renewable energy have been assuming greater risk and paying up to 68% more than we did. We have also invested in solar farms and wind farms in both Australia and Europe, as discussed earlier.

We understand that sustainable investing is not just about renewable energy. To mitigate the risks arising from the global population's challenging demands on natural resources, our most recent initiative has been to actively reduce our exposure to companies that misuse scarce natural resources. Compared to the standard passive International Equity Index, this has effectively halved water use and waste produced by companies in that particular segment of our international shares portfolios. Domestically, our investment in a multi-utility infrastructure business promotes better use of precious resources like water and land.

We are continuously researching and introducing innovations to our portfolio to reduce our carbon emissions. For example, in striving for continuous improvement, we introduced additional innovations into our public equity portfolio in this financial year. We expect these initiatives to further reduce our carbon footprint by around 10%:

- investing in an index tracking international equity portfolio optimised to reduce carbon exposure, rather than the more common market-capitalisation weighted index, which reduces our carbon footprint by approximately 50% relative to benchmark
- introducing a resource efficient mandate optimising exposure to companies that demonstrate efficient consumption of water, energy and waste reduction.

Further details are available on our Climate Change Factsheet on our website.

Our investment options

Table 18. CSC investment options at 30 June 2021

Investment option (scheme)	Objective	Risk Band	Risk Label	Minimum suggested time frame	Target asset allocation including CSCri TRIS (ranges)	CSCri standard target asset allocation (ranges)
Cash (CSS, PSS, MilitarySuper, PSSap, CSCri and ADF Super)	To preserve capital and earn a pre-tax return in line with that of the Bloomberg AusBond Bank Bill Index by investing 100% in cash assets	One	Very low	1 year	Cash 100% (100%)	Cash 100% (100%)
Income Focused (MilitarySuper, PSSap, CSCri and ADF Super)	To outperform the CPI by 2% per annum over 10 years	Three	Low to medium	5 years	Cash 21% (10–100%) Fixed interest 26% (10–100%) Equities 16% (0–40%) Property 19% (0–35%) Infrastructure 6% (0–35%) Alternatives 12% (0–70%)	Cash 30% (10–100%) Fixed interest 23% (10–100%) Equities 12% (0–40%) Property 19% (0–35%) Infrastructure 6% (0–35%) Alternatives 10% (0–70%)
Default Fund (CSS/PSS) Balanced (MilitarySuper and CSCri) MySuper Balanced (PSSap and ADF Super)	To outperform the CPI by 3.5% per annum over 10 years	Five	Medium to high	10 years	Cash 4% (0–65%) Fixed interest 18% (0–65%) Equities 47% (15–75%) Property 8% (5–25%) Infrastructure 4% (0–20%) Alternatives 19% (0–30%)	Cash 15% (0–65%) Fixed interest 15% (0–65%) Equities 40% (15–75%) Property 8% (5–25%) Infrastructure 4% (0–20%) Alternatives 18% (0–30%)
Aggressive (MilitarySuper, PSSap, CSCri and ADF Super)	To outperform the CPI by 4.5% per annum over 10 years	Six	High	15 years	Cash 2% (0–35%) Fixed interest 4% (0–35%) Equities 67% (20–95%) Property 11.5% (0–50%) Infrastructure 5.5% (0–50%) Alternatives 10% (0–70%)	Cash 2% (0–35%) Fixed interest 6% (0–35%) Equities 60% (20–95%) Property 11.5% (0–50%) Infrastructure 5.5% (0–50%) Alternatives 15% (0–70%)

Note: Investment risk bands and labels (used by CSC's standard risk measure) are explained in the Investment Options and Risk booklet, which is part of each scheme's Product Disclosure Statement (PDS).

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 2020 to 30 June 2021 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.

Using earning rates or unit prices to calculate investment performance for the 1 July 2019 to 30 June 2020 period will provide similar – but not identical – returns to the investment performance figures published below in tables 18–24.

Analysis of CSC's investment performance is included in our Chair's report on page 10 and in the Annual Performance Statements on page 16.

Table 19. CSS investment performance to 30 June 2021

	Objective	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	15 years % pa
Australian inflation		3.4	1.5	1.7	1.6	1.8	2.2
Options							
Default Fund	To outperform the CPI by 3.5% per annum over 10 years	18.4	8.2	8.7	8.2	8.5	6.6
Cash Investment Option	To preserve capital and earn a pre-tax return in line with that of the Bloomberg AusBond Bank Bill Index by investing 100% in cash assets	0.1	0.9	1.2	1.4	1.9	2.8

Table 20. PSS investment performance to 30 June 2021

	Objective	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	15 years % pa
Australian inflation		3.4	1.5	1.7	1.6	1.8	2.2
Options							
Default Fund	To outperform the CPI by 3.5% per annum over 10 years	18.3	8.0	8.6	8.1	8.4	6.5
Cash Investment Option	To preserve capital and earn a pre-tax return in line with that of the Bloomberg AusBond Bank Bill Index by investing 100% in cash assets	0.1	0.8	1.1	1.3	1.8	2.8

Table 21. MilitarySuper investment performance to 30 June 2021

	Objective	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	15 years % pa
Australian inflation		3.4	1.5	1.7	1.6	1.8	2.2
Options							
Cash	To preserve capital and earn a pre-tax return in line with that of the Bloomberg AusBond Bank Bill Index by investing 100% in cash assets	0.0	0.8	1.1	1.3	1.8	2.8
Income focused	To outperform the CPI by 2% per annum over 10 years	7.8	6.1	6.1	6.2	5.8	4.8
Balanced (default)	To outperform the CPI by 3.5% per annum over 10 years	18.2	8.0	8.6	8.1	7.9	5.7
Aggressive	To outperform the CPI by 4.5% per annum over 10 years	23.7	11.3	11.2	10.4	9.7	6.2

Table 22. PSSap investment performance to 30 June 2021

	Objective	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	15 years % pa
Australian inflation		3.4	1.5	1.7	1.6	1.8	2.2
Options							
Cash	To preserve capital and earn a pre-tax return in line with that of the Bloomberg AusBond Bank Bill Index by investing 100% in cash assets	0.0	0.8	1.1	1.3	1.8	2.8
Income focused	To outperform the CPI by 2% per annum over 10 years	7.9	6.2	6.1	6.2	6.3	5.5
MySuper Balanced (default)	To outperform the CPI by 2% per annum over 10 years	18.2	8.0	8.5	8.0	8.4	6.5
Ancillary Balanced	To outperform the CPI by 3.5% per annum over 10 years	18.2	8.0	8.5	8.0	8.4	6.8
Aggressive	To outperform the CPI by 3.5% per annum over 10 years	23.7	11.3	11.2	10.4	10.3	7.6

Table 23. CSCri investment performance to 30 June 2021

	1 year %	3 years % pa	5 years % pa	7 years % pa	8 years % pa
Australian inflation	3.4	1.5	1.7	1.6	1.8
Options					
Cash	0.0	0.9	1.3	1.6	1.7
Income focused (default)	8.9	7.0	6.7	6.8	6.5
Balanced	15.5	7.6	8.5	8.3	8.8
Aggressive	24.0	12.0	12.0	11.3	12.1

Note: The date of inception of the Cash, Income Focused and Balanced options was 7 May 2013, and 25 June 2013 for the Aggressive Option.

Table 24. CSCri TRIS investment performance to 30 June 2021

	Objective	1 year %	3 years % pa	4 years % pa
Australian inflation		3.4	1.5	1.7
Options				
Cash	To preserve capital and earn a pre-tax return in line with that of the Bloomberg AusBond Bank Bill Index by investing 100% in cash assets	0.0	0.8	0.9
Income focused	To outperform the CPI by 2% per annum over 10 years	8.1	6.3	6.4
Balanced (default)	To outperform the CPI by 3.5% per annum over 10 years	18.4	8.1	8.5
Aggressive	To outperform the CPI by 4.5% per annum over 10 years	24.1	11.5	11.4

Table 25. ADF Super investment performance to 30 June 2021

	Objective	1 year %	3 years % pa	5 years % pa
Australian inflation		3.4	1.5	1.7
Options				
Cash	To preserve capital and earn a pre- tax return in line with that of the Bloomberg AusBond Bank Bill Index by investing 100% in cash assets	0.0	0.8	1.1
Income focused	To outperform the CPI by 2% per annum over 10 years	7.8	6.0	6.0
MySuper Balanced (default)	To outperform the CPI by 3.5% per annum over 10 years	17.9	7.8	8.4
Aggressive	To outperform the CPI by 4.5% per annum over 10 years	23.4	11.2	11.2

Section 06

Our Superannuation Services

06

Our Superannuation Services

Help for our customers

We strive to provide superannuation services that are relevant, reliable and helpful to our customers. We want our customers to be able to make informed decisions about their superannuation and their future income needs.

We provide to our customers:

- **general information delivered over the phone and by email**
- **secure access to online services (account balances, investment options)**
- **education and general advice via public and in-house seminars and webinars**
- **general advice delivered person-to-person (known as 'one-to-one consultations')**
- **personal financial advice from financial planners who are salaried CSC employees authorised to provide advice by Guideway Financial Services (ABN 46 156 498 538, AFSL 420367).**

Our services to customers are described in more detail below.

Help for our employers

In addition to services for our customers, we also help our many employers to meet their superannuation responsibilities.

We provide to our employers:

- a CSC employer relationship manager who provides organisational-level support regarding superannuation
- training for payroll and HR staff, including salary for super, super contributions and choice of fund obligations
- an Employer Service Desk located in our Canberra headquarters to answer general questions about superannuation.

Our customers’ and employers’ satisfaction with our services

We continue to focus on improving our service and engagement, designed to help our customers make informed decisions to achieve their retirement goals. While our end-to-end support of customers (reflected in our overall NPS results) has improved for some customers, others tell us there is still room for improvement.

Our June 2021 NPS score was -12, a decrease of 2 points from our score in June 2020. While the overall NPS score dropped, this was primarily due to perceptions of ADF preserved customers. Contributing customers’ NPS rose across all schemes to +16.

We continue to expand the number of touchpoints where we measure customer satisfaction, to ensure we better understand our performance and where to target our improvement actions. Over 2020–21 we started surveying customers as they retire and as they roll out their super to other funds. A focus for our improvement actions this year was our engagement and set-up of new customers and our annual statements, both of which have seen improved satisfaction.

Employer NPS overall sits at +27 and satisfaction with our employer training services continues to score highly, at an NPS of +78. More information about our employer satisfaction can be found on page 26.

Seminars for customers

In 2020–21, the COVID-19 pandemic continued to impact our seminars for customers. With domestic travel restricted and departments limiting on-site visits, we could not deliver face-to-face seminars as consistently as usual. Web-based delivery became common and our learnings are informing how we might continue to make use of digital service delivery in future.

We delivered 231 seminars throughout the year, giving customers across the country access to important information. Of this total, 150 seminars were live webinars. Customers are increasingly consuming our webinars on-demand at times that suit them.

Our seminars and webinars provide superannuation scheme-specific information, as well as strategies for our customers to consider when preparing for their retirement. These include:

- How much super will I need?
- Am I on track?
- Should I make extra contributions?
- What is the right investment option for me?
- Do I need extra insurance cover in the unlikely event something goes wrong?
- Is now the right time to get personal advice for my needs and goals?

Customers tell us they are very satisfied with our seminars and webinars. Their written feedback references making the complex understandable and providing information that was helpful and useful.

Military one-to-one consultations

Our education team provides general advice on superannuation and retirement planning to individual military scheme customers. In 2020–21, we provided over 4,000 one-to-one consultations. These are typically conducted face to face but with COVID-19 restrictions in place we moved many to the phone to maintain service to customers.

Sessions covered general advice relevant to individual customers, including how to contribute to superannuation, how to access superannuation at retirement, what benefit options are available and how superannuation is taxed.

Military customers are generally very satisfied with their one-to-one consultation. Their written feedback references the provision of information professionally by a trusted source.

Personal financial advice

In 2020–21, our financial planning team met with more than 2,400 customers. With COVID-19 continuing to affect many customers' financial uncertainty, the Financial Planning team extended its offer of 15-minute general advice meetings for customers needing more complex information. This service was provided to over 1,200 customers.

Personal financial advice was provided to 285 customers, including topics such as:

- How much do I need to retire?
- How can I plan for retirement?
- How long will my money last?
- How can I reduce debt?
- How can I plan for lifestyle goals such as renovations and holidays?
- How can I achieve other long-term goals such as leaving an inheritance?

Customers told us they were generally very satisfied with the advice they received. Their written feedback referenced providing honest, practical, straightforward advice to solve complex issues. Many customers appreciated that their financial planner was a salaried CSC employee who was not paid commissions and did not receive any financial incentives.

Fee-for-service advice for customers

Personal financial advice has been provided to customers on a fee-for-service basis since CSC first offered advice in early 2013. Fee-for-service means customers only pay for the time their financial planner takes to prepare and deliver their financial plan.

Our financial planners are employed by CSC

CSC employs an Authorised Representative model in which our financial planners are employed by CSC and business management is provided by CSC. Under this arrangement, CSC's 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 which supports CSC financial planners to provide customers with specialist advice, education and strategies.

Salaried employees

Our financial planners are salaried employees of CSC. Their performance is assessed on a combination of activity and quality metrics, including the number of customer appointments they conduct, the number of financial plans they deliver, their adherence to CSC's values and customer satisfaction levels with the service and advice they provide.

Help for our customers by phone, email and self-service

By phone

In 2020–21, we answered more than 217,360 phone calls from our customers.

Customers contacted us for help with many general superannuation matters ranging from superannuation benefits, benefit options and taxation of superannuation, to advising us of changes to their email address, postal address and other personal information.

From July 2020 to 31 December 2020, the Government allowed an extension of the Special Early Release Program of up to $10,000 from superannuation accounts.

There was an increase in calls from Defence customers in early 2021, due to the recent changes in the tax treatment of some invalidity benefit payments as a result of a Full Federal Court decision made in December 2020.

By email

Customers also requested general information about superannuation via email. In 2020–21, we replied to 108,368 emails from our customers.

By self-service

Customers also took advantage of a range of self-service functions. In 2020–21, customers completed 15,100 self-service transactions through our phone system. Our online service portals were logged into by customers 569,327 times during the year.

Customer complaints

The total number of complaints received in 2020–21 was 724, compared to 607 in the previous financial year. More information about customer complaints can be found in Section 7 of this report.

Changes to the superannuation industry have occurred throughout the course of this financial year, such as the extension of the COVID-19 early release payment scheme. We have also seen fluctuations in investment returns, customers concerned with environmental, social and governance impacts on superannuation and an ATO court ruling resulting in taxation changes for some MilitarySuper and DFRDB customers.

These and other factors have contributed to an increase in formal complaints across most funds.

Formally recorded complaint volumes are expected to increase again in the 2021–22 financial year, when the Internal Dispute Resolution regulatory guide RG271 is introduced on 5 October 2021. This will result in some existing enquiry types/expressions of dissatisfaction by customers, being classified as formal complaints.

Section 07

Our Superannuation Schemes

07

Our Superannuation Schemes

Introduction

We manage 11 superannuation schemes for Australian Government employees and members of the Australian Defence Force. Our functions in relation to our superannuation schemes are set out in our governing legislation, outlined on pages 6–7.

This section details our performance in relation to these functions for each scheme in 2020–21.

Scheme legislation and Trust Deeds

From time to time, changes are made to scheme legislation and Trust Deeds. Changes made during 2020–21 are detailed in the individual scheme subsections of this section.

Reviewing decisions and complaints

Decisions that we make are subject to both internal review – called the reconsideration process – and to external review by other bodies.

We have formal procedures to resolve customer complaints. These procedures comply with the *Corporations Act 2001* and the *Association of Superannuation Funds of Australia (ASFA) Best Practice Guide* and reflect the guiding principles of *Standards of Australia AS ISO 10002–2006: Customer Satisfaction, guidelines for complaints handling in organisations*.

The number of complaints received in 2020–21 is shown with each superannuation scheme report on the following pages. We also received seven complaints where the complainants were unable to be identified.

Table 26. Complaints received from unidentified sources

In 2020–21, CSC received seven complaints from customers unable to be identified. These related to ethical investments, access to our online services portal and electronic communication methods.

2019–20	2020–21
2	7

Table 27. 'Other' complaints

CSC received one 'other' complaint, concerned with access to information regarding estate handling.

2020–21
1

CSS
Commonwealth Superannuation Scheme

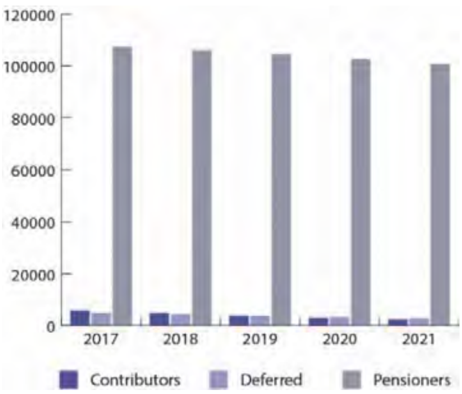
Overview of CSS

CSS is a public sector scheme established on 1 July 1976 by the CSS Act. It 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 membership

Figure 1. Number of CSS customers and pensioners over five years



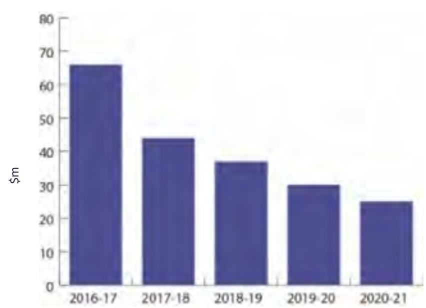
Note: Figures are at 30 June of each year. 'Pensioners' represents the number of pension accounts, not the exact number of pensions (e.g., multiple recipients such as a spouse and orphan children may be paid under one account).

CSS administration

Contributions

Contributing customers can make both basic and supplementary contributions into CSS from their after-tax income. They can also voluntarily contribute into PSSap (see pages 85–88 for more details).

Figure 2. CSS customer contributions

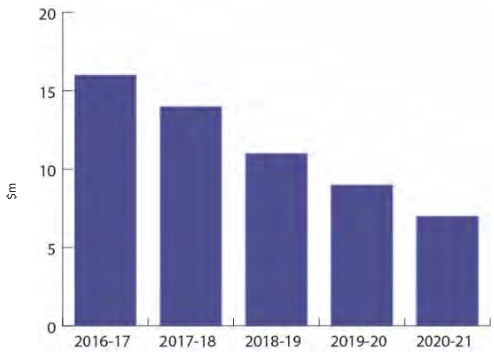


Note: This chart shows basic and supplementary contributions.

Employer productivity contributions

Most employers typically pay a fortnightly productivity contribution into CSS. The amount is based on a customer's super salary. Some customers may also have an unfunded productivity component that relates to contributions before 1 July 1990.

Figure 3. CSS employer productivity contributions over five years



Benefit payments

Lump sums and pensions

Generally, benefits cannot be paid until minimum retirement age is reached. However, benefits may become payable if a customer is retrenched, becomes totally and permanently incapacitated, or dies.

Figure 4. CSS pension payments over five years

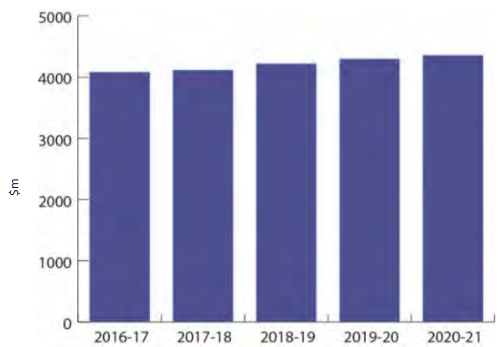
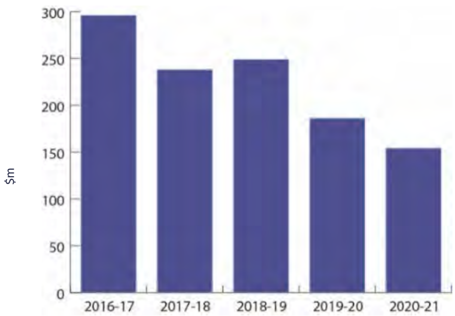


Figure 5. CSS lump sum payments over five years



Note: Lump sums are paid from the CSS fund and by the Australian Government

Invalidity and death benefits

CSS provides invalidity and death benefits.

Contributor benefits are based on the entitlement the customer would have received, had they worked to age 65, subject to any pre-existing medical conditions being assessed. Benefits after age 65 are based on the account balance at the date of retirement or death.

Benefits may also be payable to customers with deferred benefits. However, these will be based on the value of the deferred benefit and do not include prospective service.

Table 28. New full invalidity pensioners in CSS

	2019–20	2020–21
Full invalidity pensioners	8	11

Note: This table shows the number of new invalidity retirement certificates issued in the relevant reporting year (not the total number of invalidity pensioners).

Partial invalidity

A partial invalidity pension – a form of income maintenance – is paid when a contributing customer's salary is permanently reduced for health reasons.

Table 29. Partial invalidity applications in CSS

	2019–20	2020–21
Partial invalidity applications	1	1

Note: This table shows assessed applications including retrospective applications in the relevant reporting year.

Complaints in CSS

CSS complaints have risen since last financial year. During this period, the key root cause for CSS customers' complaints has been service, with many complaints triggered by difficulty accessing our online services portal.

Other complaint causes included customer’s dissatisfaction with outcomes, such as benefit payments. A small number of customers complained about environmental, social and governance impacts on investments.

Further underlying root causes of complaints were communication, legislative requirements and process failures.

Table 30. Complaints received in CSS

	2019–20	2020–21
Complaints received	54	87

Changes to CSS's legislation

No changes were made to the *Superannuation Act 1976* in 2020–21.

PSS

Public Sector Superannuation Scheme

Overview of PSS

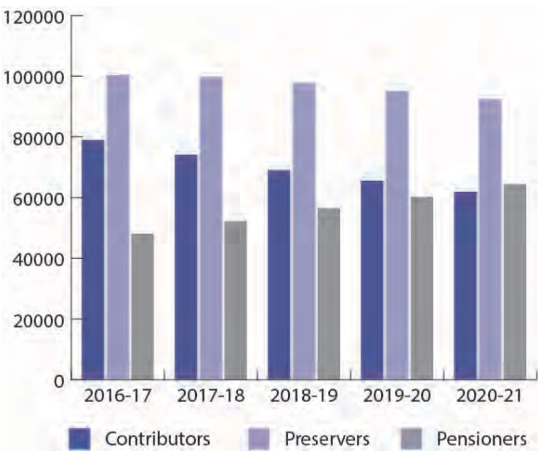
PSS is a public sector scheme established on 1 July 1990 by the PSS Act. It closed to new customers on 30 June 2005. PSS is a defined benefit scheme where benefits derive from customer and employer components.

The customer component consists of customer contributions and fund earnings. The employer component comprises employer productivity contributions (plus fund earnings) and the unfunded 'benefit balance', which is determined when a contributing customer leaves eligible employment.

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 membership

Figure 6. Number of PSS customers over five years



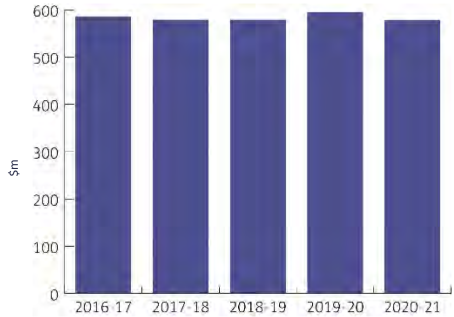
Note: Figures are at 30 June of each year. 'Pensioners' represents the number of pension accounts, not the exact number of pensions (e.g., multiple recipients such as a spouse and orphan children may be paid under one account).

PSS administration

Contributions

Contributing customers can contribute up to 10% of their super salary. Contributions are paid from after-tax income. They can also make voluntary contributions into PSSap (see pages 85–88 for more details).

Figure 7. PSS member productivity contributions over five years

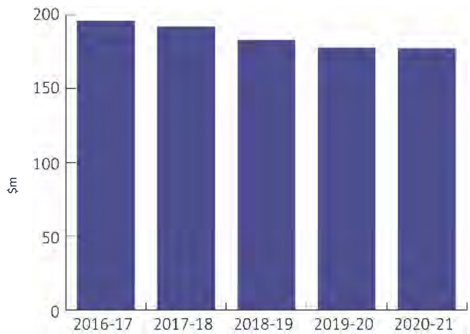


Note: This chart shows contributions to PSS. PSS contributions to ancillary PSSap accounts are not included in this chart.

Employer contributions

Employers usually pay a fortnightly productivity contribution into PSS. The amount is based on the customer's super salary. The unfunded employer component is notional and is determined when a customer ceases contributory membership.

Figure 8. PSS employer productivity contributions over five years



Benefit payments

Pensions and lump sums

In most cases, PSS benefits are paid when a customer exits the scheme at retirement. Benefits usually cannot be paid until minimum retirement age is reached and the customer has permanently retired from the workforce. Benefits may also become payable if the customer is retrenched, becomes totally and permanently incapacitated, or dies.

Figure 9. PSS pension payments over five years

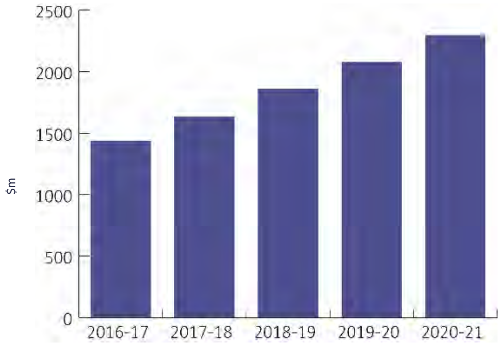
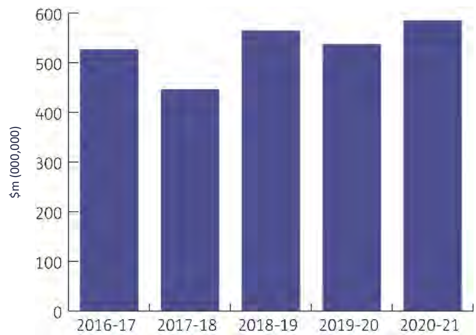


Figure 10. PSS lump sum payments over five years



Note: Lump sums are paid from the PSS fund and by the Australian Government.

Invalidity and death benefits

PSS provides invalidity and death benefits. Contributing customers can purchase additional death and invalidity cover, subject to meeting underwriting requirements.

Contributor benefits are generally based on the entitlement the customer would have received if they had worked to age 60, subject to any benefit restrictions. Benefits at age 60 or older are based on the account balance at the date of retirement or death. Benefits may also be payable for customers with preserved benefits. However, these will be based on the value of the preserved benefit and do not include prospective service.

Table 31. New invalidity pensioners in PSS

	2019–20	2020–21
Full invalidity pensioners	160	205

Note: This table shows the number of new invalidity retirement certificates issued in the relevant reporting year (not the total number of invalidity pensioners).

Partial invalidity

A partial invalidity pension – a form of income maintenance – is paid when a customer's salary is permanently reduced for health reasons.

Table 32. Partial invalidity pension applications in PSS

	2019–20	2020–21
Partial invalidity applications	94	89

Complaints in PSS

Complaint volumes increased again during this financial year. The predominant root causes were regarding policy and legislation. PSS customers made up the vast majority of complainants across all CSC funds regarding environmental, social and governance investment policy. Legislative restrictions surrounding consolidation or rollover of funds also remained a primary concern for PSS customers.

These were followed by service-related complaints, process failures and communication issues.

Other complaints were due to difficulty accessing information via our online services portal, incorrect or inaccurate information being given and delays in receiving benefit payments.

Table 33. Complaints received in PSS

	2019–20	2020–21
Complaints received	191	235

Changes to PSS's legislation and Trust Deed

The *Public Sector Superannuation Scheme Trust Deed* was amended by the *Superannuation Amendment (PSS Trust Deed) Instrument 2021*. The Instrument makes consequential amendments to the Rules to support the implementation of superannuation splitting for separating de facto couples in Western Australia, as provided for by the *Family Law Amendment (Western Australia De Facto Superannuation Splitting and Bankruptcy) Act 2020*.

MilitarySuper

Military Superannuation and Benefits Scheme

Overview of MilitarySuper

MilitarySuper was established on 1 October 1991 by the *Military Superannuation and Benefits Act 1991*. MilitarySuper closed to new ADF entrants on 30 June 2016. ADF Super is now available to new ADF entrants. ADF re-entrants who have a preserved employer benefit must re-join MilitarySuper. However, contributors may choose to remain in MilitarySuper or opt out.

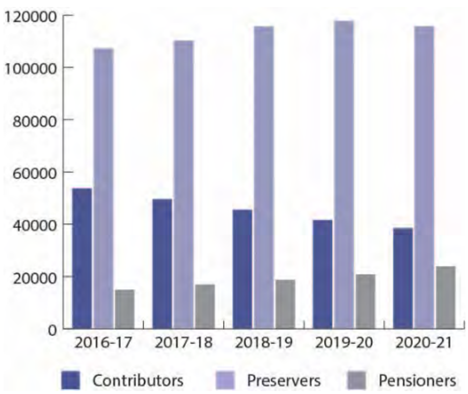
MilitarySuper is a hybrid scheme (part accumulation, part defined benefit). Benefits derive from customer and employer benefits. The customer benefit is the accumulation component. It consists of the mandated customer contributions, any amounts notionally brought over from DFRDB, plus fund earnings on those amounts. The employer benefit is the defined benefit component. It is based on a customer's period of ADF service and their final average salary.

The employer benefit is unfunded, except for the portion relating to the employer 3% productivity contributions, paid each fortnight by the Department of Defence, plus fund earnings. Unfunded benefits are paid by the Australian Government.

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 customers

Figure 11. Number of MilitarySuper customers over five years



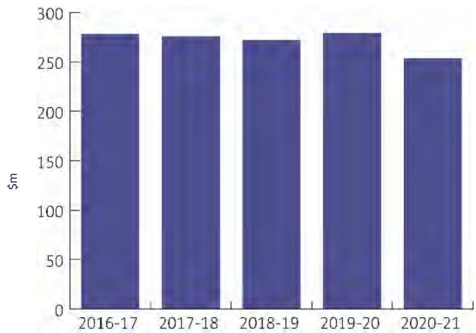
Note: Figures are at 30 June of each year; ancillary customers are not included. 'Pensioners' represents the number of pension accounts, not the exact number of pensions (e.g., multiple recipients such as a spouse and orphan children may be paid under one account).

MilitarySuper administration

Contributions

Contributing customers must usually contribute a minimum of 5% (or elect up to 10%) of their super salary into the fund from their after-tax income. They can also make voluntary payments into their ancillary benefit.

Figure 12. MilitarySuper customer contributions over five years



Note: This chart shows member and ancillary contributions.

Ancillary contributions

Contributing MilitarySuper and DFRDB customers can make ancillary contributions to accumulate a separate super interest called an ancillary benefit. This benefit can include both pre- and post-tax contributions such as additional personal, salary sacrifice and spouse contributions, which has fund earnings applied in line with the relevant investment option returns.

Ancillary contributions do not count towards a customer's Maximum Benefit Limit in MilitarySuper, nor impact any DFRDB retirement benefit. The ancillary benefit can generally only be paid as a cash lump sum once a customer reaches their preservation age and retires, or it can be rolled over to another super fund at any age.

Benefit payments

Pensions and lump sums

MilitarySuper customers who exit the scheme are entitled to a range of benefits depending on their circumstances.

Employer benefits must generally remain preserved until a customer reaches age 55 and transitions from the ADF. Benefits may also become payable if the customer transitions through invalidity or redundancy or dies.

Figure 13. MilitarySuper pension payments over five years

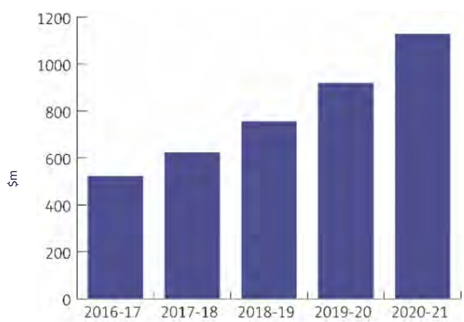
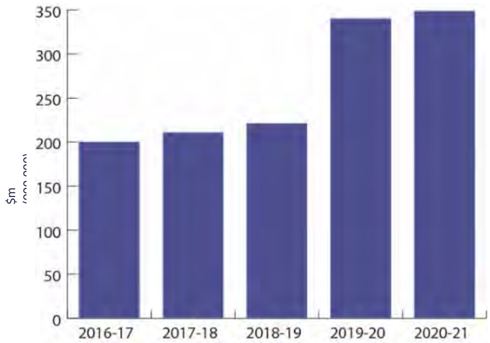


Figure 14. MilitarySuper lump sum payments over five years



Note: Lump sums are paid from the MilitarySuper fund and by the Australian Government.

Invalidity and death benefits

MilitarySuper provides invalidity and death benefits. If a contributing customer is medically transitioned from the ADF, invalidity benefits may help them to resettle into civilian employment.

Invalidity classifications

There are three levels of invalidity classification:

- Class A: Significant incapacity
- Class B: Moderate incapacity
- Class C: Low incapacity (no entitlement to an invalidity pension)

Table 34. New invalidity classifications in MilitarySuper

	2019–20	2020–21
Class A	1125	1666
Class B	180	169
Class C	136	67

Note: Figures in the table vary slightly to invalidity exits quoted elsewhere due to some cases relating to customers who transitioned in the previous financial year; these figures do not include customers who were medically discharged under Rule 32 with no invalidity pension payable having been deemed by a delegate of the Board to have been retired on a pre-existing condition within two years of enlistment.

Invalidity classification review

Customers classified Class A or Class B may be subject to review by CSC until age 55. Customers may also initiate a classification level review up to age 65.

Customers classified Class C at retirement are not subject to periodic reviews but may request the initial classification be reconsidered. A request should be made within 30 days of the initial classification decision.

Complaints in MilitarySuper

The number of complaints received in MilitarySuper increased again this financial year. An ATO court ruling resulting in taxation changes for a portion of invalidity recipients caused an increase in enquiries and formal complaints. These centred on delays in implementing the change as well as disputes over eligibility and calculation.

Other recurring complaint topics included: early release of super (specifically COVID-19 access and surrounding legislation), issues logging on to our online services portal, legislative restrictions on rolling super out, the invalidity claim and benefit payment processes.

Secondary themes were family law and splitting of superannuation outcomes, the process to have a decision reconsidered, investments, benefit options, Consumer Price Index rates for pensions and general communication complaints.

Table 35. Complaints received in MilitarySuper

	2019–20	2020–21
Complaints received	107	140

Changes to MilitarySuper's legislation and Trust Deed

The Military Superannuation and Benefits Act 1991 was amended by the *Defence Legislation Amendment (Enhancement of Defence Force Response to Emergencies) Act 2020* in 2020–21. The amendments ensure Reserve members rendering continuous full-time service will receive the same entitlement to superannuation and related benefits regardless of whether it was voluntary or not.

These amendments will operate retrospectively, applying from the date of the first Reserve Call Out in November 2019. The retrospective operation of these provisions is beneficial to Reserve members who provided service during the Reserve Call Outs in the 2019–20 bushfires.

PSSap

Public Sector Superannuation accumulation plan

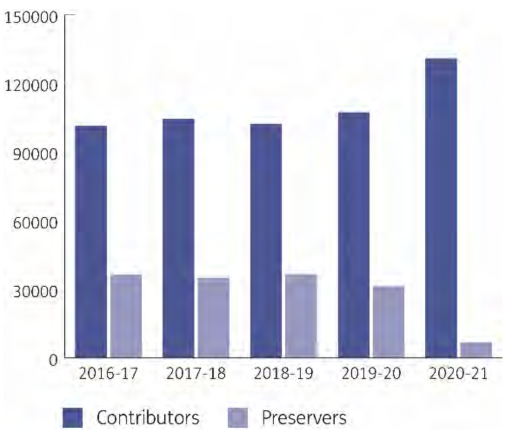
Overview of PSSap

PSSap is a scheme in which customers and employers contribute to the fund, and investment returns are calculated as a compound average rate of return, after fees and taxes have been deducted. It was established on 1 July 2005 by the PSSap Act. PSSap is open to eligible PSSap members and eligible CSS/PSS members or former members who contribute 15.4% per annum on behalf of their employees. Since 4 December 2017, customers who meet qualifying criteria have been able to contribute to the scheme after leaving public sector employment. These qualifying criteria were simplified to accommodate more customers from 7 March 2021.

PSSap also offers an ancillary membership to eligible CSS and PSS customers who can make additional contributions (including non-eligible employer contributions) and transfers, and access to an account-based pension product known as CSCri (Commonwealth Superannuation Corporation retirement income), to eligible public sector scheme customers.

PSSap customers

Figure 15. Number of PSSap customers over five years



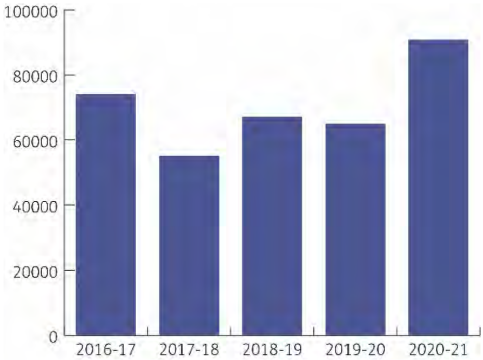
Note: Due to eligibility changes on 7 March 2021, there are significantly fewer customers who are categorised as 'Preservers'. Figures are at 30 June of each year.

PSSap administration

Contributions

PSSap customers can make before-tax and after-tax voluntary contributions.

Figure 16. PSSap customer contributions over five years



Note: Ancillary accounts are excluded. The 2018-19 Annual Report incorrectly reported these amounts. All previous years' data for this figure have been corrected here.

Ancillary contributions

Ancillary contributions can be made by eligible CSS/PSS customers or former customers by creating a PSSap ancillary account. Their PSSap benefit has unit prices applied in line with the investment returns of the scheme and their PSSap benefit does not affect their CSS or PSS benefit in any way.

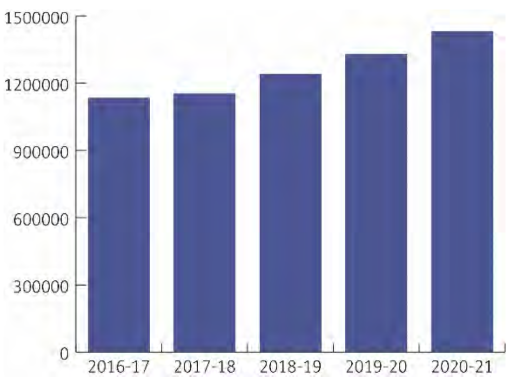
Ancillary accounts have been available since 1 July 2013. From 7 March 2021, ancillary accounts can also receive non-default employer contributions.

In 2020-21, almost $79.1 million in ancillary contributions were made, compared to $88.2m in 2019-20.

Employer contributions

PSSap customers employed by a participating PSSap employer receive 15.4% employer superannuation contributions. PSSap customers not employed by a participating PSSap employer receive contributions in line with their employment contract.

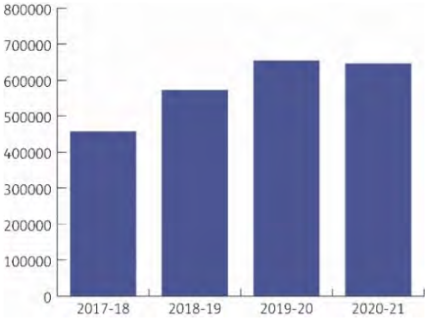
Figure 17. PSSap employer contributions over five years



Benefit payments

The two most common reasons for the pay out of superannuation benefits from the PSSap fund are for retirement and for consolidation of funds into another superannuation fund.

Figure 18. PSSap withdrawals



Note: Figures include Ancillary accounts.

Insurance benefits

PSSap offers Death, Total Permanent Disability (TPD) and Income Protection (IP) cover through a group insurance arrangement. Insurance cover offered through PSSap is called lifePLUS. lifePLUS is provided by AIA Australia Limited (ABN 79 004 837 862, AFSL 230043).

There are two types of lifePLUS cover available to eligible PSSap customers: lifePLUS auto (default cover) and lifePLUS choice (underwritten cover).

lifePLUS auto is offered to eligible PSSap customers over 25 years of age with an account balance over $6,000 on an opt-out basis. Customers under 25 years and/or with an account balance below $6,000 are offered cover on an opt-in basis.

Customers may apply for cover, or vary or cancel some or all of their cover at any time.

Death and TPD

lifePLUS provides a lump sum payment in the event of Death (including Terminal Illness) or TPD. The level of automatic cover varies depending on a customer's age unless a fixed cover is in place. If a fixed cover is in place, the customer receives that level of cover until the cover ceases or is cancelled by the customer.

Customers may select insurance cover for both Death and TPD, or for Death only.

Table 36. TPD claims in PSSap

	2018–19	2019–20	2020–21
TPD claims assessed	82	132	93

Income protection

Income Protection cover provides a monthly benefit payment, paid in arrears. The benefit payment provides up to 90.4% of an eligible customer's base salary. If a customer is unable to work due to a temporary disability caused by sickness or injury, up to 75% of this amount is paid directly to the customer and 15.4% is paid into the customer's PSSap account, for up to two years. Up to 65.4% of a customer's base annual salary is then paid for a further three years, with 50% paid directly to the customer and 15.4% paid into their PSSap account.

Table 37. Income protection claims in PSSap

	2018–19	2019–20	2020–21
IP claims assessed	423	427	342

Complaints in PSSap

There were fewer complaints in 2020–21 compared to the previous two years. Complaints relating to insurance continued to be the primary topic, with numbers consistent across this financial year and last. Of these, the root cause for many related to communication, followed by service issues and failures in processes.

Changes to PSSap lifePLUS choice insurance cover and an increase in premiums occurred on 1 July 2021. Communication to affected customers was issued in the months prior. This generated a large volume of general enquiries and a small number of formal complaints.

Other complaint causes included: benefit payment delays and outcomes, contribution delays and eligibility, and environmental, social and governance concerns surrounding investments.

Smaller volumes of complaints were also received in reference to beneficiaries, consolidating accounts, early release of super and online services.

Table 38. Complaints received in PSSap

	2019–20	2020–21
Complaints received	226	207

Changes to PSSap's legislation and Trust Deed

In 2020–21, the PSSap Act was amended by *the Superannuation Amendment (PSSap Membership) Amendment Act 2020* and the Public Sector Superannuation Accumulation Plan Trust Deed and Rules were amended by the *Superannuation Amendment (PSSap Trust Deed – Membership) Instrument 2020*.

The amendments broadened PSSap's member eligibility rules with effect from March 7 2021. Consequential amendments were also made by the *Superannuation (PSSap – Ordinary Employer-Sponsored Member Exclusion) Determination 2020*, including to repeal *Superannuation (PSSap – Former Commonwealth Ordinary Employer-Sponsored Member) Determination 2017*.

The reforms allow PSSap members to use their account for contributions in respect of any employment that they undertake concurrently with their eligible Commonwealth employment. PSSap members are also now permitted to make member contributions after they have ceased eligible Commonwealth employment independent of their new employment arrangements, subject to having completed 12 months' continuous employment with a designated employer.

The amendments also enable additional categories of CSS and PSS members to establish and contribute to the PSSap account.

The PSSap Act was also amended by the *Treasury Laws Amendment (Your Future, Your Super) Act 2021*. The amendments, which are of a consequential nature, will require Commonwealth employers to apply new stapling rules, established by the *Treasury Laws Amendment (Your Future, Your Super) Act 2021* when they take effect from 1 November 2021. The amendments commenced on 23 June 2021.

CSCri

Commonwealth Superannuation Corporation retirement income

CSCri is an account-based pension product offered as part of PSSap to eligible CSS, PSS and PSSap customers who are retiring or want to start transitioning to retirement.

