Australian Government
Commonwealth Superannuation Corporation

Annual Report

2022–23

Commonwealth Superannuation Corporation

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Commonwealth Superannuation Corporation (CSC)

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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 Katy Gallagher, Minister for Finance

Parliament House Canberra ACT 2600

Dear Minister,

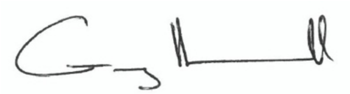
I am pleased to provide you with the annual report of the Commonwealth Superannuation Corporation (CSC) for the year ended 30 June 2023.

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 2022–23. This report was approved by the Board on 19 September 2023 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

19 September 2023

Reader's Guide

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

This annual report describes our activities for the 2022–23 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 super 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 2022–23. 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' super benefits. It also describes CSC's investment approach, strategy, governance, environmental and social practices, and investment options. Our investment performance to 30 June 2023 is shown.

Our Superannuation Services
This section outlines the super 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 2022–23 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.

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Introduction

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 and provide superannuation services to current and former eligible 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 financial interests of all our customers in accordance with the provisions of the various legislation and Trust Deeds that govern the schemes.

Our vision

CSC's vision is to provide simple and trusted super for another 100 years.

This means we will:

- strive to take the complexity out of super
- guide our customers towards a comfortable retirement
- always operate in the best financial interests of our customers.

Our values

1. Customer Driven – we care about our customers and seek to understand their needs
2. United – we work as one positively connected team
3. Accountable – we take responsibility and act with integrity
4. Future focused – we embrace change and challenge ourselves to continuously improve

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 super 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 customers 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 super 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 2022–23 Corporate Plan and in the 2022–23 Portfolio Budget Statements.

Regulated superannuation schemes

Regulated super 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).
- Australian Defence Force Superannuation 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:

- Scheme established under the *Superannuation Act 1922* (the 1922 Act).
- Defence Forces Retirement Benefits Scheme (DFRB) established 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 (PNG) Scheme 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.
- Australian Defence Force 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 super 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 after 12 continuous months of eligible employment.

CSC customers also include former spouses following a family law split, customers who have multiple super accounts with CSC, and eligible dependents of our customers, e.g. children of deceased customers and spouses.

Section 02

Our Performance

Our Performance

Report from our Chair

Introduction

In reflecting on the 2022–23 financial year, I see a 12-month period that will likely have a significant impact on generations to come. Accompanying the ongoing social recovery from the COVID-19 pandemic was rising inflation, a chain of interest rate hikes[1] and an increase in global instability. At CSC we are continuing to focus on what we are here to do, and that is providing comfortable retirement outcomes to Australian Public Service and Defence members and their families. Our investments performed strongly over the financial year and in our operations we continue doing what we have done so well for the past century – serving those who serve.

Investment performance

Australian and global share markets struggled to find direction early in the financial year, recovering through that volatility to deliver positive returns for the overall 2022–23 financial year, as developed-world economies remained resilient to tighter monetary policy.

As discussed in detail at our 2021 and 2022 Annual Member Meetings, we pro-actively prepared our investment portfolios to weather higher inflation and we remained vigilant for evidence of material deterioration in economic conditions as central banks responded to that inflation. Details can be found in the Investment section of this report.

Our PSSap Aggressive investment option exceeded its objective for the three, five, seven and ten years to 30 June 2023. Over the 2022–23 financial year, we generated a strong 11.4% p.a. (net of fees and tax) well ahead of the inflation rate.

Our PSSap MySuper Balanced investment option exceeded its objective for the seven- and 10-year periods to 30 June 2023. Over the 2022–23 financial year we generated a strong 9% p.a. (net of fees and tax) return, sufficient to preserve the purchasing power of our customers' savings and indeed grow it in real terms by 3% above the very high inflation rate.

Our Income-focused investment option exceeded its objective for the seven- and 10-year periods to 30 June 2023 and returned 5.3% over this financial year, well ahead of the SuperRatings peer[2] median.

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[1] www.rba.gov.au/statistics/cash-rate

[2] Our PSSap Income-focused ranked first across the 5,7,10 years to 30 June 2023 in the SuperRatings SR50 Capital Stable survey and in first quartile for the 1 and 3 years (on a net returns adjusted for risk basis).

Table 1. Investment returns to 30 June 2023 for CSC's Default, Balanced and MySuper Balanced scheme options

	AUM $billion	1 year %	3 years % p.a.	5 years % p.a.	7 years % p.a.	10 years % p.a.	15 years % p.a.
Inflation		6.0	5.3	3.4	3.0	2.7	2.6
Investment option							
CSS Default	1.09	9.4	7.8	6.0	7.0	7.4	6.0
PSS Default	25.01	9.0	7.6	5.8	6.8	7.3	5.9
MilitarySuper Balanced	11.02	9.1	7.6	5.8	6.8	7.3	5.2
PSSap MySuper Balanced	17.52	9.0	7.6	5.8	6.8	7.3	5.9
ADF MySuper Balanced	1.32	8.8	7.4	5.7	6.7		
Target return		**9.5**	**8.8**	**6.9**	**6.5**	**6.2**	**6.1**

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

We also continue to measurably outperform our regulated reference portfolios across all options, which the regulator monitors to assess the quality of super fund investment capability[3].

CSC's primary investment objective is to maximise long-term, real (that is, above inflation) returns for customers, with a target of 3.5% per annum over rolling three-year periods for our Default, Balanced and MySuper Balanced options, while keeping risk to an acceptable level (defined as a probability of loss in no more than five years out of 20). This investment objective is designed to provide adequacy in retirement for our average customer. 'Adequacy' is defined by the Australian Superannuation Fund Association (ASFA) as a 'comfortable standard' which accounts for post-retirement cost-of-living adjustments.[4]

Simple and trusted super for another 100 years – our new vision

From a mountain of thoughts and words at our Executive Offsite and CSC Board Strategy Day, we whittled our new vision down to just eight words: *simple and trusted super for another 100 years.*

This vision—unveiled in June 2023—is aspirational, inspirational and uniquely CSC. It will drive the day-to-day mission for all of us as a united team, connecting our medium-term strategic actions to our long-term destination and will narrow the scope of our focus to improve customer outcomes.

[3] Our MySuper Balanced, Income-focused and Aggressive options have all passed APRA's annual performance test for 8 years to 30 June 2022. The 2023 results (extended to 9 years) will be published in August 2023 at The Annual Superannuation Performance Test | APRA. Investment performance is subject to market volatilities and past performance is not an indicator of future performance.

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

Transformation program

We are now into year three of our five-year transformation program for improving customer outcomes.

In February 2023 we launched the CSC Navigator, our new online portal which provides a one-stop-shop for customers to view their CSC super products in the one place. As of 30 June 2023, 100,000 of our customers had created an account within the CSC Navigator. March saw the rollout of our redesigned Health and Claims process, providing our customers with highly personalised support when transitioning from the Australian Defence Force.

Merger with AvSuper

Earlier this year, we announced a proposed merger with AvSuper would not be proceeding, following 10 months of due diligence. While our funds were viewed as viable merger partners, the decision was made that a merger could not be accommodated within the existing policy and legislative framework.

While the merger will not be progressing, a number of positives emerged from the process, including our ability to review some longstanding policy positions, build capability within our team and come together across the business to manage the huge task of due diligence. This decision enables us to continue to focus and build on our history of providing superservices to current and former Australian Government employees and Australian Defence Force members.

Quality of Advice Review

We have welcomed the Government’s response to the Quality of Advice Review, in particular its commitment to removing red tape imposed on financial advisers. Access to financial advice and its availability to a broader set of Australians are things we strongly support. We look forward to a final Federal Government response to the package being issued later in 2023, with the proposed introduction of legislation in late 2023 and early 2024.

Retirement income strategy

Our Retirement Income Strategy (RIS) has been designed for customers approaching retirement, or who have already retired. We know that the personal and financial circumstances faced by each retiree vary greatly and, with this in mind, our RIS focusses on helping customers achieve and balance key retirement income objectives by providing access to financial advice and offering retirement income products and a number of retirement income solutions.

In the coming year, we will continue to personalise our communication to customers about support and engagement activities available to them, as well as how their input and insights have shaped and will keep shaping our RIS design process. The hands-on commitment to our RIS means we will regularly monitor how effectively we are working for our customers, incorporating customer-led change which will keep our RIS relevant and effective over time.

Insurance premium decrease

Over the past six months CSC, with our insurer AIA, have conducted a review of our PSSap, ADF Super (post service) and PSS Additional Death and Invalidity Cover (ADIC) insurance premiums and policy. This review forms part of our contract with AIA. The outcome of the review (based on customer claims experience) is:

- PSSap and PSS ADIC Death only cover premiums reduced by at least 31.60%.
- PSSap and PSS ADIC TPD premiums reduced by up to 16.70%.
- PSSap Income Protection premiums reduced by up to 13.90%.
- Enhancements to our PSSap and ADF Super (post service) Insurance Policy definitions to make it simpler and easier for customers to understand their eligibility to make a claim.

These changes went live on 1 March 2023. The premium rates referred to above are the annual rates charged for and may vary depending on the level of cover held, customer's age, sum insured (annual income for IP), Benefit Period and any applicable waiting period.

CSC Board director changes

During 2022–23 CSC welcomed two new Board Directors: Rear Admiral (RADM) Lee Goddard CSC, and Major General (MAJGEN) David Mulhall DSC, AM, CSC. RADM Goddard and MAJGEN Mulhall replaced outgoing Board Directors Air Vice-Marshalls (AVM) Tony Needham and Margaret Staib.

The Hon Chris Ellison's term also ceased on 30 June 2023 and CSC welcomed Mrs Andrea Hall on 1 July 2023 in his place. RADM Goddard, MAJGEN Mulhall and Mrs Andrea Hall bring extensive credentials and experience to our already skilled board.

I would like to thank AVMs Needham and Staib and The Hon Ellison for their extended service to CSC.

Thank you

It is a privilege to serve those who serve Australia and one we do not take for granted. I want to extend my thanks to all our valued customers for the contribution they make to this country, and assure them that their retirement savings are in excellent hands.

While our customers are at the core of everything we do, nothing would be possible without the dedication, pride and commitment to excellence of our CSC people, who I would also like to thank for their unwavering commitment to serving those who serve.

Garry Hounsell
Chair

19 September 2023

CSC's Annual Performance Statements

Statement from CSC's Board

We, the CSC Board, as the accountable authority of CSC, present the 2022–23 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 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's vision is to provide simple and trusted super for another 100 years.

CSC performance outcome

CSC's performance outcome is to provide retirement and insurance benefits for scheme customers 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 super funds and schemes.

CSC's performance outcome is stated in CSC's 2022–23 Corporate Plan and in the 2022–23 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 2022–23 Corporate Plan and 2022–23 Portfolio Budget Statements).	**Not Achieved:** CSC's default accumulation option has an annual real return target (target above inflation) of 3.5% p.a. over rolling three-year periods. Our PSSap MySuper Balanced option and performance was strong at 9% and 7.6% over the financial and 3 years to 30 June 2023 respectively. However, the three-year return was lower than the target due to the return of the highest inflation rates in over two decades (e.g. 6.0% and 6.1% over 2022–2023 and 2021–2022 respectively)[5].
CSC's investment portfolio is maintained within Board-approved risk parameters, such that negative returns are expected in no more than five out of every 20 years for the default accumulation option. (SOURCE: CSC's 2022–23 Corporate Plan and 2022–23 Portfolio Budget Statements).	**Achieved:** CSC's portfolio risk for its default accumulation option has been managed such that there have been no more than five years of negative returns over the 20-year period to 30 June 2023.

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 'comfortable retirement standard' of income for Australian retirees. We track five customer cohorts, by gender, to ensure our investment objectives continue to appropriately support this ambition for our customers.

Today, our average defined contribution customer across all cohorts has accumulated savings that are on track to deliver a retirement lump sum equivalent to approximately 15% more than the ASFA comfortable retirement lump sum standard[6]. Further, the majority of our full-time working customers are on track to achieve that standard as well[7]. This ratio will change over time and differs between customers depending on their personal circumstances. However, by ensuring that all 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 their level of investment risk, the contributions they make and their retirement age.

[5] Consumer Price Index, Australia, June Quarter 2023 | Australian Bureau of Statistics (abs.gov.au)

[6] As at 31 March 2023. Source: ASFA: The comfortable retirement standard allows retirees to maintain a good standard of living in their post work years. It accounts for daily essentials, such as groceries, transport and home repairs, as well as private health insurance, a range of exercise and leisure activities and the occasional restaurant meal. Importantly it enables retirees to remain connected to family and friends virtually – through technology – and in person, with an annual domestic trip and an international trip once every seven years.

[7] Part-time and casual customers generally have lower funding ratios.

Our investment options cater to individuals

We provide three pre-mixed investment options plus a purely cash option. Our options are 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 our approach to 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-focused** investment 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 was ranked first across the 5, 7 and 10 years to 30 June 2023 in the SuperRatings SR50 Capital Stable survey and in first quartile for 1 and 3 years (net returns taking into account risk).
- Our **Aggressive** investment 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 ranked first across the 5, 7 and 10 years to 30 June 2023 and first quartile for 1 and 3 years in the SuperRatings SR50 Growth survey (net returns taking into account risk).
- Our **Balanced (default)** investment option is true to its label because its asset allocation has a balanced mix of growth assets and defensive assets. This option is specifically designed to maximise the likelihood that customers will achieve a comfortable retirement income, while making sure their balance is resilient and sustainable. On average, our Balanced option takes less risk than other super funds[8]
- Customer feedback through many channels has indicated repeatedly that CSC customers want their savings to be **secure** as well as to **grow**. Our strategy is to capture most of the upside in markets and avoid much more of the downside to increase the chance that all our customers will retire with adequate income (see page 15 of this report for definition of 'comfortable retirement standard' of income for Australian retirees). While this strategy serves our customers and aims to maximise their retirement income, it does mean we will not always be first on super fund ranking charts or charge the lowest fees. We are comfortable taking this 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 (the risk adjusted return) in this option is above median in the SuperRatings SR50 Balanced survey despite taking less risk than other funds in this category. This means the return delivered for customers was achieved with less risk taken when compared to the median fund; i.e. we do not simply take on more risk to generate more returns because the larger the potential loss, the greater the subsequent gain required to restore value.
- Our **Cash** investment option 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 environmental and social impact across all our customers' portfolios.

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[8] SuperRatings universe as at 30 June 2023.

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 67.

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 divest from assets that are no longer expected to deliver sustainable cash flow.

Capital preservation and growth

Compared with other super funds[9], 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.

Innovative early adopters and integrated holistic risk management

We aim to 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.

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[9] SuperRatings Balanced SR50 universe.

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 67;
- 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 super 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 2023

CSC's purpose is to deliver income adequacy for our customers in retirement, so we focus on growing our customers' savings above the options' inflation-linked long-term objectives. We also monitor peer-relative performance to be explicitly aware of (but not driven by) any significant differences in a competitive marketplace.

Our investment returns for the 10 years to 30 June 2023 for the Default, Balanced and MySuper Balanced options of the various schemes exceeded their objectives despite historical highs in Australian inflation rates[10].

For the financial year to 30 June 2023, CSC's MySuper Balanced option delivered 9% p.a., exceeding inflation by +3.0%, compared to holding cash, which eroded purchasing power by 3.5% (i.e. the investments in Balanced option delivered an extra 6.5% above cash).

Similarly, CSC's Aggressive option delivered 11.4% p.a. for the financial year, building wealth for customers through inflation-hedging and non-cyclical growth assets, exceeding inflation by +5.4% (extra 8.9% above cash).

CSC's Income-focused option was one of the best performing conservative options compared to peers delivering 5.3% p.a., preserving significantly more purchasing power than the median in the peer SuperRatings survey.

CSC's investment options (Balanced, Aggressive and Income-focused) have all passed the APRA annual performance test (using net 8-year return to 30 June 2023).

Our investment discipline is to seek investment opportunities on an apples-to-apples comparison —returns should properly compensate for the risks to capital and the cost of accessing and stewarding the investment—rather than simply taking on more and more risk to capture higher (but less dependable and increasingly less certain) returns. Some of the key portfolio activities in 2022–23 that contributed to our performance included:

1. **Growing the purchasing power of customer savings through inflation hedging investments.** Our investment portfolios have to be able to withstand many different economic, policy, political and market environments over the long timespan to our customers' retirement. Therefore, we build them with a wide view to the potential risks

[10] Consumer Price Index, Australia, June Quarter 2023 | Australian Bureau of Statistics (abs.gov.au)

and macro scenarios that could plausibly occur, along with their likelihood and sequencing. For example, two years ago, we considered it likely that laggard central banks would have to respond to more-persistent-than-expected inflation with larger-than-expected interest rate rises[11]. We responded by prioritising inflation-linked assets in our private asset pipeline and building some downside protection into our investment portfolios early, well before markets began to recognise and incorporate these risks into prices. For example:

- Our investment in Amplitel in 2020–21 provided cash flows that benefited from the persistent rise in inflation over the past two years, as it was designed to[12].
- We recycled our profits out of our early investment in an Australian windfarm, into developers of renewable energy assets. These businesses collectively have a pipeline of solar, wind and battery development opportunities across Western Europe, Central Europe, Latin America, North America and Australia. In some cases, we have structured investments that give CSC customers downside protection, while allowing them to participate in growth upside.
- We also invested in an Australian residential broadband business and a US data centre business. These two assets further diversify our portfolio of digital assets geographically and across different types of digital infrastructure investments[13]. We look for digital assets that have both defensive cash flows from an infrastructure business model and exposure to growth from digitisation trends that are less correlated to market and economic cycles, such as working from home, growth in data usage and storage, and shifts from traditional to ‘cloud’-based workloads.

2. **Deploying capital selectively and increasingly via co-investment across private equity opportunities because they offered high-quality and targeted access to innovative-company formation and structurally supported industries**[14]. Examples of some underlying private equity portfolio company investments that benefited from attractive investment returns with positive ESG impacts in 2022–23 include:
    - **Electric vehicles:** A leading UK car benefit scheme provider, supporting employers in providing employees with a salary-saving scheme to access a new, fully insured and maintained car. Our private equity investment manager invested in this company in 2015 and sold the business during the 2022–23 financial year, achieving a strong sale price as well as strong returns over the life of the investment. A key part of the success was transitioning the business to electric vehicles, which accounted for 80% of new car orders at exit, up from 0% at the time of acquisition.
    - **Supporting the energy transition through more efficient markets:** This business enables companies and organisations to achieve their climate-related goals and regulatory compliance by facilitating the buying and selling of renewable energy

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

[12] Growing CSC’s infrastructure assets of the future

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

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

quota certificates and energy attribute certificates. As renewable and non-renewable power sources generally share the same power grid, determining the source of electricity can be a challenge. Renewable energy certificates provide a way for owners of certificates to legitimately attribute their power to renewable energy sources.

- **Cybersecurity:** A US-headquartered company that helps businesses identify and protect sensitive data through its data security and compliance.

3. **High-quality assets and objective, equitable valuations.**
    - We have always adhered to our valuation of investments policy to ensure equitable robust, independent and timely valuation of our unlisted assets. For real assets like property and infrastructure, we use appraisal-based external valuations regularly from appropriately qualified independent valuers.
    - While our real estate investments are not 100% immune to interest rate hikes in the current environment, their overall premium quality contributed to outperformance compared to peer funds in this financial year. This quality is reflected in well-leased assets with a broad and diversified tenant base in strategic premium locations.
4. **Building new investment management businesses.** Over the last year, for example, we have:
    - Identified and partnered with global best practice investment talent to create new sources of investment returns for our customers in a tailored and cost-effective way. By seeding these new businesses early, we are able to share profits in the partnership, effectively lowering fees over time as the businesses grow by winning additional new global clients that increase their assets under management; and
    - Added to our internal, proprietary strategies for active return generation.
5. **Integrated management of all risks.** Our pro-active management of short-, medium- and, importantly, long-horizon risks continued with:
    - The deployment of dynamic capital-protection strategies to hedge our customers' savings against event risks;
    - Pro-active and integrated responses to the results of our climate and ESG stress tests e.g. public equity capital managed to optimise the use of scarce natural resources and mitigate waste; and
    - Active ownership of our material public companies which is executed indirectly by voting on all shareholder resolutions and directly via engagement by our engagement specialist on international listed companies, Hermes Equity Ownership Services (EOS) Limited. This is complementary to the direct engagement conducted by our active investment managers.

    More details can be found in Section 5: Our Investments
6. **Best value for money** for our customers. Specifically, our focus on continuous improvement means that structures we have been putting in place over the past seven years continue flowing through to sustainably reduce the investment costs of our Balanced, Aggressive and Income-focused investment options. This trend is reflected in further reductions in investment fees for the financial year 2022–23 compared to previous years. Our fee structures focus on alignment of our investment agents with our customer outcomes, by ensuring that investment manager performance is rewarded fairly when they deliver at or above our customers' objectives, but clawed back when it is not. For example, we have:

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

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

7. **Resilient portfolios with downside avoidance**

   We build our portfolios to be resilient in the face of unexpected shocks 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 our customers' portfolios with risk management designed to preserve capital in down markets but still capture most of the upside when conditions warrant.

   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 2023—spanning both bull and bear markets—we have avoided 27% of the losses that peers incurred when markets fell, while capturing most (90%) of the gains in strong markets relative to our Balanced fund peers. Additionally, the PSSap MySuper Balanced option has historically been above median compared to SR50 Balanced SuperRatings survey peers (Top quartile for one and three years, and second quartile for 5 years and greater to 30 June 2023) 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 quartile for all periods to 30 June 2023, and often the top fund for net risk adjusted returns in their peer groups[15].

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' super 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

[15] SuperRatings 30 June 2023

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.

The global investment outlook

Today's primary economic challenge is no longer inflation risk, because that has now been recognised. The open questions that remain are:

- Whether developed-market policy makers can combat that inflation—the highest rate across the developed world since the 1980s—without requiring recessions or triggering crises; and
- Whether investment portfolios can withstand the implications of having moved from a probabilistic macro context to a genuinely uncertain one.

For example, exactly *how* higher interest rates interact with:

- historically high levels of post-pandemic government debt;
- political instability arising from the hollowing out of the middle classes across much of the developed world; and
- financial markets accustomed to excessively plentiful, low-cost capital *and* low economic volatility, is all genuinely uncertain.

Geopolitical fracturing and changes in the structure of our economies to incentivise a shift away from fossil fuel dependency are additional new challenges.

Thus, there are complex and unusual risks around the outlook for financial assets and for world growth as policymakers balance:

- on one hand, the costs of an economic slowdown and structural change in our energy system, with
- on the other hand, the costs of an unchecked and broad-based inflation that *will* erode living standards more permanently.

And uncertainty itself creates its *own* dynamic.

But there is also a plethora of innovation that continues to occur across health, new energy storage and transmission, digital security, robotics, automation, water and waste reduction, to name just a few.

- And there is every chance that one or more of these will be genuinely disruptive, enabling the world to leapfrog some of the challenges that today seem insurmountable.
- Our challenge, as investors and asset allocators, is to enable capital, managed for the risks of doing so, to work towards enabling this.

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 market conditions. We search for assets capable of dependably generating inflation-linked cash flows without also eroding capital value.

We look for high-quality assets that are more resilient to slower 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; and
- maintaining our focus on the fundamental value and quality of assets, rather than their current prices.

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

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

In the face of these uncertainties, our relative size and governance advantages enable us to manage risks nimbly, move early and invest robustly into more complex opportunities where capital is scarcer. We believe these areas are likely to be the richest sources of return going forward and will enable us to continue honouring our commitment to pro-actively protect our customers' savings from inflation erosion.

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 2022–23 Corporate Plan and 2022–23 Portfolio Budget Statements).	**Achieved:** 90% of each operational objectives were met, as shown below. **Benefit payment objectives met:** • 95% of benefit payments to customers in CSC's defined benefit schemes CSS, PSS and MSBS were paid within five business days of CSC receiving all required documents (exceeding our performance criterion of 85.5%). • 96% 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 of 85.5%). **Pension payment objectives not met:** • 95% of benefit payments to customers in CSC's defined benefit scheme DFRDB were paid within five business days of CSC receiving all required documents (exceeding our performance criterion of 85.5%). **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%). • 99% 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 super schemes.

Accurate and efficient administration

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

- activities to support the provision of 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 outcomes. 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' super 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 super topics, tailored to each of our super 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
- support and general advice via our customer contact channels (phone, email, social media and in person)
- support for employers to, in turn, support their employees and their super and insurance needs
- support to customers who experience a medical event potentially covered by our various insurance products
- services to support family members 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 range of surveys, including the capture of Net Promoter Scores (NPS).

Each month we survey one twelfth of our accumulation phase customers about their CSC experiences. This is one twelfth of CSC's accumulation phase customers (i.e. not DB pensioners) regardless of whether or not they have engaged with CSC. 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 2022–23 Corporate Plan)	**Not Achieved:** Across all customers the NPS score fell 5 points.

Customer satisfaction

Our June 2023 NPS score was 12, a decrease of 5 points from our score in June 2022. Overall, the decline in NPS is reflective of economic conditions impacting our customers' confidence in recommending financial services. We also saw sentiment decline related to the launch of CSC Navigator, with customers adjusting to the new registration process, and access to changes to i-estimator.

Our NPS score for our ADF customers declined by 6 points, although our long-term trend is positive for that cohort. Within our ADF segment, our contributing customers score is considerably stronger, with a continued negative sentiment towards scheme rules in our preserved customers.

Our NPS score for APS customers declined by 5 points, with our pre-retiree cohort leading the decline. Again, this is reflective of the needs of this customer group and the overall economic conditions. The overall NPS trend for APS customers is declining, with a need highlighted for increased proactive engagement at key moments for our customers.

Touchpoint survey results

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 touchpoint results across CSC 2022–23 compared with 2021–22

Touchpoint	NPS 2021–22	NPS 2022–23
On-boarding	-15	-7
Financial advice	+65	+66
Customer education (seminars and one-on-ones)	+74	+78
Ancillary on-boarding	+8	+23
Retirement	+34	+43
Invalidity processing	---	+10
Phone interaction	---	+34
Website	-73	-84

These results reinforce 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.

Employer satisfaction

We last surveyed our employers in the 2021–22 financial year, testing the strength of our relationship and identifying areas for improvement. Our next employer survey is due to be conducted by quarter 2 in the 2023–24 financial year.

Section 03

Our Board of Directors

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 2022–23 are listed below.

Composition

In 2022–23 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 *Superannuation Industry (Supervision) Act 1993* (SIS Act).

Responsibilities

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

The framework includes documents such as the Board Charter, Conflicts Management Policy and Framework, Fit and Proper, Board Renewal and Board Performance Evaluation Policies. The Board Governance policy framework is discussed in section 4 'Our Governance' on page 41.

Delegated authority

The CSC Board may delegate its powers under certain legislation. The Board has delegated authority for many activities including corporate and investment matters as well as 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.

The last independent Board Performance Assessment was undertaken by Lintstock Limited (London) and was concluded in June 2021. Lintstock also assisted in facilitating the 2022 and 2023 assessments.

With a view to improving performance, all directors 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 pages 48–52.

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.

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

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

Our Board members in 2022–23

Mr Garry Hounsell

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

- Chair of the Board since 25 July 2021
- Member of the Board Governance Committee (until 1 May 2023)
- Member of the Remuneration and HR Committee (until 1 May 2023)
- Director of ARIA Co Pty Ltd

Mr Hounsell is the Chairman of Helloworld Travel Limited (since 2016) and Non-executive Director and Chair of Wine Operations and Sustainability at Treasury Wine Estates Limited (since 2022). Mr Hounsell is also a Director of Findex (since January 2020), a member of Commencer Capital's (formally Investec Emerging Companies) Investment Committee (since 2019) and Director and Chairman of Wellness & Beauty Solutions Limited (since December 2021). In November 2022, Mr Hounsell was also appointed Chair of Electro Optic Systems Ltd.

Mr Hounsell was previously the Chairman of Myer Holdings Limited (2017–20; Executive Chairman Feb–Jun 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.

Mrs Ariane Barker

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

- Chair of the Board Governance Committee
- 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 member of the Investment Committee at the Murdoch Children's Research Institute (since 2011) and a member of Chief Executive Women (CEW) since August 2021.

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). She was also a Director and Chair of the Audit and Risk Committee at Atlas Arteria (2021–23).

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.

Ms Juliet Brown AM, LLB, FAICD

Appointed 13 September 2021 to 30 June 2024

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

Ms Brown is a professional company director who has extensive experience in law and business.

She is currently an External Member of the University of Adelaide Finance Committee and an External Member of the Council of the University of Adelaide.

She was previously a Director of MIGA, an External Member of Peoples Choice Credit Union’s Nominations Committee, an External Member of Bank Australia’s Nominations Committee and an External Member of the University of Adelaide Audit and Risk Committee.

