CSC Annual Members' Meeting
Tuesday, 16 March 2021 – 5.30pm AEDST

Questions and Answers

15 April 2021

Contents

Corporate

Q. Who is CSC?

A. CSC is a Corporate Commonwealth Entity established on 1 July 2011. We administer 11 government superannuation schemes and provide superannuation services to current and former Australian Government employees and members of the Australian Defence Force (ADF). CSC's primary function is to administer the schemes and to manage and invest the funds in the best interests of all our customers in accordance with the provisions of the various legislation and Trust Deeds that govern the schemes. More information about CSC can be found in our latest Annual report, which can be found here:

https://www.csc.gov.au/Members/About-CSC/Corporate-governance

Q. What is the annual remuneration to the Board of Directors and Executive Team?

A. The remuneration of the CSC Board Directors and senior executives is published annually on the CSC website. The Executive Remuneration Disclosure can be found here:

https://www.csc.gov.au/Members/About-CSC/Corporate-governance

Q. Are the Directors remunerated? If so, what is the total $ value of the remuneration pool please? This seems to be the first AGM. What has changed to bring this about please?

A. Yes, CSC Directors are remunerated and their remuneration and that of CSC's senior executives is published annually on the CSC website. The Executive Remuneration Disclosure can be found here: https://www.csc.gov.au/Members/About-CSC/Corporate-governance. All super funds are now required to hold an Annual Member Meeting following passage of the Putting Members Interests First legislation early last year. The requirements of the meeting are different to those applying to an AGM for shareholders of publicly listed companies. Specifically, the Annual Member Meeting does not have voting or motions, but there is an opportunity for anyone to ask questions of the fund's directors and executives. Our first Annual Member Meeting was held 'virtually' due the COVID uncertainty.

Q. What are your opinions on the new super choice guarantee having come into effect? Are you worried that you will lose members to funds with more ethical profiles, like not investing in coal, oil and gas projects, and better returns?

A. CSC is supportive of any change that will make things easier for our customers and will benefit them. We are focussed on not only attracting, but retaining customers through providing outstanding customer service and strong long-term investment returns. Our investment strategy is unique – it is designed to be fit-for-purpose for CSC members, which includes more retirees and pensioners than any other fund in Australia. We also take very seriously the responsibility of receiving higher employer contributions from our Australian Government and Defence Force employers (15.4 – 16.4%), than other Australian employers (9.5%). Our strategy is specifically designed to ensure these higher contributions are available for you to use in retirement. It's for this reason that CSC has a deliberate and measured strategy around risk mitigation to enable us to continue to meet or exceed the industry benchmark in providing our members with a comfortable retirement. Our approach to ESG and climate change is consistent with our broader approach to investment risk management. We've had a long-held leadership position in ESG, spanning decades; we take a globally recognised approach; and we are an active investor in companies.

Q. Why did Alison Tarditi (Chief investment officer) receive a bonus of more than $600k when all investment targets were missed? Especially when CSC sells itself of 'avoiding the downside' of economic downturns, yet 1 year performance was negative during the same period when S&P500 etc. was positive.

A. Ms Tarditi's reported bonus in the latest remuneration disclosure and the CSC Annual Report was for the 2018-19 financial year, in which all investment performance benchmarks were met. Remuneration is about balancing the need to hire and motivate the best talent while addressing the concerns of our stakeholders in Government, the ACTU, and the Defence Force. That means governance is key, and that the Board must have strong oversight and input into CSC's remuneration policy and practice. At CSC, we have a Remuneration and HR Committee that is fully representative of all of our nominating bodies. This Committee has oversite of all remuneration policy and practice.

Q. Actually Mr Hill, why do you refer to us as "customers" rather than, say, "clients" or "investors"? Is use of "customer" just more neo-liberal terminology?

A. We use the term customer because it is our duty and honour to serve everyone who trusts us to invest their superannuation, pay their pensions and provide education, advice and guidance to. A customer is someone you provide a service to because you value them, and by using that term it drives our staff to deliver better outcomes.

Q. The term "customers" sounds like we're buying something. We are not. Rather, aren't CSC providing a service? Will CSC consider changing your terminology?

A. We use the term customer because it is our duty and honour to serve everyone who trusts us to invest their superannuation, pay their pensions and provide education, advice and guidance to. A customer is someone you provide a service to because you value them, and by using that term it drives our staff to deliver better outcomes.

Q. The performance returns shown by Alison Tarditi (CIO) were for up to March 2021. The Annual report is for last financial year. Why are we seeing differing figures - an incomplete period, and a complete annual tax year?

A. Whilst the Annual Report reports on investment performance for a financial year we thought that given the time at which the Annual Member Meeting (AMM) was held (March) that our customers would appreciate a report on the most up-to-date investment performance figures. CSC's Chairperson, Mrs Patricia Cross, summarised the 2019-20 investment performance figures during her address at the AMM. The CSC 2019-20 Annual Report includes detailed investment performance figures for 2019-20.

Q. Will you be asking for feedback about the format and presentation/presenters?

A. Yes, a survey requesting feedback about the AMM was sent to all participants immediately after the event.

Q. What are the future plans to help retired members get a bit more financial supports [sic] from ComSuper (CSC)?

A. In broad terms, CSC's role is limited to investing superannuation contributions and paying pensions and there is no indication this role will change. As our role is defined by legislation we are not currently in a position to administer any additional financial support payments. Currently the bulk of all financial support initiatives for CSC customers are administered by the Department of Veterans' Affairs or Services Australia.

Q. Is the Chair, Patricia Cross a "customer"/client of CSC?

A. No. The CSC Board is required to have an independent Chair. For that reason the Chair, Mrs Cross, is not able to also be a customer of one of the schemes administered by CSC.

Q. During the height of COVID we saw thousands of people access their super when they probably shouldn't have. What risk and governance controls did CSC have in place to check the validity of these claims and what impact did all these withdrawals have on CSC funds under management.

This question was answered during the AMM and is included here:

Again, thanks, Peter, for your question. So the early release scheme, for those that aren't aware of it, was brought in as part of a package with JobKeeper and JobSeeker, and it allowed access for up to $10,000, and you could do it twice over different financial years, in order to deal with issues about household expenditure at that time and any stress that people were under. Even prior to joining CSC, I was actually leading an industry group that was responsible for implementing the early release scheme, and the industry had to actually introduce the scheme in 18 working days, and so the fact that the industry was able to come together and do that was a fantastic outcome, and it actually got these amounts out to customers very quickly.

At CSC, our experience was that we had about 44,000 customers take advantage of the early release scheme, and they took about $380 million out of our various schemes. Fortunately, our investment program was very easily able to deal with this. There were no liquidity issues or any concerns from that point of view. We did see that there was a skew in the people who were asking for these benefits from former members of the Australian Defence Forces. So we saw that our main concern during this period of paying these benefits was to ensure that our customers knew that they weren't going to stop themselves being able to take out pensions later on in life by making these decisions.

From a point of view of fraud, fraud was very low. We had - the latest figures from APRA, and the ATO, is fraud is about 0.04% or 0.05% of applications over the whole system, and but what was the case was that the Tax Office did the self-assessment of whether people were eligible.

Now, the Tax Office, so we can expect that some people, including some within CSC, said that they were eligible, they were able to self-assess, and the Tax Office is going back and just checking a few of those, but we don't think that it's a major issue, and so we had the controls in place to minimise fraud and to make sure that we could get benefits out to our customers as quickly as possible. I'll hand back - or straight over to Marg now, if you like, Peter.

Peter Jamieson: Thanks, Damian. Yes, we might ask Marg to just make a couple of comments on our overall risk and control environment at CSC, as in her capacity as head of our Risk Committee.

Marg Staib: Thanks, Peter, and thanks, Damian. I'm just going to talk just very quickly but broadly about our very robust risk management framework that we have in place at CSC that does fully comply with the regulators through the prudential standard. It starts very much at the top, from the Board, and through management, and to all our people at CSC with a very strong commitment regarding leadership and our commitment to a healthy risk culture. And we start with a Board-approved risk appetite statement, and then also a Board approved policy around our risk management strategy.

Now, in all of that, we also have our risk committee, as we just talked about. In my committee, we have an externally appointed professional from the industry to help us assess environmental risks that are happening in the industry and more broadly around the country and of course around the globe. We have a Chief Risk Officer appointed. We have a very strong evaluation program, particularly with our internal auditors and also external, very strong compliance regime and also this is all tested and reported to the regulators as we are required to do.

So in the interests of time, I'll stop there, but can I just assure you, Peter, we do have a very robust risk management framework here at CSC.

Q. Are you going to mail Proxy Voting?

A. The regulations requiring the holding of the Annual Member Meeting are different to those applying to an AGM for shareholders of publicly listed companies. Specifically, the Annual Member Meeting does not have voting or motions, but there was an opportunity for anyone to ask questions of CSC's directors and executives.

Q. Why, after my 66 years of membership, are you now holding a members' meeting? Is it to be a "real" meeting where one can move motions or just a "PR exercise" where you tell us what a good job you are doing? What rules govern the conduct of the meeting? You refer to me as a "member". What is the definition of member and what are my rights? You refer to the "board". Who are the board and who elected/nominated them? Can I become a Director?

A. Following the introduction of Putting Members Interests First legislation, most superannuation funds are now required to hold an Annual Members Meeting. Annual Members Meetings have different requirements to an AGM for shareholders of publicly listed companies. Specifically, the Annual Members Meeting does not have voting or motions, but there was an opportunity for anyone to ask questions of CSC's directors and executives. The rules that govern the conduct of Annual Members Meetings can be found in the Superannuation Industry (Supervision) Act 1993. A member, or customer, is someone who holds an active or preserved account with CSC, or is a pensioner to whom we pay a pension. Important information on your scheme is available on our website, and we encourage you to phone our call centre if you require any further information. CSC's governing legislation places responsibility for the composition of the CSC Board with the Minister for Finance, who may directly nominate individuals to the Board in consultation with the Minister for Defence, and who is also required to appoint individuals nominated by the ACTU and the Chief of the Defence Force. Any member of the public can contact the ACTU, Chief of the Defence Force or the Minister for Finance to express an interest in being on CSC's Board. For specific information on the appointment of Directors to CSC's Board, please refer to section 12 of the Governance of Australian Government Superannuation Schemes Act 2011.

Q. I am a CSS pension member. How will the CSC transformation benefit the CSS pension member, as we receive an indexed pension?

A. CSC's transformation is simply about delivering better outcomes for our customers. As part of this transformation there are a lot of back-end changes to our technology systems, processes and operations.

You can expect to see us make the most of our data and insights to personalise both your experience with us and your retirement outcome. You'll be using the latest digital capabilities that will enable much simpler access to your online CSC account and greater self-service options. You'll experience much faster transactions with us because we'll have better administration systems that will allow for greater automation.

The way we work will be centred on end-to-end service where the goal will be to resolve any issue or enquiry in a single transaction, with individual and tailored support and guidance. And we will be expanding our financial assistance and advice services to ensure we can guide you on your path towards retirement.

Q. Why aren't the members of the Board elected by members of the Funds? Will this change? What will it take for the composition of the Board to change? The Board makes many decisions, which are not necessarily aligned with members' aspirations. The current arrangement

assumes that each Board member represents our interests and invests a lot of money because of this assumption.

A. CSC's governing legislation places responsibility for the composition of the CSC Board with the Minister for Finance, who may directly nominate individuals to the Board in consultation with the Minister for Defence, and who is also required to appoint individuals nominated by the ACTU and the Chief of the Defence Force. Any member of the public can contact the ACTU, Chief of the Defence Force or the Minister for Finance to express an interest in being on CSC's Board. For specific information on the appointment of Directors to CSC's Board, please refer to section 12 of the Governance of Australian Government Superannuation Schemes Act 2011.

Q. Given current controversy about under-reporting of salaries of staff who have served overseas, what is CSC doing to proactively address its members concerns by engaging with affected departments to resolve the issue.

A. CSC's Employer Services team proactively engages with employers to help them understand and meet their superannuation obligations. This support is primarily provided by our Employer Trainers and the Employer Service Desk through a range of online and in-person training modules.

Where an employer believes they may be under-reporting their salaries we refer them to the APSC Circular 2020-2 – Correction of underpayment of wages. This assists the employer in determining the actions and steps they need to follow. CSC also provides ongoing support to employers throughout the remediation process.

Q. When do members get to vote on the remuneration for staff and when do we get to vote on board appointments?

A. The requirements of the superannuation trustee Annual Member Meeting are different to those applying to an AGM for shareholders of publicly listed companies. Specifically, the Annual Members Meeting does not have voting or motions, but there was an opportunity for anyone to ask questions of CSC's directors and executives.

