Australian Government

Commonwealth Superannuation Corporation

Annual Report

to customers 2022-23

CSC

Commonwealth Superannuation Corporation

Contents

About this report

This is the annual report for the year ended 30 June 2022/23 to members of the: Public Sector Superannuation Scheme (PSS) ABN: 74 172 177 893 RSE: R1004595 Commonwealth Superannuation Scheme (CSS) ABN: 19 415 776 361 RSE: R1004649 Military Superannuation and Benefits Scheme (MilitarySuper) ABN: 50 925 523 120 RSE: R1000306 Public Sector Superannuation accumulation plan (PSSap) ABN: 65 127 917 725 RSE: R1004601 Commonwealth Superannuation Corporation retirement income (CSCri) ABN: 65 127 917 725 RSE: R1004601 Australian Defence Force Superannuation Scheme (ADF Super) ABN: 90 302 247 344 RSE: R1077063

This report was prepared in September 2023 by Commonwealth Superannuation Corporation (CSC) (ABN: 48 882 817 243 AFSL: 238069 RSEL: L0001397). CSC manages and is responsible for all aspects of PSSap and CSCri, including investment strategy, administration and member communications.

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

General advice only

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

Financial advice for your needs and goals

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

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

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

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 proactively 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 Your investments 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

[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	9.3	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 superannuation 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 that provides a one-stop-shop for customers to view their CSC superannuation 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

Also in February 2023, 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 superannuation services 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. At the time of publishing this document, the Quality of Advice Review has been released as draft legislation which is currently out for consultation.

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. With this in mind, our RIS focuses 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 develop 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 changes that will keep our RIS relevant and effective over time.

Insurance premium decrease

Over the past six months CSC, with our insurer AIA, has conducted a review of our PSSap, ADF Super (post service) and PSS Additional Death and Invalidity Cover (ADIC) insurance premiums and policies. 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 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

Our Vision

Simple and trusted super for another **100** years

About CSC

CSC is super

We think our customers deserve more than the bare minimum. Much more.

Investing your super with CSC means you benefit from extensive expertise, tailored solutions, and focused commitment to your financial wellbeing.

Our products are underpinned by their own legislation—so you can be sure your super is being managed to the highest standards of integrity.

As one of the first Australian super funds, we've been operating alongside the APS and ADF for over a century. We've grown over the years, but we're still dedicated to providing personalised services to you.

We're here to stay. To serve. To support you for another hundred years.

Our legislative objectives and functions

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

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

Our performance outcome

We exist to provide retirement and insurance benefits for scheme 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 superannuation funds and schemes.

Regulated superannuation schemes

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

- Commonwealth Superannuation Scheme (CSS) established on 1 July 1976 by the *Superannuation Act 1976* (the CSS Act).
- Public Sector Superannuation Scheme (PSS) established on 1 July 1990 by the *Superannuation Act 1990* (the PSS Act).

- Military Superannuation and Benefits Scheme (MilitarySuper) established on 1 October 1991 by the *Military Superannuation and Benefits Act 1991* (the MilitarySuper Act).
- Public Sector Superannuation accumulation plan (PSSap) established on 1 July 2005 by the *Superannuation Act 2005* (the PSSap Act); under its Trust Deed the PSSap also offers an account-based pension product called Commonwealth Superannuation Corporation retirement income (CSCri).
- 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 superannuation contributions who are either employed by a participating scheme employer (usually an Australian Government entity or the ADF), or customers who were formerly employed by a participating scheme employer and who are eligible to continue to contribute to PSSap or ADF Super.
- Those with preserved or deferred benefits who are no longer able to contribute to their scheme because they no longer work for a participating employer and are not eligible to continue contributing. We continue to maintain accounts for these customers and they can generally start making contributions again if they join a participating scheme employer.
- Those receiving a pension who have retired. Some ex-military customers receiving a pension may start making contributions again after 12 continuous months of eligible employment.

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

Your investments

Your investments

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

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 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[1] . 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[2].
- 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[3]. 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**[4]. 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 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.

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

[2] Growing CSC's infrastructure assets of the future (June 2021)

[3] 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.

[4] 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.

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 proactive 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;
- Proactive 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.

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 proactively 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, proactive 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.

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[5] SuperRatings 30 June 2023

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 five 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[5].

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

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

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

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 proactively protect our customers' savings from inflation erosion.