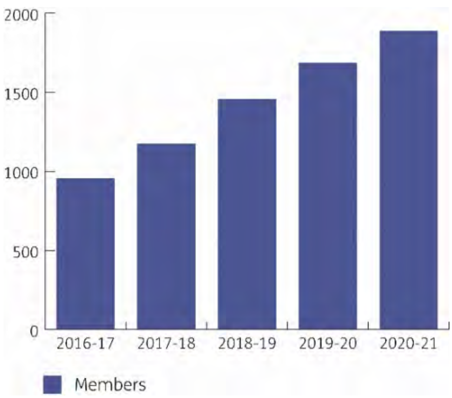
CSCri accounts must start with a minimum investment of $20,000. CSCri is designed to complement a customer's existing CSS, PSS or PSSap benefit by allowing them to keep some or all of their super invested, while also receiving regular retirement income payments. CSCri offers a standard retirement income stream and a transition to retirement income stream product.

CSCri standard retirement income stream investment returns are calculated as a compound average rate of return, after fees have been deducted. CSCri standard retirement income stream investment returns are tax free.

CSCri transition to retirement income stream investment returns are calculated as a compound average rate of return, after fees and taxes have been deducted.

CSCri customers

Figure 19. Number of CSCri customers over five years



Note: Figures are at 30 June of each year.

Lump sum amounts can be rolled into CSCri, generating regular income payments to customers in retirement, or in their transition to retirement.

Figure 20. Amount rolled into CSCri

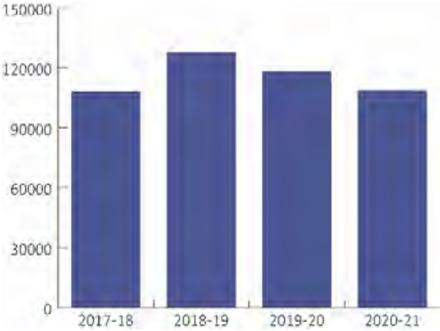
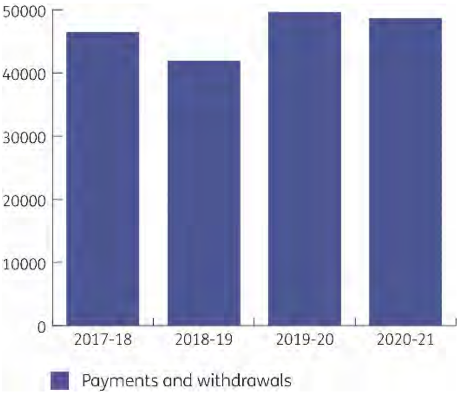


Figure 21. CSCri pension payments and lump sum withdrawals



Complaints in CSCri

CSCri complaints have remained steady for the last two years. Complaints related to delays in benefit payments and customer service, and communication concerns.

Table 39. Complaints received in CSCri

	2019–20	2020–21
Complaints received	5	5

ADF Super

Australian Defence Force Superannuation Scheme

Overview of ADF Super

ADF Super is a military superannuation scheme established on 1 July 2016 by the ADF Super Act.

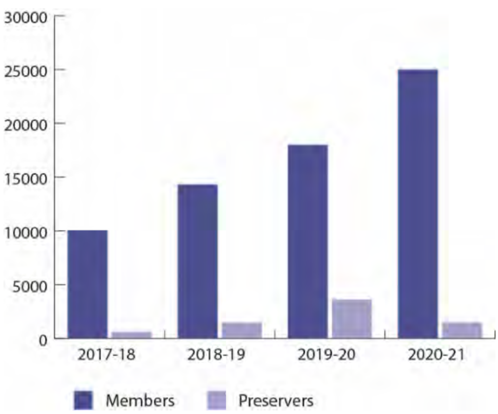
It is an accumulation scheme where customers and the Department of Defence (as the employer) contribute to the scheme, with investment returns calculated as a compound average rate of return after fees and taxes are deducted.

ADF Super is open to new ADF entrants, including reservists who are in full-time continuous service. ADF Super is also open to other eligible ADF members.

From 6 July 2020, customers who meet qualifying criteria can contribute to the scheme after leaving military service. lifePLUS Protect insurance cover is available to customers who have left the ADF subject to satisfying eligibility conditions.

ADF Super customers

Figure 22. Number of ADF Super customers over four years



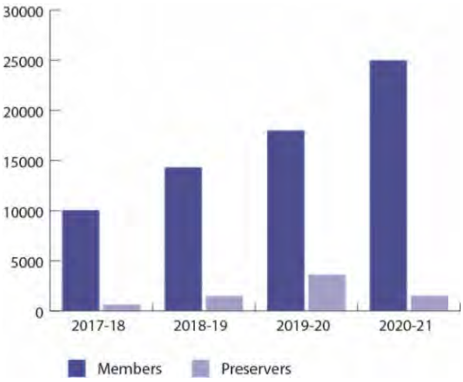
Note: Figures are at 30 June of each year.

ADF Super administration

Contributions

ADF Super customers can make voluntary before-tax and after-tax contributions.

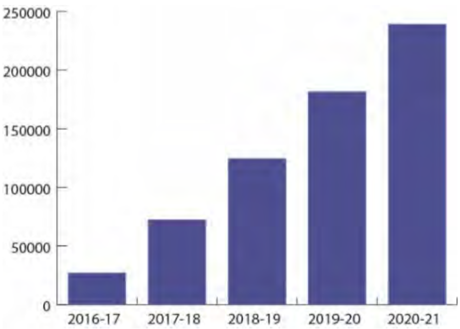
Figure 23. ADF Super customer contributions over four years



Employer contributions

The Department of Defence contributes 16.4% per annum on behalf of ADF Super customers. Eligible customers who have left military service can receive employer contributions in line with their new employment contract.

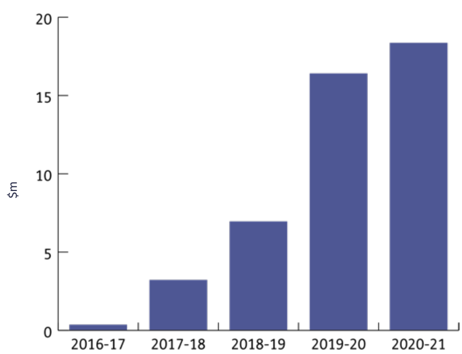
Figure 24. ADF Super employer contributions over five years



Benefit payments

The two most common reasons for the pay out of superannuation benefits from the ADF Super fund were for consolidation of funds into another superannuation fund and retirement.

Figure 25. ADF Super benefit payments over five years



Insurance benefits

Eligible serving ADF members are automatically covered under the ADF Cover benefits scheme.

From 6 July 2020, ADF Super customers who have left the ADF are offered default Death and Total Permanent Disability (TPD) on discharge if they satisfy eligibility conditions. Voluntary income protection is available by application and underwriting to customers who satisfy eligibility conditions.

Insurance cover in ADF Super is offered through a group insurance arrangement called lifePLUS Protect. lifePLUS Protect is provided by AIA Australia Limited (ABN 79 004 837 862, AFSL 230043).

There are two types of lifePLUS Protect cover available to eligible ADF Super customers: lifePLUS Protect auto (default cover) and lifePLUS Protect choice (underwritten cover).

lifePLUS Protect auto Death and TPD cover is offered to eligible ADF Super customers who satisfy eligibility requirements on discharge from the ADF. Cover is offered on an opt-out basis to customers over 25 years of age and account balance over $6,000. Cover is offered on an opt-in basis for customers under 25 years and/or with an account balance below $6,000.
Customers may apply for cover or vary or cancel some or all of their cover at any time.

Death and TPD

lifePLUS Protect provides a lump sum payment in the event of Death (including Terminal Illness) or TPD. The level of automatic cover varies depending on a customer's age unless fixed cover is in place (lifePLUS choice). If fixed cover is in place, the customer receives that level of cover until cover ceases or is cancelled by the customer.

Customers may select insurance cover for both Death and TPD, or Death only.

Income protection

Income protection insurance provides a monthly benefit payment, paid in arrears. The benefit payment provides up to 85% of an eligible customer's income. If a customer is unable to work due to a temporary disability caused by sickness or injury, up to 75% of this amount is paid directly to the customer and 10% is paid into the customer's ADF Super account, for up to two years.

Complaints in ADF Super

There were no formal complaints from ADF Super customers during the 2020–21 financial year.

Table 40. Complaints received in ADF Super

	2019–20	2020–21
Complaints received	5	0

Changes to ADF Super's legislation and Trust Deed

The *Australian Defence Force Superannuation Act 2015* was amended by the *Defence Legislation Amendment (Enhancement of Defence Force Response to Emergencies) Act 2020* in 2020–21. The amendments ensure Reserve members rendering continuous full-time service will receive the same entitlement to superannuation and related benefits regardless of whether it was voluntary or not.

These amendments operate retrospectively, applying from the date of the first Reserve Call Out in November 2019. The retrospective operation of these provisions is beneficial to Reserve members who provided service during the Reserve Call Outs in the 2019–20 bushfires.

ADF Cover

Australian Defence Force Cover

Overview of ADF Cover

ADF Cover is a benefits scheme established on 1 July 2016 by the ADF Cover Act.

It provides benefits for medical discharge or death of a member of the ADF who is under 60 and either is an ADF Super customer or would have been had they not chosen another superannuation fund. The cover now extends to Reserve members rendering continuous full-time service who will receive the same entitlement to superannuation and related benefits regardless of whether it was voluntary or not.

Eligible individuals are automatically covered under the ADF Cover benefits scheme and are not charged any premiums for this benefit.

ADF Cover administration

Invalidity classifications

There are three levels of invalidity classification:

- Class A: Significant incapacity
- Class B: Moderate incapacity
- Class C: Low incapacity (no entitlement to an invalidity pension)

Table 41. Invalidity classifications in ADF Cover

	2018–19	2019–20	2020–21
Class A	64	144	302
Class B	16	47	52
Class C	21	20	27
Not eligible	5	4	3

Table 42. ADF Cover death benefits paid

	2018–19	2019–20	2020–21
Death benefits paid	4	4	8

Complaints in ADF Cover

ADF Cover received two formal complaints, one regarding expected timeframes to have a claim decision reconsidered and one relating to Total and Permanent Disability cover.

Table 43. Complaints received from ADF Cover customers

	2018–19	2019–20	2020–21
Complaints received	1	1	2

Changes to ADF Cover's legislation

Australian Defence Force Cover Act 2015 was amended by the *Defence Legislation Amendment (Enhancement of Defence Force Response to Emergencies) Act 2020* in 2020-21. The amendments ensure Reserve members rendering continuous full-time service will receive the same entitlement to superannuation and related benefits regardless of whether it was voluntary or not.

These amendments operate retrospectively, applying from the date of the first Reserve Call Out in November 2019. The retrospective operation of these provisions is beneficial to Reserve members who provided service during the Reserve Call Outs in the 2019–20 bushfires and does not have a detrimental effect on anyone.

1922 scheme

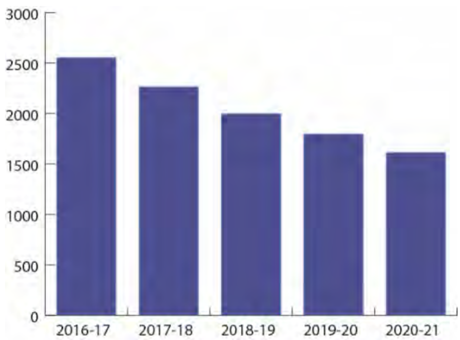
Overview of the 1922 scheme

The 1922 scheme, which was established under the 1922 Act, is a closed public sector scheme with all customers receiving a pension. Customers contributing to the 1922 scheme transferred to CSS, when CSS opened on 1 July 1976.

The 1922 Act continues to provide for pension payments and any reversionary pensions that become payable.

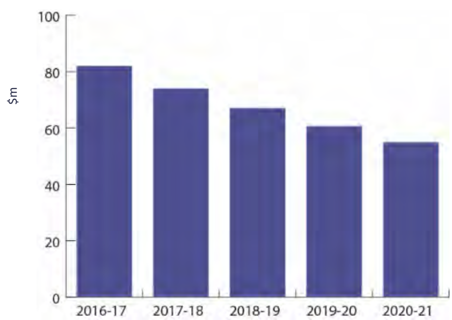
1922 scheme customers

Figure 26. Number of 1922 scheme pensioners over five years



Note: Figures are at 30 June of each year. 'Pensioners' represents the number of pension accounts, not the exact number of pensions (e.g., multiple recipients such as a spouse and orphan children may be paid under one account).

Figure 27. 1922 scheme pension payments over five years



Note: 1922 scheme pensions are paid by the Australian Government.

Changes to 1922 Act Scheme's legislation

No changes were made to the 1922 Act in 2020-21.

DFRB, DFRDB and DFSPB

Defence Forces Retirement Benefits

Defence Force Retirement & Death Benefits

Defence Force (Superannuation) (Productivity Benefit)

Overview of DFRB

DFRB is a closed military scheme with no contributing customers. Established in 1948 by the DFRB Act, this scheme closed to new contributors on 30 September 1972. Contributing customers at that time automatically transferred to DFRDB on 1 October 1972. DFRB continues to provide the benefit entitlements for customers who ceased to be contributors before 1 October 1972, and for reversionary benefits to eligible spouses and children.

Overview of DFRDB

DFRDB is also a closed military defined benefit scheme. Established by the DFRDB Act, the scheme closed to new ADF entrants from 1 October 1991, when MilitarySuper was established. DFRDB provides superannuation for ADF members who became contributors on or after 1 October 1972, and for contributors of DFRB on 30 September 1972 who compulsorily transferred to DFRDB on 1 October 1972.

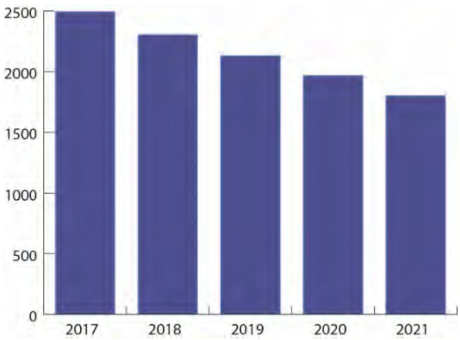
Overview of DFSPB

DFRDB customers are also entitled to a productivity benefit under the *Defence Force (Superannuation) (Productivity Benefit) Determination (DFSPB)*, issued under the *Defence Act 1903*. It is paid by the Department of Defence when a customer's DFRDB benefits are paid.

Customers

DFRB

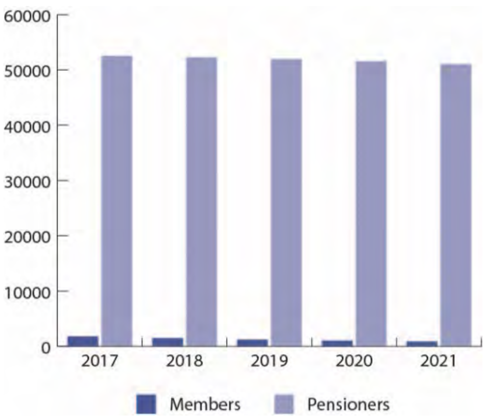
Figure 28. Number of DFRB pensioners over five years



Note: Figures are at 30 June of each year. 'Pensioners' represents the number of pension accounts, not the exact number of pensions (e.g., multiple recipients such as a spouse and orphan children may be paid under one account).

DFRDB

Figure 29. Number of DFRDB customers over five years



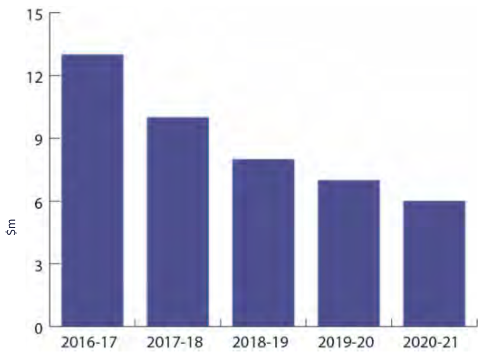
Note: Figures are at 30 June of each year. 'Pensioners' represents the number of pension accounts, not the exact number of pensions; pensioners who re-enter for less than 12 months do not contribute to DFRDB, continue to receive a pension and are not eligible for invalidity.

Scheme administration

DFRDB contributions

DFRDB customers must contribute 5.5% of their fortnightly super salary until they reach 40 years of effective service, at which time they can no longer contribute. Contributors can also make voluntary payments into MilitarySuper, known as ancillary contributions (refer to the MilitarySuper section for details).

Figure 30. DFRDB contributions over five years

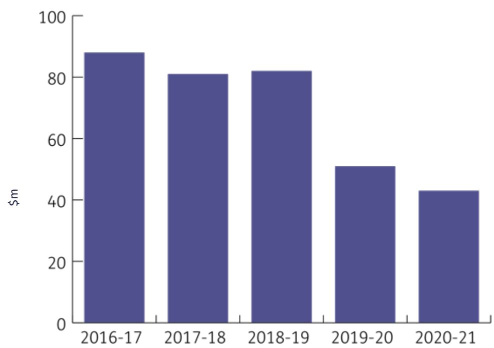


DFRDB benefit payments

Lump sum payments

DFRDB customers ceasing a period of ADF service can commute part of their DFRDB retirement pay to receive an upfront lump sum payment (commutation amount), if eligible. If a customer chooses to commute, their retirement pay is permanently reduced irrespective of how long they live. Retiring customers can elect to commute up to a maximum of five times the value of their annual retirement pay.

Figure 31. DFRDB lump sum payments over five years



Invalidity benefits

DFRDB provides invalidity and death benefits. If a customer is medically transitioned from the ADF, invalidity benefits may be available.

There are three levels of invalidity benefit classifications:

- Class A: Significant incapacity
- Class B: Moderate incapacity
- Class C: Low incapacity (no entitlement to an invalidity pension)

Table 44. Invalidity classifications in DFRDB

	2019–20	2020–21
Class A	33	43
Class B	15	17
Class C	15	13
Not eligible	0	0

Note: These figures may vary slightly to invalidity exits quoted elsewhere due to some cases relating to customers discharged in the previous financial year.

Table 45. Invalidity pension classifications in DFRDB

	2019–20	2020–21
Class A	1	0
Class B	1	2
Class C	1	0
Not eligible	0	0

Invalidity classification review

Periodic medical reviews of DFRDB invalidity recipients are no longer conducted. However, if an invalidity recipient believes their retiring impairment has deteriorated, they can initiate a review of their invalidity classification level. Recipients originally classified as Class C must make their reconsideration request within 30 days of the initial classification decision.

Complaints in DFRDB

DFRDB complaint volumes rose considerably in 2020–21 compared with 2019–20. Complaint trends varied and included delays relating to invalidity claim outcomes and implementation of lump sum tax changes resulting from an ATO Court Ruling, as well as delays in benefit payments and disputes surrounding DFRDB commutation legislation.

Primary root causes centred on legislative requirements, process failures and service concerns.

Table 46. Complaints received in DFRDB

	2018–19	2019–20	2020–21
Complaints received	14	16	40

Changes to DFRB, DFRDB and DFSPB’s legislation and Trust Deed

No changes were made to the DFRDB Act and the DFRB Act in 2020–21.

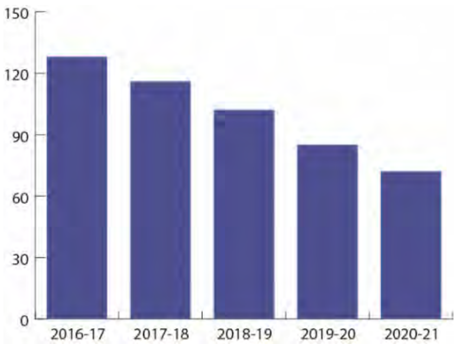
Papua New Guinea (PNG) Superannuation Fund

Overview of PNG

PNG is a closed public sector scheme with no contributing customers. Constituted under the *Superannuation (Papua New Guinea) Ordinance 1951*, PNG provided retirement benefits for employees of the administration of the Territory of Papua and New Guinea. Since 1 July 1976, the scheme has been administered in accordance with section 38 of the PNG Act.

PNG members

Figure 32. Number of PNG pensioners over five years

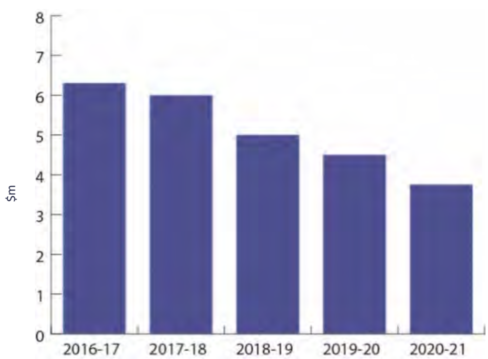


Note: Figures are at 30 June of each year. 'Pensioners' represents the number of pension accounts, not the exact number of pensions (e.g., multiple recipients such as a spouse and orphan children may be paid under one account).

PNG administration

Benefit payments

Figure 33. PNG pension payments over five years



Changes to PNG's legislation

No changes were made to the PNG Act or to the *Papua New Guinea (Staffing Assistance) (Superannuation) Regulations 1973* in 2020–21.

Section 08
CSC Financial Statements

08

Auditor-General for Australia

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance

Opinion

In my opinion, the financial statements of the Commonwealth Superannuation Corporation (the Entity) for the year ended 30 June 2021:

(a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Entity as at 30 June 2021 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement by the Chair, Chief Executive Officer and Chief Operating Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Directors' responsibility for the financial statements

As the Accountable Authority of the Commonwealth Superannuation Corporation, the Directors are responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of financial statements that comply with Australian Accounting Standards and the rules made under the Act. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Directors are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate

In preparing the financial statements, the Directors are responsible for assessing the ability of the Commonwealth Superannuation Corporation to continue as a going concern, disclosing, as applicable, matters related to going concern as applicable and using the going concern basis of accounting unless The Directors either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor’s responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Grant Hehir
Auditor-General for Australia

Canberra

29 September 2021

Commonwealth Superannuation Corporation

STATEMENT BY THE CHAIR, CHIEF EXECUTIVE OFFICER AND CHIEF OPERATING OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2021 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act),* and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Commonwealth Superannuation Corporation will be able to pay its debts as and when they fall due.

The statement is made in accordance with a resolution of the directors.

Garry Hounsell	**Damian Hill**	**Andy Young**
Chair	Chief Executive Officer	Chief Operating Officer
29 September 2021	29 September 2021	29 September 2021

Commonwealth Superannuation Corporation

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000	Original Budget 2021 $'000	Notes
NET COST OF SERVICES					
Expenses					
Employee benefits	2.1	**66,881**	61,732	66,968	
Suppliers	2.2	**52,652**	43,825	50,538	a
Depreciation and amortisation	5.1	**9,892**	9,552	10,488	
Finance costs	2.3	**493**	573	489	
Write-down and impairment of other assets	2.4	**-**	290	6	
Total expenses		**129,918**	115,972	128,489	
LESS:					
Own-source income					
Own-source revenue					
Revenue from contracts with customers	3.1	**131,293**	120,568	124,835	b
Interest	3.2	**27**	79	98	
Total own-source revenue		**131,320**	120,647	124,933	
Gains					
Other gains		**247**	-	-	
Total gains		**247**	-	-	
Total own-source income		**131,567**	120,647	124,933	
Net (cost of)/contribution by services		**1,649**	4,675	(3,556)	
Surplus/(Deficit) for the year		**1,649**	4,675	(3,556)	
OTHER COMPREHENSIVE INCOME					
Items not subject to subsequent reclassification to net contribution by services					
Gain on revaluation of non-current assets		**1,615**	-	-	c
Total other comprehensive income		**1,615**	-	-	
Total comprehensive income/(loss)		**3,264**	4,675	(3,556)	

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Statement of Comprehensive Income

a. Supplier expenses are higher than budget as CSC continues to invest in transformation projects and upgrade its technology capabilities, resulting in higher than budgeted expenses relating to purchase of additional software licences, cloud based services, communication systems, and consultant and contractor services in support of project activities.

b. The ARIA Investments Trust (AIT) is a pooled superannuation trust under CSC's Trusteeship. CSC invoices the AIT for the portion of expenses that are referable to the AIT. Revenue from the AIT is higher than budgeted as a direct result of the increases in expense detailed in note a above, principally the increase in project related consultants and contractor expenses.

c. Gain realised on revaluation of non-current assets is higher than budget due to the revaluation of leasehold improvements and property, plant and equipment assets. Revaluation gains and losses are not budgeted for.

Commonwealth Superannuation Corporation

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	2021 $'000	2020 $'000	Original Budget 2021 $'000	Notes
ASSETS					
Financial assets					
Cash and cash equivalents	4.1	**58,610**	52,806	50,488	a
Trade and other receivables	4.2	**7,061**	5,771	6,071	
Total financial assets		**65,671**	58,577	56,559	
Non-financial assets[1]					
Buildings (ROU Asset)	5.1	**20,487**	17,162	15,637	b
Leasehold improvements	5.1	**8,303**	8,218	7,633	
Property, plant and equipment	5.1	**3,541**	2,985	5,377	c
Intangibles	5.1	**11,237**	14,448	11,749	
Other non-financial assets	5.2	**6,537**	5,096	5,241	d
Total non-financial assets		**50,105**	47,909	45,637	
Total assets		**115,776**	106,486	102,196	
LIABILITIES					
Payables					
Suppliers	6.1	**5,193**	4,229	5,143	
Other payables	6.2	**2,744**	2,396	1,830	
Total payables		**7,937**	6,625	6,973	
Interest bearing liabilities					
Leases	7.1	**26,704**	24,062	22,180	e
Total interest bearing liabilities		**26,704**	24,062	22,180	
Provisions					
Employee provisions	8.1	**15,520**	13,580	13,681	f
Other provisions	8.2	**2,193**	2,616	2,616	
Total provisions		**17,713**	16,196	16,297	
Total liabilities		**52,354**	46,883	45,450	
Net assets		**63,422**	59,603	56,746	
EQUITY					
Contributed equity		**35,475**	35,475	35,475	
Operational risk reserve		**2,082**	1,527	2,226	
Asset revaluation reserve		**2,093**	478	478	g
Retained earnings		**23,772**	22,123	18,567	
Total equity		**63,422**	59,603	56,746	

1. Right-of-use assets are included in the following line items - Buildings and Property, plant and equipment.

The above statement should be read in conjunction with the accompanying notes.

Budget Variances Commentary

Statement of Financial Position

a. Cash and cash equivalents are higher than budget consistent with the surplus for the year. Also refer to Statement of Comprehensive Income notes a and b and notes c and e below.

b. Buildings Right of Use Asset (ROU Asset) is more than budget mainly due to CSC not exercising the option to surrender a level in relation to Canberra office lease.

c. Property, plant and equipment is lower than budget as the ongoing impact of the COVID-19 pandemic has delayed the anticipated procurement of infrastructure assets until the following financial year. This is partly offset by lower than budgeted depreciation.

d. Other non-financial assets are higher than budget due to increased expense prepayments associcated with new cloud based software and an increase in licence costs consistent with technology capability upgrade and CSC's transformation program

e. Refer to note b above.

f. Employee provisions are higher than budget due to lower than projected leave taken and the application of a revised shorthand long service leave model released by the Department of Finance. Updated assumptions in the model include long term salary growth factors and probability rates based on employee service history.

g. Refer to Statement of Comprehensive Income note c.

The above statement should be read in conjunction with the accompanying notes.

Commonwealth Superannuation Corporation

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000	Original Budget 2021 $'000	Notes
CONTRIBUTED EQUITY					
Opening balance					
Balance carried forward from previous period		**35,475**	35,475	35,475	
Closing balance as at 30 June		**35,475**	35,475	35,475	
RETAINED SURPLUS					
Opening balance					
Balance carried forward from previous period		**22,123**	17,891	22,123	
Adjustment on initial application of AASB 15/AASB 1058		**-**	(62)	-	
Adjustment on initial application of AASB 16		**-**	(381)	-	
Adjusted opening balance		**22,123**	17,448	22,123	
Comprehensive income					
Surplus/(deficit) for the year		**1,649**	4,675	(3,556)	
Closing balance as at 30 June		**23,772**	22,123	18,567	
ASSET REVALUATION RESERVE					
Opening balance					
Balance carried forward from previous period		**478**	478	478	
Other comprehensive income		**1,615**	-	-	
Closing balance as at 30 June		**2,093**	478	478	
OPERATIONAL RISK RESERVE					
Opening balance					
Balance carried forward from previous period		**1,527**	771	1,527	
Transfers to reserve					
Transfers from Department of Defence		**555**	756	699	
Closing balance as at 30 June		**2,082**	1,527	2,226	
Total equity		**63,422**	59,603	56,746	

The above statement should be read in conjunction with the accompanying notes.

Commonwealth Superannuation Corporation

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

Accounting Policy

Operational Risk Reserve

The operational risk reserve (ORR) represents trustee capital held for the purposes of meeting the operational risk financial requirement of the ADF Superannuation Scheme. The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address losses that may arise from an operational risk event. The ORR is operated in accordance with an ORR policy. The level of the reserve is determined by the Trustee Directors and reviewed annually, based on an assessment of the risks faced by the ADF Superannuation Scheme. The assets underlying the trustee capital were funded by the Department of Defence and are held in a segregated bank account as Australian-dollar denominated cash.

Commonwealth Superannuation Corporation

CASH FLOW STATEMENT

For the year ended 30 June 2021

	Notes	2021 $'000	2020 $'000	Original Budget 2021 $'000	Notes
OPERATING ACTIVITIES					
Cash received					
Rendering of services		**131,033**	118,247	123,963	a
Interest		**27**	79	98	
Net GST received		**-**	211	-	
Total cash received		**131,060**	118,537	124,061	
Cash used					
Employee benefits		**(64,669)**	(61,788)	(66,867)	b
Suppliers		**(53,847)**	(51,740)	(49,546)	c
Interest payments on lease liabilities		**(454)**	(531)	(477)	
Net GST paid		**(86)**	-	(235)	
Total cash used		**(119,056)**	(114,059)	(117,125)	
Net cash from/(used by) operating activities		**12,004**	4,478	6,936	
INVESTING ACTIVITIES					
Cash used					
Purchase of leasehold improvements		**-**	(7)	(1,000)	
Purchase of property, plant and equipment		**(1,952)**	(225)	(4,655)	d
Purchase and internal development of intangibles		**(713)**	(2,328)	(750)	
Total cash used		**(2,665)**	(2,560)	(6,405)	
Net cash from/(used by) investing activities		**(2,665)**	(2,560)	(6,405)	
FINANCING ACTIVITIES					
Cash received					
Transfers to operational risk reserve		**555**	756	699	
Total cash received		**555**	756	699	
Cash used					
Principal payments of lease liabilities		**(4,090)**	(3,994)	(3,548)	
Total cash used		**(4,090)**	(3,994)	(3,548)	
Net cash from/(used by) financing activities		**(3,535)**	(3,238)	(2,849)	
Net increase/(decrease) in cash and cash equivalents		**5,804**	(1,320)	(2,318)	
Cash and cash equivalents at the beginning of the financial year		**52,806**	54,126	52,806	
Cash and cash equivalents at the end of the financial year	4.1	**58,610**	52,806	50,488	

The above statement should be read in conjunction with the accompanying notes.

Commonwealth Superannuation Corporation

CASH FLOW STATEMENT

For the year ended 30 June 2021

Budget Variances Commentary

Cash Flow Statement

a. Cash received from rendering of services is higher than budget mainly due to higher than projected reimburesments from AIT. The increase in cash received from rendering of services was also partly offset by slight increase in trade and other receivables.

b. Cash used for employee benefits is less than budget reflecting the increase in leave provisions referred to in Statement of Financial Position note f, combined with lower than expected average staffing levels and a Board decision to pay reduced bonuses in consideration of the economic and social impacts of the COVID-19 pandemic.

c. Cash used for suppliers is higher than budget as a result of higher than budgeted purchases of software licences, cloud based services, communication systems, consultant and contractor services, and higher than budgeted prepayments relating to technology services in support of project activities and CSC's transformation program.

d. Cash used for the purchase of leasehold improvements and property plant and equipment is lower than budget as the ongoing impact of the COVID-19 pandemic has delayed the anticipated procurement of leasehold and infrastructure assets until the following financial year.

Note 1: Overview and Summary of Significant Accounting Policies

Objectives of the Entity

Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243) is a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013*. The objective of CSC is to provide retirement and insurance benefits for scheme members and beneficiaries, including past, present and future employees of the Australian Government and other eligible employers and members of the Australian Defence Force, through investment and administration of their superannuation funds and schemes. CSC is a not-for-profit entity. The continued existence of CSC in its present form and with its present programs is dependent on Government policy.

CSC is the Trustee responsible for the Public Sector Superannuation Scheme ('PSS'), the Commonwealth Superannuation Scheme ('CSS'), the Public Sector Superannuation Accumulation Plan ('PSSap'), the Military Superannuation and Benefits Scheme ('MSBS'), Australian Defence Force Superannuation Scheme ('ADF Super'), Australian Defence Force Cover Scheme ('ADF Cover'), the Defence Force Retirement and Death Benefits Scheme ('DFRDB'), the Defence Forces Retirement Benefits Scheme ('DFRB'), the Defence Force (Superannuation) (Productivity Benefit) Scheme ('DFSPB'), the Papua New Guinea Scheme ('PNG') and the 1922 Scheme, collectively referred to as 'the Schemes'.

The Schemes invest solely through the ARIA Investments Trust ('the AIT') - a pooled superannuation trust under CSC's trusteeship - which facilitates access to a broad range of underlying securities across various asset classes on an efficient and cost-effective basis.

CSC's activities are partly funded through the scheme administration charges collected from employers participating in PSS and CSS, and from members of PSSap and ADF Super, and through negotiated administration charges collected from the Department of Defence. Additional funding may be provided by Government to meet specific administration requirements.

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013.*

The financial statements have been prepared in accordance with:

a) P*ublic Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)*; and
b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

New Accounting Standards

No new or revised standards and/or interpretations, that were issued prior to the sign-off date and are applicable to the current reporting period had a material effect, and are not expected to have a future material effect, on the entity's financial statements.

No accounting standard has been adopted earlier than the application date as stated in the standard.

Taxation

Under its legislation, the Income Tax Act is applicable to CSC, however in the normal course of its activities CSC does not generate taxable income under that Act. CSC is liable for Goods and Services Tax (GST) and Fringe Benefits Tax (FBT).

Note 1: Overview and Summary of Significant Accounting Policies (continued)

Taxation (continued)

Revenues, expenses, assets and liabilities are recognised net of GST except:

a) where the amount of GST incurred is not recoverable from the Australian Taxation Office; and

b) for receivables and payables.

Controlled Entities

CSC is the parent and sole shareholder of ARIA Co Pty Ltd. ARIA Co Pty Ltd is the Trustee of the ARIA Alternative Assets Trust and the PSS/CSS Investments Trust. ARIA Co Pty Ltd is not consolidated into CSC's financial statements as it is a shell company and is considered to be immaterial.

Reporting of Administered Activities

The FRR requires disclosure where one entity has drawn against a Special Appropriation which is the responsibility of another entity.

Administered assets, liabilities, revenue and expenses are those items which are controlled by the Government and were managed or over sighted by CSC on its behalf including:

- Superannuation benefit payments; and
- Superannuation contributions.

In addition to CSC, the entities responsible for managing the appropriations, Department of Finance (Finance), Department of Defence (Defence) and Department of Foreign Affairs and Trade (DFAT) will make separate disclosures of the contributions and unfunded benefits paid under the 1922, CSS, PSS, PNG, DFRB, DFRDB, MSB and ADF Cover schemes.

1922, CSS and PSS schemes

Finance has responsibility to account for the Commonwealth's activities in relation to the 1922, CSS and PSS schemes.

Finance has responsibility for managing the legislation and has delegated third party access rights to the appropriations under the following Acts:

- *Superannuation Act 1922;*
- *Superannuation Act 1976;*
- *Superannuation Act 1990;*
- *Same Sex Relationships (Equal Treatment in Commonwealth Laws - Superannuation) Act 2008;*
- *Governance of Australian Government Superannuation Schemes Act 2011* - s35(3)(a); and
- *Governance of Australian Government Superannuation Schemes Act 2011* - s35(4).

In addition, CSC was delegated third party access rights by Finance for the funding of legal and incidental costs of superannuation claims, and Act of Grace payments. These were appropriated under *Appropriation Act (No. 1) 2020-2021* and *Appropriation Act (No. 2) 2020-2021*.

The funded components of the CSS and PSS Schemes are reported in their respective financial statements.

DFRB, DFRDB, MSB and ADF Cover Schemes

Defence has responsibility for managing the legislation and has delegated third party access rights to the appropriations under the following Acts:

- *Defence Forces Retirement Benefits Act 1948;*
- *Defence Force Retirement and Death Benefits Act 1973;*
- *Military Superannuation Benefits Act 1991;* and
- *Australian Defence Force Cover Act 2015.*

Note 1: Overview and Summary of Significant Accounting Policies (continued)

Reporting of Administered Activities (continued)

The funded components of MSBS are reported in the MSBS financial statements. The DFRB, DFRDB and ADF Cover are unfunded Schemes.

PNG Scheme

DFAT delegated third party access rights to CSC in respect of Papua New Guinea Superannuation Schemes which are appropriated in *Appropriation Act (No. 1) 2020-2021*. CSC managed the payment of Pensions under the scheme on behalf of DFAT.

Administered Cash Transfers to and from the Official Public Account

Revenue collected by CSC for use by the Government rather than CSC was Administered Revenue. Collections are transferred to the Official Public Account (OPA) maintained by Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriations on behalf of Government.

Events After the Reporting Period

No matters have arisen since 30 June 2021 that have materially affected, or may materially affect, the operations of CSC, the results of those operations, or the financial position of CSC in future financial years.

Note 2: Expenses

	2021 $'000	2020 $'000
Note 2.1: Employee benefits		
Wages and salaries	**52,688**	49,251
Superannuation		
Defined contribution plans	**5,499**	5,148
Defined benefit plans	**1,748**	1,855
Leave and other entitlements	**6,562**	4,977
Separation and redundancies	**384**	501
Total employee benefits	**66,881**	61,732
Note 2.2: Suppliers		
Goods and services supplied or rendered		
Consultants	**11,216**	10,260
Contractors	**13,638**	8,716
Information technology and communications	**14,690**	12,093
Insurance	**1,163**	887
Member communication	**2,140**	1,410
Property (other than rent)	**1,357**	1,616
Employee recruitment and support	**1,175**	1,580
Subscriptions and professional memberships	**432**	394
Training and development	**653**	816
Travel	**340**	1,150
Other goods and services	**4,700**	3,990
Total goods and services supplied or rendered	**51,504**	42,912
Goods supplied	**1,157**	1,241
Services rendered	**50,347**	41,671
Total goods and services supplied or rendered	**51,504**	42,912
Other supplier expenses		
Operating lease rentals		
Short-term leases[1]	**372**	358
Workers compensation expenses	**776**	555
Total other suppliers	**1,148**	913
Total suppliers	**52,652**	43,825

1. The Melbourne, Adelaide and Brisbane office leases are for fixed terms of twelve months, and are classified as short term leases. CSC has short-term lease commitments of $91,125 as at 30 June 2021 (2020: $216,000).

The above lease disclosures should be read in conjunction with the accompanying notes 2.3, 5.1 and 7.1.

Accounting Policy

Short-term leases and leases of low-value assets

CSC has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less. CSC recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Note 2: Expenses (continued)

	2021 $'000	2020 $'000
Note 2.3: Finance costs		
Interest on lease liabilities	**454**	531
Other interest payments	**39**	42
Total finance costs	**493**	573

The above lease disclosures should be read in conjunction with the accompanying notes 2.2, 5.1 and 7.1.

Accounting Policy

All borrowing costs are expensed as incurred.

Note 2.4: Write-down and impairment of other assets

Impairment of intangible assets	**-**	290
Total write-down and impairment of other assets	**-**	290

Note 2.5: Remuneration of Auditors

Financial statement audit services	**82**	106
Regulatory audit services required by legislation to be provided to the auditor	**9**	9
	91	115

The following additional services were provided by Deloitte:

Internal controls audit - other assurance engagement required by legislation or contractual arrangements	**118**	115
Consulting Services	**-**	60
	118	175

Audit fees are also payable to the ANAO by other entities under CSC's trusteeship. For the 2020-21 financial year the total fees payable for these entities is $626,250 (2020: $652,500).

No other services were provided to CSC by the ANAO or Deloitte Touche Tohmatsu.

Note 3: Own-source Revenue and Gains

	2021 $'000	2020 $'000
Note 3.1: Revenue from contracts with customers		
Scheme administration fees - Australian Government entities (related parties)	**72,391**	71,019
Services rendered to the ARIA Investments Trust	**54,411**	44,605
Other revenue - Australian Government entities (related parties)	**-**	325
Other revenue	**1,044**	1,331
Trustee Levies	**3,447**	3,288
Total revenue from contracts with customers	**131,293**	120,568

Accounting Policy

Revenue from Contracts with Customers/ Income of Not-For-Profit Entities

Scheme administration fees and trustee levies:

CSC receives scheme administration fees and trustee levies collected from Australian Government entities participating in PSS and CSS, from members of PSSap and ADF, and through negotiated administration charges collected from the Department of Defence. The members of these superannuation schemes receive and consume the benefits as CSC performs the services. CSC has recorded this revenue over time under AASB 15 as the services are performed and the performance obligation is met.

Services rendered to the ARIA Investments Trust:

CSC receives fees from the AIT to recover the cost of managing the investments of the schemes. This cost recovery is performed on the basis of Board approved budget arrangements regarding the management of fund expenses. CSC does not retain any of these investment management services and the AIT simultaneously receives and consumes the benefits as CSC performs the services. CSC will record this revenue over time under AASB 15 as CSC recovers the costs of managing the investments of the schemes.

Other revenue: Australian Government entities (related parties)

Other revenue includes project funding received from Australian Government entities in order to meet specific administration requirements. The project funding received is either accounted for under AASB 1058 or AASB 15, depending on whether the services are retained by CSC or are passed onto the customer. Each project for which specific funding has been received by CSC has been assessed as having an enforceable contract with specific promises and performance obligations. Where funding has been used to construct an asset, the revenue has been assessed under AASB 1058 as CSC retains the control and benefit of the asset built. Where funding has been received for purposes other than constructing an asset, the revenue has been assessed under AASB 15 as the service specified in the contract has been provided to the customer.

Other revenue:

Other revenue includes revenue received for the provision of financial planning advice and processing of family law payments to the members of the superannuation schemes. The members of these superannuation schemes receive and consume the benefits as CSC performs the services. CSC has recorded this revenue over time under AASB 15 as the services are performed and the performance obligation is met.

Receivables for services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Note 3: Own-source Revenue and Gains (continued)

	2021 $'000	2020 $'000
Note 3.2: Interest		
Deposits	**27**	79
Total interest	**27**	79

Accounting Policy

Interest revenue is recognised using the effective interest method.

Note 4: Financial Assets

	2021 $'000	2020 $'000
Note 4.1: Cash and cash equivalents		
Cash in special account	**46,618**	40,077
Cash on deposit	**11,992**	12,729
Total cash and cash equivalents	**58,610**	52,806

The closing balance of Cash in special account does not include amounts held in trust (2020: Nil). See notes Note 11: Special Accounts and Note 18: Assets Held in Trust for more information.

Accounting Policy

Cash is recognised at its nominal amount. Cash and cash equivalents include:

a) demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value; and

b) cash in special accounts.

Note 4.2: Trade and other receivables

	2021 $'000	2020 $'000
Receivables for services		
Services	**6,902**	5,698
Total receivables for services	**6,902**	5,698
Other receivables:		
GST receivable	**159**	73
Total other receivables	**159**	73
Total trade and other receivables (gross)	**7,061**	5,771
Less impairment loss allowance	**-**	-
Total trade and other receivables (net)	**7,061**	5,771
Trade and other receivables (net) expected to be recovered in:		
No more than 12 months	**7,061**	5,771
Total trade and other receivables (net)	**7,061**	5,771

Credit terms for services were within 30 days (2020: 30 days).