Q. Is there a problem with the superannuation funding? If there is a funding problem it is my understanding the government would have to supplement funding. Is this true?

A. The Australian Government guarantees all CSC defined benefit pension payments for life (e.g. pensions from CSS, PSS and MSBS). The Future Fund was established specifically for this purpose.

Q. First...I am in DFRDB - with all money the government is throwing at people who largely do nothing - we were Defence, compulsorily retired at age 55 and not worked since (too old too qualified is reason given - Question: when will we be reinstated and reimbursed the 2.5% Mr Keating took off us when he was PM?

A. The Superannuation and Other Benefits Legislation Amendment Act 1986 amended the legislation governing the operation of both the DFRDB and DFRB from the payday of 23 October 1986 to discount the 1986 pension increase by 2 per cent from 9.2 per cent to 7.2 per cent. This policy continued until 20 October 1989 (that is, during this period the full CPI increases were not passed on to DFRDB pensioners). There was no later increase in the DFRDB pension to make up for this period of discounting.

These actions were undertaken as a budget measure in response to the unusually high rates of inflation throughout the period combined with a shortfall in government revenue. The rates of increase in CSS pensions were also discounted in the same way during this period.

CSC is not aware of the Government's intention to reimburse any amount lost as a result of this action.
[SOURCE: https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/RP0708/08rp16#:~:text=It%20was%20effectively%20closed%20to,September%201991%2C%5B7%5D%20and]

Q. Some years ago then Treasurer Peter Costello removed $20 billion for the CSS and used it to start the national Future Fund. That fund is now well established and had grown to about $200 billion through wise investing etc. Can you tell me if and when the original $20 billion removed from the CSS (without asking members I might add) will be returned to our fund and if there is a possibility these excess funds will be distributed to members as has been done several times in the past?

No monies were removed from CSS to start the Future Fund and therefore there is no money owing.

Q. I receive a Defined Benefit pension from CSC. It is my primary source of income. I would like to find out how safe my pension is. In particular is it 100% guaranteed by the Commonwealth Govt, and if not, what are the main risks of a financial crisis impacting the pension?

A. The Australian Government guarantees 100% of all CSC defined benefit pension payments for life (e.g. pensions from CSS, PSS and MSBS). The Future Fund was established specifically for this purpose.

Q. I left a Commonwealth position 25 years ago and now work in the public sector (health). I am unable to move super funds from PSS nor contribute to it (which I would prefer). This means that I pay double fees for super. Is there any plan for the future for this rule to change?

A. PSS members pay investment fees which are charged as a percentage of a customer's account balance. Unfortunately PSS scheme rules do not allow contributions otherwise than from eligible employers and members in eligible employment. Please get in touch if you wish to discuss your options in relation to claiming your PSS benefit.

Q. Could the different time zones please be mentioned for the start of the next meeting. I am in South Australia there was no mention of the meeting starting on Eastern standard time.

A. At the next AMM we will ensure we include the meeting start time for each time zone in Australia.

Q. Why is it that after all these years we have/need an AGM?

A. All super fund trustees are now required to hold an Annual Members Meeting (AMM) following passage of the Putting Members Interests First legislation early last year. The requirements of the AMM are different to those applying to an AGM for shareholders of publicly listed companies.

Q. I do have other questions but I am initially intrigued: Why is this the first board meeting ever held?

A. The Annual Member Meeting (AMM) was not a Board meeting. The Board holds separate Board meetings throughout the year and the AMM was held specifically for our customers so they could hear directly from, and ask question of, our Chair, Board Directors and senior executive staff. All super fund trustees are now required to hold an Annual Members Meeting (AMM) following passage of the Putting Members Interests First legislation early last year.

Q. Where is this taking place? 30 mins of Q&A is hardly worth having, just saying.

A. The CSC Annual Member Meeting physically took place in Canberra but due to restrictions as a result of COVID-19, the meeting was broadcast online as well. All CSC customers were invited to attend the online AMM. Thank you for your feedback on the structure of our first AMM. We have taken this on board as we plan our next AMM.

Q. Why did you send out an invite to an event on the 16/12/2020 out on the 17/12/2020? Just to be clear, you sent an invite out the day after the event. Hopefully you are better at managing superannuation that [sic] you are at managing events.

A. CSC sent an initial email to all of our customers three months prior to the event, asking them to register for the AMM, which was held on 16 March 2021.
We sent a reminder email two days prior to the event, with instructions on how to virtually attend the event.

Q. Can the information about the scheme be made more accessible to members? The material appears written by the informed for the informed. I have tried reading the material multiple times, but the level of assumed knowledge is excessive, I cannot understand my statement and I cannot work out basic considerations. The 1300 number does not welcome questions. Can I request a genuine attempt is made to communicate the scheme features? Happy to assist if member involvement is sought.

A. We are undertaking a significant investment over the next three years to transform our digital services to customers to better meet their expectations. A key area of focus will be our online services to ensure all customers have a simple, easy ‘one-stop-shop’ for all their CSC accounts and services. We are also undertaking an extensive and ongoing process of updating our website content to make sure it is easier to understand.

We recognise that the current online services experience for customers is not ideal. Whilst our investments in technology will take some time, we will continue to make incremental changes to improve your experiences with us.

Q. Will it be possible to view the recordings after the meeting?

A. Yes, a recording of the entire AMM and a complete transcript is available on our website here: https://www.csc.gov.au/Members/Advice-and-resources/Annual-Member-Meeting

Q. Will this video be available to watch at a later date?

A. Yes, a recording of the entire AMM and a complete transcript is available on our website here: https://www.csc.gov.au/Members/Advice-and-resources/Annual-Member-Meeting

Q. Is it possible to receive monthly updates for PSS customers instead of just once a year?

A. All of our customers are able to view their account online at any time here: https://www.csc.gov.au/Members/Log-in

If you need assistance logging in to your account PSS customers can call 1300 000 377.

CSC also sends investment and general information emails to all of our customers who wish to receive these emails on a quarterly basis.

Q. What are your support services for customers who live overseas?

A. CSC does not have any physical offices overseas, however all customers can access their CSC account online at any time. You can access your online CSC account here: https://www.csc.gov.au/Members/Log-in

If you need assistance logging in to your account visit our ‘Contact us’ page to find the right email or phone number to call: https://www.csc.gov.au/Members/Contact-us.

Our PSSap, ADF Super and CSCri contact centre is open between 8:30am and 6pm (AEST) and our CSS, PSS, MilitarySuper and DFRDB contact centre is open between 8am and 6pm (AEST).

Q. What use was this presentation to me as a retired DFRDB and PSS member please? If the answer is nothing, would you give consideration to either saying in the future that the presentations are only for those making contributions to ADF Super and the PS equivalent or adjusting your presentations to include matters of relevance to retired members of DFRDB etc?

A. We invited all CSC customers to the AMM to give them the opportunity to see first-hand who is responsible for paying their pensions and investing the super, and to also see the governance, risk and administrative processes we have in place so that they can feel confident their super and pension payments are in safe hands. All customers, whether they be pensioners or super contributors had the opportunity to ask questions of our Board and executive team.

Q. The CSS has been closed to new contributors for many years now. Out of interest how many contributing members remain? I saw the graph in the Annual Report and it appears that there is about 4000 contributing members. Is that about the mark?

A. As of 30 June 2020 there were 2,986 active contributors to the CSS scheme.

Q. Should I update details regarding benefit I [sic] in any Super account?

A. We always recommend our customers to keep their details up to date. Please call our customer contact centre to make any updates. Our contact details can be found here: https://www.csc.gov.au/Members/Contact-us

Q. I am a member/pensioner of both the DFRDB scheme and the PSS scheme. Every year I have trouble downloading my statements for tax due to having to log out and closing my browser when toggling between the DFRDB and the PSS schemes. Would it be possible to have a single log in area where I could toggle between the different schemes I am a member of.

A. We are undertaking a significant investment over the next three years to transform our digital services to customers to better meet their expectations. A key area of focus will be our online services to ensure all customers have a simple, easy ‘one-stop-shop’ for all their CSC accounts and services. We are also undertaking an extensive and ongoing process of updating our website content to make sure it is easier to understand.

We recognise that the current online services experience for customers is not ideal. Whilst our investments in technology will take some time, we will continue to make incremental changes to improve your experiences with us.

Customers with older defined benefit products such as MilitarySuper and PSS will see a new format in their annual statement this year. This format is being designed by a group of customers, so that it reflects what you actually want and need from your statement.

Q. Like many members I am both ex-Defence (DFRDB) and a retired public servant (PSS). Why can't I link my files and have just one log-in?

A. We are undertaking a significant investment over the next three years to transform our digital services to customers to better meet their expectations. A key area of focus will be our online services to ensure all customers have a simple, easy ‘one-stop-shop’ for all their CSC accounts and services. We are also undertaking an extensive and ongoing process of updating our website content to make sure it is easier to understand.

We recognise that the current online services experience for customers is not ideal. Whilst our investments in technology will take some time, we will continue to make incremental changes to improve your experiences with us.

Customers with older defined benefit products such as MilitarySuper and PSS will see a new format in their annual statement this year. This format is being designed by a group of customers, so that it reflects what you actually want and need from your statement.

Q. It would be more helpful if you make your website more user friendly! Navigating is a merry go round. Please issue a survey to all members to see what they say! Checking on unit history should be simpler.

A. We are undertaking a significant investment over the next three years to transform our digital services to customers to better meet their expectations. A key area of focus will be our online services to ensure all customers have a simple, easy ‘one-stop-shop’ for all their CSC accounts and services. We are also undertaking an extensive and ongoing process of updating our website content to make sure it is easier to understand.

We recognise that the current online services experience for customers is not ideal. Whilst our investments in technology will take some time, we will continue to make incremental changes to improve your experiences with us.

Q. Will the Board guarantee that we contributors under the DFRDB scheme will not be adversely affected by any future changes of policy by the Commonwealth Superannuation Corporation?

A. CSC does not make or change policy in regard to any of the super schemes that we administer, including the DFRDB scheme.

Policy and legislative change is formulated and dictated by the Government of the day. CSC simply puts in place any changes and administers the schemes according to the policies or legislation made by the Government.

Rest assured, CSC fulfils its role as the administrator of your super with the utmost respect and diligence, including always putting our customers' interests first and advocating for change that will benefit you.

Performance

Q. The performance returns shown by Alison were for up to March 2021. The Annual report is for last financial year. Why are we seeing differing figures - an incomplete period, and a complete annual tax year?

A. The latest annual report available is for the financial year 1 July 2019 to 30 June 2020. Since the Annual Member Meeting was held on 16 March 2021, the data shown by our CIO was for the latest available month end, 28 February 2021 as this captures more information and reflects up-to-date data on how options are tracking against their objectives to date.

Q. Administration fees are too high when compare with some other Super. Could you reduce the fee?

A. PSSap and ADF Super customers are charged an administration fee which is a flat annual fee of $84 per customer, regardless of your account balance. Our administration fees reflect operating costs.

Defined benefit PSS, CSS and MilitarySuper customers do not pay the $84 administration fee. When comparing fees it is important to check the basis of fees – whether they are a flat rate or a percentage of account balance.

Further information on fees and costs applicable to your superannuation account can be found in the Fees and Costs booklet for your scheme, available on our website.

Q. Should the Reserve bank drop the current official cash rate into negative territory how will this affect members who have selected 'cash option' as their preferred investment option?

A. Interest rates have been on a long term downward trajectory for almost three decades, with the GFC providing an accelerant to this trend. COVID has further exacerbated this situation because central banks have lowered interest rates further to historically unprecedented lows in order to support fiscal expansion for economic recovery.

This means that cash options can produce very small positive, zero or slightly negative returns if interest rates remain low or go negative as they have already in Europe, for example.

To maintain the same rate of return as historically, investors would have to accept risk in their cash exposures. The types of risk that can creep into cash management funds who chase returns include the credit risk that comes with exposure from lending to corporate issuers (who may have difficulty repaying some or all of their loans if business deteriorates for example). A pure cash portfolio that remains true to label is likely to generate very low and perhaps negative returns ahead.

The purpose of CSC's cash investment option is to **preserve the nominal value of customers' savings.** The option is expected to represent negligible risk of nominal capital loss.