Ms Brown has also served as Chair of the South Australian Lifetime Support Authority, Chair of Catherine House Inc., a member of the South Australian Government Financing Authority Advisory Board and the Independent Chair of Statewide Super.

Prior to her company director roles, Ms Brown was Chief Executive of Thomson Playford (now Thomson Geer) and practised as a solicitor in the health and insurance sectors.

Ms Brown holds a Bachelor of Laws from the University of Adelaide and is a Fellow of the Australian Institute of Company Directors.

The Hon Christopher Ellison

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

- Chair of the Remuneration and HR Committee (until 1 May 2023)
- Member of the Remuneration and HR Committee (from 1 May 2023)
- Member of the Board Governance Committee
- Director of ARIA Co Pty Ltd

The Hon Christopher Ellison is a Director of the University of Notre Dame in Western Australia (since 2015) and Chancellor (since 2018, having previously been the university's Governor since 2009). He is a member of the WA Law Society, an advisor to Quintis Corporation (formerly TFS Corporation) (since 2009) and a Director/Trustee of the SAS Resource Fund Trust (since June 2020) and Chair of the Fund fundraising committee (since 2014). He is a member of the Planning Committee of St John of God Healthcare (since 2022). 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; re-appointed 1 July 2023 to 30 June 2026

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

Ms 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 she currently serves as a Director of the McKell Institute and ACTU Education Inc. She is also a Member of the Respect@Work Council.

Ms Donnelly holds degrees in law and social science.

Ms Jacqueline Hey

Appointed 21 October 2021 to 30 June 2024

- Member of the Board Governance Committee (from 1 May 2023)
- Chair of the Remuneration and HR Committee (from 1 May 2023)
- Member of the Remuneration and HR Committee (until 1 May 2023)
- Director of ARIA Co Pty Ltd

Ms Hey is the Chair of Bendigo and Adelaide Bank Limited, a Director and Chair of the Remuneration Committee at Qantas Airways Limited and a former Director and Chair of Safety, Customer and Corporate Responsibility at AGL Energy Limited. Ms Hey is a Member of CEW (Chief Executive Women) and of the Brighton Grammar School Council.

Ms Hey was formerly a Director of Cricket Australia, the Australian Foundation Investment Company Limited, Melbourne Business School and the Special Broadcasting Service, and a Member of the ASIC Directory Advisory Panel.

Prior to commencing as a full-time company director, Ms Hey worked at IT and telecommunications company Ericsson for over 20 years in Australia and internationally, including as the Managing Director and CEO of Australia/New Zealand and Managing Director and CEO of UK/Ireland.

Ms Hey holds a Bachelor of Commerce majoring in Economics from the University of Melbourne, a Graduate Certificate of Management from Southern Cross University and is a graduate of the Australian Institute of Company Directors.

Air Vice-Marshal Margaret Staib, AM, CSC

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

- Nominee of the Chief of the Defence Force
- Chair of the MilitarySuper Reconsideration Committee (until 1 May 2023)
- Chair of the Defence Force Case Assessment Panel (until 1 May 2023)
- Chair of the Risk Committee (until 1 May 2023)
- Member of the Audit Committee (until 1 May 2023)
- Director of ARIA Co Pty Ltd (until 1 May 2023)

Air Vice-Marshal Staib is a Director of QinetiQ Australia (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. She was recently appointed to the Board of Sydney Airport (March 2022).

Air Vice-Marshal Staib is also a Division Councilor of the Royal Aeronautical Society (Australian division) and a Northern Territory Defence and National Security Advocate (since 2017). 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.

Mr Alistair Waters

Appointed 25 February 2020 to 24 February 2023; re-appointed 25 February 2023 to 30 June 2025

- Nominee of the President of the ACTU
- Member of the Audit Committee
- Member of the Risk 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 and 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.

Rear Admiral Lee Goddard CSC

Appointed 1 July 2022 to 30 June 2025

- Nominee of the Chief of the Defence Force
- Chair of the Risk Committee (from 1 May 2023)
- Member of the Risk Committee (until 1 May 2023)
- Member of the Remuneration and HR Committee (until 1 May 2023)
- Chair of the Defence Force Case Assessment Panel (from 1 May 2023)
- Deputy Chair of the Defence Force Case Assessment Panel (until 1 May 2023)
- Chair of the MilitarySuper Reconsideration Committee (from 1 May 2023)
- Deputy Chair of the MilitarySuper Reconsideration Committee (until 1 May 2023)
- Director of ARIA Co Pty Ltd

Rear Admiral Lee Goddard is a Strategic Advisor to the Minderoo Foundation, an Advisory Board Member and CEO of the Australian Missile Corporation, a Non-Executive Director of the AUSTAL Group, a Strategic Advisor to OCIUS Technology Limited, and the Chairman (Race Director) of the Sydney to Hobart Yacht Race.

Rear Admiral Goddard previously served as Commander Joint Agency Taskforce-Operation at the Australian Department of Home Affairs, Commander Maritime Border Command at the Australian Border Force, Head of the APEC Taskforce and Assistant Secretary International Policy at the Department of Prime Minister and Cabinet, and Director Military Strategic Commitments at the Australian Department of Defence. He was until recently a non-executive Director of the Whiskey Project Group.

Rear Admiral Goddard had a distinguished full-time naval career of over 34 years, commanding warships and joint taskforces at every senior rank. He was awarded the Conspicuous Service Cross in the Australia Day 2007 honours list. Rear Admiral Goddard continues to serve as a member of the Royal Australian Navy active reserve.

Rear Admiral Goddard holds a Masters of Strategy and Policy from the US Naval War College, a Master of Arts (International Relations) from Deakin University, a Bachelor of Science from the University of New South Wales and is a member of the Australian Institute of Company Directors.

Major General David Mulhall DSC, AM, CSC

Appointed 2 May 2023 to 30 June 2025

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

Major General Mulhall is self-employed through Arawang Advisory Pty Ltd as a Strategic Advisor to a range of corporate clients, is an Independent Advisor to the Birdon Group, and a Non-Executive Director in the not-for-profit Birchtree Foundation. Following his transition from full-time military service, Major General Mulhall was appointed Senior Advisor (Defence Reform) to the Minister for Defence and served as First Assistant Secretary – Disability and Aged Care Workers in the National COVID Vaccine Task Force.

Major General Mulhall served full-time in the Australian Army for 36 years. Key positions included Commander Joint Logistics, a senior role in the peak Coalition Headquarters in Afghanistan while appointed concurrently as Commander Joint Task Force 636, Commander 17th Combat Service Support Brigade and Chief of Staff Army Headquarters. He has been appointed a Member of the Order of Australia and awarded the Distinguished Service Cross and Conspicuous Service Cross, and by the United States the Legion of Merit and Bronze Star Medal.

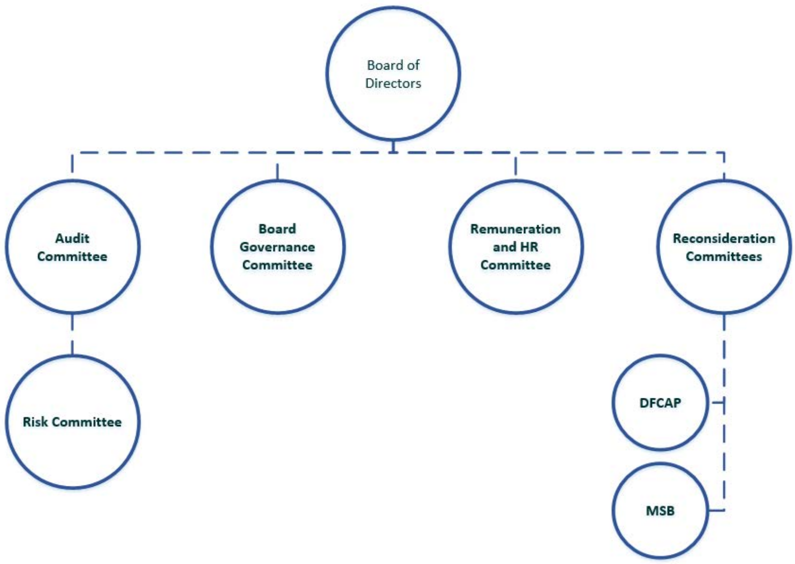
Major General Mulhall holds a Master of Engineering (Integrated Logistics Management) from the Royal Melbourne Institute of Technology University, a Master of Defence Studies from the University of Canberra, a Graduate Diploma of Strategic Studies from the Australian Defence College, a Post Graduate Diploma of Transportation Planning & Management from Cranfield University, and a Bachelor of Professional Studies from the University of New England. He is a Graduate of the Oxford Advanced Management and Leadership Programme and a Graduate of the Australian Institute of Company Directors.

Board meeting attendance

Table 6. Board and standing Board committee meeting attendance in 2022–23

Board Member	Board meetings	
	Attended	Eligible to attend[16]
Garry Hounsell	7	7
Ariane Barker	7	7
Juliet Brown	6	7
Melissa Donnelly	7	7
Christopher Ellison	7	7
Lee Goddard	7	7
Jacqueline Hey	6	7
David Mulhall	1	1
Margaret Staib	6	6
Alistair Waters	6	7

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

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16 "Eligible to Attend" and "Attended" numbers include out of session meetings but does not include circular resolutions

CSC Audit Committee

The role of the Audit Committee is 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.

The terms of reference for the CSC Audit Committee are available here.

Table 7. CSC Audit Committee

Member name	Qualifications, knowledge, skills or experience	No# of meetings attended	Total number of meetings	Remuneration	Additional Information
Juliet Brown (Chair)	AM, LLB, FAICD Bachelor of Laws from the University of Adelaide and is a Fellow of the Australian Institute of Company Directors. Full Bio is available on page 31.	6	6	For total remuneration as well as remuneration attributable to service on Audit Committee please refer to Table 15 on p51	
Margaret Staib (until 1 May 2023)	AM, CSC Bachelor of Business Studies, Master of Business Logistics and Master of Arts in Strategic Studies. United States Meritorious Service Medal, the Outstanding Contribution to Supply Chain Management in Australia Award and member in the Military Division of the Order of Australia. Full Bio is available on page 33.	5	5		
Alistair Waters	Bachelor of Arts degree in Politics, Philosophy and Sociology from Murdoch University. Full Bio is available on page 34.	6	6		
David Mulhall (from 2 May 2023)	DSC, AM, CSC Master of Engineering (Integrated Logistics Management), Master of Defence Studies, Graduate Diploma of Strategic Studies, Post Graduate Diploma of Transportation Planning & Management, Bachelor of Professional Studies, Graduate of the Oxford Advanced Management and Leadership Programme and Graduate of the Australian Institute of Company Directors. Full Bio is available on page 35.	1	1		

CSC 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.

Table 8. CSC Risk Committee

Membership	Attended	Eligible to attend
Juliet Brown	4	4
Lee Goddard (Chair from 1 May 2023)	4	4
Margaret Staib (Chair until 1 May 2023)	3	3
Alistair Waters	4	4

CSC 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
- reviewing and evaluating induction programs and identifying ongoing professional development requirements for existing directors
- developing and implementing performance evaluation and improvements processes for the Board, Committees and Directors.

Table 9. CSC Board Governance Committee

Membership	Attended	Eligible to attend
Ariane Barker (Chair)	3	4
Melissa Donnelly	4	4
Christopher Ellison	4	4
Jacqueline Hey	3	4
Garry Hounsell	3	3

CSC 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 APRA Prudential Standard SPS510 – Governance
- making recommendations regarding CEO remuneration
- making recommendations on the remuneration outcomes for CSC staff and on the investment pool available for variable remuneration
- satisfying the committee that CSC's people, policies and practices support the attainment of CSC's strategic goals.

Table 10. CSC Remuneration and HR Committee

Membership	Attended	Eligible to attend
Melissa Donnelly	5	5
Christopher Ellison (Chair until 1 May 2023)	5	5
Lee Goddard	4	4
Jacqueline Hey (Chair from 1 May 2023)	4	5
Garry Hounsell	4	4
David Mulhall (from 2 May 2023)	1	1

Other Board committees

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

- Military Super 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.

Section 04

Our Governance

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 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 by 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, 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 August and September 2022 respectively.

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 is reported as required under the relevant regulatory regime.

CSC's Audit Committee oversees compliance reporting, including remediation of breaches. CSC has a 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.

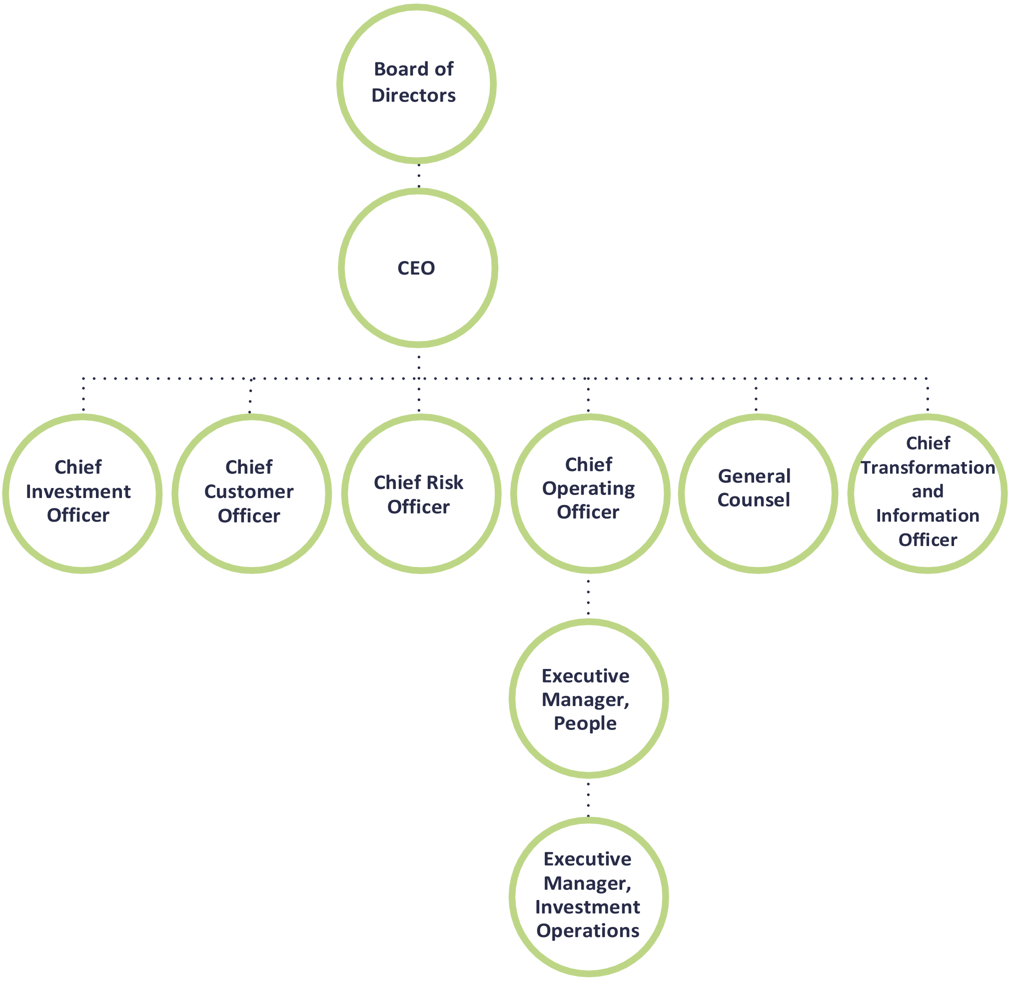
Internal audit

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.

Our organisational chart



ARIA Co Pty Ltd

ARIA Co Pty Ltd is a wholly owned subsidiary of CSC through which CSC conducts certain investment activities. CSC's Board of Directors also function as ARIA Co's Board of Directors.

Our human resources

CSC's workforce of 487 full- and part-time staff is organised into three primary functions: Investments, Customer 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, 2022–23

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			Total
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	
NSW	31	1	32	27	3	30	0	0	0	0	0	0	0	0	0	62
Qld	12	0	12	5	0	5	0	0	0	0	0	0	0	0	0	17
SA	2	0	2	3	0	3	0	0	0	0	0	0	0	0	0	5
Tas	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1
Vic	12	0	12	10	1	11	0	0	0	0	0	0	0	0	0	23
WA	1	0	1	1	0	1	0	0	0	0	0	0	0	0	0	2
ACT	170	3	173	155	27	182	1	0	1	0	0	0	0	0	0	356
NT	0	0	0	2	0	2	0	0	0	0	0	0	0	0	0	2
External Territories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Overseas	0	0	0	1	1	2	0	0	0	0	0	0	0	0	0	2
Total	**229**	**4**	**233**	**204**	**32**	**236**	**1**	**0**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**470**

Table 12. Total temporary employees in current report period, 2022–23

	Man/Male			Woman/Female			Non-binary			Prefers not to answer			Uses a different term			Total
	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	Full time	Part time	Total	
NSW	3	0	3	1	0	1	0	0	0	0	0	0	0	0	0	4
Qld	1	0	1	1	0	1	0	0	0	0	0	0	0	0	0	2
SA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tas	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vic	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	1
WA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACT	4	0	4	5	0	5	0	0	0	0	0	0	0	0	0	9
NT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
External Territories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Overseas	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	1
Total	**9**	**0**	**9**	**8**	**0**	**8**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**17**

Table 13. Total permanent employees in previous report period, 2021–22

	Male			Female			Indeterminate			
	Full-time	Part-time	Total male	Full-time	Part-time	Total female	Full-time	Part-time	Total indeterminate	Total
NSW	25	0	25	10	2	12	0	0	0	37
Qld	4	1	5	0	1	1	0	0	0	6
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	1	0	1	0	0	0	4
WA	1	0	1	1	0	1	0	0	0	2
ACT	188	1	189	181	36	217	0	0	0	406
Overseas	0	0	0	1	1	2	0	0	0	2
Total	**222**	**2**	**224**	**194**	**40**	**234**	**0**	**0**	**0**	**458**

Table 14. Total temporary employees in previous report period, 2021–22

	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	1	0	1	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	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	3	0	3	0	0	0	8
Overseas	1	0	1	0	0	0	0	0	0	1
Total	**8**	**0**	**8**	**4**	**0**	**4**	**0**	**0**	**0**	**12**

Our employees’ remuneration

Remuneration Policy

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

- support the level and services employees provide and the extent to which those services promote the achievement of CSC’s corporate objectives
- drive and reward the best possible risk (both financial and non-financial) management practices and customer outcomes, ensuring that poor conduct and poor risk outcomes are recognised and not rewarded
- support relevant market conditions.

Our Remuneration Policy remains an important tool in our talent retention strategy as we compete in a market for investment opportunities, customers and employees. Accordingly, CSC seeks to offer competitive remuneration, opportunities and workplace conditions to all employees, relative to peers in the superannuation and the financial services industries. This is critical to enabling us to offer our customers the services, outcomes and investment performance that they expect.

Regulatory Reforms

Cross-industry Prudential Standard CPS 511 Remuneration (CPS 511) applies to CSC from 1 July 2023 as it is a significant financial institution, with enhanced disclosure requirements to be made by December 2025. CPS 511 addresses recommendations made as part of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission) to increase transparency and accountability in the banking and superannuation sector.

CSC has implemented the following to meet CPS 511:

- Our Remuneration Policy and framework is designed to include ‘non-financial’ performance measures like behaviour and risk ratings.
- We have enhanced reporting to our Remuneration and HR Committee and Board. The Chair of our Risk Committee and the Chief Risk Officer also meet with the Remuneration and HR Committee to enable risk to be appropriately reflected in remuneration outcomes.
- Our Deferral Policy sets out our approach to the deferral of variable remuneration to help prevent short-term rewards where long-term risks may persist.
- Our Accountability and Consequence Management Framework sets out consequences for adverse events for an accountable person, the Executive team and the Board of Directors, depending on the level of contribution to the event and actions taken to mitigate outcomes.
- We have used the Financial Accountability Regime Bill 2023 which passed parliament on 5 September 2023 to prepare for the implementation of the financial accountability regime, which will also impose accountability obligations, accountability map and accountability statement obligations, key personnel obligations and notification obligations.

Performance Management

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 how our performance planning approach reinforces our commitment 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, behaviour and performance objective must be successfully achieved as a prerequisite to being considered eligible for any at-risk 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.

Remuneration arrangements

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

In determining variable remuneration to an individual, the Board of Directors considers 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. At-risk variable remuneration is made at the discretion of the Board of Directors.

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.

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.

Table 15. Remuneration of key CSC management personnel, 2022–23

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	69,177	-	-	7,264	-	-	76,440	-
Juliet Brown	Director	85,936	-	-	9,023	-	-	94,960	18,519
Melissa Donnelly	Director	69,177	-	-	10,653	-	-	79,830	-
Chris Ellison	Director	69,177	-	-	10,653	-	-	79,830	-
Lee Goddard	Director	74,016			7,837			81,853	-
Jacqueline Hey	Director	69,177	-	-	7,264	-	-	76,440	-
Garry Hounsell	Chair	144,610	-	-	15,184	-	-	159,794	-
David Mulhall	Director (from 2 May 2023)	11,663	-	-	1,225	-	-	12,888	1,393
Margaret Staib	Director (until 1 May 2023)	71,994	-	-	11,087	-	-	83,081	8,981
Alistair Waters	Director	77,562	-	-	11,945	-	-	89,506	9,676
Paul Abraham	Executive Manager, Investment Operations	307,259	70,953	-	27,500	10,543	-	416,255	-
Catharina Armitage	Executive Manager, People	301,071	61,992	-	27,500	14,647	-	405,210	-
Robert Firth	Chief Risk Officer	320,199	65,931	-	27,500	8,858	-	422,488	-
Philip George	Executive Manager, Transformation	354,928	62,661	-	6,216	10,836	-	434,641	-
Damian Hill	Chief Executive Officer	832,113	146,170	-	27,500	32,691	-	1,038,474	-
Peter Jamieson	Chief Customer Officer (until 23 Dec 2022)	212,540	83,492	-	20,185	(40,029)	96,740	372,928	-
Andrew Matuszczak	Chief Transformation and Information Officer	445,231	80,688	-	27,500	9,806	-	563,225	-
Adam Nettheim	Executive Manager, Customer Operations (until 23 Dec 2022) Acting Chief Customer Officer (from 24 Dec 2022)	390,677	59,262	-	27,500	18,999	-	496,438	-
Alana Scheiffers	General Counsel	370,741	70,798	-	27,500	36,181	-	505,220	-
Alison Tarditi	Chief Investment Officer	724,047	539,232	-	27,500	34,774	-	1,325,553	-
Andy Young	Chief Operating Officer	463,343	88,971	-	27,500	23,646	-	603,461	-

Note: Employee benefits and compensation in respect of the director positions of Melissa Donnelly and Alistair Waters were paid to the Community and Public Sector Union (CPSU), other than travel allowances and super, which were paid to the individual directors and their super funds respectively.

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 $		
$240,000-$245,000	5	198,791	12,973	-	25,335	5,492	-	242,592
$245,001-$270,000	13	203,559	17,882	-	26,086	6,933	4,872	259,332
$270,001-$295,000	5	215,574	25,718	-	31,392	9,920	-	282,603
$295,001-$320,000	1	234,933	24,357	-	27,500	11,056	-	297,847
$320,001-$345,000	0	-		-	-	-	-	-
$345,001-$370,000	2	262,184	34,156	-	36,845	20,505	-	353,690
$370,001-$395,000	1	328,080	28,706	-	27,500	5,898	-	390,184
$395,001-$420,000	2	273,282	88,485	-	31,827	10,556	-	404,150
$420,001-$445,000	3	306,890	83,829	-	29,094	13,841	-	433,654
$445,001-$470,000	2	318,591	68,924	-	28,624	23,414	21,399	460,952
$470,001-$495,000	2	303,644	142,304	-	27,500	7,858	-	481,305
$495,001-$520,000	0	-	-	-	-	-	-	-
$520,001-$545,000	0	-	-	-	-	-	-	-
$545,001-$570,000	2	293,111	221,325	-	40,616	11,422	-	566,474
$570,001-$595,000	0	-	-	-	-	-	-	-
$595,001-$620,000	1	344,884	230,315	-	27,500	14,774	-	617,473
$620,001-$645,000	1	350,223	239,440	-	27,500	14,396	-	631,559
$645,001-$670,000	1	354,842	257,690	-	27,500	14,271	-	654,303
$670,001-$695,000	0	-	-	-	-	-	-	-
$695,001-$720,000	0	-	-	-	-	-	-	-
$720,001-$745,000	0	-	-	-	-	-	-	-
$745,001-$770,000	0	-	-	-	-	-	-	-
$770,001-$795,000	0	-	-	-	-	-	-	-
$795,001-$820,000	0	-	-	-	-	-	-	-
$820,001-$845,000	2	468,785	305,345	-	27,500	30,899	-	832,529

APS Net Zero 2030 emissions reporting

APS Net Zero 2030 is the Government's policy for the Australian Public Service (APS) to reduce its greenhouse gas emissions to net zero by 2030 and transparently report on its emissions. As part of this, non-corporate and corporate Commonwealth entities are required to report on their operational greenhouse gas emissions.

The Greenhouse Gas Emissions Inventory presents greenhouse gas emissions over the 2022–23 period. Results are presented on the basis of Carbon Dioxide Equivalent (CO_2-e) emissions. Greenhouse gas emissions reporting has been developed with methodology that is consistent with the Whole-of-Australian Government approach as part of the APS Net Zero 2030 policy. Not all data sources were available at the time of the report and adjustments to baseline data may be required in future reports.

Table 17. Greenhouse gas emissions inventory – location-based approach 2022–23

Emission Source	Scope 1 kg CO2-e	Scope 2kg CO2-e	Scope 3kg CO2-e	Total kg CO2-e
Electricity (Location Based Approach)	N/A	277,795	22,833	300,628
Natural Gas	-	N/A	-	-
Fleet Vehicles	1,461	N/A	371	1,832
Domestic Flights	N/A	N/A	94,413	94,413
Other Energy	-	N/A	-	-
Total kg CO2-e	1,461	277,795	118,735	397,990

The electricity emissions reported above are calculated using the location-based approach. When applying the market-based method, which accounts for activities such as Greenpower, purchased Large-scale Generation Certificates (LGCs) and/or being located in the ACT, the total emissions for electricity, are below:

Table 18. Greenhouse gas emissions inventory – market-based approach 2022–23

Emission Source	Scope 1 kg CO2-e	Scope 2kg CO2-e	Scope 3kg CO2-e	Total kg CO2-e
Electricity (Market Based Approach)	N/A	72,389	9,581	81,970
Natural Gas	-	N/A	-	-
Fleet Vehicles	1,461	N/A	371	1,832
Domestic Flights	N/A	N/A	94,413	94,413
Other Energy	-	N/A	-	-
Total kg CO2-e	1,461	72,389	104,365	178,215

Section 05

Our Investments

Our Investments

Introduction

CSC manages and invests five schemes:

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

This section details how investment performance of these schemes affects a customer's super benefit.

It also provides CSC investment performance to 30 June 2023, 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 super 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 20 on page 66.

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 super 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, we expect 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, stewardship activities 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 Your Future, Your Super reforms 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.

Total costs can fluctuate over time but, on average, they have been reducing over the last seven years to 30 June 2023.

Importantly, 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 customers' 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 customer 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 incur costs to prepare our portfolios to be able to cope with the potential scenarios that can occur going forward, as discussed in previous Annual Member Meetings and customer newsletters. For example, out of the many scenarios we modelled, 2022–24 has seen significantly higher inflation, monetary policy tightening, e.g. with multiple Central Banks raising interest rates, uncertainty and war in Ukraine impacting food and energy supplies and prices. The active management decisions we made in anticipation of these events contributed to the resilience of our portfolios.

Environmental, social and governance factors

While ESG is conventionally thought of as adjustment to traditional investment process, we view investing for the future, including taking into account ESG opportunities and risks, as integral to sustainable retirements for our customers.

We proactively invest customer savings in the infrastructure, technologies and innovations of the future to generate the financial returns capable of supporting customers in their retirement and contributing to the goals that underpin economic performance, such as the United Nations Sustainable Development Goals (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.

ESG considerations take into account the positive and negative impacts of investments, including:

- the labour practices associated with producing the investment;
- the effect the investment has on the natural environment—both from a 'resources-in' and a 'waste-out' perspective;
- how effective the corporation is in overseeing, controlling and managing its ESG considerations.

As a long-term investor, we believe our comparative advantage lies strongest with the third point: influencing the way our investee organisations are governed (strategic plans reconciled with earnings journeys; organisational purpose clearly defined and tied to remuneration structures; skilled and fit-for-purpose boards). We believe that robust, long-horizon governance (as opposed to under- or over-governance) will result in better outcomes for the organisation (healthy and sustainable financial performance) and for all its stakeholders (customers, employees, supply-chain constituents and communities of operation).