Financial overview

CSS

Commonwealth Superannuation Scheme

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

CSS investment performance summary

Table 2: All CSS options performance over last 15 years to 30 June 2023

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	7 yrs (% pa)	10 yrs (% pa)	15 yrs (% pa)
Default Fund	9.3	7.8	6.0	7.0	7.4	6.0
Cash Investment Option	2.6	1.0	1.1	1.2	1.5	2.2
Australian Inflation	6.0	5.3	3.4	3.0	2.7	2.6

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

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

Financial year	Default	Cash
2018–19	7.9	1.7
2019-20	-0.8	0.9
2020-21	18.4	0.1
2021-22	-3.3	0.2
2022-23	9.3	2.6

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

About CSS investment options

Cash option

Objective

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

Asset allocation

Table 4: CSS Cash option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	0 (0-100)	100	100

Default Fund option

Objective

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

Asset allocation

Table 5. CSS Default Fund option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	11.5 (0–65)	9.7	3.1
Fixed interest	11 (0–65)	9.8	13.3
Equities	57.5 (15–75)	59.1	62.1
Property	6.5 (5–25)	6.2	5.4
Infrastructure	6 (0–20)	7.3	9.3
Alternatives	7.5 (0–30)	7.9	6.8

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

Funds under management

Table 6: CSS Funds under management

Asset class	At 30 June 2022 ($m)	At 30 June 2023 ($m)
Cash	106.93	81.41
Balanced	1,250.87	1,092.33
Operational Risk Reserve	4.86	4.40
Total	**1,362.66**	**1,178.14**

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

Other information about our investments

Assets in excess of 5% of the Fund

There was no single asset greater than 5% of the total assets of the Fund at 30 June 2023.

CSS financial overview 2022–23

Table 46. CSS unaudited financial information for 2022–23

	$'000
Net assets available to pay benefits as at 30 June 2022	1,391,160
Inflows	
Changes in fair value of investments	106,458
Interest	776
Member contributions	15,027
Employer contributions	4,457
Low income superannuation tax offset contributions	1
Government co-contributions	5
Net appropriation from Consolidated Revenue Fund	4,448,728
Outflows[1]	
Benefits and pensions paid	(4,763,904)
Income tax expense	(785)
Net assets available to pay benefits as at 30 June 2023	1,201,923
Assets and liabilities as at 30 June 2023[2]	
Investments[3]	1,176,723
Cash	29,823
Other receivables	89
Benefits payable	(3,962)
Other payable	(217)
Tax liabilities	(533)
Net assets as at 30 June 2023	1,201,923

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

[2]Excludes member benefit liabilities of $63.0 billion, of which $61.8 billion is funded by the Commonwealth Government.

[3]The value of investments shown above reconciles with the total Fund values shown in Table 6 on page 19 as follows:

	$'000
CSS Options	
Default Fund	1,092,331
Cash Investment Option	81,414
Investments backing the operational risk reserve	4,398
Total Fund	1,178,143
Add/(less)	
Adjustment from unit pricing to financial statements valuation basis	(1,420)
	1,176,723

The Scheme holds an operational risk reserve. The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address potential losses arising from an operational risk event (such as the use of an inaccurate unit price or earning rate to process a transaction that results in losses to the fund or to customers). The operational risk reserve target amount is determined in accordance with CSC's Operational Risk Financial Requirement Strategy, and any accruals to and calls upon the reserve are also managed in accordance with that strategy. The total of the reserve as at 30 June for the past three years was $4.4 million in 2023, $4.8 million in 2022 and $6.7 million in 2021.

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

The AIT invests in multiple specialist investment funds and portfolios.

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

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

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

PSS

Public Sector Superannuation Scheme

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

PSS investment performance summary

Table 7: All PSS options performance over last 15 years to 30 June 2023

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	7 yrs (% pa)	10 yrs (% pa)	15 yrs (% pa)
Default Fund	9.0	7.6	5.8	6.8	7.3	5.9
Cash Investment Option	2.5	0.9	1.0	1.2	1.4	2.2
Australian Inflation	6.0	5.3	3.4	3.0	2.7	2.6

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

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

Financial year	Default	Cash
2018–19	7.7	1.7
2019-20	-1.1	0.8
2020-21	18.3	0.1
2021-22	-3.4	0.1
2022-23	9.0	2.5

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

About PSS investment options

Cash option

Objective

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

Asset allocation

Table 9: PSS Cash option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	0 (0-100)	100	100