Accounting Policy

Financial Assets

Trade receivables and other receivables that are held for the purpose of collecting the contractual cash flows, where the cash flows are solely payments of principal and interest that are not provided at below-market interest rates, are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

Note 4: Financial Assets (continued)

Reconciliation of the Impairment Loss Allowance

Movements in relation to 2021

	Services $'000	Total $'000
As at 1 July 2020		
Increase/(Decrease) recognised in net contribution by services	-	-
Amounts written off	-	-
Total as at 30 June 2021	-	-

Movements in relation to 2020

	Services $'000	Total $'000
As at 1 July 2019		
Increase/(Decrease) recognised in net contribution by services	-	-
Amounts written off	-	-
Total as at 30 June 2020	-	-

Accounting Policy

AASB 9 impairment requirements for financial assets are based on a forward-looking expected credit loss (ECL) model. The model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value through other comprehensive income. Trade and other receivable assets at amortised cost are assessed for impairment at the end of each reporting period. The simplified approach has been adopted in measuring the impairment loss allowance at an amount equal to lifetime ECL.

Commonwealth Superannuation Corporation

Notes to the Financial Statements

For the year ended 30 June 2021

Note 5: Non-Financial Assets

Note 5.1: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment for 2021

	Buildings (ROU Asset) $'000	Leasehold Improvements $'000	Property, Plant and Equipment $'000	Intangibles - Computer Software[1] $'000	Total $'000
As at 1 July 2020					
Gross book value	20,391	12,766	8,637	31,901	73,695
Accumulated depreciation, amortisation and impairment	(3,229)	(4,548)	(5,652)	(17,453)	(30,882)
Total as at 1 July 2020	**17,162**	**8,218**	**2,985**	**14,448**	**42,813**
Additions					
Purchase	-	-	1,952	348	2,300
Internally developed	-	-	-	-	-
Right-of-use assets	6,652	-	80	-	6,732
Revaluations and impairments recognised in other comprehensive income	-	1,558	57	-	1,615
Depreciation and amortisation	-	(1,473)	(1,503)	(3,559)	(6,535)
Depreciation on right-of-use assets	(3,327)	-	(30)	-	(3,357)
Total as at 30 June 2021	**20,487**	**8,303**	**3,541**	**11,237**	**43,568**
Total as at 30 June 2021 represented by:					
Gross book value	27,043	12,337	7,744	32,249	79,373
Accumulated depreciation, amortisation and impairment	(6,556)	(4,034)	(4,203)	(21,012)	(35,805)
Total as at 30 June 2021	**20,487**	**8,303**	**3,541**	**11,237**	**43,568**
Carrying amount of right-of-use assets	**20,487**	**-**	**80**	**-**	**20,567**

1.The carrying amount of computer software includes $0.223 million of purchased software and $11.014 million of internally generated software.

Note 5: Non-Financial Assets (continued)

Note 5.1: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment for 2020

	Buildings (ROU Asset) $'000	Leasehold Improvements $'000	Property, Plant and Equipment $'000	Intangibles - Computer Software[1] $'000	Total $'000
As at 1 July 2019					
Gross book value	-	12,759	8,349	29,564	50,672
Accumulated depreciation, amortisation and impairment	-	(3,047)	(3,934)	(14,059)	(21,040)
Total as at 1 July 2019	**-**	**9,712**	**4,415**	**15,505**	**29,632**
Recognition of right of use asset on initial application of AASB 16	20,391	-	63	-	20,454
Adjusted total as at 1 July 2019	**20,391**	**9,712**	**4,478**	**15,505**	**50,086**
Additions					
Purchase	-	7	225	911	1,143
Internally developed	-	-	-	1,426	1,426
Impairments recognised in net contribution by services	-	-	-	(290)	(290)
Depreciation and amortisation	-	(1,501)	(1,685)	(3,104)	(6,290)
Depreciation on right-of-use assets	(3,229)	-	(33)	-	(3,262)
Total as at 30 June 2020	**17,162**	**8,218**	**2,985**	**14,448**	**42,813**
Total as at 30 June 2020 represented by:					
Gross book value	20,391	12,766	8,637	31,901	73,695
Accumulated depreciation, amortisation and impairment	(3,229)	(4,548)	(5,652)	(17,453)	(30,882)
Total as at 30 June 2020	**17,162**	**8,218**	**2,985**	**14,448**	**42,813**
Carrying amount of right-of-use assets	**17,162**	**-**	**30**	**-**	**17,192**

1. The carrying amount of computer software includes $0.285 million of purchased software and $14.163 million of internally generated software.

2. At 30 June 2020, an impairment loss of $0.290 million has been recognised for internally developed software.

Note 5: Non-Financial Assets (continued)

Revaluations of non-financial assets

All revaluations were conducted in accordance with the fair value measurement policy stated at Note 16.1. Independent valuers conducted the fair value assessment of the carrying values of all leasehold improvements and property, plant and equipment assets, excluding right of use assets, as at 30 June 2021.

Contractual commitments for the acquisition of property, plant, equipment and intangible assets

CSC has contractual commitments totalling $1.375 million (2020: $0.697 million) for the acquisition of property, plant and equipment and intangible assets.

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than $4,000 (2020: $4,000), which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in Canberra and Sydney lease where there exists an obligation to the lessor. These costs are included in the value of CSC's leasehold improvements with a corresponding provision for the 'make good' recognised.

Lease Right of Use (ROU) Assets

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by CSC as separate asset classes to corresponding assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned.

On initial adoption of AASB 16, CSC has adjusted the ROU assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease asset that is impaired. Lease ROU assets continue to be measured at cost after initial recognition in Commonwealth agency, General Government Sector and Whole of Government financial statements.

Revaluations

Following initial recognition at cost, property, plant and equipment and leasehold improvements (excluding ROU assets) are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.

Note 5: Non-Financial Assets (continued)

Revaluations (continued)

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to CSC using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2021	2020
Leasehold Improvements	Lease term	Lease term
Plant and Equipment	3 to 10 years	3 to 10 years

The depreciation rates for ROU assets are based on the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term.

Impairment

All assets were assessed for indicators of impairment at 30 June 2021. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Intangibles

CSC's intangibles comprise internally developed software and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of CSC's software are 3 to 10 years (2020: 3 to 10 years).

Purchased or internally developed intangibles are recognised initially at cost in the Statement of Financial Position, except for purchased intangibles costing less than $80,000 (2020: $80,000) or internally developed assets costing less than $80,000 (2020: $80,000). These items are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Software assets under development but not yet available for use have been tested for impairment as at 30 June 2021. All software assets in use were assessed for indications of impairment as at 30 June 2021.

Accounting Judgements and Estimates

CSC has also made judgements in relation to the carrying value of internally generated software. The carrying amount is based on the recoverability as assessed by management given the most recent information available, including an impairment assessment as at 30 June 2021.

Note 5: Non-Financial Assets (continued)

	2021	2020
	$'000	$'000
Note 5.2: Other non-financial assets		
Prepayments	**6,537**	5,096
Total other non-financial assets	**6,537**	5,096
Other non-financial assets expected to be recovered in:		
No more than 12 months	**5,739**	4,485
More than 12 months	**798**	611
Total other non-financial assets	**6,537**	5,096

No indicators of impairment were found for other non-financial assets (2020: Nil)

Note 6: Payables

	2021 $'000	2020 $'000
Note 6.1: Suppliers		
Trade creditors and accruals	**5,193**	4,229
Total suppliers	**5,193**	4,229
Supplier payables expected to be settled in:		
No more than 12 months	**5,193**	4,229
Total suppliers	**5,193**	4,229

Settlement is usually made within 20 days (2020: 20 days).

	2021 $'000	2020 $'000
Note 6.2: Other payables		
Wages and salaries	**1,217**	931
Unearned revenue	**1,401**	1,401
Other	**126**	64
Total other payables	**2,744**	2,396
Other payables expected to be settled in:		
No more than 12 months	**1,696**	1,625
More than 12 months	**1,048**	771
Total other payables	**2,744**	2,396

Note 7: Interest Bearing Liabilities

Note 7.1: Leases

Lease liabilities	**26,704**	24,062
Total leases	**26,704**	24,062
Maturity analysis - contractual undiscounted cash flows		
Within 1 year	**4,980**	4,049
Between 1 to 5 years	**17,420**	13,144
More than 5 years	**6,569**	8,738
Total leases	**28,969**	25,931

Total cash outflow for leases for the year ended 30 June 2021 was $4,544,000 (2020: $4,525,000)

CSC in its capacity as lessee has leases for office accommodation in Canberra, Sydney and a data centre facility at Hume.

Lease payments are subject to annual increases of 3.5% in the Canberra office, 4% fixed annual rate increases in the Hume data centre and 4% fixed rate annual increases in the Sydney office. These lease agreements are non-cancellable in the normal course of business.

The Canberra office lease has a further renewal option for 3 years and under the lease agreement CSC has a one off right to surrender any one of its floors at any time on or after 1 January 2022. At present CSC has no intention to exercise the option to surrender any floor in the Canberra office. The Sydney office and Hume data centre leases have no further option for renewal.

The above lease disclosures should be read in conjunction with the accompanying notes 2.2, 2.3 and 5.1.

Accounting Policy

Leases

For all new contracts entered into, CSC considers whether the contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or the department’s incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

Note 8: Provisions

	2021	2020
	$'000	$'000
Note 8.1: Employee provisions		
Leave	**15,520**	13,463
Separations and redundancies	**-**	117
Total employee provisions	**15,520**	13,580
Employee provisions expected to be settled in:		
No more than 12 months	**5,634**	5,419
More than 12 months	**9,886**	8,161
Total employee provisions	**15,520**	13,580

Accounting Policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the Australian Government short hand method. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

CSC recognises a provision for separation and redundancy benefit payments when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government. The CSS and PSS are defined benefit schemes for Australian Government employees.

The PSSap is a defined contribution scheme. The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

CSC makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. CSC accounts for the contributions as if they were contributions to defined contribution plans.

Note 8: Provisions (continued)

	2021 $'000	2020 $'000
Note 8.2: Other provisions		
Provision for restoration obligations	2,193	2,616
Total other provisions	**2,193**	2,616

	Provision for restoration obligations $'000	Total other provisions $'000
As at 1 July 2020	2,616	2,270
Additional provisions made	-	320
Unwinding of discount or change in discount rate	(176)	42
Amounts reversed	(247)	(16)
Total as at 30 June 2021	**2,193**	**2,616**

	2021 $'000	2020 $'000
Other provisions are expected to be settled in:		
No more than 12 months	-	247
More than 12 months	2,193	2,369
Total other provisions	**2,193**	2,616

CSC currently has 1 (2020:2) agreement for the leasing of premises which has provisions requiring CSC to restore the premises to their original condition at the conclusion of the lease. CSC has made a provision to reflect the present value of this obligation..

Note 9: Cash Flow Reconciliation

	2021 $'000	2020 $'000
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash Flow Statement	**58,610**	52,806
Statement of Financial Position	**58,610**	52,806
Difference	**-**	-
Reconciliation of net contribution by services to net cash from/(used by) operating activities		
Net contribution by services	**1,649**	4,675
Adjustments for non-cash items		
Depreciation and amortisation	**9,892**	9,552
Write down and impairment of assets	**-**	290
Movements in assets and liabilities		
Assets		
(Increase) / decrease in trade and other receivables	**(1,290)**	(1,785)
(Increase) / decrease in other non-financial assets	**(1,441)**	(388)
Liabilities		
Increase / (decrease) in supplier payables	**1,329**	(7,831)
Increase / (decrease) in other payables	**348**	163
Increase / (decrease) in employee provisions	**1,940**	(544)
Increase / (decrease) in other provisions	**(423)**	346
Net cash from operating activities	**12,004**	4,478

Commonwealth Superannuation Corporation

Notes to the Financial Statements

For the year ended 30 June 2021

Note 10: Appropriations

Note 10.1: Special Appropriations

Authority	Type	Purpose	Appropriation applied 2021 $'000	Appropriation applied 2020 $'000
Superannuation Act 1922, Administered	Unlimited Amount	An Act to provide superannuation benefits for persons employed by the Commonwealth and by certain Commonwealth Authorities and to make provision for the families of those persons.	**(56,950)**	(60,570)
Superannuation Act 1976, Administered	Unlimited Amount	An Act to make provision for and in relation to an occupational superannuation scheme, known as the Commonwealth Superannuation Scheme, for persons employed by the Commonwealth and for certain other persons.	**(4,676,358)**	(4,487,942)
Superannuation Act 1990, Administered	Unlimited Amount	An Act to make provision for and in relation to an occupational superannuation scheme for persons employed by the Commonwealth, and for certain other persons.	**(2,906,222)**	(2,565,500)
Same Sex Relationships (Equal Treatment in Commonwealth Laws - Superannuation) Act 2008, Administered	Unlimited Amount	An Act to address discrimination against same-sex couples and their children in Commonwealth laws, and for other purposes.	**(66)**	(63)
Governance of Australian Government Superannuation Schemes Act 2011 - s35(3)(a) in the case of the 1922 Scheme, DFRB, DFRDB, DFSPB or PNG schemes	Unlimited Amount	An Act to make provision for any money becoming payable by CSC in respect of an action, liability, claim or demand that relates to the 1922 Scheme, DFRB, DFRDB, DFSPB or PNG schemes.	**(10)**	-

Note 10: Appropriations (continued)

Note 10.1: Special Appropriations (continued)

Authority	Type	Purpose	Appropriation applied 2021 $'000	2020 $'000
Governance of Australian Government Superannuation Schemes Act 2011 - s35(4) to reimburse the superannuation funds administered by CSC	Unlimited Amount	An Act to make provision for any money becoming payable by Commonwealth Superannuation Corporation(CSC) in respect of an action, liability, claim or demand that relates to any other cases not covered in s35(3)(a) of Governance of Australian Government Superannuation Schemes Act 2011.	**(1,630)**	(298)
Defence Forces Retirement Benefits Act 1948, Administered	Unlimited Amount	An Act to provide Retirement Benefits for Members of the Defence Force of the Commonwealth, and for other purposes.	**(37,245)**	(38,375)
Defence Force Retirement & Death Benefits Act 1973, Administered	Unlimited Amount	An Act to make provision for and in relation to a Scheme for Retirement and Death Benefits for Members of the Defence Force.	**(1,687,042)**	(1,608,370)
Military Superannuation and Benefits Act 1991, Administered	Unlimited Amount	An Act to make provision for and in relation to an occupational superannuation scheme for, and the payment of other benefits to, members of the Defence Force, and for related purposes.	**(1,395,468)**	(1,112,392)
Public Governance, Performance and Accountability Act 2013 Section 77	Refund	Repayments required or permitted by law (where no other appropriation for repayment exists).	**-**	-
Australian Defence Force Cover Act 2015.	Unlimited Amount	An Act to provide a new statutory death and invalidity scheme.	**(25,575)**	(12,508)
Total			**(10,786,566)**	(9,886,018)

Note 10: Appropriations (continued)

Note 10.2: Disclosure by Agent in Relation to Annual and Special Appropriations[1]

2021	DFAT[2] $'000	Department of Finance $'000	Department of Defence $'000
Total receipts	**15**	**3,400,652**	**1,486,991**
Total payments	**(3,881)**	**(7,642,506)**	**(3,145,330)**

2020	DFAT $'000	Department of Finance $'000	Department of Defence $'000
Total receipts	33	3,337,300	1,498,429
Total payments	(4,525)	(7,115,621)	(2,771,645)

1. Amounts exclude recoverable GST.
2. Department of Foreign Affairs and Trade.

Note 10: Appropriations (continued)

Note 10.3: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law.

CSC operates from the CSC Special Account established under the *Public Governance, Performance and Accountability Act 2013* Section 80 in providing superannuation administration for Australian Government sponsored superannuation schemes. CSC, as an Agent, has third party access rights for the following Special Appropriations (refer note 10.1):

Department of Finance (Finance)

1. *Superannuation Act 1922;*
2. *Superannuation Act 1976;*
3. *Superannuation Act 1990;*
4. *Superannuation Act 2005;*
5. *Same-Sex Relationships (Equal Treatment in Commonwealth Laws - Superannuation) Act 2008;*
6. *Governance of Australian Government Superannuation Schemes Act 2011;*
7. *Annual Appropriation Act 1* (for Compensation & Legal payments and Act of Grace payments); and
8. *Annual Appropriation Act 2* (for Act of Grace payments).

Department of Defence (Defence)

1. *Defence Forces Retirement Benefits Act 1948;*
2. *Defence Forces Retirement and Death Benefits Act 1973;*
3. *Military Superannuation and Benefits Act 1991; and*
4. *Australian Defence Force Cover Act 2015.*

Department of Foreign Affairs and Trade (DFAT)

Annual Appropriation Act 1 (payments are made in accordance with the *Papua New Guinea (Staffing Assistance) Act 1973*).

Note 10: Appropriations (continued)

Note 10.3: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund (continued)

Both the *Financial Framework Legislation Amendment Act (No.2) 2012* (FFLA Act No.2 (2012)) and the *Financial Framework Legislation Amendment Act (No.1) 2013* (FFLA Act No.1 (2013)) require that CSC and the agency responsible for the special appropriation disclose, refer tables below, the number of recoverable overpayments made during the financial year and the balance recovered to 30 June. The following tables set out, as required by the FFLA Act No.2 and FFLA Act No.1, the number and amount of all payments made beyond legislative pre-conditions for the period 1 July 2020 to 30 June 2021:

	Recoverable death payments[2]					
Legislation / Authority to pay[1]	**2021**			2020		
	No.	**Value $'000**	**Recovered $'000**	No.	Value $'000	Recovered $'000
DFAT – Annual Administered Appropriation						
Papua New Guinea (Staffing Assistance) Act 1973	**8**	**12**	**10**	13	13	8
Defence - Special Appropriations						
Defence Forces Retirement Benefits Act 1948; and Defence Forces Retirement and Death Benefits Act 1973	**646**	**1,682**	**1,296**	693	1,301	808
Military Superannuation and Benefits Act 1973	**24**	**50**	**26**	34	61	50
Australian Defence Force Cover Act 2015	**1**	**3**	**-**	-	-	-
Finance - Special Appropriations						
Superannuation Act 1922; and Superannuation Act 1976	**2,205**	**4,199**	**3,369**	1,963	3,619	2,843
Superannuation Act 1990	**240**	**454**	**334**	181	321	252

	Recoverable payments[3]					
	No.	**Value $'000**	**Recovered $'000**	No.	Value $'000	Recovered $'000
DFAT – Annual Administered Appropriation						
Papua New Guinea (Staffing Assistance) Act 1973	**-**	**-**	**-**	-	-	-
Defence - Special Appropriations						
Defence Forces Retirement Benefits Act 1948; and Defence Forces Retirement and Death Benefits Act 1973	**38**	**552**	**430**	28	522	463
Military Superannuation and Benefits Act 1973	**58**	**668**	**539**	45	234	84
Australian Defence Force Cover Act 2015	**4**	**8**	**5**	-	-	-
Finance - Special Appropriations						
Superannuation Act 1922; and Superannuation Act 1976	**32**	**319**	**168**	32	72	67
Superannuation Act 1990	**137**	**923**	**661**	130	657	237

Note 10: Appropriations (continued)

Note 10.3: Compliance with Statutory Conditions for Payments from the Consolidated Revenue Fund (continued)

[1.] **Legislation**
Amounts paid under each Act are disclosed in Note 10.1 Special Appropriations and Note 11 Special Accounts.

[2.] **Recoverable death payments**
Legislative changes made in the FFLA Act No.2 and FFLA Act No.1 provides a mechanism, called a 'recoverable death payment' that provides authority for the inadvertent overpayments of some benefits, and for their recovery in line with the duty to pursue recovery of a debt under rule 11 of the *Public Governance, Performance and Accountability Rule 2015*.

[3.] **Recoverable payments**
Legislative changes made in the FFLA Act No.2 and FFLA Act No.1 provides a mechanism, called a 'recoverable payment', to address administrative issues common to CSC, that provides authority for the inadvertent overpayments of some benefits, and for their recovery in line with the duty to pursue recovery of a debt under rule 11 of the *Public Governance, Performance and Accountability Rule 2015.*

Note 11: Special Accounts

Note 11: Special Accounts

	CSC Special Account (Departmental)[1]		Services for Other Entities and Trust Moneys[2]	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Balance brought forward from previous period	**42,372**	44,528	**4,594**	4,291
Increases				
Other Receipts	131,033	118,457	**169,117**	110,414
Total increases	**131,033**	118,457	**169,117**	110,414
Available for payments	**173,405**	162,985	**173,711**	114,705
Decreases				
Departmental				
Payment made to suppliers	**(61,144)**	(58,825)	**-**	-
Payment made to employees	**(64,669)**	(61,788)	**-**	-
Total departmental decrease	**(125,813)**	(120,613)	**-**	-
Special Public Money				
Payments made to others	**-**	-	**(171,453)**	(110,111)
Total special public money decrease	**-**	-	**(171,453)**	(110,111)
Total decreases	**(125,813)**	(120,613)	**(171,453)**	(110,111)
Balance represented by:				
Cash held in CSC bank accounts	**974**	2,295	**-**	-
Cash held in the Official Public Account	**46,618**	40,077	**2,258**	4,594
Total balance carried to the next period[3]	**47,592**	42,372	**2,258**	4,594

1. Appropriation: *Public Governance, Performance and Accountability Act 2013* section 80.

Establishing Instrument: Section 29E *Governance of Australian Government Superannuation Schemes Legislation Amendment Act 2015.*

Purpose: For the receipt and expenditure of monies in connection with the provision of administration, accounting and other support services.

2. Appropriation: *Public Governance, Performance and Accountability Act 2013* section 78.

Establishing Instrument: *Financial Management and Accountability Determination 2011/06*

Purpose: For the receipt and expenditure of monies in connection with payments made on behalf of CSS, PSS, and MSBS, and for the receipt and expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth. The Trust monies represent returned benefits which have not yet been subsequently repaid to the member.

3. Amounts differ to Note 4.1 as the balances do not include cash on deposit held outside the Special Account. The closing balance of CSC Special Account (Departmental) and Services for Other Entities and Trust Moneys does not include amounts held in trust (2020: $Nil). See Note 18 Assets Held in Trust for more information.

Note 12: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of CSC. Key management personnel remuneration is reported in the table below:

	2021	2020
	$'000	$'000
Short-term employee benefits	**5,908,708**	5,577,933
Post-employment benefits	**366,109**	421,596
Other long-term employee benefits	**159,185**	(30,065)
Total key management personnel remuneration	**6,434,002**	5,969,464

Key management personnel comprise the Directors of CSC and those Executives of CSC that have authority and responsibility for planning, directing and controlling the activities of CSC.

The total number of key management personnel that are included in the above table are 21 individuals (2020: 22 individuals).

The Directors of CSC throughout the year ended 30 June 2021 and to date of this report were:

Ariane Barker
Juliet Brown (Appointed 13 September 2021)
Patricia Cross (Chair, Term ended 30 June 2021)
Melissa Donnelly (Appointed 1 July 2020)
Christopher Ellison
Garry Hounsell (Chair, Appointed 25 July 2021, previously director until 23 July 2021)
Anthony Needham
Margaret Staib
Michael Vertigan (Term ended 30 June 2021)
Alistair Waters

In addition to the Directors, the following Executives of CSC had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2021 were:

Paul Abraham	Executive Manager, Investment Operations
Catharina Armitage	Head of People
Peter Carrigy-Ryan	Chief Executive Officer (Retired 12 July 2020)
Robert Firth	Chief Risk Officer
Philip George	Chief Transformation Officer (Previously Special Advisor, Member Outcomes until 31 July 2020)
Damian Hill	Chief Executive Officer (Commenced 13 July 2020)
Peter Jamieson	Chief Customer Officer
Andrew Matuszczak	Executive Manager, Technology (Commenced 31 August 2020)
Adam Nettheim	Head of Customer Operations
Alana Scheiffers	General Counsel
Alison Tarditi	Chief Investment Officer
Andy Young	Chief Operating Officer

The following changes to the executives of CSC were made subsequent to 30 June 2021:

Catharina Armitage	Executive Manager, People (Previously Head of People until 30 June 2021)
Philip George	Executive Manager, Transformation (Previously Chief Transformation Officer until 30 June 2021)
Andrew Matuszczak	Chief Transformation and Information Officer (Previously Executive Manager, Technology until 30 June 2021)
Adam Nettheim	Executive Manager, Customer Operations (Previously Head of Customer Operations until 30 June 2021)

Note 13: Related Parties Disclosure

Related parties to this entity are the Directors, the Executive, the Portfolio Minister and other Australian Government entities.

Transactions with Related Parties

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refunds of taxes, receipt of Medicare rebates or higher education loans. These transactions have not been disclosed in this note.

The following transactions with related parties occurred during the financial year:

- Commonwealth Superannuation Corporation transacts with other Australian Government controlled entities consistent with the normal day to day business operations under normal terms and conditions, including the payment of workers compensation insurance premiums (Note 2.2), and the receipt of superannuation scheme administration fees (Note 3.1).

- Refer to Note 8.1 Employee Provisions for details on superannuation arrangements with the Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme (PSS), and the Public Sector Superannuation Accumulation Plan (PSSap).

The following key management personnel are members of the schemes for which CSC is the Trustee:

Juliet Brown (PSS)
Melissa Donnelly (PSSap)
Christopher Ellison (PSSap)
Anthony Needham (MSBS & PSSap)
Margaret Staib (DFRDB & PSSap)
Alistair Waters (PSSap)

Paul Abraham (PSSap)
Catharina Armitage (PSSap)
Peter Carrigy-Ryan (CSS and PSSap)
Robert Firth (PSSap)
Philip George (PSSap)
Damian Hill (PSSap)
Peter Jamieson (PSSap)
Adam Nettheim (PSSap)
Alana Scheiffers (MSBS & PSSap)
Alison Tarditi (PSSap)
Andy Young (PSSap)

During the financial year, Margaret Staib was a member of the Council of the Australian Strategic Policy Institute, which made superannuation contributions to the PSS and PSSap schemes for which CSC is the Trustee. The contributions were made at arm’s length as part of a normal employer relationship on terms and conditions no more favourable than if the employer had not been a director-related entity.

Note 14: Contingent Assets and Liabilities

Quantifiable Contingencies

CSC is not aware of any events that require it to report quantifiable contingencies (2020: Nil).

Unquantifiable Contingencies

CSC is not aware of any events that require it to report unquantifiable contingencies (2020: Nil).

Accounting Policy

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

Note 15: Financial Instruments

	2021 $'000	2020 $'000
Note 15.1: Categories of financial instruments		
Financial assets measured at amortised cost		
Cash and cash equivalents	**58,610**	52,806
Trade and other receivables	**6,902**	5,698
Total financial assets at amortised cost	**65,512**	58,504
Financial liabilities measured at amortised cost		
Trade creditors and accruals	**5,193**	4,229
Other payables	**1,343**	995
Total financial liabilities measured at amortised cost	**6,536**	5,224

Accounting Policy

Financial assets

Under AASB 9 *Financial Instruments*, CSC classifies its financial assets in the following categories:

a) financial assets at fair value through profit or loss;

b) financial assets at fair value through other comprehensive income; and

c) financial assets measured at amortised cost.

The classification depends on both the CSC's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when CSC becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

1. the financial asset is held in order to collect the contractual cash flows; and
2. the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

Financial assets measured at fair value through other comprehensive income are held with the objective of both collecting contractual cash flows and selling the financial assets and the cash flows meet the SPPI test.

Any gains or losses as a result of fair value measurement or the recognition of an impairment loss allowance is recognised in other comprehensive income.

Financial Assets at Fair Value Through Profit or Loss (FVTPL)

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets either doesn't meet the criteria of financial assets held at amortised cost or at FVOCI (i.e. mandatorily held at FVTPL) or may be designated.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Note 15: Financial Instruments (continued)

Accounting Policy (continued)

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to *lifetime expected credit losses* where risk has significantly increased, or an amount equal to *12-month expected credit losses* if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Financial Liabilities at Amortised Cost

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

	2021	2020
	$'000	$'000
Note 15.2: Net Gains or Losses on Financial Assets		
Financial assets at amortised cost		
Interest revenue	**27**	79
Net gains on financial assets at amortised cost	**27**	79

Note 15.3: Net Gains or Losses on Financial Liabilities

There is no net interest expense from financial liabilities not at fair value through profit or loss (2020: Nil)

Note 15.4: Fair Value of Financial Instruments

The carrying amount for all financial assets and liabilities is equal to their fair value in the years ending 30 June 2021 and 30 June 2020.

Note 15.5: Credit Risk

CSC is exposed to minimal credit risk as loans and receivables are comprised of trade receivables only. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the balance of trade receivables, interest receivable and reimbursements (excluding GST receivable) 2021: $6,902,000 (2020: $5,698,000).

Note 15: Financial Instruments (continued)

Maximum Exposure to Credit Risk

	2021 $'000	2020 $'000
Financial assets carried at amount not best representing maximum exposure to credit risk		
Cash and cash equivalents	**58,610**	52,806
Receivables for services	**6,902**	5,698
Total financial assets carried at amount not best representing maximum exposure to credit risk	**65,512**	58,504

CSC has assessed the risk of the default on payment and has an impairment loss allowance: Nil (2020: Nil). CSC has calculated its impairment loss allowance based on its historical observed default rates, adjusted for forward-looking estimates. CSC is exposed to low levels of credit risk as majority of its debtors are the ARIA Investment Trust and PSSap and ADF schemes, who have low risk of default. CSC manages credit risk by following up debtors before the due date to ensure payment. In addition, policies and procedures are in place that guide employee debt recovery techniques. CSC holds no collateral to mitigate against credit risk.

Note 15.6: Liquidity Risk

CSC's financial liabilities are suppliers and other payables. The exposure to liquidity risk is based on the notion that CSC will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to funding received for specific projects and internal policies and procedures put in place to ensure there are appropriate resources to meet CSC's financial obligations.

Maturities for non-derivative financial liabilities 2021

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	-	**5,193**	-	-	-	**5,193**
Other	-	**1,343**	-	-	-	**1,343**
Total	-	**6,536**	-	-	-	**6,536**

Maturities for non-derivative financial liabilities 2020

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	-	4,229	-	-	-	4,229
Other	-	995	-	-	-	995
Total	-	5,224	-	-	-	5,224

During 2020-21 the majority of CSC's activities were funded through direct charges for scheme administration services and trustee services. CSC manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, CSC has procedures in place to ensure timely payments are made when due and has no past experience of default.

Note 15.7: Fair Value of Financial Instruments

CSC holds basic financial instruments that do not materially expose CSC to market risks, including 'interest rate risk', 'currency risk' or 'other price risk'.

Note 16: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The remaining assets and liabilities disclosed in the Statement of Financial Position do not apply the fair value hierarchy.

The different levels of the fair value hierarchy are defined below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that CSC can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Accounting Policy

Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

An independent valuer conducted a fair value assessment of the carrying values of all leasehold improvements and property, plant and equipment at 30 June 2021.

Commonwealth Superannuation Corporation

Notes to the Financial Statements

For the year ended 30 June 2021

Note 16:Fair Value Measurements (continued)

Note 16.1: Fair Value Measurement

	2021 $'000	2020 $'000	Category (Level 1, 2 or 3)[3,4,5]	Valuation Technique[1]	Inputs used	Sensitivity Analysis
Non-financial assets[2]						
Leasehold improvements	**8,303**	8,218	Level 3	Depreciated replacement cost	Replacement cost new Consumed economic benefit/Obsolescence of asset	Significant movements in any of the inputs in isolation would result in a significantly different fair value measurement. A change in the assumption used for replacement cost is accompanied by a directionally similar change in the fair value of building, leasehold improvements and PP&E. A change in the assumption used for consumed economic benefit/obsolescence of asset is accompanied by a directionally opposite change in the fair value of building, leasehold improvements and PP&E.
Property, plant and equipment (PP&E)[6]	**3,461**	2,955	Level 3	Depreciated replacement cost	Replacement cost new Consumed economic benefit/Obsolescence of asset	
Total non-financial assets	**11,764**	11,173				
Total fair value measurements of assets in the Statement of Financial Position	**11,764**	11,173				

1. There were no changes in valuation technique used from previous years.
2. CSC's assets are held for operational purposes and are not held for the purposes of deriving a profit. The current use of all-non financial assets is considered their highest and best use.
3. The remaining assets and liabilities reported by CSC are not measured at fair value in the Statement of Financial Position.
4. CSC did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2021.
5. There have been no transfers between level 1 and level 2 of the hierarchy during the year.
6. Property, plant and equipment does not include right of use asset for motor vehicles.

Note 16: Fair Value Measurements (continued)

Significant level 3 inputs utilised by CSC have been derived and evaluated as follows:

Consumed economic benefit/obsolescence of asset

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (depreciated replacement cost (DRC)) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit/asset obsolescence (accumulated depreciation). Consumed economic benefit/asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

Note 16.2: Reconciliation for Recurring Level 3 Fair Value Measurements

	Leasehold Improvements		Property, Plant and Equipment[2]		Total	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
As at 1 July	**8,218**	9,712	**2,955**	4,415	**11,173**	14,127
Total gains/(losses) recognised in net contribution by service[1]	**(1,473)**	(1,501)	**(1,503)**	(1,685)	**(2,976)**	(3,186)
Total gains/(losses) recognised in other comprehensive income[3]	**1,558**	-	**57**	-	**1,615**	-
Purchases	**-**	7	**1,952**	225	**1,952**	232
Total as at 30 June	**8,303**	8,218	**3,461**	2,955	**11,764**	11,173

1. These gains/(losses) are presented in the Statement of Comprehensive income under depreciation and amortisation expense and write-down and impairment of assets.

No assets were transferred into or out of level 3 during the year.

2. Property, plant and equipment does not include right of use asset for motor vehicles.

Note 17: Current/Non-Current Distinction for Assets and Liabilities

	2021 $'000	2020 $'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	**58,610**	52,806
Trade and other receivables	**7,061**	5,771
Other non-financial assets	**5,739**	4,485
Total no more than 12 months	**71,410**	63,062
More than 12 months		
Buildings (ROU Asset)	**20,487**	17,162
Leasehold improvements	**8,303**	8,218
Property, plant and equipment	**3,541**	2,985
Intangibles	**11,237**	14,448
Other non-financial assets	**798**	611
Total more than 12 months	**44,366**	43,424
Total assets	**115,776**	106,486
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers	**5,193**	4,229
Other payables	**1,696**	1,625
Lease liabilities	**4,201**	3,560
Employee provisions	**6,528**	5,419
Other provisions	**-**	247
Total no more than 12 months	**17,618**	15,080
More than 12 months		
Other payables	**1,048**	771
Lease liabilities	**22,503**	20,502
Employee provisions	**8,992**	8,161
Other provisions	**2,193**	2,369
Total more than 12 months	**34,736**	31,803
Total liabilities	**52,354**	46,883

Note 18: Assets Held in Trust

Monetary assets

Shown below are the values of gross assets held in Trust by CSC in its capacity as Trustee of the CSS, PSS, PSSap, MSBS and ADF Super. The assets comprise units in the AIT, for which CSC is also Trustee, plus cash and cash equivalents and sundry debtors.

	2021 $'000	2020 $'000
CSS		
Opening balance	**1,957,075**	2,421,629
Closing balance	**1,823,980**	1,957,075
PSS		
Opening balance	**20,424,132**	21,253,268
Closing balance	**23,206,659**	20,424,132
PSSap		
Opening balance	**15,556,947**	14,690,228
Closing balance	**19,363,336**	15,556,947
MSBS		
Opening balance	**10,370,122**	10,334,286
Closing balance	**12,288,071**	10,370,122
ADF Super		
Opening balance	**501,962**	301,698
Closing balance	**860,847**	501,962

Note 19: Reporting of Outcomes

	Outcome 1[1]	
	2021	2020
	$'000	$'000
Expenses		
Employees	**66,881**	61,732
Suppliers	**52,652**	43,825
Depreciation and amortisation	**9,892**	9,552
Finance costs	**493**	573
Write-down and impairment of assets	**-**	290
Total expenses	**129,918**	115,972
Own-source revenue		
Revenue from contracts with customers	**131,293**	120,568
Interest	**27**	79
Total own-source income	**131,320**	120,647
Assets		
Cash and cash equivalents	**58,610**	52,806
Trade and other receivables	**7,061**	5,771
Buildings (ROU Asset)	**20,487**	17,162
Leasehold improvements	**8,303**	8,218
Property, plant and equipment	**3,541**	2,985
Intangibles	**11,237**	14,448
Other non-financial assets	**6,537**	5,096
Total assets	**115,776**	106,486
Liabilities		
Supplier payables	**5,193**	4,229
Other payables	**2,744**	2,396
Leases	**26,704**	24,062
Employee provisions	**15,520**	13,580
Other provisions	**2,193**	2,616
Total liabilities	**52,354**	46,883

1. CSC has one outcome: Retirement and insurance benefits for scheme members and beneficiaries, including past, present and future employees of the Australian Government and other eligible employers and members of the Australian Defence Force, through investment and administration of their superannuation funds and schemes. Net costs shown included intra-government costs that were eliminated in calculating the actual Budget Outcome.

Section 09
PSSap Financial Statements

09

INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance and Members of the Public Sector Superannuation Accumulation Plan

Opinion

In my opinion, the financial statements of the Public Sector Superannuation Accumulation Plan for the year ended 30 June 2021 present fairly, in all material respects, the financial position of the Public Sector Superannuation Accumulation Plan as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

The financial statements of the Public Sector Superannuation Accumulation Plan which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement by the Trustee of the Public Sector Superannuation Accumulation Plan;
- Statement of Financial Position;
- Income Statement;
- Statement of Changes in Member Benefits;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to and forming part of the financial statements, comprising a Summary of Principal Accounting Policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Public Sector Superannuation Accumulation Plan in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. The Auditor-General is mandated to perform the audit of the Public Sector Superannuation Accumulation Plan, pursuant to the *Superannuation Act 1990*. I am the delegate of the Auditor-General responsible for the conduct of this audit and I am a member of the Public Sector Superannuation Accumulation Plan. I have no involvement in any investment or any other decision made by the trustee of Public Sector Superannuation Accumulation Plan. A number of safeguards are in place in respect of my independence, including a quality review by an appropriately skilled auditor who is not a member of the Public Sector Superannuation Accumulation Plan. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Trustee's responsibility for the financial statements

The superannuation entity's trustee is responsible for the preparation and fair presentation of financial statements that comply with Australian Accounting Standards and the form agreed with the Minister for Finance and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). Those Charged with Governance are also responsible for such internal control as they determine is necessary to enable the preparation that are free from material misstatement, whether due to fraud or error.

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300 Fax (02) 6203 7777

In preparing the financial statements, the trustee is responsible for assessing the ability of the Public Sector Superannuation Accumulation Plan to continue as a going concern, disclosing, as applicable, matters related to going concern as applicable and using the going concern basis of accounting unless the trustee either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee;
- conclude on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Bola Oyetunji

Group Executive Director

Delegate of the Auditor-General

Canberra

29 September 2021

Public Sector Superannuation Accumulation Plan (ABN 65127 917 725)
Statement by the Trustee of the Public Sector Superannuation Accumulation Plan ('Plan')

The Board of Directors hereby states that in its opinion:

(a) The accompanying financial statements of the Public Sector Superannuation Accumulation Plan are properly drawn up so as to present fairly the financial position of the Plan as at 30 June 2021 and the financial performance, changes in equity, changes in member benefits and cash flows of the Plan for the year ended on that date;

(b) at the date of this statement there are reasonable grounds to believe that the Plan will be able to pay its debts as and when they fall due;

(c) the financial statements are in a form agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

(d) the financial statements have been prepared based on properly maintained financial records; and

(e) the operations of the Plan were conducted in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011*, the *Superannuation Act 2005*, the Trust Deed establishing the Plan, the requirements of the *Superannuation Industry (Supervision) Act 1993* and regulations, and the relevant requirements of the *Corporations Act 2001* and regulations (to the extent applicable).

Signed this 29th day of September 2021 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Plan.

Garry Hounsell	Air Vice-Marshal Margaret Staib
Chair	Director

The accompanying financial statements have been drawn up in accordance with Accounting Standards in Australia.

Public Sector Superannuation Accumulation Plan
Statement of Financial Position
As at 30 June 2021

	Note	2021 $'000	2020 $'000
Assets			
Cash and cash equivalents		**191,048**	209,963
Other receivables	4	**287**	363
Investments in pooled superannuation trust	5	**19,170,418**	15,345,249
Deferred tax asset	9(c)	**1,583**	1,372
Total assets		**19,363,336**	15,556,947
Liabilities			
Benefits and pensions payable		**(1,579)**	(2,187)
Income tax payable		**(163,061)**	(186,976)
Other payables	8	**(10,653)**	(9,281)
Total liabilities excluding member benefits		**(175,293)**	(198,444)
Net assets available for member benefits		**19,188,043**	15,358,503
Defined contribution member liabilities			
Allocated to members	10	**(18,911,587)**	(15,268,949)
Unallocated to members	10	**(197,536)**	(30,509)
Total defined contribution member liabilities		**(19,109,123)**	(15,299,458)
Net assets		**78,920**	59,045
Equity			
Operational risk reserve		**(66,456)**	(59,045)
Administration reserve		**(12,464)**	-
Total equity		**(78,920)**	(59,045)

The attached notes form part of these financial statements.

Public Sector Superannuation Accumulation Plan
Income Statement
For the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Investment revenue			
Interest		**87**	926
Changes in fair value of investments	6(c)	**2,826,553**	(104,720)
Other revenue		**308**	206
Total revenue / (loss)		**2,826,948**	(103,588)
Administration expenses		**(13,280)**	(12,218)
Total expenses		**(13,280)**	(12,218)
Operating results / (loss)		**2,813,668**	(115,806)
Net benefits allocated to members' accounts		**(2,815,595)**	114,536
Operating result before income tax benefit		**(1,927)**	(1,270)
Income tax benefit	9(a)	**1,978**	1,697
Operating result after income tax benefit		**51**	427

The attached notes form part of these financial statements.

Public Sector Superannuation Accumulation Plan
Statement of Changes in Member Benefits
For the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Opening balance of member benefits allocated at the beginning of the financial year		**15,268,949**	14,410,596
Contributions:			
Member contributions	7(a)	**90,831**	65,011
Employer contributions	7(a)	**1,432,262**	1,330,152
Transfers from other funds	7(a)	**455,057**	522,739
Government co-contributions	7(a)	**240**	242
Low income superannuation tax offset	7(a)	**2,569**	2,654
Income tax on contributions	9(b)	**(220,563)**	(204,634)
Net after tax contributions		**1,760,396**	1,716,164
Benefits to members	7(b)	**(695,142)**	(704,317)
Insurance premiums paid to insurer		**(104,059)**	(101,241)
Insurance claim payments received from insurer		**37,090**	41,910
Tax rebate on insurance premiums paid to insurer	9(b)	**15,609**	15,187
Net benefits allocated to members' accounts		**2,815,595**	(114,536)
Net transfers to reserves		**(19,824)**	(7,698)
Net (increase) in amounts not yet allocated to members' accounts		**(167,027)**	12,884
Closing balance of member benefits allocated at the end of the financial year		**18,911,587**	15,268,949

The attached notes form part of these financial statements.

Public Sector Superannuation Accumulation Plan
Statement of Changes in Equity
For the Financial Year Ended 30 June 2021

	Operational risk reserve $'000	Administration reserve $'000	Total equity $'000
Opening balance as at 1 July 2019	50,920	-	50,920
Operating result	427	-	427
Net transfers to / (from) reserves	7,698	-	7,698
Closing balance as at 30 June 2020	59,045	-	59,045
Opening balance as at 1 July 2020	**59,045**	**-**	**59,045**
Operating result	**51**	**-**	**51**
Net transfers to / (from) reserves	**7,360**	**12,464**	**19,824**
Closing balance as at 30 June 2021	**66,456**	**12,464**	**78,920**

The attached notes form part of these financial statements.