CSC believes environmental and social risks directly impacting on a company's businesses are best managed via quality governance frameworks and agents because there is a naturally occurring alignment of interests between different stakeholders and the sustainable success of a company's business through incentivised governance. Strong company boards and skillful executive teams are best placed to optimise the successful management of many of the environmental and social risks that apply in a unique way to their individual company's operations.

This work was first recognised by the inaugural United Nations Royal Award for Sustainability in 2003 and still acknowledged as global best practice today. This is reflected by our ranking in the Top 20% of the biennial Bretton Woods II Most Responsible Asset Allocator Initiative in 2017, 2019 and 2021, and the Asian Investor Excellence Award in the categories of governance, innovation, ESG engagement and crisis (COVID-19) risk management response from 2018 to 2022[17].

Active ownership and engagement

Our goal is to have a positive long-term impact on the reliability of our customers' super savings.

In CSC's view, strong management of ESG risk can lead to reduction in financial risk as well as a rise in the long-term value of shareholder investments. Conversely, poor management of ESG risk can lead to increase in financial risk as well as a decline in the long-term value of shareholder investments. In particular, CSC focuses its attention on strong corporate governance with its investee companies as it is through this mechanism that CSC believes environmental and social risks directly impacting on a company's businesses are best managed.

There is a naturally occurring alignment of interests between different stakeholders and the sustainable success of a company's business through incentivised governance. Strong company boards and skilful executive teams are best placed to optimise the successful management of many of the environmental and social risks that apply in a unique way to their individual company's operations.

We believe in being active owners of equity where it is impactful and cost effective. We use a variety of mechanisms to determine whether we engage and how. For example, we may engage

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[17] Awards and Innovation | Why CSC

with businesses directly, via third parties or not at all. This ‘prioritised engagement framework’ depends on a variety of factors including:

- the type of investment
- the size of the investment
- our ‘share’ or ownership in the investment
- our ability to drive impactful, real-world change
- the costs of the engagement.

In general terms, our approach to engagement under this prioritised framework may involve the following steps:

- Raising issues with select investee companies;
- Enabling time for those companies to acknowledge and respond to those concerns;
- Depending on the companies’ responses, we may engage individually or collaboratively, or escalate via voting; or
- Divest in specific cases where engagement is not viable and the financial risks to our customers cannot be mitigated.

Under our prioritised engagement framework, we work to understand the strategic challenges faced by our larger public company investments and the best practices that can be identified across their peer groups around the world.

- Where appropriate, we proactively engage with the management teams and Boards of these companies to support them to consider the long-term influences on, and consequences of, their business operations—not just those that are visible today.[18]
- We value the ability to constructively communicate with these companies before risks arise, to try to prevent these risks having a negative impact on our customers’ super.
- We encourage these companies to build their capacity for strategic decision making that is aligned to the long-term interests of our customers.

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[18] Through our specialist investment managers or directly. Whether, and the extent to which, we engage with a portfolio company depends on variety of factors as set out above under ‘Our philosophy’.

CSC’s *active* investment managers are required to demonstrate that they integrate intangible and diverse unconventional (including ESG-related) risk considerations in their investment decisions, as fundamental asset management competencies.

CSC’s resources do not extend to proactively identifying, accurately evaluating, properly prioritising among, or adequately addressing the diverse adverse impacts to which it is linked via the circa 1,850 companies in our public equities portfolios.

To guard against a haphazard or capricious approach, CSC has spearheaded multi-decade efforts to develop and institutionalise collaborative initiatives that consolidate collective leverage, pool costs and thereby support the specialised resources necessary for high-quality portfolio-level decisions and effective actions.

We further note that as a fund with universal-owner exposure (thousands of fragmented shares in publicly listed companies globally) we take a top-down prioritisation of systemic issues that can impact future sustainable portfolio value**.** For example, we may collaborate with other investors and third parties to improve capital market efficiency through standards, norms and accountability for externalities such as pollution.

CSC accesses a broad range of international suppliers to harvest insights via research; monitor and utilise the environmental, social and, in particular, the corporate governance ratings on prioritised Australian and international publicly listed corporates in which CSC invests; and engage directly with the operational specialists in our directly held assets (e.g. property and infrastructure).

- We consider the advice of proxy advisers and vote on all shareholder resolutions and aim to vote in our customers' interests: this helps us to influence and achieve outcomes aligned to our customers' interests. A proposal from a company may be in the interests of company management but not the customers of our funds. We seek to vote in a way that supports our customers' long-term best interests.
- We focus on value to our customers: our voting decisions are aimed at supporting issues that will provide positive financial outcomes to our customers over a long investment horizon.

Divestment as last resort

As a last resort, we may choose not to invest in assets when we consider our active ownership practices cannot work sufficiently to reduce the associated risks to long-term viability of the business. Of course, we do not invest in companies which we are aware that are involved in activities contrary to Australian Government regulations.

Examples of divestment include cluster munitions, tobacco manufacturers and undiversified companies that derive 70% or more of their revenue from thermal coal production/extraction.

Climate actions

CSC recognises that Australia is a signatory to the international accord of the Paris Agreement which aims to reduce global greenhouse gas emissions in an effort to limit the global temperature increase in this century to 'well below 2 degrees Celsius above pre-industrial levels'. As a long-term, global investor, CSC explicitly distinguishes between:

i) Actions it can take to hedge customers' portfolios against climate risks arising from transition, physical impacts, and policy change (such as excluding assets if capital risks are estimated to be well in excess of expected return). On this basis, the characteristics of our portfolio can appear to be Paris-aligned because the net carbon emissions of our particular portfolio of assets, taken as a whole, have been reducing at a rate reflective of the trajectory required for Paris objectives. However, this measures the characteristics of our portfolio, which can be changed by trading out (or into) assets that have more (or less) carbon emitting processes. Trading out (or into) assets on the secondary market does not directly change the level of carbon being emitted into the atmosphere.

ii) Actions that governments, through policy initiatives; operating organisations, through investment, organisational re-design, and supply-chain management; and individuals, through altered patterns of consumption demand can take to limit greenhouse gas emissions in the real world. We note that the Paris Agreement involves national decarbonisation commitments, but does not specify objectives for companies or portfolios. We understand that for many existing companies, transition will require higher levels of investment, less free cashflow and higher operational risk – activities that can be monitored and supported by their material investors/investor cohorts. We also understand that the key direct route to climate impact is via higher-risk investments in new clean-energy activities that would otherwise not be financed and in technological innovation capable of leapfrogging existing adoption constraints. We aim to use our influence as investors where appropriate to support robust, well-managed policy ambitions for global decarbonisation.

Making a real-world impact on emissions – CSC's philosophy

We believe that divestment does not have real-world impact, based on research from Harvard, Oxford and Zurich universities, in addition to independent global not-for-profit sustainable finance group 2 Degree Investing Initiative.

The exclusion of all fossil fuel producers from portfolios may reduce the risk of any potential write down in the value of portfolios should all those assets become stranded, i.e. if they become worthless. CSC has managed to reduce the risks to customer portfolios by divesting from what we consider to be potentially stranded fossil fuel assets defined as companies that have little prospect of transitioning because they derive 70% or more of their revenue from thermal coal production and generation.

Thus, divestment can be relevant to financial outcomes. However, it has no impact on the amount of greenhouse gas emitted into the world because divestment is not a withdrawal of funding from the company. It's merely selling a stake to another buyer who by definition values the company more.

Some customers may also want to use this action to send a signal to these companies to reduce emissions. However, divestment does not actually reduce greenhouse gas emissions into the world, a phenomenon that we've long understood but that is now increasingly recognised by scientists, investors and activists alike as 'green wishing'.

Addressing energy demand makes a real economy impact but limiting supply just benefits fossil fuel companies

More importantly, divestment is ineffective and regressive because it focuses on the company supplying fossil fuels instead of focusing on demand. Demand is about energy efficiency and improving that. Supply constraints drive higher fossil fuel prices and higher fossil company or industry profits. Profits that investors and companies themselves, encouraged by long-term investors, could recycle into new renewable infrastructure.

Any impact that rations the use of an inelastic product through price by focusing on supply is effectively like a regressive tax. This is because demand for energy can't be shut off quickly, costlessly or easily because every company in the world outside of nuclear jurisdictions relies on fossil fuels to make the things that the world consumes. It prevents parts of the developing world from accessing refrigerated transport for vaccines. It makes it unprofitable to transport or even to make some wind turbines but it's unlikely to have much effect on people who use private jets for personal shopping for example.

Global collaborative efforts

We acknowledge the balance required to maintain reliable and affordable access to energy, while investing to accelerate the sustainability of the new energy regime and adopt a systems approach.

- In recognition of the need for systemic action, we have supported CDP since 2002 (directly initially and since 2023, through our investment agents), collaborating with other leading investors to engage companies to improve disclosure and ultimately reduce their carbon emissions, safeguard water resources and protect forests. By improving transparency, we aim to increase the efficiency with which capital markets can price risk and allocate capital, thus contributing to a faster, more robust transition to a new energy mix.
- Under CDP's Non-Disclosure Campaign in 2022, 260 financial institutions, (including our investment managers on behalf of CSC) engaged 1,466 companies from 30 countries, representing nearly $US30 trillion in assets to improve their disclosure on climate change, forests and water security[19].
- We also encourage those companies in respect of which we are active owners to report

[19] https://cdn.cdp.net/cdp-production/cms/reports/documents/000/006/764/original/CDP_2022_Non-Disclosure_Campaign_Report_18_01_23.pdf

consistently with the global best practice Taskforce for Climate-related Financial Disclosures (TCFD) framework, committing to increased transparency and disclosure of climate related financial risks and encouraging our investment managers and service providers to do the same. The ultimate aim of increased transparency is to make markets more efficient, and economies more stable and resilient.

- We join with coalitions of investors capable of robustly and credibly engaging with companies to transparently disclose:
    - their goals with respect to real world decarbonisation;
    - the impact of these goals, or the absence of such goals, on the future value of their organisation; and
    - their strategy for realistic achievement of these ambitions taking into account all relevant stakeholder needs.

Investments in renewable energy

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 reduce trade-offs and instead capture strong financial returns for our customers while contributing to environmental sustainability, such as adding to the net stock of renewable energy assets.

We take a value-for-money approach when assessing investments in renewable assets. Often, this leads to investments in new renewable developments rather than mature operating assets. This contributes to the transition to a lower carbon world because we can add to the overall stock of installed renewable projects, rather than simply trade shares in existing assets.

In September 2015, we invested in Macarthur Windfarm, then the largest windfarm in the Southern Hemisphere. As renewables are highly sought-after assets among institutional investors, we were able to sell this to other investors in March 2022. During this period, this investment provided 15% per annum gross return to customers[20].

We then recycled our profits out of the windfarm into developers of renewable energy assets. These businesses collectively have a pipeline of solar, wind and battery development opportunities across Western Europe, Central Europe, Latin America, North America and Australia. In some cases we have structured investments that give CSC customers downside protection while allowing them to participate in growth upside. Because all of these opportunities add to the **net** stock of new alternative energy assets they make a genuinely additive contribution to the journey to net zero.

Notwithstanding that significant capital investment in new-energy-system assets is required (US$ 1 trillion + annually) to meet ambitious climate targets, the development of new-energy-system projects globally is limited by physical constraints rather than lack of capital. These include grid capacity, planning constraints, supply chain issues and labour availability. Under such constraints, it is more challenging to find new-energy-system assets that contribute to real world carbon emissions reduction and offer attractive investment opportunities for our customers' retirement savings. We consequently remain highly selective and continue to monitor new opportunities.

At present we have over A$1,541 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 2023).

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[20] Gross returns, before deduction of management and performance fees.

These investments reduce our portfolio carbon emissions by over 378,000 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 2023).

Montreal Carbon Pledge

From 2014 we were an early signatory to the Montreal Carbon Pledge, supported by the Principles for Responsible Investment. In the last decade, it has achieved increased investor awareness, understanding and management of climate change-related impacts, risks and opportunities, with signatories committed to measuring and disclosing their portfolio carbon footprints annually. While the initiative has closed in 2023, CSC will continue to measure and disclose our portfolio regularly.

We are also continuously researching and enhancing innovations to our portfolio to reduce our carbon emissions. From 2020, our international equity portfolio, has used an index optimised to reduce carbon exposure.[21]

Table 19. CSC's public market equities carbon footprint at 30 June 2023

CSC listed equities	CSC	Benchmark	Difference
Carbon footprint*	57	70	13

* Carbon footprint is measured in tonnes of CO_2e (Scope 1 + Scope 2) per AUD million invested

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

More than carbon

There is more to investing sustainably than renewable energy.

Domestically, our investment in a multi-utility infrastructure business promotes better use of precious resources like water and land.

Internationally, in recognition of the risks arising from demands on natural resources, we also reduced our exposure to companies that that place high demands on the use of scarce natural resources. Compared to the standard passive International Equity Index used in APRA's performance test, this mandate has effectively halved water use, carbon emissions and waste produced by companies in that particular segment of our international shares portfolios.

Social issues

Events of the last few years have caused us to prioritise the following areas of focus among other social issues.

- In the last three years, we have been focusing on our investment managers and service providers to understand how they identify, manage and monitor risks of modern slavery in their supply chain. This is summarised in CSC's Modern Slavery Statement which has been published online: Corporate Governance | About CSC | Members – CSC
- Post COVID, we continue to review and assess our investment manager and adviser crisis management and business continuity plans and practices, to ensure they had satisfactory risk management and contingency planning to protect against investment or operational failures, including staff health and safety.

[21] This mandate reduces our carbon footprint by approximately 50% relative to the market-capitalisation weighted MSCI World ex-Australia net benchmark.

Our investment options

Table 20. CSC investment options at 30 June 2023

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 0% (0–100%)	Cash 0% (0–100%)
Income-focused (MilitarySuper, PSSap, CSCri and ADF Super)	To outperform the CPI by 1.5% per annum over 10 years	Four	Medium	5 years	Cash 27.5% (10–100%) Fixed interest 26% (10–100%) Equities 18.5% (0–40%) Property 10% (0–35%) Infrastructure 10% (0–35%) Alternatives 8% (0–70%)	Cash 27.5% (10–100%) Fixed interest 26% (10–100%) Equities 18.5% (0–40%) Property 10% (0–35%) Infrastructure 10% (0–35%) Alternatives 8% (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	Six	High	10 years	Cash 11.5% (0–65%) Fixed interest 11% (0–65%) Equities 57.5% (15–75%) Property 6.5% (5–25%) Infrastructure 6% (0–20%) Alternatives 7.5% (0–30%)	Cash 8.5% (0–65%) Fixed interest 24.5% (0–65%) Equities 42% (15–75%) Property 7% (5–25%) Infrastructure 7% (0–20%) Alternatives 11% (0–30%)
Aggressive (MilitarySuper, PSSap, CSCri and ADF Super)	To outperform the CPI by 4.0% per annum over 10 years	Six	High	15 years	Cash 4% (0–35%) Fixed interest 4% (0–35%) Equities 70% (20–95%) Property 7% (0–50%) Infrastructure 7% (0–50%) Alternatives 8% (0–70%)	Cash 6% (0–35%) Fixed interest 10% (0–35%) Equities 61% (20–95%) Property 7% (0–50%) Infrastructure 7% (0–50%) Alternatives 9% (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 2022 to 30 June 2023 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 2022 to 30 June 2023 period will provide similar—but not identical—returns to the investment performance figures published below in tables 21–27.

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

Table 21. CSS investment performance to 30 June 2023

	Objective	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	15 years % pa
Australian inflation		6.0	5.3	3.4	3.0	2.7	2.6
Investment option							
Default Fund	To outperform the CPI by 3.5% per annum over 10 years	9.4	7.8	6.0	7.0	7.4	6.0
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	2.6	1.0	1.1	1.2	1.5	2.2

Table 22. PSS investment performance to 30 June 2023

	Objective	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	15 years % pa
Australian inflation		6.0	5.3	3.4	3.0	2.7	2.6
Investment option							
Default Fund	To outperform the CPI by 3.5% per annum over 10 years	9.0	7.6	5.8	6.8	7.3	5.9
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	2.5	0.9	1.0	1.2	1.4	2.2

Table 23. MilitarySuper investment performance to 30 June 2023

	Objective	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	15 years % pa
Australian inflation		6.0	5.3	3.4	3.0	2.7	2.6
Investment option							
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	2.5	0.9	1.0	1.1	1.4	2.2
Income-focused	To outperform the CPI by 1.5% per annum over 10 years	5.2	3.9	4.4	4.9	5.3	4.2
Balanced (default)	To outperform the CPI by 3.5% per annum over 10 years	9.1	7.6	5.8	6.8	7.3	5.2
Aggressive	To outperform the CPI by 4.0% per annum over 10 years	11.4	10.0	8.2	9.0	9.3	6.0

Table 24. PSSap investment performance to 30 June 2023

	Objective	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	15 years % pa
Australian inflation		6.0	5.3	3.4	3.0	2.7	2.6
Investment option							
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	2.5	0.9	1.0	1.1	1.4	2.2
Income-focused	To outperform the CPI by 1.5% per annum over 10 years	5.3	4.0	4.5	4.9	5.3	5.1
MySuper Balanced (default)	To outperform the CPI by 3.5% per annum over 10 years	9.0	7.6	5.8	6.8	7.3	5.9
Ancillary Balanced	To outperform the CPI by 3.5% per annum over 10 years	8.9	7.5	5.8	6.8	7.2	6.3
Aggressive	To outperform the CPI by 4.0% per annum over 10 years	11.4	10.0	8.2	9.0	9.3	7.2

Table 25. CSCri investment performance to 30 June 2023

	Objective	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa
Australian inflation		6.0	5.3	3.4	3.0	2.7
Investment option						
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	3.0	1.0	1.2	1.3	1.6
Income-focused (default)	To outperform the CPI by 1.5% per annum over 10 years	5.6	4.3	5.0	5.3	5.8
Balanced	To outperform the CPI by 3.5% per annum over 10 years	7.4	6.4	5.3	6.6	7.5
Aggressive	To outperform the CPI by 4.0% per annum over 10 years	10.2	9.9	8.5	9.5	10.0

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 26. CSCri TRIS investment performance to 30 June 2023

	Objective	1 year %	3 years % pa	5 years % pa	6 years % pa
Australian inflation		6.0	5.3	3.4	3.2
Investment option					
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	2.5	0.9	1.0	1.0
Income-focused	To outperform the CPI by 1.5% per annum over 10 years	5.3	4.0	4.6	4.9
Balanced	To outperform the CPI by 3.5% per annum over 10 years	9.1	7.7	5.9	6.5
Aggressive	To outperform the CPI by 4.0% per annum over 10 years	11.6	10.1	8.4	8.8

Table 27. ADF Super investment performance to 30 June 2023

	Objective	1 year %	3 years % pa	5 years % pa	7 years % pa
Australian inflation		6.0	5.3	3.4	3.0
Investment option					
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	2.5	0.8	1.0	1.1
Income-focused	To outperform the CPI by 1.5% per annum over 10 years	5.1	3.8	4.4	4.8
Balanced (default)	To outperform the CPI by 3.5% per annum over 10 years	8.8	7.4	5.7	6.7
Aggressive	To outperform the CPI by 4.0% per annum over 10 years	11.2	9.8	8.1	9.0

Section 06

Our Superannuation Services

Our Superannuation Services

Help for our customers

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

We provide to our customers:

- **factual and general information delivered over the phone and by email**
- **secure access to online services (account balances, investment options, document management)**
- **education and general advice via public and in-house seminars and webinars**
- **information and 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 super responsibilities.

We provide to our employers:

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

Our customers’ and employers’ satisfaction with our services

We use customer feedback to continually improve our service and engagement, designed to help our customer make informed decisions to achieve their retirement goals.

Across our membership, we measure customer sentiment in our Customer Relationship Survey. This year, our NPS score declined 5 points to minus 12, led by a sharp decline in the NPS of our pre-retiree customers. This is reflective of economic conditions impacting our customers’ confidence in recommending financial services. We also saw sentiment decline related to the launch of CSC Navigator, with customers adjusting to the new registration process, and changes to access to i-estimator.

Over the 2022–23 year, we added multiple touchpoints to our survey program, including 3 surveys measuring the Health and Claims Customer Journeys, measuring the Invalidity Claims experience for Defined Benefit customers, the Income Protection Claims Lodgment process and the Income Protection and Total and Permanent Disability Claims process for PSSap customers. We also included a Post Call Survey, measuring the experience of customers engaging in a phone call with one of our contact centres.

All new surveys have a positive NPS from customers. In 2022–23, our NPS has increased for each of our existing journey and interaction surveys, with the exception of our website NPS, which has declined by 12 points.

Our NPS scores for our employer relationship and services carry over from last financial year. Employer NPS remains at +56 and satisfaction with our employer training services remains at an NPS of +65.

More information about our employer satisfaction can be found on page 26.

Seminars for customers

2022–23 saw our virtual offerings for education seminars become the favourite channel for our customers.

We delivered 257 seminars throughout the year, giving customers across the country access to important information. Of this total, 51 seminars were live webinars. In total, 12,717 customers attended CSC seminars, with webinars attracting an average attendance of 76, and in-person seminars averaging 42. Customers are increasingly consuming our webinars on-demand at times that suit them.

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

- Superannuation 101
- How much super will I need?
- 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?

Military one-to-one consultations

Our education team provides general advice on super and retirement planning to individual military scheme customers. In 2022–23, we facilitated 5,324 one-to-one interactions in the form of one-on-one consultations, in-person interactions at CSC booths at transition events and pop-up stalls at various ADF establishments.

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

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

Personal financial advice

In 2022–23 our financial planning team met approximately 1,800 customers.

A total of 800 customers considered whether this was the right time for personal advice, of which 310 customers received a personalised financial plan. Their plans included 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 personalise my insurance?
- 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?

Approximately 1,000 customers sought general advice, getting a better understanding of their scheme and options. 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 financial issues. Many customers appreciated that their Financial Planner was a salaried CSC employee who was not paid commissions, and that they were not required to sign up for an ongoing service.

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 customers appointments they conduct, the number of financial plans they deliver, their adherence to the Financial Adviser Standards and Ethics Authority (FASEA) code of ethics and CSC's values, and also customers satisfaction levels with the service and advice they provide.

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

By phone

In 2022–23, we answered 282,594 phone calls from our customers, compared with 248,564 phone calls in the previous financial year.

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

There was an increase in calls from customers in October 2022 as a result of the Optus Data Breach regarding increasing security on super and pension accounts. From March 2023 there was an increase in calls from APS and Pension customers as a result of the release of the new Navigator Portal. Work has been undertaken to assist customers as a result of the release of the new Navigator Portal.

By email

Customers also requested general information about super via email. In 2022–23, we replied to 165,478 emails from our customers, compared with 125,905 in the previous financial year.

By new Navigator portal launched

CSC's new online portal Navigator was launched in late February 2023. As of June 30 2023, 100,000 customers had successfully registered and were using this platform, even though Navigator had only been advertised to CSS and DFRDB customers up to that point.

This brought expected and unexpected challenges for customers. Some of these issues related to registration processes, mobile device suitability or as a result of decisions made to implement without some online estimators immediately available. As a result, the Engagement Teams experienced high call volumes to the end of the March quarter with these being greater than experienced for the same quarter over the last two calendar years.

Despite the additional contact load, the teams have been able to engage with customers about their benefit estimate and respond to any immediate questions as well as managed further contact requirements. The team also engaged our technology partners to deliver an automated and regular benefit estimate to CSS customers, negating the need to build a bespoke online tool for what is a reducing number of contributing customers.

Since the launch of Navigator there has been significant work undertaken to fix online calculator issues, improve mobile scalability and improve registration challenges for both DB and DC customers.

Customer complaints

The total number of complaints received in 2022–23 was 6,518 compared to 3,463 in the previous financial year. The rise in complaint numbers was expected with the continued focus on embedding a culture of recording and resolving complaints following the introduction of ASIC Regulatory Guide 271 (Internal Dispute Resolution) in October 2021.

Detailed information about customers complaints can be found in Section 7 of this report.

We are committed to listening and taking action from the feedback received from customers through the complaint process.

CSC endeavours to resolve issues raised by customers as soon as possible. Despite the increase in complaints compared to the prior year, we have slightly increased the number of complaints resolved within 5 days from 78% in 2021–22 to 80% in 2022–23.

For complaints that required a formal written response within 45 days, as per the regulation, the average handling time for the year was 30.14 days. The increased volume and detail of data being gathered from complaints provides opportunities to improve processes, training and communication with customers, and identify and analyse potential systemic issues with a focus on improving customer outcomes.

The biggest complaint topic this year was Online Services following the introduction of our new customer portal, Navigator, in February 2023. We are beginning to see these complaints moderate.

Section 07

Our Superannuation Schemes

Our Superannuation Schemes

Introduction

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

This section details our performance in relation to these functions for each scheme in 2022–23.

Scheme legislation and Trust Deeds

Changes made to scheme legislation and Trust Deeds in 2022–23 included:

- The *Public Sector Superannuation Salary Legislation Amendment Act 2022* repealed paragraph 5(e) of the Superannuation (Salary) Regulations, now known at the Superannuation (CSS) Salary Regulations 1978, with effect from 1 July 1986 to ensure that individuals who were provided with rent-free housing on and after that date do not have the value of that housing included in their default super salary. This regularised the past administrative practices of employers and employees by effectively restoring the position with respect to rent-free housing that all relevant parties have treated as applying since 1986. The repeal does not apply where it was clear that the value of rent-free housing received by an employee was to be included in their super salary as evidenced by contributions having been made on that basis in the period 1 July 1986 to 28 February 2022. The Act received the Royal Assent on 9 August 2022.
- Incorporation of amendments to the Family Law Amendment (Western Australia De Facto Superannuation Splitting and Bankruptcy) Act 2020 which amended the Family Law Act 1975 and the Bankruptcy Act 1966 in relation to Western Australian de facto super splitting and concurrent bankruptcy proceedings and related purposes. These changes were adopted into The Superannuation Acts 1922, 1976, 1990 and 2005 respectively. The amendments changed the family law value definition, the definition of a member spouse, the operative time, and allowed recognition of Western Australia de facto relationships for family law splitting purposes.
- Defence Legislation Amendments (Enhancement of Defence Force Response to Emergencies) Act 2020 made amendments to the Military Superannuation and Benefits Act 1991. Amendments were made to the calling out of the Reserves, Immunity and Superannuation benefits for Cover for full-time reservists. These were also incorporated and updated in the Australian Defence Force Superannuation Act and Cover 2015 to cover and compensate current serving members of the Defence force.

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 such as the Australian Financial Complaints Authority (AFCA).

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 2022–23 is shown with each super scheme report on the following pages. We also received 1 complaint where the complainant was unable to be identified.

Complaints from unidentified customer

During this financial year, CSC received one complaint from a customer unable to be identified. This related to a beneficiary who still has not created an account for us to associate the complaint with.

Table 28. Complaints from unidentified sources

2020–21	2021–22	2022–23
7	4	1

Complaints in CSS

The key root cause for CSS customers has been service, with many complaints triggered by difficulty accessing the Interactive Voice Response and online services portal. Other complaint causes included customers' dissatisfaction with wait times and outcomes, such as death claims and pension payments. Further underlying root causes of complaints were; communication, legislative requirements and process failures.

Table 29. Complaints received in CSS

	2020–21	2021–22	2022–23
Complaints received	87	509	1011

Complaints in PSS

The highest root cause for PSS complaints was our online services portal. These were followed by service related complaints, process failures and communication issues. Further topics of complaint for customers included accessing and delays in receiving their benefit payments. Legislative restrictions surrounding consolidation or rollover of funds also remained a principal concern for PSS customers.

Table 30. Complaints received in PSS

	2020–21	2021–22	2022–23
Complaints received	235	1135	2077

Complaints in MilitarySuper

A large number of complaints arose from communication, wait time and claiming their Invalidity Benefit. Other recurring complaint topics were our online services portal and our Interactive Voice Response (IVR).

Table 31. Complaints received in MilitarySuper

	2020–21	2021–22	2022–23
Complaints received	140	1073	1724

Complaints in PSSap

The largest complaint topics were the online services portal and our communication. Other complaint causes included insurance, benefit payment delays and outcomes.

Table 32. Complaints received in PSSap

	2020–21	2021–22	2022–23
Complaints received	207	391	1078

Complaints in CSCri

Complaints related to our online services portal, pension payments and communication concerns.

Table 33. Complaints received in CSCri

	2020–21	2021–22	2022–23
Complaints received	5	33	45

Complaints in ADF Super

ADFSuper complaints were related to communication and issues logging on to our online services portal.

Table 34. Complaints received in ADF Super

	2020–21	2021–22	2022–23
Complaints received	0	17	33

Complaints in ADF Cover

ADFCover complaints related to communication and the expected time-frames to have a claim decision made.

Table 35. Complaints received from ADF Cover customers

	2020–21	2021–22	2022–23
Complaints received	2	16	75

Complaints in DFRDB

Complaint topics included wait times, pension payments, our IVR and our online services platform. Primary root causes centred on communication, process failures and service concerns (including DFRB).