In the last 15 years since inception, the cash option hasn't experienced any years of negative returns because the Reserve Bank of Australia (RBA) had maintained the policy cash rate positive and at or above the rate of inflation. However, past performance is not a reliable indicator of future performance. Over the past year, the RBA has followed the trend offshore and reduced cash rates towards zero. And taking into account inflation, very low cash rates means the real purchasing power of cash is being eroded (e.g. if the price of milk increases by 5% but interest rates are only 0.1%, your cash savings buys you less milk, say 750mL instead of 1L).

COVID-19 has had a profound impact on the Australian and global economy, driving already declining cash rates even lower. Stemming from the global financial crisis of 2008, several banks worldwide, including central banks of Denmark, Japan and Switzerland, have even implemented negative interest rates.

In the last 12 months, the Reserve Bank of Australia (RBA) has cut the cash rate three times – a rare two cuts in March 2020 in response to the COVID-19 pandemic and recession, and most recently, a partial cut in November 2020 to a historic low interest rate of 0.1%. Going forward, market participants generally expect that returns to cash investments will remain low and could even move lower - as the RBA has stated that it believes that low cash rates will continue to be required to rebuild the economy.

Conversely, if the global and domestic economies improve and inflation returns, the RBA may begin to increase their policy rate again, resulting in more positive returns. The last time the RBA increased the cash rate was in November 2010, when the cash rate rose by 0.25% to 4.75%.

To summarise, given the macro-economic state and the views of the Reserve Bank of Australia, it is likely that your cash investment option balance may not increase and that the real purchasing power of that cash could be eroded. If this impacts your retirement plans, you may want to discuss your options with a financial professional.

Q. How do your returns compare to competitors in the market?

A.

Investment Option	Return Objective	Risk Limit	Investment Horizon	10yr average returns p.a.	Ranking vs Peers Returns per unit of risk
Aggressive	CPI +4.5%	Probability of Annual Loss: **30%** *Negative years in 20: 6* Consistent with Peers' risk	15 years	**9.1%**	**#1 / 44**
MySuper (Default)	CPI +3.5%	Probability of Annual Loss: **20%** *Negative years in 20: 4* Lower than Peers' risk	10 years	**7.5%**	**#10 / 47**
Income-Focused	CPI +2.0%	Probability of Annual Loss: **10%** *Negative years in 20: 2* Consistent with Peers' risk	5 years	**6.1%**	**#1 / 44**
Cash Account	Bloomberg Australia bank bill index, net of fees	Probability of Annual Loss: **0%** *Negative years in 20: 0*	1 year	**2.0%**	-

Q. How are investments tracking thus far for the current financial year?

A. Over the financial year to 28 February 2021, CSC's options have performed in line with their strategies.

Option	Option Objective	Return FYTD to Feb 2021	Excess vs Objective	Return 3 years to Feb 2021	Excess vs Objectives
Aggressive	CPI +4.5%	12.1%	+6.5%	8.5%	+2.2%
Balanced MySuper	CPI +3.5%	9.2%	+4.2%	5.9%	+3.6%
Income-focused	CPI +2.0%	3.4%	-0.7%	5.4%	+2.0%

Source: CSC as at 28 February 2021

Q. Administration fees are too high when compare with some other Super. Could you reduce the fee?

A. PSSap and ADF Super customers are charged an administration fee which is a flat annual fee of $84 per customer, regardless of your account balance. Our administration fees reflect operating costs.

Defined benefit PSS, CSS and MilitarySuper customers do not pay the $84 administration fee. When comparing fees it is important to check the basis of fees – whether they are a flat rate or a percentage of account balance.

Further information on fees and costs applicable to your superannuation account can be found in the Fees and Costs booklet for your scheme, available on our website.

Active Management

Q1. Did the active management strategy get it wrong for COVID? The returns appear better for taking nil action than whatever was implemented? My index funds returned FAR better for the period reported, and they did nothing and at a low fee. How can bonuses be paid for such incorrect actions? Preserved members also report "Not achieved" for customer survey.

(Answered live)

Q2. Why did CIO receive a bonus of more than $600k when all investment targets were missed. Especially when CSC sells itself of 'avoiding the downside' of economic downturns, yet 1 year performance was negative during the same period when S&P500 etc. was positive.

(Both answered below)

A. "Our natural bias is to focus on what I call the hare factors, the things immediately at hand, the experience of the last 12 months, but it is the slower-moving structural factors that determine and ultimately drive portfolio returns and outcomes in the timeframes that matter to anyone looking at saving for retirement. Over the past 12 months, our investment strategy has worked as we expected it to, so in February (2020), prior to the global pandemic becoming something that everybody was aware of, we noticed the outbreak in China and were concerned about the fact that the world's manufacturing sector in China was effectively being shut down. That had implications for supply chains everywhere, and so we did reduce the risk in our portfolios ahead of what turned out to be a global pandemic.

As a result of that, through February and March (2020), if you were retiring, you were retiring with 160 basis points, so 1.6%, of performance ahead of the average peer group in Australia, if you were retiring with CSC, and that placed us close to number one, if not number one, through that period (Source: SuperRatings March 2020). The outcome for you at that point would have been a preservation of 40% more of your returns than if you'd been certainly in any other super fund and certainly more than that versus a passive portfolio.

What we didn't do, which is what your passive portfolio would have done, is just stay invested and therefore with the policy responses that were pursued see a big return back up in risk assets through June and August. What we have been doing, though, is instead of taking a punt and hoping that things would recover, we've been, as we always do, very cautious and thorough in the checklists that we follow. We looked at not just the extent of policy responses but the efficacy of those, and they were very effective, because they were income replacement policies, some of the first examples of those we've seen in the world to date, through my career.

We also looked at the capacity of central banks to commit to keeping interest rates low, because with that level of fiscal expenditure and debt levels so high, the servicing burden to governments of an increase in interest rates would certainly curtail their capacity for further expenditure. We looked at their capacity not just to keep rates low but to actually manipulate the yield curve, as the Australian Central Bank has been doing over the last little while, buying double the rate of bond purchases that it had been doing prior to the crisis.

We looked at the outcome from the US election and realised that the $1.9 trillion of expenditure in the US would certainly be constructive for recovery, and so we've been building back into risk, and as people say, it's not until the black lady sings that - the lady in black sings that things are clear, so we've been adding consistently over the last 10 years 0.7% per annum above fees and costs relative to a passive implementation strategy to our balanced fund, with 12% less volatility in returns. We've been adding 1.8% per annum in our aggressive option and 1.5% per annum after fees and costs versus a passive strategy.

So I think you have to think about the hare and the tortoise and keep focussed on consistency and dependability of outcomes in retirement, which our governance structure supports us to deliver to you.”

Q. How is the Transfer Balance Cap calculated on a defined benefit pension for a reversionary beneficiary? Has the anomaly that excludes their new reduced pension level being used by the ATO (instead of pension amount at date of partner's death) been corrected to calculate the new TBC?

A. The transfer balance cap that CSC reports to the ATO is 16 times the annual pension that a pensioner is in receipt of at the time of the reporting, this calculation is required by the ATO. The anomaly which you’re referring to is the inability for CSC to report any debits against the transfer balance account for reversionary pensioners. This has been amended, and CSC is now able to report debit amounts. When a reversionary pension commences, the full value is required to be reported as a credit against the transfer balance account, however we are now able to report a debit at the time a pension is permanently reduced. The ATO has information available on their website https://www.ato.gov.au/Individuals/Super/In-detail/Withdrawing-and-using-your-super/Transfer-balance-cap---defined-benefit-income-streams which outlines the calculations that occur when credits and debits such as these are reported.

Investment strategy and outlook

Q1. With the debasement of fiat currency worldwide with large increases in the money supply, excessive world debt, impending inflation and potential deflation of debt based assets, there does not seem to be any contingency to counter the impacts of these very real risks. Has the fund considered investments alternatives, with a portion of funds (even a small portion) into alternatives such as Precious Metals and Bitcoin. Both alternatives having outperformed current options over some time and will very likely continue to do so. If not why not?

(Answered live)

Q2. Government response to COVID-19 economic issues has unconventional and never-before-seen fiscal policies undertaken. What is are CSC's plans around managing the risk posed to cash and bond investments with respect to inflation? Are alternative investment classes, such as cryptocurrencies, being investigated as possible alternatives to hedge against inflation?

(Both answered below)

A. "The range of plausible future economic and system states is particularly wide today. The uncertain circumstances of our time, including the lowest interest rates in 800 years and unprecedented fiscal policy responses to the COVID-19 pandemic, mean that we have been preparing your portfolios for resilience by building greater geographic diversity into our defensive assets and currencies, financing innovation, building new asset management businesses with revenue sharing arrangements, hedging against long-term inflation risk, maintaining our focus on the fundamental value and quality of assets, rather than their current prices, and being mindful of the fact that conditions are now conducive to creating extreme bubbles in some segments of financial markets, though with no certainty on timing.

In these ways we continue to seek to deliver to our purpose and measure our success by the level of financial adequacy we can generate for you in retirement; the avoidance of 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 the avoidance of material losses through periods of market setback."

The final consequences of unconventional policies, both monetary and now fiscal, are still unknown. However, we see the effects of it in financial asset inflation; concerns about bubbles forming in the technology segments of equity markets; and more recently, in increased speculative behaviours, unhinged from fundamentals in such notorious stocks as GameStop and other Reddit website related events. We also see it manifest in a resumption of the global economic cycle, across both manufacturing and services sectors.

The starting point for government debt is likely to have an influence over regional economic trajectories. High government indebtedness suggests that rates must remain anchored at relatively low levels lest sovereign interest expenses detract from future expenditure programs. In this way, hedging against the risk of higher inflation over the longer term, must be part of any robust portfolio. To that end, we have been opportunistically acquiring inflation hedges including:

(i) Inflation-linked securities;

(ii) Higher-yielding emerging market bonds to access better yield protection than currently offered by many developed countries as inflation rises;

(iii) Continuing to invest prudently in equities which tend to do OK as inflation rises initially with cyclical recovery, which is now evident, and ahead of Central Bank intervention, which most people expect to be much later than in previous cycles;

(iv) Prioritising private real asset opportunities that generate inflation-linked cashflows;

(v) Having the capability and infrastructure to invest in gold, as an alternative store of wealth; and

(vi) Investing in strategic innovation and the creation of new businesses and assets that have the capacity to generate growth and robust cashflow regardless of the cyclical economic environment.

The rationale for these initiatives was reinforced with the recent passing of a US$1.9trillion fiscal stimulus package (A$2.5trillion) worth 8% of US GDP and announcements of another material fiscal infrastructure package to come. This arrives at a time of very low rates and progress on COVID-vaccination rollouts that have the potential to turbo charge consumption and pent up demand.

Some risks that remain potentially underappreciated in the consideration of investment opportunities include:

- Western technology companies
  - Classification of technology to the national-security vector: potentially introducing market limits to growth for disruption of the global monetary system: as digital currencies develop to different foundational principles in the East versus the West (where personal privacy considerations are relevant).
  - The Bank for International Settlements, in conjunction with seven central banks have drafted a set of foundational principles for developed country central bank digital currencies that explicitly reference constraints (e.g. issue limits) to restrict interference with commercial banking systems and the demarcation of monetary versus fiscal policy.

- China, Singapore, Canada and Sweden's e-Krona are progressed in terms of central bank digital currency development (centralised, scalable, viable alternative mediums of exchange).
- It is very hard, today, to realistically define the boundaries on these developments and their influence on the intermediation of credit, monetary policy and capital flows. But it is fair to say that the monetary system operating a decade from now will be different. And that bears focus.

- Bitcoin
  - Most Bitcoin mining takes place in China where electricity is still primarily generated using coal and therefore is very climate unfriendly.
  - Bitcoin remains very volatile with discrete price adjustments of 25%+ regularly.
  - While much is made of the limited supply of Bitcoin, we note that this may not be binding for price appreciation as the supply of alternative crypto currencies are not limited. And new ones pop up regularly – e.g. Etherium; Dogecoin (described as a joke by its creator and tweeted about incessantly by Elon Musk).
  - To date prices of all crypto currencies have been highly correlated.
  - However, blockchain is a very significant technological development with multiple applications beyond the support of decentralised crypto currency trading.
  - We are closely monitoring developments in crypto currencies, the institutional quality of the infrastructure that enables its use, and regulator and government attitudes towards its proliferation, with a view to ensuring that we can capitalise on opportunities, but not hostage to the risks that are currently unresolved.

Q. In regards to the current economy, what are your thoughts about going to a more aggressive approach or risky. Where do you see the economy as a whole?
How CSC views risk of different investments.

A. Different asset types have different levels of capital-loss risk and of volatility in return. E.g. public equity market investments generally deliver returns that fluctuate by +/-15% p.a. while traditional debt market investments generally fluctuate by only +/-5% p.a. i.e. $1 invested in public equity markets may result in losses of 15c, compared to $1 invested in debt may result in losses of just 5c in any year.