Default Fund option

Objective

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

Aset allocation

Table 10: PSS Default Fund option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	11.5 (0–65)	9.7	3.1
Fixed interest	11 (0–65)	9.8	13.3
Equities	57.5 (15–75)	59.1	62.1
Property	6.5 (5–25)	6.2	5.4
Infrastructure	6 (0–20)	7.3	9.3
Alternatives	7.5 (0–30)	7.9	6.8

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

Funds under management

Table 11: PSS Funds under management

Asset class	At 30 June 2022 ($m)	At 30 June 2023 ($m)
Cash	49.25	59.53
Balanced	22,320.14	25,014.31
Operational Risk Reserve	72.34	81.23
Total	**22,441.72**	**25,155.07**

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

Other information about our investments

Assets in excess of 5% of the Fund

There was no single asset greater than 5% of the total assets of the Fund at 30 June 2023.

PSS financial overview 2022–23

Table 47. PSS unaudited financial information for 2022–23

	$'000
Net assets available to pay benefits as at 30 June 2022	21,560,788
Inflows	
Changes in fair value of investments	2,048,965
Changes in fair value of deferred payable to the Consolidated Revenue Fund	(149,249)
Insurance premiums charged to customers	3,187
Other revenue	3,685
Member contributions	550,097
Employer contributions	165,500
Low income superannuation tax offset contributions	206
Government co-contributions	552
Net appropriation from Consolidated Revenue Fund	1,815,505
Outflows[1]	
Benefits and pensions paid	(3,579,600)
Insurance premiums paid	(3,187)
Income tax expense	(24,845)
Net assets available to pay benefits as at 30 June 2023	22,391,604
Assets and liabilities as at 30 June 2023[2]	
Investments[3]	25,122,450
Cash	18,642
Other receivables	1,976
Benefits payable	(7,513)
Other payables	(1,476)
Deferred payable to the Consolidated Revenue Fund	(2,726,672)
Net tax liabilities	(15,803)
Net assets as at 30 June 2023	22,391,604

[1]Expenses relating to investment management were borne by the underlying investments of the Scheme. Costs other than those incurred in managing and investing Scheme assets are met by CSC. Administrative fees are paid by employers to meet these costs.
[2]Excludes member benefit liabilities of $106.8 billion, of which $84.6 billion is funded by the Commonwealth Government.
[3]The value of investments shown above reconciles with the total Fund values shown in Table 11 on page 23 as follows:

	$'000
PSS Options	
Default Fund	25,014,313
Cash Investment Option	59,533
Investments backing the operational risk reserve	81,231
Total Fund	25,155,077
Add/(less)	
Adjustment from unit pricing to financial statements valuation basis	(32,627)
	25,122,450

The Scheme holds an operational risk reserve. The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address potential losses arising from an operational risk event (such as the use of an inaccurate unit price or earning rate to process a transaction that results in losses to the fund or to customers). The operational risk reserve target amount is determined in accordance with CSC's Operational Risk Financial Requirement Strategy, and any accruals to and calls upon the reserve are also managed in accordance with that strategy. The total of the reserve as at 30 June for the past three years was $81.1 million in 2023, $72.3 million in 2022 and $74.6 million in 2021.

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

The AIT invests in multiple specialist investment funds and portfolios.

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

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

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

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

Military Super

Military Superannuation and Benefits Scheme

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

MilitarySuper investment performance summary

Table 12: All MilitarySuper options performance over last 15 years to 30 June 2023

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	7 yrs (% pa)	10 yrs (% pa)	15 yrs (% pa)
Cash	2.5	0.9	1.0	1.1	1.4	2.2
Income Focused	5.2	3.9	4.4	4.9	5.3	4.2
Balanced (Default)	9.1	7.6	5.8	6.8	7.3	5.2
Aggressive	11.4	10.0	8.2	9.0	9.3	6.0
Australian Inflation	6.0	5.3	3.4	3.0	2.7	2.6

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

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

Financial year	Balanced (Default)	Aggressive	Income Focused	Cash
2018–19	7.7	9.5	7.0	1.6
2019-20	-1.1	1.7	3.5	0.7
2020-21	18.2	23.7	7.8	0.0
2021-22	-3.4	-3.6	-1.2	0.1
2022-23	9.1	11.4	5.2	2.5

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

About MilitarySuper investment options

Cash option

Objective

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

Asset allocation

Table 14: MilitarySuper Cash option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	0 (0-100)	100	100

Income Focused option

Objective

The objective is to outperform the CPI by 1.5% per annum over 10 years.