Public Sector Superannuation Accumulation Plan
Statement of Cash Flows
For the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Interest received		**104**	1,081
Income tax (paid) / received		**1,677**	1,168
Other revenue received		**330**	193
Administration expenses paid		**(12,434)**	(12,267)
Net cash (outflows) from operating activities	11(b)	**(10,323)**	(9,825)
Cash flows from investing activities			
Purchase of investments		**(1,177,614)**	(1,137,050)
Proceeds from sale of investments		**179,040**	151,053
Net cash (outflows) from investing activities		**(998,574)**	(985,997)
Cash flows from financing activities			
Contributions received			
Employer		**1,432,261**	1,330,170
Member		**90,831**	65,011
Transfers from other funds		**455,057**	522,739
Government co-contributions		**240**	242
Low income superannuation tax offset		**2,569**	2,654
Income tax paid on contributions		**(245,220)**	(191,674)
Insurance claim payments received from insurer		**37,090**	41,910
Insurance premiums paid to insurer		**(103,519)**	(101,236)
Tax rebate received on insurance premiums		**16,441**	14,582
Benefits and pensions paid		**(695,768)**	(703,040)
Net cash inflows from financing activities		**989,982**	981,358
Net (decrease) in cash held		**(18,915)**	(14,464)
Cash at the beginning of the financial year		**209,963**	224,427
Cash at the end of the financial year	11(a)	**191,048**	209,963

The attached notes form part of these financial statements.

1. DESCRIPTION OF THE PLAN

The Public Sector Superannuation Accumulation Plan ('Plan') is a defined contribution scheme constituted by Trust Deed dated 29 June 2005 under the *Superannuation Act 2005* and is domiciled in Australia. The Trustee of the Plan is the Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243).

The principal place of business and registered office of the Plan is 7 London Circuit, Canberra, ACT 2601.

Contributions of the employers and the employees are made in accordance with the terms of the Trust Deed. The members' accounts are credited or debited each year with contributions and their proportionate share of the net investment income, expenses and income tax expense of the Plan.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report of the Plan is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations, the *Superannuation Industry (Supervision) Act 1993*. For the purposes of preparing financial statements, the Plan is a for profit for members entity.

The form of these financial statements has been agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011*.

The financial statements of the Plan were authorised for issue by the Directors of the Trustee on 29 September 2021.

Standards adopted with no significant impact on the financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. The adoption has not had any significant impact on the amounts or disclosures reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard / Interpretation	**Effective for annual reporting periods**
AASB 2018-7 'Amendments to Australian Accounting Standards – Definition of Material'	beginning on or after 1 January 2020
AASB 2019-1 'Amendments to Australian Accounting Standards – References to the Conceptual Framework'	beginning on or after 1 January 2020
AASB 2019-5 'Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia'	beginning on or after 1 January 2020

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

Standards in issue but not yet effective

At the date of authorisation of the financial report, the following Standards which are expected to be relevant to the Plan were in issue but not yet effective. The directors anticipate the adoption of these Standards will have no material financial impact on the financial report of the Plan.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-2 'Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities'	1 July 2021	30 June 2022
AASB 2020-1 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current'	1 January 2022	30 June 2023
AASB 2020-3 'Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments'	1 January 2022	30 June 2023
AASB 2020-6 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date'	1 January 2022	30 June 2023
AASB 2021-2 'Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates'	1 January 2023	30 June 2024

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Plan.

Amounts in these financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

(d) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. In making this assessment, the directors of the Trustee have considered future events and conditions for the period of twelve months following the approval of these financial statements. The Trustee remains confident that the Plan will be able to continue as a going concern as the Plan's assets outweigh its liabilities and it has sufficient liquidity to meet its debts as and when they fall due.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2021 and the comparative information presented in these financial statements for the year ended 30 June 2020. Where necessary, disclosures of comparative numbers have been restated to be consistent with the current period.

(a) Cash and cash equivalents

Cash and cash equivalents include cash at bank used to transact member and employer contributions, transfers to and from other funds, benefit payments and tax liabilities.

(b) Financial assets

Financial assets (being investments in a pooled superannuation trust, cash at bank and other receivables) are recognised on the date the Plan becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. After initial measurement, any gains and losses from changes in fair value are recognised in the Income Statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

Fair values have been determined as follows:

(i) Units in a pooled superannuation trust are valued at the redemption price at close of business on the last business day of the reporting period as notified by the manager of the trust, reflecting the fair value of the underlying investments.

(ii) Other receivables are recognised at nominal amounts due which approximate fair value. All amounts are unsecured and are subject to normal credit terms.

(c) Foreign currency transactions

The Plan does not undertake transactions denominated in foreign currencies.

(d) Payables

Payables (being other payables and benefits and pensions payable) are recognised at their nominal value which is equivalent to fair value.

Other payables

Other payables represent liabilities for services provided to the Plan during the financial period and which are unpaid at reporting date. All amounts are unsecured. Creditors are subject to normal credit terms.

Benefits payable

Benefits payable to a member are recognised where a valid withdrawal notice has been received and approved, but payment has not been made by reporting date.

(e) Defined contribution member liabilities

Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date (Note 10).

(f) Contribution revenue and transfers from other funds

Employer and member contributions, superannuation co-contributions, low income superannuation tax offsets from the Commonwealth Government and transfers from other funds are recognised when control of the contribution or transfer has passed to the Plan.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Reserves

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. The ORR is operated in accordance with an ORR policy. The level of the reserve is determined by the Trustee Directors and reviewed annually, based on an assessment of the risks faced by the Fund. The transferred assets underlying the ORR are held in separate cash options of the ARIA Investments Trust ('the AIT') and income earned on these assets is recognised in the reserve.

Administration reserve

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 is operated in accordance with an Administration Reserve policy. The reserve has been funded through interest earned on the Plan's operational bank account. No further funds are expected to be transferred into the reserve.

(h) Derivatives

The Plan does not directly enter into derivative financial instruments.

(i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

Investment revenue

Interest revenue is recognised on an accrual basis.

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

(j) Expenses

Expenses are recognised on an accruals basis and, if not paid at reporting date, are reflected in the Statement of Financial Position as an accrual or payable depending upon whether or not the expense has been billed.

(k) Insurance premiums

Death and total and permanent disability insurance premiums are charged to member accounts on a monthly basis and then remitted to the life insurer in arrears.

(l) Income tax

Income tax is recognised in the Income Statement and the Statement of Changes in Member Benefits. As the Plan invests in the AIT, which is a pooled superannuation trust, tax on this investment revenue is paid by the AIT.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Income tax (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Plan expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Plan intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax for the period is recognised as an expense or benefit in the Income Statement, except for tax on contributions, which is recognised in the Statement of Changes in Member Benefits.

(m) Goods and services tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as an expense item.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

4. OTHER RECEIVABLES

	2021 $'000	2020 $'000
Receivable from the ARIA Investments Trust	**43**	85
Interest receivable	**-**	17
GST receivable	**233**	228
Administrator lag loss receivable	**-**	5
Compensation receivable	**11**	28
	287	363

There are no receivables that are past due or impaired. (2020: Nil)

5. INVESTMENTS

	2021 $'000	2020 $'000
Pooled superannuation trust - ARIA Investments Trust	**19,170,418**	15,345,249
	19,170,418	15,345,249

6. CHANGES IN FAIR VALUE OF INVESTMENTS

	2021 $'000	2020 $'000
(a) Investments held at 30 June:		
Pooled superannuation trust - ARIA Investments Trust	**2,806,283**	(103,556)
(b) Investments realised during the year:		
Pooled superannuation trust - ARIA Investments Trust	**20,270**	(1,164)
(c) Total changes in fair value of investments	**2,826,553**	(104,720)

7. FUNDING ARRANGEMENTS

(a) Contributions

Employer Contributions

Eligible employers (Australian government employers and other eligible employers) contribute 15.4% of the employees' superannuation salary to the Plan, subject to superannuation law. Other employers must contribute a minimum required by superannuation law or as required under the employee employment agreement. These rates are consistent with the prior financial year. Employers may also make salary sacrifice contributions (before tax) to the Plan on behalf of members.

Member Contributions

Members may make voluntary contributions to the Plan in the form of personal contributions (after tax).

Transferring Superannuation from Other Funds

Money invested in other superannuation funds can be rolled over to the Plan.

Spouse Contributions

Additional contributions can be made by a spouse on behalf of a member of the Plan.

Government Co-Contributions

For the financial years ended 30 June 2020 and 30 June 2021, the Commonwealth Government contributed $0.50 for every $1.00 of eligible personal after-tax member contributions paid to the Plan up to a maximum of $500 per member.

Low Income Superannuation Tax Offset

The low income superannuation tax offset (LISTO) is a Commonwealth Government superannuation payment of up to $500. LISTO payments are recognised as revenue when received.

(b) Benefits paid

Where a member meets a condition of release and a valid application is received, the benefit is paid to the beneficiary from the Plan. Benefits to members also include rollovers out of the Plan.

Where members invest in a standard or transition retirement income stream (pension) via the Commonwealth Superannuation Corporation retirement income product (CSCri), regular income payments are made to the member from the Plan. Standard retirement income stream members also have access to ad hoc withdrawals.

Benefits paid by the Plan during the year are as follows:

	2021 $'000	2020 $'000
Lump sum benefits and rollovers paid and payable	**668,090**	675,991
Pensions paid and payable	**27,052**	28,326
Total	**695,142**	704,317

7. FUNDING ARRANGEMENTS (CONTINUED)

(c) Cost of managing, investing and administering the plan

Costs of and incidental to the management of the Plan and the investment of its money are charged against the assets of the AIT that are referable to the Plan. Transactions in respect of these costs have been brought to account in the financial statements of the AIT.

Expenses met by the AIT and referable to the Plan are as follows:

	2021 $'000	2020 $'000
Investment		
Investment manager fees	**56,104**	54,898
Custodian fees	**1,772**	2,116
Investment consultant and other service provider fees	**1,941**	4,290
Other investment expenses	**2,912**	1,783
Total direct investment expenses	**62,729**	63,087
Regulatory fees	**1,189**	1,198
Other operating expenses	**18,194**	14,427
Total costs	**82,112**	78,712

Administration fees are paid by members and used to pay costs other than those incurred in managing and investing Plan assets. Costs funded by these administration fees are disclosed as 'other administration expenses' in the Income Statement and include $3,891,121 (2020: $2,979,677) charged to the Plan by CSC for acting as Trustee of the Plan during the reporting period.

8. OTHER PAYABLES

	2021 $'000	2020 $'000
Insurance premiums payable	**8,904**	8,364
Employer contributions refundable	**42**	43
Withholding tax payable	**58**	76
Accrued expenses	**1,649**	798
	10,653	9,281

9. INCOME TAX

(a) Income tax recognised in operating results

	2021 $'000	2020 $'000
Note 9(a): Income tax recognised in operating results		
Tax benefit comprises:		
Current tax benefit	**1,848**	1,677
Deferred tax expense relating to the origination and reversal of temporary differences	**130**	20
Total tax benefit	**1,978**	1,697

The prima facie income tax benefit on the operating result before income tax reconciles to the income tax benefit in the Income Statement as follows:

	2021 $'000	2020 $'000
Operating result before income tax	**(1,927)**	(1,270)
Income tax benefit calculated at 15%	**289**	191
Net benefits allocated to members during the year	**(422,339)**	17,180
Investment revenue already taxed	**423,983**	(15,708)
Other revenue not taxable	**45**	31
Investment revenue not taxable	**-**	3
Total tax benefit	**1,978**	1,697

9. INCOME TAX (CONTINUED)

(b) Income tax recognised in Statement of Changes in Member Benefits

	2021 $'000	2020 $'000
Contributions received:		
Member contributions	**90,831**	65,011
Employer contributions	**1,432,262**	1,330,152
Transfers from other funds	**455,057**	522,739
Government co-contributions	**240**	242
Low income superannuation tax offset	**2,569**	2,654
Total contributions	**1,980,959**	1,920,798
Contributions tax calculated at 15%	**(297,144)**	(288,120)
Member contributions not subject to tax	**13,625**	9,752
Government co-contributions not subject to tax	**36**	36
Low income superannuation tax offset not subject to tax	**385**	398
Transfers from other funds not subject to tax	**68,259**	78,411
Member contributions subject to tax	**(1,232)**	(676)
Rollovers in subject to tax	**(2,578)**	(2,598)
Net tax on contributions for which no TFN was provided	**(2)**	(9)
Super contribution on income protection payments subject to tax	**(1,072)**	(1,034)
Under / (over) relating to the prior year	**(840)**	(794)
Total income tax on contributions	**(220,563)**	(204,634)
Tax rebate on insurance premiums paid to insurer		
Current tax rebate on insurance premiums paid to insurer	**15,528**	15,186
Deferred tax rebate on insurance premiums paid to insurer	**81**	1
Total tax rebate on insurance premiums paid to insurer	**15,609**	15,187

9. INCOME TAX (CONTINUED)

(c) Deferred tax balances

	2021 $'000	2020 $'000
Deferred tax asset:		
Temporary differences	**1,583**	1,372
	1,583	1,372

Taxable and deductible temporary differences arise from the following:

2021	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Interest receivable	**(3)**	**3**	**-**
Insurance premiums payable	**1,255**	**81**	**1,336**
Accrued expenses	**120**	**127**	**247**
	1,372	**211**	**1,583**

2020	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Interest receivable	(26)	23	(3)
Insurance premiums payable	1,254	1	1,255
Accrued expenses	123	(3)	120
	1,351	21	1,372

10. DEFINED CONTRIBUTION MEMBER LIABILITIES

Defined contribution members bear the investment risk relating to the underlying assets and unit prices used to measure defined contribution member liabilities. Unit prices are updated on a daily basis for movements in investment markets.

At 30 June 2021 $197.536 million (2020: $30.509 million) has not been allocated to members' at balance date. The amount not yet allocated to members' accounts relates to timing differences, which includes contributions received by the Plan that have not been able to be allocated to members as at balance date and valuation differences.

The Plan's management of the investment market risks is as disclosed in Note 13.

11. CASH FLOW INFORMATION

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash represents cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2021 $'000	2020 $'000
Cash at bank	**191,048**	209,963

(b) Reconciliation of operating result after income tax to net cash inflows / (outflows) from operating activities

	2021	2020
Operating result after income tax expense	**51**	427
Net benefits allocated to members' accounts	**2,815,595**	(114,536)
Changes in fair value of investments	**(2,826,553)**	104,720
Decrease/(increase) in other receivables	**34**	115
(Increase)/decrease in deferred tax asset	**(130)**	(20)
Increase/(decrease) in other payables	**851**	(22)
(Decrease)/increase in income tax payable	**(171)**	(509)
Net cash (outflows) from operating activities	**(10,323)**	(9,825)

12. AUDITOR'S REMUNERATION

Amounts paid or payable to the Australian National Audit Office for audit services:

	2021 $	2020 $
Financial statements	**48,225**	50,600
Regulatory returns and compliance	**32,400**	34,400
Total	**80,625**	85,000

The audits and reviews were provided by the Australian National Audit Office. The audit fees will be charged against the assets of the AIT that are referable to the Plan.

Deloitte Touche Tohmatsu are contracted by the ANAO to provide audit services on its behalf. Fees for those services are included in the above.

No other services were provided by the Australian National Audit Office or Deloitte Touche Tohmatsu to the Plan during the reporting period.

13. FINANCIAL INSTRUMENTS

(a) Financial instruments management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The investments of the Plan (other than cash held for managing contribution receipts, insurance expenses, benefit payments and tax payments) comprise units in the AIT. The AIT is a pooled superannuation trust which is also governed by the Commonwealth Superannuation Corporation as Trustee. This type of investment has been determined by the Trustee to be appropriate for the Plan and is in accordance with the Plan's published investment strategy. The Trustee applies strategies to manage risk relating to the investment activities of the AIT. The investments of the AIT are managed on behalf of the Trustee by specialist external investment managers who are required to invest the assets in accordance with contractual investment mandates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

(c) Capital risk management

The Registerable Superannuation Entity ('RSE') licence of the Trustee of the Plan requires the Trustee to maintain adequate financial resources to address losses arising from operational risks that may affect registrable superannuation entities within its business operations in the form of operational risk reserve(s), operational risk trustee capital or a combination thereof to meet the target amount of financial resources that the RSE licensee determines is necessary to respond to these losses. The Trustee of the Plan was in compliance with this requirement throughout the reporting period.

(d) Categories of financial instruments

The financial assets and liabilities of the Plan are recognised at fair value as at the reporting date. Changes in fair value are recognised in the Income Statement and the Statement of Changes in Member Benefits.

(e) Financial risk management objectives

The Plan is exposed to a variety of financial risks as a result of its pooled investments in the AIT. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Plan's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Plan's financial performance. These policies may include the use of financial derivative instruments.

The Trustee ensures that there is an effective risk management control framework in place for the Plan. Consistent with regulatory requirements, the Trustee has developed, implemented and maintains a Risk Management Framework to identify the policies, procedures, processes and controls that comprise its risk management and control systems for the Plan and for the Plan's investments through the AIT. The overall investment strategy of the Plan is set out in the Trustee's approved investment policies which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

The Trustee's internal investment team monitors and manages the financial risks relating to the Plan's investments. Derivative Risk Statements set out the strict parameters for the Trustee's investment managers authorised to use derivatives. In essence, derivatives cannot be used to raise the level of risk above the level it would otherwise have been, and derivatives cannot be used to leverage the investments.

The Plan's investments are managed on behalf of the Trustee by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. The Trustee has determined that the appointment of these managers is appropriate for the Plan and is in accordance with its investment strategy.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Plan. In its capacity as trustee of the AIT, the Trustee has adopted a policy of spreading the aggregate value of transactions across approved creditworthy counterparties as a means of mitigating the risk of financial loss. The Plan's exposure to its counterparties are continuously monitored by the Trustee.

The largest exposure to a single counterparty is to cash held by the investment master custodian Northern Trust. Credit risk relating to the master custodian is mitigated through contract indemnity provisions. Other than the master custodian, no individual exposure within the AIT exceeded 5% of net assets of that trust at 30 June 2021 or 30 June 2020.

The credit risk on the Plan's directly held cash and cash equivalents and interest receivable is limited because the counterparty is the Reserve Bank of Australia.

The table below shows the maximum exposure of financial assets to credit risk at the reporting date:

	2021 $'000	2020 $'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**19,170,418**	15,345,249
Other financial assets		
Cash and cash equivalents	**191,048**	209,963
Receivables	**54**	135
Total financial assets	**19,361,520**	15,555,347

There has been no change to the Plan's exposure to credit risk or the manner in which it manages and measures that risk during the reporting period.

(g) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in either realising assets or otherwise raising sufficient funds to meet its financial liabilities and/or member benefit payments or tax liabilities.

The Trustee's approach to managing liquidity is to ensure that the Plan will always have sufficient liquidity to meet its liabilities and member withdrawals. The Plan allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. The Plan has a high level of net inward cash flows through new contributions which provide capacity to manage liquidity risk. The Trustee undertakes forecasting and scenario testing of the cashflow requirements of the Plan to ensure timely access to sufficient cash and holds actively-traded, highly-liquid investments to meet anticipated funding requirements.

As a further risk mitigation strategy, it is the Trustee's policy that the target asset allocation to illiquid assets is limited to around 25% of the investments of the AIT (with a plus or minus 10 percentage point rebalancing range around that target). Regular scenario testing is performed to confirm the validity of the strategy.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(g) Liquidity risk (continued)

The following tables summarise the maturity profile of the Plan's financial liabilities. The tables have been drawn up based on the contractual undiscounted cash flows of financial liabilities based on the earliest date on which the Plan can be required to pay. The tables include both interest and principal cash flows.

Financial Liabilities maturity profile:

	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
30 June 2021					
Benefits and pensions payable	**1,579**	**-**	**-**	**-**	**1,579**
Other payables	**10,653**	**-**	**-**	**-**	**10,653**
Member liabilities	**19,109,188**	**-**	**-**	**-**	**19,109,188**
Total financial liabilities	**19,121,420**	**-**	**-**	**-**	**19,121,420**
30 June 2020					
Benefits and pensions payable	2,187	-	-	-	2,187
Other payables	9,281	-	-	-	9,281
Member liabilities	15,299,458	-	-	-	15,299,458
Total financial liabilities	15,310,926	-	-	-	15,310,926

There has been no change to the Plan's exposure to liquidity risk or the management and measurement of that risk during the reporting period.

(h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in the Trustee's investment policies and the Risk Management Framework.

There has been no change to the Plan's exposure to market risk or the manner in which it manages and measures the risk during the reporting period.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Plan does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. However, the Plan is indirectly exposed to foreign currency risk from the international assets held in the AIT, and it is managed in accordance with the Trustee's approved investment strategy. The AIT enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from its investments denominated in developed markets foreign currencies. These contracts neutralise some of the gains and losses from currency fluctuation. A small part of the investments of the AIT, relating to emerging markets, may remain unhedged due to lack of suitable currency instruments for hedging.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Plan is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits, taxation and insurance payments. All holdings at 30 June 2021 and 30 June 2020 had a maturity profile of less than one month.

The Plan is indirectly exposed to interest rate risk through its investments in the AIT. The Trustee manages interest rate risk through its investment strategy including diversification of asset allocation and the use of a diversity of specialist investment sector managers.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk (Continued)

Interest rate risk (continue)

The following table illustrates the Plan's sensitivity to a 0.15% p.a. (2020: 0.09%) increase or decrease in interest rates, based on cash balances directly held at reporting date. This represents an assessment of the reasonably possible change in interest rates as at that date. Had interest rates been lower or higher by 0.15% (2020: 0.09%) at reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as demonstrated:

		Interest rate risk $'000			
	Carrying amount $'000	Operating Result Before Tax	Net Assets Available to Pay Benefits	Operating Result Before Tax	Net Assets Available to Pay Benefits
2021		**-0.15%**		**+0.15%**	
Cash and cash equivalents	**191,048**	**(287)**	**(287)**	**287**	**287**
2020		-0.09%		+0.09%	
Cash and cash equivalents	209,963	(189)	(189)	189	189

In the Trustee's opinion, the sensitivity analysis at reporting date approximates the direct interest rate exposures of the Plan during the financial year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all similar financial instruments traded in the market.

The Plan's investment in the AIT is exposed to market price risk in respect of the latter's holdings of equity securities and unit trusts. As the investment in the AIT is carried at fair value through profit or loss, all changes in market conditions will directly affect the Plan's net investment income. In its capacity as trustee of the AIT, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

The following table illustrates the Plan's sensitivity to a reasonably possible change in the value of its investment in the AIT, based on risk exposures at reporting date. The volatility factors represent the average annual historical volatility in the investment option unit prices. Had the unit price been higher or lower by the volatility factor at the reporting date, and all other variables were held constant, the financial result would have improved/ (deteriorated) as follows:

13. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk (continued)

Other price risk (continued)

Financial Assets ARIA Investments Trust:	Change in price	Carrying amount $'000	Price risk $'000			
			Operating Result Before Tax	Net Assets Available to Pay Benefits	Operating Result Before Tax	Net Assets Available to Pay Benefits
			(Lower price)		Higher price	
2021						
Balanced option	-/+5.00%	202,685	(10,134)	(10,134)	10,134	10,134
Aggressive option	-/+5.60%	2,385,541	(133,590)	(133,590)	133,590	133,590
Cash option	-/+0.07%	284,328	(199)	(199)	199	199
Income focused option	-/+2.20%	430,675	(9,475)	(9,475)	9,475	9,475
MySuper balanced option	-/+5.00%	15,292,918	(764,646)	(764,646)	764,646	764,646
CSCri cash option	-/+0.07%	23,943	(17)	(17)	17	17
CSCri aggressive option	-/+5.60%	39,959	(2,238)	(2,238)	2,238	2,238
CSCri balanced option	-/+4.30%	175,048	(7,527)	(7,527)	7,527	7,527
CSCri income focused option	-/+2.30%	215,307	(4,952)	(4,952)	4,952	4,952
Operational risk reserve	-/+0.07%	66,413	(46)	(46)	46	46
CSCri cash option-TRIS	-/+0.07%	3,601	(3)	(3)	3	3
CSCri aggressive option-TRIS	-/+5.60%	6,246	(350)	(350)	350	350
CSCri balanced option-TRIS	-/+5.00%	22,918	(1,146)	(1,146)	1,146	1,146
CSCri income focused option-TRIS	-/+2.20%	20,836	(458)	(458)	458	458
Total		**19,170,418**	**(934,781)**	**(934,781)**	**934,781**	**934,781**

Financial Assets ARIA Investments Trust:	Change in price	Carrying amount $'000	Price risk $'000			
			Operating Result Before Tax	Net Assets Available to Pay Benefits	Operating Result Before Tax	Net Assets Available to Pay Benefits
			(Lower price)		Higher price	
2020						
Balanced option	-/+5.00%	153,971	(7,699)	(7,699)	7,699	7,699
Aggressive option	-/+5.70%	1,551,816	(88,454)	(88,454)	88,454	88,454
Cash option	-/+0.09%	481,938	(434)	(434)	434	434
Income focused option	-/+2.20%	363,874	(8,005)	(8,005)	8,005	8,005
MySuper balanced option	-/+5.00%	12,315,435	(615,772)	(615,772)	615,772	615,772
CSCri cash option	-/+0.09%	32,374	(29)	(29)	29	29
CSCri aggressive option	-/+5.80%	24,800	(1,438)	(1,438)	1,438	1,438
CSCri balanced option	-/+4.40%	130,611	(5,747)	(5,747)	5,747	5,747
CSCri income focused option	-/+2.20%	177,297	(3,901)	(3,901)	3,901	3,901
Operational risk reserve	-/+0.09%	58,960	(53)	(53)	53	53
CSCri cash option-TRIS	-/+0.09%	6,015	(5)	(5)	5	5
CSCri aggressive option-TRIS	-/+5.70%	3,882	(221)	(221)	221	221
CSCri balanced option-TRIS	-/+5.00%	21,699	(1,085)	(1,085)	1,085	1,085
CSCri income focused option-TRIS	-/+2.20%	22,577	(497)	(497)	497	497
Total		**15,345,249**	**(733,340)**	**(733,340)**	**733,340**	**733,340**

In the Trustee's opinion, the sensitivity analysis at reporting date is representative of the other market price exposures during the financial year.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements

The Plan's financial instruments are included in the Statement of Financial Position at fair value. The fair value is determined per the accounting policies in Note 3.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of the Plan's financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: fair value measurements are those derived from quoted prices in active markets.

Level 2: fair value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2021				
Financial Assets				
Pooled superannuation trust	**-**	**19,170,418**	**-**	**19,170,418**
2020				
Financial Assets				
Pooled superannuation trust	-	15,345,249	-	15,345,249

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued daily based on the latest listed and unlisted market prices and values of the underlying investments, less any tax and expenses.

Reconciliation of Level 3 fair value measurements

There were no Level 3 financial assets or liabilities for the period (2020: Nil).

Fair value measurements of the underlying investments

The funded components of the Schemes for which CSC is the Trustee are co-invested in a pooled superannuation trust. The following table provides an analysis of the underlying pooled superannuation trust's investments grouped into levels 1 to 3 of the fair value hierarchy based on the degree to which their fair value is observable. The table has been prepared on a look-through basis and therefore discloses investments held in underlying Trustee-controlled subsidiary trusts as if they are direct investments of the pooled superannuation trust.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2021				
Cash and cash equivalents	**4,207,897**	**-**	**-**	**4,207,897**
Money market investments	**3,498,439**	**-**	**-**	**3,498,439**
Fixed interest investments	**6,102,104**	**5,840**	**334,097**	**6,442,041**
Equity investments	**27,733,248**	**5,802,250**	**7,891,120**	**41,426,618**
Property investments	**-**	**-**	**4,250,778**	**4,250,778**
Derivatives contracts (net)	**(458,996)**	**(362,970)**	**502**	**(821,464)**
Total	**41,082,692**	**5,445,120**	**12,476,497**	**59,004,309**

2020				
Cash and cash equivalents	3,166,899	-	-	3,166,899
Money market investments	4,740,006	-	-	4,740,006
Fixed interest investments	5,302,424	6,358	311,385	5,620,167
Equity investments	20,768,429	5,369,415	4,964,157	31,102,001
Property investments	-	-	4,188,290	4,188,290
Derivatives contracts (net)	(1,035)	573,868	3,958	576,791
Total	33,976,723	5,949,641	9,467,790	49,394,154

13. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (Continued)

Fair value measurements of the underlying investments (Continued)

The fair values of the pooled superannuation trust's investments is determined as follows:

I. Cash comprises demand deposits with a bank, financial institution or futures broker. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

II. Money market investments are valued at the market closing price on the last business day of the reporting period and include accrued interest.

III. Fixed interest securities are valued at their market value at close of business on the last business day of the reporting period.

IV. Equity securities and listed trusts are valued at the last sale price at close of business on the last business day of the reporting period.

V. Private equity funds are valued according to the most recent valuation obtainable from an independent (third party) valuer or an investment manager, applying valuation and disclosure guidelines consistent with the International Equity & Venture Capital Valuation Guidelines.

VI. Unlisted trusts (including pooled superannuation trusts and hedge funds) are valued at their most recent redemption price as determined by the manager of the relevant trust. Unlisted trusts controlled by the Trustee are valued at least annually in accordance with valuation guidelines agreed by the Trustee. Valuations may be completed by an independent valuer, the external investment manager or the Trustee. In determining the valuation, reference is made to guidelines set by relevant associations.

VII. Investment properties which comprise land and buildings for the purpose of letting to produce rental income, are initially measured at cost. Cost includes capital expenditure subsequent to acquisition. Investment properties are not depreciated. Subsequent to initial recognition, investment properties are measured at fair value. Investment properties are independently revalued at least annually. Valuations are performed by registered valuers. In determining the fair value, the expected net cash flows are discounted to their present value using a market determined risk adjusted rate. This is compared against valuations based on capitalised earnings methodologies as well as comparable market transactions.

VIII. Futures contracts are valued at market closing prices quoted on the last business day of the reporting period.

IX. Forward currency contracts and swaps are valued using prices obtained from independent providers as at the last business day of the reporting period (or alternatively from counterparties or the external investment managers where a provider does not supply a price).

X. Exchange traded options are valued as the premium payable or receivable to close out the contracts at the last buy price at close of business on the last business day of the reporting period.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Valuation adjustments to unlisted investment

Where there is a delay in the timely receipt of valuation for unlisted investments from the investment managers, the Trustee applies a systematic quarterly valuation adjustment. This adjustment is based on the performance of a comparable public market index over the relevant period and a relevant adjustment factor representing an estimate of the change in value implied by past relationships to the selected comparable public market index. This constitutes an enhancement to the Trust's valuation policy in relation to unlisted investments for the year ended 30 June 2021.

This adjustment has been introduced in order to assist in preserving equitable member outcomes from the impact of delays in receipt of valuations from primarily international investment managers. A special situation valuation adjustment is able to be made when, in management's judgment an unlisted valuation does not represent fair value and is required to preserve equitable member outcomes.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (Continued)

Fair value measurements of the underlying investments (Continued)

As at 30 June 2021, a systematic quarterly valuation adjustment was applied to the most recently available investment manager valuations of unlisted international investments of $135.9m ($193.1m special situation valuation adjustment in 2020) and unlisted Australian equity trusts of $1.8m ($4.2m special situation valuation adjustment in 2020), representing 4.1% and 0.1% of the unlisted international and Australian trust portfolios respectively (5.0% and 0.3% in 2020).

14. RELATED PARTIES

(a) Trustee

Commonwealth Superannuation Corporation (CSC) was the Trustee throughout the reporting period. Included in 'other administration expenses' is an amount of $3,891,121 (2020: $2,979,677) charged to the Plan by CSC for acting as Trustee of the Plan during the reporting period.

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2021 and to the date of this report were:

Ariane Barker
Juliet Brown (Appointed 13 September 2021)
Patricia Cross (Chair, Term ended 30 June 2021)
Melissa Donnelly (Appointed 1 July 2020)
Christopher Ellison
Garry Hounsell (Chair, Appointed 25 July 2021, previously Director until 23 July 2021)
Anthony Needham
Margaret Staib
Michael Vertigan (Term ended 30 June 2021)
Alistair Waters

In addition to the Directors, the following Executives of CSC had authority and responsibility for planning, directing and controlling the activities of the Plan throughout the year ended 30 June 2021 were:

Paul Abraham	Executive Manager, Investment Operations
Catharina Armitage	Head of People
Peter Carrigy-Ryan	Chief Executive Officer (Retired 12 July 2020)
Robert Firth	Chief Risk Officer
Philip George	Chief Transformation Officer (Previously Special Advisor, Member Outcomes until 31 July 2020)
Damian Hill	Chief Executive Officer (Commenced 13 July 2020)
Peter Jamieson	Chief Customer Officer
Andrew Matuszczak	Executive Manager, Technology (Commenced 31 August 2020)
Adam Nettheim	Head of Customer Operations
Alana Scheiffers	General Counsel
Alison Tarditi	Chief Investment Officer
Andy Young	Chief Operating Officer

The following changes to the Executives of CSC were made subsequent to 30 June 2021:

Catharina Armitage	Executive Manager, People (Previously Head of People until 30 June 2021)
Philip George	Executive Manager, Transformation (Previously Chief Transformation Officer until 30 June 2021)
Andrew Matuszczak	Chief Transformation and Information Officer (Previously Executive Manager, Technology until 30 June 2021)
Adam Nettheim	Executive Manager, Customer Operations (Previously Head of Customer Operations until 30 June 2021)

Paul Abraham, Catharina Armitage, Melissa Donnelly, Christopher Ellison, Robert Firth, Philip George, Damian Hill, Adam Nettheim, Alana Scheiffers, Margaret Staib, Alison Tarditi, Alistair Waters and Andy Young are members of the Plan. The terms and conditions of their membership, or those of any related parties, are the same as for any other member who is not part of the key management personnel of the Plan.

14. RELATED PARTIES (CONTINUED)

(c) Key Management Personnel Compensation

The aggregate compensation of the key management personnel in relation to the Plan is set out below:

	2021	2020
	$	$
Short-term employee benefits	**851,698**	765,217
Post-employment benefits	**52,772**	57,837
Other long-term employee benefits	**22,945**	(4,120)
	927,415	818,934

Aggregate compensation in relation to the Plan is a pro-rata apportionment of the overall compensation paid by the Trustee, based on the net assets of the entities under its trusteeship or actual control.

The compensation of key management personnel (including Directors) related to investment management is charged against the assets of the AIT that are referable to the Plan.

The Plan has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally-related entities at any time during the year.

(d) Investing entities

Throughout the year ended 30 June 2021, the Plan's only investment consisted of units in the AIT, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

The other investors in the AIT throughout the year were the Public Sector Superannuation Scheme, the Commonwealth Superannuation Scheme, the Military Superannuation and Benefits Scheme and the Australian Defence Force Superannuation Scheme. All investing transactions are conducted under normal industry terms and conditions.

The Trustee of the Plan, Commonwealth Superannuation Corporation, is the trustee of the following regulated superannuation schemes: Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan, the Military Superannuation and Benefits Scheme and the Australian Defence Force Superannuation Scheme.

The Trustee pays costs of and incidental to the management of the Plan and the investment of its money from the assets of the AIT that are referable to the Plan (Note 7(c)). No fees were charged to the plan or its assets for acting as Trustee during the year ended 30 June 2021 (2020: $nil).

The Plan held the following investments in related parties at 30 June:

	Fair Value of Investment 2021 $'000	Fair Value of Investment 2020 $'000	Share of Net Income / (Loss) after tax 2021 $'000	Share of Net Income / (Loss) after tax 2020 $'000
ARIA Investments Trust	**19,170,418**	15,345,249	**2,826,553**	(104,720)
	19,170,418	15,345,249	**2,826,553**	(104,720)

15. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Plan had no capital commitments as at 30 June 2021 (2020: $Nil):

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Plan (including insurance benefits) which could result in additional benefits becoming payable in the future. Each request is considered on its merits prior to any benefit becoming payable. In the opinion of the Trustee, these requests do not represent a material liability on the Plan.

There were no other contingent liabilities or contingent assets as at the reporting date (2020: $Nil).

16. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2021 that have materially affected, or may materially affect, the operations of the Plan, the results of those operations, or the financial position of the Plan in future financial years.

Section 10
ADF Financial Statements

10

INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance and Members of the Australian Defence Force Superannuation Scheme

Opinion

In my opinion, the financial statements of the Australian Defence Force Superannuation Scheme for the year ended 30 June 2021 present fairly, in all material respects, the financial position of the Australian Defence Force Superannuation Scheme as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

The financial statements of the Australian Defence Force Superannuation Scheme, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement by the Trustee of the Australian Defence Force Superannuation Scheme;
- Statement of Financial Position;
- Income Statement;
- Statement of Changes in Member Benefits;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to and forming part of the financial statements, comprising a Summary of Principal Accounting Policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Australian Defence Force Superannuation Scheme in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Trustee's responsibility for the financial statements

The superannuation entity's trustee is responsible for the preparation and fair presentation of financial statements that comply with Australian Accounting Standards and the form agreed with the Minister for Finance and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as they determine is necessary to enable the preparation that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the Australian Defence Force Superannuation Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern as applicable and using the going concern basis of accounting unless the trustee either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor’s responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee;
- conclude on the appropriateness of the trustee’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Bola Oyetunji

Group Executive Director

Delegate of the Auditor-General

Canberra

29 September 2021

Australian Defence Force Superannuation Scheme (ABN 90 302 247 344)
Statement by the Trustee of the Australian Defence Force Superannuation Scheme ('Scheme')

The Board of Directors hereby states that in its opinion:

(a) The accompanying financial statements are properly drawn up so as to present fairly the financial position of the Scheme as at 30 June 2021 and the financial performance, changes in equity, changes in member benefits and cash flows of the Scheme for the year ended on that date;

(b) at the date of this statement there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due;

(c) the financial statements are in a form agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

(d) the financial statements have been prepared based on properly maintained financial records; and

(e) the operations of the Scheme were conducted in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011*, the *Australian Defence Force Superannuation Act 2015*, the Trust Deed establishing the Scheme, the requirements of the *Superannuation Industry (Supervision) Act 1993* and regulations, and the relevant requirements of the *Corporations Act 2001* and regulations (to the extent applicable).

Signed this 29th day of September 2021 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Garry Hounsell
Chair

Air Vice-Marshal Margaret Staib
Director

The accompanying financial statements have been drawn up in accordance with Accounting Standards in Australia.

Australian Defence Force Superannuation Scheme
Statement of Financial Position
As at 30 June 2021

	Note	2021 $'000	2020 $'000
Assets			
Cash and cash equivalents		**29,170**	28,239
Other receivables	4	**45**	31
Investments in pooled superannuation trust	5	**831,605**	473,674
Deferred tax asset	9(c)	**27**	18
Total assets		**860,847**	501,962
Liabilities			
Benefits and pensions payable		**(4)**	(133)
Income tax payable		**(28,064)**	(27,210)
Other payables	8	**(194)**	(143)
Total liabilities excluding member benefits		**(28,262)**	(27,486)
Net assets available for member benefits		**832,585**	474,476
Defined contribution member liabilities			
Allocated to members	10	**(822,560)**	(472,650)
Unallocated to members	10	**(9,091)**	(1,428)
Total defined contribution member liabilities		**(831,651)**	(474,078)
Net assets		**934**	398
Equity			
Operational risk reserve		**(669)**	(398)
Administration reserve		**(265)**	-
Total equity		**(934)**	(398)

The attached notes form part of these financial statements.

Australian Defence Force Superannuation Scheme
Income Statement
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Investment revenue			
Interest		**12**	103
Changes in fair value of investments	6(c)	**109,488**	(7,399)
Other revenue		**24**	2
Total revenue		**109,524**	(7,294)
Administration expenses		**(2,036)**	(1,487)
Total expenses		**(2,036)**	(1,487)
Operating results / (loss)		**107,488**	(8,781)
Net benefits allocated to members' accounts		**(107,792)**	8,576
Operating result before income tax benefit		**(304)**	(205)
Income tax benefit	9(a)	**304**	207
Operating result after income tax benefit		**-**	2

The attached notes form part of these financial statements.

Australian Defence Force Superannuation Scheme
Statement of Changes in Member Benefits
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Opening balance of member benefits allocated at the beginning of the financial year		**472,650**	281,441
Contributions:			
Member contributions	7(a)	**5,030**	3,529
Employer contributions	7(a)	**239,177**	181,605
Transfers from other funds	7(a)	**59,811**	57,861
Government co-contributions	7(a)	**86**	75
Low income superannuation tax offset	7(a)	**869**	892
Income tax on contributions	9(b)	**(36,268)**	(27,440)
Net after tax contributions		**268,705**	216,522
Benefits to members	7(b)	**(18,363)**	(16,410)
Insurance premiums paid to insurer		**(30)**	-
Tax rebate on insurance premiums paid to insurer	9(b)	**5**	-
Net benefits allocated to members' accounts		**107,792**	(8,576)
Net transfers to reserves		**(536)**	(192)
Net (increase) in amounts not yet allocated to members' accounts		**(7,663)**	(135)
Closing balance of member benefits allocated at the end of the financial year		**822,560**	472,650

The attached notes form part of these financial statements.

Australian Defence Force Superannuation Scheme
Statement of Changes in Equity
For the year ended 30 June 2021

	Operational risk reserve $'000	Administration reserve $'000	Total equity $'000
Opening balance as at 1 July 2019	204	-	204
Operating result	2	-	2
Net transfers to / (from) reserves	192	-	192
Closing balance as at 30 June 2020	398	-	398
Opening balance as at 1 July 2020	**398**	**-**	**398**
Operating result	**-**	**-**	**-**
Net transfers to / (from) reserves	**271**	**265**	**536**
Closing balance as at 30 June 2021	**669**	**265**	**934**

The attached notes form part of these financial statements.

Australian Defence Force Superannuation Scheme
Statement of Cash Flows
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Interest received		**14**	118
Other revenue received		**22**	2
Administration expenses paid		**(2,001)**	(1,460)
Income tax benefit received		**203**	90
Net cash (outflows) from operating activities	11(b)	**(1,762)**	(1,250)
Cash flows from investing activities			
Purchase of investments		**(251,060)**	(202,064)
Proceeds from sale of investments		**2,618**	3,101
Net cash (outflows) from investing activities		**(248,442)**	(198,963)
Cash flows from financing activities			
Contributions received			
Employer		**239,173**	181,613
Member		**5,030**	3,529
Transfers from other funds		**59,811**	57,861
Government co-contributions		**86**	75
Low income superannuation tax offset		**869**	892
Income tax paid on contributions		**(35,317)**	(18,777)
Insurance premiums paid to insurer		**(26)**	-
Benefits and pensions paid		**(18,491)**	(16,273)
Net cash inflows from financing activities		**251,135**	208,920
Net increase in cash held		**931**	8,707
Cash at the beginning of the financial year		**28,239**	19,532
Cash at the end of the financial year	11(a)	**29,170**	28,239

The attached notes form part of these financial statements.

1. DESCRIPTION OF THE SCHEME

The Australian Defence Force Scheme ('Scheme') is a defined contribution scheme constituted by Trust Deed dated 17 September 2015 under the *Australian Defence Force Superannuation Act 2015* and is domiciled in Australia. The Trustee of the Scheme is the Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243).

The principal place of business and registered office of the Scheme is 7 London Circuit, Canberra, ACT 2601.

The Scheme was established on 1 July 2016 for members of the Australian Defence Force, together with a new invalidity scheme, the Australian Defence Force Cover Scheme.

Contributions of the employer and the employees are made in accordance with the terms of the Trust Deed. The members' accounts are credited or debited each year with contributions and their proportionate share of the net investment income, expenses and income tax expense of the Scheme.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report of the Scheme is a general purpose financial report which has been prepared in accordance with Accounting Standards and Interpretations and the *Superannuation Industry (Supervision) Act 1993*. For the purposes of preparing financial statements, the Scheme is a for profit for members entity.

The form of these financial statements has been agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011*.

The financial statements of the Scheme were authorised for issue by the Directors of the Trustee on 29 September 2021.