Thus, when comparing the potential losses, equity exposure can give you three times greater a loss in any one year, under our volatility assumptions, even though the dollar value invested is the same.

CSC's risk unit methodology is our way of standardising the expression of how much risk any investment is taking by considering both the amount of capital invested and the potential loss amount.

In this example, the equity investment may have one risk unit while the debt investment has just 1/3 of risk unit if both have the same amount of capital invested into them.

In this way we can compare investments across different types of infrastructure, property, public and private equity markets, bond, credit and currency opportunity sets. We size our exposures appropriately to manage the two real risks you bear:

(i) The risk of not meeting your objectives for retirement adequacy

(ii) The risk of writing off capital permanently or by an unrecoverable amount just prior to retirement.

Active Ownership Policy

Q. Does CSC have an ethical investment policy?

A. Yes, CSC's active ownership policy is summarised in our Stewardship Factsheet online https://www.csc.gov.au/-/media/Files/Multibrand/Factsheets/stewardship-factsheet.pdf

Climate risk management

Q. How are you dealing with climate risk?

Q. Has the government told you to invest in Climate Change field?

(Both answered below)

A. “Climate change risk is a core component of CSC's approach to managing the risks arising from poor consideration of environmental, social and governance challenges, what is commonly referred to as ESG. At CSC, we believe that there is significant embedded value in companies and organisations that operate ethically and sustainably. ESG measures assist us in assessing companies' develop in these areas, and at CSC, we're focussed on engaging with companies to promote genuine sustainable impact.

There are many facets to managing ESG risks, because they're interdependent. We believe that incremental, consistent changes are more effective in supporting robust and smooth transitions to a more sustainable future. On climate, we manage climate investment risk, principally in three ways.

1. **Renewable investments.** We invest in renewable energy assets and strategies because renewable energy is the most likely future of our global energy system. CSC has a proud record of investing in assets, both public and private, that will make a positive impact on the climate in the future. CSC focusses our investment exposures in the relatively cleaner producers, especially in Australia, and particularly those who are also investing in renewables and operate with high social and community standards.
2. **Supporting robust transitions from fossil fuels.** As long-term investors, we can support a transition from fossil fuels, a transition that respects the practical demands for energy in our country and around the world, that recognises the labour force impacts of the transition and that understands simple divesting is unlikely to reduce the climate risk.
3. **Focussing on the impact of the climate footprint over time.** Our approach considers the carbon footprint of our investments, the market's appreciation of that and our ability to influence it, and we measure this at a net portfolio level. CSC considers all ESG issues to be fundamental, and we have consistently been a market leader, and in many cases, a first mover in this space. “

More information can be found on our website and factsheet online, including a short introductory animation video.

Renewables

Q1. Hi could you please tell me what the fund is doing investing in renewables, climate change and supporting investment in new and emerging technologies and rejuvenation of areas in Australia to promote better usage of land for food and water. Possibly using indigenous knowledge.

Q2. Has CSC invested in Wind Farms and Solar Panel farms?

(Both answered below)

A. “CSC has been investing in new-energy-system assets for over two decades both directly, through our private asset portfolio and via tailored public market indices. By being a first-mover, we have been able to avoid trade-offs more easily accepted by charitable organisations and instead, capture strong financial returns for you which also deliver positive impact in the world you will retire into. By way of example, we were an early investor in windfarms, acquiring half of the largest wind farm in the Southern Hemisphere at that time, being Macarthur Wind Farm, in 2015. This investment has generated strong returns of 14% per annum to December 2020, because we recognised the structural tailwinds to renewables before others did, and were therefore able to make a very low risk investment at a relatively low price per megawatt of generation capacity. Our competitors who have followed us into renewable energy have been assuming greater risk and paying up to 68% more than we did.

We have also invested in solar farms and wind farms in both Australia and Europe.

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

Q. Seeing how Climate Change is a central theme, is the investment strategy taking advantage of the Battery Chemicals investment

opportunity. A Once in a Lifetime energy disruption / revolution? i.e. Investments in battery chemicals: Lithium, Nickel, Copper, Manganese, Tantalite etc. PLS has just been re admitted to ASX200 i.e. Invest in it?

A. We do indeed invest in metals and mining companies which extract chemicals used to produce batteries ($500+ million). Note that we also consider investments in batteries within our infrastructure portfolio, if the commercial model is robust, by evaluating the multiple potential uses, not only for intraday storage of intermittent renewable generation, but also for ancillary services (frequency/voltage regulation) and grid support (e.g. if building a battery cheaper than new transmission lines).

Q1. When sun and wind make up less than 5% of world energy production what steps are being taken to address more realistic energy production systems. Wind and Sun energy emphasis means a very risky investment strategy.

Q2. Why have CSS and Commonwealth Super Schemes not invested in the large clean energy projects happening in and around Port Augusta and Regional Australia if it is good enough for the various Canadian and French Government Super schemes to invest why not Australian? (Get rid of the Sydney NSW based investment advisors). Invest in Regional Australia not overseas.
These advisors are not doing due diligence on Australian regional projects.
(Both answered below)

A. CSC has, via its Australian infrastructure investment managers, looked at substantially all renewable energy projects that have come to market in Australia, including those in regional Australia (where most renewable generators are).

- Since we bought 50% of Macarthur in 2015, we have not seen competitive risk-adjusted returns in Australian renewable energy investments, relative to other investment opportunities.
- In particular, we've been concerned that returns do not adequately compensate our members for the long-term uncertainty in electricity prices, regulatory uncertainty, and transmission capacity issues that have limited the revenues of some renewable generators.
- Anecdotally, a number of renewables investors have suffered losses on their investments due to these factors – for example a UK investor last year ceased making new investments in Australia and was reported to have sold its wind farm assets at a loss; an ASX listed solar company is selling its Australian assets following poor performance.
- We continue to consider all such opportunities and will invest where the opportunity can benefit our members by offering protection of capital and a suitable return on risk.

CSC remains active in investment in renewables globally, including investments in a European renewables developer and a European renewables operator in the last two years. CSC continues to review how it can participate in the Australian energy transition, but will only do so if it can first protect our customers' capital and earn at least an adequate return on investment that compensates for risk taken.

Transition to low carbon regime

Q1. Other investment companies, such as BlackRock and the New York State Pension fund are leading in the divestment from fossil fuels and are embracing climate risk and opportunities in their investment decisions. What strategies does CSC have in place to ensure that they will not lose their most innovative and brightest investment professionals to other investment companies who are leading the transition to a decarbonised economy?

Q2. These new energy systems will not be able to produce a realistic world energy requirement. How long will we leave the majority of the world population without a REAL energy source to enable them to live something even close to our perceived poverty standard. Do we as wealthy Westerners and our Super funds stand between them and that outcome by denying them some chance of having a chance of having even an electric light bulb? Go to Nepal sometime.

(Both answered below)

We recognise that as a long-term investor, the quality of the economic engines generating growth are critical to retirement outcomes. And that environmental risks attach common factor risk to all companies and assets in a portfolio including in seemingly-unrelated industries. This is why we adopt a whole of portfolio approach to managing ESG risks.

CSC was a leader in this area globally for the last two decades, with other investment companies adopting climate change aspirations relatively recently, by comparison. We have consistently worked towards achieving net zero emissions as soon as possible, while fulfilling our purpose as a fiduciary and mindful of the need to support efforts to mitigate negative social impacts. We also recognise the underappreciated risk that without support for a justly inclusive, robust and smooth transition to the new energy system for consumers, employees and other stakeholders affected the speed of transition is likely to be slower. Ignoring the impact on communities reliant on existing energy sources and technologies for jobs, income and indeed, energy, has the underappreciated potential to slow down robust transition if not strategically addressed. We seek genuine, authentic and inclusive steps that can achieve impact consistently and incrementally, over grandiose gestures.

There are many facets involved in managing the risks of climate change effectively in the best interests of our customers. We're preparing our portfolios to manage the risks and opportunities to our customers' savings should any particular climate scenario (of the many possible scenarios) eventuate—e.g. uncertainty about the timing and quantity of government intervention such as carbon tax and at what price, actions from all producers or consumers of old and new energy.

The impediments to faster transition are not about renewable energy production but rather about its storage and distribution, into which we invest; and just as importantly, the social impact on communities reliant on the existing energy system for employment, income and indeed, for energy.

CSC takes a hub and spoke approach to resourcing. Our internal investment team consists of a number of experienced investment professionals, recruited to further enhance CSC's comparative advantages. The team is complemented by specialist investment managers and advisers who provide scale and expertise in specific areas. Thus, our total investment skill set consists of the sum of our internal team of 18 investment professionals and 90+ external specialists.

We pro-actively address the resources we require to robustly execute as our investment opportunity set evolves, including but not limited to, the transition to a decarbonised economy. Before increasing our risk budgets in any area, we embed our capability to execute robustly, both via process, intellectual property, and human capital deepening. For example, we seek operating skills for private assets and direct money management capability in public markets.

Our Chief Investment Officer (CIO) and her direct reports have worked together through the cycle for more than 12 years and average 23 years of overall investment experience.

The investment team is deliberately small, highly skilled and nimble with a single focus on customer-outcomes. Turnover in the team has been low.

ESG standalone options

Q1. Why is there not a sustainable investment option with the past?

Q2. I am interested in carbon neutral investment options. Are there any plans to offer carbon neutral or similar options in the future?

Q3. Can CSC provide an ethical superannuation fund for members. In particular, a fund that doesn't invest in the fossil fuel industry?

Q4. Given the threat of climate change is the CSC taking the environment into consideration in its investment strategies? If no, would CSC be open to the idea of offering an ethical option?

Q5. When will we have the investment choice to directly invest in Exchange Traded Funds (ETFs) or Managed Funds? Are there any plans to enable this offering in the future?
The current Investment Strategies are limited and do not allow members to make conscious, ethical investments based on their social or environmental expectations. Allowing direct investments in ETFs would allow members to choose Ethical or ESG (environmental, social, and governance) ETFs, without forcing all members to hold the same positions. ETFs & Managed Funds are supported by Australian Super, CBUS Super, HostPlus Super, Legal Super, Care Super, Media Super, NGS Super, ING Living Super, QSuper & SunSuper. Vanguard is coming and will offer this on day one.

Q6. Would CSC consider moving all Fossil fuel associated investments into a dedicated Fossil Fund and allowing individual fund members to transfer their share of that fund back to the general fund? Could this approach facilitate the required fossil fuel divestment process, while minimising regulatory or other fiduciary risk for the Board and executive of CSC?

Q7. When would we have "green" or "no fossil fuel" available as an investment strategy? Keeping in mind that according to most independent experts (the non head-buried-in coal type) green tech/energy would give best returns on a 5+ year scale, as a proof look at the US ETFs focused on renewables/alternates/EVs. NB: It is my money and I do not want you to invest it in the fossil fuels and/or their financers. I am a salaried person and I do not want to go SMSF, however if I do not have the green option by the end of 2021, I will be forced to have a SMSF.

Q8. I don't want any of my superannuation being invested in fossil fuel (oil, coal and gas) companies as they have stifled real action on climate change for the last 30 years and because they continue to be directly responsible for the destabilisation of the climate of my children's future and the increasing risk of ecosystem collapse in Australia. As a member of CSC what options are available for me to ensure none of my Superannuation is being invested in fossil fuel companies or fossil fuel projects, including coal mining and oil and gas extraction?

Q9. Why do we not have an ethical fund option in CSC, I am particularly enquiring about environmental ethics, why is there not an option to select an investment portfolio which has no exposure to fossil fuel investments, as well as no tobacco, firearms, pornography etc? Also what is our exposure to fossil fuel investments? Given the detrimental impacts that fossil fuels have on our environment, when will CSC actively pursue a strategy of exiting fossil fuel investments, including gas?

Q10. When will CSC go carbon neutral? My colleagues are concerned about funding organisations that pollute or do not have values similar to our own. Many are considering changing superfunds, even if it means a financial penalty to them to keep their conscious clear. Is CSC interested in retaining these members, who put moral and environmental issues over profit.

Q11. I would like to know CSC's position on ethical/environmental investments. Some funds specifically offer this as an investment option and as far as I am aware CSC does not. Consequently I am considering moving to another fund. Is this something that CSC is going to do?

Q12. What are your opinions on the new super choice guarantee having come into effect? Are you worried that you will lose members to funds with more ethical profiles, like not investing in coal, oil and gas projects, and better returns?