Asset allocation

Table 15: MilitarySuper Income Focused option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	27.5 (10–100)	30.2	21.9
Fixed interest	26 (10–100)	20.9	27.0
Equities	18.5 (0–40)	17.0	19.5
Property	10 (0–35)	6.8	8.3
Infrastructure	10 (0–35)	19.4	18.0
Alternatives	8 (0–70)	5.7	5.3

Balanced (default) option

Objective

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

Asset allocation

Table 16: MilitarySuper Balanced (default) option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	11.5 (0-65)	9.7	3.1
Fixed interest	11 (0-65)	9.8	13.3
Equities	57.5 (15–75)	59.1	62.1
Property	6.5 (5–25)	6.2	5.4
Infrastructure	6 (0–20)	7.3	9.3
Alternatives	7.5 (0–30)	7.9	6.8

Aggressive option

Objective

The objective is to outperform the CPI by 4.0% per annum over 10 years.

Asset allocation

Table 17: MilitarySuper Aggressive option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	4 (0–35)	3.4	1.2
Fixed interest	4 (0–35)	2.6	5.3
Equities	70 (20–95)	74.4	75.2
Property	7 (0–50)	7.4	6.4
Infrastructure	7 (0–50)	7.3	7.2
Alternatives	8 (0–70)	4.9	4.8

Our investment information

Funds under management

Table 18: MilitarySuper Funds under management

Asset class	At 30 June 2022 ($m)	Actual at 30 June 2023 (%)
Cash	124.01	126.85
Income Focused	84.85	81.25
Balanced (Default)	10,214.37	11,018.00
Aggressive	1,382.60	1,621.75
Operational Risk Reserve	43.10	49.52
Total	**11,848.94**	**12,897.37**

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

Other information about our investments

Asset in excess of 5% of the Fund

There was no single asset greater than 5% of the total assets of the Fund at 30 June 2023.

Calculation of unit prices

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

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

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

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

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

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

MilitarySuper financial overview 2022–23

Table 48. MilitarySuper unaudited financial information for 2022–23

	$'000
Net assets available to pay benefits as at 30 June 2022	11,856,359
Inflows	
Changes in fair value of investments	1,094,404
Interest	598
Member contributions	208,920
Employer contributions	150,469
Low income superannuation tax offset contributions	89
Government co-contributions	215
Net appropriation from Consolidated Revenue Fund	1,573,902
Outflows[1]	
Benefits and pensions paid	(1,960,505)
Income tax expense	(22,736)
Net assets available to pay benefits as at 30 June 2023	12,901,715
Assets and liabilities as at 30 June 2023[2]	
Investments	12,897,310
Cash	21,252
Other receivables	6,560
Benefits payable	(8,730)
Other payables	(514)
Tax liabilities	(14,163)
Net assets as at 30 June 2023	12,901,715

[1]Expenses relating to investment management were borne by the underlying investments of the Scheme. Costs other than those incurred in managing and investing Scheme assets are met by CSC. Administrative fees are paid by employers to meet these costs.
[2]Excludes member benefit liabilities of $84.6 billion, of which $71.7 billion is funded by the Commonwealth Government.

The Scheme holds an operational risk reserve. The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address potential losses arising from an operational risk event (such as the use of an inaccurate unit price or earning rate to process a transaction that results in losses to the fund or to customers). The operational risk reserve target amount is determined in accordance with CSC's Operational Risk Financial Requirement Strategy, and any accruals to and calls upon the reserve are also managed in accordance with that strategy. The total of the reserve as at 30 June for the past three years was $49.5 million in 2023, $43.1 million in 2022 and $42.3 million in 2021.

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

The AIT invests in multiple specialist investment funds and portfolios.