Table 36. Complaints received in DFRDB

	2020–21	2021–22	2022–23
Complaints received	40	234	474

CSS

Commonwealth Superannuation Scheme

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.

The information on this page is relevant to the 2022–23 financial year.

99,396 customers

- 1,333 contributors
- 2,028 deferred
- 96,035 pensioners*

$15.03m member contributions	**$4.46m** employer contributions
$4637.37m pension payments	**$126.54m** lump sum payments

Note: * 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).

Invalidity classification	**3** New full invalidity pensioners. Note: These are the number of new invalidity reporting year (not the total number of invalidity pensioners).	**0** Partial invalidity applications. Note: These are assessed applications including retrospective applications in the relevant reporting year.

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.

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.

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.

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.

PSS

Public Sector Superannuation Scheme

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.

The information on this page is relevant to the 2022–23 financial year.

214,774 customers

- 54,870 contributors
- 88,286 preserved
- 71,618 pensioners*

$550.10m Member contributions

$165.50m employer contributions

$2935.37m pension payments

$644.23m lump sum payments

* 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).

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

Invalidity pensioners	108 New full invalidity pensioner	25 Partial invalidity applications

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

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.

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.

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.

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

Invalidity and Death Benefits

PSS provides Invalidity and Death Benefits.

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.

Additional Death and Invalidity Cover (ADIC)

Contributing customers under age 60 can apply for additional death and invalidity cover, application will be subject to underwriting and approval by CSC's insurer. ADIC is provided by AIA Australia Limited (ABN 79 004 837 862, AFSL 230043).

Partial invalidity

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

MilitarySuper

Military Superannuation and Benefits Scheme

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.
The information on this page is relevant to the 2022–23 financial year.

182,514 customers	30,745 contributors	122,310 preserved	29,459 pensioners*

$208.92m member contributions	$1,583.68m pension payments	$376.83m lump sum payments

* 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).
** Ancillary customers are not included

New invalidity classification	Class A	Class B	Class C
	683	101	25

Note: Figures 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.

MilitarySuper administration

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.

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 Benefit 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

Invalidity and Death Benefits

MilitarySuper provides Invalidity and Death Benefits. If a contributing customer is medically transitioned from the ADF, Invalidity Benefit may help them to resettle into civilian employment.

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)

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.

PSSap

Public Sector Superannuation accumulation plan

PSSap is a defined contribution scheme that was established on 1 July 2005 by the *PSSap Act*. Customers and employers can make contributions to the fund. This money is then pooled and invested with the contributions of other members. Over time, as contributions are made, members purchase more and more units in their investment option or options. The prices of those units increase and decrease in value in line with the performance of the investment option(s) they are invested in.

PSSap is open to eligible employees of default employers who make super contributions at a rate of 15.4% per annum.

Since 4 December 2017, customers who meet qualifying criteria have been able to contribute to PSSap after leaving public sector employment. These qualifying criteria were simplified to accommodate concurrent employment 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 into PSSap, and access to an account-based pension product known as CSCri (Commonwealth Superannuation Corporation retirement income), to eligible public sector scheme customers.

The information on this page is relevant to the 2022–23 financial year.

156,996 customers

- 143,606 contributors
- 7,151 preservers*
- 6,239 ancillary

$130.41m member contributions

$791.51m withdrawals

$1,725.59m employer contributions

* Preserved members are ineligible to make additional contributions as they did not meet the eligibility criteria to continue contribution after leaving default employment.

PSSap administration

Contributions

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

Ancillary contributions

Ancillary contributions can be made by eligible CSS/PSS customers or former customers by opening a PSSap account as an Ancillary customer. 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.

Employer contributions

Participating PSSap employers are required to contribute 15.4% super contributions.
Non-participating employers are required to make contributions in line with their employment contract.

Benefit payments

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

Insurance benefits

PSSap offers Death, Total Permanent Disablement (TPD) and Income Protection (IP) cover through a group insurance arrangement. Insurance cover offered through PSSap is called lifePLUS cover.

lifePLUS cover 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. Customers who receive lifePLUS auto cover and opt out of or cancel cover, are no longer eligible for it again—even if they work for another eligible employer or rejoin the APS down the track. Customers who want cover again in the future will need to apply for lifePLUS choice and their application will be subject to underwriting and approval by CSC's insurer. Cover may be declined or offered on modified terms and conditions.

Death and TPD
lifePLUS cover 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. 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.

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 a 15.4% super contribution is paid directly to the customer's PSSap account, for up to two years.

If a five-year benefit period is held, 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 a 15.4% super contribution paid into their PSSap account.

130

TPD claims assessed

308

IP claims assessed

CSCri

Commonwealth Superannuation Corporation retirement income

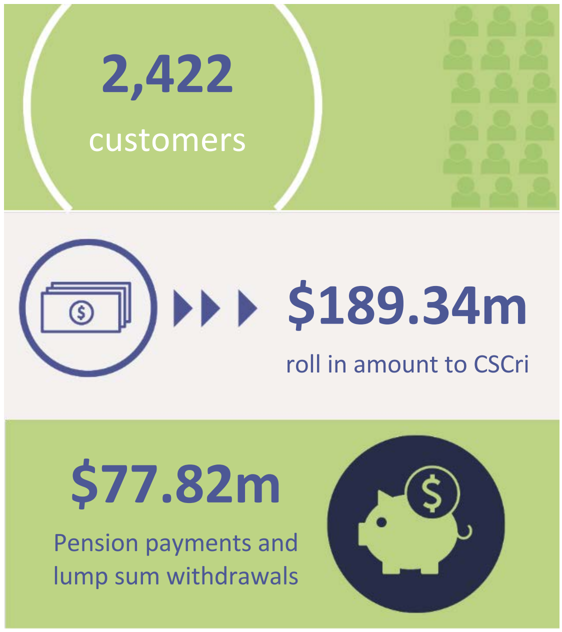
CSCri is an account-based pension product offered as part of PSSap to eligible CSS, PSS and PSSap customers who are retiring or want to start transitioning to retirement.

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 in vested, 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.

This information is relevant to the 2022–23 financial year.



ADF Cover

Australian Defence Force 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 super fund.

Covered ADF members can include members of the Permanent Forces or Reserve members rendering continuous full-time service.

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

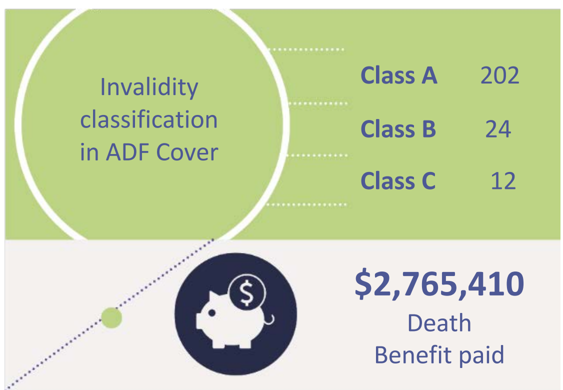
ADF Cover administration

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)

This information is relevant to the 2022–23 Financial Year.



ADF Super

Australian Defence Force Superannuation Scheme

ADF Super is a military super 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 administration

Contributions

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

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.

Benefit payments

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

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 Disablement (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).

This information is relevant to the 2022–23 financial year.

33,973 customers

32,561 customers
1,412 preservers

$7.52m member contributions

$363.99m employer contributions

0 TPD claims assessed

* Preserved members are ineligible to make additional contributions as they did not meet the eligibility criteria to continue contribution after separating from military service.

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 ADF Super customers who have completed 12 months continuous service or more and satisfy eligibility requirements on separation 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 auto 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 Protect 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 87% 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 a 12% super contribution is paid directly to the customer's ADF Super account, for up to two years.

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.

The information is relevant to the 2022–23 financial year.

1,260
pensioners

$46.42m
pensioner payments

Defence Forces Retirement Benefits

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.

1,528
pensioners

$34.14m
Pension payments

Invalidity classification

Class A	0
Class B	1
Class C	0
Not eligible	1

Papua New Guinea (PNG) Scheme

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*.

56
pensioners

$2.89m
Pension payments

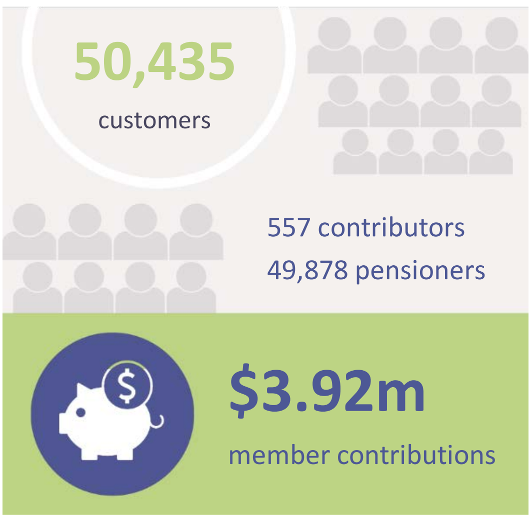
Defence Force Retirement and Death Benefits

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 super 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.

Scheme administration

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.

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.



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.

Invalidity Benefit

DFRDB provides Invalidity and Death Benefit. If a customer is medically transitioned from the ADF, Invalidity Benefit 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)

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 This information is relevant to the 2022–23 financial year.

Section 08

CSC Financial Statements

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 2023:

(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 2023 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 2023 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.

Director's Responsibility for the financial statements

As the Accountable Authority of the Entity, the Directors are responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual 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.

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

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 the Directors 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

Rona Mellor

Rona Mellor PSM

Acting Auditor-General

Canberra

19 September 2023

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 2023 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
Chair
19 September 2023

Damian Hill
Chief Executive Officer
19 September 2023

Andy Young
Chief Operating Officer
19 September 2023

Commonwealth Superannuation Corporation

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000	Original Budget 2023 $'000	Notes
NET COST OF SERVICES					
Expenses					
Employee benefits	2.1	**75,395**	74,158	81,440	a
Suppliers	2.2	**79,485**	69,210	68,659	b
Depreciation and amortisation	5.1	**9,527**	10,545	10,738	c
Finance costs	2.3	**464**	510	412	
Write-down and impairment of other assets	2.4	**1,443**	-	6	d
Total expenses		**166,314**	154,423	161,255	
LESS:					
Own-source income					
Own-source revenue					
Revenue from contracts with customers	3.1	**162,466**	150,819	151,946	e
Interest	3.2	**390**	32	23	
Total own-source revenue		**162,856**	150,851	151,969	
Gains					
Other gains	3.3	**424**	-	-	
Total gains		**424**	-	-	
Total own-source income		**163,280**	150,851	151,969	
Net (cost of)/contribution by services		**(3,034)**	(3,572)	(9,286)	
(Deficit)/surplus for the year		**(3,034)**	(3,572)	(9,286)	
OTHER COMPREHENSIVE INCOME					
Items not subject to subsequent reclassification to net (cost of)/contribution by services					
Changes in asset revaluation reserve		**(128)**	501	-	
Total other comprehensive income		**(128)**	501	-	
Total comprehensive income/(loss)		**(3,162)**	(3,071)	(9,286)	

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

Commonwealth Superannuation Corporation

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

Budget Variances Commentary

Statement of Comprehensive Income

a. Employee expenses were lower than budget due to lower than expected variable remuneration and lower average staffing levels.

b. Supplier expenses are higher than budget due to underestimation of costs for project activities and upgrades in 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.

c. Depreciation expenses are lower than budget due to the unavailability of hardware. The procurement of infrastructure assets is now expected to occur next financial year. The variance is also due to CSC exercising the option to surrender a level in the Canberra office.

d. Write-down and impairment of other assets expense was due to CSC exercising the option to surrender a level in the Canberra office.

e. 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 consistent with the reasons detailed in note b above.

Commonwealth Superannuation Corporation

STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	2023 $'000	2022 $'000	Original Budget 2023 $'000	Notes
ASSETS					
Financial assets					
Cash and cash equivalents	4.1	**55,533**	55,416	49,659	a
Trade and other receivables	4.2	**7,768**	9,768	9,868	b
Total financial assets		**63,301**	65,184	59,527	
Non-financial assets[1]					
Buildings (ROU Asset)	5.1	**10,684**	16,683	13,091	c
Leasehold improvements	5.1	**5,318**	7,583	6,437	d
Property, plant and equipment	5.1	**4,766**	5,124	5,546	
Intangibles	5.1	**9,268**	10,394	8,572	
Other non-financial assets	5.2	**11,763**	9,817	9,971	e
Total non-financial assets		**41,799**	49,601	43,617	
Total assets		**105,100**	114,785	103,144	
LIABILITIES					
Payables					
Suppliers	6.1	**7,379**	7,792	8,311	
Other payables	6.2	**4,431**	4,568	2,758	f
Total payables		**11,810**	12,360	11,069	
Interest bearing liabilities					
Leases	7.1	**15,420**	22,484	18,178	g
Total interest bearing liabilities		**15,420**	22,484	18,178	
Provisions					
Employee provisions	8.1	**16,405**	16,121	18,117	h
Other provisions	8.2	**1,983**	2,329	2,329	
Total provisions		**18,388**	18,450	20,446	
Total liabilities		**45,618**	53,294	49,693	
Net assets		**59,482**	61,491	53,451	
EQUITY					
Contributed equity		**35,475**	35,475	35,475	
Operational risk reserve		**4,375**	3,222	4,468	
Asset revaluation reserve		**2,466**	2,594	2,594	
Retained earnings		**17,166**	20,200	10,914	
Total equity		**59,482**	61,491	53,451	

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

Budget Variances Commentary

Statement of Financial Position

a. Cash and cash equivalents are higher than budget. Refer to the Cashflow Statement for further detail.

b. Trade and other receivables are lower than budgeted due to the timing of the invoicing for the reimbursement of project expenses.

c. Refer to Statement of Comprehensive Income note c and d.

d. Refer to Statement of Comprehensive Income note c and d.

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

f. Other payables are higher than budget due to unbudgeted costs associated with CSC exercising the option to surrender a level in the Canberra office, as well as the finalisation of the makegood liability for the surrendered space.

g. Leases are lower than budget due to a re-measurement of liabilities as a result of exercising the option to surrender a level in the Canberra office.

h. Employee provisions are lower than budget due to due to the application of the Department of Finance shorthand long service leave model, including an increase to the Australian Government Bond Rate.

Commonwealth Superannuation Corporation

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Notes	2023 $'000	2022 $'000	Original Budget 2023 $'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		**20,200**	23,772	20,200	
Adjusted opening balance		**20,200**	23,772	20,200	
Comprehensive income					
(Deficit)/surplus for the year		**(3,034)**	(3,572)	(9,286)	
Closing balance as at 30 June		**17,166**	20,200	10,914	
ASSET REVALUATION RESERVE					
Opening balance					
Balance carried forward from previous period		**2,594**	2,093	2,594	
Other comprehensive income		**(128)**	501	-	
Closing balance as at 30 June		**2,466**	2,594	2,594	
OPERATIONAL RISK RESERVE					
Opening balance					
Balance carried forward from previous period		**3,222**	2,082	3,222	
Transfers to reserve					
Transfers from Department of Defence		**1,153**	1,140	1,246	
Closing balance as at 30 June		**4,375**	3,222	4,468	
Total equity		**59,482**	61,491	53,451	

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 2023

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 2023

	Notes	2023 $'000	2022 $'000	Original Budget 2023 $'000	Notes
OPERATING ACTIVITIES					
Cash received					
Rendering of services		**163,925**	148,285	156,852	a
Interest		**390**	32	23	
Net GST received		**581**	-	-	
Total cash received		**164,896**	148,317	156,875	
Cash used					
Employee benefits		**(76,294)**	(71,505)	(81,161)	b
Suppliers		**(82,204)**	(70,062)	(72,907)	c
Interest payments on lease liabilities		**(410)**	(431)	(400)	
Net GST paid		**-**	(382)	(504)	
Total cash used		**(158,908)**	(142,380)	(154,972)	
Net cash from/(used by) operating activities	9	**5,988**	5,937	1,903	
INVESTING ACTIVITIES					
Cash received					
Net proceeds from disposal of property, plant and equipment		**15**	-	-	
Total cash received		**15**	-	-	
Cash used					
Purchase of property, plant and equipment		**(482)**	(3,533)	(4,100)	d
Purchase and internal development of intangibles		**(1,713)**	(2,518)	(500)	e
Total cash used		**(2,195)**	(6,051)	(4,600)	
Net cash (used by)/from investing activities		**(2,180)**	(6,051)	(4,600)	
FINANCING ACTIVITIES					
Cash received					
Transfers to operational risk reserve		**1,153**	1,140	1,246	
Total cash received		**1,153**	1,140	1,246	
Cash used					
Principal payments of lease liabilities		**(4,844)**	(4,220)	(4,306)	
Total cash used		**(4,844)**	(4,220)	(4,306)	
Net cash (used by)/from financing activities		**(3,691)**	(3,080)	(3,060)	
Net increase/(decrease) in cash and cash equivalents		**117**	(3,194)	(5,757)	
Cash and cash equivalents at the beginning of the financial year		**55,416**	58,610	55,416	
Cash and cash equivalents at the end of the financial year	4.1	**55,533**	55,416	49,659	

Commonwealth Superannuation Corporation

CASH FLOW STATEMENT

For the year ended 30 June 2023

Budget Variances Commentary

Cash Flow Statement

a. Cash received from rendering of services is higher than budget mainly due to higher than projected reimbursements from AIT and the reduction in trade receivables.

b. Refer to Statement of Comprehensive Income note a and Statement of Financial Position note h.

c. Refer to Statement of Comprehensive Income note b and Statement of Financial Position note e.

d. Property, plant and equipment is lower than budget due to delay in availability of hardware. The procurement of infrastructure assets is now expected to occur next financial year.

e. Cash used for internally generated software was budgeted for as supplier expenses and relates to the customisation of a cloud based Customer Relationship Management (CRM) platform.

Note 1: Overview and Summary of Material 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) *Public 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

Adoption of New Australian Accounting Standard Requirements

One amending standard (AASB 2021-2) was adopted earlier than the application date as stated in the standard. This amending standard has been adopted for the 2022-23 reporting period.

The following amending standard was issued by the Australian Accounting Standards Board prior to the sign-off date, is applicable to the current reporting period and has no material effect on CSC's financial statements:

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

Standard/ Interpretation	Nature of change/s in accounting policy
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (AASB 2021-2)	AASB 2021-2 amends AASB 7, AASB 101, AASB 108, AASB 134 and AASB Practice Statement 2. The amending standard requires the disclosure of material, rather than significant, accounting policies, and clarifies what is considered a change in accounting policy compared to a change in accounting estimate. This amending standard does not have a material impact on the entity's financial statements for the current reporting period or future reporting periods.

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).

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, MSBS 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).

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

Reporting of Administered Activities (continued)

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 *Annual Appropriation Act (No. 1) 2022-2023* and *Annual Appropriation Act (No. 2) 2022-2023.*

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

DFRB, DFRDB, MSBS 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.*

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) 2022-2023.* 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

In August 2023, a new lease for the Sydney office was finalised between CSC and the landlord. This agreement extended the current lease agreement until 31 March 2024 with a new lease to commence from 1 April 2024 for additional space in the same premise. The new lease is for a period of five years with a further renewal option for five years.

No other matters have arisen since 30 June 2023 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.

Commonwealth Superannuation Corporation

Notes to the Financial Statements

For the year ended 30 June 2023

Note 2: Expenses

	2023 $'000	2022 $'000
Note 2.1: Employee benefits		
Wages and salaries	**59,622**	58,685
Superannuation		
Defined contribution plans	**6,278**	5,956
Defined benefit plans	**1,469**	1,674
Leave and other entitlements	**7,262**	5,850
Separation and redundancies	**764**	1,993
Total employee benefits	**75,395**	74,158

Accounting Policy

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.

	2023 $'000	2022 $'000
Note 2.2: Suppliers		
Goods and services supplied or rendered		
Consultants	**19,961**	17,245
Contractors	**26,248**	20,893
Information technology and communications	**19,695**	18,345
Insurance	**1,437**	1,392
Member communication	**2,086**	1,609
Property (other than rent)	**1,909**	1,301
Employee recruitment and support	**1,225**	1,269
Subscriptions and professional memberships	**480**	414
Training and development	**823**	724
Travel	**1,136**	478
Other goods and services	**4,236**	4,817
Total goods and services supplied or rendered	**79,236**	68,487
Other supplier expenses		
Operating lease rentals		
Short-term leases[1]	**165**	171
Workers compensation expenses	**84**	552
Total other suppliers	**249**	723
Total suppliers	**79,485**	69,210

[1] CSC has office leases in Melbourne and Brisbane for a fixed terms of twelve months, which are classified as short term leases. CSC has short-term lease commitments of $17,463 as at 30 June 2023 (2022: $96,030).

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

Note 2: Expenses (continued)

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 and leases of low-value 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.

	2023 $'000	2022 $'000
Note 2.3: Finance costs		
Interest on lease liabilities	**382**	431
Other interest payments	**82**	79
Total finance costs	**464**	510

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.

	2023 $'000	2022 $'000
Note 2.4: Write-down and impairment of other assets		
Impairment of buildings (ROU asset)	**548**	-
Impairment of leasehold improvements	**893**	-
Impairment of property, plant and equipment	**2**	-
Total write-down and impairment of other assets	**1,443**	-

Note 2.5: Remuneration of Auditors

Amounts paid or payable to the Australian National Audit Office for audit services:

	2023 $'000	2022 $'000
Financial statement audit services	**82**	82
Regulatory audit services required by legislation to be provided by the auditor	**9**	9
	91	91

Deloitte Touche Tohmatsu are contracted by the ANAO to provide audit services on its behalf, the following additional services were provided:

	2023 $'000	2022 $'000
Internal controls audit - other assurance engagement required by legislation or contractual arrangements	**154**	148
Consulting Services	**40**	157
	194	305

Audit fees are also payable to the ANAO by other entities under CSC's trusteeship. For the 2022-23 financial year the total fees payable for these entities is $626,250 (2022: $626,250).

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

Commonwealth Superannuation Corporation

Notes to the Financial Statements

For the year ended 30 June 2023

Note 3: Own-source Revenue and Gains

	2023	2022
	$'000	$'000
Note 3.1: Revenue from contracts with customers		
Scheme administration fees - Australian Government entities (related parties)	**73,764**	72,564
Services rendered to the ARIA Investments Trust	**83,460**	72,773
Trustee Levies	**3,908**	3,676
Other revenue	**1,229**	1,044
Other revenue - Australian Government entities (related parties)	**105**	762
Total revenue from contracts with customers	**162,466**	150,819

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 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. Impairment is determined as detailed in Note 15.

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

	2023 $'000	2022 $'000
Note 3.2: Interest		
Deposits	**390**	32
Total interest	**390**	32

Accounting Policy

Interest revenue is recognised using the effective interest method.

	2023 $'000	2022 $'000
Note 3.3: Other gains		
Net decrease in provision for restoration obligations	**111**	-
Gains from early termination of lease	**298**	-
Gain on disposal of assets	**15**	-
Total other gains	**424**	-

Accounting Policy

Sale of Assets

Gains from disposal of assets are recognised when control of the asset has passed to the buyer.

Other Gains

Gains may be realised or unrealised and are recognised on a net basis.

Note 4: Financial Assets

	2023 $'000	2022 $'000
Note 4.1: Cash and cash equivalents		
Cash in special account	**39,509**	41,746
Cash on deposit	**16,024**	13,670
Total cash and cash equivalents	**55,533**	55,416

The closing balance of Cash in special account does not include amounts held in trust (2022: 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 immaterial risk of changes in value; and
>
> b) cash in special accounts.

Note 4.2: Trade and other receivables

	2023 $'000	2022 $'000
Receivables for services		
Services	**7,768**	9,227
Total receivables for services	**7,768**	9,227
Other receivables:		
GST receivable	-	541
Total other receivables	-	541
Total trade and other receivables (gross)	**7,768**	9,768
Less expected credit loss allowance	-	-
Total trade and other receivables (net)	**7,768**	9,768
Trade and other receivables (net) expected to be recovered in:		
No more than 12 months	**7,768**	9,768
Total trade and other receivables (net)	**7,768**	9,768

Credit terms for services were within 30 days (2022: 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 Expected Credit Loss Allowance

Movements in relation to 2023

	Services $'000	Total $'000
As at 1 July 2022		
Increase/(Decrease) recognised in net contribution by services	-	-
Amounts written off	-	-
Total as at 30 June 2023	-	-

Movements in relation to 2022

	Services $'000	Total $'000
As at 1 July 2021		
Increase/(Decrease) recognised in net contribution by services	-	-
Amounts written off	-	-
Total as at 30 June 2022	-	-

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.

Note 5: Non-Financial Assets

Note 5.1: Reconciliation of the opening and closing balances of leasehold improvements, plant and equipment and intangibles for 2023

	Buildings (ROU Asset)[1] $'000	Leasehold Improvements[1] $'000	Property, Plant and Equipment $'000	Intangibles - Computer Software[2] $'000	Total $'000
As at 1 July 2022					
Gross book value	26,282	7,583	11,214	34,628	79,707
Accumulated depreciation, amortisation and impairment	(9,599)	-	(6,090)	(24,234)	(39,923)
Total as at 1 July 2022	**16,683**	**7,583**	**5,124**	**10,394**	**39,784**
Additions					
Purchase	-	-	1,613	-	1,613
Internally developed	-	-	-	1,631	1,631
Right-of-use assets	1,025	-	-	-	1,025
Impairments recognised in net contribution by services	-	(893)	-	-	(893)
Impairments recognised in other comprehensive income	-	(389)	-	-	(389)
Revaluations recognised in other comprehensive income	-	289	-	-	289
Impairments on right-of-use assets recognised in net cost of services	(548)	-	-	-	(548)
Depreciation and amortisation	-	(1,272)	(1,934)	(2,757)	(5,963)
Depreciation on right-of-use assets	(3,542)	-	(22)	-	(3,564)
Disposals	-	-	(2)	-	(2)
Re-measurement of right-of-use assets	(2,934)	-	(13)	-	(2,947)
Total as at 30 June 2023	**10,684**	**5,318**	**4,766**	**9,268**	**30,036**
Total as at 30 June 2023 represented by:					
Gross book value	24,373	5,318	12,792	36,259	78,742
Accumulated depreciation, amortisation and impairment	(13,689)	-	(8,026)	(26,991)	(48,706)
Total as at 30 June 2023	**10,684**	**5,318**	**4,766**	**9,268**	**30,036**
Carrying amount of right-of-use assets	**10,684**	**-**	**18**	**-**	**10,702**

1. As at 30 June 2023, a total impairment loss of $1.830 million has been recognised as a result of surrendering a level in relation to Canberra office lease.

2. The carrying amount of computer software includes $0.099 million of purchased software and $9.169 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 and intangibles for 2022

	Buildings (ROU Asset) $'000	Leasehold Improvements $'000	Property, Plant and Equipment $'000	Intangibles - Computer Software[1] $'000	Total $'000
As at 1 July 2021					
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 1 July 2021	**20,487**	**8,303**	**3,541**	**11,237**	**43,568**
Additions					
Purchase	-	-	3,533	-	3,533
Internally developed	-	-	-	2,669	2,669
Disposals	-	-	-	-	-
Revaluations recognised in other comprehensive income	-	559	-	-	559
Depreciation and amortisation	-	(1,279)	(1,923)	(3,512)	(6,714)
Depreciation on right-of-use assets	(3,804)	-	(27)	-	(3,831)
Total as at 30 June 2022	**16,683**	**7,583**	**5,124**	**10,394**	**39,784**
Total as at 30 June 2022 represented by:					
Gross book value	26,282	7,583	11,214	34,628	79,707
Accumulated depreciation, amortisation and impairment	(9,599)	-	(6,090)	(24,234)	(39,923)
Total as at 30 June 2022	**16,683**	**7,583**	**5,124**	**10,394**	**39,784**
Carrying amount of right-of-use assets	**16,683**	-	**53**	-	**16,736**

[1] The carrying amount of computer software includes $0.161 million of purchased software and $10.233 million of internally generated 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 property, plant and equipment as at 30 June 2021 excluding right of use assets. Due to changes in market conditions, independent valuers conducted the fair value assessment for the leasehold improvements assets class as at 30 June 2023.

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

CSC has contractual commitments totalling $0.77 million (2022: $0.08 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 (2022: $4,000), which are expensed in the year of acquisition (other than where they form part of a group of similar items which are material 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 the Canberra 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)

Accounting Policy (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:

	2023	2022
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 2023. 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 (2022: 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 (2022: $80,000) or internally developed assets costing less than $80,000 (2022: $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 material in total).

Software assets under development but not yet available for use have been tested for impairment as at 30 June 2023. All software assets in use were assessed for indications of impairment as at 30 June 2023.

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 2023.