(All answered below)

A. "We recognise that the quality of the economic engines generating growth are critical to retirement outcomes and that environmental risks often represent common factor risk to all companies and assets in a portfolio, including in seemingly-unrelated industries. We do not treat common risks to sustainable retirement income differently for different customers. That would be inconsistent with our responsibility to mitigate risks across our portfolios and for all of our customers equitably. This is why we integrate consideration of environmental, social and governance risks alongside all of the other short, medium and long-term risks relevant to robust assessments of sustainable franchise values.

Given the breadth of companies within a $50 billion portfolio, we also apply a materiality lens to focus on:

(i) those companies that are material in our customers' portfolios and

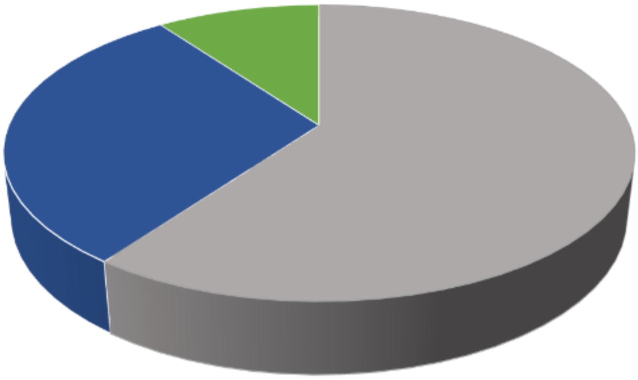
(ii) on the long-horizon issues that are material to those companies so that in addressing them, change can be impactful and value-adding.

We have built a carefully curated selection of robust investment options as opposed to a me-too smorgasbord, so that you can be confident to make choices that can maximise your chances of achieving retirement adequacy, given your personal circumstances, because we're all unique. Unnecessarily complex or long lists of investment options are one of the greatest impediments to sound investment choices. They just shift the retirement risk from the super fund back to you, and they feed the natural bias we all have towards giving way too much attention to short-term factors that may not align with the time horizons relevant to achieving financial adequacy.

Globally, pension funds have generally used simple divestment strategies – however, we believe this just transfers the 'problem' to another investor, without having any impact on climate change. In contrast, by remaining as investors, engagement can create positive change by influencing companies as an owner.

CSC did offer standalone ESG and passive options in the past. In fact, in 2013, the last of these was shut down because only a very small proportion of our customer base (<3% AUM) were choosing to invest in these, making their costs prohibitive. There were six options encompassing ESG objectives and/or passive implementation strategies. Notably, there was only 0.35% AUM invested in the ESG option. As the availability and quality of screening on ESG factors deepened, we were able to better prosecute analysis of these risks in an increasingly robust way. It has been these developments that have enabled us to assess and mitigate these risks across all of our portfolios, where they are material to our customers. And in this way produce equitable outcomes, with due consideration of all risks, for all of our customers."

Furthermore, a third party survey conducted last year, found that only <10% investors surveyed were "willing to pay more in fees and/or sacrifice returns" when considering socially responsible/sustainable factors in how their superannuation is invested.



Source: Core Data research 2020: survey of more than 3000 participants.

We believe that the ethical value proposition of a company's management, and their capacity to embed that throughout the organisation, is key to a sustainable culture and franchise. Our CIO has been active in working with global experts in this field, including for example, David Rodin of Principia in their recently published Ethics Study https://www.principia-advisory.com/ethics-study/ , *"Only in a crisis can you check the ethical heartbeat of a company",* Alison Tarditi, CIO at CSC.

Why we don't use 100% passive

We incur fees and invest in more complex assets only when we expect that by doing so, we can improve the probability that our customers can retire at a time of their choosing, with less dependence on the market conditions at the time. E.g. if you retired around Feb-April 2020, this was the fastest and biggest equity market collapse in history – **market fell 33% in 6 days**. If you were invested in index options (paying little or no fees), your retirement balance would have been reduced by a lot more than in an active truly diversified Balanced option (**CSC outperformed peers by 1.6%, avoiding 40% loss in down market during Feb-Apr 2020).**

Carbon emission reductions

"A number of super funds have announced targets, a 33% reduction in carbon, for example, within a decade. At CSC, we're well on track to deliver that. In fact, naive extrapolation of our track record to date would suggest we'd be carbon neutral by 2030, but we all know that these things aren't linear, and we hope to move as quickly as we can. Some other funds have announced a 100% reduction in carbon emissions by 2050 to align with the Paris Climate Agreement. This will require a well-articulated and tangible plan, so when you're comparing super funds, we would encourage you to look for that execution capability and ask for a plan, rather than just look at the headlines."

Q. As a commander who spends a lot of time dealing with welfare issues (including problem gambling), is Aristocrat really a good choice for a Military Super Fund?

A. Our primary risk management tool is engagement with a company where our exposure is material and that we are thus capable of influencing the company.

- Where revenues derived from a particular activity are diversifiable, engagement is our preferred method because it can lead to genuine change and outcomes that are tangible.
- Where revenues derived from a sole activity cannot be diversified (and we define that as a threshold of 70% or more of revenue), we do divest. Companies in the tobacco and thermal coal industries have fallen into that category historically.

However, consistent with this framework, we have not divested of Aristocrat Leisure, which derives around 43% of its revenue from the supply of gambling products and services, enabling it to pivot away from such activities and remain a viable franchise, over time.

Divestment

THERMAL COAL

Q1. Can the CSC reassure contributors, members and beneficiaries that CSC has shed any investments in fossil fuels, fossil fuel exploration, fossil fuel infrastructure and future fossil fuel extraction projects?

Q2. Does the Commonwealth Superannuation Corporation invest in the mining of fossil fuels?

Q3. Great to hear there's increased investment in renewals [for energy]. Does CSC [& me] have any investments *at all*, in coal?

Q4. Last year, AWARE, HESTA and UniSuper all announced they had divested from thermal coal companies. They explained that it was no longer possible to engage with these companies. Is CSC planning to divest from thermal coal? If not, why does CSC believe these companies can be engaged with?

(All answered below)

A. When engagement is futile, and the risks to franchise value are material, we will exit our shareholdings. Historically, we have divested of:

- undiversified companies which generate 70%+ revenue from thermal coal production and generation in 2020-21;
- single entity producers of tobacco in 2013;
- cluster munitions and landmines in 2011; and
- Forestry Enterprise, Guns Limited, approximately two years prior to the company being placed into administration in 2012.

Q. Will the CSC consider moving to more ethical and environmental choices for investment in the near future. Many of the members of my organisation (CSIRO) are not willing to be involved in investment in the fossil fuel industry and are strongly considering changing schemes that align more with their ethical and environmental views. We would like our superannuation schemes to not invest in fossil fuels.

(Answered live)

A. **Patricia Cross (Chair):** "This is a very important topic to all of us at CSC, and CSC does have a very long record of being very actively engaged in all ESG matters, but when it comes to things like investments in fossil fuels, as I said in my presentation, and as Alison also noted, we really feel that CSC is better positioned to not divest but to continue to be actively engaged with companies. We try to encourage climate transition in all companies that we invest in, so that we're having an impact on $50 billion of assets under management, rather than just a narrow divestment.

So we do believe that active engagement is the answer and we're more likely to make traction, but, Alison, perhaps you want to elaborate. Thank you."

Alison Tarditi (CIO): "Thanks, Patricia, and thank you, Ian, and your colleagues at the CSIRO. I know this is a topic that is close to your heart. We all want a healthy planet with rich in biodiversity and with clean water and clean air, and the question for us as your super fund is how do we prioritise authentic steps towards needed outcomes while delivering financial security to you in retirement and prioritise that over grandiose gestures?

So as I hope my presentation outlined with demonstrable examples, we've been very conscious of not just climate risk, but sustainability issues more broadly for over two decades. Energy transition is well underway, too slow for some, and from your question, I gather that's your position, but too fast for others. The impediments to faster transition are not about renewable energy production but rather about its storage and distribution and just as importantly, the social impact on communities reliant on the existing energy system for employment, income and indeed, for energy.

So as I mentioned in the formal part of my presentation this evening, we were the first Australian super fund to undertake climate footprint analysis of our portfolio in 2009, an early mover, first mover, in fact, into renewables. We have $1 billion worth of high-quality renewable energy investments in our portfolio today. We have not invested in new fossil fuel plants in our infrastructure portfolio since 2010. We have reduced exposure to the inefficient users of water and producers of waste, and we have divested from undiversified thermal coal producers, both domestically and internationally, because we cannot engage effectively to produce genuine change with single-focus producers.

However, we don't believe in the precipitous exit, as our Chair has just explained, from diversified resource companies, like BHP, for example, or S32, who are well placed and incentivised to deliver a robust transition to the new energy system. These companies, for example, were two of the first companies in Australia to adopt the transparent reporting standards advocated by the task force on climate-related financial disclosures, which was set up by the Financial Stability Board internationally. They utilised climate-related scenarios to test not just the resilience of their asset bases, but also how to commit capital to leverage new technologies and decarbonisation trends, so they're creating value for you in terms of your financial outcomes in retirement and improving the world that you'll retire into and leave to your children.

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

This is why we were a signatory to the Carbon Disclosure Project back in 2002, and to give you an example of the effectiveness of that, in that capacity last year, we were one of 108 institutional investors from 24 countries around the world to engage with more than 1000 companies, representing about $21 trillion in market cap and 5 billion in carbon emissions to improve their reporting of their carbon emissions and what they're doing about that. By improving transparency, we support capital markets to be part of the solution to an inclusive and robust and fast move to the new energy system.

So we prioritise those authentic steps towards outcomes and try and demonstrate that. Now, I'm aware of the fact that a number of super funds have announced targets, a 33% reduction in carbon, for example, within a decade. We're well on track to deliver that. In fact, naive extrapolation of our track record to date would suggest we'd be carbon neutral by 2030, but we all know that these things aren't linear, and we hope to move as quickly as we can. Some other funds have announced a 100% reduction in carbon emissions by 2050 to align with the Paris Climate Agreement.

This will require a well-articulated and tangible plan, so when you're comparing super funds, I'd encourage you to look for that execution capability and ask for a plan, rather than just look at the headlines, but thanks for your question.”

FOSSIL FUELS

Q1. I would like to know what the CSC is doing about its investments in fossil fuel industries and if CSC will be moving quickly to divest itself of such investments.

Q2. According to marketforces.org.au/outofline, 15% of the CSC PSS fund's ASX 300 investments is in companies that are pursuing fossil fuel expansion and/or basing their business on a scenario that would doom the Paris Agreement to failure. Is this correct, and if so, is the fund willing to stop engaging with these companies?

Q3. The Market Forces website shows that 15% of CSC's investments is invested in fossil fuels.
Will Commonwealth Super Corporation commit to implementing a policy that phases out ALL coal, oil and gas investments. If so, by when? (Ref: https:/www.marketforces.org.au/superfunds/commonwealth-super-corp-css/
(CSC's Assets Under Management are $224 billion. $224 billion x15% = $33.6 billion)

Q4. Can you guarantee that remaining in fossil fuel investments won't lead to massive losses in the medium to long term?

Q5. Currently what portion of your investments are in fossil fuel industry? Are there any plans to move away from this industry? If so, what is the timeline for these plans?

Q6. The CSC reports already claim a commitment and strategy to divest from coal. Given solar power has already become the cheapest source of energy ever in history, with wind and storage systems on continual reduction in total cost of ownership, is the Board aware of the financial risk of gas investments, and other non-coal fossil fuel industries?

Q7. This is no longer about ethical or sustainable, fossil fuel investments are now standard assets with renewables now cheaper and on a continuous lower of total cost of ownership. Do you understand that Fossil Fuel industries are no longer economically viable?

Q8. According to marketforces.org.au/outofline, CSC has no explicit fossil fuel exclusions. Is this correct, and if so, is it something CSC would consider implementing?
(All answered below)

A. We have not invested in new fossil fuel plants in our infrastructure portfolio since 2010. We have reduced exposure to the inefficient users of water and producers of waste, and we have divested from undiversified thermal coal producers, both domestically and internationally, because we cannot engage effectively to produce genuine change with single-focus producers.

However, we don't believe in the precipitous exit, from diversified resource companies, like BHP, for example, or South32, who are well placed and incentivised to deliver a robust transition to the new energy system. These companies, for example, were two of the first companies in Australia to adopt the transparent reporting standards advocated by the task force on climate-related financial disclosures, which was set up by the Financial Stability Board internationally. They utilised climate-related scenarios to test not just the resilience of their asset bases, but also how to commit capital to leverage new technologies and decarbonisation trends, so they're creating value for you in terms of your financial outcomes in retirement and improving the world that you'll retire into and leave to your children.