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

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

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

PSSap

Public Sector Superannuation accumulation plan

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

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

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

PSSap investment performance summary

Table 19: All PSSap options performance over last 15 years to 30 June 2023

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	7 yrs (% pa)	10 yrs (% pa)	15 yrs (% pa)
Cash	2.5	0.9	1.0	1.1	1.4	2.2
Income Focused	5.3	4.0	4.5	4.9	5.3	5.1
MySuper Balanced (Default)	9.0	7.6	5.8	6.8	7.3	5.9
Balanced (Ancillary members only)	8.9	7.5	5.8	6.8	7.2	6.3
Aggressive	11.4	10.0	8.2	9.0	9.3	7.2
Australian Inflation	6.0	5.3	3.4	3.0	2.7	2.6

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

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

Financial year	Balanced (Default)	Aggressive	Balanced (Ancillary)	Income Focused	Cash
2018–19	7.7	9.5	7.7	7.1	1.6
2019-20	-1.1	1.9	-1.1	3.6	0.7
2020-21	18.2	23.7	18.2	7.9	0.0
2021-22	-3.4	-3.5	-3.4	-1.1	0.1
2022-23	9.0	11.4	8.9	5.3	2.5

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

Table 21: All CSCri options performance over last 10 years to 30 June 2023

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	7 yrs (% pa)	10 yrs (% pa)
Cash	3.0	1.0	1.2	1.3	1.6
Income Focused (Default)	5.6	4.3	5.0	5.3	5.8
Balanced	7.4	6.4	5.3	6.6	7.5
Aggressive	10.2	9.9	8.5	9.5	10.0
Australian Inflation	6.0	5.3	3.4	3.0	2.7

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

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

Financial year	Balanced	Aggressive	Income Focused (Default)	Cash
2018–19	8.2	10.6	7.7	1.9
2019-20	-0.3	2.5	4.4	0.9
2020-21	15.5	24.0	8.9	0.0
2021-22	-3.0	-2.8	-1.5	0.1
2022-23	7.4	10.2	5.6	3.0

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

Table 23: All CSCri TRIS options performance over last 6 years to 30 June 2023

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	6 yrs (% pa)
Cash	2.5	0.9	1.0	1.0
Income Focused	5.3	4.0	4.6	4.9
Balanced (Default)	9.1	7.7	5.9	6.5
Aggressive	11.6	10.1	8.4	8.8
Australian Inflation	6.0	5.3	3.4	3.2

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

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

Financial year	Balanced	Aggressive	Income Focused	Cash
2018–19	7.7	9.5	7.2	1.6
2019-20	-1.0	2.1	3.6	0.7
2020-21	18.4	24.1	8.1	0.0
2021-22	-3.4	-3.5	-1.2	0.1
2022-23	9.1	11.6	5.3	2.5

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

About PSSap, CSCri and CSCri TRIS investment options

Cash option

Objective

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

Asset allocation

Table 25: PSSap & CSCri Cash options asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	0 (0-100)	100	100

Income focused option

Objective

The objective is to outperform the CPI by 1.5% per annum over 10 years.

Asset allocation

Table 26: PSSap Income Focused option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	27.5 (10–100)	30.2	21.9
Fixed interest	26 (10–100)	20.9	27.0
Equities	18.5 (0–40)	17.0	19.5
Property	10 (0–35)	6.8	8.3
Infrastructure	10 (0–35)	19.4	18.0
Alternatives	8 (0–70)	5.7	5.3

Table 27: CSCri Income Focused option asset allocation

Asset class	Target (%range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	27.5 (10–100)	30.3	22.4
Fixed interest	26 (10–100)	21.0	27.0
Equities	18.5 (0–40)	16.9	19.5
Property	10 (0–35)	6.8	8.1
Infrastructure	10 (0–35)	19.6	17.7
Alternatives	8 (0–70)	5.4	5.3

Table 28: CSCri TRIS Income Focused option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	27.5 (10–100)	30.2	21.9
Fixed interest	26 (10–100)	20.9	27.0
Equities	18.5 (0–40)	17.0	19.5
Property	10 (0–35)	6.8	8.3
Infrastructure	10 (0–35)	19.4	18.0
Alternatives	8 (0–70)	5.7	5.3

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

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

Objective

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

Asset allocation

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

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	11.5 (0–65)	9.7	3.1
Fixed interest	11 (0–65)	9.8	13.3
Equities	57.5 (15–75)	59.1	62.1
Property	6.5 (5–25)	6.2	5.4
Infrastructure	6 (0–20)	7.3	9.3
Alternatives	7.5 (0–30)	7.9	6.8

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

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	11.5 (0–65)	9.7	3.1
Fixed interest	11 (0–65)	9.8	13.3
Equities	57.5 (15–75)	59.1	62.1
Property	6.5 (5–25)	6.2	5.4
Infrastructure	6 (0–20)	7.3	9.3
Alternatives	7.5 (0–30)	7.9	6.8