Note 5: Non-Financial Assets (continued)

	2023 $'000	2022 $'000
Note 5.2: Other non-financial assets		
Prepayments	**11,763**	9,817
Total other non-financial assets	**11,763**	9,817
Other non-financial assets expected to be recovered in:		
No more than 12 months	**11,087**	8,682
More than 12 months	**676**	1,135
Total other non-financial assets	**11,763**	9,817

No indicators of impairment were found for other non-financial assets (2022: Nil)

Note 6: Payables

	2023 $'000	2022 $'000
Note 6.1: Suppliers		
Trade creditors and accruals	**7,379**	7,792
Total suppliers	**7,379**	7,792
Supplier payables expected to be settled in:		
No more than 12 months	**7,379**	7,792
Total suppliers	**7,379**	7,792

Settlement is usually made within 20 days (2022: 20 days).

	2023 $'000	2022 $'000
Note 6.2: Other payables		
Wages and salaries	**1,929**	1,570
Unearned revenue	**1,192**	1,192
Separations and redundancies	**175**	1,717
GST Payable	**40**	-
Restoration obligation payable	**345**	-
Lease termination payable	**615**	-
Other	**135**	89
Total other payables	**4,431**	4,568
Other payables expected to be settled in:		
No more than 12 months	**3,750**	3,887
More than 12 months	**681**	681
Total other payables	**4,431**	4,568

Accounting Policy

Separation and Redundancy

CSC recognises a payable for separation and redundancy benefit payments when there is no material uncertainty in timing or amount payable. Employees affected have been informed and final amounts have been determined in relation to the redundancies.

Unearned revenue

CSC recognises a liability for unearned revenue when a payment has been received from a customer but performance obligations attached to the payment are expected to be fulfilled in a future period.

Note 7: Interest Bearing Liabilities

	2023 $'000	2022 $'000
Note 7.1: Leases		
Lease liabilities	**15,420**	22,484
Total leases	**15,420**	22,484
Maturity analysis - contractual undiscounted cash flows		
Within 1 year	**3,504**	4,904
Between 1 to 5 years	**12,638**	16,854
More than 5 years	**-**	2,215
Total leases	**16,142**	23,973

Total cash outflow for leases for the year ended 30 June 2023 was $5,254,000 (2022: $4,651,000)

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

Lease payments are subject to fixed annual increases of 3.5% for the Canberra office, fixed annual increases of 4.0% for the Sydney office, and variable annual rate increases for the Canberra data centre linked to a 'labour price index'. These lease agreements are non-cancellable in the normal course of business.

The Canberra office lease agreement provides CSC with a one off right to surrender any one of its floors at any time on or after 1 January 2022. CSC exercised this right to surrender one floor of office space in 19 January 2023 with a termination date of 20 October 2023. This was considered a lease modification and the lease liability was reduced by $3,232,487 as a result. The remaining Canberra office lease has a further renewal option for 3 years.

The Canberra data centre facility lease agreement contains one year renewal options up to a maximum term to August 2027.

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

	2023 $'000	2022 $'000
Note 8.1: Employee provisions		
Leave	**16,405**	16,121
Total employee provisions	**16,405**	16,121
Employee provisions expected to be settled in:		
No more than 12 months	**6,530**	6,906
More than 12 months	**9,875**	9,215
Total employee provisions	**16,405**	16,121

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.

Note 8: Provisions (continued)

	2023 $'000	2022 $'000
Note 8.2: Other provisions		
Provision for restoration obligations	1,983	2,329
Total other provisions	**1,983**	2,329

	Provision for restoration obligations $'000	Total other provisions $'000
As at 1 July 2022	2,329	2,329
Additional provisions made	28	28
Amounts used	(345)	(345)
Amounts reversed	(111)	(111)
Unwinding of discount or change in discount rate	82	82
Total as at 30 June 2023	**1,983**	**1,983**

	2023 $'000	2022 $'000
Other provisions are expected to be settled in:		
No more than 12 months	-	-
More than 12 months	1,983	2,329
Total other provisions	**1,983**	2,329

CSC currently has 1 (2022:1) agreement for the leasing of premises which has provisions requiring CSC to restore the premises to its 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

	2023 $'000	2022 $'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	**55,533**	55,416
Statement of Financial Position	**55,533**	55,416
Difference	**-**	-
Reconciliation of net (cost of)/contribution by services to net cash from/(used by) operating activities		
Net (cost of)/contribution by services	**(3,034)**	(3,572)
Adjustments for non-cash items		
Depreciation and amortisation	**9,527**	10,545
Write down and impairment of assets	**1,443**	-
Other gains	**(424)**	-
Movements in assets and liabilities		
Assets		
Decrease / (increase) in trade and other receivables	**2,000**	(2,707)
(Increase) / decrease in other non-financial assets	**(1,946)**	(3,280)
Liabilities		
(Decrease) / increase in supplier payables	**(1,462)**	2,448
(Decrease) / increase in other payables	**(137)**	1,824
Increase / (decrease) in employee provisions	**284**	601
(Decrease) / increase in other provisions	**(263)**	78
Net cash from operating activities	**5,988**	5,937

Note 10: Appropriations

Note 10.1: Special Appropriations

Authority	Type	Purpose	Appropriation applied 2023 $'000	2022 $'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.	**(46,419)**	(50,007)
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.	**(4,761,578)**	(4,590,813)
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.	**(3,557,760)**	(3,030,738)
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.	**(69)**	(65)
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.	**(1)**	(37)

Note 10: Appropriations (continued)

Note 10.1: Special Appropriations (continued)

Authority	Type	Purpose	Appropriation applied 2023 $'000	2022 $'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.	**(132)**	(368)
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.	**(34,138)**	(35,475)
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.	**(1,729,781)**	(1,684,993)
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.	**(1,833,022)**	(1,603,210)
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.	**(79,448)**	(49,499)
Total			**(12,042,347)**	(11,045,204)

Note 10: Appropriations (continued)

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

2023	DFAT[2] $'000	Department of Finance $'000	Department of Defence $'000
Total receipts	**47**	**1,814,297**	**1,405,424**
Total payments	**(2,893)**	**(8,366,727)**	**(3,676,389)**

2022	DFAT $'000	Department of Finance $'000	Department of Defence $'000
Total receipts	9	2,575,129	1,466,679
Total payments	(3,367)	(7,673,084)	(3,373,177)

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*).

Commonwealth Superannuation Corporation

Notes to the Financial Statements

For the year ended 30 June 2023

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 2022 to 30 June 2023:

Legislation / Authority to pay[1]	Recoverable death payments[2]					
	2023			2022		
	No.	Value $'000	Recovered $'000	No.	Value $'000	Recovered $'000
DFAT – Annual Administered Appropriation						
Papua New Guinea (Staffing Assistance) Act 1973	**5**	**39**	**37**	8	18	8
Defence - Special Appropriations						
Defence Forces Retirement Benefits Act 1948; and Defence Forces Retirement and Death Benefits Act 1973	**564**	**1,277**	**988**	683	1,281	1,051
Military Superannuation and Benefits Act 1973	**36**	**115**	**77**	36	135	99
Australian Defence Force Cover Act 2015	**-**	**-**	**-**	-	-	-
Finance - Special Appropriations						
Superannuation Act 1922; and Superannuation Act 1976	**2,006**	**4,332**	**3,484**	2,285	4,881	3,942
Superannuation Act 1990	**227**	**482**	**382**	264	664	500

	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	**65**	**2,938**	**1,854**	94	3,700	3,038
Military Superannuation and Benefits Act 1973	**88**	**2,011**	**802**	101	1,040	937
Australian Defence Force Cover Act 2015	**-**	**-**	**-**	-	-	-
Finance - Special Appropriations						
Superannuation Act 1922; and Superannuation Act 1976	**28**	**422**	**383**	19	132	38
Superannuation Act 1990	**106**	**1,426**	**665**	82	725	288

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.*

Commonwealth Superannuation Corporation

Notes to the Financial Statements

For the year ended 30 June 2023

Note 11: Special Accounts

Note 11: Special Accounts

Recoverable GST Exclusive	CSC Special Account (Departmental)[1]		Services for Other Entities and Trust Moneys[2]	
	2023	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000
Balance brought forward from previous period	**43,226**	47,592	**2,311**	2,259
Increases				
Other receipts	**163,940**	148,285	**224,778**	210,961
Statutory credits	**581**	-	**-**	-
Total increases	**164,521**	148,285	**224,778**	210,961
Available for payments	**207,747**	195,877	**227,089**	213,220
Decreases				
Departmental				
Payment made to suppliers	**(89,243)**	(80,715)	**-**	-
Payment made to employers	**(76,294)**	(71,505)	**-**	-
Interest payments on lease liabilities	**(410)**	(431)	**-**	-
Total departmental decrease	**(165,947)**	(152,651)	**-**	-
Special Public Money				
Payments made to others	**-**	-	**(223,923)**	(210,909)
Total special public money decrease	**-**	-	**(223,923)**	(210,909)
Total decreases	**(165,947)**	(152,651)	**(223,923)**	(210,909)
Balance represented by:				
Cash held in CSC bank accounts	**2,291**	1,480	**-**	-
Cash held in the Official Public Account	**39,509**	41,746	**3,166**	2,311
Total balance carried to the next period[3]	**41,800**	43,226	**3,166**	2,311

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 (2022: $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:

	2023	2022
	$'000	$'000
Short-term employee benefits	**6,795**	7,087
Post-employment benefits	**366**	373
Other long-term employee benefits	**161**	125
Termination benefits	**97**	-
Total key management personnel remuneration	**7,419**	7,585

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 (2022: 20 individuals).

The Directors of CSC throughout the year ended 30 June 2023 and to date of this report were:

Ariane Barker
Juliet Brown
Melissa Donnelly
Christopher Ellison (Term ended 30 June 2023)
Lee Goddard (Appointed 1 July 2022)
Andrea Hall (Appointed 1 July 2023)
Jacqueline Hey
Garry Hounsell (Chair)
David Mulhall (Appointed 2 May 2023)
Margaret Staib (Term ended 1 May 2023)
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 2023 and to the date of this report:

Paul Abraham	Executive Manager, Investment Operations
Catharina Armitage	Executive Manager, People
Robert Firth	Chief Risk Officer
Philip George	Executive Manager, Transformation
Damian Hill	Chief Executive Officer
Peter Jamieson	Chief Customer Officer (Resigned 23 December 2022)
Andrew Matuszczak	Chief Transformation and Information Officer
Adam Nettheim	Chief Customer Officer (Previously Executive Manager, Customer Operations until 23 December 2022, then Acting Chief Customer Officer until 9 July 2023)
Alana Scheiffers	General Counsel
Alison Tarditi	Chief Investment Officer
Andy Young	Chief Operating Officer

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)
Lee Goddard (MSBS)
David Mulhall (MSBS)
Margaret Staib (DFRDB & PSSap)
Alistair Waters (PSSap)

Paul Abraham (PSSap)
Catharina Armitage (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)

Note 14: Contingent Assets and Liabilities

Quantifiable Contingencies

CSC is not aware of any events that require it to report quantifiable contingencies (2022: Nil).

Unquantifiable Contingencies

CSC is not aware of any events that require it to report unquantifiable contingencies (2022: 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

	2023 $'000	2022 $'000
Note 15.1: Categories of financial instruments		
Financial assets measured at amortised cost		
Cash and cash equivalents	**55,533**	55,416
Trade and other receivables	**7,768**	9,227
Total financial assets at amortised cost	**63,301**	64,643
Financial liabilities measured at amortised cost		
Trade creditors and accruals	**7,379**	7,792
Other payables	**3,199**	3,376
Total financial liabilities measured at amortised cost	**10,578**	11,168

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).

	2023 $'000	2022 $'000
Note 15.2: Net Gains or Losses on Financial Assets		
Financial assets at amortised cost		
Interest revenue	**390**	32
Net gains on financial assets at amortised cost	**390**	32

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 (2022: 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 2023 and 30 June 2022.

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) 2023: $7,768,000 (2022: $9,227,000).

Note 15: Financial Instruments (continued)

Note 15.5: Credit Risk (continued)

Maximum Exposure to Credit Risk

	2023 $'000	2022 $'000
Financial assets carried at amount not best representing maximum exposure to credit risk		
Cash and cash equivalents	**55,533**	55,416
Receivables for services	**7,768**	9,227
Total financial assets carried at amount not best representing maximum exposure to credit risk	**63,301**	64,643

CSC has assessed the risk of the default on payment and has an expected credit loss allowance: $Nil (2022: $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.

Note 15.6: Liquidity Risk

Maturities for non-derivative financial liabilities 2023

	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	-	**7,379**	-	-	-	**7,379**
Other	-	**3,199**	-	-	-	**3,199**
Total	-	**10,578**	-	-	-	**10,578**

Maturities for non-derivative financial liabilities 2022

	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	-	7,792	-	-	-	7,792
Other	-	3,376	-	-	-	3,376
Total	-	11,168	-	-	-	11,168

During 2022-23 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 property, plant and equipment as at 30 June 2021. Due to changes in market conditions, independent valuers conducted the fair value assessment for the leasehold improvements assets class as at 30 June 2023.

Note 16:Fair Value Measurements (continued)

Note 16.1: Fair Value Measurement

	2023 $'000	2022 $'000	Category (Level 1, 2 or 3)[3,4,5]	Valuation Technique[1]	Inputs used	Sensitivity Analysis
Non-financial assets[2]						
Leasehold improvements	**5,318**	7,583	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 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 leasehold improvements and PP&E.
Property, plant and equipment (PP&E)[6]	**4,748**	5,071	Level 3	Depreciated replacement cost	Replacement cost new Consumed economic benefit/ Obsolescence of asset	
Total non-financial assets	**10,066**	12,654				
Total fair value measurements of assets in the Statement of Financial Position	**10,066**	12,654				

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 2023.
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)

Note 16.1: Fair Value Measurement (continued)

Material 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	
	2023	2022	**2023**	2022	**2023**	2022
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
As at 1 July	**7,583**	8,303	**5,071**	3,461	**12,654**	11,764
Total (losses)/gains recognised in net contribution by service[1]	**(2,165)**	(1,279)	**(1,936)**	(1,923)	**(4,101)**	(3,202)
Total (losses)/gains recognised in other comprehensive income[3]	**(100)**	559	**-**	-	**(100)**	559
Purchases	**-**	-	**1,613**	3,533	**1,613**	3,533
Total as at 30 June	**5,318**	7,583	**4,748**	5,071	**10,066**	12,654

1. These (losses)/gains 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.

3. These (losses)/gains are presented in the Statement of Comprehensive income under Gain on revaluation of non-current assets.

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

	2023 $'000	2022 $'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	**55,533**	55,416
Trade and other receivables	**7,768**	9,768
Other non-financial assets	**11,087**	8,682
Total no more than 12 months	**74,388**	73,866
More than 12 months		
Buildings (ROU Asset)	**10,684**	16,683
Leasehold improvements	**5,318**	7,583
Property, plant and equipment	**4,766**	5,124
Intangibles	**9,268**	10,394
Other non-financial assets	**676**	1,135
Total more than 12 months	**30,712**	40,919
Total assets	**105,100**	114,785
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers	**7,379**	7,792
Other payables	**3,750**	3,887
Lease liabilities	**3,238**	4,904
Employee provisions	**7,552**	7,458
Total no more than 12 months	**21,919**	24,041
More than 12 months		
Other payables	**681**	681
Lease liabilities	**12,182**	17,580
Employee provisions	**8,853**	8,663
Other provisions	**1,983**	2,329
Total more than 12 months	**23,699**	29,253
Total liabilities	**45,618**	53,294

Note 18: Assets Held in Trust ('recoverable GST exclusive')

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.

	2023 $'000	2022 $'000
CSS		
Opening balance	**1,395,139**	1,823,977
Closing balance	**1,206,635**	1,395,139
PSS		
Opening balance	**22,433,035**	23,206,659
Closing balance	**25,143,209**	22,433,035
PSSap		
Opening balance	**19,694,084**	19,363,336
Closing balance	**22,775,117**	19,694,084
MSBS		
Opening balance	**11,872,606**	12,288,071
Closing balance	**12,925,122**	11,872,606
ADF Super		
Opening balance	**1,112,831**	860,847
Closing balance	**1,569,612**	1,112,831

Commonwealth Superannuation Corporation

Notes to the Financial Statements

For the year ended 30 June 2023

Note 19: Reporting of Outcomes

	Outcome 1[1]	
	2023	2022
	$'000	$'000
Expenses		
Employees	**75,395**	74,158
Suppliers	**79,485**	69,210
Depreciation and amortisation	**9,527**	10,545
Finance costs	**464**	510
Write-down and impairment of assets	**1,443**	-
Total expenses	**166,314**	154,423
Own-source revenue		
Revenue from contracts with customers	**162,466**	150,819
Interest	**390**	32
Other gains	**424**	-
Total own-source income	**163,280**	150,851
Assets		
Cash and cash equivalents	**55,533**	55,416
Trade and other receivables	**7,768**	9,768
Buildings (ROU Asset)	**10,684**	16,683
Leasehold improvements	**5,318**	7,583
Property, plant and equipment	**4,766**	5,124
Intangibles	**9,268**	10,394
Other non-financial assets	**11,763**	9,817
Total assets	**105,100**	114,785
Liabilities		
Supplier payables	**7,379**	7,792
Other payables	**4,431**	4,568
Leases	**15,420**	22,484
Employee provisions	**16,405**	16,121
Other provisions	**1,983**	2,329
Total liabilities	**45,618**	53,294

[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.

Section 09

PSSap Financial Statements

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 (the Scheme) for the year ended 30 June 2023 present fairly, in all material respects, the financial position of the Scheme as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with Australian Accounting.

The financial statements of the Scheme, which I have audited, comprise the following as at 30 June 2023 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 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*. The Auditor-General is mandated to perform the audit of the Scheme, 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 Scheme. I have no involvement in any investment or any other decision made by the trustee of the Scheme. 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 Scheme. 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 Scheme'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 of the financial statements 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 Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

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concern basis of accounting unless the trustee either intends to liquidate the Scheme 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 Scheme'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 Scheme'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 Scheme 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

Sean Benfield
Senior Executive Director
Delegate of the Auditor-General

Canberra
19 September 2023

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 2023 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 19th day of September 2023 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Plan.

Garry Hounsell	Juliet Brown
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 2023

	Note	2023 $'000	2022 $'000
Assets			
Cash and cash equivalents		**191,051**	157,943
Other receivables	4	**772**	2,961
Investments in pooled superannuation trust	5	**22,581,946**	19,531,445
Deferred tax assets and liabilities	9(c)	**1,348**	1,735
Total assets		**22,775,117**	19,694,084
Liabilities			
Benefits and pensions payable		**(2,031)**	(1,327)
Income tax payable		**(164,636)**	(137,511)
Other payables	8	**(9,920)**	(11,823)
Total liabilities excluding member benefits		**(176,587)**	(150,661)
Net assets available for member benefits		**22,598,530**	19,543,423
Defined contribution member liabilities			
Allocated to members	10	**(22,423,142)**	(19,441,912)
Unallocated to members	10	**(88,595)**	(25,147)
Total defined contribution member liabilities		**(22,511,737)**	(19,467,059)
Net assets		**86,793**	76,364
Equity			
Operational risk reserve		**(78,694)**	(68,265)
Administration reserve		**(8,099)**	(8,099)
Total equity		**(86,793)**	(76,364)

The attached notes form part of these financial statements.

Public Sector Superannuation Accumulation Plan
Income Statement
For the Financial Year Ended 30 June 2023

	Note	2023 $'000	2022 $'000
Investment revenue			
Interest		**4,399**	89
Changes in fair value of investments	6(c)	**1,810,163**	(681,317)
Other revenue		**30**	6,905
Total revenue / (loss)		**1,814,592**	(674,323)
Administration expenses		**(13,675)**	(17,783)
Total expenses		**(13,675)**	(17,783)
Operating results		**1,800,917**	(692,106)
Net benefits allocated to members' accounts		**(1,796,146)**	687,623
Operating result before income tax benefit		**4,771**	(4,483)
Income tax benefit	9(a)	**1,406**	1,631
Operating result after income tax benefit		**6,177**	(2,852)

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 2023

	Note	2023 $'000	2022 $'000
Opening balance of member benefits allocated at the beginning of the financial year		**19,441,912**	18,911,587
Contributions:			
Member contributions	7(a)	**130,410**	141,722
Employer contributions	7(a)	**1,725,586**	1,580,384
Transfers from other funds	7(a)	**584,993**	585,576
Government co-contributions	7(a)	**294**	246
Low income superannuation tax offset	7(a)	**2,405**	2,327
Income tax on contributions	9(b)	**(270,160)**	(246,177)
Net after tax contributions		**2,173,528**	2,064,078
Benefits to members	7(b)	**(869,330)**	(972,113)
Insurance premiums paid to insurer		**(114,240)**	(112,483)
Insurance claim payments received from insurer		**45,690**	49,501
Tax rebate on insurance premiums paid to insurer	9(b)	**17,136**	16,872
Net benefits allocated to members' accounts		**1,796,146**	(687,623)
Net transfers to reserves		**(4,252)**	(296)
Net (increase)/decrease in amounts not yet allocated to members' accounts		**(63,448)**	172,389
Closing balance of member benefits allocated at the end of the financial year		**22,423,142**	19,441,912

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 2023

	Operational risk reserve $'000	Administration reserve $'000	Total equity $'000
Opening balance as at 1 July 2021	66,456	12,464	78,920
Operating result	(2,852)	-	(2,852)
Net transfers to / (from) reserves	4,661	(4,365)	296
Closing balance as at 30 June 2022	68,265	8,099	76,364
Opening balance as at 1 July 2022	**68,265**	**8,099**	**76,364**
Operating result	**6,177**	**-**	**6,177**
Net transfers to / (from) reserves	**4,252**	**-**	**4,252**
Closing balance as at 30 June 2023	**78,694**	**8,099**	**86,793**

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 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Interest received		**3,843**	15
Income tax received / (paid)		**1,586**	1,850
Other revenue received		**2,507**	4,488
Administration expenses paid		**(14,538)**	(17,545)
Net cash (outflows) / inflows from operating activities	11(b)	**(6,602)**	(11,192)
Cash flows from investing activities			
Purchase of investments		**(1,404,322)**	(1,275,215)
Proceeds from sale of investments		**163,992**	232,881
Net cash (outflows) / inflows from investing activities		**(1,240,330)**	(1,042,334)
Cash flows from financing activities			
Contributions received			
Employer		**1,725,638**	1,580,366
Member		**130,410**	141,722
Transfers from other funds		**584,993**	585,576
Government co-contributions		**294**	246
Low income superannuation tax offset		**2,405**	2,327
Income tax paid on contributions		**(242,566)**	(270,833)
Insurance claim payments received from insurer		**45,690**	49,501
Insurance premiums paid to insurer		**(115,138)**	(111,765)
Tax rebate received on insurance premiums		**16,874**	15,607
Benefits and pensions paid		**(868,560)**	(972,326)
Net cash inflows / (outflow) from financing activities		**1,280,040**	1,020,421
Net increase / (decrease) in cash held		**33,108**	(33,105)
Cash at the beginning of the financial year		**157,943**	191,048
Cash at the end of the financial year	11(a)	**191,051**	157,943

The attached notes form part of these financial statements.

Public Sector Superannuation Accumulation Plan
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 June 2023

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, including AASB 1056 *'Superannuation Entities'* and 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 19 September 2023.

New Accounting Standards

There were no new or revised standards and/or interpretations issued before the sign-off date that had a material effect on the entity's financial statements for the current reporting period, nor are expected to have a material effect in the future.

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

The *Treasury Laws Amendment (2022 Measures No. 4) Act 2023* introduced reforms to financial reporting and auditing requirements for registerable superannuation entities (RSEs) that will impact the Plan. With effect from the 2023-24 financial year, the Plan will be required to prepare an annual report including a directors' report and an auditor's independence declaration, in addition to the audited financial statements. No change to recognition, measurement or disclosure in the financial statements is expected as a result of this change.

(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 including 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 2023 and the comparative information presented in these financial statements for the year ended 30 June 2022. 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 a separate balanced option 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.

(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

	2023 $'000	2022 $'000
Receivable from the ARIA Investments Trust	**25**	33
Interest receivable	**630**	74
GST receivable	**102**	362
Compensation receivable	**15**	2,492
	772	2,961

There are no receivables that are past due or impaired. (2022: Nil)

5. INVESTMENTS

	2023 $'000	2022 $'000
Pooled superannuation trust - ARIA Investments Trust	**22,581,946**	19,531,445
	22,581,946	19,531,445

6. CHANGES IN FAIR VALUE OF INVESTMENTS

	2023 $'000	2022 $'000
(a) Investments held at 30 June:		
Pooled superannuation trust - ARIA Investments Trust	**1,796,000**	(685,648)
(b) Investments realised during the year:		
Pooled superannuation trust - ARIA Investments Trust	**14,163**	4,331
(c) Total changes in fair value of investments	**1,810,163**	(681,317)

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 2022 and 30 June 2023, 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:

	2023 $'000	2022 $'000
Lump sum benefits and rollovers paid and payable	**829,205**	938,710
Pensions paid and payable	**40,125**	33,403
Total	**869,330**	972,113

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:

	2023 $'000	2022 $'000
Investment		
Investment manager fees	**33,964**	19,601
Custodian fees	**2,209**	2,076
Investment consultant and other service provider fees	**3,474**	4,472
Other investment expenses	**1,638**	1,132
Total direct investment expenses	**41,285**	27,281
Regulatory fees	**1,729**	1,635
Other operating expenses	**30,130**	25,650
Total costs	**73,144**	54,566

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 $3,324,317 (2022: $3,165,902) charged to the Plan by CSC for acting as Trustee of the Plan during the reporting period.

8. OTHER PAYABLES

	2023 $'000	2022 $'000
Insurance premiums payable	**8,724**	9,622
Employer contributions refundable	**76**	24
Withholding tax payable	**163**	97
Accrued expenses	**893**	2,016
Administrator lag gain advance	**64**	64
	9,920	11,823

9. INCOME TAX

(a) Income tax recognised in operating results

	2023 $'000	2022 $'000
Tax benefit comprises:		
Current tax benefit	**1,154**	1,675
Deferred tax expense relating to the origination and reversal of temporary differences	**252**	(44)
Total tax benefit	**1,406**	1,631

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:

	2023 $'000	2022 $'000
Operating result before income tax	**4,771**	(4,483)
Income tax benefit calculated at 15%	**(716)**	672
Net benefits allocated to members during the year	**(269,422)**	103,143
Changes in fair value of investment already taxed	**271,524**	(102,198)
Other revenue not taxable	**20**	14
Total tax benefit	**1,406**	1,631

9. INCOME TAX (CONTINUED)

(b) Income tax recognised in Statement of Changes in Member Benefits

	2023 $'000	2022 $'000
Member contributions	**130,410**	141,722
Employer contributions	**1,725,586**	1,580,384
Transfers from other funds	**584,993**	585,576
Government co-contributions	**294**	246
Low income superannuation tax offset	**2,405**	2,327
Total contributions	**2,443,688**	2,310,255
Contributions tax calculated at 15%	**(366,553)**	(346,538)
Member contributions not subject to tax	**19,562**	21,258
Government co-contributions not subject to tax	**44**	37
Low income superannuation tax offset not subject to tax	**361**	349
Transfers from other funds not subject to tax	**87,749**	87,836
Member contributions subject to tax	**(3,247)**	(2,529)
Rollovers in subject to tax	**(3,951)**	(3,607)
Net tax on contributions for which no TFN was provided	**(4)**	3
Super contribution on income protection payments subject to tax	**(1,360)**	(1,357)
(Over) / Under relating to the prior year	**(2,761)**	(1,629)
Total income tax on contributions	**(270,160)**	(246,177)
Tax rebate on insurance premiums		
Current tax rebate on insurance premiums	**17,271**	16,764
Deferred tax rebate on insurance premiums	**(135)**	108
Total tax rebate on insurance premiums	**17,136**	16,872

9. INCOME TAX (CONTINUED)

(c) Deferred tax balances

	2023 $'000	2022 $'000
Deferred tax asset:		
Temporary differences	**1,348**	1,735
	1,348	1,735

Taxable and deductible temporary differences arise from the following:

2023	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Interest receivable	**(11)**	**(84)**	**(95)**
Insurance premiums payable	**1,444**	**(135)**	**1,309**
Accrued expenses	**302**	**(168)**	**134**
	1,735	**(387)**	**1,348**

2022	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Interest receivable	-	(11)	(11)
Insurance premiums payable	1,336	108	1,444
Accrued expenses	247	55	302
	1,583	152	1,735

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 2023 $88.595 million (2022: $25.147 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:

	2023 $'000	2022 $'000
Cash at bank	**191,051**	157,943

(b) Reconciliation of operating result after income tax to net cash inflows / (outflows) from operating activities

	2023 $'000	2022 $'000
Operating result after income tax expense	**6,177**	(2,852)
Net benefits allocated to members' accounts	**1,796,146**	(687,623)
Changes in fair value of investments	**(1,810,163)**	681,317
Decrease/(increase) in other receivables	**2,181**	(2,684)
Decrease/(increase) in deferred tax asset	**252**	(44)
(Decrease)/increase in other payables	**(1,123)**	431
(Decrease)/increase in income tax payable	**(72)**	263
Net cash (outflows) / inflows from operating activities	**(6,602)**	(11,192)

12. AUDITOR'S REMUNERATION

Amounts paid or payable to the Australian National Audit Office for audit services:

	2023 $	2022 $
Financial statements	**48,225**	48,225
Regulatory returns and compliance	**32,400**	32,400
Total	**80,625**	80,625

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 by 30 June 2023 or 30 June 2022.