Standards adopted with no significant impact on the financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the disclosures or amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard / Interpretation	Effective for annual reporting periods
AASB 2018-7 'Amendments to Australian Accounting Standards – Definition of Material'	beginning on or after 1 January 2020
AASB 2019-1 'Amendments to Australian Accounting Standards – References to the Conceptual Framework'	beginning on or after 1 January 2020
AASB 2019-5 'Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia'	beginning on or after 1 January 2020

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (Continued)

Standards in issue but not yet effective

At the date of authorisation of the financial report, the following Standards which are expected to be relevant to the Scheme were in issue but not yet effective. The directors anticipate the adoption of these Standards will have no material financial impact on the financial report of the Scheme.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-2 'Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities'	1 July 2021	30 June 2022
AASB 2020-1 'Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current'	1 January 2022	30 June 2023
AASB 2020-3 'Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments'	1 January 2022	30 June 2023
AASB 2020-6 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date'	1 January 2022	30 June 2023
AASB 2021-2 'Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates'	1 January 2023	30 June 2024

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Scheme.

Amounts in these financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements, and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

(d) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. In making this assessment, the directors of the Trustee have considered future events and conditions for the period of twelve months following the approval of these financial statements. The Trustee remains confident that the Scheme will be able to continue as a going concern as the Scheme's assets outweigh its liabilities and it has sufficient liquidity to meet its debts as and when they fall due.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2021 and the comparative information presented in these financial statements for the year ended 30 June 2020. Where necessary, disclosures of comparative numbers have been restated to be consistent with the current period.

(a) Cash and cash equivalents

Cash and cash equivalents include cash at bank used to transact member and employer contributions, transfers to and from other funds, benefit payments and tax liabilities.

(b) Financial assets

Financial assets (being investments in a pooled superannuation trust, cash at bank and other receivables) are recognised on the date the Scheme becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. After initial measurement, any gains and losses from changes in fair value are recognised in the Income Statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

Fair values have been determined as follows:

(i) Units in a pooled superannuation trust are valued at the redemption price at close of business on the last business day of the reporting period as notified by the manager of the trust, reflecting the fair value of the underlying investments.

(ii) Other receivables are recognised at nominal amounts due which approximate fair value. All amounts are unsecured and are subject to normal credit terms.

(c) Foreign currency transactions

The Scheme does not undertake transactions denominated in foreign currencies.

(d) Payables

Payables (being other payables and benefits payable) are recognised at their nominal value which is equivalent to fair value.

Other payables

Other payables represent liabilities for services provided to the Scheme during the financial period and which are unpaid at reporting date. All amounts are unsecured. Creditors are subject to normal credit terms.

Benefits payable

Benefits payable to a member are recognised where a valid withdrawal notice has been received, and approved, but payment has not been made by reporting date.

(e) Defined contribution member liabilities

Defined contribution member liabilities are measured as the amount of member account balances as at the reporting date (Note 10).

(f) Contribution revenue and transfers from other funds

Employer and member contributions, superannuation co-contributions, low income superannuation tax offsets from the Commonwealth Government and transfers from other funds are recognised when control of the contribution or transfer has passed to the Scheme.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Reserves

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. The ORR is operated in accordance with an ORR policy. The level of the reserve is determined by the Trustee Directors and reviewed annually, based on an assessment of the risks faced by the Fund. The transferred assets underlying the ORR are held in separate cash options of the ARIA Investments Trust ('the AIT') and income earned on these assets is recognised in the reserve. The ORR is also partially held as Trustee Capital in the financial statements of the Trustee.

Administration reserve

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 is operated in accordance with an Administration Reserve policy. The reserve has been funded through interest earned on the Scheme's operational bank account. No further funds are expected to be transferred into the reserve.

(h) Derivatives

The Scheme does not directly enter into derivative financial instruments.

(i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

Investment revenue

Interest revenue is recognised on an accrual basis.

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

(j) Expenses

Expenses are recognised on an accruals basis and, if not paid at reporting date, are reflected in the Statement of Financial Position as an accrual or payable depending upon whether or not the expense has been billed.

(k) Income tax

Income tax is recognised in the Income Statement and the Statement of Changes in Member Benefits. As the Scheme invests in the AIT, which is a pooled superannuation trust, tax on this investment revenue is paid by the AIT.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Income tax (Continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Scheme intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax for the period is recognised as an expense or benefit in the Income Statement, except for tax on contributions, which is recognised in the Statement of Changes in Member Benefits.

(l) Goods and services tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as an expense item.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

4. OTHER RECEIVABLES

	2021 $'000	2020 $'000
Receivable from the ARIA Investments Trust	**2**	3
Interest receivable	**-**	2
GST receivable	**41**	26
Compensation receivable	**2**	-
	45	31

There are no receivables that are past due or impaired. (2020:Nil)

5. INVESTMENTS

	2021 $'000	2020 $'000
Pooled superannuation trust - ARIA Investments Trust	**831,605**	473,674
	831,605	473,674

6. CHANGES IN FAIR VALUE OF INVESTMENTS

	2021 $'000	2020 $'000
(a) Investments held at 30 June:		
Pooled superannuation trust - ARIA Investments Trust	**108,510**	(7,383)
(b) Investments realised during the year:		
Pooled superannuation trust - ARIA Investments Trust	**978**	(16)
(c) Total changes in fair value of investments	**109,488**	(7,399)

7. FUNDING ARRANGEMENTS

(a) Contributions

Employer Contributions

The Department of Defence contributes 16.4% of the employees' superannuation salary to the Scheme, subject to superannuation law. This rates are consistent with the prior financial year. From 6 July 2020, other employers are able to make contributions to ADF Super for eligible members who have discharged from Military service. Other employers contribute a minimum required by superannuation law or as required under the employee employment agreement. Employers may also make salary sacrifice contributions (before tax) to the Scheme on behalf of members.

Member Contributions

Members may make voluntary contributions to the Scheme in the form of personal contributions (after tax).

Transferring Superannuation from Other Funds

Money invested in other superannuation funds can be rolled over to the Scheme.

Spouse Contributions

Additional contributions can be made by a spouse on behalf of a member of the Scheme.

Government Co-Contributions

For the financial years ended 30 June 2020 and 30 June 2021, the Commonwealth Government contributed $0.50 for every $1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of $500 per member.

Low Income Superannuation Tax Offset

The low income superannuation tax offset (LISTO) is a Commonwealth Government superannuation payment of up to $500. LISTO payments are recognised as revenue when received.

(b) Benefits paid

Where a member meets a condition of release and a valid application is received, the benefit is paid to the beneficiary from the Scheme. Benefits to members also include rollovers out of the Scheme.

Benefits paid by the Scheme during the year are as follows:

	2021 $'000	2020 $'000
Lump sum benefits and rollovers paid and payable	**18,363**	16,410
Total	**18,363**	16,410

7. FUNDING ARRANGEMENTS (CONTINUED)

(c) Cost of managing, investing and administering the scheme

Costs of and incidental to the management of the Scheme and the investment of its money are charged against the assets of the AIT that are referable to the Scheme. Transactions in respect of these costs have been brought to account in the financial statements of the AIT.

Expenses met by the AIT and referable to the Scheme are as follows:

	2021 $'000	2020 $'000
Investment		
Investment manager fees	**2,122**	1,102
Custodian fees	**67**	42
Investment consultant and other service provider fees	**73**	86
Other investment expenses	**110**	36
Total direct investment expenses	**2,372**	1,266
Regulatory fees	**38**	23
Other operating expenses	**688**	290
Total costs	**3,098**	1,579

Administration fees are paid by members and used to pay costs other than those incurred in managing and investing Scheme assets. Costs funded by these administration fees are disclosed as 'other administration expenses' in the Income Statement and include $542,392 (2020: $390,944) charged to the Scheme by CSC for acting as Trustee of the Scheme during the reporting period. As the Scheme is yet to reach the sufficient scale required to cover its total administration costs from the administration fees paid by members, the Department of Defence has contributed further administration funding of $878,772 (2020: $1,100,297). Transactions in respect of the receipt of this additional funding and the associated administration costs have been brought to account in the financial statements of the Trustee.

8. OTHER PAYABLES

	2021 $'000	2020 $'000
Insurance premiums payable	**4**	-
Employer contributions refundable	**7**	11
Withholding tax payable	**7**	6
Accrued expenses	**176**	126
	194	143

9. INCOME TAX

(a) Income tax recognised in operating results

	2021 $'000	2020 $'000
Note 9(a): Income tax recognised in operating results		
Income tax benefit comprises:		
Current tax benefit	**296**	203
Deferred tax expense relating to the origination and reversal of temporary differences	**8**	4
Total tax benefit	**304**	207

The prima facie income tax benefit on the operating result before income tax reconciles to the income tax benefit in the Income Statement as follows:

	2021 $'000	2020 $'000
Operating result before income tax	**(304)**	(205)
Income tax benefit calculated at 15%	**46**	31
Net benefits allocated to members during the year	**(16,169)**	1,286
Investment revenue already taxed	**16,423**	(1,110)
Other revenue not taxable	**4**	-
Total tax benefit	**304**	207

9. INCOME TAX (CONTINUED)

(b) Income tax recognised in Statement of Changes in Member Benefits

	2021 $'000	2020 $'000
Note 9(b): Income tax recognised in statement of changes in member benefits		
Contributions received:		
Member contributions	**5,030**	3,529
Employer contributions	**239,177**	181,605
Government co-contributions	**86**	75
Low income superannuation tax offset	**869**	892
Transfers from other funds	**59,811**	57,861
Total contributions	**304,973**	243,962
Contributions tax calculated at 15%	**(45,746)**	(36,594)
Member contributions not subject to tax	**755**	529
Government co-contributions not subject to tax	**13**	11
Low income superannuation tax offset not subject to tax	**130**	134
Transfers from other funds not subject to tax	**8,972**	8,679
Member contributions subject to tax	**(20)**	(11)
Rollovers in subject to tax	**(334)**	(170)
Net tax on contributions for which no TFN was provided	**(4)**	1
Under / (over) relating to the prior year	**(34)**	(19)
Total income tax on contributions	**(36,268)**	(27,440)
Tax rebate on insurance premiums paid to insurer		
Current tax rebate on insurance premiums paid to insurer	**4**	-
Deferred tax rebate on insurance premiums paid to insurer	**1**	-
Total tax rebate on insurance premiums paid to insurer	**5**	-

9. INCOME TAX (CONTINUED)

(c) Deferred tax balances

	2021 $'000	2020 $'000
Deferred tax asset:		
Temporary differences	**27**	18
	27	18

Taxable and deductible temporary differences arise from the following:

2021	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Insurance premiums payable	**-**	**1**	**1**
Accrued expenses	**18**	**8**	**26**
	18	**9**	**27**

2020	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Accrued expenses	14	4	18
	14	4	18

10. DEFINED CONTRIBUTION MEMBER LIABILITIES

Defined contribution members bear the investment risk relating to the underlying assets and unit prices used to measure defined contribution member liabilities. Unit prices are updated on a daily basis for movements in investment markets.

At 30 June 2021 $9.091 million (2020: $1.428 million) has not been allocated to members' at balance date. The amount not yet allocated to members' accounts relates to timing differences, which includes contributions received by the Scheme that have not been able to be allocated to members as at balance date and valuation differences.

The Scheme's management of the investment market risks is as disclosed in Note 13.

11. CASH FLOW INFORMATION

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash represents cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2021 $'000	2020 $'000
Cash at bank	**29,170**	28,239

(b) Reconciliation of operating result after income tax to net cash inflows / (outflows) from operating activities

	2021	2020
Operating result after income tax expense	**-**	2
Net benefits allocated to members' accounts	**107,792**	(8,576)
Changes in fair value of investments	**(109,488)**	7,399
Decrease/(increase) in other receivables	**(15)**	11
(Increase)/decrease in deferred tax asset	**(8)**	(4)
(Decrease)/increase in other payables	**50**	31
(Decrease)/increase in income tax payable	**(93)**	(113)
Net cash (outflows) from operating activities	**(1,762)**	(1,250)

12. AUDITOR'S REMUNERATION

Amounts paid or payable to the Australian National Audit Office for audit services:

	2021 $	2020 $
Financial statements	**48,225**	50,600
Regulatory returns and compliance	**32,400**	34,400
Total	**80,625**	85,000

The audits and reviews were provided by the Australian National Audit Office. The audit fees will be charged against the assets of the ARIA Investments Trust that are referable to the Scheme.

Deloitte Touche Tohmatsu are contracted by the ANAO to provide audit services on its behalf. Fees for those services are included in the above.

No other services were provided by the Australian National Audit Office or Deloitte Touche Tohmatsu to the Scheme during the reporting period.

13. FINANCIAL INSTRUMENTS

(a) Financial instruments management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The investments of the Scheme (other than cash held for managing contribution receipts, benefit payments and tax payments) comprise units in the AIT. The AIT is a pooled superannuation trust which is also governed by the Commonwealth Superannuation Corporation as Trustee. This type of investment has been determined by the Trustee to be appropriate for the Scheme and is in accordance with the Scheme's published investment strategy. The Trustee applies strategies to manage risk relating to the investment activities of the AIT. The investments of the AIT are managed on behalf of the Trustee by specialist sector fund managers who are required to invest the assets in accordance with contractual investment mandates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

(c) Capital risk management

The Registerable Superannuation Entity ('RSE') licence of the Trustee of the Scheme requires the Trustee to maintain adequate financial resources to address losses arising from operational risks that may affect registrable superannuation entities within its business operations in the form of operational risk reserve(s), operational risk trustee capital or a combination thereof to meet the target amount of financial resources that the RSE licensee determines is necessary to respond to these losses. The Trustee of the Scheme was in compliance with this requirement throughout the reporting period.

(d) Categories of financial instruments

The financial assets and liabilities of the Scheme are recognised at fair value as at the reporting date. Changes in fair value are recognised in the Income Statement and the Statement of Changes in Member Benefits.

(e) Financial risk management objectives

The Scheme is exposed to a variety of financial risks as a result of its pooled investments in the AIT. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Scheme's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Scheme's financial performance. These policies may include the use of financial derivative instruments.

The Trustee ensures that there is an effective risk management control framework in place for the Scheme. Consistent with regulatory requirements, the Trustee has developed, implemented and maintains a Risk Management Framework to identify the policies, procedures, processes and controls that comprise its risk management and control systems for the Scheme and for the Scheme's investments through the AIT. The overall investment strategy of the Scheme is set out in the Trustee's approved investment policies which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

The Trustee's internal investment team monitors and manages the financial risks relating to the Scheme's investments. Derivative Risk Statements set out the strict parameters for the Trustee's investment managers authorised to use derivatives. In essence, derivatives cannot be used to raise the level of risk above the level it would otherwise have been, and derivatives cannot be used to leverage the investments.

The Scheme's investments are managed on behalf of the Trustee by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. The Trustee has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with its investment strategy.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme. In its capacity as trustee of the AIT, the Trustee has adopted a policy of spreading the aggregate value of transactions across approved creditworthy counterparties as a means of mitigating the risk of financial loss. The Scheme's exposure to its counterparties are continuously monitored by the Trustee.

The largest exposure to a single counterparty is to cash held by the investment master custodian Northern Trust. Credit risk relating to the master custodian is mitigated through contract indemnity provisions. Other than the master custodian, no individual exposure within the AIT exceeded 5% of net assets of that trust at 30 June 2021 or 30 June 2020.

The credit risk on the Scheme's directly held cash and cash equivalents and interest receivable is limited because the counterparty is the Reserve Bank of Australia.

The table below shows the maximum exposure of financial assets to credit risk at the reporting date:

	2021 $'000	2020 $'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**831,605**	473,674
Other financial assets		
Cash and cash equivalents	**29,170**	28,239
Receivables	**4**	5
Total financial assets	**860,779**	501,918

There has been no change to the Scheme's exposure to credit risk or the manner in which it manages and measures that risk during the reporting period.

(g) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in either realising assets or otherwise raising sufficient funds to meet its financial liabilities and/or member benefit payments or tax liabilities.

The Trustee's approach to managing liquidity is to ensure that the Scheme will always have sufficient liquidity to meet its liabilities and member withdrawals. The Scheme allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. The Scheme has a high level of net inward cash flows through new contributions which provide capacity to manage liquidity risk. The Trustee undertakes forecasting and scenario testing of the cashflow requirements of the Scheme to ensure timely access to sufficient cash and holds actively-traded, highly-liquid investments to meet anticipated funding requirements.

As a further risk mitigation strategy, it is the Trustee's policy that the target asset allocation to illiquid assets is limited to around 25% of the investments of the AIT (with a plus or minus 10 percentage point rebalancing range around that target). Regular scenario testing is performed to confirm the validity of the strategy.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(g) Liquidity risk (Continued)

The following tables summarise the maturity profile of the Scheme's financial liabilities. The tables have been drawn up based on the contractual undiscounted cash flows of financial liabilities based on the earliest date on which the Scheme can be required to pay. The tables include both interest and principal cash flows.

Financial Liabilities maturity profile:

	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
30 June 2021					
Benefits payable	**4**	**-**	**-**	**-**	**4**
Other payables	**194**	**-**	**-**	**-**	**194**
Member liabilities	**831,651**	**-**	**-**	**-**	**831,651**
Total financial liabilities	**831,849**	**-**	**-**	**-**	**831,849**
30 June 2020					
Benefits payable	133	-	-	-	133
Other payables	143	-	-	-	143
Member liabilities	474,078	-	-	-	474,078
Total financial liabilities	474,354	-	-	-	474,354

There has been no change to the Scheme's exposure to liquidity risk or the management and measurement of that risk during the reporting period.

(h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in the Trustee's investment policies and the Risk Management Framework.

There has been no change to the Scheme's exposure to market risk or the manner in which it manages and measures the risk during the reporting period.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. However, the Scheme is indirectly exposed to foreign currency risk from the international assets held in the AIT, and it is managed in accordance with the Trustee's approved investment strategy. The AIT enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from its investments denominated in developed markets foreign currencies. These contracts neutralise some of the gains and losses from currency fluctuation. A small part of the investments of the AIT, relating to emerging markets, may remain unhedged due to lack of suitable currency instruments for hedging.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits and taxation payments. All holdings at 30 June 2021 and 30 June 2020 had a maturity profile of less than one month.

The Scheme is indirectly exposed to interest rate risk through its investments in the AIT. The Trustee manages interest rate risk through its investment strategy including diversification of asset allocation and the use of a diversity of specialist investment sector managers.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk (Continued)

Interest rate risk (Continued)

The follow ing table illustrates the Scheme's sensitivity to a 0.15% p.a. (2020: 0.09%) increase or decrease in interest rates, based on cash balances directly held at reporting date. This represents an assessment of the reasonably possible change in interest rates as at that date. Had interest rates been low er or higher by 0.15% (2020: 0.09%) at reporting date, and all other variables w ere held constant, the financial result w ould have improved / (deteriorated) as demonstrated:

	Carrying amount $'000	Interest rate risk $'000			
		Operating Result Before Tax	Net Assets Available to Pay Benefits	Operating Result Before Tax	Net Assets Available to Pay Benefits
2021		-0.15%		+0.15%	
Cash and cash equivalents	**29,170**	**(44)**	**(44)**	**44**	**44**
2020		-0.09%		+0.09%	
Cash and cash equivalents	28,239	(25)	(25)	25	25

In the Trustee's opinion, the sensitivity analysis at reporting date approximates the direct interest rate exposures of the Scheme during the financial year.

Other price risk

Other price risk is the risk that the fair value or future cash flow s of a financial instrument w ill fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), w hether caused by factors specific to an individual investment, its issuer or factors affecting all similar financial instruments traded in the market.

The Scheme's investment in the AIT is exposed to market price risk in respect of the latter's holdings of equity securities and unit trusts. As the investment in the AIT is carried at fair value through profit or loss, all changes in market conditions w ill directly affect the Scheme's net investment income. In its capacity as trustee of the AIT, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance w ith its investment strategy.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk (Continued)

Other price risk (Continued)

The following table illustrates the Scheme's sensitivity to a reasonably possible change in the value of its investment in the AIT, based on risk exposures at reporting date. The volatility factor of 5.00% (2020: 5.00%) represents the volatility in the default option unit price of the Schemes Investment in the AIT and is reflective of market conditions as at reporting date. Had the unit price been higher or lower by the volatility factor at reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as follows:

Financial Assets ARIA Investments Trust:	Change in price	Carrying amount $'000	Price risk $'000 Operating Result Before Tax (Lower price)	Net Assets Available to Pay Benefits (Lower price)	Operating Result Before Tax Higher price	Net Assets Available to Pay Benefits Higher price
2021						
Cash option	-/+0.07%	2,749	(2)	(2)	2	2
Income focused option	-/+2.20%	4,220	(93)	(93)	93	93
MySuper balanced option	-/+5.00%	741,034	(37,052)	(37,052)	37,052	37,052
Aggressive option	-/+5.60%	82,935	(4,644)	(4,644)	4,644	4,644
Operational risk reserve	-/+0.07%	667	-	-	-	-
Total		**831,605**	**(41,791)**	**(41,791)**	**41,791**	**41,791**

Financial Assets ARIA Investments Trust:	Change in price	Carrying amount $'000	Price risk $'000 Operating Result Before Tax (Lower price)	Net Assets Available to Pay Benefits (Lower price)	Operating Result Before Tax Higher price	Net Assets Available to Pay Benefits Higher price
2020						
Cash option	-/+0.09%	3,566	(3)	(3)	3	3
Income focused option	-/+2.20%	2,610	(57)	(57)	57	57
MySuper balanced option	-/+5.00%	433,593	(21,680)	(21,680)	21,680	21,680
Aggressive option	-/+5.70%	33,510	(1,910)	(1,910)	1,910	1,910
Operational risk reserve	-/+0.09%	395	-	-	-	-
Total		**473,674**	**(23,650)**	**(23,650)**	**23,650**	**23,650**

In the Trustee's opinion, the sensitivity analysis at reporting date is representative of the other market price exposures during the financial year.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements

The Scheme's financial instruments are included in the Statement of Financial Position at fair value. The fair value is determined per the accounting policies in Note 3.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of the Scheme's financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: fair value measurements are those derived from quoted prices in active markets.

Level 2: fair value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2021				
Financial Assets				
Pooled superannuation trust	**-**	**831,605**	**-**	**831,605**
2020				
Financial Assets				
Pooled superannuation trust	-	473,674	-	473,674

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued daily based on the latest listed and unlisted market prices and values of the underlying investments, less any tax and expenses.

Reconciliation of Level 3 fair value measurements

There were no Level 3 financial assets or liabilities (2020: Nil).

Fair value measurements of the underlying investments

The funded components of the Schemes for which CSC is the Trustee are co-invested in a pooled superannuation trust. The following table provides an analysis of the underlying pooled superannuation trust's investments grouped into levels 1 to 3 of the fair value hierarchy based on the degree to which their fair value is observable. The table has been prepared on a look-through basis and therefore discloses investments held in underlying Trustee-controlled subsidiary trusts as if they are direct investments of the pooled superannuation trust.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2021				
Cash and cash equivalents	**4,207,897**	**-**	**-**	**4,207,897**
Money market investments	**3,498,439**	**-**	**-**	**3,498,439**
Fixed interest investments	**6,102,104**	**5,840**	**334,097**	**6,442,041**
Equity investments	**27,733,248**	**5,802,250**	**7,891,120**	**41,426,618**
Property investments	**-**	**-**	**4,250,778**	**4,250,778**
Derivatives contracts (net)	**(458,996)**	**(362,970)**	**502**	**(821,464)**
Total	**41,082,692**	**5,445,120**	**12,476,497**	**59,004,309**

2020				
Cash and cash equivalents	3,166,899	-	-	3,166,899
Money market investments	4,740,006	-	-	4,740,006
Fixed interest investments	5,302,424	6,358	311,385	5,620,167
Equity investments	20,768,429	5,369,415	4,964,157	31,102,001
Property investments	-	-	4,188,290	4,188,290
Derivatives contracts (net)	(1,035)	573,868	3,958	576,791
Total	33,976,723	5,949,641	9,467,790	49,394,154

13. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (Continued)

Fair value measurements of the underlying investments (Continued)

The fair values of the pooled superannuation trust's investments is determined as follows:

I. Cash comprises demand deposits with a bank, financial institution or futures broker. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

II. Money market investments are valued at the market closing price on the last business day of the reporting period and include accrued interest.

III. Fixed interest securities are valued at their market value at close of business on the last business day of the reporting period.

IV. Equity securities and listed trusts are valued at the last sale price at close of business on the last business day of the reporting period.

V. Private equity funds are valued according to the most recent valuation obtainable from an independent (third party) valuer or an investment manager, applying valuation and disclosure guidelines consistent with the International Equity & Venture Capital Valuation Guidelines.

VI. Unlisted trusts (including pooled superannuation trusts and hedge funds) are valued at their most recent redemption price as determined by the manager of the relevant trust. Unlisted trusts controlled by the Trustee are valued at least annually in accordance with valuation guidelines agreed by the Trustee. Valuations may be completed by an independent valuer, the external investment manager or the Trustee. In determining the valuation, reference is made to guidelines set by relevant associations.

VII. Investment properties which comprise land and buildings for the purpose of letting to produce rental income, are initially measured at cost. Cost includes capital expenditure subsequent to acquisition. Investment properties are not depreciated. Subsequent to initial recognition, investment properties are measured at fair value. Investment properties are independently revalued at least annually. Valuations are performed by registered valuers. In determining the fair value, the expected net cash flows are discounted to their present value using a market determined risk adjusted rate. This is compared against valuations based on capitalised earnings methodologies as well as comparable market transactions.

VIII. Futures contracts are valued at market closing prices quoted on the last business day of the reporting period.

IX. Forward currency contracts and swaps are valued using prices obtained from independent providers as at the last business day of the reporting period (or alternatively from counterparties or the external investment managers where a provider does not supply a price).

X. Exchange traded options are valued as the premium payable or receivable to close out the contracts at the last buy price at close of business on the last business day of the reporting period.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Valuation adjustments to unlisted investment

Where there is a delay in the timely receipt of valuation for unlisted investments from the investment managers, the Trustee applies a systematic quarterly valuation adjustment. This adjustment is based on the performance of a comparable public market index over the relevant period and a relevant adjustment factor representing an estimate of the change in value implied by past relationships to the selected comparable public market index. This constitutes an enhancement to the Trust's valuation policy in relation to unlisted investments for the year ended 30 June 2021.

This adjustment has been introduced in order to assist in preserving equitable member outcomes from the impact of delays in receipt of valuations from primarily international investment managers. A special situation valuation adjustment is able to be made when, in management's judgment an unlisted valuation does not represent fair value and is required to preserve equitable member outcomes.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (Continued)

Fair value measurements of the underlying investments (Continued)

As at 30 June 2021, a systematic quarterly valuation adjustment was applied to the most recently available investment manager valuations of unlisted international investments of $135.9m ($193.1m special situation valuation adjustment in 2020) and unlisted Australian equity trusts of $1.8m ($4.2m special situation valuation adjustment in 2020), representing 4.1% and 0.1% of the unlisted International and Australian equity trust portfolios respectively (5.0% and 0.3% in 2020).

14. RELATED PARTIES

(a) Trustee

Commonwealth Superannuation Corporation (CSC) was the Trustee throughout the reporting period. Included in 'other administration expenses' is an amount of $542,392 (2020: $390,944) charged to the Scheme by CSC for acting as Trustee of the Scheme during the reporting period.

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2021 and to the date of this report were:

Ariane Barker
Juliet Brown (Appointed 13 September 2021)
Patricia Cross (Chair, Term ended 30 June 2021)
Melissa Donnelly (Appointed 1 July 2020)
Christopher Ellison
Garry Hounsell (Chair, Appointed 25 July 2021, previously Director until 23 July 2021)
Anthony Needham
Margaret Staib
Michael Vertigan (Term ended 30 June 2021)
Alistair Waters

In addition to the Directors, the following Executives of CSC had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2021 were:

Paul Abraham	Executive Manager, Investment Operations
Catharina Armitage	Head of People
Peter Carrigy-Ryan	Chief Executive Officer (Retired 12 July 2020)
Robert Firth	Chief Risk Officer
Philip George	Chief Transformation Officer (Previously Special Advisor, Member Outcomes until 31 July 2020)
Damian Hill	Chief Executive Officer (Commenced 13 July 2020)
Peter Jamieson	Chief Customer Officer
Andrew Matuszczak	Executive Manager, Technology (Commenced 31 August 2020)
Adam Nettheim	Head of Customer Operations
Alana Scheiffers	General Counsel
Alison Tarditi	Chief Investment Officer
Andy Young	Chief Operating Officer

The following changes to the Executives of CSC were made subsequent to 30 June 2021:

Catharina Armitage	Executive Manager, People (Previously Head of People until 30 June 2021)
Philip George	Executive Manager, Transformation (Previously Chief Transformation Officer until 30 June 2021)
Andrew Matuszczak	Chief Transformation and Information Officer (Previously Executive Manager, Technology until 30 June 2021)
Adam Nettheim	Executive Manager, Customer Operations (Previously Head of Customer Operations until 30 June 2021)

The terms and conditions of membership for any related parties are the same as for any other member who are not related parties of the Scheme.

14. RELATED PARTIES (CONTINUED)

(c) Key Management Personnel Compensation

The aggregate compensation of the key management personnel in relation to the Scheme is set out below:

	2021	2020
	$	$
Short-term employee benefits	**32,224**	19,408
Post-employment benefits	**1,997**	1,467
Other long-term employee benefits	**868**	(105)
	35,089	20,770

Aggregate compensation in relation to the Scheme is a pro-rata apportionment of the overall compensation paid by the Trustee, based on the net assets of the entities under its trusteeship or actual control.

The compensation of key management personnel (including Directors) related to investment management is charged against the assets of the ARIA Investments Trust that are referable to the Scheme.

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally-related entities at any time during the year.

(d) Investing entities

Throughout the year ended 30 June 2021, the Scheme's only investment consisted of units in the AIT, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

The other investors in the AIT throughout the year were the Public Sector Superannuation Scheme, the Commonwealth Superannuation Scheme, the Military Superannuation and Benefits Scheme and the Public Sector Superannuation Accumulation Plan. All investing transactions are conducted under normal industry terms and conditions.

The Trustee of the Scheme, Commonwealth Superannuation Corporation, is the trustee of the following regulated superannuation schemes: Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan, the Military Superannuation and Benefits Scheme and the Australian Defence Force Superannuation Scheme.

The Trustee pays costs of and incidental to the management of the Scheme and the investment of its money from the assets of the ARIA Investments Trust that are referable to the Scheme (Note 7(c)). No fees were charged to the Scheme or its assets for acting as Trustee during the year ended 30 June 2021 (2020: $nil).

The Scheme held the following investments in related parties at 30 June:

	Fair Value of Investment	Fair Value of Investment	Share of Net Income / (Loss) after tax	Share of Net Income / (Loss) after tax
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
ARIA Investments Trust	**831,605**	473,674	**109,488**	(7,399)
	831,605	473,674	**109,488**	(7,399)

15. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital commitments at 30 June 2021 (2020: $Nil).

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Scheme, which could result in additional benefits becoming payable in the future. Each request is considered on its merits prior to any benefit becoming payable. In the opinion of the Trustee, these requests do not represent a material liability on the Scheme.

There were no other contingent liabilities or contingent assets as at the reporting date (2020: $Nil).

16. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2021 that have materially affected, or may materially affect, the operations of the Scheme, the results of those operations, or the financial position of the Scheme in future financial years.

Section 11
PSS Financial Statements

11

INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance and Members of the Public Sector Superannuation Scheme

Opinion

In my opinion, the financial statements of the Public Sector Superannuation Scheme for the year ended 30 June 2021 present fairly, in all material respects, the financial position of the Public Sector Superannuation Scheme as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

The financial statements of the Public Sector Superannuation Scheme, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement by the Trustee of the Public Sector Superannuation Scheme;
- Statement of Financial Position;
- Income Statement;
- Statement of Changes in Member Benefits;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to and forming part of the financial statements, comprising a Summary of Principal Accounting Policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Public Sector Superannuation Scheme in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Trustee's responsibility for the financial statements

The Superannuation entity's trustee is responsible for the preparation and fair presentation of financial statements that comply with Australian Accounting Standards and the form agreed with the Minister for Finance and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as they determine is necessary to enable the preparation that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the Public Sector Superannuation Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern as applicable and using the going concern basis of accounting unless the trustee either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee;
- conclude on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Bola Oyetunji

Group Executive Director

Delegate of the Auditor-General

Canberra

29 September 2021

Public Sector Superannuation Scheme (ABN 74 172 177 893)
Statement by the Trustee of the Public Sector Superannuation Scheme ('Scheme')

The Board of Directors hereby states that in its opinion:

(a) the accompanying financial statements of the Public Sector Superannuation Scheme are properly drawn up so as to present fairly the financial position of the Scheme as at 30 June 2021 and the financial performance, changes in equity, changes in member benefits and cash flows of the Scheme for the year ended on that date;

(b) at the date of this statement there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due;

(c) the financial statements are in a form agreed by the Minister for Finance and the Trustee in accordance with subsection 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

(d) the financial statements have been prepared based on properly maintained financial records; and

(e) the operations of the PSS Fund were conducted in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011*,the *Superannuation Act 1976* and the requirements of the *Superannuation Industry (Supervision) Act 1993* and regulations, and the relevant requirements of the *Corporations Act 2001* and regulations (to the extent applicable).

Signed this 29th day of September 2021 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Garry Hounsell	Air Vice-Marshal Margaret Staib
Chair	Director

The accompanying financial statements have been drawn up in accordance with Accounting Standards in Australia.

Public Sector Superannuation Scheme
Statement of Financial Position
As at 30 June 2021

	Note	2021 $'000	2020 $'000
Assets			
Cash and cash equivalents		**43,622**	78,012
Employer sponsor receivable		**71,036,956**	66,865,866
Other receivables	4	**1,709**	2,226
Deferred tax assets	8(c)	**154**	152
Investments in pooled superannuation trust	5	**23,161,174**	20,343,742
Total assets		**94,243,615**	87,289,998
Liabilities			
Benefits payable		**(21,800)**	(14,216)
Income tax payable		**(21,097)**	(26,539)
Other payables		**(1,433)**	(1,234)
Total liabilities excluding member benefits		**(44,330)**	(41,989)
Net assets available for member benefits		**94,199,285**	87,248,009
Member liabilities	9	**(94,124,707)**	(87,174,070)
Net assets		**74,578**	73,939
Equity			
Operational risk reserve		**(74,578)**	(73,939)
Total equity		**(74,578)**	(73,939)

The attached notes form part of these financial statements.

Public Sector Superannuation Scheme
Income Statement
For the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Investment revenue			
Interest		**36**	450
Changes in fair value of investments	6(c)	**3,589,238**	(200,262)
Total revenue		**3,589,274**	(199,812)
Total expenses		**-**	-
Operating results / (loss)		**3,589,274**	(199,812)
Net change in member benefits from investing activities		**(3,589,209)**	200,450
Operating result before income tax expense		**65**	638
Income tax expense	8(a)	**(5)**	(68)
Operating result after income tax		**60**	570

The attached notes form part of these financial statements.

Public Sector Superannuation Scheme
Statement of Changes in Member Benefits
For the Financial Year Ended 30 June 2021

	Note	Defined benefit members $'000	Hybrid benefit members $'000	Total $'000
Opening balance of member benefits allocated at the beginning of the financial year		**50,292,268**	**36,881,802**	**87,174,070**
Contributions:				
Member contributions	7(a)	**131,449**	**447,162**	**578,611**
Employer contributions	7(a)	**40,198**	**137,029**	**177,227**
Government co-contributions	7(a)	**-**	**675**	**675**
Low income superannuation tax offset	7(a)	**-**	**252**	**252**
Income tax on contributions	8(b)	**(5,984)**	**(20,397)**	**(26,381)**
Net after tax contributions		**165,663**	**564,721**	**730,384**
Net appropriation from Consolidated Revenue Fund	7(b)	**509,201**	**830,379**	**1,339,580**
Benefits paid to members	7(b)	**(1,095,598)**	**(1,786,644)**	**(2,882,242)**
Insurance premiums paid to insurer		**(1,302)**	**(2,122)**	**(3,424)**
Insurance premiums charged to members		**1,302**	**2,122**	**3,424**
Insurance claim payments received from insurer		**1,214**	**1,981**	**3,195**
Net change in member benefits from investing activities		**1,023,059**	**2,566,150**	**3,589,209**
Net change in member benefits to be funded by employers		**2,669,188**	**1,501,323**	**4,170,511**
Closing balance of member benefits allocated at the end of the financial year		**53,564,995**	**40,559,712**	**94,124,707**

The attached notes form part of these financial statements.

Public Sector Superannuation Scheme
Statement of Changes in Member Benefits
For the Financial Year Ended 30 June 2020

	Note	Defined benefit members $'000	Hybrid benefit members $'000	Total $'000
Opening balance of member benefits allocated at the beginning of the financial year		48,328,465	34,818,942	83,147,407
Contributions:				
Member contributions	7(a)	141,500	453,906	595,406
Employer contributions	7(a)	42,172	135,606	177,778
Government co-contributions	7(a)	-	787	787
Low income superannuation tax offset	7(a)	-	304	304
Income tax on contributions	8(b)	(6,216)	(19,986)	(26,202)
Net after tax contributions		177,456	570,617	748,073
Net appropriation from Consolidated Revenue Fund	7(b)	518,008	716,199	1,234,207
Benefits to members	7(b)	(1,097,770)	(1,517,778)	(2,615,548)
Insurance premiums paid to insurer		(1,448)	(2,001)	(3,449)
Insurance premiums charged to members		1,448	2,001	3,449
Insurance claim payments received from insurer		1,140	1,575	2,715
Net change in member benefits from investing activities		(48,537)	(151,913)	(200,450)
Net change in member benefits to be funded by employers		2,413,506	2,444,160	4,857,666
Closing balance of member benefits allocated at the end of the financial year		50,292,268	36,881,802	87,174,070

The attached notes form part of these financial statements.

Public Sector Superannuation Scheme
Statement of Changes in Equity
For the Financial Year Ended 30 June 2021

	Operational risk reserve $'000	Total equity $'000
Opening balance as at 1 July 2019	71,217	71,217
Operating result	570	570
Net transfers to / (from) reserves	2,152	2,152
Closing balance as at 30 June 2020	73,939	73,939
Opening balance as at 1 July 2020	**73,939**	**73,939**
Operating result	**60**	**60**
Net transfers to / (from) reserves	**579**	**579**
Closing balance as at 30 June 2021	**74,578**	**74,578**

The attached notes form part of these financial statements.

Public Sector Superannuation Scheme
Statement of Cash Flows
For the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Interest received		**42**	489
Income tax paid		**(73)**	(178)
Net cash (outflow) / inflows from operating activities	10(b)	**(31)**	311
Cash flows from investing activities			
Purchase of investments		**-**	(5,000)
Proceeds from sale of investments		**771,830**	667,445
Net cash inflows from investing activities		**771,830**	662,445
Cash flows from financing activities			
Contributions received			
Employer contributions		**177,227**	177,778
Member contributions		**578,611**	595,406
Government co-contributions		**675**	787
Low income superannuation tax offset		**252**	304
Income tax paid on contributions		**(31,757)**	(27,269)
Superannuation surcharge paid		**191**	100
Benefits paid		**(2,874,658)**	(2,613,189)
Net appropriation from Consolidated Revenue Fund		**1,340,068**	1,235,521
Insurance premiums received from members		**3,424**	3,449
Insurance claim payments received from insurer		**3,195**	2,715
Insurance premiums paid		**(3,417)**	(3,441)
Net cash (outflows) from financing activities		**(806,189)**	(627,839)
Net (decrease) / increase in cash held		**(34,390)**	34,917
Cash at the beginning of the financial year		**78,012**	43,095
Cash at the end of the financial year	10(a)	**43,622**	78,012

The attached notes form part of these financial statements.

1. DESCRIPTION OF THE SCHEME AND THE FUND

The Public Sector Superannuation Scheme ('Scheme') is a defined benefit scheme which provides benefits to its members under the Superannuation Act 1990 (as amended) and is administered in accordance with a Trust Deed dated 21 June 1990 (as amended). The Trustee of the Scheme is Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243). The member benefits in the Scheme are reported separately for Defined Benefit members and Hybrid Benefit members. The Hybrid Benefit members have both defined benefit and defined contribution components within the Scheme.

Monies paid to the Trustee for the purposes of the Scheme are held in the Public Sector Superannuation Fund (PSS Fund). The PSS Fund comprises contributions made by members and employers, income arising from investments, and unrealised and realised changes in fair value of investments held within the PSS Fund. The Trustee pays member benefits and taxes relating to the PSS Fund out of the PSS Fund. The Trustee pays the direct and incidental costs of management of the PSS Fund and the investment of its money from the assets of the ARIA Investments Trust ('the AIT') that are referable to the PSS Fund (Note 7 (c)).

PSS has been closed to new entrants since 1 July 2005.

The principal place of business and registered office of the Trustee is 7 London Circuit, Canberra, ACT 2601.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report of the Scheme is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations and the *Superannuation Industry (Supervision) Act 1993*. For the purposes of preparing financial statements, the Scheme is a for profit for members entity.

The form of these financial statements has been agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011*.

The financial statements of the Scheme were authorised for issue by the Directors of the Trustee on 29 September 2021.

Standards adopted with no significant impact on the financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the disclosures or amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard / Interpretation	Effective for annual reporting periods
AASB 2018-7 'Amendments to Australian Accounting Standards – Definition of Material'	beginning on or after 1 January 2020
AASB 2019-1 'Amendments to Australian Accounting Standards – References to the Conceptual Framework'	beginning on or after 1 January 2020
AASB 2019-5 'Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia'	beginning on or after 1 January 2020

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (Continued)

Standards in issue but not yet effective

At the date of authorisation of the financial report, the following Standards which are expected to be relevant to the Scheme were in issue but not yet effective. The directors anticipate the adoption of these Standards will have no material financial impact on the financial report of the Scheme.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-2 'Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities'	1 July 2021	30 June 2022
AASB 2020-1 'Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current'	1 January 2022	30 June 2023
AASB 2020-3 'Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments'	1 January 2022	30 June 2023
AASB 2020-6 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date'	1 January 2022	30 June 2023
AASB 2021-2 'Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates'	1 January 2023	30 June 2024

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Scheme.

Amounts in these financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

(d) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. In making this assessment, the directors of the Trustee have considered future events and conditions for the period of twelve months following the approval of these financial statements. The Trustee remains confident that the Scheme will be able to continue as a going concern as the Scheme's assets significantly outweigh its liabilities and it has sufficient liquidity to meet its debts as and when they fall due.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2021 and the comparative information presented in these financial statements for the year ended 30 June 2020.

(a) Cash and cash equivalents

Cash and cash equivalents include cash at bank used to transact member and employer contributions, transfers to and from other funds, benefit payments and tax liabilities.

(b) Financial assets

Financial assets (being investments in a pooled superannuation trust, cash at bank and other receivables) are recognised on the date the Scheme becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. After initial measurement, any gains and losses from changes in fair value are recognised in the Income Statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

Fair values have been determined as follows:

(i) Units in a pooled superannuation trust are valued at the redemption price at close of business on the last business day of the reporting period as notified by the manager of the trust, reflecting the fair value of the underlying investments.

(ii) Other receivables are recognised at nominal amounts due which approximate fair value. All amounts are unsecured and are subject to normal credit terms.

(c) Employer sponsor receivable

The Commonwealth Government is obliged under the *Superannuation Act 1976* (as amended) to meet any funding shortfall for the defined benefit member liabilities of the Scheme. The asset is measured at its 'intrinsic value' (i.e. the amount of the difference between the defined benefit member liability and the fair value of assets available to meet that liability). The value of the employer sponsor receivable will not necessarily be the same as the value of the corresponding liability in the accounts of the employer sponsor and the Australian Government Long Term Cost Report due to the application of different accounting standards which may result in different valuation assumptions from those set out in Note 9.

(d) Foreign currency transactions

The Scheme does not undertake transactions denominated in foreign currencies.

(e) Payables

Payables (being benefits payable and other payables) are recognised at their nominal value which is equivalent to fair value.

Benefits payable

Benefits payable to a member are recognised where a valid withdrawal notice has been received from the employer sponsor, and approved, but payment has not been made by reporting date.