Table 31: CSCri Balanced option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	8.5 (0–65)	15.2	12.8
Fixed interest	24.5 (0–65)	17.6	21.0
Equities	42 (15–75)	43.1	42.8
Property	7 (5–25)	7.0	6.6
Infrastructure	7 (0–20)	8.8	9.8
Alternatives	11 (0–30)	8.3	7.0

Table 32: CSCri TRIS Balanced option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	11.5 (0–65)	9.7	3.1
Fixed interest	11 (0–65)	9.8	13.3
Equities	57.5 (15–75)	59.1	62.1
Property	6.5 (5–25)	6.2	5.4
Infrastructure	6 (0–20)	7.3	9.3
Alternatives	7.5 (0–30)	7.9	6.8

Aggressive option

Objective

The objective is to outperform the CPI by 4.0% per annum over 10 years.

Asset allocation

Table 33: PSSap Aggressive option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	4 (0–35)	3.4	1.2
Fixed interest	4 (0–35)	2.6	5.3
Equities	70 (20–95)	74.4	75.1
Property	7 (0–50)	7.4	6.4
Infrastructure	7 (0–50)	7.3	7.2
Alternatives	8 (0–70)	4.9	4.8

Table 34: CSCri Aggressive option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	6 (0–35)	7.9	6.6
Fixed interest	10 (0–35)	4.4	8.6
Equities	61 (20–95)	62.2	62.8
Property	7 (0–50)	7.8	6.6
Infrastructure	7 (0–50)	7.6	7.6
Alternatives	9 (0–70)	10.0	7.8

Table 35: CSCri TRIS Aggressive option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	4 (0–35)	3.4	1.2
Fixed interest	4 (0–35)	2.6	5.3
Equities	70 (20–95)	74.4	75.1
Property	7 (0–50)	7.4	6.4
Infrastructure	7 (0–50)	7.3	7.2
Alternatives	8 (0–70)	4.9	4.8

Funds under management

Table 36: PSSap Funds under management

Asset class	At 30 June 2022 $(m)	At 30 June 2023 $(m)
Cash	428.71	465.85
Income Focused	456.16	513.31
MySuper Balanced (Default)	15,275.21	17,521.03
Balanced	235.07	287.02
Aggressive	2,538.38	3,076.83
Operational Risk Reserve	66.45	76.61
Total	**18,999.98**	**21,940.65**

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

Table 37: CSCri Funds under management

Asset class	At 30 June 2022 $(m)	At 30 June 2023 $(m)
Cash	45.56	44.88
Income Focused (Default)	224.38	261.14
Balanced	187.87	238.42
Aggressive	45.49	61.64
Operational Risk Reserve	1.63	1.88
Total	**504.93**	**607.96**

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

Table 38: CSCri TRIS Funds under management

Asset class	At 30 June 2022 $(m)	At 30 June 2023 $(m)
Cash	4.83	7.35
Income Focused	20.48	24.37
Balanced (Default)	19.50	22.94
Aggressive	6.23	7.08
Operational Risk Reserve	0.24	0.28
Total	**51.28**	**62.02**

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

Other information about our investments

Assets in excess of 5% of Fund

There was no single asset greater than 5% of the total assets of the Fund at 30 June 2023.

Calculation of unit prices

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

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

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

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

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

PSSap financial overview 2022–23

Table 49. PSSap unaudited financial information for 2022–23

	$'000
Net assets available to pay benefits as at 30 June 2022	19,543,423
Revenue	
Interest	4,399
Changes in fair value of investments	1,810,163
Employer contributions	1,725,586
Member contributions	130,410
Transfers from other funds	584,993
Government co-contributions	294
Low income superannuation tax offset contributions	2,405
Insurance claims received and other revenue	45,720
Total revenue	4,303,970
Insurance premium expense	(114,240)
Other administration expenses	(13,675)
Benefits, transfers and pensions paid and payable	(869,330)
Total expenses[1]	(997,245)
Income tax expense	(251,618)
Net increase in net assets available to pay benefits	3,055,107
Net assets available to pay benefits as at 30 June 2023	22,598,530
Assets and liabilities as at 30 June 2023[1]	
Investments [2]	22,581,946
Cash	191,051
Other assets	2,120
Total assets	22,775,117
Liabilities	
Benefits and pensions payable	(2,031)
Other payables	(9,920)
Current tax liabilities	(164,636)
Total liabilities	(176,587)
Net assets available to pay benefits as at 30 June 2023	22,598,530