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:

	2023 $'000	2022 $'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**22,581,946**	19,531,445
Other financial assets		
Cash and cash equivalents	**191,051**	157,943
Receivables	**670**	2,599
Total financial assets	**22,773,667**	19,691,987

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 2023					
Benefits and pensions payable	**2,031**	-	-	-	**2,031**
Other payables	**9,920**	-	-	-	**9,920**
Member liabilities	**22,511,737**	-	-	-	**22,511,737**
Total financial liabilities	**22,523,688**	-	-	-	**22,523,688**
30 June 2022					
Benefits and pensions payable	1,327	-	-	-	1,327
Other payables	11,823	-	-	-	11,823
Member liabilities	19,467,059	-	-	-	19,467,059
Total financial liabilities	19,480,209	-	-	-	19,480,209

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 2023 and 30 June 2022 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 0.50% (2022: 1.75% p.a.) 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 0.50% (2022: 1.75%) 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
2023		-0.50%		+0.50%	
Cash and cash equivalents	**191,051**	**(955)**	**(955)**	**955**	**955**
2022		-1.75%		+1.75%	
Cash and cash equivalents	157,943	(2,764)	(2,764)	2,764	2,764

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	
2023						
Balanced option	-/+5.50%	286,647	(15,766)	(15,766)	15,766	15,766
Aggressive option	-/+6.40%	3,072,520	(196,641)	(196,641)	196,641	196,641
Cash option	-/+0.10%	465,849	(466)	(466)	466	466
Income focused option	-/+2.50%	512,849	(12,821)	(12,821)	12,821	12,821
MySuper balanced option	-/+5.50%	17,498,253	(962,404)	(962,404)	962,404	962,404
CSCri cash option	-/+0.10%	44,883	(45)	(45)	45	45
CSCri aggressive option	-/+6.20%	61,562	(3,817)	(3,817)	3,817	3,817
CSCri balanced option	-/+4.70%	238,134	(11,192)	(11,192)	11,192	11,192
CSCri income focused option	-/+2.70%	260,904	(7,044)	(7,044)	7,044	7,044
Operational risk reserve	-/+5.50%	78,669	(4,327)	(4,327)	4,327	4,327
CSCri cash option-TRIS	-/+0.10%	7,350	(7)	(7)	7	7
CSCri aggressive option-TRIS	-/+6.40%	7,074	(453)	(453)	453	453
CSCri balanced option-TRIS	-/+5.50%	22,908	(1,260)	(1,260)	1,260	1,260
CSCri income focused option-TRIS	-/+2.50%	24,344	(609)	(609)	609	609
Total		**22,581,946**	**(1,216,852)**	**(1,216,852)**	**1,216,852**	**1,216,852**

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	
2022						
Balanced option	-/+5.30%	234,764	(12,442)	(12,442)	12,442	12,442
Aggressive option	-/+6.10%	2,534,825	(154,624)	(154,624)	154,624	154,624
Cash option	-/+0.07%	428,714	(300)	(300)	300	300
Income focused option	-/+2.40%	455,752	(10,938)	(10,938)	10,938	10,938
MySuper balanced option	-/+5.30%	15,255,357	(808,534)	(808,534)	808,534	808,534
CSCri cash option	-/+0.07%	45,561	(32)	(32)	32	32
CSCri aggressive option	-/+6.00%	45,434	(2,726)	(2,726)	2,726	2,726
CSCri balanced option	-/+4.50%	187,640	(8,444)	(8,444)	8,444	8,444
CSCri income focused option	-/+2.50%	224,182	(5,605)	(5,605)	5,605	5,605
Operational risk reserve	-/+5.30%	68,232	(3,616)	(3,616)	3,616	3,616
CSCri cash option-TRIS	-/+0.07%	4,833	(3)	(3)	3	3
CSCri aggressive option-TRIS	-/+6.10%	6,218	(379)	(379)	379	379
CSCri balanced option-TRIS	-/+5.30%	19,477	(1,032)	(1,032)	1,032	1,032
CSCri income focused option-TRIS	-/+2.40%	20,456	(491)	(491)	491	491
Total		19,531,445	(1,009,166)	(1,009,166)	1,009,166	1,009,166

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
2023				
Financial Assets				
Pooled superannuation trust	-	**22,581,946**	-	**22,581,946**
2022				
Financial Assets				
Pooled superannuation trust	-	19,531,445	-	19,531,445

There were no transfers between Level 1 and 2 in the period (2022: Nil).

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 (2022: 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
2023				
Cash and cash equivalents	4,407,012	-	-	4,407,012
Money market investments	5,623,693	-	-	5,623,693
Fixed interest investments	3,808,492	6,120	456,410	4,271,022
Equity investments	27,897,992	4,730,435	13,725,382	46,353,809
Property investments	-	-	4,161,957	4,161,957
Derivatives contracts (net)	5,095	(74,951)	-	(69,856)
Total	**41,742,284**	**4,661,604**	**18,343,749**	**64,747,637**

2022				
Cash and cash equivalents	3,716,383	-	-	3,716,383
Money market investments	5,439,664	-	-	5,439,664
Fixed interest investments	3,970,916	5,939	376,567	4,353,422
Equity investments	24,805,261	4,680,619	10,909,339	40,395,219
Property investments	-	-	4,059,546	4,059,546
Derivatives contracts (net)	15,861	(710,766)	-	(694,905)
Total	37,948,085	3,975,792	15,345,452	57,269,329

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 are 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 adjustment aims 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 2023, a systematic quarterly valuation adjustment was applied to the most recently available investment manager valuations of unlisted Australian controlled entities of $139.5m (-$427.2m in 2022), unlisted international trusts of -$0.3m (-$3.2m in 2022) and unlisted Australian trusts of $1.2m (-$4.5m in 2022), representing 0.8%, 0.0% and 0.0% of the unlisted Australian control entities, international trusts and Australian trusts portfolios respectively (2.9%, 0.1% and 0.1% in 2022).

14. RELATED PARTIES

(a) Trustee

Commonwealth Superannuation Corporation (CSC) was the Trustee throughout the reporting period. Included in 'other administration expenses' is an amount $3,324,317 (2022: $3,165,902) 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 2023 and to the date of this report:

Ariane Barker
Juliet Brown
Melissa Donnelly
Christopher Ellison (Term ended 30 June 2023)
Lee Goddard (Appointed 1 July 2022)
Andrea Hall (Appointed 1 July 2023)
Jacqueline Hey
Garry Hounsell (Chair)
David Mulhall (Appointed 2 May 2023)
Margaret Staib (Term ended 1 May 2023)
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 2023 and until the date of this report:

Paul Abraham	Executive Manager, Investment Operations
Catharina Armitage	Executive Manager, People
Robert Firth	Chief Risk Officer
Philip George	Executive Manager, Transformation
Damian Hill	Chief Executive Officer
Peter Jamieson	Chief Customer Officer (Resigned 23 December 2022)
Andrew Matuszczak	Chief Transformation and Information Officer
Adam Nettheim	Chief Customer Officer (Previously Executive Manager, Customer Operations until 23 December 2022, then Acting Chief Customer Officer until 9 July 2023)
Alana Scheiffers	General Counsel
Alison Tarditi	Chief Investment Officer
Andy Young	Chief Operating Officer

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:

	2023	2022
	$	$
Short-term employee benefits	**1,045,288**	**1,055,317**
Post-employment benefits	**56,310**	**55,582**
Other long-term employee benefits	**24,760**	**18,659**
Termination benefits	**14,882**	**-**
	1,141,240	1,129,558

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 2023, 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)).

The Plan held the following investments in related parties at 30 June:

	Fair Value of Investment 2023 $'000	Fair Value of Investment 2022 $'000	Share of Net Income / (Loss) after tax 2023 $'000	Share of Net Income / (Loss) after tax 2022 $'000
ARIA Investments Trust	**22,581,946**	19,531,445	**1,810,163**	(681,317)
	22,581,946	19,531,445	**1,810,163**	(681,317)

15. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Plan had no capital commitments as at 30 June 2023 (2022: $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 (2022: $Nil).

16. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2023 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 Super Financial Statements

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 (the Scheme) for the year ended 30 June 2023 present fairly, in all material respects, the financial position of the Scheme as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

The financial statements of the Scheme, which I have audited, comprise the following as at 30 June 2023 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 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 Scheme'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 of the financial statements 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 Scheme for the year ended 30 June 2023 present fairly, in all material respects to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

GPO Box 707, Canberra AC 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

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 Scheme'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 Scheme'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 Scheme 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

Sean Benfield
Senior Executive Director
Delegate of the Auditor-General

Canberra
19 September 2023

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 2023 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 19th day of September 2023 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Garry Hounsell	Juliet Brown
Chair	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 2023

	Note	2023 $'000	2022 $'000
Assets			
Cash and cash equivalents		**36,658**	27,657
Other receivables	4	**167**	67
Investments in pooled superannuation trust	5	**1,532,759**	1,085,072
Deferred tax asset	9(c)	**28**	35
Total assets		**1,569,612**	1,112,831
Liabilities			
Benefits and pensions payable		**-**	(4)
Income tax payable		**(35,637)**	(26,865)
Other payables	8	**(224)**	(254)
Total liabilities excluding member benefits		**(35,861)**	(27,123)
Net assets available for member benefits		**1,533,751**	1,085,708
Defined contribution member liabilities			
Allocated to members	10	**(1,526,068)**	(1,083,546)
Unallocated to members	10	**(6,423)**	(1,248)
Total defined contribution member liabilities		**(1,532,491)**	(1,084,794)
Net assets		**1,260**	914
Equity			
Operational risk reserve		**(1,203)**	(857)
Administration reserve		**(57)**	(57)
Total equity		**(1,260)**	(914)

The attached notes form part of these financial statements.

Australian Defence Force Superannuation Scheme
Income Statement
For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Investment revenue			
Interest		**792**	15
Changes in fair value of investments	6(c)	**111,802**	(43,507)
Other revenue		**2**	5
Total revenue		**112,596**	(43,487)
Administration expenses		**(2,652)**	(2,529)
Total expenses		**(2,652)**	(2,529)
Operating results / (loss)		**109,944**	(46,016)
Net benefits allocated to members' accounts		**(110,138)**	45,601
Operating result before income tax benefit		**(194)**	(415)
Income tax benefit	9(a)	**279**	377
Operating result after income tax benefit		**85**	(38)

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 2023

	Note	2023 $'000	2022 $'000
Opening balance of member benefits allocated at the beginning of the financial year		**1,083,546**	822,560
Contributions:			
Member contributions	7(a)	**7,517**	7,097
Employer contributions	7(a)	**363,994**	299,866
Transfers from other funds	7(a)	**51,242**	61,432
Government co-contributions	7(a)	**136**	113
Low income superannuation tax offset	7(a)	**988**	944
Income tax on contributions	9(b)	**(55,075)**	(45,258)
Net after tax contributions		**368,802**	324,194
Benefits to members	7(b)	**(30,884)**	(25,326)
Insurance premiums paid to insurer		**(174)**	(125)
Insurance claim payments received from insurer		**50**	-
Tax rebate on insurance premiums	9(b)	**26**	19
Net benefits allocated to members' accounts		**110,138**	(45,601)
Net transfers to reserves		**(261)**	(18)
Net (increase) in amounts not yet allocated to members' accounts		**(5,175)**	7,843
Closing balance of member benefits allocated at the end of the financial year		**1,526,068**	1,083,546

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 2023

	Operational risk reserve $'000	Administration reserve $'000	Total equity $'000
Opening balance as at 1 July 2021	669	265	934
Operating result	(38)	-	(38)
Net transfers to / (from) reserves	226	(208)	18
Closing balance as at 30 June 2022	**857**	**57**	**914**
Opening balance as at 1 July 2022	**857**	**57**	**914**
Operating result	**85**	**-**	**85**
Net transfers to / (from) reserves	**261**	**-**	**261**
Closing balance as at 30 June 2023	**1,203**	**57**	**1,260**

The attached notes form part of these financial statements.

Australian Defence Force Superannuation Scheme
Statement of Cash Flows
For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Interest received		**687**	3
Other revenue received		**1**	6
Administration expenses paid		**(2,693)**	(2,494)
Income tax benefit received		**371**	296
Net cash (outflows) / inflows from operating activities	11(b)	**(1,634)**	(2,189)
Cash flows from investing activities			
Purchase of investments		**(342,171)**	(301,711)
Proceeds from sale of investments		**6,286**	4,737
Net cash (outflows) / inflows from investing activities		**(335,885)**	(296,974)
Cash flows from financing activities			
Contributions received			
Employer		**363,985**	299,868
Member		**7,517**	7,097
Transfers from other funds		**51,242**	61,432
Government co-contributions		**136**	113
Low income superannuation tax offset		**988**	944
Income tax paid on contributions		**(46,381)**	(46,368)
Insurance claim payments received from insurer		**50**	-
Insurance premiums paid to insurer		**(168)**	(117)
Tax rebate received on insurance premiums		**19**	5
Benefits and pensions paid		**(30,868)**	(25,324)
Net cash inflows / (outflows) from financing activities		**346,520**	297,650
Net increase / (decrease) in cash held		**9,001**	(1,513)
Cash at the beginning of the financial year		**27,657**	29,170
Cash at the end of the financial year	11(a)	**36,658**	27,657

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, including AASB 1056 *'Superannuation Entities'* 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 19 September 2023.

New Accounting Standards

There were no new or revised standards and/or interpretations issued before the sign-off date that had a material effect on the entity's financial statements for the current reporting period, nor are expected to have a material effect in the future.

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

The *Treasury Laws Amendment (2022 Measures No. 4) Act 2023* introduced reforms to financial reporting and auditing requirements for registerable superannuation entities (RSEs) that will impact the Scheme. With effect from the 2023-24 financial year, the Scheme will be required to prepare an annual report including a directors' report and an auditor's independence declaration, in addition to the audited financial statements. No change to recognition, measurement or disclosure in the financial statements is expected as a result of this change.

(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.

2. BASIS OF PREPARATION (CONTINUED)

(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 including 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 2023 and the comparative information presented in these financial statements for the year ended 30 June 2022. 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 a separate balanced option 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.

(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

	2023 $'000	2022 $'000
Receivable from the ARIA Investments Trust	**2**	2
Interest receivable	**117**	12
GST receivable	**46**	52
Compensation receivable	**2**	1
	167	67

There are no receivables that are past due or impaired. (2022:Nil)

5. INVESTMENTS

	2023 $'000	2022 $'000
Pooled superannuation trust - ARIA Investments Trust	**1,532,759**	1,085,072
	1,532,759	1,085,072

6. CHANGES IN FAIR VALUE OF INVESTMENTS

	2023 $'000	2022 $'000
(a) Investments held at 30 June:		
Pooled superannuation trust - ARIA Investments Trust	**110,887**	(43,782)
(b) Investments realised during the year:		
Pooled superannuation trust - ARIA Investments Trust	**915**	275
(c) Total changes in fair value of investments	**111,802**	(43,507)

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 2022 and 30 June 2023, the Commonwealth Government contributed $0.50 (2022: $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 Scheme. Benefits to members also include rollovers out of the Scheme.

Benefits paid by the Scheme during the year are as follows:

	2023 $'000	2022 $'000
Lump sum benefits and rollovers paid and payable	**30,884**	25,326
Total	**30,884**	25,326

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:

	2023 $'000	2022 $'000
Investment		
Investment manager fees	**2,111**	971
Custodian fees	**137**	103
Investment consultant and other service provider fees	**216**	221
Other investment expenses	**102**	56
Total direct investment expenses	**2,566**	1,351
Regulatory fees	**103**	73
Other operating expenses	**1,873**	1,270
Total costs	**4,542**	2,694

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 $680,884 (2022: $602,210) 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 $1,219,817 (2022: $1,363,004). 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

	2023 $'000	2022 $'000
Insurance premiums payable	**18**	12
Employer contributions refundable	**-**	9
Withholding tax payable	**29**	9
Accrued expenses	**171**	218
Administrator lag gain advance	**6**	6
	224	254

9. INCOME TAX

(a) Income tax recognised in operating results

	2023 $'000	2022 $'000
Income tax benefit comprises:		
Current tax benefit	**287**	370
Deferred tax expense relating to the origination and reversal of temporary differences	**(8)**	7
Total tax benefit	**279**	377

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:

	2023 $'000	2022 $'000
Operating result before income tax	**(194)**	(415)
Income tax benefit calculated at 15%	**29**	62
Net benefits allocated to members during the year	**(16,521)**	6,840
Changes in fair value of investment already taxed	**16,770**	(6,526)
Other revenue not taxable	**1**	1
Total tax benefit	**279**	377

9. INCOME TAX (CONTINUED)

(b) Income tax recognised in Statement of Changes in Member Benefits

	2023 $'000	2022 $'000
Contributions received:		
Member contributions	**7,517**	7,097
Employer contributions	**363,994**	299,866
Government co-contributions	**136**	113
Low income superannuation tax offset	**988**	944
Transfers from other funds	**51,242**	61,432
Total contributions	**423,877**	369,452
Contributions tax calculated at 15%	**(63,582)**	(55,418)
Member contributions not subject to tax	**1,128**	1,065
Government co-contributions not subject to tax	**20**	17
Low income superannuation tax offset not subject to tax	**148**	142
Transfers from other funds not subject to tax	**7,686**	9,215
Member contributions subject to tax	**(83)**	(59)
Rollovers in subject to tax	**(306)**	(153)
Net tax on contributions for which no TFN was provided	**8**	(2)
(Over) / under relating to the prior year	**(94)**	(65)
Total income tax on contributions	**(55,075)**	(45,258)
Tax rebate on insurance premiums		
Current tax rebate on insurance premiums	**25**	18
Deferred tax rebate on insurance premiums	**1**	1
Total tax rebate on insurance premiums	**26**	19

9. INCOME TAX (CONTINUED)

(c) Deferred tax balances

	2023 $'000	2022 $'000
Deferred tax asset:		
Temporary differences	**28**	35
	28	35

Taxable and deductible temporary differences arise from the following:

2023	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Insurance premiums payable	**2**	**1**	**3**
Accrued expenses	**33**	**(8)**	**25**
	35	**(7)**	**28**

2022	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Insurance premiums payable	1	1	2
Accrued expenses	26	7	33
	27	8	35

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 2023 $6.423 million (2022: $1.248 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:

	2023 $'000	2022 $'000
Cash at bank	**36,658**	27,657

(b) Reconciliation of operating result after income tax to net cash inflows / (outflows) from operating activities

	2023 $'000	2022 $'000
Operating result after income tax benefit	**85**	(38)
Net benefits allocated to members' accounts	**110,138**	(45,601)
Changes in fair value of investments	**(111,802)**	43,507
(Increase)/decrease in other receivables	**(100)**	(22)
Decrease/(increase) in deferred tax asset	**8**	(7)
(Decrease)/increase in accrued expenses	**(47)**	46
Increase/(decrease) in income tax payable	**84**	(74)
Net cash (outflows) / inflows from operating activities	**(1,634)**	(2,189)

12. AUDITOR'S REMUNERATION

Amounts paid or payable to the Australian National Audit Office for audit services:

	2023	2022
	$	$
Financial statements	**48,225**	48,225
Regulatory returns and compliance	**32,400**	32,400
Total	**80,625**	80,625

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 2023 or 30 June 2022.

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:

	2023 $'000	2022 $'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**1,532,759**	1,085,072
Other financial assets		
Cash and cash equivalents	**36,658**	27,657
Receivables	**121**	15
Total financial assets	**1,569,538**	1,112,744

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 2023					
Benefits payable	-	-	-	-	-
Other payables	**224**	-	-	-	**224**
Member liabilities	**1,532,491**	-	-	-	**1,532,491**
Total financial liabilities	**1,532,715**	-	-	-	**1,532,715**
30 June 2022					
Benefits payable	4	-	-	-	4
Other payables	254	-	-	-	254
Member liabilities	1,084,794	-	-	-	1,084,794
Total financial liabilities	1,085,052	-	-	-	1,085,052

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 2023 and 30 June 2022 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 following table illustrates the Scheme's sensitivity to a 0.50% p.a. (2022: 1.75%) 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 0.50% (2022: 1.75%) 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
2023		**-0.50%**		**+0.50%**	
Cash and cash equivalents	**36,658**	**(183)**	**(183)**	**183**	**183**
2022		-1.75%		+1.75%	
Cash and cash equivalents	27,657	(484)	(484)	484	484

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.

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 5.50% (2022: 5.30%) 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	 Net Assets Available to Pay Benefits	 Operating Result Before Tax	 Net Assets Available to Pay Benefits
			(Lower price)		Higher price	
2023						
Cash option	-/+0.10%	6,879	(7)	(7)	7	7
Income focused option	-/+2.50%	10,312	(258)	(258)	258	258
MySuper balanced option	-/+5.50%	1,315,831	(72,371)	(72,371)	72,371	72,371
Aggressive option	-/+6.40%	198,536	(12,706)	(12,706)	12,706	12,706
Operational risk reserve	-/+5.50%	1,201	(66)	(66)	66	66
Total		**1,532,759**	**(85,408)**	**(85,408)**	**85,408**	**85,408**

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	
2022						
Cash option	-/+0.07%	5,493	(4)	(4)	4	4
Income focused option	-/+2.30%	6,986	(161)	(161)	161	161
MySuper balanced option	-/+5.30%	942,872	(49,972)	(49,972)	49,972	49,972
Aggressive option	-/+6.10%	128,866	(7,861)	(7,861)	7,861	7,861
Operational risk reserve	-/+5.30%	855	(45)	(45)	45	45
Total		1,085,072	(58,043)	(58,043)	58,043	58,043

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
2023				
Financial Assets				
Pooled superannuation trust	-	**1,532,759**	-	**1,532,759**
2022				
Financial Assets				
Pooled superannuation trust	-	1,085,072	-	1,085,072

There were no transfers between Level 1 and 2 in the period (2022: Nil).

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 (2022: 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
2023				
Cash and cash equivalents	4,407,012	-	-	4,407,012
Money market investments	5,623,693	-	-	5,623,693
Fixed interest investments	3,808,492	6,120	456,410	4,271,022
Equity investments	27,897,992	4,730,435	13,725,382	46,353,809
Property investments	-	-	4,161,957	4,161,957
Derivatives contracts (net)	5,095	(74,951)	-	(69,856)
Total	**41,742,284**	**4,661,604**	**18,343,749**	**64,747,637**

2022				
Cash and cash equivalents	3,716,383	-	-	3,716,383
Money market investments	5,439,664	-	-	5,439,664
Fixed interest investments	3,970,916	5,939	376,567	4,353,422
Equity investments	24,805,261	4,680,619	10,909,339	40,395,219
Property investments	-	-	4,059,546	4,059,546
Derivatives contracts (net)	15,861	(710,766)	-	(694,905)
Total	37,948,085	3,975,792	15,345,452	57,269,329

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 are 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 adjustment aims 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 2023, a systematic quarterly valuation adjustment was applied to the most recently available investment manager valuations of unlisted Australian controlled entities of $139.5m (-$427.2m in 2022), unlisted international trusts of -$0.3m (-$3.2m in 2022) and unlisted Australian trusts of $1.2m (-$4.5m in 2022), representing 0.8%, 0.0% and 0.0% of the unlisted Australian controlled entities, international trusts and Australian trust portfolios respectively (2.9%, 0.1% and 0.1% in 2022).

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 $680,884 (2022: $602,210) 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 2023 and to the date of this report were:

Ariane Barker
Juliet Brown
Melissa Donnelly
Christopher Ellison (Term ended 30 June 2023)
Lee Goddard(Appointed 1 July 2022)
Andrea Hall (Appointed 1 July 2023)
Jacqueline Hey
Garry Hounsell (Chair)
David Mulhall (Appointed 2 May 2023)
Margaret Staib (Term ended 1 May 2023)
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 2023 and until the date of this report:

Paul Abraham	Executive Manager, Investment Operations
Catharina Armitage	Executive Manager, People
Robert Firth	Chief Risk Officer
Philip George	Executive Manager, Transformation
Damian Hill	Chief Executive Officer
Peter Jamieson	Chief Customer Officer (Resigned 23 December 2022)
Andrew Matuszczak	Chief Transformation and Information Officer
Adam Nettheim	Chief Customer Officer (Previously Executive Manager, Customer Operations until 23 December 2022, then Acting Chief Customer Officer until 9 July 2023)
Alana Scheiffers	General Counsel
Alison Tarditi	Chief Investment Officer
Andy Young	Chief Operating Officer

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:

	2023	2022
	$	$
Short-term employee benefits	**64,973**	52,268
Post-employment benefits	**3,500**	2,753
Other long-term employee benefits	**1,539**	924
Termination benefits	**925**	-
	70,937	55,945

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 2023, 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)).

The Scheme held the following investments in related parties at 30 June:

	Fair Value of Investment 2023 $'000	Fair Value of Investment 2022 $'000	Share of Net Income / (Loss) after tax 2023 $'000	Share of Net Income / (Loss) after tax 2022 $'000
ARIA Investments Trust	**1,532,759**	1,085,072	**111,802**	(43,507)
	1,532,759	1,085,072	**111,802**	(43,507)

15. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital commitments at 30 June 2023 (2022: $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 (2022: $Nil).

16. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2023 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

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 (the Scheme) for the year ended 30 June 2023 present fairly, in all material respects, the financial position of the Scheme as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

The financial statements of the Scheme, which I have audited, comprise the following as at 30 June 2023 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 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 Scheme'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 of the financial statements 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 Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the Scheme 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 Scheme'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 Scheme'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 Scheme 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

Sean Benfield
Senior Executive Director
Delegate of the Auditor-General

Canberra
19 September 2023

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 2023 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 19th day of September 2023 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Garry Hounsell
Chair

Juliet Brown
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 2023

	Note	2023 $'000	2022 $'000
Assets			
Cash and cash equivalents		**18,642**	19,197
Employer sponsor receivable		**84,560,238**	77,883,686
Other receivables	4	**1,976**	1,073
Deferred tax assets	9(c)	**141**	155
Investments in pooled superannuation trust	5	**25,122,450**	22,412,610
Total assets		**109,703,447**	100,316,721
Liabilities			
Benefits payable		**(7,513)**	(9,507)
Income tax payable		**(15,944)**	(15,243)
Deferred payable to the Consolidated Revenue Fund		**(2,726,672)**	(846,048)
Other payables	8	**(1,476)**	(1,449)
Total liabilities excluding member benefits		**(2,751,605)**	(872,247)
Net assets available for member benefits		**106,951,842**	99,444,474
Member liabilities	10	**(106,870,703)**	(99,372,213)
Net assets		**81,139**	72,261
Equity			
Operational risk reserve		**(81,139)**	(72,261)
Total equity		**(81,139)**	(72,261)

The attached notes form part of these financial statements.