Q. I am disturbed by media reports that the Future Fund is investing in Adani Ports. This makes no sense, either in environmental or in economic terms, given the decline in demand for coal. I don't want my pension paid out of income from energy derived from fossil fuels.

A. CSC does not manage the investments of the Future Fund.

ENGAGEMENT

Q1. What evidence do you have that "engaging with" large polluters actually reduces emissions?

Q2. Are you taking active steps to reduce our investments in harmful industries which cause harm to the environment, such as mining, oil industry, Santos & Origin who frack gas in Australia?

Q3. I understand that it is a policy of CSC to support coal companies to 'make the necessary trade-offs in short-term profits to ensure longer-term viability via investment in cleaner activities' (CSC 2020, 'Your super and climate change'). Can you explain what this means in practice. What examples can you provide of how you supported, or are supporting, coal companies to transition to renewable energy?

Q4. The current policy of the Superannuation Funds is that investment of superannuation will continue in fossil fuel investments, because the presence of the various CSC Funds (and therefore representation at fossil fuel company share meetings) will produce better outcomes in encouraging companies to be more responsible towards a carbon free economy. What evidence is there that this strategy is working and has any significant effect in reducing carbon pollution in the World in order to ameliorate climate change?

(All answered below)

A. The key elements to our engagement approach are:

1. We invest in our own governance first to enable us to identify robust governance in others;
2. We prioritise authentic steps towards needed outcomes over grandiose gestures;
3. Engagement is not dialogue – it requires years of investment of time and capability; demonstration of credible insight; and materiality of voice and issue to the company;

4. Supporting transitions which are companies willing and able to do so is important because of the reflexivity between social impact and environmental progress. Energy transition IS occurring, perhaps too slow for some and too fast for others.
   - For the communities reliant on the existing energy system (e.g. Latrobe Valley; Adani) the impact on jobs and income is real.
   - Each coal fired generator employs hundreds or more, directly or indirectly, compared to operating renewable generators which may only require 1-2 personnel on site at a time.
   - Being able to provide an alternative for these communities and reinvest in these work forces is part of the environmental solution and has real implications for its speed of adoption and long-term success.

Over the past year, our engagement meetings have typically focused on:

- Corporate governance
- Overall strategy - including but not limited to climate change
- On climate change, we have focused on supporting:

(i) Transparent reporting of risks at the standard recommended by the Taskforce for Climate-Related Financial Disclosure (TCFD), established by the Financial Stability Board;

(ii) Including utilisation of different climate-related scenarios to test resilience of companies' asset bases.

Examples of payoff from engagement:

Company: Diversified mining & metal producer

Credentials: Early adopter of the transparent reporting standards advocated by the international Task Force on Climate related Financial Disclosures (TCFD) in June 2017, second only to BHP ($1b).

Purpose of engagement: Oct 2017

- Test extent to which Board-level thinking was being influenced by the disclosure reported including scenario analysis.
- Probe the challenge that their South African energy coal division presented, at that time, to achieving their targets for net neutrality by 2050.
- Given that the mine was integral to energy supply in that region & the company had a "life of mine" contractual obligation.

Outcomes of engagement:

- One month after the Oct 2017 meeting, the company announced its intention to sell the South African energy coal division; and outlined plans for long-term decarbonisation to drive their strategic shift to base metals which are positively leveraged to new tech/decarbonisation trends.
- Provided evidence that the Board was acting not just reporting – and felt supported to do so by long-term investors.

- However, it also highlights the elephant in the room: while the company is transitioning very effectively, reducing risk and making returns more sustainable for investors in the process – the sale of its South African coal mine just transferred ownership. It did not change the impact of that mine's activities on climate trajectories.
- Thus, divestment is a good marketing pitch; and it can change the outcomes for one company; but it may not actually result in any material impact on the environment overall.

Recent example – two chemical companies

- Our agents have engaged with two chemical companies over many years in relation to legacy chemical sites and rehabilitation liabilities.
- The subject of our concerns have been the adequacy of rehabilitation provisions. Specifically we asked Directors and management of their personal satisfaction in relation to these provisions at specific locations.
- We contend that this enquiry has contributed to greater Board focus and arguably higher quality outcomes in some sites and projects.

Recent example – fuel company

- We have been engaging with this company, via our partners, for many years. The company published its first sustainability report in 2018; initiated support of achieving a 2030 climate target; and has followed through by investing in alternative energy technologies including wind and solar.

Engagement with the company gives us confidence that this company has a robust understanding of the science of climate change and are actively investing in measures to reduce their emissions and thereby be viable participants in the new energy regime.

Longer-term examples of the integrated model at work in CSC's investment portfolios

The six case studies below demonstrate application of CSC's long-horizon, integrated investment process in our portfolios:

Case Study 1:	Agency-risk management: *Gunns Ltd.*
Case Studies 2-4:	Active ownership: *Woodside Petroleum; Suncorp; Cabcharge*
Case Studies 5-6:	Direct capitalisation on under-appreciated value in robustly-governed assets, with positive "E" and "S" externalities: *Macarthur Wind Farm; Study Group*

Note: *CSC was a founding shareholder of Regnan, having provided seed funding and intellectual capital to start the enterprise in 2001. CSC's ambition at that time was to establish an independent research house to provide transparency on long-horizon risks that it believed had the potential to impact financial outcomes over the lifecycle of its superannuation members. In this way, Regnan was a market leader in the provision of high-quality ESG research and* *constructive engagement between asset owners and corporate management teams.*

Over the decade since its inception, Regnan has been supported to become a respected and credible lead provider in the area of ESG research and Australian corporate engagement. In so doing, it has catalysed a much broader awareness of ESG not only in the Australian marketplace but also offshore, through collaboration with organisations such as the PRI[1]

Case Study 1: Agency risk example: Gunns Limited

Investment manager terminated to eliminate exposure to a high-risk public company prior to that company's collapse.

Gunns was a major forestry enterprise in Australia. It had operations in forest management, wood chipping, sawmilling and veneer production. The company had been the focus of criticism from environmental groups due to their logging of trees in native forests and the associated damage inflicted on wildlife.

- **CSC's active manager**, Concord, had a material active overweight position in Gunns. In this way, Gunns was **material** to CSC's members.
- **Engagement** with Gunns had been undertaken on behalf of CSC by Regnan since 2003.
- **CSC had voted**, consistent with our proxy voting policy: (i) **against** remuneration reports on the basis of the company's poor remuneration practice and disclosure; and (ii) **against** the election of company directors because of poor board structure.
- **CSC engaged directly with our investment manager**, Concord, on its positon in Gunns, with specific reference to the risks we identified in Gunn's poor corporate governance record (as **evidenced** by poor board structure, remuneration policy and relationship management).
- Concord's insistence in retaining its material overweight exposure to Gunns was a major contributing factor to **CSC's decision to terminate our mandate with Concord in late 2010**.
- **Gunns went into administration in September 2012**.

Case Study 2: Active ownership through strategic-partner initiatives: Woodside Petroleum

Stakeholder engagement on disclosures and conduct culture for alignment with asset owners

Recognising that failing to constructively engage with stakeholders can have material impacts on the viability of projects, Regnan had engaged with Woodside on CSC's behalf (and that of others) since 2012.

[1] https://www.csc.gov.au/Members/News/CSC-transfers-stake-in-Regnan-to-Pendal

- The purpose of that engagement has been to seek disclosures on Woodside's processes for community consultation and stakeholder engagement.
- Over the course of our engagement, the company's international activities have steadily increased, raising our assessment of their risk and therefore broadening our engagement to include issues of business conduct, particularly in emerging markets.
- Early in discussions, the company acknowledged that stakeholder issues had indeed contributed to decisions not to proceed with key projects.
- Since then, the company has increased its market disclosures on the nature and importance of its stakeholder engagement and community consultation processes, as they have evolved.
- In further follow-up meetings on conduct culture during 2015, the company's performance had demonstrably improved - as also evidenced by independent reviews and benchmarking with evidence of strong board oversight.
- Further disclosures on these improvements were encouraged.

Case Study 3: Active ownership through strategic-partner initiatives: Suncorp

Fit-for-purpose remuneration for alignment with asset owners

Engagement was undertaken with Suncorp due to concerns regarding CEO remuneration and transparency. Of particular concern was the high level of fixed remuneration and an over reliance on total shareholder return when determining long term incentives.

- Regnan, on CSC's behalf (and that of others) sought: (i) increased disclosure of the rationale for the remuneration package; and ultimately (ii) a lower fixed pay amount, with an increase in at-risk remuneration together with; (iii) appropriate business-objective hurdles. Regnan began pursuing this change objective with the company in 2011 via meetings with relevant Board directors, including the Chairman.
- More detailed consideration of this issue was encouraged via a series of Chatham House peer and investor discussions attended by directors who had been involved in Regnan's engagement process.
- By playing a constructive role in reshaping the company's approach to CEO remuneration, Regnan, on behalf of asset owners including CSC, was able to **influence considerations prior to the appointment of a new CEO.**
- When this appointment was announced, the composition of CEO remuneration had been better aligned with asset-owner objectives.

Case Study 4: Active ownership through strategic-partner initiatives: Cabcharge

Sustained and constructive engagement for alignment with asset owners

In a sustained engagement program, over a six year period, Regnan was able to develop a constructive relationship with Cabcharge on behalf of asset-owners, including CSC. Cabcharge was a company that had been notoriously hostile to the investment community.

- With this long-term commitment, asset owners were able to co-operate to influence material, practical change in priority-ESG areas.
- Regnan's persistence and constructive, research-led approach, that demonstrated company-specific understanding, ultimately supported its success in communicating asset-owner concerns, as an "insider".
- The issues raised included: (i) **fit-for-purpose board composition**: specifically, the need for refreshment of the board to bring on independent directors with core industry skills; and (ii) **succession planning for skills continuity:** evidenced, in particular, for the chairman's role.
- The results were: (i) substantial changes in nomination practice for Board positions at Cabcharge; (ii) substantial changes in the make-up of the company's Board; (iii) greater representation of independent directors on the Board's audit and nominations committees; (iv) enhancements in the company's communication on the more unconventional elements of its executive pay plan; and (v) improvements in Cabcharge's social and environmental disclosures.

Case Study 5: CSC actively capitalises on under-appreciated value in robustly-governed assets: Macarthur Wind Farm

Positive impact on environment on top of outsized return on an under-valued asset

CSC acquired a 50% equity interest in Macarthur Wind Farm in September 2015 under the infrastructure mandate with Morrison & Co. The Farm has been operational since 2013 and the investment was expected to generate an internal rate of return of 10% p.a. (pre-fees). Since its inception, it has generated a return of 14% p.a. to 31 December 2020.

- Being the largest wind farm in the Southern Hemisphere, it has a capacity of generating 420 megawatts electricity.
- By powering the equivalent of about 220,000 average Victorian households (~15%), it saves approximately 1.5 million tonnes of greenhouse gases each year.

Case Study 6: CSC actively capitalises on under-appreciated value in robustly-governed assets: Study Group

Positive impact on society on top of outsized return on an under-valued asset

CSC invested in "Study Group" in 2006 through its investment in CHAMP Private Equity fund. Study Group is a global education provider, preparing students for life in overseas education institutions.

- CHAMP improved the business position by bringing in new management and focusing the company's strategy on a few key priorities for growth. As a result, CSC made 4.2 times of its capital (net of fees) in this investment over a four year period.
- In 2015, Study Group enrolled over 73,000 students from 145 countries. It helps these students to bridge the academic, cultural and language gap when they settle in the new countries. It also help the universities to increase the student diversity.

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

The weight of aggregated capital amplifies the voice.

- This is why we have been a signatory to the Carbon Disclosure Project since 2002.
- Last year we were one of 108 institutional investors from 24 countries, representing USD12 trillion in assets, who collectively engaged with 1,025 companies and 49 countries on carbon disclosure.
- Those companies represented a combined US$21trillion in market cap & 5b in CO2 emissions.
- By improving the transparency of these risks through better reporting, we support capital markets to ration capital and be part of the solution robustly.

Q. Why have the CEO and all Board members failed to respond to correspondence from Ken Stone, Independent Advocate of the DFRDB COMMUTATION CAMPAIGN, representing some 2,500 long-serving registered DFRDB Superannuants, and the 55,000 cohort of Veterans who accepted a Commutation without being properly informed of the policy conditions applying a life-term reduction to their RETIREMENT PAY.