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

	$'000
PSSap options	
Cash	465,849
Income Focused	513,311
MySuper Balanced	17,521,029
Balanced	287,019
Aggressive	3,076,827
CSCri options	
Cash	44,883
Income Focused	261,140
Balanced	238,421
Aggressive	61,636

Cash – TRIS	7,350
Income Focused – TRIS	24,365
Balanced – TRIS	22,937
Aggressive – TRIS	7,084
Investments backing the operational risk reserve	78,771
Total Fund	22,610,622
Add/(less)	
Adjustment from unit pricing to financial statements valuation basis	(28,676)
	22,581,946

The Plan holds specific reserves including an operational risk reserve and an administration reserve. The administration reserve was established during 2020-21 financial year. The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address potential losses arising from an operational risk event (such as the use of an inaccurate unit price to process a transaction that results in losses to the fund or to customers). The operational risk reserve target amount is determined in accordance with CSC's Operational Risk Financial Requirement Strategy, and any accruals to and calls upon the reserve are also managed in accordance with that strategy. The purpose of the administration reserve is to pay for non-recurring expenses of the Plan relating to legislative change, enhancements to member services, extensions to the product range of the Plan, changes to achieve operational efficiencies or to enable the Plan to sustain operations through delays in payments of committed funding. The administration reserve was funded from unallocated interest income held in fund bank accounts on establishment. No further funds will be transferred to the administration reserve, nor will interest accrue to the administration reserve. The use and management of the administration reserve is conducted in accordance with CSC's Administration Reserve Strategy. The total of the reserves as at 30 June for the past three years was $86.8 million in 2023, $76.4 million in 2022 and $78.9 million in 2021.

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

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

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

ADF Super

Australian Defence Force Superannuation Scheme

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

ADF Super investment performance summary

Table 39: All ADF Super investment options performance over last 7 years to 30 June 2023

Option	1 yr (%)	3 yrs (% pa)	5 yrs (% pa)	7 yrs (% pa)
Cash	2.5	0.8	1.0	1.1
Income Focused	5.1	3.8	4.4	4.8
Balanced (Default)	8.8	7.4	5.7	6.7
Aggressive	11.2	9.8	8.1	9.0
Australian Inflation	6.0	5.3	3.4	3.0

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

Investment performance

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

Financial year	Balanced (Default)	Aggressive	Income Focused	Cash
2018–19	7.6	9.4	7.0	1.6
2019-20	-1.3	1.8	3.4	0.7
2020-21	17.9	23.4	7.8	0.0
2021-22	-3.4	-3.5	-1.2	0.1
2022-23	8.8	11.2	5.1	2.5

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

About ADF Super investment options

Cash option

Objective

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

Asset allocation

Table 41: ADF Super Cash option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	0 (0-100)	100	100

Income focused option

Objective

To outperform the CPI by 1.5% per annum over 10 years.

Asset allocation

Table 42: ADF Super Income Focused option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	27.5 (10–100)	30.2	21.9
Fixed interest	26 (10–100)	20.9	27.0
Equities	18.5 (0–40)	17.0	19.5
Property	10 (0–35)	6.8	8.3
Infrastructure	10 (0–35)	19.4	18.0
Alternatives	8 (0–70)	5.7	5.3

MySuper Balanced (default) option

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

Objective

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

Asset allocation

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

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	11.5 (0–65)	9.7	3.1
Fixed interest	11 (0–65)	9.8	13.3
Equities	57.5 (15–75)	59.1	62.1
Property	6.5 (5–25)	6.2	5.4
Infrastructure	6 (0–20)	7.3	9.3
Alternatives	7.5 (0–30)	7.9	6.8

Aggressive option

Objective

The objective is to outperform the CPI by 4.0% per annum over 10 years.

Asset allocation

Table 44: ADF Super Aggressive option asset allocation

Asset class	Target (% range)	Actual at 30 June 2022 (%)	Actual at 30 June 2023 (%)
Cash	4 (0–35)	3.4	1.2
Fixed interest	4 (0–35)	2.6	5.3
Equities	70 (20–95)	74.4	75.1
Property	7 (0–50)	7.4	6.4
Infrastructure	7 (0–50)	7.3	7.2
Alternatives	8 (0–70)	4.9	4.8

Funds under management

Table 45: ADF Super Funds under management

Asset class	Actual at 30 June 2022 $(m)	Actual at 30 June 2023 $(m)
Cash	5.49	6.88
Income Focused	6.99	10.32
Balanced (Default)	944.10	1,317.54
Aggressive	129.05	198.81
Operational Risk Reserve	0.86	1.20
Total	**1,086.49**	**1,534.75**

Other information about our investments

Assets in excess of 5% of the Fund

There was no single asset greater than 5% of the total assets of the Fund at 30 June 2023.