Public Sector Superannuation Scheme
Income Statement
For the Financial Year Ended 30 June 2023

	Note	2023 $'000	2022 $'000
Investment revenue			
Interest		**819**	16
Changes in fair value of investments	6(c)	**2,048,965**	(797,208)
Changes in fair value of deferred payable to the Consolidated Revenue Fund		**(149,249)**	47,777
Total revenue		**1,900,535**	(749,415)
Total expenses		**-**	-
Operating result		**1,900,535**	(749,415)
Net change in member benefits from investing activities		**(1,893,951)**	746,461
Operating result before income tax expense		**6,584**	(2,954)
Income tax expense	9(a)	**(123)**	(2)
Operating result after income tax		**6,461**	(2,956)

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 2023

	Note	Defined benefit members $'000	Hybrid benefit members $'000	Total $'000
Opening balance of member benefits allocated at the beginning of the financial year		**57,962,940**	**41,409,273**	**99,372,213**
Contributions:				
Member contributions	7(a)	**115,171**	**434,926**	**550,097**
Employer contributions	7(a)	**34,602**	**130,898**	**165,500**
Government co-contributions	7(a)	**-**	**552**	**552**
Low income superannuation tax offset	7(a)	**-**	**206**	**206**
Income tax on contributions	9(b)	**(5,169)**	**(19,553)**	**(24,722)**
Net after tax contributions		**144,604**	**547,029**	**691,633**
Net appropriation from Consolidated Revenue Fund	7(b)	**672,921**	**1,142,584**	**1,815,505**
Benefits paid to members	7(b)	**(1,326,787)**	**(2,252,813)**	**(3,579,600)**
Insurance premiums paid to insurer		**(1,181)**	**(2,006)**	**(3,187)**
Insurance premiums charged to members		**1,181**	**2,006**	**3,187**
Insurance claim payments received from insurer		**1,062**	**1,804**	**2,866**
Net change in member benefits from investing activities		**492,925**	**1,401,026**	**1,893,951**
Net change in member benefits to be funded by employers		**6,291,413**	**382,722**	**6,674,135**
Closing balance of member benefits allocated at the end of the financial year		**64,239,078**	**42,631,625**	**106,870,703**

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 2022

	Note	Defined benefit members $'000	Hybrid benefit members $'000	Total $'000
Opening balance of member benefits allocated at the beginning of the financial year		53,564,995	40,559,712	94,124,707
Contributions:				
Member contributions	7(a)	123,307	446,462	569,769
Employer contributions	7(a)	37,022	134,299	171,321
Government co-contributions	7(a)	-	597	597
Low income superannuation tax offset	7(a)	-	234	234
Income tax on contributions	9(b)	(5,506)	(19,974)	(25,480)
Net after tax contributions		154,823	561,618	716,441
Net appropriation from Consolidated Revenue Fund	7(b)	551,383	1,025,251	1,576,634
Benefits to members	7(b)	(1,100,921)	(2,047,075)	(3,147,996)
Insurance premiums paid to insurer		(1,185)	(2,203)	(3,388)
Insurance premiums charged to members		1,185	2,203	3,388
Insurance claim payments received from insurer		978	1,819	2,797
Net change in member benefits from investing activities		(185,789)	(560,672)	(746,461)
Net change in member benefits to be funded by employers		4,977,471	1,868,620	6,846,091
Closing balance of member benefits allocated at the end of the financial year		57,962,940	41,409,273	99,372,213

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 2023

	Operational risk reserve $'000	Total equity $'000
Opening balance as at 1 July 2021	74,578	74,578
Operating result	(2,956)	(2,956)
Net transfers to / (from) reserves	639	639
Closing balance as at 30 June 2022	72,261	72,261
Opening balance as at 1 July 2022	**72,261**	**72,261**
Operating result	**6,461**	**6,461**
Net transfers to / (from) reserves	**2,417**	**2,417**
Closing balance as at 30 June 2023	**81,139**	**81,139**

The attached notes form part of these financial statements.

Public Sector Superannuation Scheme
Statement of Cash Flows
For the Financial Year Ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Interest received		**742**	2
Income tax paid		**2**	(9)
Net cash inflows / (outflow) from operating activities	11(b)	**744**	(7)
Cash flows from investing activities			
Purchase of investments		**(685,000)**	(510,000)
Proceeds from sale of investments		**24,130**	461,337
Net cash (outflow) / inflows from investing activities		**(660,870)**	(48,663)
Cash flows from financing activities			
Contributions received			
Employer contributions		**165,500**	171,321
Member contributions		**550,097**	569,769
Government co-contributions		**552**	597
Low income superannuation tax offset		**206**	234
Income tax paid on contributions		**(24,132)**	(31,328)
Superannuation surcharge paid		**51**	(4)
Benefits paid		**(3,581,594)**	(3,160,289)
Net appropriation from Consolidated Revenue Fund		**3,546,049**	2,471,128
Insurance premiums received from members		**3,187**	3,388
Insurance claim payments received from insurer		**2,866**	2,797
Insurance premiums paid		**(3,211)**	(3,368)
Net cash inflows / (outflows) from financing activities		**659,571**	24,245
Net (decrease) / increase in cash held		**(555)**	(24,425)
Cash at the beginning of the financial year		**19,197**	43,622
Cash at the end of the financial year	11(a)	**18,642**	19,197

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, including AASB 1056 *'Superannuation Entities'* 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 19 September 2023.

New Accounting Standards

There were no new or revised standards and/or interpretations issued before the sign-off date that had a material effect on the entity's financial statements for the current reporting period, nor are expected to have a material effect in the future.

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

The *Treasury Laws Amendment (2022 Measures No. 4) Act 2023* introduced reforms to financial reporting and auditing requirements for registerable superannuation entities (RSEs) that will impact the Scheme. With effect from the 2023-24 financial year, the Scheme will be required to prepare an annual report including a directors' report and an auditor's independence declaration, in addition to the audited financial statements. No change to recognition, measurement or disclosure in the financial statements is expected as a result of this change.

(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.

2. BASIS OF PREPARATION (CONTINUED)

(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 including 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 2023 and the comparative information presented in these financial statements for the year ended 30 June 2022.

(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 10.

(d) Foreign currency transactions

The Scheme does not undertake transactions denominated in foreign currencies.

(e) Payables

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.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Payables (continued)

Deferred payable to the Consolidated Revenue Fund

The Scheme has entered into an agreement with Department of Finance to defer the payment of the funded component of member benefits payable upon withdrawal to the Consolidated Revenue Fund (CRF) with effect from 1 November 2021. The accumulative payable and associated earnings are currently payable to the CRF by 30 June 2025. Earnings on the CRF payable are based on the return of the PSS Default option and are reported as changes in fair value of deferred payable to the Consolidated Revenue Fund in the Income Statement.

(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 10).

The accumulation component of hybrid benefit member liabilities are measured as the amount of member account balances as at the reporting date (Note 10).

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.

(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 balanced 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.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(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.

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

	2023 $'000	2022 $'000
Receivable from the ARIA Investments Trust	**14**	19
Interest receivable	**91**	14
Amount to be appropriated from Consolidated Revenue Fund	**1,871**	1,040
	1,976	1,073

There are no receivables that are past due or impaired. (2022: Nil)

5. INVESTMENTS

	2023 $'000	2022 $'000
Pooled superannuation trust - ARIA Investments Trust	**25,122,450**	22,412,610
	25,122,450	22,412,610

6. CHANGES IN FAIR VALUE OF INVESTMENTS

	2023 $'000	2022 $'000
(a) Investments held at 30 June:		
Pooled superannuation trust - ARIA Investments Trust	**2,047,424**	(800,112)
(b) Investments realised during the year:		
Pooled superannuation trust - ARIA Investments Trust	**1,541**	2,904
(c) Total changes in fair value of investments	**2,048,965**	(797,208)

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 2022 and 30 June 2023, the Commonwealth Government contributed $0.50 (2022: $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 funded 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 (the funded benefit component) are transferred to the Consolidated Revenue Fund (CRF), and the Commonwealth Government then assumes responsibility for funding the benefit.

The Scheme has entered into an agreement with Department of Finance to defer transfer of the funded component of member benefits payable upon withdrawal to the CRF with effect from 1 November 2021. The deferred amount, along with associated earnings is currently payable to the CRF by 30 June 2025. There is no impact to the benefits paid or payable to members.

Of the total benefits payable at 30 June 2023, $1.9 million (2022: $1.0 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:

	2023 $'000	2022 $'000
Gross Appropriation from Consolidated Revenue Fund	**3,546,879**	3,102,137
less: Transfers paid/payable by Fund to Consolidated Revenue Fund	**(1,731,374)**	(1,525,503)
Net appropriation from Consolidated Revenue Fund	**1,815,505**	1,576,634
Consolidated Revenue Fund		
Lump-sum benefits	**611,507**	460,340
Pensions	**2,935,372**	2,641,797
	3,546,879	3,102,137
PSS Fund		
Lump-sum benefits	**32,721**	45,859
Total benefits paid and payable	**3,579,600**	3,147,996

(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:

	2023 $'000	2022 $'000
Investment		
Investment manager fees	**38,336**	23,080
Custodian fees	**2,493**	2,444
Investment consultant and other service provider fees	**3,921**	5,268
Other investment expenses	**1,849**	1,332
Total direct investment expenses	**46,599**	32,124
Regulatory fees	**1,833**	1,861
Other operating expenses	**34,008**	30,204
Total costs	**82,440**	64,189

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 $29.30 million (2022: $28.82 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. OTHER PAYABLES

	2023 $'000	2022 $'000
Insurance premiums payable	**1,026**	1,050
Superannuation surcharge payable	**450**	399
	1,476	1,449

9. INCOME TAX

(a) Income tax recognised in the Income Statement

	2023 $'000	2022 $'000
Income tax expense comprises:		
Current tax benefit	**111**	-
Deferred tax expense relating to the origination and reversal of temporary differences	**12**	2
Total income tax expense	**123**	2

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:

	2023	2022
Operating result before income tax expense	**6,584**	(2,954)
Income tax expense / (benefit) calculated at 15%	**988**	(443)
Net change in member benefits from investing activities	**284,093**	(111,969)
Changes in fair value of investments already taxed	**(307,345)**	119,581
Changes in fair value of deferred payable to the Consolidated Revenue Fund	**22,387**	(7,167)
Total income tax expense	**123**	2

9 INCOME TAX (CONTINUED)

(b) Income tax on contributions recognised in Statement of Changes in Member Benefits

	2023 $'000	2022 $'000
Contributions received:		
Member contributions	**550,097**	569,769
Employer contributions	**165,500**	171,321
Government co-contributions	**552**	597
Low income superannuation tax offset	**206**	234
Total contributions received	**716,355**	741,921
Contributions tax calculated at 15%	**107,453**	111,288
Member contributions not subject to tax	**(82,515)**	(85,465)
Government co-contributions not subject to tax	**(83)**	(90)
Low income superannuation tax offset not subject to tax	**(31)**	(35)
Insurance premiums	**(239)**	(254)
Rollovers in subject to tax	**128**	36
Under / (over) relating to the prior year	**9**	-
Total income tax on contributions	**24,722**	25,480

9 INCOME TAX (CONTINUED)

RECOGNISED DEFERRED TAX LIABILITIES

	2023 $'000	2022 $'000
Deferred tax assets comprise:		
Temporary differences	**141**	155
	141	155

Taxable and deductible temporary differences arise from the following:

2023	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Interest receivable	**(2)**	**(12)**	**(14)**
Insurance premiums payable	**157**	**(2)**	**155**
	155	**(14)**	**141**

2022	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Interest receivable	-	(2)	(2)
Insurance premiums payable	154	3	157
	154	1	155

10. 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:

	2023 $'000	2022 $'000
Defined benefit members	**64,239,078**	57,962,940
Hybrid benefit members	**42,631,625**	41,409,273
Total member liabilities	**106,870,703**	99,372,213

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.

10. 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. There has been no change to these assumptions from the prior year.
- 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 2023			
Discount rate / investment returns	6%	+ 1%	13,133,142
		- 1%	(16,413,645)
Salary adjustment rate	3.5%	+ 1%	(2,556,285)
		- 1%	2,320,767
Inflation rate	2.5%	+ 1%	(12,850,872)
		- 1%	10,731,868
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality*	817,996
		- 5.0% lower mortality*	(856,562)
30 June 2022			
Discount rate / investment returns	6%	+ 1%	12,492,342
		- 1%	(15,679,560)
Salary adjustment rate	3.5%	+ 1%	(2,616,428)
		- 1%	2,361,319
Inflation rate	2.5%	+ 1%	(12,055,483)
		- 1%	10,047,252
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality*	745,687
		- 5.0% lower mortality*	(780,642)

* 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.

10. MEMBER LIABILITIES (CONTINUED)

The actuarial estimate of vested benefits at 30 June 2023 is $114.8 billion (2022: $107.3 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 2023 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.

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:

	2023 $'000	2022 $'000
Cash at bank	**18,642**	19,197

(b) Reconciliation of operating result after income tax to net cash inflows / (outflows) from operating activities

	2023 $'000	2022 $'000
Operating result after income tax	**6,461**	(2,956)
Net change in member benefits from investing activities	**1,893,951**	(746,461)
Changes in fair value of investments	**(2,048,965)**	797,208
Changes in fair value of deferred payable to the Consolidated Revenue Fund	**149,249**	(47,777)
(Increase)/decrease in interest receivable	**(77)**	(14)
Decrease/(increase) in deferred tax assets	**14**	(1)
Increase/(decrease) in income tax payable	**111**	(6)
Net cash inflows / (outflows) from operating activities	**744**	(7)

12. AUDITOR'S REMUNERATION

Amounts paid or payable to the Australian National Audit Office for audit services:

	2023 $	2022 $
Financial statements	**48,225**	48,225
Regulatory returns and compliance	**32,400**	32,400
Total	**80,625**	80,625

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.

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 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.

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 2023 or 30 June 2022.

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:

	2023 $'000	2022 $'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**25,122,450**	22,412,610
Other financial assets		
Cash and cash equivalents	**18,642**	19,197
Receivables	**1,976**	1,073
Total financial assets	**25,143,068**	22,432,880

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. As detailed in Note 3(e), the Scheme has entered into an agreement with Department of Finance to defer payment of the funded component of member benefits payable upon withdrawal to the CRF. This agreement is expected to provide greater certainty over cashflows and will provide additional short term liquidity to the scheme. 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 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 where applicable.

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 2023					
Benefits payable	**7,513**	-	-	-	**7,513**
Deferred payable to the Consolidated Revenue Fund	-	-	**2,726,672**	-	**2,726,672**
Other payables	**1,476**	-	-	-	**1,476**
Member liabilities	**921,009**	**2,763,025**	**15,202,949**	**87,983,720**	**106,870,703**
Total financial liabilities	**929,998**	**2,763,025**	**17,929,621**	**87,983,720**	**109,606,364**
30 June 2022					
Benefits payable	9,507	-	-	-	9,507
Deferred payable to the Consolidated Revenue Fund	-	-	846,048	-	846,048
Other payables	1,449	-	-	-	1,449
Member liabilities	807,311	2,421,932	13,455,460	82,687,510	99,372,213
Total financial liabilities	818,267	2,421,932	14,301,508	82,687,510	100,229,217

There has been no other 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 2023 and 30 June 2022 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 following table illustrates the Scheme's sensitivity to a 0.50%. (2022: 1.75%) 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 0.50% (2022: 1.75%) 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
2023		**-0.50%**		**+0.50%**	
Cash and cash equivalents	**18,642**	**(93)**	**(93)**	**93**	**93**
2022		-1.75%		+1.75%	
Cash and cash equivalents	19,197	(336)	(336)	336	336

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. The deferred payable to the CRF is also exposed to market price risk as earnings on the payable are based on the return of the Default option. As the investment in the AIT and the deferred payable to the CRF are carried at fair value through profit or loss, all changes in market conditions will directly affect the Scheme's net income.

In its capacity as trustee of the AIT, the Trustee manages the market price risk by diversifying the portfolio in accordance with 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 and the deferred payable to the CRF, based on risk exposures at reporting date. The volatility factor of 5.50% (2022: 5.30%) 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/(Liabilities)			Price risk $'000			
	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	
2023						
ARIA Investments Trust:						
Default option	-/+5.50%	24,981,792	(1,373,999)	(1,373,999)	1,373,999	1,373,999
Cash option	-/+0.10%	59,533	(60)	(60)	60	60
Operational risk reserve	-/+5.50%	81,125	(4,462)	(4,462)	4,462	4,462
Deferred payable to the CRF	-/+5.50%	(2,726,672)	149,967	149,967	(149,967)	(149,967)
Total		**22,395,778**	**(1,228,554)**	**(1,228,554)**	**1,228,554**	**1,228,554**

Financial Assets			Price risk $'000			
	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	
2022						
ARIA Investments Trust:						
Default option	-/+5.30%	22,291,118	(1,181,429)	(1,181,429)	1,181,429	1,181,429
Cash option	-/+0.07%	49,250	(34)	(34)	34	34
Operational risk reserve	-/+5.30%	72,242	(3,829)	(3,829)	3,829	3,829
Deferred payable to the CRF	-/+5.30%	(846,048)	44,841	44,841	(44,841)	(44,841)
Total		21,566,562	(1,140,451)	(1,140,451)	1,140,451	1,140,451

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
2023				
Financial Assets				
Pooled superannuation trust	-	**25,122,450**	-	**25,122,450**
Financial Liabilities				
Deferred payable to the CRF	-	**(2,726,672)**	-	**(2,726,672)**
2022				
Financial Assets				
Pooled superannuation trust	-	22,412,610	-	22,412,610
Financial Liabilities				
Deferred payable to the CRF	-	(846,048)	-	(846,048)

There were no transfers between Level 1 and 2 in the period (2022: Nil).

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.

The value of the deferred payable to the CRF includes earnings based on the return of the default option of the Scheme.

Reconciliation of Level 3 fair value measurements

There were no Level 3 financial assets or liabilities (2022: Nil).

13. FINANCIAL INSTRUMENTS (CONTINUED)

(h) Fair value measurements (continued)

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
2023				
Cash and cash equivalents	4,407,012	-	-	4,407,012
Money market investments	5,623,693	-	-	5,623,693
Fixed interest investments	3,808,492	6,120	456,410	4,271,022
Equity investments	27,897,992	4,730,435	13,725,382	46,353,809
Property investments	-	-	4,161,957	4,161,957
Derivatives contracts (net)	5,095	(74,951)	-	(69,856)
Total	**41,742,284**	**4,661,604**	**18,343,749**	**64,747,637**

2022				
Cash and cash equivalents	3,716,383	-	-	3,716,383
Money market investments	5,439,664	-	-	5,439,664
Fixed interest investments	3,970,916	5,939	376,567	4,353,422
Equity investments	24,805,261	4,680,619	10,909,339	40,395,219
Property investments	-	-	4,059,546	4,059,546
Derivatives contracts (net)	15,861	(710,766)	-	(694,905)
Total	37,948,085	3,975,792	15,345,452	57,269,329

The fair values of the pooled superannuation trust's investments are 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.

13. FINANCIAL INSTRUMENTS (CONTINUED)

(i) Fair value measurements (continued)

Fair value measurements of the underlying investments (Continued)

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 adjustment aims 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.

As at 30 June 2023, a systematic quarterly valuation adjustment was applied to the most recently available investment manager valuations of unlisted Australian controlled entities of $139.5m (-$427.2m in 2022), unlisted international trusts of -$0.3m (-$3.2m in 2022) and unlisted Australian trusts of $1.2m (-$4.5m in 2022), representing 0.8%, 0.0% and 0.0% of the unlisted Australian control entities, international trusts and Australian trusts portfolios respectively (2.9%, 0.1% and 0.1% in 2022).

14. 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 of the Scheme during the reporting period.

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2023 and to the date of this report were:

Ariane Barker
Juliet Brown
Melissa Donnelly
Christopher Ellison (Term ended 30 June 2023)
Lee Goddard (Appointed 1 July 2022)
Andrea Hall (Appointed 1 July 2023)
Jacqueline Hey
Garry Hounsell (Chair)
David Mulhall (Appointed 2 May 2023)
Margaret Staib (Term ended 1 May 2023)
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 2023 and until the date of this report:

Paul Abraham	Executive Manager, Investment Operations
Catharina Armitage	Executive Manager, People
Robert Firth	Chief Risk Officer
Philip George	Executive Manager, Transformation
Damian Hill	Chief Executive Officer
Peter Jamieson	Chief Customer Officer (Resigned 23 December 2022)
Andrew Matuszczak	Chief Transformation and Information Officer
Adam Nettheim	Chief Customer Officer (Previously Executive Manager, Customer Operations until 23 December 2022, then Acting Chief Customer Officer until 9 July 2023)
Alana Scheiffers	General Counsel
Alison Tarditi	Chief Investment Officer
Andy Young	Chief Operating Officer

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.

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:

	2023 $	2022 $
Short-term employee benefits	**1,090,193**	1,218,572
Post-employment benefits	**58,729**	64,180
Other long-term employee benefits	**25,824**	21,545
Termination benefits	**15,521**	-
	1,190,267	1,304,297

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 2023, 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 Military Superannuation and Benefits 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)).

The Scheme held the following investments in related parties at 30 June:

	Fair Value of Investment 2023 $'000	Fair Value of Investment 2022 $'000	Share of Net Income / (Loss) after tax 2023 $'000	Share of Net Income / (Loss) after tax 2022 $'000
ARIA Investments Trust	**25,122,450**	22,412,610	**2,048,965**	(797,208)
	25,122,450	22,412,610	**2,048,965**	(797,208)

15. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital or other expenditure commitments at 30 June 2023 (2022: $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 2023 (2022: $Nil).

16. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2023 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

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 (the Scheme) for the year ended 30 June 2023 present fairly, in all material respects, the financial position of the Scheme as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

The financial statements of the Scheme, which I have audited, comprise the following as at 30 June 2023 and for the year then ended:

- Statement by 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 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 Scheme'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 of the financial statements 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 Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intends to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

GPO Box 707, Canberra AC 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

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 Scheme'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 Scheme'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 Scheme 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

Sean Benfield
Senior Executive Director
Delegate of the Auditor-General

Canberra
19 September 2023

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 2023 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 19th day of September 2023 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Garry Hounsell
Chair

Juliet Brown
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 2023

	Note	2023 $'000	2022 $'000
Assets			
Cash and cash equivalents		**29,823**	34,085
Employer sponsor receivable		**61,837,956**	60,311,672
Other receivables	4	**89**	20
Investments in pooled superannuation trust	5	**1,176,723**	1,361,034
Total assets		**63,044,591**	61,706,811
Liabilities			
Benefits payable		**(3,962)**	(3,273)
Income tax payable		**(520)**	(515)
Deferred tax liabilities	8(c)	**(13)**	(2)
Other payable		**(217)**	(189)
Total liabilities excluding member benefits		**(4,712)**	(3,979)
Net assets available for member benefits		**63,039,879**	61,702,832
Defined benefit member liabilities	9	**(63,035,481)**	(61,697,969)
Net assets		**4,398**	4,863
Equity			
Operational risk reserve		**(4,398)**	(4,863)
Total equity		**(4,398)**	(4,863)

The attached notes form part of these financial statements.

Commonwealth Superannuation Scheme
Income Statement
For the Financial Year Ended 30 June 2023

	Note	2023 $'000	2022 $'000
Investment revenue			
Interest		**776**	15
Changes in fair value of investments	6(c)	**106,458**	(40,124)
Total revenue		**107,234**	(40,109)
Total expenses		**-**	-
Operating results		**107,234**	(40,109)
Net change in member benefits from investing activities		**(106,714)**	39,906
Operating result before income tax expense		**520**	(203)
Income tax expense	8(a)	**(116)**	(2)
Operating result after income tax		**404**	(205)

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 2023

	Note	2023 $'000	2022 $'000
Opening balance of member benefits allocated at the beginning of the financial year		**61,697,969**	61,620,089
Contributions:			
Member contributions	7(a)	**15,027**	18,890
Employer contributions	7(a)	**4,457**	5,860
Government co-contributions	7(a)	**5**	8
Low income superannuation tax offset	7(a)	**1**	3
Income tax on contributions	8(b)	**(669)**	(879)
Net after tax contributions		**18,821**	23,882
Net appropriation from Consolidated Revenue Fund	7(b)	**4,448,728**	4,347,580
Benefits to members	7(b)	**(4,763,904)**	(4,757,154)
Net change in member benefits from investing activities		**106,714**	(39,906)
Net change in member benefits to be funded by employers		**1,527,153**	503,478
Closing balance of member benefits allocated at the end of the financial year		**63,035,481**	61,697,969

The attached notes form part of these financial statements.

Commonwealth Superannuation Scheme
Statement of Changes in Equity
For the Financial Year Ended 30 June 2023

	Operational risk reserve $'000	Total equity $'000
Opening balance as at 1 July 2021	6,725	6,725
Operating result	(205)	(205)
Net transfers to / (from) reserves	(1,657)	(1,657)
Closing balance as at 30 June 2022	4,863	4,863
Opening balance as at 1 July 2022	**4,863**	**4,863**
Operating result	**404**	**404**
Net transfers to / (from) reserves	**(869)**	**(869)**
Closing balance as at 30 June 2023	**4,398**	**4,398**

The attached notes form part of these financial statements.

Commonwealth Superannuation Scheme
Statement of Cash Flows
For the Financial Year Ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Interest received		**699**	3
Income tax received / (paid)		**-**	(3)
Net cash inflows / (outflow) from operating activities	10(b)	**699**	-
Cash flows from investing activities			
Proceeds from sale of investments		**290,769**	391,233
Net cash inflows from investing activities		**290,769**	391,233
Cash flows from financing activities			
Contributions received			
Employer contributions		**4,457**	5,860
Member contributions		**15,027**	18,890
Government co-contributions		**5**	8
Low income superannuation tax offset		**1**	3
Income tax paid on contributions		**(769)**	(1,230)
Superannuation surcharge received / (paid)		**28**	(49)
Benefits paid		**(4,763,215)**	(4,759,788)
Net appropriation from Consolidated Revenue Fund		**4,448,736**	4,347,636
Net cash (outflows) / inflows from financing activities		**(295,730)**	(388,670)
Net (decrease) / increase in cash held		**(4,262)**	2,563
Cash at the beginning of the financial year		**34,085**	31,522
Cash at the end of the financial year	10(a)	**29,823**	34,085

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, including AASB 1056 *'Superannuation Entities'* 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 19 September 2023.

New Accounting Standards

There were no new or revised standards and/or interpretations issued before the sign-off date that had a material effect on the entity's financial statements for the current reporting period, nor are expected to have a material effect in the future.

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

The *Treasury Laws Amendment (2022 Measures No. 4) Act 2023* introduced reforms to financial reporting and auditing requirements for registerable superannuation entities (RSEs) that will impact the Scheme. With effect from the 2023-24 financial year, the Scheme will be required to prepare an annual report including a directors' report and an auditor's independence declaration, in addition to the audited financial statements. No change to recognition, measurement or disclosure in the financial statements is expected as a result of this change.

(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.

2. BASIS OF PREPARATION (CONTINUED)

(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 including 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 2023 and the comparative information presented in these financial statements for the year ended 30 June 2022.

(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.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(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.

(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 balanced 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).

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(l) Income tax (Continued)

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.

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

	2023 $'000	2022 $'000
Note 4: Other receivables		
Interest receivable	**89**	12
Amount to be appropriated from Consolidated Revenue Fund	**-**	8
	89	20

There are no receivables that are past due or impaired. (2022: Nil)

5. INVESTMENTS

	2023 $'000	2022 $'000
Pooled superannuation trust - ARIA Investments Trust	**1,176,723**	1,361,034
	1,176,723	1,361,034

6. CHANGES IN FAIR VALUE OF INVESTMENTS

	2023 $'000	2022 $'000
(a) Investments held at 30 June:		
Pooled superannuation trust - ARIA Investments Trust	**92,170**	(45,150)
(b) Investments realised during the year:		
Pooled superannuation trust - ARIA Investments Trust	**14,288**	5,026
(c) Total changes in fair value of investments	**106,458**	(40,124)

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 2022 and 30 June 2023, 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 2023, $0 million (2022: $0.008 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:

	2023 $'000	2022 $'000
Gross Appropriation from Consolidated Revenue Fund	**4,759,312**	4,755,114
less: Transfers from Fund to Consolidated Revenue Fund	**(310,584)**	(407,534)
Net appropriation from Consolidated Revenue Fund	**4,448,728**	4,347,580
Consolidated Revenue Fund		
Lump-sum benefits	**121,947**	159,198
Pensions	**4,637,365**	4,595,916
	4,759,312	4,755,114
CSS Fund		
Lump-sum benefits	**4,592**	2,040
Total benefits paid and payable	**4,763,904**	4,757,154

(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:

	2023 $'000	2022 $'000
Investment		
Investment manager fees	**2,047**	1,597
Custodian fees	**133**	169
Investment consultant and other service provider fees	**209**	364
Other investment expenses	**99**	92
Total direct investment expenses	**2,488**	2,222
Regulatory fees	**126**	151
Other operating expenses	**1,816**	2,090
Total costs	**4,430**	4,463

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 $12.79 million (2022: $12.85 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

	2023 $'000	2022 $'000
Income tax expense comprises:		
Current tax expense	**105**	-
Deferred tax expense relating to the origination and reversal of temporary differences	**11**	2
Total tax expense	**116**	2

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:

	2023 $'000	2022 $'000
Operating result before income tax expense	**520**	(203)
Income tax expense / (benefit) calculated at 15%	**78**	(30)
Net change in member benefits from investing activities	**16,007**	(5,986)
Changes in fair value of investment already taxed	**(15,969)**	6,018
Total income tax expense	**116**	2

(b) Income tax on contributions recognised in Statement of Changes in Member Benefits

	2023 $'000	2022 $'000
Contributions received:		
Member contributions	**15,027**	18,890
Employer contributions	**4,457**	5,860
Government co-contributions	**5**	8
Low income superannuation tax offset	**1**	3
Total contributions received	**19,490**	24,761
Contributions tax calculated at 15%	**2,924**	3,714
Member contributions not subject to tax	**(2,254)**	(2,834)
Government co-contributions not subject to tax	**(1)**	(1)
Total income tax on contributions	**669**	879

8. INCOME TAX (CONTINUED)

(c) Recognised deferred tax liabilities

	2023 $'000	2022 $'000
Deferred tax liabilities comprise:		
Temporary differences	**13**	2
	13	2

Taxable and deductible temporary differences arise from the following:

2023	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Interest receivable	**2**	**11**	**13**
	2	**11**	**13**

2022	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Interest receivable	-	2	2
	-	2	2

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. There has been no change to these assumptions from the prior year.