A. CSC has corresponded with Mr Stone extensively regarding DFRDB Commutation. In 2019, the Commonwealth Ombudsman published an extensive report on DFRDB Commutation, addressing the issues that have been raised by veterans, including Mr Stone. The Ombudsman's report concluded that that neither CSC, nor its predecessors, provided incorrect information about commutation and that CSC is administering commutation in accordance with the law. The report made separate findings in relation to the administration of commutation by the Department of Defence, following which the Department of Defence issued a statement indicating that affected members could apply to the Department of Defence for compensation.

Mr Stone has been directed to the findings of the Ombudsman's report and the Department of Defence.

Optimising ESG investment via data

Q. Do you use dashboards to optimise ESG investment and use AI data mining to index annual reports and actual returns to find best investments in environmental and social investments? E.g. lab49.com system and Databricks AI.

A. Given the variability in coverage and depth still evident in ESG data, we seek to use a very broad range of data inputs into our process, processed and analysed both directly through our internal risk systems and externally, via those of our investment partners. In so doing, we access data derived from AI processes and quantitative scores as one of many inputs to identify environmental, social and governance (ESG) risks and opportunities within our portfolio.

- Our primary ESG scoring system rate companies on a 'AAA' to 'CCC' scale according to their exposure to industry-specific ESG risks and their ability to manage those risks relative to peers.
- We note that the quality of ESG scores differs by region and industry around the world, so we access a number of different rating sources and focus on the material exposures and outliers generated from this quantitative analysis.
- Importantly, for our material exposures, we also use the more nuanced inputs from security-level insights derived by our specialist fund managers around the world, who have responsibility for analysing specific companies in which they have built up a bank of knowledge both with respect to their specific idiosyncratic characteristics, management systems, evolving strategic priorities and their advantages and disadvantages in the industries and communities in which they operate.
- The scores help efficient screening of the thousands of companies we gain exposure to through our passive equity investments.
- ESG factors, together with financial factors that relate to balance sheet health and operational discipline, inform our analysis of risk. They are all consistent and systematically measured inputs into our portfolio-risk evaluation systems, investment-valuation models, portfolio scenario and stress tests.

This forms a rich tapestry of data and information from which to measure and analyse not just the ESG opportunities and risks in the portfolio, but the vulnerabilities of our material company and asset exposures. It has enables us to:

- Understand and measure the climate-related exposures through the portfolio by seeking partnerships with experienced and complementary external research and data providers, incorporating exposures to physical, transition and liability risks as they relate to climate;

- Engagement with a specialist in climate risk modelling, as well as other external research and data providers, to provide input into climate scenarios and their impacts on CSC portfolios;
- Consolidation of the different metrics of climate change risk management into a master database which facilitates a holistic view of the portfolio exposure; and
- Preliminary scenario analysis using tools provided by the Transition Pathway Initiative, and 2-degree Scenario Analysis initiative.

Modern Slavery and Human Rights

Q. The Annual Report includes a section on ESG, but it does not make any reference to human rights. This would appear to be a serious omission, given the importance of S factors in investment risk and given the lessons learned from the COVID-19 pandemic, which have heightened our understanding of the role of workers in company performance, and the overwhelming evidence of human rights violations going to safe workplaces, wage theft, workplace discrimination, gender violence etc. Would you please comment?

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

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

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

Nuclear

Q1. Fourteen years ago in Melbourne a handful of people founded the International Campaign to Abolish Nuclear Weapons (ICAN), reminding us of the devastating legacy of nuclear weapons in our communities and places we live. Their efforts were recognised in 2017 when they were awarded the Nobel Peace Prize.

Globally ICAN has identified more than 300 superannuation funds, banks insurance companies and asset managers in 30 countries with substantial investments in nuclear arms producers and is appealing to financial institutions to stop investing in the nuclear arms industry. So my question is:
Does CSC invest in companies that make or support nuclear weapons systems? What is your current policy?

Q2. Along with the ESG nature and "green narrative" that CSC appears to be following, has CSC considered any (possibly higher risk equities, but which stand to reap strong ROIs in coming years? (ie Strong uranium mining company stocks, and rare earth mining companies (ie Lynas Corp, the only company outside of China - Australian company - which is producing meaningful quantities).

Q3. Climate change theorists predict more extreme weather events, yet renewable energy, coupled with expensive battery/pumped hydro storage, is often not a suitable source of base load electricity. Given the demise of coal-fired power plants [Which currently supply 69.7% of our base load power] and a longer term future without fossil fuels, including gas, I ask. Given promising developments in small safe low cost reliable nuclear generators [Eg: NuScale. Pulsed Laser Boron Fusion] it is recommended that the meeting approve timely investment in this technology.

(All questions answered below)

A. We do not have any formal divestment policies on companies that make or support nuclear weapons systems. However, neither do we have any direct investments in companies that derive the majority of their revenue from making or supporting nuclear weapons. We do invest in companies that produce component parts that supply to many different industries, an immaterial proportion (<0.04%) is related to nuclear-related activities.

Disclosure

Q1. How many portfolios CSC holds? Do you publish, e.g. the top 10 holdings of each portfolio? If so, how often? Do you invest in Domestic shares or International shares or both?

Q2. Would you please provide specific information about the companies in which investments have been made? Furthermore, would you provide specific, related information about the nature of the company activities with respect to which the investments are made?

Q3. Where can I get details of what assets and holdings are managed by CSC?
(All questions answered below)

A. Portfolio holdings information is updated every 6 months and available on our website

https://www.csc.gov.au/Members/Superannuation/Investment-options/Product-dashboard/Investment-disclosure

Emissions calculations

A few customers have submitted queries on CSC carbon emissions and carbon intensity. The following seeks to clarify our portfolio metric calculations:

CSC's public market equities carbon footprint as at 30 June 2020 is measured in tonnes of CO_2e (Scope 1 + Scope 2) per AUD million invested.

Table 16. CSC's public market equities carbon footprint at 30 June 2020

CSC listed equities	CSC	Benchmark	Difference
Carbon footprint*	91	103	-12

As at 30 June 2020, we had over A$771 million invested in high-quality private and public assets including windfarms, waste management infrastructure projects and renewable energy initiatives. These investments reduce our portfolio carbon emissions by over 200,000 tonnes of CO_2 p.a., compared to having this money invested passively to meet a similar level of energy demand (for calendar year 2019).

- $771m represents AUM invested in renewables
- 91tCO_2/AUD million invested represents carbon footprint in CSC's broad-based Australian and international listed equities portfolio (including a portion of energy stocks)
- 200,000 tonnes reduction of CO_2 is calculated based on a listed *energy only* index where the 91 is comparable to 3,209. Thus, 3,209 x 771 = 240,491 (~200,000+ tonnes of CO_2 saved)

Q. $771M investment in renewables is just under 2.5% of equity portfolio $771M investment in renewables is just under 1.5% of total portfolio Can CSC confirm the percentage and total value invested in fossil fuel stocks and other high intensity carbon emitting industries?

What is CSC's planned schedule of reduction? Is there a confirmed pathway to 0%?

A.

	AUM	% equity portfolio	% total portfolio
Carbon emitters	$2.5b	9.6%	4.8%

We are continuously researching and introducing innovations to our portfolio to reduce our carbon emissions. For example, in striving for continuous improvement, we have introduced additional innovations into our public equity portfolio in 2020. We expect these initiatives to further reduce our carbon footprint by around 10%:

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

In 2020/21 we began the process of divesting from single-entity thermal coal producers internationally (2020) and domestically (2021). This is because our engagement model is ineffective with companies who are not diversified. Undiversified companies are not able to transition to the new energy complex robustly, representing an undercompensated risk to our customers' retirement savings.

We expect we will be on track to deliver 33% reduction in carbon within a decade. Naïve extrapolation of our track record to date would suggest we will be carbon neutral by 2030, but we all know that these things are not linear and we hope to move as quickly as a just, robust and smooth transition will allow, taking into account environmental and social impacts.

General Scheme questions

Q. I am in DFRDB -- poor scheme in comparison with other Public Service. The classes used for calculation do not compare favourably....plus performance of fund is poor---my DFRB has increased only $500 a year over the past 20 years ----investments and cash management deposits rand rings around that -- please explain when payments will be more fair and equitable with other funds? Thank you.

A. DFRDB is a defined benefit superannuation scheme where the benefits are financed by you and the Department of Defence. DFRDB provides benefits for members who entered the ADF between 1 October 1972 and 30 September 1991, and also for contributors to Defence Force Retirement Benefits (DFRB) Scheme who were compulsorily transferred to DFRDB from its inception in 1972.

DFRDB's governing legislation is the Defence Force Retirement and Death Benefits Act 1973 (the DFRDB Act). CSC is responsible for making sure that the provisions of the DFRDB Act are applied fairly to all members of DFRDB.

If you are aged 55 or older, your pension will be adjusted in January and July each year by the greater of positive movements in the Consumer Price Index (CPI) and the Pensioner and Beneficiary Living Cost Index (LCI). The LCI is a measure of price changes used by the Australian Bureau of Statistics that better takes into account those goods and services used by retirees. Regard is also paid to movements in average wages.

If you are aged under 55, DFRDB pensions will be automatically adjusted twice yearly if there are upwards movements in the Consumer Price Index (CPI) for the six months ending 30 September and 31 March each year. Your pension will not decrease if there is a downwards movement in the CPI.

Q. Why was the DFRDB scheme closed and replaced by an alternative compulsory scheme?

A. The DFRDB was closed to new members on 30 September 1991. From 1 October 1991 until 30 June 2016, former members who had deferred benefit rights or who were in receipt of DFRDB pensions were able to resume membership of the DFRDB under certain circumstances.

The Government introduced Military Superannuation and Benefits Scheme (MSBS) following a review of superannuation arrangements in place at that time, which considered whether the design of the Defence Force Retirement and Death Benefit Superannuation Scheme (DFRDB) suited Australian Defence Force (ADF) members and reflected contemporary superannuation policy. The result was to close DFRDB for new entrants and introduce MSBS.

From 1 July 2016, former serving DFRDB members who were in receipt of DFRDB pensions were not able to join the DFRDB or MSBS if they returned to the Permanent Forces or became continuous full–time Reservists. Instead, they became eligible to join ADF Super and became eligible for ADF Cover.

Q. What is CSC's intention to resolve the long-standing grievances of the 55,000 DFRDB recipients regarding commutation and indexation?

A. In 2019, the Commonwealth Ombudsman published an extensive report on DFRDB Commutation, addressing the issues that have been raised by veterans. The Ombudsman's report concluded that that neither CSC, nor its predecessors, provided incorrect information about commutation and that CSC is administering commutation in accordance with the law. The report made separate findings in relation to the administration of commutation by the Department of Defence, following which the Department of Defence issued a statement indicating that affected members could apply to the Department of Defence for compensation.

DFRDB customers are directed to the findings of the Ombudsman's report and to the Department of Defence. The outcome of the Ombudsman's investigation can be found here: https://www.defence.gov.au/PayandConditions/ADF/Super-DFRDB-review.asp

Q. Over a period of time, pension recipients have more than repaid the amount they commuted, but still continue to receive a reduced pension. When will CSC actively investigate the idea of allowing these pensions to be returned to the normal rate?

A. In 2019, the Commonwealth Ombudsman published an extensive report on DFRDB Commutation, addressing the issues that have been raised by veterans. The Ombudsman's report concluded that that neither CSC, nor its predecessors, provided incorrect information about commutation and that CSC is administering commutation in accordance with the law. The report made separate findings in relation to the administration of commutation by the Department of Defence, following which the Department of Defence issued a statement indicating that affected members could apply to the Department of Defence for compensation.

DFRDB customers are directed to the findings of the Ombudsman's report and to the Department of Defence. The outcome of the Ombudsman's investigation can be found here: https://www.defence.gov.au/PayandConditions/ADF/Super-DFRDB-review.asp

Q. Are you able to provide an update on the DFRDB Commutation case that was held recently?

A. In 2019, the Commonwealth Ombudsman published an extensive report on DFRDB Commutation, addressing the issues that have been raised by veterans. The Ombudsman's report concluded that that neither CSC, nor its predecessors, provided incorrect information about commutation and that CSC is administering commutation in accordance with the law. The report made separate findings in relation to the administration of commutation by the Department of Defence, following which the Department of Defence issued a statement indicating that affected members could apply to the Department of Defence for compensation.

DFRDB customers are directed to the findings of the Ombudsman's report and to the Department of Defence. The outcome of the Ombudsman's investigation can be found here: https://www.defence.gov.au/PayandConditions/ADF/Super-DFRDB-review.asp

Q. I commuted part of my DFRDB pension in 1984. I have since paid off the loan and yet my pension is still on the reduced pension. My question is why?