Calculation of unit prices

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

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

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

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

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

ADF Super financial overview 2022–23

Table 50. ADF Super unaudited financial information for 2022–23

	$'000
Net assets available to pay benefits as at 30 June 2022	1,085,708
Revenue	
Interest	792
Changes in fair value of investments	111,802
Employer contributions	363,994
Member contributions	7,517
Transfers from other funds	51,242
Government co-contributions	136
Low income superannuation tax offset contributions	988
Other revenue	52
Total revenue	536,523
Administration and other expenses	(2,652)
Insurance premiums paid to insurer	(174)
Benefits and transfers paid and payable	(30,884)
Total expenses[1]	(33,710)
Income tax expense	(54,770)
Net increase in net assets available to pay benefits	448,043
Net assets available to pay benefits as at 30 June 2023	1,533,751
Assets and liabilities as at 30 June	
Investments[2]	1,532,759
Cash	36,658
Other assets	195
Total assets	1,569,612
Liabilities	
Benefit payables	0
Other payables	(224)
Current tax liabilities	(35,637)
Total liabilities	(35,861)
Net assets available to pay benefits	1,533,751

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

[2] The value of investments shown above reconciles with the total Fund values shown on table 45 on page 44 as follows:

ADF Super options	$'000
Cash	6,879
Income Focused	10,322
MySuper Balanced	1,317,544

Aggressive	198,814
Assets backing the operational risk reserve	1,203
Total Fund	1,534,762
Add/(less)	
Adjustment from unit pricing to financial statements valuation basis	(2,003)
Net assets available to pay benefits	1,532,759

The Scheme holds specific reserves including an operational risk reserve and an administration reserve. The administration reserve was established during 2020-21 financial year. The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address potential losses arising from an operational risk event (such as the use of an inaccurate unit price to process a transaction that results in losses to the fund or to customers). The operational risk reserve target amount is determined in accordance with CSC's Operational Risk Financial Requirement Strategy, and any accruals to and calls upon the reserve are also managed in accordance with that strategy. The purpose of the administration reserve is to pay for non-recurring expenses of the Scheme relating to legislative change, enhancements to member services, extensions to the product range of the Scheme, changes to achieve operational efficiencies or to enable the Scheme to sustain operations through delays in payments of committed funding. The administration reserve was funded from unallocated interest income held in fund bank accounts on establishment. No further funds will be transferred to the administration reserve, nor will interest accrue to the administration reserve. The use and management of the administration reserve is conducted in accordance with CSC's Administration Reserve Strategy. The total of the reserves as at 30 June for the past three years was $1.3 million in 2023, $0.9 million in 2022 and $0.9 million in 2021.

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

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

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

Our investment management

Our investment management

Listed below are the investment managers appointed to invest assets, as well as specialist investment funds and portfolios. Investments that represent less than 0.5% of CSC's funds under management as at 30 June 2023 are not included.

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

Our derivatives policy

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

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

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

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

Our board

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 Jacqueline Hey

Appointed 1 July 2020 to 30 June 2023;
re-appointed 1 July 2023 to 30 June 2026

- 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.

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.

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.

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.

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.

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 & 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.

Our values

Future focused
We embrace change and challenge ourselves to continuously improve

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

United
We work as one positively connected team

Accountable
We take responsibility and act with integrity

Contact us

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

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CSS — **Commonwealth Superannuation Scheme**

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PSS — **Public Sector Superannuation Scheme**

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FAX (02) 6275 7010
MAIL PSS
GPO Box 2252,
Canberra, ACT, 2601
WEB csc.gov.au

Military Super — **Military Superannuation & Benefits Scheme**

EMAIL members.adf@contact.csc.gov.au
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MAIL MilitarySuper
GPO Box 2252
Canberra, ACT, 2601
WEB csc.gov.au

PSSap — **Public Sector Superannuation accumulation plan**

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WEB csc.gov.au

ADF Super — **Australian Defence Force Superannuation**

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

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