Other payables

Other payables represent liabilities for services provided during the financial period and which are unpaid at reporting date. All amounts are unsecured. Creditors are subject to normal credit terms.

(f) Member liabilities

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due (Note 9).

The accumulation component of hybrid benefit member liabilities are measured as the amount of member account balances as at the reporting date (Note 9).

The impact of the Scheme's default death and invalidity insurance arrangements have been considered in determining member liabilities. Balances and transactions in respect of these arrangements are presented in aggregate as part of member liabilities and the benefits paid/payable balances presented in the Statement of Financial Position and Statement of Changes in Member Benefits.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Contribution revenue and transfers from other funds

Employer and member contributions, superannuation co-contributions, low income superannuation tax offsets from the Commonwealth Government and transfers from other funds are recognised when control of the contribution or transfer has passed to the Scheme.

(h) 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. The ORR is operated in accordance with an ORR policy. The level of the reserve is determined by the Trustee Directors and reviewed annually, based on an assessment of the risks faced by the Fund. The transferred assets underlying the ORR are held in a separate cash option of the AIT and income earned on these assets is recognised in the reserve.

(i) Derivatives

The Scheme does not directly enter into derivative financial instruments.

(j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

Investment revenue

Interest revenue is recognised on an accrual basis.

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

(k) Expenses

Expenses are recognised on an accruals basis and, if not paid at reporting date, are reflected in the Statement of Financial Position as an accrual or payable depending upon whether or not the expense has been billed.

(l) Income tax

Income tax is recognised in the Income Statement and the Statement of Changes in Member Benefits. As the Scheme invests in the AIT, which is a pooled superannuation trust, tax on this investment revenue is paid by the AIT.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Scheme intends to settle its current tax assets and liabilities on a net basis.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Income tax (continued)

Current and deferred tax for the period

Current and deferred tax for the period is recognised as an expense or benefit in the Income Statement, except for tax on contributions, which is recognised in the Statement of Changes in Member Benefits.

(m) Goods and services tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as an expense item.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

4. OTHER RECEIVABLES

	2021 $'000	2020 $'000
Receivable from the ARIA Investments Trust	-	24
Interest receivable	-	6
Amount to be appropriated from Consolidated Revenue Fund	**1,709**	2,196
	1,709	2,226

There are no receivables that are past due or impaired. (2020: Nil)

5. INVESTMENTS

	2021 $'000	2020 $'000
Pooled superannuation trust - ARIA Investments Trust	**23,161,174**	20,343,742
	23,161,174	20,343,742

6. CHANGES IN FAIR VALUE OF INVESTMENTS

	2021 $'000	2020 $'000
(a) Investments held at 30 June:		
Pooled superannuation trust - ARIA Investments Trust	**3,554,785**	(211,428)
(b) Investments realised during the year:		
Pooled superannuation trust - ARIA Investments Trust	**34,453**	11,166
(c) Total changes in fair value of investments	**3,589,238**	(200,262)

7. FUNDING ARRANGEMENTS

(a) Contributions

Member Contributions

Members contribute to the Scheme at optional rates ranging from 2% - 10% or they may opt to make nil contributions. The contribution rates were the same in the prior year.

Employer Contributions

Employers who do not operate their own productivity schemes contribute employer (productivity) contributions to the Scheme on a sliding scale averaging 3% of salaries paid to members. The contribution rates were the same in the prior year.

Transferring Superannuation from Other Funds

Money invested in other superannuation funds can be rolled over to the Scheme.

Government Co-Contributions

For the financial years ended 30 June 2020 and 30 June 2021, the Commonwealth Government contributed $0.50 for every $1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of $500 per member.

7. FUNDING ARRANGEMENTS (CONTINUED)

(a) Contributions (continued)

Low Income Superannuation Tax Offset

The low income superannuation tax offset (LISTO) is a Commonwealth Government superannuation payment of up to $500. LISTO payments are recognised as revenue when received.

(b) Benefits

Where a benefit that becomes payable in respect of a member can be fully met from Scheme assets attributable to that member, the benefit is paid to the beneficiary from the PSS Fund. Where a benefit becomes payable that cannot be fully met from Scheme assets attributable to the member, all moneys held in the PSS Fund in respect of the member are paid from the Consolidated Revenue Fund, and the Commonwealth Government then assumes responsibility for funding the benefit.

Of the total benefits payable at 30 June 2021, $1.7 million (2020: $2.2 million) is payable by the Consolidated Revenue Fund. The Commonwealth Government is the corresponding debtor for this amount in accordance with the funding arrangements described above.

Benefits paid and payable by the PSS Fund and the Consolidated Revenue Fund during the year are as follows:

	2021 $'000	2020 $'000
Gross Appropriation from Consolidated Revenue Fund	**2,803,938**	2,552,779
less: Transfers from Fund to Consolidated Revenue Fund	**(1,464,358)**	(1,318,572)
Net appropriation from Consolidated Revenue Fund	**1,339,580**	1,234,207
Consolidated Revenue Fund		
Lump-sum benefits	**507,332**	474,592
Pensions	**2,296,606**	2,078,187
	2,803,938	2,552,779
PSS Fund		
Lump-sum benefits	**78,304**	62,769
Total benefits paid and payable	**2,882,242**	2,615,548

(c) Cost of managing, investing and administering the scheme

Costs of and incidental to the management of the Scheme and the investment of its money are charged against the assets of the AIT that are referable to the Scheme. Transactions in respect of these costs have been brought to account in the financial statements of the AIT.

Expenses met by the AIT and referable to the Fund are as follows:

	2021 $'000	2020 $'000
Investment		
Investment manager fees	**70,716**	76,520
Custodian fees	**2,234**	2,949
Investment consultant and other service provider fees	**2,447**	5,981
Other investment expenses	**3,670**	2,484
Total direct investment expenses	**79,067**	87,934
Regulatory fees	**1,550**	1,650
Other operating expenses	**22,933**	20,109
Total costs	**103,550**	109,693

7. FUNDING ARRANGEMENTS (CONTINUED)

(c) Cost of managing, investing and administering the scheme (continued)

Costs other than those incurred in managing and investing Scheme assets are met by CSC. Administrative fees are paid to CSC by employing agencies to meet these costs. Sponsoring employers have contributed further administration funding of $28.68 million (2020: $27.95 million). Transactions in respect of the receipt of these fees and the costs of administration have been brought to account in the financial statements of the Trustee.

8. INCOME TAX

(a) Income tax recognised in the Income Statement

	2021 $'000	2020 $'000
Note 8(a): Income tax recognised in operating results		
Income tax expense comprises:		
Current tax benefit	**6**	74
Deferred tax expense relating to the origination and reversal of temporary differences	**(1)**	(6)
Total income tax expense	**5**	68

The prima facie income tax benefit on the operating result before income tax reconciles to the income tax benefit in the Income Statement as follows:

	2021 $'000	2020 $'000
Operating result before income tax expense	**65**	638
Income tax expense / (benefit) calculated at 15%	**10**	96
Net change in member benefits from investing activities	**538,381**	(30,067)
Investment revenue already taxed	**(538,386)**	30,039
Total income tax expense	**5**	68

(b) Income tax on contributions recognised in Statement of Changes in Member Benefits

	2021 $'000	2020 $'000
Contributions received:		
Member contributions	**578,611**	595,405
Employer contributions	**177,227**	177,778
Government co-contributions	**675**	787
Low income superannuation tax offset	**252**	304
Total contributions received	**756,765**	774,274
Contributions tax calculated at 15%	**113,515**	116,141
Member contributions not subject to tax	**(86,792)**	(89,311)
Government co-contributions not subject to tax	**(101)**	(118)
Low income superannuation tax offset not subject to tax	**(38)**	(46)
Insurance premiums	**(256)**	(258)
Rollovers in subject to tax	**53**	57
Under / (over) relating to the prior year	**-**	(263)
Total income tax on contributions	**26,381**	26,202

8. INCOME TAX (CONTINUED)

(c) Recognised deferred tax liabilities

	2021 $'000	2020 $'000
Deferred tax assets comprise:		
Temporary differences	**154**	152
	154	152

Taxable and deductible temporary differences arise from the following:

2021	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Interest receivable	**(1)**	**1**	**-**
Insurance premiums payable	**153**	**1**	**154**
	152	**2**	**154**

2020	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Interest receivable	(7)	6	(1)
Insurance premiums payable	152	1	153
	145	7	152

9. MEMBER LIABILITIES

The Scheme is a defined benefit scheme; however some members of the Scheme have a hybrid interest as components of a member's benefit are treated as accumulation interests. These components can include transfer amounts from other funds and Government contributions such as co-contributions and low income super contributions. These amounts attract investment earnings based on the performance of the PSS Fund and are payable as a lump sum when eligible for release. The defined benefit component is determined through a set formula based on a member's contribution rate, final average salary and length of membership and is not impacted by fund earnings. As such there are considered to be two categories of members with different risk exposures – those with only a defined benefit interest, and those with a hybrid benefit interest comprising defined benefit and accumulation components.

The breakdown of member liabilities into these two member categories is shown in the table below:

	2021 $'000	2020 $'000
Defined benefit members	**53,564,995**	50,292,268
Hybrid benefit members	**40,559,712**	36,881,802
Total member liabilities	**94,124,707**	87,174,070

The Statement of Changes in Member Benefits has been disaggregated to show amounts related to these member categories. The disaggregated movements have been attributed on a proportional basis considering the relative contributions and benefits for the hybrid member category compared to the total Scheme.

The Scheme engages qualified actuaries on an annual basis to measure defined benefit liabilities. The value of the member liabilities will not necessarily be the same as the value presented in the accounts of the employer sponsor and the Australian Government Long Term Cost Report due to the application of different accounting standards which may result in different valuation assumptions. The liabilities change from year to year as a result of contributions, benefit payments, interest costs and investment returns relative to the actuarial assumptions adopted.

9. MEMBER LIABILITIES (CONTINUED)

The actuarial assumptions are long term assumptions commensurate with the maturity of the member liabilities and are reviewed in consultation with the actuaries on an annual basis.

The Scheme uses sensitivity analysis to monitor the potential impact of changes to key variables about which assumptions need to be made. The Scheme has identified four assumptions (being the mortality rates, the discount rate/investment returns, the rate of salary adjustment and the inflation rate) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities:

- The current mortality assumptions adopted are scheme specific based on the experience observed. The actuaries have updated these assumptions from the prior year based on analysis of the Scheme's actual experience.
- The assumed discount rate has been determined by reference to the target investment returns expected on the investment portfolio, which reflect the opportunities reasonably available to the Scheme in the investment markets. There has been no change to this assumption from the prior year.
- The assumed annual salary adjustment has been determined by historical observations over a long term period and in consultation with the employer sponsor. There has been no change to this assumption from the prior year.
- The assumed inflation rate has been determined based on the mid-point of the Reserve Bank of Australia (RBA) inflation target. There has been no change to this assumption from the prior year.

Other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include resignation rates.

The following are sensitivity calculations on a univariate basis for the mortality rates, the discount rate/investment returns, the rate of salary adjustment and the inflation rate assumptions for the Scheme.

Key assumptions	Assumed at reporting date	Reasonably Possible Change	(Increase)/Decrease in member liabilities ($'000)
30 June 2021			
Discount rate / investment returns	6%	+ 1% - 1%	12,037,209 (15,166,960)
Salary adjustment rate	3.5%	+ 1% - 1%	(2,656,507) 2,390,123
Inflation rate	2.5%	+ 1% - 1%	(11,505,624) 9,569,164
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	692,627 (724,915)
30 June 2020			
Discount rate / investment returns	6%	+ 1% - 1%	11,072,105 (13,968,628)
Salary adjustment rate	3.5%	+ 1% - 1%	(2,633,402) 2,358,217
Inflation rate	2.5%	+ 1% - 1%	(10,460,910) 8,684,197
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	596,071 (622,134)

* For example, if the base probability of death of 3.0%, the higher rate is 3.15% and the lower rate is 2.85%.

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any other factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

9. MEMBER LIABILITIES (CONTINUED)

The actuarial estimate of vested benefits at 30 June 2021 is $102.8 billion (2020: $97.4 billion). The value of vested benefits represents the liability that would have fallen on the Scheme if all members had ceased service on 30 June 2021 and elected the option which maximised their benefit entitlement. The vested benefits have been calculated on the basis of current legislative arrangements as at the reporting date.

10. CASH FLOW INFORMATION

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash represents cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2021 $'000	2020 $'000
Cash at bank	**43,622**	78,012

(b) Reconciliation of operating result after income tax to net cash inflows / (outflows) from operating activities

Operating result after income tax	**60**	570
Net change in member benefits from investing activities	**3,589,209**	(200,450)
Changes in fair value of investments	**(3,589,238)**	200,262
Decrease/(increase) in interest receivable	**6**	39
(Increase)/decrease in deferred tax assets	**(1)**	(6)
(Decrease)/increase in income tax payable	**(67)**	(104)
Net cash inflows (outflows) from operating activities	**(31)**	311

11. AUDITOR'S REMUNERATION

Amounts paid or payable to the Australian National Audit Office for audit services:

	2021 $	2020 $
Financial statements	**48,225**	50,600
Regulatory returns and compliance	**32,400**	34,400
Total	**80,625**	85,000

The audits were provided by the Australian National Audit Office. The audit fees will be charged against the assets of the ARIA Investments Trust that are referable to the Scheme.

Deloitte Touche Tohmatsu have been contracted by the Australian National Audit Office to provide audit services on its behalf. Fees for those services are included in the above.

No other services were provided by the Australian National Audit Office or Deloitte Touche Tohmatsu to the Scheme during the reporting period.

12. FINANCIAL INSTRUMENTS

(a) Financial instruments management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The investments of the Scheme (other than cash held for managing contribution receipts, benefit payments and tax payments) comprise units in the AIT. The AIT is a pooled superannuation trust which is also governed by the Commonwealth Superannuation Corporation as Trustee. This type of investment has been determined by the Trustee to be appropriate for the Scheme and is in accordance with the Scheme's published investment strategy. The Trustee applies strategies to manage the risk relating to the investment activities of the AIT. The investments of the AIT are managed on behalf of the Trustee by specialist external investment managers who are required to invest the assets in accordance with contractual investment mandates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

(c) Capital risk management

The Registerable Superannuation Entity ('RSE') licence of the Trustee of the Scheme requires the Trustee to maintain adequate financial resources to address losses arising from operational risks that may affect registrable superannuation entities within its business operations in the form of operational risk reserve(s), operational risk trustee capital or a combination thereof to meet the target amount of financial resources that the RSE licensee determines is necessary to respond to these losses. The Trustee of the Scheme was in compliance with this requirement throughout the reporting period.

(d) Categories of financial instruments

The financial assets and liabilities of the Scheme are recognised at fair value as at the reporting date. Changes in fair value are recognised in the Income Statement and the Statement of Changes in Member Benefits.

(e) Financial risk management objectives

The Scheme is exposed to a variety of financial risks as a result of its pooled investment in the AIT. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Scheme's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Scheme's financial performance. These policies may include the use of financial derivative instruments.

The Trustee is responsible for ensuring that there is an effective risk management control framework in place for the Scheme. Consistent with regulatory requirements, the Trustee has developed, implemented and maintains a Risk Management Framework to identify the policies, procedures, processes and controls that comprise its risk management and control systems for the Scheme and for the Scheme's investments through the AIT. The overall investment strategy of the Scheme is set out in the Trustee's approved investment policies which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

The Trustee's internal investment team monitors and manages the financial risks relating to the Scheme's investments. Derivative Risk Statements set out the strict parameters for the Trustee's external investment managers authorised to use derivatives. In essence, derivatives cannot be used to raise the level of risk above the level it would otherwise have been, and derivatives cannot be used to leverage the investments.

The Scheme's investments are managed on behalf of the Trustee by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. The Trustee has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with its investment strategy.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme. In its capacity as trustee of the AIT, the Trustee has adopted a policy of spreading the aggregate value of transactions across approved creditworthy counterparties as a means of mitigating the risk of financial loss. The Scheme's exposure to its counterparties are continuously monitored by the Trustee.

The largest exposure to a single counterparty is to cash held by the investment master custodian Northern Trust. Credit risk relating to the master custodian is mitigated through contract indemnity provisions. Other than the master custodian, no individual exposure within the AIT exceeded 5% of net assets of that trust at 30 June 2021 or 30 June 2020.

The credit risk on the Scheme's directly held cash and cash equivalents and interest receivable is limited because the counterparty is the Reserve Bank of Australia.

The table below shows the maximum exposure of financial assets to credit risk at the reporting date:

	2021 $'000	2020 $'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**23,161,174**	20,343,742
Other financial assets		
Cash and cash equivalents	**43,622**	78,012
Receivables	**1,709**	2,226
Total financial assets	**23,206,505**	20,423,980

There has been no change to the Scheme's exposure to credit risk or the manner in which it manages and measures that risk during the reporting period.

(g) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in either realising assets or otherwise raising sufficient funds to meet its financial liabilities and/or member benefit payments or tax liabilities.

The Trustee's approach to managing liquidity is to ensure that the Scheme will always have sufficient liquidity to meet its liabilities and member benefit payments. The Scheme allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. The Trustee undertakes forecasting and scenario testing of the cashflow requirements of the Scheme to ensure timely access to sufficient cash and holds actively-traded, highly-liquid investments to meet anticipated funding requirements.

As a further risk mitigation strategy, it is the Trustee's policy that the target asset allocation to illiquid assets is limited to around 25% of the investments of the AIT (with a plus or minus 10 percentage point rebalancing range around that target). Regular scenario testing is performed to confirm the validity of the strategy.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(g) Liquidity risk (continued)

The following tables summarise the maturity profile of the Scheme's financial liabilities. The tables have been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Scheme expects to pay. The tables include both interest and principal cash flows.

Financial Liabilities maturity profile:

	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
30 June 2021					
Benefits payable	**21,800**	**-**	**-**	**-**	**21,800**
Other payables	**1,433**	**-**	**-**	**-**	**1,433**
Member liabilities	**715,607**	**2,146,821**	**12,071,481**	**79,190,798**	**94,124,707**
Total financial liabilities	**738,840**	**2,146,821**	**12,071,481**	**79,190,798**	**94,147,940**
30 June 2020					
Benefits payable	14,216	-	-	-	14,216
Other payables	1,234	-	-	-	1,234
Member liabilities	693,754	2,081,263	11,508,393	72,890,660	87,174,070
Total financial liabilities	709,204	2,081,263	11,508,393	72,890,660	87,189,520

There has been no change to the Scheme's exposure to liquidity risk or the manner in which it manages and measures that risk during the reporting period.

(h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in the Trustee's investment policies and the Risk Management Framework.

There has been no change to the Scheme's exposure to market risk or the manner in which it manages and measures that risk during the reporting period.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. However, the Scheme is indirectly exposed to foreign currency risk from the international assets held in the AIT, and it is managed in accordance with the Trustee's approved investment strategy. The AIT enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from its investments denominated in developed markets foreign currencies. These contracts neutralise some of the gains and losses from currency fluctuation. A small part of the investments of the AIT, relating to emerging markets, remain unhedged due to lack of suitable currency instruments for hedging.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits and taxation payments. All holdings at 30 June 2021 and 30 June 2020 had a maturity profile of less than one month.

The Scheme is indirectly exposed to interest rate risk through its investments in the AIT. The Trustee manages interest rate risk through its investment strategy including diversification of asset allocation and the use of a diversity of specialist investment sector managers.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk (continued)

Interest rate risk (continued)

The following table illustrates the Scheme's sensitivity to a 0.15% p.a. (2020: 0.09%) increase or decrease in interest rates, based on cash balances directly held at reporting date. This represents an assessment of a reasonably possible change in interest rates. Had interest rates been lower or higher by 0.15% (2020: 0.09%) at reporting date, and all other variables were held constant, the financial result would have improved / (deteriorated) as demonstrated:

		Interest rate risk $'000			
	Carrying amount $'000	Operating Result Before Tax	Net Assets Available to Pay Benefits	Operating Result Before Tax	Net Assets Available to Pay Benefits
2021		**-0.15%**		**+0.15%**	
Cash and cash equivalents	**43,622**	**(65)**	**(65)**	**65**	**65**
2020		-0.09%		+0.09%	
Cash and cash equivalents	78,012	(70)	(70)	70	70

In the Trustee's opinion, the sensitivity analysis at reporting date approximates the direct interest rate exposures of the Scheme during the financial year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all similar financial instruments traded in the market.

The Scheme's investment in the AIT is exposed to market price risk in respect of the latter's holdings of equity securities and unit trusts. As the investment in the AIT is carried at fair value through profit or loss, all changes in market conditions will directly affect the Scheme's net investment income.

In its capacity as trustee of the AIT, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk (continued)

Other price risk (continued)

The following table illustrates the Scheme's sensitivity to a reasonably possible change in the value of its investment in the AIT, based on risk exposures at reporting date. The volatility factor of 5.00% (2020: 5.00%) represents the volatility in the default option unit price of the Schemes Investment in the AIT and is reflective of market conditions as at reporting date. Had the unit price been higher or lower by the volatility factor at reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as follows:

Financial Assets			Price risk $'000			
ARIA Investments Trust:	Change in price	Carrying amount $'000	Operating Result Before Tax	Net Assets Available to Pay Benefits	Operating Result Before Tax	Net Assets Available to Pay Benefits
			(Lower price)		Higher price	
2021						
Default option	-/+5.00%	23,031,451	(1,151,573)	(1,151,573)	1,151,573	1,151,573
Cash option	-/+0.07%	55,145	(39)	(39)	39	39
Operational risk reserve	-/+0.07%	74,578	(52)	(52)	52	52
Total		**23,161,174**	**(1,151,664)**	**(1,151,664)**	**1,151,664**	**1,151,664**

Financial Assets			Price risk $'000			
ARIA Investments Trust:	Change in price	Carrying amount $'000	Operating Result Before Tax	Net Assets Available to Pay Benefits	Operating Result Before Tax	Net Assets Available to Pay Benefits
			(Lower price)		Higher price	
2020						
Default option	-/+5.00%	20,204,854	(1,010,243)	(1,010,243)	1,010,243	1,010,243
Cash option	-/+0.09%	64,973	(58)	(58)	58	58
Operational risk reserve	-/+0.09%	73,915	(67)	(67)	67	67
Total		**20,343,742**	**(1,010,368)**	**(1,010,368)**	**1,010,368**	**1,010,368**

In the Trustee's opinion, the sensitivity analysis at reporting date is representative of the other market price exposures during the financial year.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements

The Scheme's financial instruments are included in the Statement of Financial Position at fair value. The fair value is determined per the accounting policies in Note 3.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of the Scheme's financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: fair value measurements are those derived from quoted prices in active markets.

Level 2: fair value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2021				
Financial Assets				
Pooled superannuation trust	**-**	**23,161,174**	**-**	**23,161,174**
2020				
Financial Assets				
Pooled superannuation trust	-	20,343,742	-	20,343,742

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued daily based on the latest listed and unlisted market prices and values of the underlying investments, less any tax and expenses.

Reconciliation of Level 3 fair value measurements

There were no Level 3 financial assets or liabilities (2020: Nil).

Fair value measurements of the underlying investments

The funded components of the Schemes for which CSC is the Trustee are co-invested in a pooled superannuation trust. The following table provides an analysis of the underlying pooled superannuation trust's investments grouped into levels 1 to 3 of the fair value hierarchy based on the degree to which their fair value is observable. The table has been prepared on a look-through basis and therefore discloses investments held in underlying Trustee-controlled subsidiary trusts as if they are direct investments of the pooled superannuation trust.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2021				
Cash and cash equivalents	**4,207,897**	**-**	**-**	**4,207,897**
Money market investments	**3,498,439**	**-**	**-**	**3,498,439**
Fixed interest investments	**6,102,104**	**5,840**	**334,097**	**6,442,041**
Equity investments	**27,733,248**	**5,802,250**	**7,891,120**	**41,426,618**
Property investments	**-**	**-**	**4,250,778**	**4,250,778**
Derivatives contracts (net)	**(458,996)**	**(362,970)**	**502**	**(821,464)**
Total	**41,082,692**	**5,445,120**	**12,476,497**	**59,004,309**

2020				
Cash and cash equivalents	3,166,899	-	-	3,166,899
Money market investments	4,740,006	-	-	4,740,006
Fixed interest investments	5,302,424	6,358	311,385	5,620,167
Equity investments	20,768,429	5,369,415	4,964,157	31,102,001
Property investments	-	-	4,188,290	4,188,290
Derivatives contracts (net)	(1,035)	573,868	3,958	576,791
Total	33,976,723	5,949,641	9,467,790	49,394,154

12. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (continued)

Fair value measurements of the underlying investments (Continued)

The fair values of the pooled superannuation trust's investments is determined as follows:

I. Cash comprises demand deposits with a bank, financial institution or futures broker. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

II. Money market investments are valued at the market closing price on the last business day of the reporting period and include accrued interest.

III. Fixed interest securities are valued at their market value at close of business on the last business day of the reporting period.

IV. Equity securities and listed trusts are valued at the last sale price at close of business on the last business day of the reporting period.

V. Private equity funds are valued according to the most recent valuation obtainable from an independent (third party) valuer or an investment manager, applying valuation and disclosure guidelines consistent with the International Equity & Venture Capital Valuation Guidelines.

VI. Unlisted trusts (including pooled superannuation trusts and hedge funds) are valued at their most recent redemption price as determined by the manager of the relevant trust. Unlisted trusts controlled by the Trustee are valued at least annually in accordance with valuation guidelines agreed by the Trustee. Valuations may be completed by an independent valuer, the external investment manager or the Trustee. In determining the valuation, reference is made to guidelines set by relevant associations.

VII. Investment properties which comprise land and buildings for the purpose of letting to produce rental income, are initially measured at cost. Cost includes capital expenditure subsequent to acquisition. Investment properties are not depreciated. Subsequent to initial recognition, investment properties are measured at fair value. Investment properties are independently revalued at least annually. Valuations are performed by registered valuers. In determining the fair value, the expected net cash flows are discounted to their present value using a market determined risk adjusted rate. This is compared against valuations based on capitalised earnings methodologies as well as comparable market transactions.

VIII. Futures contracts are valued at market closing prices quoted on the last business day of the reporting period.

IX. Forward currency contracts and swaps are valued using prices obtained from independent providers as at the last business day of the reporting period (or alternatively from counterparties or the external investment managers where a provider does not supply a price).

X. Exchange traded options are valued as the premium payable or receivable to close out the contracts at the last buy price at close of business on the last business day of the reporting period.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Valuation adjustments to unlisted investment

Where there is a delay in the timely receipt of valuation for unlisted investments from the investment managers, the Trustee applies a systematic quarterly valuation adjustment. This adjustment is based on the performance of a comparable public market index over the relevant period and a relevant adjustment factor representing an estimate of the change in value implied by past relationships to the selected comparable public market index. This constitutes an enhancement to the Trust's valuation policy in relation to unlisted investments for the year ended 30 June 2021.

This adjustment has been introduced in order to assist in preserving equitable member outcomes from the impact of delays in receipt of valuations from primarily international investment managers. A special situation valuation adjustment is able to be made when, in management's judgment an unlisted valuation does not represent fair value and is required to preserve equitable member outcomes.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (continued)

Fair value measurements of the underlying investments (Continued)

As at 30 June 2021, a systematic quarterly valuation adjustment was applied to the most recently available investment manager valuations of unlisted international investments of $135.9m ($193.1m special situation valuation adjustment in 2020) and unlisted Australian equity trusts of $1.8m ($4.2m special situation valuation adjustment in 2020), representing 4.1% and 0.1% of the unlisted international and Australian trust portfolios respectively (5.0% and 0.3% in 2020).

13. RELATED PARTIES

(a) Trustee

Commonwealth Superannuation Corporation (CSC) was the Trustee throughout the reporting period. No fees were charged by CSC for acting as Trustee or the Scheme during the reporting period.

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2021 and to the date of this report were:

Ariane Barker
Juliet Brown (Appointed 13 September 2021)
Patricia Cross (Chair, Term ended 30 June 2021)
Melissa Donnelly (Appointed 1 July 2020)
Christopher Ellison
Garry Hounsell (Chair, Appointed 25 July 2021, previously Director until 23 July 2021)
Anthony Needham
Margaret Staib
Michael Vertigan (Term ended 30 June 2021)
Alistair Waters

In addition to the Directors, the following Executives of CSC had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2021 were:

Paul Abraham	Executive Manager, Investment Operations
Catharina Armitage	Head of People
Peter Carrigy-Ryan	Chief Executive Officer (Retired 12 July 2020)
Robert Firth	Chief Risk Officer
Philip George	Chief Transformation Officer (Previously Special Advisor, Member Outcomes until 31 July 2020)
Damian Hill	Chief Executive Officer (Commenced 13 July 2020)
Peter Jamieson	Chief Customer Officer
Andrew Matuszczak	Executive Manager, Technology (Commenced 31 August 2020)
Adam Nettheim	Head of Customer Operations
Alana Scheiffers	General Counsel
Alison Tarditi	Chief Investment Officer
Andy Young	Chief Operating Officer

The following changes to the Executives of CSC were made subsequent to 30 June 2021:

Catharina Armitage	Executive Manager, People (Previously Head of People until 30 June 2021)
Philip George	Executive Manager, Transformation (Previously Chief Transformation Officer until 30 June 2021)
Andrew Matuszczak	Chief Transformation and Information Officer (Previously Executive Manager, Technology until 30 June 2021)
Adam Nettheim	Executive Manager, Customer Operations (Previously Head of Customer Operations until 30 June 2021)

Juliet Brown is a member of the Scheme. The terms and conditions of her membership, or those of any related parties, are the same as for any other member who is not part of the key management personnel of the Scheme.

13. RELATED PARTIES (CONTINUED)

(c) Key Management Personnel Compensation

The aggregate compensation of the key management personnel in relation to the Scheme is set out below:

	2021	2020
	$	$
Short-term employee benefits	**1,073,530**	1,065,819
Post-employment benefits	**66,517**	80,558
Other long-term employee benefits	**28,922**	(5,739)
	1,168,969	1,140,638

Aggregate compensation in relation to the Scheme is a pro-rata apportionment of the overall compensation paid by the Trustee, based on the net assets of the entities under its trusteeship or actual control.

The compensation of key management personnel (including Directors) related to investment management is charged against the assets of the AIT that are referable to the Scheme.

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally-related entities at any time during the year.

(d) Investing entities

Throughout the year ended 30 June 2021, the Scheme's only investment consisted of units in the AIT, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

The other investors in the AIT throughout the year were the Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan and the Australian Defence Force Superannuation Scheme. All investing transactions are conducted under normal industry terms and conditions.

The Trustee of the Scheme, Commonwealth Superannuation Corporation, is the trustee of the following regulated superannuation schemes: Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan, the Military Superannuation and Benefits Scheme and the Australian Defence Force Superannuation Scheme.

The Trustee pays costs of and incidental to the management of the Scheme and the investment of its money from the assets of the AIT that are referable to the Scheme (see Note 7(c)). No fees were charged for acting as Trustee during the year ended 30 June 2021 (2020: $nil).

The Scheme held the following investments in related parties at 30 June:

	Fair Value of Investment 2021 $'000	Fair Value of Investment 2020 $'000	Share of Net Income / (Loss) after tax 2021 $'000	Share of Net Income / (Loss) after tax 2020 $'000
ARIA Investments Trust	**23,161,174**	20,343,742	**3,589,238**	(200,262)
	23,161,174	20,343,742	**3,589,238**	(200,262)

14. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital or other expenditure commitments at 30 June 2021 (2020: $Nil).

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Scheme which could result in additional benefits becoming payable in the future. Each request is considered on its merits prior to any benefit becoming payable. In the opinion of the Trustee, these requests do not represent a material liability on the Scheme.

There were no other contingent liabilities or contingent assets for the Scheme at 30 June 2021 (2020: $nil).

15. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2021 that have materially affected, or may materially affect, the operations of the Scheme, the results of those operations, or the financial position of the Scheme in future financial years.

Section 12
CSS Financial Statements

12

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance and Members of the Commonwealth Superannuation Scheme

Opinion

In my opinion, the financial statements of the Commonwealth Superannuation Scheme for the year ended 30 June 2021 present fairly, in all material respects, the financial position of the Commonwealth Superannuation Scheme as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

The financial statements of the Commonwealth Superannuation Scheme, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement of the Trustee of the Commonwealth Superannuation Scheme;
- Statement of Financial Position;
- Income Statement;
- Statement of Changes in Member Benefits;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to and forming part of the financial statements, comprising a Summary of Principal Accounting Policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Commonwealth Superannuation Scheme in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Trustee's responsibility for the financial statements

The Superannuation entity's trustee is responsible for the preparation and fair presentation of financial statements that comply with Australian Accounting Standards and the form agreed with the Minister for Finance and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as they determine is necessary to enable the preparation that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the Commonwealth Superannuation Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern as applicable and using the going concern basis of accounting unless the trustee either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor’s responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee;
- conclude on the appropriateness of the trustee’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Bola Oyetunji

Group Executive Director

Delegate of the Auditor-General

Canberra

29 September 2021

Commonwealth Superannuation Scheme (ABN 19 415 776 361)
Statement by the Trustee of the Commonwealth Superannuation Scheme ('Scheme')

The Board of Directors hereby states that in its opinion:

(a) the accompanying financial statements of the Commonwealth Superannuation Scheme are properly drawn up so as to present fairly the financial position of the Scheme as at 30 June 2021 and the financial performance, changes in equity, changes in member benefits and cash flows of the Scheme for the year ended on that date;

(b) at the date of this statement there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due;

(c) the financial statements are in a form agreed by the Minister for Finance and the Trustee in accordance with subsection 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

(d) the financial statements have been prepared based on properly maintained financial records; and

(e) the operations of the CSS Fund were conducted in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011*,the *Superannuation Act 1976* and the requirements of the *Superannuation Industry (Supervision) Act 1993* and regulations, and the relevant requirements of the *Corporations Act 2001* and regulations (to the extent applicable).

Signed this 29th day of September 2021 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Garry Hounsell	Air Vice-Marshal Margaret Staib
Chair	Director

The accompanying financial statements have been drawn up in accordance with Accounting Standards in Australia.

Commonwealth Superannuation Scheme
Statement of Financial Position
As at 30 June 2021

	Note	2021 $'000	2020 $'000
Assets			
Cash and cash equivalents		**31,522**	50,632
Employer sponsor receivable		**59,809,851**	61,073,563
Other receivables	4	**64**	300
Investments in pooled superannuation trust	5	**1,792,391**	1,906,143
Total assets		**61,633,828**	63,030,638
Liabilities			
Benefits payable		**(5,907)**	(2,907)
Income tax payable		**(869)**	(1,336)
Deferred tax liabilities	8(c)	**-**	(1)
Other Payable		**(238)**	-
Total liabilities excluding member benefits		**(7,014)**	(4,244)
Net assets available for member benefits		**61,626,814**	63,026,394
Defined benefit member liabilities	9	**(61,620,089)**	(63,019,675)
Net assets		**6,725**	6,719
Equity			
Operational risk reserve		**(6,725)**	(6,719)
Total equity		**(6,725)**	(6,719)

The attached notes form part of these financial statements.

Commonwealth Superannuation Scheme
Income Statement
For the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Investment revenue			
Interest		**20**	244
Changes in fair value of investments	6(c)	**267,803**	(12,655)
Total revenue		**267,823**	(12,411)
Total expenses		**-**	-
Operating results / (loss)		**267,823**	(12,411)
Net change in member benefits from investing activities		**(267,814)**	12,511
Operating result before income tax expense		**9**	100
Income tax expense	8(a)	**(3)**	(37)
Operating result after income tax		**6**	63

The attached notes form part of these financial statements.

Commonwealth Superannuation Scheme
Statement of Changes in Member Benefits
For the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Opening balance of member benefits allocated at the beginning of the financial year		**63,019,675**	64,116,409
Contributions:			
Member contributions	7(a)	**25,544**	30,579
Employer contributions	7(a)	**7,226**	8,976
Government co-contributions	7(a)	**11**	13
Low income superannuation tax offset	7(a)	**3**	8
Income tax on contributions	8(b)	**(1,084)**	(1,346)
Net after tax contributions		**31,700**	38,230
Net appropriation from Consolidated Revenue Fund	7(b)	**4,073,867**	3,997,639
Benefits to members	7(b)	**(4,509,255)**	(4,480,685)
Net change in member benefits from investing activities		**267,814**	(12,511)
Net change in member benefits to be funded by employers		**(1,263,712)**	(639,407)
Closing balance of member benefits allocated at the end of the financial year		**61,620,089**	63,019,675

The attached notes form part of these financial statements.

Commonwealth Superannuation Scheme
Statement of Changes in Equity
For the Financial Year Ended 30 June 2021

	Operational risk reserve $'000	Total equity $'000
Opening balance as at 1 July 2019	8,854	8,854
Operating result	63	63
Net transfers to / (from) reserves	(2,198)	(2,198)
Closing balance as at 30 June 2020	6,719	6,719
Opening balance as at 1 July 2020	**6,719**	**6,719**
Operating result	**6**	**6**
Closing balance as at 30 June 2021	**6,725**	**6,725**

The attached notes form part of these financial statements.

Commonwealth Superannuation Scheme
Statement of Cash Flows
For the Financial Year Ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Interest received		**25**	275
Income tax (paid) / received		**(40)**	(106)
Net cash (outflow) / inflows from operating activities	10(b)	**(15)**	169
Cash flows from investing activities			
Purchase of investments		**-**	-
Proceeds from sale of investments		**381,555**	471,770
Net cash inflows from investing activities		**381,555**	471,770
Cash flows from financing activities			
Contributions received			
Employer contributions		**7,226**	8,976
Member contributions		**25,544**	30,579
Government co-contributions		**11**	13
Low income superannuation tax offset		**3**	8
Income tax paid on contributions		**(1,515)**	(1,663)
Superannuation surcharge (paid) / received		**504**	(17)
Benefits paid		**(4,506,255)**	(4,487,589)
Net appropriation from Consolidated Revenue Fund		**4,073,832**	3,997,720
Net cash (outflows) from financing activities		**(400,650)**	(451,973)
Net (decrease) / increase in cash held		**(19,110)**	19,966
Cash at the beginning of the financial year		**50,632**	30,666
Cash at the end of the financial year	10(a)	**31,522**	50,632

The attached notes form part of these financial statements.

1. DESCRIPTION OF THE SCHEME AND THE FUND

The Commonwealth Superannuation Scheme ('Scheme') is a hybrid accumulation-defined benefits scheme which provides benefits to its members under the Superannuation Act 1976 (as subsequently amended). The Trustee of the Scheme is Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243).

Monies paid to the Trustee for the purposes of the Scheme are held in the Commonwealth Superannuation Fund (CSS Fund). The CSS Fund comprises contributions made by members and employers, income arising from investments, and unrealised and realised changes in market value of investments held within the CSS Fund. The Trustee pays member benefits and taxes relating to the CSS Fund out of the CSS Fund. The Trustee pays the direct and incidental costs of management of the CSS Fund and the investment of its money from the assets of the ARIA Investments Trust ('the AIT') that are referable to the CSS Fund (Note 7(c)).

CSS has been closed to new entrants since 1 July 1990.

The principal place of business and registered office of the Trustee is 7 London Circuit, Canberra, ACT 2601.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report of the Scheme is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and Interpretations and the *Superannuation Industry (Supervision) Act 1993*. For the purposes of preparing financial statements, the Scheme is a for profit for members entity.

The form of these financial statements has been agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011*.

The financial statements of the Scheme were authorised for issue by the Directors of the Trustee on 29 September 2021.

Standards adopted with no significant impact on the financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the disclosures or amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard / Interpretation	**Effective for annual reporting periods**
AASB 2018-7 'Amendments to Australian Accounting Standards – Definition of Material'	beginning on or after 1 January 2020
AASB 2019-1 'Amendments to Australian Accounting Standards – References to the Conceptual Framework'	beginning on or after 1 January 2020
AASB 2019-5 'Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia'	beginning on or after 1 January 2020

2. BASIS OF PREPARATION (CONTINUED)

(a)Statement of compliance (Continued)

Standards in issue but not yet effective

At the date of authorisation of the financial report, the following Standards which are expected to be relevant to the Scheme were in issue but not yet effective. The directors anticipate the adoption of these Standards will have no material financial impact on the financial report of the Scheme.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-2 'Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities'	1 July 2021	30 June 2022
AASB 2020-1 'Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current'	1 January 2022	30 June 2023
AASB 2020-3 'Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments'	1 January 2022	30 June 2023
AASB 2020-6 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date'	1 January 2022	30 June 2023
AASB 2021-2 'Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates'	1 January 2023	30 June 2024

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Scheme.

Amounts in these financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

(d) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. In making this assessment, the directors of the Trustee have considered future events and conditions for the period of twelve months following the approval of these financial statements. The Trustee remains confident that the Scheme will be able to continue as a going concern as the Scheme's assets significantly outweigh its liabilities and it has sufficient liquidity to meet its debts as and when they fall due.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2021 and the comparative information presented in these financial statements for the year ended 30 June 2020.

(a) Cash and cash equivalents

Cash and cash equivalents include cash at bank used to transact member and employer contributions, transfers to and from other funds, benefit payments and tax liabilities.

(b) Financial assets

Financial assets (being investments in a pooled superannuation trust, cash at bank and other receivables) are recognised on the date the Scheme becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. After initial measurement, any gains and losses from changes in fair value are recognised in the Income Statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

Fair values have been determined as follows:

(i) Units in a pooled superannuation trust are valued at the redemption price at close of business on the last business day of the reporting period as notified by the manager of the trust, reflecting the fair value of the underlying investments.

(ii) Other receivables are recognised at nominal amounts due which approximate fair value. All amounts are unsecured and are subject to normal credit terms.

(c) Employer sponsor receivable

The Commonwealth Government is obliged under the *Superannuation Act 1976* (as amended) to meet any funding shortfall for the defined benefit member liabilities of the Scheme. The asset is measured at its 'intrinsic value' (i.e. the amount of the difference between the defined benefit member liability and the fair value of assets available to meet that liability). The value of the employer sponsor receivable will not necessarily be the same as the value of the corresponding liability in the accounts of the employer sponsor and the Australian Government Long Term Cost Report due to the application of different accounting standards which may result in different valuation assumptions from those set out in Note 9.

(d) Foreign currency transactions

The Scheme does not undertake transactions denominated in foreign currencies.

(e) Payables

Payables (being benefits payable and other payables) are recognised at their nominal value which is equivalent to fair value.

Benefits payable

Benefits payable to a member are recognised where a valid withdrawal notice has been received from the employer sponsor, and approved, but payment has not been made by reporting date.

Other payables

Other payables represent liabilities for services provided during the financial period and which are unpaid at reporting date. All amounts are unsecured. Creditors are subject to normal credit terms.

(f) Defined benefit member liabilities

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due (Note 9).

The impact of the Scheme's default death and invalidity insurance arrangements have been considered in determining member liabilities. Balances and transactions in respect of these arrangements are presented in aggregate as part of member liabilities and the benefits paid/payable balances presented in the Statement of Financial Position and Statement of Changes in Member Benefits.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Contribution revenue and transfers from other funds

Employer and member contributions, superannuation co-contributions, low income superannuation tax offsets from the Commonwealth Government and transfers from other funds are recognised when control of the contribution or transfer has passed to the Scheme.

(h) 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. The ORR is operated in accordance with an ORR policy. The level of the reserve is determined by the Trustee Directors and reviewed annually, based on an assessment of the risks faced by the Fund. The transferred assets underlying the ORR are held in a separate cash option of the AIT and income earned on these assets is recognised in the reserve.

(i) Derivatives

The Scheme does not directly enter into derivative financial instruments.

(j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

Investment revenue

Interest revenue is recognised on an accrual basis.

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

(k) Expenses

Expenses are recognised on an accruals basis and, if not paid at reporting date, are reflected in the Statement of Financial Position as an accrual or payable depending upon whether or not the expense has been billed.