- 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 2023			
Discount rate / investment returns	6%	+ 1% - 1%	5,276,088 (6,198,537)
Salary adjustment rate	3.5%	+ 1% - 1%	29,769 (27,895)
Inflation rate	2.5%	+ 1% - 1%	(5,487,324) 4,750,004
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	770,922 (812,054)
30 June 2022			
Discount rate / investment returns	6%	+ 1% - 1%	5,250,564 (6,186,955)
Salary adjustment rate	3.5%	+ 1% - 1%	(39,957) 37,266
Inflation rate	2.5%	+ 1% - 1%	(5,472,010) 4,723,393
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	734,213 (773,129)

* 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 2023 is $63.2 billion (2022: $62.0 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 2023 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:

	2023 $'000	2022 $'000
Cash at bank	**29,823**	34,085

(b) Reconciliation of operating result after income tax to net cash inflows / (outflows) from operating activities

Operating result after income tax expense	**404**	(205)
Net change in member benefits from investing activities	**106,714**	(39,906)
Changes in fair value of investments	**(106,458)**	40,124
Decrease/(increase) in interest receivable	**(77)**	(12)
(Decrease)/increase in income tax payable	**105**	(3)
(Decrease)/increase in deferred tax liabilities	**11**	2
Net cash inflows / (outflows) from operating activities	**699**	-

11. AUDITOR'S REMUNERATION

Amounts paid or payable to the Australian National Audit Office for audit services:

Financial statements	**48,225**	48,225
Regulatory returns and compliance	**32,400**	32,400
Total	**80,625**	80,625

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 2023 or 30 June 2022.

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:

	2023 $'000	2022 $'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**1,176,723**	1,361,034
Other financial assets		
Cash and cash equivalents	**29,823**	34,085
Receivables	**89**	20
Total financial assets	**1,206,635**	1,395,139

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 2023					
Benefits payable	**3,962**	-	-	-	**3,962**
Other payables	**217**	-	-	-	**217**
Defined benefits member liabilities	**1,216,877**	**3,650,632**	**16,816,944**	**41,351,028**	**63,035,481**
Total financial liabilities	**1,221,056**	**3,650,632**	**16,816,944**	**41,351,028**	**63,039,660**
30 June 2022					
Benefits payable	3,273	-	-	-	3,273
Other payables	189	-	-	-	238
Defined benefits member liabilities	1,160,751	3,482,251	16,141,276	40,913,691	61,697,969
Total financial liabilities	1,164,213	3,482,251	16,141,276	40,913,691	61,701,431

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 2023 and 30 June 2022 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 0.50% (2022: 1.75%) 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 0.50% (2022: 1.75%) 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
2023		-0.50%		+0.50%	
Cash and cash equivalents	**29,823**	**(149)**	**(149)**	**149**	**149**
2022		-1.75%		+1.75%	
Cash and cash equivalents	34,085	(596)	(596)	596	596

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 5.50% (2022: 5.30%) 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)
2023						
Default option	-/+5.50%	1,090,911	(60,000)	(60,000)	60,000	60,000
Cash option	-/+0.10%	81,414	(81)	(81)	81	81
Operational risk reserve	-/+5.50%	4,398	(242)	(242)	242	242
Total		**1,176,723**	**(60,323)**	**(60,323)**	**60,323**	**60,323**

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)
2022						
Default option	-/+5.30%	1,249,239	(66,210)	(66,210)	66,210	66,210
Cash option	-/+0.07%	106,932	(75)	(75)	75	75
Operational risk reserve	-/+5.30%	4,863	(258)	(258)	258	258
Total		1,361,034	(66,543)	(66,543)	66,543	66,543

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
2023				
Financial Assets				
Pooled superannuation trust	-	**1,176,723**	-	**1,176,723**
2022				
Financial Assets				
Pooled superannuation trust	-	1,361,034	-	1,361,034

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 (2022: 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
2023				
Cash and cash equivalents	4,407,012	-	-	4,407,012
Money market investments	5,623,693	-	-	5,623,693
Fixed interest investments	3,808,492	6,120	456,410	4,271,022
Equity investments	27,897,992	4,730,435	13,725,382	46,353,809
Property investments	-	-	4,161,957	4,161,957
Derivatives contracts (net)	5,095	(74,951)	-	(69,856)
Total	**41,742,284**	**4,661,604**	**18,343,749**	**64,747,637**

2022				
Cash and cash equivalents	3,716,383	-	-	3,716,383
Money market investments	5,439,664	-	-	5,439,664
Fixed interest investments	3,970,916	5,939	376,567	4,353,422
Equity investments	24,805,261	4,680,619	10,909,339	40,395,219
Property investments	-	-	4,059,546	4,059,546
Derivatives contracts (net)	15,861	(710,766)	-	(694,905)
Total	37,948,085	3,975,792	15,345,452	57,269,329

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 are 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 adjustment aims 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 2023, a systematic quarterly valuation adjustment was applied to the most recently available investment manager valuations of unlisted Australian controlled entities of $139.5m (-$427.2m in 2022), unlisted international trusts of -$0.3m (-$3.2m in 2022) and unlisted Australian trusts of $1.2m (-$4.5m in 2022), representing 0.8%, 0.0% and 0.0% of the unlisted Australian control entities, international trusts and Australian trusts portfolios respectively (2.9%, 0.1% and 0.1% in 2022).

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 of the Scheme during the reporting period.

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2023 and to the date of this report were:

Ariane Barker
Juliet Brown
Melissa Donnelly
Christopher Ellison (Term ended 30 June 2023)
Lee Goddard (Appointed 1 July 2022)
Andrea Hall (Appointed 1 July 2023)
Jacqueline Hey
Garry Hounsell (Chair)
David Mulhall (Appointed 2 May 2023)
Margaret Staib (Term ended 1 May 2023)
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 2023 and until the date of this report:

Paul Abraham	Executive Manager, Investment Operations
Catharina Armitage	Executive Manager, People
Robert Firth	Chief Risk Officer
Philip George	Executive Manager, Transformation
Damian Hill	Chief Executive Officer
Peter Jamieson	Chief Customer Officer (Resigned 23 December 2022)
Andrew Matuszczak	Chief Transformation and Information Officer
Adam Nettheim	Chief Customer Officer (Previously Executive Manager, Customer Operations until 23 December 2022, then Acting Chief Customer Officer until 9 July 2023)
Alana Scheiffers	General Counsel
Alison Tarditi	Chief Investment Officer
Andy Young	Chief Operating Officer

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:

	2023	2022
	$	$
Short-term employee benefits	**64,319**	87,412
Post-employment benefits	**3,465**	4,604
Other long-term employee benefits	**1,524**	1,545
Termination benefits	**916**	-
	70,224	93,561

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 2023, 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)).

The Scheme held the following investments in related parties at 30 June:

	Fair Value of Investment 2023 $'000	Fair Value of Investment 2022 $'000	Share of Net Income / (Loss) after tax 2023 $'000	Share of Net Income / (Loss) after tax 2022 $'000
ARIA Investments Trust	**1,176,723**	1,361,034	**106,458**	(40,124)
	1,176,723	1,361,034	**106,458**	(40,124)

14. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital or other expenditure commitments at 30 June 2023 (2022: $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 2023 (2022: $Nil).

15. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2023 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

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 (the Scheme) for the year ended 30 June 2023 present fairly, in all material respects, the financial position of the Scheme as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

The financial statements of the Scheme, which I have audited, comprise the following as at 30 June 2023 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; 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 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 Scheme'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 of the financial statements 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 Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustee either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

GPO Box 707, Canberra AC 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

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 skepticism 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 Scheme'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 Scheme'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 Scheme 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

Sean Benfield
Senior Executive Director
Delegate of the Auditor-General

Canberra
19 September 2023

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 2023 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 19th day of September 2023 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Garry Hounsell	Juliet Brown
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 2023

	Note	2023 $'000	2022 $'000
Assets			
Cash and cash equivalents		**21,252**	20,376
Employer sponsor receivable		**71,721,755**	64,546,707
Other receivables	4	**6,560**	3,349
Investments in pooled superannuation trust	5	**12,897,310**	11,848,881
Total assets		**84,646,877**	76,419,313
Liabilities			
Benefits payable		**(8,730)**	(1,981)
Income tax payable		**(14,152)**	(13,764)
Other payables		**(514)**	(500)
Deferred tax assets and liabilities	8(c)	**(11)**	(2)
Total liabilities excluding member benefits		**(23,407)**	(16,247)
Net assets available for member benefits		**84,623,470**	76,403,066
Member liabilities	9	**(84,574,000)**	(76,360,000)
Net assets		**49,470**	43,066
Equity			
Operational risk reserve		**(49,470)**	(43,066)
Total equity		**(49,470)**	(43,066)

The attached notes form part of these financial statements.

Military Superannuation and Benefits Scheme
Income Statement
For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Investment revenue			
Interest		**598**	13
Changes in fair value of investments	6(c)	**1,094,404**	(418,396)
Total revenue		**1,095,002**	(418,383)
Total expenses		**-**	-
Operating results / (loss)		**1,095,002**	(418,383)
Net change in member benefits from investing activities		**(1,091,021)**	416,590
Operating result before income tax expense		**3,981**	(1,793)
Income tax expense	8(a)	**(90)**	(2)
Operating result after income tax		**3,891**	(1,795)

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 2023

	Note	2023 $'000	2022 $'000
Opening balance of member benefits allocated at the beginning of the financial year		**76,360,000**	68,604,000
Contributions:			
Member contributions	7(a)	**208,920**	231,525
Employer contributions	7(a)	**150,469**	152,927
Government co-contributions	7(a)	**215**	369
Low income superannuation tax offset	7(a)	**89**	96
Income tax on contributions	8(b)	**(22,646)**	(23,003)
Net after tax contributions		**337,047**	361,914
Net appropriation from Consolidated Revenue Fund	7(b)	**1,573,902**	1,412,430
Benefits to members	7(b)	**(1,960,505)**	(1,760,545)
Net change in member benefits from investing activities		**1,091,021**	(416,590)
Net change in member benefits to be funded by employers		**7,172,535**	8,158,791
Closing balance of member benefits allocated at the end of the financial year		**84,574,000**	76,360,000

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 2023

	Operational risk reserve $'000	Total equity $'000
Opening balance as at 1 July 2021	42,311	42,311
Operating result	(1,795)	(1,795)
Net transfers to / (from) reserves	2,550	2,550
Closing balance as at 30 June 2022	43,066	43,066
Opening balance as at 1 July 2022	**43,066**	**43,066**
Operating result	**3,891**	**3,891**
Net transfers to / (from) reserves	**2,513**	**2,513**
Closing balance as at 30 June 2023	**49,470**	**49,470**

The attached notes form part of these financial statements.

Military Superannuation and Benefits Scheme
Statement of Cash Flows
For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Interest received		**532**	3
Superannuation surcharge paid		**14**	44
Income tax (paid) / received		**(1)**	(2)
Net cash inflows / (outflows) from operating activities	10(b)	**545**	45
Cash flows from investing activities			
Purchase of investments		**(337,019)**	(362,412)
Proceeds from sale of investments		**382,999**	350,934
Net cash inflows / (outflows) from investing activities		**45,980**	(11,478)
Cash flows from financing activities			
Contributions received			
Employer contributions		**150,469**	152,927
Member contributions		**208,920**	231,525
Government co-contributions		**215**	369
Low income superannuation tax offset		**89**	96
Income tax paid on contributions		**(22,338)**	(27,901)
Benefits paid		**(1,953,756)**	(1,766,570)
Net appropriation from Consolidated Revenue Fund		**1,570,752**	1,415,600
Net cash (outflows) / inflows from financing activities		**(45,649)**	6,046
Net increase / (decrease) in cash held		**876**	(5,387)
Cash at the beginning of the financial year		**20,376**	25,763
Cash at the end of the financial year	10(a)	**21,252**	20,376

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, including AASB 1056 *'Superannuation Entities'* 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 19 September 2023.

New Accounting Standards

There were no new or revised standards and/or interpretations issued before the sign-off date that had a material effect on the entity's financial statements for the current reporting period, nor are expected to have a material effect in the future.

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

The *Treasury Laws Amendment (2022 Measures No. 4) Act 2023* introduced reforms to financial reporting and auditing requirements for registerable superannuation entities (RSEs) that will impact the Scheme. With effect from the 2023-24 financial year, the Scheme will be required to prepare an annual report including a directors' report and an auditor's independence declaration, in addition to the audited financial statements. No change to recognition, measurement or disclosure in the financial statements is expected as a result of this change.

(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.

2. BASIS OF PREPARATION (CONTINUED)

(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 including 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 2023 and the comparative information presented in these financial statements for the year ended 30 June 2022.

(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.

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(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.

(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 balanced 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.

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

	2023 $'000	2022 $'000
Receivable from the ARIA Investments Trust	**15**	20
Interest receivable	**76**	10
Amount to be appropriated from Consolidated Revenue Fund	**6,469**	3,319
	6,560	3,349

There are no receivables that are past due or impaired. (2022: Nil)

5. INVESTMENTS

	2023 $'000	2022 $'000
Pooled superannuation trust - ARIA Investments Trust	**12,897,310**	11,848,881
	12,897,310	11,848,881

6. CHANGES IN FAIR VALUE OF INVESTMENTS

	2023 $'000	2022 $'000
(a) Investments held at 30 June:		
Pooled superannuation trust - ARIA Investments Trust	**1,078,998**	(422,355)
(b) Investments realised during the year:		
Pooled superannuation trust - ARIA Investments Trust	**15,406**	3,959
(c) Total changes in fair value of investments	**1,094,404**	(418,396)

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 2022 and 30 June 2023, the Commonwealth Government contributed $0.50 (2022: $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.

7. FUNDING ARRANGEMENTS (CONTINUED)

(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 2023, $3.4 million (2022: $0.69 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:

	2023 $'000	2022 $'000
Gross Appropriation from Consolidated Revenue Fund	**1,833,251**	1,650,598
less: Transfers from Fund to Consolidated Revenue Fund	**(259,349)**	(238,168)
Net Appropriation	**1,573,902**	1,412,430
Consolidated Revenue Fund		
Lump-sum benefits	**249,575**	213,431
Pensions	**1,583,676**	1,437,167
	1,833,251	1,650,598
Military Superannuation & Benefits Fund		
Lump-sum benefits	**127,254**	109,947
Total benefits paid and payable	**1,960,505**	1,760,545

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:

	2023 $'000	2022 $'000
Investment		
Investment manager fees	**19,958**	12,208
Custodian fees	**1,298**	1,293
Investment consultant and other service provider fees	**2,041**	2,785
Other investment expenses	**963**	705
Total direct investment expenses	**24,260**	16,991
Regulatory fees	**1,101**	1,040
Other operating expenses	**17,705**	15,976
Total costs	**43,066**	34,007

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 $22.45 million (2022: $22.08 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

	2023 $'000	2022 $'000
Tax expense comprises:		
Current tax expense	**81**	-
Deferred tax expense relating to the origination and reversal of temporary differences	**9**	2
Total tax expense	**90**	2

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:

Operating result before income tax expense	**3,981**	(1,793)
Income tax expense calculated at 15%	**597**	(269)
Net benefits allocated to members during the year	**163,654**	(62,488)
Changes in fair value of investment already taxed	**(164,161)**	62,759
Total tax expense	**90**	2

8. INCOME TAX (CONTINUED)

(b) Income tax recognised in Statement of Changes in Member Benefits

	2023 $'000	2022 $'000
Contributions received:		
Member contributions	**208,920**	231,525
Employer contributions	**150,469**	152,927
Government co-contributions	**215**	369
Low income superannuation tax offset	**89**	96
Total contributions received	**359,693**	384,917
Contributions tax calculated at 15%	**53,954**	57,738
Member contributions not subject to tax	**(31,338)**	(34,729)
Government co-contributions not subject to tax	**(32)**	(55)
Low income superannuation tax offset not subject to tax	**(13)**	(14)
Rollovers in subject to tax	**35**	66
Under / (over) relating to the prior year	**40**	(3)
Total contributions tax expense	**22,646**	23,003

(c) Deferred tax balances

	2023 $'000	2022 $'000
Deferred tax liabilities:		
Temporary differences	**11**	2
	11	2

Taxable and deductible temporary differences arise from the following:

2023	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Interest receivable	**2**	**9**	**11**
	2	**9**	**11**

2022	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets liabilities:			
Interest receivable	-	2	2
	-	2	2

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. There has been no change to these assumptions from the prior year.

- 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, to reflect a slightly higher anticipated number of retrospective invalidities.

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 2023			
Discount rate / investment returns	6%	+ 1% - 1%	11,934,000 (15,842,000)
Salary adjustment rate	4%	+ 1% - 1%	(1,769,000) 1,590,000
Inflation rate	2.5%	+ 1% - 1%	(13,583,000) 10,592,000
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	403,000 (419,000)
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	(4,129,000) 4,373,000
30 June 2022			
Discount rate / investment returns	6%	+ 1% - 1%	10,863,000 (14,483,000)
Salary adjustment rate	4%	+ 1% - 1%	(1,682,000) 1,506,000
Inflation rate	2.5%	+ 1% - 1%	(12,296,000) 9,570,000
Mortality rates	A scale developed by the Scheme actuary with allowance for mortality improvements	5.0% higher mortality* - 5.0% lower mortality*	357,000 (372,000)
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	(4,123,000) 4,326,000

* For example, if the base probability of death of 3.0%, the higher rate is 3.15% and the lower rate is 2.85%.

9. MEMBER LIABILITIES (CONTINUED)

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 2023 is $72.1 billion (2022: $63.8 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 2023 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:

	2023 $'000	2022 $'000
Cash at bank	**21,252**	20,376

(b) Reconciliation of operating result after income tax to net cash inflows / (outflows) from operating activities

Operating result after income tax expense	**3,891**	(1,795)
Net change in member benefits from investing activities	**1,091,021**	(416,590)
Changes in fair value of investments	**(1,094,404)**	418,396
(Increase)/decrease in interest receivable	**(66)**	(10)
Increase/(decrease) in other payables	**14**	44
Increase/(decrease) in tax payables	**89**	-
Net cash inflows / (outflows) from operating activities	**545**	45

11. AUDITOR'S REMUNERATION

Amounts paid or payable to the Australian National Audit Office for audit services:

Financial statements	**48,225**	48,225
Regulatory returns and compliance	**32,400**	32,400
Total	**80,625**	80,625

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 2023 or 30 June 2022.

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:

	2023 $'000	2022 $'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**12,897,310**	11,848,881
Other financial assets		
Cash and cash equivalents	**21,252**	20,376
Receivables	**6,560**	3,349
Total financial assets	**12,925,122**	11,872,606

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 2023					
Other payables	**514**	**-**	**-**	**-**	**514**
Benefits payable	**8,730**	**-**	**-**	**-**	**8,730**
Member liabilities	**541,000**	**1,664,000**	**9,677,000**	**72,692,000**	**84,574,000**
Total financial liabilities	**550,244**	**1,664,000**	**9,677,000**	**72,692,000**	**84,583,244**
30 June 2022					
Other payables	500	-	-	-	500
Benefits payable	1,981	-	-	-	1,981
Member liabilities	502,000	1,546,000	8,896,000	65,416,000	76,360,000
Total financial liabilities	504,481	1,546,000	8,896,000	65,416,000	76,362,481

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 2023 and 30 June 2022 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 0.50% p.a. (2022: 1.75%) 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 0.50% (2022: 1.75%) 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
2023		-0.50%		+0.50%	
Cash and cash equivalents	**21,252**	**(106)**	**(106)**	**106**	**106**
2022		-1.75%		+1.75%	
Cash and cash equivalents	20,376	(357)	(357)	357	357

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 5.50% (2022: 5.30%) 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	
2023						
Balanced option	-/+5.50%	11,018,004	(605,990)	(605,990)	605,990	605,990
Cash option	-/+0.10%	126,851	(127)	(127)	127	127
Income focused option	-/+2.50%	81,253	(2,031)	(2,031)	2,031	2,031
Aggressive option	-/+6.40%	1,621,747	(103,792)	(103,792)	103,792	103,792
Operational risk reserve	-/+5.50%	49,455	(2,720)	(2,720)	2,720	2,720
Total		**12,897,310**	**(714,660)**	**(714,660)**	**714,660**	**714,660**

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	
2022						
Balanced option	-/+5.30%	10,214,371	(541,362)	(541,362)	541,362	541,362
Cash option	-/+0.07%	124,010	(87)	(87)	87	87
Income focused option	-/+2.40%	84,849	(2,036)	(2,036)	2,036	2,036
Aggressive option	-/+6.10%	1,382,605	(84,339)	(84,339)	84,339	84,339
Operational risk reserve	-/+5.30%	43,046	(2,281)	(2,281)	2,281	2,281
Total		11,848,881	(630,105)	(630,105)	630,105	630,105

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
2023				
Financial Assets				
Pooled superannuation trust	-	**12,897,310**	-	**12,897,310**
2022				
Financial Assets				
Pooled superannuation trust	-	11,848,881	-	11,848,881

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 (2022: 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
2023				
Cash and cash equivalents	4,407,012	-	-	4,407,012
Money market investments	5,623,693	-	-	5,623,693
Fixed interest investments	3,808,492	6,120	456,410	4,271,022
Equity investments	27,897,992	4,730,435	13,725,382	46,353,809
Property investments	-	-	4,161,957	4,161,957
Derivatives contracts (net)	5,095	(74,951)	-	(69,856)
Total	**41,742,284**	**4,661,604**	**18,343,749**	**64,747,637**

2022				
Cash and cash equivalents	3,716,383	-	-	3,716,383
Money market investments	5,439,664	-	-	5,439,664
Fixed interest investments	3,970,916	5,939	376,567	4,353,422
Equity investments	24,805,261	4,680,619	10,909,339	40,395,219
Property investments	-	-	4,059,546	4,059,546
Derivatives contracts (net)	15,861	(710,766)	-	(694,905)
Total	37,948,085	3,975,792	15,345,452	57,269,329

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 are 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 adjustment aims 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 2023, a systematic quarterly valuation adjustment was applied to the most recently available investment manager valuations of unlisted Australian controlled entities of $139.5m (-$427.2m in 2022), unlisted international trusts of -$0.3m (-$3.2m in 2022) and unlisted Australian trusts of $1.2m (-$4.5m in 2022), representing 0.8%, 0.0% and 0.0% of the unlisted Australian controlled entities, international trusts and Australian trust portfolios respectively (2.9%, 0.1% and 0.1% in 2022).

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 of the Scheme during the reporting period.

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2023 and to the date of this report were:

Ariane Barker
Juliet Brown
Melissa Donnelly
Christopher Ellison (Term ended 30 June 2023)
Lee Goddard (Appointed 1 July 2022)
Andrea Hall (Appointed 1 July 2023)
Jacqueline Hey
Garry Hounsell (Chair)
David Mulhall (Appointed 2 May 2023)
Margaret Staib (Term ended 1 May 2023)
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 2023 and until the date of this report:

Paul Abraham	Executive Manager, Investment Operations
Catharina Armitage	Executive Manager, People
Robert Firth	Chief Risk Officer
Philip George	Executive Manager, Transformation
Damian Hill	Chief Executive Officer
Peter Jamieson	Chief Customer Officer (Resigned 23 December 2022)
Andrew Matuszczak	Chief Transformation and Information Officer
Adam Nettheim	Chief Customer Officer (Previously Executive Manager, Customer Operations until 23 December 2022, then Acting Chief Customer Officer until 9 July 2023)
Alana Scheiffers	General Counsel
Alison Tarditi	Chief Investment Officer
Andy Young	Chief Operating Officer

Alana Scheiffers, Lee Goddard and David Mulhall 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:

	2023	2022
	$	$
Short-term employee benefits	**604,459**	657,125
Post-employment benefits	**32,562**	34,610
Other long-term employee benefits	**14,318**	11,618
Termination benefits	**8,606**	-
	659,945	703,353

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 2023, 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)).

The Scheme held the following investments in related parties at 30 June:

	Fair Value of Investment 2023 $'000	Fair Value of Investment 2022 $'000	Share of Net Income / (Loss) after tax 2023 $'000	Share of Net Income / (Loss) after tax 2022 $'000
ARIA Investments Trust	**12,897,310**	11,848,881	**1,094,404**	(418,396)
	12,897,310	11,848,881	**1,094,404**	(418,396)

14. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital or other expenditure commitments at 30 June 2023 (2022: $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 2023 (2022: $Nil).

15. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2023 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 2023		Scheme transactions 2022–23	$'000
CSS (excluding 1922 and PNG schemes)			
Contributors	1,333	Contributions	19.490
Deferred	2,028	**Benefits paid**	
Pensioners*	96,035	Lump sum***	126.539
Total	99,396	Pensions	4637.365
PSS			
Contributors	54,870	Contributions	716.355
Preserved	88,286	**Benefits paid**	
Pensioners*	71,618	Lump sum***	644.228
Total	214,774	Pensions	2935.372
PSSap			
Contributors**	143,606	Contributions	2,443.688
Preserved	7,151	**Benefits paid**	
Pensioners	2,422	Lump sum	829.205
Total	156,996	Pensions	40.125
MilitarySuper			
Contributors	30,745	Contributions	359.693
Preserved	122,310	**Benefits paid**	
Pensioners*	29,459	Lump sum***	376.829
Total	182,514	Pensions	1583.676
ADF Super			
Contributors	32,561	Contributions	423.877
Preserved	1,412	**Benefits paid**	30.884
Total	33,973		
DFRDB (excluding DFRB)			
Contributors	557	Member contributions	3.920
Preserved		**Benefits paid**	
Pensioners*	49,878	Lump sum	51.011
Total	50,435	Pensions	1,678.881

* 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).

** 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 1,260 pensioner accounts at 30 June 2023; pension payments in 2022–23 totalled $46.42m.

PNG Scheme had 56 pensioner accounts at 30 June 2023; pension payments in 2022–23 totalled $2.90m.

DFRB had 1,528 pensioner accounts at 30 June 2023; pension payments in 2022–23 totalled $34.14m

Contributions for each of the schemes include employer contribution, member contribution, roll-ins, co-contribution and LISC with exception of DFRDB.

Section 15

Glossary

Glossary

ABN	Australian Business Number
ACTU	Australian Council of Trade Unions
ADF	Australian Defence Force
ADF Cover	Australian Defence Force Cover
ADF Cover Act	*Australian Defence Force Cover Act 2015*
ADF Super	Australian Defence Force Superannuation
ADF Super Act	*Australian Defence Force Superannuation Act 2015*
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

Reporting Requirements

Table 37. 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 super scheme and each super fund administered by CSC (other than the 1922 Scheme, DFRB, DFRDB, DFSPB, ADF Cover and PNG) during 2022–23 as set out in the GAGSS Act.	Available on pages 81–87.
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 2022–23 as set out in the GAGSS Act.	Available on pages 86, 88–89.
Information on the performance of CSC functions in relation to the DFSPB during 2022–23.	Available on page 89.
Financial statements in respect of the management of each super fund administered by CSC in a form agreed between the Minister and the CSC Board.	Available on pages 92–293.

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.	Available on page 6.
A summary of the purposes of CSC as included in CSC's Corporate Plan for the period.	Available on page 14.
The names and titles of persons holding the position of responsible Minister or Ministers during 2022–23.	Responsible Ministers during 2022–23 were: Senator the Hon Katy Gallagher, Minister for Finance The Hon Richard Marles MP, Minister for Defence
Any directions given to CSC by a Minister under an Act/instrument during 2022–23.	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.	N/A – no government policy orders applied during the year.
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.

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 14.
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 2022–23, 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 28–39.
An outline of the organisational structure of CSC (including any subsidiaries of CSC).	CSC organisational chart, page 44.
Statistics on CSC's employees including statistics on full-time employees, part-time employees, gender and staff location.	Available on pages 45–47.
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 2022–23.	Available on pages 42–44.
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 2022–23. 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.	N/A
Particulars of any report on CSC given in 2022–23 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 51–52. See pages 48–50 for information on CSC's remuneration policies and practices.
Details of any indemnity that applied in 2022–23 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 302.

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 19 September 2023. 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 version will also be available on the Australian Government Transparency Portal 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)	Hon Senator Katy Gallagher, Minister for Finance; The Hon Richard Marles, 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

PGPA Rule Reference	Part of Report	Description	Requirement
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. This includes: name, qualifications, experience, number of meetings attended and whether the member is an executive or non-executive member.	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)	Outgoing Directors replaced with New Directors appointed 1 July 2022 and 2 May 2023.	Any significant activities and changes that affected the operation or structure of the entity during the reporting period.	If applicable, mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
17BE(q)		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		

PGPA Rule Reference	Part of Report	Description	Requirement
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

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