(l) Income tax

Income tax is recognised in the Income Statement and the Statement of Changes in Member Benefits. As the Scheme invests in the AIT, which is a pooled superannuation trust, tax on this investment revenue is paid by the AIT.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Scheme intends to settle its current tax assets and liabilities on a net basis.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Income tax (Continued)

Current and deferred tax for the period

Current and deferred tax for the period is recognised as an expense or benefit in the Income Statement, except for tax on contributions, which is recognised in the Statement of Changes in Member Benefits.

(m) Goods and services tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as an expense item.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

4. OTHER RECEIVABLES

	2021 $'000	2020 $'000
Interest receivable	**-**	5
Surcharge tax	**-**	266
Amount to be appropriated from Consolidated Revenue Fund	**64**	29
	64	300

There are no receivables that are past due or impaired. (2020: Nil)

5. INVESTMENTS

	2021 $'000	2020 $'000
Pooled superannuation trust - ARIA Investments Trust	**1,792,391**	1,906,143
	1,792,391	1,906,143

6. CHANGES IN FAIR VALUE OF INVESTMENTS

	2021 $'000	2020 $'000
(a) Investments held at 30 June:		
Pooled superannuation trust - ARIA Investments Trust	**246,861**	(15,292)
(b) Investments realised during the year:		
Pooled superannuation trust - ARIA Investments Trust	**20,942**	2,637
(c) Total changes in fair value of investments	**267,803**	(12,655)

7. FUNDING ARRANGEMENTS

(a) Contributions

Member Contributions

Members contribute to the Scheme at optional rates from 5% of salary, or they may opt to make nil contributions. The contribution rates were the same in the prior year.

Employer Contributions

Employers who do not operate their own productivity schemes contribute employer (productivity) contributions to the Scheme on a sliding scale averaging 3% of salaries paid to members. The contribution rates were the same in the prior year.

Transferring Superannuation from Other Funds

Money invested in other superannuation funds can be transferred to the Scheme.

Government Co-Contributions

For the financial years ended 30 June 2020 and 30 June 2021, the Commonwealth Government contributed $0.50 for every $1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of $500 per member.

7. FUNDING ARRANGEMENTS (CONTINUED)

(a) Contributions (Continued)

Low Income Superannuation Tax Offset

The low income superannuation tax offset (LISTO) is a Commonwealth Government superannuation payment of up to $500. LISTO payments are recognised as revenue when received.

(b) Benefits

Where a benefit that becomes payable in respect of a member can be fully met from Scheme assets attributable to that member, the benefit is paid to the beneficiary from the CSS Fund. Where a benefit becomes payable that cannot be fully met from Scheme assets attributable to the member, all moneys held in the CSS Fund in respect of the member are paid to the Consolidated Revenue Fund, and the Commonwealth Government then assumes responsibility for funding the whole benefit.

Of the total benefits payable at 30 June 2021, $0.064 million (2020: $0.029 million) is payable by the Consolidated Revenue Fund. The Commonwealth Government is the corresponding debtor for this amount in accordance with the funding arrangements described above.

Benefits paid and payable by the CSS Fund and the Consolidated Revenue Fund during the year are as follows:

	2021 $'000	2020 $'000
Gross Appropriation from Consolidated Revenue Fund	**4,507,324**	4,478,985
less: Transfers from Fund to Consolidated Revenue Fund	**(433,457)**	(481,346)
Net appropriation from Consolidated Revenue Fund	**4,073,867**	3,997,639
Consolidated Revenue Fund		
Lump-sum benefits	**152,920**	184,406
Pensions	**4,354,404**	4,294,579
	4,507,324	4,478,985
CSS Fund		
Lump-sum benefits	**1,931**	1,700
Total benefits paid and payable	**4,509,255**	4,480,685

(c) Cost of managing, investing and administering the scheme

Costs of and incidental to the management of the Scheme and the investment of its money are charged against the assets of the AIT that are referable to the Scheme. Transactions in respect of these costs have been brought to account in the financial statements of the AIT.

Expenses met by the AIT and referable to the Fund are as follows:

	2021 $'000	2020 $'000
Investment		
Investment manager fees	**6,012**	7,913
Custodian fees	**190**	305
Investment consultant and other service provider fees	**208**	618
Other investment expenses	**312**	257
Total direct investment expenses	**6,722**	9,093
Regulatory fees	**146**	195
Other operating expenses	**1,950**	2,079
Total costs	**8,818**	11,367

7. FUNDING ARRANGEMENTS (CONTINUED)

(c)Cost of managing, investing and administering the scheme (Continued)

Costs other than those incurred in managing and investing Scheme assets are met by CSC. Administrative fees are paid to CSC by employing agencies to meet these costs. Sponsoring employers have contributed further administration funding of $13.04 million (2020: $13.01 million). Transactions in respect of the receipt of these fees and the costs of administration have been brought to account in the financial statements of the Trustee.

8. INCOME TAX

(a) Income tax recognised in the Income Statement

	2021 $'000	2020 $'000
Note 8(a): Income tax recognised in operating results		
Income tax expense comprises:		
Current tax benefit	**4**	41
Deferred tax expense relating to the origination and reversal of temporary differences	**(1)**	(4)
Total tax expense	**3**	37

The prima facie income tax benefit on the operating result before income tax reconciles to the income tax benefit in the Income Statement as follows:

	2021 $'000	2020 $'000
Operating result before income tax expense	**9**	100
Income tax expense / (benefit) calculated at 15%	**1**	15
Net change in member benefits from investing activities	**40,172**	(1,876)
Investment revenue already taxed	**(40,170)**	1,898
Total income tax expense	**3**	37

(b) Income tax on contributions recognised in Statement of Changes in Member Benefits

	2021 $'000	2020 $'000
Contributions received:		
Member contributions	**25,544**	30,579
Employer contributions	**7,226**	8,976
Government co-contributions	**11**	13
Low income superannuation tax offset	**3**	8
Total contributions received	**32,784**	39,576
Contributions tax calculated at 15%	**4,918**	5,936
Member contributions not subject to tax	**(3,832)**	(4,587)
Government co-contributions not subject to tax	**(2)**	(2)
Low income superannuation tax offset not subject to tax	**-**	(1)
Total income tax on contributions	**1,084**	1,346

8. INCOME TAX (CONTINUED)

(c) Recognised deferred tax liabilities

	2021 $'000	2020 $'000
Deferred tax liabilities comprise:		
Temporary differences	-	1
	-	1

Taxable and deductible temporary differences arise from the following:

2021	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Interest receivable	**1**	**(1)**	**-**
	1	**(1)**	**-**

2020	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Interest receivable	5	(4)	1
	5	(4)	1

9. MEMBER LIABILITIES

The Scheme engages qualified actuaries on an annual basis to measure defined benefit liabilities. The value of the member liabilities will not necessarily be the same as the value presented in the accounts of the employer sponsor and the Australian Government Long Term Cost Report due to the application of different accounting standards which may result in different valuation assumptions. The liabilities change from year to year as a result of contributions, benefit payments, interest costs and investment returns relative to the actuarial assumptions adopted. The actuarial assumptions are long term assumptions commensurate with the maturity of the member liabilities and are reviewed in consultation with the actuaries on an annual basis.

The Scheme uses sensitivity analysis to monitor the potential impact of key changes to key variables about which the assumptions need to be made. The Scheme has identified four assumptions (being the mortality rates, the discount rate/investment returns, the rate of salary adjustment and the inflation rate) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities:

- The current mortality assumptions adopted are scheme specific based on the experience observed. The actuaries have updated these assumptions from the prior year based on analysis of the Scheme's actual experience.

- The assumed discount rate has been determined by reference to the target investment returns expected on the investment portfolio, which reflect the opportunities reasonably available to the Scheme in the investment markets. There has been no change to this assumption from the prior year.

- The assumed annual salary adjustment has been determined by historical observations over a long term period and in consultation with the employer sponsor. There has been no change to this assumption from the prior year.

- The assumed inflation rate has been determined based on the mid-point of the Reserve Bank of Australia (RBA) inflation target. There has been no change to this assumption from the prior year.

Other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include resignation rates.

9. MEMBER LIABILITIES (CONTINUED)

The following are sensitivity calculations on a univariate basis for the mortality rates, the discount rate/investment returns, the rate of salary adjustment and the inflation rate assumptions for the Scheme.

Key assumptions	Assumed at reporting date	Reasonably Possible Change	(Increase)/Decrease in member liabilities ($'000)
30 June 2021			
Discount rate / investment returns	6%	+ 1% - 1%	5,317,583 (6,284,576)
Salary adjustment rate	3.5%	+ 1% - 1%	(51,743) 48,226
Inflation rate	2.5%	+ 1% - 1%	(5,567,082) 4,791,781
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	712,499 (750,022)
30 June 2020			
Discount rate / investment returns	6%	+ 1% - 1%	5,534,013 (6,558,356)
Salary adjustment rate	3.5%	+ 1% - 1%	(67,727) 62,485
Inflation rate	2.5%	+ 1% - 1%	(5,841,913) 5,016,268
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	688,661 (722,787)

* For example, if the base probability of death of 3.0%, the higher rate is 3.15% and the lower rate is 2.85%.

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any other factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

An actuarial estimate of vested benefits at 30 June 2021 is $61.9 billion (2020: $63.5 billion). The value of vested benefits represents the liability that would have fallen on the Scheme if all members had ceased service on 30 June 2021 and elected the option which maximised their benefit entitlement.

The vested benefits have been calculated on the basis of current legislative arrangements as at the reporting date.

10. CASH FLOW INFORMATION

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash represents cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2021 $'000	2020 $'000
Cash at bank	**31,522**	50,632

(b) Reconciliation of operating result after income tax to net cash inflows / (outflows) from operating activities

Operating result after income tax expense	**6**	63
Net change in member benefits from investing activities	**267,814**	(12,511)
Changes in fair value of investments	**(267,803)**	12,655
Decrease/(increase) in interest receivable	**5**	31
(Decrease)/increase in income tax payable	**(36)**	(65)
(Decrease)/increase in deferred tax liabilities	**(1)**	(4)
Net cash inflows (outflows) from operating activities	**(15)**	169

11. AUDITOR'S REMUNERATION

Amounts paid or payable to the Australian National Audit Office for audit services:

	2021 $	2020 $
Financial statements	**48,225**	50,600
Regulatory returns and compliance	**32,400**	34,400
Total	**80,625**	85,000

The audits were provided by the Australian National Audit Office. The audit fees will be charged against the assets of the ARIA Investments Trust that are referable to the Scheme.

Deloitte Touche Tohmatsu have been contracted by the Australian National Audit Office to provide audit services on its behalf. Fees for those services are included in the above.

No other services were provided by the Australian National Audit Office or Deloitte Touche Tohmatsu to the Scheme during the reporting period.

12. FINANCIAL INSTRUMENTS

(a) Financial instruments management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The investments of the Scheme (other than cash held for managing contribution receipts, benefit payments and tax payments) comprise units in the AIT. The AIT is a pooled superannuation trust which is also governed by the Commonwealth Superannuation Corporation as Trustee. This type of investment has been determined by the Trustee to be appropriate for the Scheme and is in accordance with the Scheme's published investment strategy. The Trustee applies strategies to manage the risk relating to the investment activities of the AIT. The investments of the AIT are managed on behalf of the Trustee by specialist external investment managers who are required to invest the assets in accordance with contractual investment mandates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

(c) Capital risk management

The Registrable Superannuation Entity ('RSE') licence of the Trustee of the Scheme requires the Trustee to maintain adequate financial resources to address losses arising from operational risks that may affect registrable superannuation entities within its business operations in the form of operational risk reserve(s), operational risk trustee capital or a combination thereof to meet the target amount of financial resources that the RSE licensee determines is necessary to respond to these losses. The Trustee of the Scheme was in compliance with this requirement throughout the reporting period.

(d) Categories of financial instruments

The financial assets and liabilities of the Scheme are recognised at fair value as at the reporting date. Changes in fair value are recognised in the Income Statement and the Statement of Changes in Member Benefits.

(e) Financial risk management objectives

The Scheme is exposed to a variety of financial risks as a result of its pooled investment in the AIT. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Scheme's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Scheme's financial performance. These policies may include the use of financial derivative instruments.

The Trustee is responsible for ensuring that there is an effective risk management control framework in place for the Scheme. Consistent with regulatory requirements, the Trustee has developed, implemented and maintains a Risk Management Framework to identify the policies, procedures, processes and controls that comprise its risk management and control systems for the Scheme and for the Scheme's investments through the AIT. The overall investment strategy of the Scheme is set out in the Trustee's approved investment policies which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

The Trustee's internal investment team monitors and manages the financial risks relating to the Scheme's investments. Derivative Risk Statements set out the strict parameters for the Trustee's external investment managers authorised to use derivatives. In essence, derivatives cannot be used to raise the level of risk above the level it would otherwise have been, and derivatives cannot be used to leverage the investments.

The Scheme's investments are managed on behalf of the Trustee by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. The Trustee has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with its investment strategy.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme. In its capacity as trustee of the AIT, the Trustee has adopted a policy of spreading the aggregate value of transactions across approved creditworthy counterparties as a means of mitigating the risk of financial loss. The Scheme's exposure to its counterparties are continuously monitored by the Trustee.

The largest exposure to a single counterparty is to cash held by the investment master custodian Northern Trust. Credit risk relating to the master custodian is mitigated through contract indemnity provisions. Other than the master custodian, no individual exposure within the AIT exceeded 5% of net assets of that trust at 30 June 2021 or 30 June 2020.

The credit risk on the Scheme's directly held cash and cash equivalents and interest receivable is limited because the counterparty is the Reserve Bank of Australia.

The table below shows the maximum exposure of financial assets to credit risk at the reporting date:

	2021 $'000	2020 $'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**1,792,391**	1,906,143
Other financial assets		
Cash and cash equivalents	**31,522**	50,632
Receivables	**64**	300
Total financial assets	**1,823,977**	1,957,075

There has been no change to the Scheme's exposure to credit risk or the manner in which it manages and measures that risk during the reporting period.

(g) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in either realising assets or otherwise raising sufficient funds to meet its financial liabilities and/or member benefit payments or tax liabilities.

The Trustee's approach to managing liquidity is to ensure that the Scheme will always have sufficient liquidity to meet its liabilities and member benefit payments. The Scheme allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. The Trustee undertakes forecasting and scenario testing of the cashflow requirements of the Scheme to ensure timely access to sufficient cash and holds actively-traded, highly-liquid investments to meet anticipated funding requirements.

As a further risk mitigation strategy, it is the Trustee's policy that the target asset allocation to illiquid assets is limited to around 25% of the investments of the AIT (with a plus or minus 10 percentage point rebalancing range around that target). Regular scenario testing is performed to confirm the validity of the strategy.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(g) Liquidity risk (continued)

The following tables summarise the maturity profile of the Scheme's financial liabilities. The tables have been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Scheme expects to pay. The tables include both interest and principal cash flows.

Financial Liabilities maturity profile:

	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
30 June 2021					
Benefits payable	**5,907**	**-**	**-**	**-**	**5,907**
Other payables	**238**	**-**	**-**	**-**	**238**
Defined benefits member liabilities	**1,127,046**	**3,381,139**	**15,801,299**	**41,310,605**	**61,620,089**
Total financial liabilities	**1,133,191**	**3,381,139**	**15,801,299**	**41,310,605**	**61,626,234**
30 June 2020					
Benefits payable	2,907	-	-	-	2,907
Defined benefits member liabilities	1,114,766	3,344,298	15,809,895	42,750,716	63,019,675
Total financial liabilities	1,117,673	3,344,298	15,809,895	42,750,716	63,022,582

There has been no change to the Scheme's exposure to liquidity risk or the manner in which it manages and measures that risk during the reporting period.

(h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in the Trustee's investment policies and the Risk Management Framework.

There has been no change to the Scheme's exposure to market risk or the manner in which it manages and measures that risk during the reporting period.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. However, the Scheme is indirectly exposed to foreign currency risk from the international assets held in the AIT, and it is managed in accordance with the Trustee's approved investment strategy. The AIT enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from its investments denominated in developed markets foreign currencies. These contracts neutralise some of the gains and losses from currency fluctuation. A small part of the investments of the AIT, relating to emerging markets, remain unhedged due to lack of suitable currency instruments for hedging.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits and taxation payments. All holdings at 30 June 2021 and 30 June 2020 had a maturity profile of less than one month.

The Scheme is indirectly exposed to interest rate risk through its investments in the AIT. The Trustee manages interest rate risk through its investment strategy including diversification of asset allocation and the use of a diversity of specialist investment sector managers.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk (continued)

The following table illustrates the Scheme's sensitivity to a 0.15% p.a. (2020: 0.09%) increase or decrease in interest rates, based on cash balances directly held at reporting date. This represents an assessment of a reasonably possible change in interest rates. Had interest rates been lower or higher by 0.15% (2020: 0.09%) at reporting date, and all other variables were held constant, the financial result would have improved / (deteriorated) as demonstrated:

		Interest rate risk $'000			
	Carrying amount $'000	Operating Result Before Tax	Net Assets Available to Pay Benefits	Operating Result Before Tax	Net Assets Available to Pay Benefits
2021		**-0.15%**		**+0.15%**	
Cash and cash equivalents	**31,522**	**(47)**	**(47)**	**47**	**47**
2020		-0.09%		+0.09%	
Cash and cash equivalents	50,632	(46)	(46)	46	46

In the Trustee's opinion, the sensitivity analysis at reporting date approximates the direct interest rate exposures of the Scheme during the financial year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all similar financial instruments traded in the market.

The Scheme's investment in the AIT is exposed to market price risk in respect of the latter's holdings of equity securities and unit trusts. As the investment in the AIT is carried at fair value through profit or loss, all changes in market conditions will directly affect the Scheme's net investment income.

In its capacity as trustee of the AIT, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk (continued)

Other price risk (continued)

The following table illustrates the Scheme's sensitivity to a reasonably possible change in the value of its investment in the AIT, based on risk exposures at reporting date. The volatility factor of 5.00% (2020: 5.00%) represents the volatility in the default option unit price of the Schemes Investment in the AIT and is reflective of market conditions as at reporting date. Had the unit price been higher or lower by the volatility factor at reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as follows:

Financial Assets ARIA Investments Trust:	Change in price	Carrying amount $'000	Price risk $'000 Operating Result Before Tax (Lower price)	Net Assets Available to Pay Benefits (Lower price)	Operating Result Before Tax Higher price	Net Assets Available to Pay Benefits Higher price
2021						
Default option	-/+5.00%	1,653,844	(82,692)	(82,692)	82,692	82,692
Cash option	-/+0.07%	131,822	(92)	(92)	92	92
Operational risk reserve	-/+0.07%	6,725	(5)	(5)	5	5
Total		**1,792,391**	**(82,789)**	**(82,789)**	**82,789**	**82,789**

Financial Assets ARIA Investments Trust:	Change in price	Carrying amount $'000	Price risk $'000 Operating Result Before Tax (Lower price)	Net Assets Available to Pay Benefits (Lower price)	Operating Result Before Tax Higher price	Net Assets Available to Pay Benefits Higher price
2020						
Default option	-/+5.00%	1,630,552	(81,528)	(81,528)	81,528	81,528
Cash option	-/+0.09%	268,872	(242)	(242)	242	242
Operational risk reserve	-/+0.09%	6,719	(6)	(6)	6	6
Total		**1,906,143**	**(81,776)**	**(81,776)**	**81,776**	**81,776**

In the Trustee's opinion, the sensitivity analysis at reporting date is representative of the other market price exposures during the financial year.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements

The Scheme's financial instruments are included in the Statement of Financial Position at fair value. The fair value is determined per the accounting policies in Note 3.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of the Scheme's financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: fair value measurements are those derived from quoted prices in active markets.

Level 2: fair value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2021				
Financial Assets				
Pooled superannuation trust	**-**	**1,792,391**	**-**	**1,792,391**
2020				
Financial Assets				
Pooled superannuation trust	-	1,906,143	-	1,906,143

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued daily based on the latest listed and unlisted market prices and values of the underlying investments, less any tax and expenses.

Reconciliation of Level 3 fair value measurements

There were no Level 3 financial assets or liabilities (2020: Nil).

Fair value measurements of the underlying investments

The funded components of the Schemes for which CSC is the Trustee are co-invested in a pooled superannuation trust. The following table provides an analysis of the underlying pooled superannuation trust's investments grouped into levels 1 to 3 of the fair value hierarchy based on the degree to which their fair value is observable. The table has been prepared on a look-through basis and therefore discloses investments held in underlying Trustee-controlled subsidiary trusts as if they are direct investments of the pooled superannuation trust.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2021				
Cash and cash equivalents	**4,207,897**	**-**	**-**	**4,207,897**
Money market investments	**3,498,439**	**-**	**-**	**3,498,439**
Fixed interest investments	**6,102,104**	**5,840**	**334,097**	**6,442,041**
Equity investments	**27,733,248**	**5,802,250**	**7,891,120**	**41,426,618**
Property investments	**-**	**-**	**4,250,778**	**4,250,778**
Derivatives contracts (net)	**(458,996)**	**(362,970)**	**502**	**(821,464)**
Total	**41,082,692**	**5,445,120**	**12,476,497**	**59,004,309**

2020				
Cash and cash equivalents	3,166,899	-	-	3,166,899
Money market investments	4,740,006	-	-	4,740,006
Fixed interest investments	5,302,424	6,358	311,385	5,620,167
Equity investments	20,768,429	5,369,415	4,964,157	31,102,001
Property investments	-	-	4,188,290	4,188,290
Derivatives contracts (net)	(1,035)	573,868	3,958	576,791
Total	33,976,723	5,949,641	9,467,790	49,394,154

12. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (Continued)

Fair value measurements of the underlying investments (Continued)

The fair values of the pooled superannuation trust's investments is determined as follows:

I. Cash comprises demand deposits with a bank, financial institution or futures broker. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

II. Money market investments are valued at the market closing price on the last business day of the reporting period and include accrued interest.

III. Fixed interest securities are valued at their market value at close of business on the last business day of the reporting period.

IV. Equity securities and listed trusts are valued at the last sale price at close of business on the last business day of the reporting period.

V. Private equity funds are valued according to the most recent valuation obtainable from an independent (third party) valuer or an investment manager, applying valuation and disclosure guidelines consistent with the International Equity & Venture Capital Valuation Guidelines.

VI. Unlisted trusts (including pooled superannuation trusts and hedge funds) are valued at their most recent redemption price as determined by the manager of the relevant trust. Unlisted trusts controlled by the Trustee are valued at least annually in accordance with valuation guidelines agreed by the Trustee. Valuations may be completed by an independent valuer, the external investment manager or the Trustee. In determining the valuation, reference is made to guidelines set by relevant associations.

VII. Investment properties which comprise land and buildings for the purpose of letting to produce rental income, are initially measured at cost. Cost includes capital expenditure subsequent to acquisition. Investment properties are not depreciated. Subsequent to initial recognition, investment properties are measured at fair value. Investment properties are independently revalued at least annually. Valuations are performed by registered valuers. In determining the fair value, the expected net cash flows are discounted to their present value using a market determined risk adjusted rate. This is compared against valuations based on capitalised earnings methodologies as well as comparable market transactions.

VIII. Futures contracts are valued at market closing prices quoted on the last business day of the reporting period.

IX. Forward currency contracts and swaps are valued using prices obtained from independent providers as at the last business day of the reporting period (or alternatively from counterparties or the external investment managers where a provider does not supply a price).

X. Exchange traded options are valued as the premium payable or receivable to close out the contracts at the last buy price at close of business on the last business day of the reporting period.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Valuation adjustments to unlisted investment

Where there is a delay in the timely receipt of valuation for unlisted investments from the investment managers, the Trustee applies a systematic quarterly valuation adjustment. This adjustment is based on the performance of a comparable public market index over the relevant period and a relevant adjustment factor representing an estimate of the change in value implied by past relationships to the selected comparable public market index. This constitutes an enhancement to the Trust's valuation policy in relation to unlisted investments for the year ended 30 June 2021.

This adjustment has been introduced in order to assist in preserving equitable member outcomes from the impact of delays in receipt of valuations from primarily international investment managers. A special situation valuation adjustment is able to be made when, in management's judgment an unlisted valuation does not represent fair value and is required to preserve equitable member outcomes.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (Continued)

Fair value measurements of the underlying investments (Continued)

As at 30 June 2021, a systematic quarterly valuation adjustment was applied to the most recently available investment manager valuations of unlisted international investments of $135.9m ($193.1m special situation valuation adjustment in 2020) and unlisted Australian equity trusts of $1.8m ($4.2m special situation valuation adjustment in 2020), representing 4.1% and 0.1% of the unlisted international and Australian trust portfolios respectively (5.0% and 0.3% in 2020).

13. RELATED PARTIES

(a) Trustee

Commonwealth Superannuation Corporation (CSC) was the Trustee throughout the reporting period. No fees were charged by CSC for acting as Trustee or the Scheme during the reporting period.

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2021 and to the date of this report were:

Ariane Barker
Juliet Brown (Appointed 13 September 2021)
Patricia Cross (Chair, Term ended 30 June 2021)
Melissa Donnelly (Appointed 1 July 2020)
Christopher Ellison
Garry Hounsell (Chair, Appointed 25 July 2021, Previously Director until 23 July 2021)
Anthony Needham
Margaret Staib
Michael Vertigan (Term ended 30 June 2021)
Alistair Waters

In addition to the Directors, the following Executives of CSC had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2021 were:

Paul Abraham	Executive Manager, Investment Operations
Catharina Armitage	Head of People
Peter Carrigy-Ryan	Chief Executive Officer (Retired 12 July 2020)
Robert Firth	Chief Risk Officer
Philip George	Chief Transformation Officer (Previously Special Advisor, Member Outcomes until 31 July 2020)
Damian Hill	Chief Executive Officer (Commenced 13 July 2020)
Peter Jamieson	Chief Customer Officer
Andrew Matuszczak	Executive Manager, Technology (Commenced 31 August 2020)
Adam Nettheim	Head of Customer Operations
Alana Scheiffers	General Counsel
Alison Tarditi	Chief Investment Officer
Andy Young	Chief Operating Officer

The following changes to the Executives of CSC were made subsequent to 30 June 2021:

Catharina Armitage	Executive Manager, People (Previously Head of People until 30 June 2021)
Philip George	Executive Manager, Transformation (Previously Chief Transformation Officer until 30 June 2021)
Andrew Matuszczak	Chief Transformation and Information Officer (Previously Executive Manager, Technology until 30 June 2021)
Adam Nettheim	Executive Manager, Customer Operations (Previously Head of Customer Operations until 30 June 2021)

Peter Carrigy-Ryan is a member of the Scheme. The terms and conditions of his membership, or those of any related parties, are the same as for any other member who is not part of the key management personnel of the Scheme.

13. RELATED PARTIES (CONTINUED)

(c) Key Management Personnel Compensation

The aggregate compensation of the key management personnel in relation to the Scheme is set out below:

	2021	2020
	$	$
Short-term employee benefits	**92,939**	111,795
Post-employment benefits	**5,759**	8,450
Other long-term employee benefits	**2,504**	(602)
	101,202	119,643

Aggregate compensation in relation to the Scheme is a pro-rata apportionment of the overall compensation paid by the Trustee, based on the net assets of the entities under its trusteeship or actual control.

The compensation of key management personnel (including Directors) related to investment management is charged against the assets of the AIT that are referable to the Scheme.

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally-related entities at any time during the year.

(d) Investing entities

Throughout the year ended 30 June 2021, the Scheme's only investment consisted of units in the AIT, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

The other investors in the AIT throughout the year were the Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan and the Australian Defence Force Superannuation Scheme. All investing transactions are conducted under normal industry terms and conditions.

The Trustee of the Scheme, Commonwealth Superannuation Corporation, is the trustee of the following regulated superannuation schemes: Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan, the Military Superannuation and Benefits Scheme and the Australian Defence Force Superannuation Scheme.

The Trustee pays costs of and incidental to the management of the Scheme and the investment of its money from the assets of the AIT that are referable to the Scheme (see Note 7(c)). No fees were charged for acting as Trustee during the year ended 30 June 2021 (2020: $nil).

The Scheme held the following investments in related parties at 30 June:

	Fair Value of Investment 2021 $'000	Fair Value of Investment 2020 $'000	Share of Net Income / (Loss) after tax 2021 $'000	Share of Net Income / (Loss) after tax 2020 $'000
ARIA Investments Trust	**1,792,391**	1,906,143	**267,803**	(12,655)
	1,792,391	1,906,143	**267,803**	(12,655)

14. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital or other expenditure commitments at 30 June 2021 (2020: $Nil).

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Scheme which could result in additional benefits becoming payable in the future. Each request is considered on its merits prior to any benefit becoming payable. In the opinion of the Trustee, these requests do not represent a material liability on the Scheme.

There were no other contingent liabilities or contingent assets for the Scheme at 30 June 2021 (2020: $nil).

15. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2021 that have materially affected, or may materially affect, the operations of the Scheme, the results of those operations, or the financial position of the Scheme in future financial years.

Section 13
MSBS Financial Statements

13

INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance and Members of the Military Superannuation and Benefits Scheme

Opinion

In my opinion, the financial statements of the Military Superannuation and Benefits Scheme for the year ended 30 June 2021 present fairly, in all material respects, the financial position of the Military Superannuation and Benefits Scheme as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

The financial statements of the Military Superannuation and Benefits Scheme, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statement by the Trustee of the Military Superannuation and Benefits Scheme;
- Statement of Financial Position;
- Income Statement;
- Statement of Changes in Member Benefits;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Notes to and forming part of the financial statements, comprising a Summary of Principal Accounting Policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Military Superannuation and Benefits Scheme in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Trustee's responsibility for the financial statements

The Superannuation entity's trustee is responsible for the preparation and fair presentation of financial statements that comply with Australian Accounting Standards and the form agreed with the Minister for Finance and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as they determine is necessary to enable the preparation that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the ability of the Military Superannuation and Benefits Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern as applicable and using the going concern basis of accounting unless the trustee either intends to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

GPO Box 707 CANBERRA ACT 2601
38 Sydney Avenue FORREST ACT 2603
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee;
- conclude on the appropriateness of the trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office

Bola Oyetunji

Group Executive Director

Delegate of the Auditor-General

Canberra

29 September 2021

Military Superannuation and Benefits Scheme (ABN 50 925 523 120)
Statement by the Trustee of the Military Superannuation and Benefits Scheme ('Scheme')

The Board of Directors hereby states that in its opinion:

(a) the accompanying financial statements of the Military Superannuation and Benefits Scheme are properly drawn up so as to present fairly the financial position of the Scheme as at 30 June 2021 and the financial performance, changes in equity, changes in member benefits and cash flows of the Scheme for the year ended on that date;

(b) at the date of this statement there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due;

(c) the financial statements are in a form agreed by the Minister for Finance and the Trustee in accordance with subsection 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

(d) the financial statements have been prepared based on properly maintained financial records; and

(e) the operations of the Scheme were conducted in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011*, the *Military Superannuation and Benefits Act 1991*, the Trust Deed establishing the Scheme, the requirements of the *Superannuation Industry (Supervision) Act 1993* and regulations, and the relevant requirements of the *Corporations Act 2001* and regulations (to the extent applicable).

Signed this 29th day of September 2021 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Garry Hounsell	Air Vice-Marshal Margaret Staib
Chair	Director

The accompanying financial statements have been drawn up in accordance with Accounting Standards in Australia

Military Superannuation and Benefits Scheme
Statement of Financial Position
As at 30 June 2021

	Note	2021 $'000	2020 $'000
Assets			
Cash and cash equivalents		**25,763**	31,763
Employer sponsor receivable		**56,385,366**	47,506,999
Other receivables	4	**6,503**	8,812
Investments in pooled superannuation trust	5	**12,255,805**	10,329,547
Total assets		**68,673,437**	57,877,121
Liabilities			
Benefits payable		**(8,006)**	(32,489)
Income tax payable		**(18,664)**	(24,454)
Other payables		**(456)**	(483)
Total liabilities excluding member benefits		**(27,126)**	(57,426)
Net assets available for member benefits		**68,646,311**	57,819,695
Member liabilities	9	**(68,604,000)**	(57,779,987)
Net assets		**42,311**	39,708
Equity			
Operational risk reserve		**(42,311)**	(39,708)
Total equity		**(42,311)**	(39,708)

The attached notes form part of these financial statements.

Military Superannuation and Benefits Scheme
Income Statement
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Investment revenue			
Interest		**14**	165
Changes in fair value of investments	6(c)	**1,902,369**	(90,004)
Total revenue		**1,902,383**	(89,839)
Total expenses		**-**	-
Operating results / (loss)		**1,902,383**	(89,839)
Net change in member benefits from investing activities		**(1,902,348)**	90,161
Operating result before income tax expense		**35**	322
Income tax expense	8(a)	**(2)**	(25)
Operating result after income tax		**33**	297

The attached notes form part of these financial statements.

Military Superannuation and Benefits Scheme
Statement of Changes in Member Benefits
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Opening balance of member benefits allocated at the beginning of the financial year		**57,779,987**	54,645,049
Contributions:			
Member contributions	7(a)	**253,447**	279,242
Employer contributions	7(a)	**153,451**	162,720
Government co-contributions	7(a)	**504**	872
Low income superannuation tax offset	7(a)	**256**	289
Income tax on contributions	8(b)	**(23,117)**	(24,485)
Net after tax contributions		**384,541**	418,638
Net appropriation from Consolidated Revenue Fund	7(b)	**1,139,007**	943,668
Benefits to members	7(b)	**(1,477,680)**	(1,258,996)
Net change in member benefits from investing activities		**1,902,348**	(90,161)
Net change in member benefits to be funded by employers		**8,875,797**	3,121,789
Closing balance of member benefits allocated at the end of the financial year		**68,604,000**	57,779,987

The attached notes form part of these financial statements.

Military Superannuation and Benefits Scheme
Statement of Changes in Equity
For the year ended 30 June 2021

	Operational risk reserve $'000	Total equity $'000
Opening balance as at 1 July 2019	36,200	36,200
Operating result	297	297
Net transfers to / (from) reserves	3,211	3,211
Closing balance as at 30 June 2020	39,708	39,708
Opening balance as at 1 July 2020	**39,708**	**39,708**
Operating result	**33**	**33**
Net transfers to / (from) reserves	**2,570**	**2,570**
Closing balance as at 30 June 2021	**42,311**	**42,311**

The attached notes form part of these financial statements.

Military Superannuation and Benefits Scheme
Statement of Cash Flows
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Interest received		**17**	189
Superannuation surcharge paid		**(27)**	(1)
Income tax (paid) / received		**(27)**	(63)
Net cash (outflows) / inflows from operating activities	10(b)	**(37)**	125
Cash flows from investing activities			
Purchase of investments		**(384,776)**	(438,092)
Proceeds from sale of investments		**360,907**	294,099
Net cash (outflows) from investing activities		**(23,869)**	(143,993)
Cash flows from financing activities			
Contributions received			
Employer contributions		**153,451**	162,720
Member contributions		**253,447**	279,242
Government co-contributions		**504**	872
Low income superannuation tax offset		**256**	289
Income tax paid on contributions		**(28,882)**	(25,732)
Benefits paid		**(1,502,163)**	(1,235,320)
Net appropriation from Consolidated Revenue Fund		**1,141,293**	941,233
Net cash inflows from financing activities		**17,906**	123,304
Net (decrease) / increase in cash held		**(6,000)**	(20,564)
Cash at the beginning of the financial year		**31,763**	52,327
Cash at the end of the financial year	10(a)	**25,763**	31,763

The attached notes form part of these financial statements.

1. DESCRIPTION OF THE SCHEME AND THE FUND

The Military Superannuation and Benefits Scheme ('Scheme') (ABN 50 925 523 120) is a hybrid accumulation-defined benefits scheme which provides benefits to its members under the Military Superannuation and Benefits Act 1991. The Trustee of the Scheme is Commonwealth Superannuation Corporation (CSC) (ABN 48 880 817 243).

The Scheme is operated for the purpose of providing members of the Australian Defence Force (and their dependants or beneficiaries) with lump sum and pension benefits upon retirement, termination of service, death or disablement. For the purposes of the Scheme, the Military Superannuation and Benefits Fund No. 1 (Fund) manages and invests the assets of the Scheme until such time as a benefit is paid. The Fund accepts employer contributions from the Department of Defence, other government contributions, members' contributions, transfers from other superannuation funds, and contributions made by members for the benefit of their spouse.

The principal place of business and registered office of the Trustee is 7 London Circuit, Canberra, ACT 2601.

The Scheme was closed to new members from 30 June 2016 and a new accumulation plan, Australian Defence Force Superannuation Scheme (ADF) was established for new members of the Australian Defence Force from 1 July 2016, together with a new invalidity scheme, Australian Defence Force Cover.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report of the Scheme is a general purpose financial report which has been prepared in accordance with Accounting Standards and Interpretations, the *Superannuation Industry (Supervision) Act 1993*. For the purposes of preparing financial statements the Scheme is a for profit for members entity.

The form of these financial statements has been agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011*.

The financial statements of the Scheme were authorised for issue by the Directors of the Trustee on 29 September 2021.

Standards adopted with no significant impact on the financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the disclosures or amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard / Interpretation	Effective for annual reporting periods
AASB 2018-7 'Amendments to Australian Accounting Standards – Definition of Material'	beginning on or after 1 January 2020
AASB 2019-1 'Amendments to Australian Accounting Standards – References to the Conceptual Framework'	beginning on or after 1 January 2020
AASB 2019-5 'Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia'	beginning on or after 1 January 2020

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (Continued)

Standards in issue but not yet effective

At the date of authorisation of the financial report, the following Standards which are expected to be relevant to the Scheme were in issue but not yet effective. The directors anticipate the adoption of these Standards will have no material financial impact on the financial report of the Scheme.

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2020-2 'Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities'	1 July 2021	30 June 2022
AASB 2020-1 'Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current'	1 January 2022	30 June 2023
AASB 2020-3 'Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments'	1 January 2022	30 June 2023
AASB 2020-6 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date'	1 January 2022	30 June 2023
AASB 2021-2 'Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates'	1 January 2023	30 June 2024

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Scheme.

Amounts in these financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

(d) Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. In making this assessment, the directors of the Trustee have considered future events and conditions for the period of twelve months following the approval of these financial statements. The Trustee remains confident that the Scheme will be able to continue as a going concern as the Scheme's assets significantly outweigh its liabilities and it has sufficient liquidity to meet its debts as and when they fall due.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2021 and the comparative information presented in these financial statements for the year ended 30 June 2020.

(a) Cash and cash equivalents

Cash and cash equivalents include cash at bank used to transact member and employer contributions, transfers to and from other funds, benefit payments and tax liabilities.

(b) Financial assets

Financial assets (being investments in a pooled superannuation trust, cash at bank and other receivables) are recognised on the date the Scheme becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. After initial measurement, any gains and losses from changes in fair value are recognised in the Income Statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

Fair values have been determined as follows:

(i) Units in a pooled superannuation trust are valued at the redemption price at close of business on the last business day of the reporting period as notified by the manager of the trust, reflecting the fair value of the underlying investments.

(ii) Other receivables are recognised at nominal amounts due which approximate fair value. All amounts are unsecured and are subject to normal credit terms.

(c) Employer sponsor receivable

The Commonwealth Government is obliged under the *Military Superannuation and Benefits Act 1991* to meet any funding shortfall for the defined benefit member liabilities of the Scheme. The asset is measured at its 'intrinsic value' (i.e. the amount of the difference between member liability and the fair value of assets available to meet that liability). The value of the employer sponsor receivable will not necessarily be the same as the value of the corresponding liability in the accounts of the employer sponsor and the Australian Government Long Term Cost Report due to the application of different accounting standards which may result in different valuation assumptions from those set out in Note 9.

(d) Foreign currency transactions

The Scheme does not undertake transactions denominated in foreign currencies.

(e) Payables

Payables (being benefits payable and other payables) are recognised at their nominal value which is equivalent to fair value.

Benefits payable

Benefits payable to a member are recognised where a valid withdrawal notice has been received from the employer sponsor, and approved, but payment has not been made by reporting date.

Other payables

Other payables represent liabilities for services provided during the financial period and which are unpaid at reporting date. All amounts are unsecured. Creditors are subject to normal credit terms.

(f) Member liabilities

Defined benefit member liabilities are measured as the amount of a portfolio of investments that would be needed as at the reporting date to yield future net cash inflows that would be sufficient to meet accrued benefits as at that date when they are expected to fall due (Note 9).

The impact of the Scheme's default death and invalidity insurance arrangements have been considered in determining member liabilities. Balances and transactions in respect of these arrangements are presented in aggregate as part of member liabilities and the benefits paid/payable balances presented in the Statement of Financial Position and Statement of Changes in Member Benefits.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Contribution revenue and transfers from other funds

Employer and member contributions, superannuation co-contributions, low income superannuation tax offsets from the Commonwealth Government and transfers from other funds are recognised when control of the contribution or transfer has passed to the Scheme.

(h) 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. The ORR is operated in accordance with an ORR policy. The level of the reserve is determined by the Trustee Directors and reviewed annually, based on an assessment of the risks faced by the Scheme. The transferred assets underlying the ORR are held in a separate cash option of the ARIA Investments Trust ('the AIT') and income earned on these assets is recognised in the reserve.

(i) Derivatives

The Scheme does not directly enter into derivative financial instruments.

(j) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

Investment revenue

Interest revenue is recognised on an accrual basis.

Changes in the fair value of investments are recognised as income and are determined as the difference between the fair value at year end or consideration received (if sold during the year) and the fair value as at the prior year end or cost (if the investment was acquired during the period).

(k) Expenses

Expenses are recognised on an accruals basis and, if not paid at reporting date, are reflected in the Statement of Financial Position as an accrual or payable depending upon whether or not the expense has been billed.

(l) Income tax

Income tax is recognised in the Income Statement and the Statement of Changes in Member Benefits. As the Scheme invests in the AIT, which is a pooled superannuation trust, tax on this investment revenue is paid by the AIT.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Scheme intends to settle its current tax assets and liabilities on a net basis.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Income tax (Continued)

Current and deferred tax for the period

Current and deferred tax for the period is recognised as an expense or benefit in the Income Statement, except for tax on contributions, which is recognised in the Statement of Changes in Member Benefits.

(m) Goods and services tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as an expense item.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

4. OTHER RECEIVABLES

	2021 $'000	2020 $'000
Receivable from the ARIA Investments Trust	**14**	34
Interest receivable	**-**	3
Amount to be appropriated from Consolidated Revenue Fund	**6,489**	8,775
	6,503	8,812

There are no receivables that are past due or impaired. (2020:Nil)

5. INVESTMENTS

	2021 $'000	2020 $'000
Pooled superannuation trust - ARIA Investments Trust	**12,255,805**	10,329,547
	12,255,805	10,329,547

6. CHANGES IN FAIR VALUE OF INVESTMENTS

	2021 $'000	2020 $'000
(a) Investments held at 30 June:		
Pooled superannuation trust - ARIA Investments Trust	**1,881,245**	(89,502)
(b) Investments realised during the year:		
Pooled superannuation trust - ARIA Investments Trust	**21,124**	(502)
(c) Total changes in fair value of investments	**1,902,369**	(90,004)

7. FUNDING ARRANGEMENTS

(a) Contributions

Member Contributions

Members contribute to the Scheme each fortnight at optional rates ranging from a minimum of 5% of salary, to a maximum of 10% of salary. The contribution rates were the same in the prior year.

Employer Contributions

The Department of Defence contributes to the Scheme each fortnight in respect of each member at the rate of 3% of the member's salary. The contribution rates were the same in the prior year. Employers may also make salary sacrifice contributions (before tax) and Ordinary Time Earnings top up contributions to the Scheme on behalf of members.

Transferring Superannuation from Other Funds

Money invested in other superannuation funds can be rolled over to the Scheme.

Government Co-Contributions

For the financial years ended 30 June 2020 and 30 June 2021, the Commonwealth Government contributed $0.50 for every $1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of $500 per member.

7. FUNDING ARRANGEMENTS (CONTINUED)

(a) Contributions (Continued)

Low Income Superannuation Tax Offset

The low income superannuation tax offset (LISTO) is a Commonwealth Government superannuation payment of up to $500. LISTO payments are recognised as revenue when received.

(b) Benefits

The benefits payable from the Scheme comprise a lump sum of accumulated member contributions and a defined benefit financed by the employer and calculated on the basis of the member's final average salary and length of service. The defined benefit may be taken as a lump sum or as a pension or as a combination of lump sum and pension. The defined benefit consists of a funded component (the accumulated value of contributions made to the Fund by the Department of Defence) and an unfunded component (the balance of the defined benefit).

In general, when a benefit becomes payable to a member, the accumulated member and employer contributions held in the Scheme in respect of the member are transferred to the Consolidated Revenue Fund (CRF) which pays out the total benefit (both funded and unfunded components).

Appropriation refers to the total amount paid from the CRF. The appropriation from CRF shown in the Statement of Changes in Member Benefits is the net amount after taking into account transfers from the Scheme to the CRF.

Of the total benefits payable as at 30 June 2021, $4.04 million (2020: $6.42 million) is payable by the Consolidated Revenue Fund. The Commonwealth is the corresponding debtor for this amount in accordance with the funding arrangements described above.

Benefits paid and payable by the Scheme and the Consolidated Revenue Fund during the year are as follows:

	2021 $'000	2020 $'000
Gross Appropriation from Consolidated Revenue Fund	**1,347,820**	1,112,648
less: Transfers from Fund to Consolidated Revenue Fund	**(208,813)**	(168,980)
Net Appropriation	**1,139,007**	943,668
Consolidated Revenue Fund		
Lump-sum benefits	**218,832**	193,933
Pensions	**1,128,988**	918,715
	1,347,820	1,112,648
Military Superannuation & Benefits Fund		
Lump-sum benefits	**129,860**	146,348
Total benefits paid and payable	**1,477,680**	1,258,996

7. FUNDING ARRANGEMENTS (CONTINUED)

(c) Cost of managing, investing and administering the scheme

Costs of and incidental to the management of the Scheme and the investment of its money are charged against the assets of the AIT that are referable to the Scheme. Transactions in respect of these costs have been brought to account in the financial statements of the AIT.

Expenses met by the AIT and referable to the Fund are as follows:

	2021 $'000	2020 $'000
Investment		
Investment manager fees	**36,712**	37,947
Custodian fees	**1,160**	1,462
Investment consultant and other service provider fees	**1,270**	2,965
Other investment expenses	**1,905**	1,232
Total direct investment expenses	**41,047**	43,606
Regulatory fees	**795**	847
Other operating expenses	**11,905**	9,972
Total costs	**53,747**	54,425

Administrative fees are paid to CSC by the Department of Defence to meet costs other than those incurred in managing and investing Fund assets. The sponsoring employer has contributed further administration funding of $22.30 million (2020: $22.26 million). Transactions in respect of the receipt of these fees and the costs of administration have been brought to account in the financial statements of the Trustee.

8. INCOME TAX

(a) Income tax recognised in operating results

	2021 $'000	2020 $'000
Tax expense comprises:		
Current tax benefit	**2**	29
Deferred tax expense relating to the origination and reversal of temporary differences	**-**	(4)
Total tax expense	**2**	25

The prima facie income tax benefit on the operating result before income tax reconciles to the income tax benefit in the Income Statement as follows:

	2021 $'000	2020 $'000
Operating result before income tax expense	**35**	322
Income tax expense calculated at 15%	**5**	48
Net benefits allocated to members during the year	**285,352**	(13,524)
Investment revenue already taxed	**(285,355)**	13,501
Total tax expense	**2**	25

8. INCOME TAX (CONTINUED)

(b) Income tax recognised in Statement of Changes in Member Benefits

	2021 $'000	2020 $'000
Contributions received:		
Member contributions	**253,447**	279,242
Employer contributions	**153,451**	162,720
Government co-contributions	**504**	872
Low income superannuation tax offset	**256**	289
Total contributions received	**407,658**	443,123
Contributions tax calculated at 15%	**61,149**	66,468
Member contributions not subject to tax	**(38,017)**	(41,886)
Government co-contributions not subject to tax	**(76)**	(131)
Low income superannuation tax offset not subject to tax	**(38)**	(43)
Rollovers in subject to tax	**99**	77
Total contributions tax expense	**23,117**	24,485

(c) Deferred tax balances

	2021 $'000	2020 $'000
Deferred tax asset:		
Temporary differences	-	-
	-	-

Taxable and deductible temporary differences arise from the following:

2021	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Interest receivable	-	-	-
	-	-	-

2020	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Interest receivable	4	(4)	-
	4	(4)	-

9. MEMBER LIABILITIES

The Scheme engages qualified actuaries on an annual basis to measure defined benefit liabilities. The value of the member liabilities will not necessarily be the same as the value presented in the accounts of the employer sponsor and the Australian Government Long Term Cost Report due to the application of different accounting standards which may result in different valuation assumptions. The liabilities change from year to year as a result of contributions, benefit payments, interest costs and investment returns relative to the actuarial assumptions adopted.

The Scheme uses sensitivity analysis to monitor the potential impact of key changes to key variables about which the assumptions need to be made. The Scheme has identified five assumptions (being the mortality rates, the discount rate/investment returns, the rate of salary adjustment, the inflation rate and the invalidity pension commencements) for which changes are reasonably possible that would have a material impact on the amount of the defined benefit member liabilities:

- The current mortality assumptions adopted are scheme specific based on the experience observed. The actuaries have updated these assumptions from the prior year based on analysis of the Scheme's actual experience.

- The assumed discount rate has been determined by reference to the target investment returns expected on the investment portfolio, which reflect the opportunities reasonably available to the Scheme in the investment markets. There has been no change to this assumption from the prior year.

- The assumed annual salary adjustment has been determined by historical observations over a long term period and in consultation with the employer sponsor. There has been no change to this assumption from the prior year.

- The assumed inflation rate has been determined based on the mid-point of the Reserve Bank of Australia (RBA) inflation target. There has been no change to this assumption from the prior year.

- The current invalidity pension commencement assumptions adopted are scheme specific based on the experience observed. They relate to two different forms of pension commencement. The first form is via future direct exit of serving members of the ADF on to an invalidity pension. The second relates to existing preserved members who, at some stage in the future, will have their mode of exit from the ADF changed retrospectively to being a medical discharge that results in the retrospective commencement of an invalidity pension. The actuaries have updated these assumptions from the prior year based on analysis of the Scheme's actual experience. The invalidity pension commencement assumptions have been identified as material assumptions for the first time as at 30 June 2021 as changes in these assumptions may have a material impact on the amount of the defined benefit member liabilities.

Other variables about which assumptions have been made in measuring defined benefit member liabilities and for which changes are not considered reasonably possible, or for which reasonably possible changes would not be expected to have a material effect, include resignation rates.

9. MEMBER LIABILITIES (CONTINUED)

The following are sensitivity calculations on a univariate basis for the mortality rates, the rate of invalidity pensions, the discount rate/investment returns, the rate of salary adjustment and the inflation rate assumptions for the Scheme.

Key assumptions	Assumed at reporting date	Reasonably Possible Change	(Increase)/Decrease in member liabilities ($'000)
30 June 2021			
Discount rate / investment returns	6%	+ 1% - 1%	(9,833,000) 13,156,000
Salary adjustment rate	4%	+ 1% - 1%	1,575,000 (1,403,000)
Inflation rate	2.5%	+ 1% - 1%	11,094,000 (8,621,000)
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	(306,000) 318,000
Invalidity pensions	A scale developed by the Scheme actuary	40% higher retrospective invalidity pensions and contributor invalidity exit rates -40% lower retrospective invalidity pensions and contributor invalidity exit rates	2,817,000 (3,035,000)
30 June 2020			
Discount rate / investment returns	6%	+ 1% - 1%	(8,453,000) 11,399,000
Salary adjustment rate	4%	+ 1% - 1%	1,578,000 (1,403,000)
Inflation rate	2.5%	+ 1% - 1%	9,422,000 (7,297,000)
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	(275,000) 284,000

* For example, if the base probability of death of 3.0%, the higher rate is 3.15% and the lower rate is 2.85%.

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any other factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

An actuarial estimate of vested benefits at 30 June 2021 is $59.3 billion (2020: $53.4 billion). The value of vested benefits represents the liability that would have fallen on the Scheme if all members had ceased service on 30 June 2021 and elected the option which maximised their benefit entitlement.

The vested benefits have been calculated on the basis of current legislative arrangements as at the reporting date.

10. CASH FLOW INFORMATION

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash represents cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2021 $'000	2020 $'000
Cash at bank	**25,763**	31,763

(b) Reconciliation of operating result after income tax to net cash inflows / (outflows) from operating activities

	2021	2020
Operating result after income tax expense	**33**	297
Net change in member benefits from investing activities	**1,902,348**	(90,161)
Changes in fair value of investments	**(1,902,369)**	90,004
Decrease/(increase) in interest receivable	**3**	24
(Decrease)/increase in other payables	**(27)**	1
(Decrease)/increase in income tax payable	**(25)**	(40)
Net cash (outflows) from operating activities	**(37)**	125

11. AUDITOR'S REMUNERATION

Amounts paid or payable to the Australian National Audit Office for audit services:

	2021 $	2020 $
Financial statements	**48,225**	50,600
Regulatory returns and compliance	**32,400**	34,400
Total	**80,625**	85,000

The audits were provided by the Australian National Audit Office. The audit fees will be charged against the assets of the ARIA Investments Trust that are referable to the Scheme.

Deloitte Touche Tohmatsu have been contracted by the Australian National Audit Office to provide audit services on its behalf. Fees for those services are included in the above.

No other services were provided by the Australian National Audit Office or Deloitte Touche Tohmatsu to the Scheme during the reporting period.

12. FINANCIAL INSTRUMENTS

(a) Financial instruments management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The investments of the Scheme (other than cash held for managing contribution receipts, benefit payments and tax payments) comprise units in the AIT. The AIT is a pooled superannuation trust which is also governed by the Commonwealth Superannuation Corporation as Trustee. This type of investment has been determined by the Trustee to be appropriate for the Scheme and is in accordance with the Scheme's published investment strategy. The Trustee applies strategies to manage risk relating to the investment activities of the AIT. The investments of the AIT are managed on behalf of the Trustee by specialist external investment managers who are required to invest the assets in accordance with contractual investment mandates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

(c) Capital risk management

The Registerable Superannuation Entity ('RSE') licence of the Trustee of the Scheme requires the Trustee to maintain adequate financial resources to address losses arising from operational risks that may affect registrable superannuation entities within its business operations in the form of operational risk reserve(s), operational risk trustee capital or a combination thereof to meet the target amount of financial resources that the RSE licensee determines is necessary to respond to these losses. The Trustee of the Scheme was in compliance with this requirement throughout the reporting period.

(d) Categories of financial instruments

The financial assets and liabilities of the Scheme are recognised at fair value as at the reporting date. Changes in fair value are recognised in the Income Statement and the Statement of Changes in Member Benefits.

(e) Financial risk management objectives

The Scheme is exposed to a variety of financial risks as a result of its pooled investment in the AIT. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Scheme's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Scheme's financial performance. These policies may include the use of financial derivative instruments.

The Trustee is responsible for ensuring that there is an effective risk management control framework in place for the Scheme. Consistent with regulatory requirements, the Trustee has developed, implemented and maintains a Risk Management Framework to identify the policies, procedures, processes and controls that comprise its risk management and control systems for the Scheme and for the Scheme's investments through the AIT. The overall investment strategy of the Scheme is set out in the Trustee's approved investment policies which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

The Trustee's internal investment team monitors and manages the financial risks relating to the Scheme's investments. Derivative Risk Statements set out the strict parameters for the Trustee's investment managers authorised to use derivatives. In essence, derivatives cannot be used to raise the level of risk above the level it would otherwise have been, and derivatives cannot be used to leverage the investments.

The Scheme's investments are managed on behalf of the Trustee by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. The Trustee has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with its investment strategy.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme. In its capacity as trustee of the AIT, the Trustee has adopted a policy of spreading the aggregate value of transactions across approved creditworthy counterparties as a means of mitigating the risk of financial loss. The Scheme's exposure to its counterparties are continuously monitored by the Trustee.

The largest exposure to a single counterparty is to cash held by the investment master custodian Northern Trust. Credit risk relating to the master custodian is mitigated through contract indemnity provisions. Other than the master custodian, no individual exposure within the AIT exceeded 5% of net assets of that trust at 30 June 2021 or 30 June 2020.

The credit risk on the Scheme's directly held cash and cash equivalents and interest receivable is limited because the counterparty is the Reserve Bank of Australia.

The table below shows the maximum exposure of financial assets to credit risk at the reporting date:

	2021 $'000	2020 $'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**12,255,805**	10,329,547
Other financial assets		
Cash and cash equivalents	**25,763**	31,763
Receivables	**6,503**	8,812
Total financial assets	**12,288,071**	10,370,122

There has been no change to the Scheme's exposure to credit risk or the manner in which it manages and measures that risk during the reporting period.

(g) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in either realising assets or otherwise raising sufficient funds to meet its liabilities and/or member benefit payments or tax liabilities.

The Trustee's approach to managing liquidity is to ensure that the Scheme will always have sufficient liquidity to meet its liabilities and member benefit payments. The Scheme allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. The Trustee undertakes forecasting and scenario testing of the cashflow requirements of the Scheme to ensure timely access to sufficient cash and holds actively-traded, highly-liquid investments to meet anticipated funding requirements.

As a further risk mitigation strategy, it is the Trustee's policy that the target asset allocation to illiquid assets is limited to around 25% of the investments of the AIT (with a plus or minus 10 percentage point rebalancing range around that target). Regular scenario testing is performed to confirm the validity of the strategy.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(g) Liquidity risk (Continued)

The following tables summarise the maturity profile of the Scheme's financial liabilities. The tables have been drawn up based on the discounted cash flows of financial liabilities based on the earliest date on which the Scheme expects pay. The tables include both interest and principal cash flows.

Financial Liabilities maturity profile:

	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
30 June 2021					
Other payables	**456**	**-**	**-**	**-**	**456**
Benefits payable	**8,006**	**-**	**-**	**-**	**8,006**
Member liabilities	**397,000**	**1,217,000**	**6,951,000**	**60,039,000**	**68,604,000**
Total financial liabilities	**405,462**	**1,217,000**	**6,951,000**	**60,039,000**	**68,612,462**
30 June 2020					
Other payables	483	-	-	-	483
Benefits payable	32,489	-	-	-	32,489
Member liabilities	335,000	996,000	5,502,000	50,946,987	57,779,987
Total financial liabilities	367,972	996,000	5,502,000	50,946,987	57,812,959

There has been no change to the Scheme's exposure to liquidity risk or the manner in which it manages and measures that risk during the reporting period.

(h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in the Trustee's investment policies and the Risk Management Framework.

There has been no change to the Scheme's exposure to market risk or the manner in which it manages and measures that risk during the reporting period.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. However, the Scheme is indirectly exposed to foreign currency risk from the international assets held in the AIT, and it is managed in accordance with the Trustee's approved investment strategy. The AIT enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from its investments denominated in developed markets foreign currencies. These contracts neutralise some of the gains and losses from currency fluctuation. A small part of the investments of the AIT, relating to emerging markets, remain unhedged due to lack of suitable currency instruments for hedging.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits and taxation payments. All holdings at 30 June 2021 and 30 June 2020 had a maturity profile of less than one month.

The Scheme is indirectly exposed to interest rate risk through its investments in the AIT. The Trustee manages interest rate risk through its investment strategy including diversification of asset allocation and the use of a diversity of specialist investment sector managers.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the Scheme's sensitivity to a 0.15% p.a. (2020: 0.09%) increase or decrease in interest rates, based on cash balances directly held at reporting date. This represents an assessment of the reasonably possible change in interest rates as at that date. Had interest rates been lower or higher by 0.15% (2020: 0.09%) at reporting date, and all other variables were held constant, the financial result would have improved / (deteriorated) as demonstrated:

		Interest rate risk $'000			
	Carrying amount $'000	Operating Result Before Tax	Net Assets Available to Pay Benefits	Operating Result Before Tax	Net Assets Available to Pay Benefits
2021		**-0.15%**		**+0.15%**	
Cash and cash equivalents	**25,763**	**(39)**	**(39)**	**39**	**39**
2020		-0.09%		+0.09%	
Cash and cash equivalents	31,763	(29)	(29)	29	29

In the Trustee's opinion, the sensitivity analysis at reporting date approximates the direct interest rate exposures of the Scheme during the financial year.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all similar financial instruments traded in the market.

The Scheme's investment in the AIT is exposed to market price risk in respect of the latter's holdings of equity securities and unit trusts. As the investment in the AIT is carried at fair value through profit or loss, all changes in market conditions will directly affect the Scheme's net investment income.

In its capacity as trustee of the AIT, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Market risk (Continued)

Other price risk (Continued)

The following table illustrates the Scheme's sensitivity to a reasonably possible change in the value of its investment in the AIT, based on risk exposures at reporting date. The volatility factor of 5.00% (2020: 5.00%) represents the volatility in the default option unit price of the Schemes Investment in the AIT and is reflective of market conditions as at reporting date. Had the unit price been higher or lower by the volatility factor at reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as follows:

Financial Assets ARIA Investments Trust:	Change in price	Carrying amount $'000	Price risk $'000 Operating Result Before Tax (Lower price)	Net Assets Available to Pay Benefits (Lower price)	Operating Result Before Tax Higher price	Net Assets Available to Pay Benefits Higher price
2021						
Balanced option	-/+5.00%	10,707,987	(535,399)	(535,399)	535,399	535,399
Cash option	-/+0.07%	90,521	(63)	(63)	63	63
Income focused option	-/+2.20%	89,340	(1,965)	(1,965)	1,965	1,965
Aggressive option	-/+5.60%	1,325,660	(74,237)	(74,237)	74,237	74,237
Operational risk reserve	-/+0.07%	42,297	(30)	(30)	30	30
Total		**12,255,805**	**(611,694)**	**(611,694)**	**611,694**	**611,694**

Financial Assets ARIA Investments Trust:	Change in price	Carrying amount $'000	Price risk $'000 Operating Result Before Tax (Lower price)	Net Assets Available to Pay Benefits (Lower price)	Operating Result Before Tax Higher price	Net Assets Available to Pay Benefits Higher price
2020						
Balanced option	-/+5.00%	9,154,273	(457,714)	(457,714)	457,714	457,714
Cash option	-/+0.09%	131,163	(118)	(118)	118	118
Income focused option	-/+2.20%	68,500	(1,507)	(1,507)	1,507	1,507
Aggressive option	-/+5.70%	935,937	(53,348)	(53,348)	53,348	53,348
Operational risk reserve	-/+0.09%	39,674	(36)	(36)	36	36
Total		**10,329,547**	**(512,723)**	**(512,723)**	**512,723**	**512,723**

In the Trustee's opinion, the sensitivity analysis at reporting date is representative of the other market price exposures during the financial year.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements

The Scheme's financial instruments are included in the Statement of Financial Position at fair value. The fair value is determined per the accounting policies in Note 3.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of the Scheme's financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: fair value measurements are those derived from quoted prices in active markets.

Level 2: fair value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2021				
Financial Assets				
Pooled superannuation trust	**-**	**12,255,805**	**-**	**12,255,805**
2020				
Financial Assets				
Pooled superannuation trust	-	10,329,547	-	10,329,547

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued daily based on the latest listed and unlisted market prices and values of the underlying investments, less any tax and expenses.

Reconciliation of Level 3 fair value measurements

There were no Level 3 financial assets or liabilities (2020: Nil).

Fair value measurements of the underlying investments

The funded components of the Schemes for which CSC is the Trustee are co-invested in a pooled superannuation trust. The following table provides an analysis of the underlying pooled superannuation trust's investments grouped into levels 1 to 3 of the fair value hierarchy based on the degree to which their fair value is observable. The table has been prepared on a look-through basis and therefore discloses investments held in underlying Trustee-controlled subsidiary trusts as if they are direct investments of the pooled superannuation trust.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2021				
Cash and cash equivalents	**4,207,897**	**-**	**-**	**4,207,897**
Money market investments	**3,498,439**	**-**	**-**	**3,498,439**
Fixed interest investments	**6,102,104**	**5,840**	**334,097**	**6,442,041**
Equity investments	**27,733,248**	**5,802,250**	**7,891,120**	**41,426,618**
Property investments	**-**	**-**	**4,250,778**	**4,250,778**
Derivatives contracts (net)	**(458,996)**	**(362,970)**	**502**	**(821,464)**
Total	**41,082,692**	**5,445,120**	**12,476,497**	**59,004,309**

2020				
Cash and cash equivalents	3,166,899	-	-	3,166,899
Money market investments	4,740,006	-	-	4,740,006
Fixed interest investments	5,302,424	6,358	311,385	5,620,167
Equity investments	20,768,429	5,369,415	4,964,157	31,102,001
Property investments	-	-	4,188,290	4,188,290
Derivatives contracts (net)	(1,035)	573,868	3,958	576,791
Total	33,976,723	5,949,641	9,467,790	49,394,154

12. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (Continued)

Fair value measurements of the underlying investments (Continued)

The fair values of the pooled superannuation trust's investments is determined as follows:

I. Cash comprises demand deposits with a bank, financial institution or futures broker. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

II. Money market investments are valued at the market closing price on the last business day of the reporting period and include accrued interest.

III. Fixed interest securities are valued at their market value at close of business on the last business day of the reporting period.

IV. Equity securities and listed trusts are valued at the last sale price at close of business on the last business day of the reporting period.

V. Private equity funds are valued according to the most recent valuation obtainable from an independent (third party) valuer or an investment manager, applying valuation and disclosure guidelines consistent with the International Equity & Venture Capital Valuation Guidelines.

VI. Unlisted trusts (including pooled superannuation trusts and hedge funds) are valued at their most recent redemption price as determined by the manager of the relevant trust. Unlisted trusts controlled by the Trustee are valued at least annually in accordance with valuation guidelines agreed by the Trustee. Valuations may be completed by an independent valuer, the external investment manager or the Trustee. In determining the valuation, reference is made to guidelines set by relevant associations.

VII. Investment properties which comprise land and buildings for the purpose of letting to produce rental income, are initially measured at cost. Cost includes capital expenditure subsequent to acquisition. Investment properties are not depreciated. Subsequent to initial recognition, investment properties are measured at fair value. Investment properties are independently revalued at least annually. Valuations are performed by registered valuers. In determining the fair value, the expected net cash flows are discounted to their present value using a market determined risk adjusted rate. This is compared against valuations based on capitalised earnings methodologies as well as comparable market transactions.

VIII. Futures contracts are valued at market closing prices quoted on the last business day of the reporting period.

IX. Forward currency contracts and swaps are valued using prices obtained from independent providers as at the last business day of the reporting period (or alternatively from counterparties or the external investment managers where a provider does not supply a price).

X. Exchange traded options are valued as the premium payable or receivable to close out the contracts at the last buy price at close of business on the last business day of the reporting period.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Valuation adjustments to unlisted investment

Where there is a delay in the timely receipt of valuation for unlisted investments from the investment managers, the Trustee applies a systematic quarterly valuation adjustment. This adjustment is based on the performance of a comparable public market index over the relevant period and a relevant adjustment factor representing an estimate of the change in value implied by past relationships to the selected comparable public market index. This constitutes an enhancement to the Trust's valuation policy in relation to unlisted investments for the year ended 30 June 2021.

This adjustment has been introduced in order to assist in preserving equitable member outcomes from the impact of delays in receipt of valuations from primarily international investment managers. A special situation valuation adjustment is able to be made when, in management's judgment an unlisted valuation does not represent fair value and is required to preserve equitable member outcomes.

12. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (Continued)

Fair value measurements of the underlying investments (Continued)

As at 30 June 2021, a systematic quarterly valuation adjustment was applied to the most recently available investment manager valuations of unlisted international investments of $135.9m ($193.1m special situation valuation adjustment in 2020) and unlisted Australian equity trusts of $1.8m ($4.2m special situation valuation adjustment in 2020), representing 4.1% and 0.1% of the unlisted International and Australian equity trust portfolios respectively (5.0% and 0.3% in 2020).

13. RELATED PARTIES

(a) Trustee

Commonwealth Superannuation Corporation (CSC) was the Trustee throughout the reporting period. No fees were charged by CSC for acting as Trustee or the Scheme during the reporting period.

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2021 and to the date of this report were:

Ariane Barker
Juliet Brown (Appointed 13 September 2021)
Patricia Cross (Chair, Term ended 30 June 2021)
Melissa Donnelly (Appointed 1 July 2020)
Christopher Ellison
Garry Hounsell (Chair, Appointed 25 July 2021, previously Director until 23 July 2021)
Anthony Needham
Margaret Staib
Michael Vertigan (Term ended 30 June 2021)
Alistair Waters

In addition to the Directors, the following Executives of CSC had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2021 were:

Paul Abraham	Executive Manager, Investment Operations
Catharina Armitage	Head of People
Peter Carrigy-Ryan	Chief Executive Officer (Retired 12 July 2020)
Robert Firth	Chief Risk Officer
Philip George	Chief Transformation Officer (Previously Special Advisor, Member Outcomes until 31 July 2020)
Damian Hill	Chief Executive Officer (Commenced 13 July 2020)
Peter Jamieson	Chief Customer Officer
Andrew Matuszczak	Executive Manager, Technology (Commenced 31 August 2020)
Adam Nettheim	Head of Customer Operations
Alana Scheiffers	General Counsel
Alison Tarditi	Chief Investment Officer
Andy Young	Chief Operating Officer

The following changes to the Executives of CSC were made subsequent to 30 June 2021:

Catharina Armitage	Executive Manager, People (Previously Head of People until 30 June 2021)
Philip George	Executive Manager, Transformation (Previously Chief Transformation Officer until 30 June 2021)
Andrew Matuszczak	Chief Transformation and Information Officer (Previously Executive Manager, Technology until 30 June 2021)
Adam Nettheim	Executive Manager, Customer Operations (Previously Head of Customer Operations until 30 June 2021)

Anthony Needham and Alana Scheiffers are members of the Scheme. The terms and conditions of their memberships, or those of any related parties, is the same as for any other member who is not part of the key management personnel of the Scheme.

13. RELATED PARTIES (CONTINUED)

(c) Key Management Personnel Compensation

The aggregate compensation of the key management personnel in relation to the Scheme is set out below:

	2021	2020
	$	$
Short-term employee benefits	**556,523**	528,158
Post-employment benefits	**34,483**	39,920
Other long-term employee benefits	**14,993**	(2,844)
	605,999	565,234

Aggregate compensation in relation to the Scheme is a pro-rata apportionment of the overall compensation paid by the Trustee, based on the net assets of the entities under its trusteeship or actual control.

The compensation of key management personnel (including Directors) related to investment management is charged against the assets of the AIT that are referable to the Scheme.

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally-related entities at any time during the year.

(d) Investing entities

Throughout the year ended 30 June 2021, the Scheme's only investment consisted of units in the AIT, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

The other investors in the AIT throughout the year were the Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan and the Australian Defence Force Superannuation Scheme. All investing transactions are conducted under normal industry terms and conditions.

The Trustee of the Scheme, Commonwealth Superannuation Corporation, is the trustee of the following regulated superannuation schemes: Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan, the Military Superannuation and Benefits Scheme and the Australian Defence Force Superannuation Scheme.

The Trustee pays costs of and incidental to the management of the Scheme and the investment of its money from the assets of the AIT that are referable to the Scheme (see Note 7(c)). No fees were charged for acting as Trustee during the year ended 30 June 2021 (2020: $nil).

The Scheme held the following investments in related parties at 30 June:

	Fair Value of Investment 2021	Fair Value of Investment 2020	Share of Net Income / (Loss) after tax 2021	Share of Net Income / (Loss) after tax 2020
	$'000	$'000	$'000	$'000
ARIA Investments Trust	**12,255,805**	10,329,547	**1,902,369**	(90,004)
	12,255,805	10,329,547	**1,902,369**	(90,004)

14. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital or other expenditure commitments at 30 June 2021 (2020: $Nil).

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Scheme which could result in additional benefits becoming payable in the future. Each request is considered on its merits prior to any benefit becoming payable. In the opinion of the Trustee, these requests do not represent a material liability on the Scheme.

There were no other contingent liabilities or contingent assets for the Scheme at 30 June 2021 (2020: $nil).

15. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2021 that have materially affected, or may materially affect, the operations of the Scheme, the results of those operations, or the financial position of the Scheme in future financial years.

Section 14
Appendix

Appendix

Scheme customers and transactions

Scheme customer numbers at 30 June 2021		Scheme transactions 2020-21	$'000
CSS (excluding 1922 and PNG schemes)			
Contributors	2,317	Contributions**	32.78
Deferred	2,795	**Benefits paid**	
Pensioners*	100,614	Lump sum****	154.85
Total	**105,726**	Pensions	4354.40
PSS			
Contributors	61,850	Contributions**	756.8
Preserved	92,388	Benefits paid	
Pensioners*	64,055	Lump sum****	585.6
Total	**218,293**	Pensions	2296.6
PSSap			
Contributors***	135,385	Contributions**	1980.96
Preserved	6,813	Benefits paid	
Pensioners	1,888	Lump sum	668.09
Total	**144,086**	Pensions	27.05
MilitarySuper			
Contributors	38,470	Contributions**	407.66
Preserved	118,942	**Benefits paid**	
Pensioners*	23,674	Lump sum****	348.69
Total	**181,086**	Pensions	1,128.99
ADF Super			
Contributors	17,979	Contributions**	304.97
Preserved	3,609	Benefits paid	18.36
Total	**10,673**		
DFRDB (excluding DFRB)			
Contributors	881	Member contributions	6.03
Preserved		**Benefits paid**	
Pensioners*	51,011	Lump sum	43.31
Total	**51,892**	Pensions	1,583.10

* Pensioners figures indicate the number of pension accounts, not the number of individuals who get a pension (e.g. one account can have multiple children or spouses paid from it)

** Contributions figures indicate member and employer contributions (with the exception of DFRDB which indicates member contributions only)

*** Ancillary members are not included in either PSSap or MilitarySuper contributor figures

**** Lump sum figures indicate lump sum amounts paid from the respective scheme Fund and from the Consolidated Revenue Fund (by the Australian Government)

1922 Scheme had 1,616 pensioner accounts at 30 June 2021; pension payments in 2020/21 totalled $54.94m

PNG Scheme had 72 pensioner accounts at 30 June 2021; pension payments in 2020/21 totalled $3.75m

DFRB had 1,803 pensioner accounts at 30 June 2021; pension payments in 2020/21 totalled $38.98m

Contributions for each of the schemes include employer contribution, member contribution, roll-ins, co-contribution and LISC with exception of DFRDB. This footnote may need to be updated.

Section 15
Glossary

15

Glossary

ABN	Australian Business Number
ADF Cover Act	*Australian Defence Force Cover Act 2015*
ACTU	Australian Council of Trade Unions
ADF	Australian Defence Force
AFS licence	Australian Financial Services licence
APRA	Australian Prudential Regulation Authority
APS	Australian Public Sector
ARIA	Australian Reward Investment Alliance
ASFA	Association of Superannuation Funds of Australia
AUM	Assets under management, sometimes called funds under management (FUM), measures the total market value of all financial assets which a financial institution, such as a mutual fund, venture capital firm, or brokerage house, manages on behalf of its client and themselves
CEO	Chief Executive Officer
CIO	Chief Investment Officer
CPI	Consumer Price Index
CPSU	Community and Public Sector Union
CSC	Commonwealth Superannuation Corporation
CSCri	Commonwealth Superannuation Corporation retirement income
CSS	Commonwealth Superannuation Scheme
CSS Act	*Superannuation Act 1976*
DFRB	Defence Forces Retirement Benefits Scheme
DFRB Act	*Defence Forces Retirement Benefits Act 1948*
DFRDB	Defence Force Retirement and Death Benefits Scheme
DFRDB Act	*Defence Force Retirement and Death Benefits Act 1973*
DFSPB	*Defence Force (Superannuation) (Productivity Benefit) Determination 1988*
ESG	Environmental, social and governance
GAGSS Act	*Governance of Australian Government Superannuation Scheme Act 2011*
IFS	Industry Fund Services
IP	Income protection
JTA	Joint Transition Authority

MilitarySuper	Military Superannuation and Benefits Scheme, *Military Superannuation and Benefits Scheme Act 1991*
NPS	Net Promoter Score
PDS	Product Disclosure Statement
PGPA Act	*Public Governance, Performance and Accountability Act 2013*
PNG Act	*Papua New Guinea (Staffing Assistance) Act 1973*
PNG Scheme	Papua New Guinea Scheme
PRI	Principles for Responsible Investment
PSS	Public Sector Superannuation Scheme
PSS Act	*Superannuation Act 1990*
PSSap	Public Sector Superannuation accumulation plan
PSSap Act	*Superannuation Act 2005*
RSE	Registrable Superannuation Entity
RSEL	Registered Superannuation Entity licence
SIS Act	*Superannuation Industry (Supervision) Act 1993*
TPD	Total and permanent disability
1922 Act	*Superannuation Act 1922*

Section 16
Reporting Requirements

16

Reporting Requirements

Table 47. Index of CSC's annual reporting requirements

Requirements under *Governance of Australian Government Superannuation Schemes Act 2011*	
Information on the performance of CSC's functions in relation to each superannuation scheme and each superannuation fund administered by CSC (other than the 1922 Scheme, DFRB, DFRDB, DFSPB, ADF Cover and PNG) during 2020–21 as set out in GAGSS Act.	Available on pages 72–101.
Information on the general administration of the DFRDB Act, the DFRB Act, the ADF Cover Act, the PNG Act and the 1922 Scheme Act during 2020–21 as set out in GAGSS Act. Information on the performance of CSC functions in relation to the DFSPB during 2020–21.	Available on pages 96–101. Available on page 97.
Financial statements in respect of the management of each superannuation fund administered by CSC in a form agreed between the Minister and the CSC Board.	Available on pages 104–306.

Requirements under *Public Governance Performance and Accountability Rule 2014*	
Details of the legislation establishing CSC.	Available on page 6.
A summary of the objectives and functions of CSC as set out in the establishing legislation. A summary of the purposes of CSC as included in CSC's corporate plan for the period.	Available on page 7. Available on page 16.
The names and titles of persons holding the position of responsible Minister or Ministers during 2020–21. Any directions given to CSC by a Minister under an Act/instrument during 2020–21.	Responsible Ministers during 2020–21 were: Senator the Hon Mathias Cormann, Minister for Finance Senator the Hon Simon Birmingham, Minister for Finance Senator the Hon Linda Reynolds, Minister for Defence The Hon Peter Dutton, Minister for Defence N/A – no directions were given during the year.
Any government policy orders that applied in relation to CSC under section 22 of the PGPA Act. Explanation of non-compliance with a direction or Government policy order (this requirement is intended to assist readers to understand why a corporate Commonwealth entity has acted in a particular way).	N/A – no government policy orders applied during the year. N/A – no government policy orders applied during the year.

Requirements under *Public Governance Performance and Accountability Rule 2014*	
Annual performance statements for CSC for the period in accordance with section 39(1)(b) of the PGPA Act and section 16F of the PGPA Rule 2014.	Available on page 16.
A statement of any significant issue reported to the responsible Minister under section 19(1)(e) of the PGPA Act that relates to non- compliance with the finance law in relation to CSC (an outline of the action taken to remedy the non-compliance is also required).	N/A – no significant issue was reported to the responsible Minister during the year under this section.
Information on the accountable authority, or each member of the accountable authority, of CSC in 2020–21, which include the accountable authority/member's name/s, qualifications, experience, the number of meetings attended and if a non-executive or executive member.	Available on pages 28–38.
An outline of the organisational structure of CSC (including any subsidiaries of CSC).	CSC organisational chart, page 43.
Statistics on CSC's employees including statistics on full-time employees, part-time employees, gender and staff location.	Available on pages 43–45.
An outline of the location (whether or not in Australia) of major activities or facilities of CSC.	CSC has two major office locations: Canberra and Sydney.
Information in relation to the main corporate governance practices used by CSC in 2020–21.	Available on pages 40–42.
CSC's decision-making process if: • the decision is to approve CSC paying for a good/ service from another Commonwealth entity/ company; or providing a grant to another Commonwealth entity/company; and • CSC and the other Commonwealth entity/company are related entities; and • the value of the transaction (or if there is more than one transaction, the aggregate value of the transactions) is more than $10,000 (inclusive of GST). If there is only one transaction, the value of that transaction must be included. If there is more than one transaction, the number of transactions and the aggregate value of those transactions is also required. (Two Commonwealth entities are related if an individual is a member/director of the board of both entities.)	N/A – these circumstances did not apply to CSC during the year.

Requirements under *Public Governance Performance and Accountability Rule 2014*	
Any significant activities and changes that affected the operations or structure of CSC during 2020–21. Significant activities or changes may include: • significant events such as forming or participating in the formation of a company • operational and financial results of the entity • key changes to the entity's state of affairs or principal activities; and • amendments to the entity's enabling legislation and to any other legislation directly relevant to its operation.	N/A – no significant activities during the year.

Requirements under *Public Governance Performance and Accountability Rule 2014*	
Particulars of judicial decisions/administrative tribunals made during the period that have had, or may have, a significant impact on the operations of CSC.	The tax and super treatment of some invalidity benefit payments has changed due to the Full Federal Court decision in Commissioner of Taxation v Douglas [2020] FCAFC 220.
Particulars of any report on CSC given in 2020–21 by the Auditor- General (other than a report under section 43 of the PGPA Act which deals with the Auditor-General's audit of annual financial statements); or a Committee of either House, or both Houses, of Parliament; or the Commonwealth Ombudsman; or the Office of the Australian Information Commissioner.	N/A
If the accountable authority has been unable to obtain information from a subsidiary of the entity required to be included in the annual report – an explanation of the information that was not obtained and the effect of not having this information on the report.	N/A
Information about executive remuneration.	Available on pages 46–50. See page 46 for information on CSC's remuneration policies and practices.
Details of any indemnity that applied in 2020–21 to the accountable authority, any member of the accountable authority or officer of CSC against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs).	N/A – no indemnity was applied.
An index of where CSC's mandatory annual reporting requirements can be found within this annual report.	This report's requirements table, see page 314.

Details of how CSC's Annual Report (i.e., this report) was approved and when approval was given. This report must be approved by the CSC Board or a member of the Board and must be signed by a member of the Board). A statement that the CSC Board is responsible for preparing and giving the annual report to the responsible Minister in accordance with section 46 of the PGPA Act is also required.	CSC's Board approved the report on 29 September 2021. Other details are shown on page iii.

Requirements under Public Governance Performance and Accountability Rule 2014	
CSC's Annual Report must comply with the presentation and printing standards required for documents which are to be presented to Parliament.	This requirement is met throughout the report.
CSC's Annual Report must be presented in plain English and clear design to accommodate the needs and interests of both Parliament and other persons potentially interested in CSC's report (which in specific terms means this report must be constructed in an accessible manner, with the information presented in relevant, reliable, concise, understandable and balanced way, using appropriate headings and adequate spacing, a glossary to define acronyms and technical terms, and tables, graphs, charts and diagrams instead of text wherever possible.	This requirement is met throughout the report (a HTML report version will also be available on the CSC website in late 2020 so the report content is accessible to people with a disability who are interested in CSC's report).

List of Requirements – corporate Commonwealth entities

PGPA Rule Reference	Part of Report	Description	Requirement
17BE	Contents of annual report		
17BE(a)	About CSC	Details of the legislation establishing the body.	Mandatory
17BE(b)(i)	Our legislative objectives and functions	A summary of the objects and functions of the entity as set out in legislation.	Mandatory
17BE(b)(ii)	Managing and investing our funds	The purposes of the entity as included in the entity's corporate plan for the reporting period.	Mandatory
17BE(c)	Senator the Hon Mathias Cormann, Minister for Finance; Senator the Hon Simon Birmingham, Minister for Finance; Senator the Hon Linda Reynolds, Minister for Defence, the Hon Peter Dutton, Minister for Defence.	The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers.	Mandatory
17BE(d)	N/A – no directions were given during the year.	Directions given to the entity by the Minister under an Act or instrument during the reporting period.	If applicable, mandatory
17BE(e)	N/A – no government policy orders applied during the year.	Any government policy order that applied in relation to the entity during the reporting period under section 22 of the Act.	If applicable, mandatory
17BE(f)	N/A – no government policy orders applied during the year.	Particulars of non-compliance with: (a) a direction given to the entity by the Minister under an Act or instrument during the reporting period; or (b) a government policy order that applied in relation to the entity during the reporting period under section 22 of the Act.	If applicable, mandatory
17BE(g)	CSC's Annual Performance Statements	Annual performance statements in accordance with paragraph 39(1)(b) of the Act and section 16F of the rule.	Mandatory

17BE(h),17BE(i)	N/A – no significant issue was reported to the responsible Minister during the year under this section.	A statement of significant issues reported to the Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with finance law and action taken to remedy non-compliance.	If applicable, mandatory
17BE(j)	Our Board of Directors	Information on the accountable authority, or each member of the accountable authority, of the entity during the reporting period.	Mandatory
17BE(k)	Our organisational chart	Outline of the organisational structure of the entity (including any subsidiaries of the entity).	Mandatory
17BE(ka)	Our human resources	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics on full-time employees (b) statistics on part-time employees (c) statistics on gender (d) statistics on staff location.	Mandatory
17BE(l)	CSC has two major office locations: Canberra and Sydney.	Outline of the location (whether or not in Australia) of major activities or facilities of the entity.	Mandatory
17BE(m)	Our Governance	Information relating to the main corporate governance practices used by the entity during the reporting period.	Mandatory
17BE(n),17BE(o)	N/A – these circumstances did not apply to CSC during the year.	For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than $10,000 (inclusive of GST): (a) the decision-making process undertaken by the accountable authority to approve the entity paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and (b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions.	If applicable, mandatory
17BE(p)	New CEO Damian Hill was appointed in July 2020.	Any significant activities and changes that affected the operation or structure of the entity during the reporting period.	If applicable, mandatory

17BE(q)	The tax and super treatment of some invalidity benefit payments has changed due to the Full Federal Court decision in *Commissioner of Taxation v Douglas [2020] FCAFC 220*.	Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the entity.	If applicable, mandatory
17BE(r)	N/A	Particulars of any reports on the entity given by: (a) the Auditor-General (other than a report under section 43 of the Act); or (b) a Parliamentary Committee; or (c) the Commonwealth Ombudsman; or (d) the Office of the Australian Information Commissioner.	If applicable, mandatory
17BE(s)	N/A	An explanation of information not obtained from a subsidiary of the entity and the effect of not having the information on the annual report.	If applicable, mandatory
17BE(t)	N/A – no indemnity was applied.	Details of any indemnity that applied during the reporting period to the accountable authority, any member of the accountable authority or officer of the entity against a liability (including premiums paid, or agreed to be paid, for insurance against the authority, member or officer's liability for legal costs).	If applicable, mandatory
17BE(taa)	Board committees	The following information about the Audit Committee for the entity: (a) a direct electronic address of the charter determining the functions of the Audit Committee (b) the name of each member of the Audit Committee (c) the qualifications, knowledge, skills or experience of each member of the Audit Committee (d) information about each member's attendance at meetings of the Audit Committee (e) the remuneration of each member of the Audit Committee.	Mandatory
17BE(ta)	Our staff remuneration	Information about executive remuneration.	Mandatory

17BF	Disclosure requirements for government business enterprises		
17BF(1)(a)(i)	N/A	An assessment of significant changes in the entity's overall financial structure and financial conditions.	If applicable, mandatory
17BF(1)(a)(ii)	N/A	An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial conditions.	If applicable, mandatory
17BF(1)(b)	N/A	Information on dividends paid or recommended.	If applicable, mandatory
17BF(1)(c)	N/A	Details of any community service obligations the government business enterprise has including: (a) an outline of actions taken to fulfil those obligations; and (b) an assessment of the cost of fulfilling those obligations.	If applicable, mandatory
17BF(2)	N/A	A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise.	If applicable, mandatory

Index