A. In 2019, the Commonwealth Ombudsman published an extensive report on DFRDB Commutation, addressing the issues that have been raised by veterans. The Ombudsman's report concluded that that neither CSC, nor its predecessors, provided incorrect information about commutation and that CSC is administering commutation in accordance with the law. The report made separate findings in relation to the administration of commutation by the Department of Defence, following which the Department of Defence issued a statement indicating that affected members could apply to the Department of Defence for compensation.

DFRDB customers are directed to the findings of the Ombudsman's report and to the Department of Defence. The outcome of the Ombudsman's investigation can be found here: https://www.defence.gov.au/PayandConditions/ADF/Super-DFRDB-review.asp

Q. I believe you, (the Directors) are supposed to have our welfare and best interests as your main focus of concern. I have repaid the full amount of commutation I received on discharge. My question: WHEN WILL MY SUPERANNUATION BE RESTORED TO THE CORRECT AMOUNT?

A. In 2019, the Commonwealth Ombudsman published an extensive report on DFRDB Commutation, addressing the issues that have been raised by veterans. The Ombudsman's report concluded that that neither CSC, nor its predecessors, provided incorrect information about commutation and that CSC is administering commutation in accordance with the law. The report made separate findings in relation to the administration of commutation by the Department of Defence, following which the Department of Defence issued a statement indicating that affected members could apply to the Department of Defence for compensation.

DFRDB customers are directed to the findings of the Ombudsman's report and to the Department of Defence. The outcome of the Ombudsman's investigation can be found here: https://www.defence.gov.au/PayandConditions/ADF/Super-DFRDB-review.asp

Q. Money taken from DFRB for fund the old submarines by Defence Minister Beasley, has this amount be paid back? What was the amount burrowed? Has there be interested paid? If not why not?

A. CSC is not aware of this arrangement. You may wish to contact the Department of Defence to seek information on this matter.

Q. Why do I not get full amount of my DFRDB I thought the lump sum payment was like a loan surely that has been paid back?

A. In 2019, the Commonwealth Ombudsman published an extensive report on DFRDB Commutation, addressing the issues that have been raised by veterans. The Ombudsman's report concluded that that neither CSC, nor its predecessors, provided incorrect information about commutation and that CSC is administering commutation in accordance with the law. The report made separate findings in relation to the administration of commutation by the Department of Defence, following which the Department of Defence issued a statement indicating that affected members could apply to the Department of Defence for compensation.

DFRDB customers are directed to the findings of the Ombudsman's report and to the Department of Defence. The outcome of the Ombudsman's investigation can be found here: https://www.defence.gov.au/PayandConditions/ADF/Super-DFRDB-review.asp

Q. Why am I still getting my pension cut after all this time? You have recovered more than I ever received in compensation. I see this as grossly unfair.

A. In 2019, the Commonwealth Ombudsman published an extensive report on DFRDB Commutation, addressing the issues that have been raised by veterans. The Ombudsman's report concluded that that neither CSC, nor its predecessors, provided incorrect information about commutation and that CSC is administering commutation in accordance with the law. The report made separate findings in relation to the administration of commutation by the Department of Defence, following which the Department of Defence issued a statement indicating that affected members could apply to the Department of Defence for compensation.

DFRDB customers are directed to the findings of the Ombudsman's report and to the Department of Defence. The outcome of the Ombudsman's investigation can be found here:

https://www.defence.gov.au/PayandConditions/ADF/Super-DFRDB-review.asp

Q. The current DFRDB superannuation system is well overdue for a massive upgrade. Ex-service people are being treated like second rate citizens. This was more than evident in the letter informing me that I will not have an adjustment as the CPI & LCI haven't warranted any action. Having volunteered to serve my country, payed instalments into DFRDB every fortnight, only to receive a minimal, if any increase in the payment is in my opinion an insult. What does one have to do to receive a meaningful response to this problem? There are numerous people/committee's around this country trying to get some action, but they are continually coming up against the 'government brick wall'. We continually hear the words 'the ADF are doing ……. 'Where is the monetary recognition? (non-stock)

A. DFRDB is a defined benefit superannuation scheme where the benefits are financed by you and the Department of Defence. DFRDB provides benefits for members who entered the ADF between 1 October 1972 and 30 September 1991, and also for contributors to Defence Force Retirement Benefits (DFRB) Scheme who were compulsorily transferred to DFRDB from its inception in 1972.

DFRDB's governing legislation is the Defence Force Retirement and Death Benefits Act 1973 (the DFRDB Act). CSC is responsible for making sure that the provisions of the DFRDB Act are applied fairly to all members of DFRDB.

If you are aged 55 or older, your pension will be adjusted in January and July each year by the greater of positive movements in the Consumer Price Index (CPI) and the Pensioner and Beneficiary Living Cost Index (LCI). The LCI is a measure of price changes used by the Australian Bureau of Statistics that better takes into account those goods and services used by retirees. Regard is also paid to movements in average wages.

If you are aged under 55, DFRDB pensions will be automatically adjusted twice yearly if there are upwards movements in the Consumer Price Index (CPI) for the six months ending 30 September and 31 March each year. Your pension will not decrease if there is a downwards movement in the CPI.

DFRDB customers are directed to the Department of Defence to raise concerns about the DFRDB Act.

Q. If, as Peter Jamieson stated in his reply, CPI changes are a reasonable means of determining indexation changes, why was it necessary to change the indexation method for DFRB and DFRDB pensions from July 2014 to achieve "fair indexation" of those pensions in line with Age and Service Pension indexation methodology?

A. The *Defence Forces Retirement Benefits Legislation Amendment (Fair Indexation) Bill 2014* gave effect to the Government's 2013 election commitment to index DFRB and DFRDB pensions from 1 July 2014 for those pensioners aged 55 or older (on 1 January or 1 July as appropriate) in the same way as age and service pensions are indexed (but not at the same time as age and service pensions are indexed).

In broad terms, the amendments:

- Retained the existing indexation methodology for pensions paid to pensioners under age 55,
- Made upward movements in the CPI, PBLCI and the MTAWE floor a part of the indexation methodology for pensions paid to pensioners aged 55 or older on either 1 July or 1 January, and
- Ensured DFRB and DFRDB members with significant past service were not required to pay Division 293 tax on the value of that past service as a result of the benefit improvement brought about by the measure.

Since implementation, this revised method of indexation only out performed CPI 6 times in 7 years.

Q. The incremental 6 monthly increases to ComSuper pensions, indexed to the CPI over the past 12 years have been appalling. Had ComSuper increases been indexed instead to, say, percentage increases to the minimum weekly wage, pension payments would be higher and better compete with inflation. I submitted this observation to the Treasury Inquiry last year but received NIL response. QUESTION. Why can't the ComSuper rules be changed to rectify this conundrum?

A. For CSS and PSS pensioners, we adjust your pensions every 6 months (July and January), based on Consumer Price Index (CPI) movement 6 months in arrears. That is, the adjustment made in January 2021 reflects the movement in the CPI for the period January to June 2020. This was a negative movement in the CPI, so pensions were not adjusted in January 2021.

The CPI measure reflects a 'bundle of commonly used goods and services'. Whilst there may be other potential measures, we do consider this a fair and reasonable basis for periodically adjusting CSS and PSS pensions.

We will advocate for legislative change if we believe existing scheme rules are not in the best interests of our customers.

Q. Is the 3.5% pa target return on top of CPI or inclusive?

A. The 3.5% investment target is on top of CPI. We adjust your pensions every 6 months (July and January), based on Consumer Price Index (CPI) movement 6 months in arrears. That is, the adjustment made in January 2021 reflects the movement in the CPI for the period January to June 2020. This was a negative movement in the CPI, so pensions were not adjusted in January 2021.

The CPI measure reflects a 'bundle of commonly used goods and services'. Whilst there may be other potential measures, we do consider this a fair and reasonable basis for periodically adjusting CSC pensions. We will advocate for legislative change if we believe existing scheme rules are not in the best interests of our customers.

Q. Legislation should be enacted to change the indexing to the CPI for annual changes to a realistic marker, such as, percentage annual increases to the Minimum Weekly Wage. The incremental increases over the past 12 years have been appalling.

A. The CPI measure reflects a 'bundle of commonly used goods and services'. Whilst there may be other potential measures, we do consider this a fair and reasonable basis for periodically adjusting CSC pensions.

We will advocate for legislative change if we believe existing scheme rules are not in the best interests of our customers.

Q. Which CPI does CSC use as they vary according to which index they use the CPI used appears to be least increase? Cost of living adjustment

would be more beneficial. Each and every advice every 6 months in this field does not align with other CPI increases.

A. On 28 October 2020, the ABS announced the CPI 'all groups % change for the weighted average of eight capital cities' number of 116.2 for the September 2020 quarter. As the September 2020 number of 116.2 is lower than the previous March 2020 quarter figure (116.6) an increase of 0.0% is payable. To arrive at this figure, the following calculation was made.

How the CPI pension adjustment is calculated:

$$\frac{(\text{September 2020 CPI figure}) - (\text{March 2020 CPI figure}) \times 100}{(\text{March 2020 CPI figure})}$$

= Pension CPI increase

$$\therefore \frac{(116.2 - 116.6) \times 100}{116.6} = -0.34305 = 0.0\ \%$$

0.0% when rounded to the nearest tenth of one cent

Follow the link below to the ABS website to see the consumer price index rates used in the calculation: https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release

Q. I am in DFRDB - Compulsory Age Retired at 55 -no Government support except for the pittance 'super'. I have not had a job in 20 years and the little savings I had was used and the rest lost to the GFC. We are not given a lump sum payment to fall back on and CPI is a joke. Given that there was no CPI during COVID and not [sic] obscene stimulus or 100 % increase like the forever unemployed got. What measures are being taken to make up the lost dollars from no CPI in 2020?

A. If you are aged 55 or older, your pension will be adjusted in January and July each year by the greater of positive movements in the Consumer Price Index (CPI) and the Pensioner and Beneficiary Living Cost Index (LCI). The LCI is a measure of price changes used by the Australian Bureau of Statistics that better takes into account those goods and services used by retirees. Regard is also paid to movements in average wages.

If you are aged under 55, DFRDB pensions will be automatically adjusted twice yearly if there are upwards movements in the Consumer Price Index (CPI) for the six months ending 30 September and 31 March each year. Your pension will not decrease if there is a downwards movement in the CPI.

DFRDB's governing legislation is the Defence Force Retirement and Death Benefits Act 1973 (the DFRDB Act). CSC is responsible for making sure that the provisions of the DFRDB Act are applied fairly to all members of DFRDB. DFRDB customers are directed to the Department of Defence to raise concerns about the DFRDB Act.

Q. Why then have our salaries been reduced by amounts that are subject to twice yearly indexation?

A. For CSS and PSS pensioners, we adjust your pensions every 6 months (July and January), based on Consumer Price Index (CPI) movement 6 months in arrears. That is, the adjustment made in January 2021 reflects the movement in the CPI for the period January to June 2020. This was a negative movement in the CPI, so pensions were not adjusted in January 2021.

The CPI measure reflects a 'bundle of commonly used goods and services'. Whilst there may be other potential measures, we do consider this a fair and reasonable basis for periodically adjusting CSC pensions.
We will advocate for legislative change if we believe existing scheme rules are not in the best interests of our customers.

Q. I am DFRDB....increase over last 20 years has been average $500 p.a. Average Male Weekly earnings increased 3.2% in 2020 to Public 1900 Private 1770 Female 1700 Private 1400. My DFRDB is not yet equal to average weekly earnings and less than the current dole (Jobseeker)...We had to serve 20 years to qualify for "pension"......and at Compulsory Age Retirement of 55 (until 2004) and no job since... .Will there be an increase soon?

A. If you are aged 55 or older, your pension will be adjusted in January and July each year by the greater of positive movements in the Consumer Price Index (CPI) and the Pensioner and Beneficiary Living Cost Index (LCI). The LCI is a measure of price changes used by the Australian Bureau of Statistics that better takes into account those goods and services used by retirees. Regard is also paid to movements in average wages.

If you are aged under 55, DFRDB pensions will be automatically adjusted twice yearly if there are upwards movements in the Consumer Price Index (CPI) for the six months ending 30

September and 31 March each year. Your pension will not decrease if there is a downwards movement in the CPI.

Q. We need to make our annual superannuation adjustment tied to the Cost Of Living index not the CPI as is the current arrangement, which has led to erosion of all our pensions. What is the CSC position on finally getting justice and change?

A. For CSS and PSS pensioners, we adjust your pensions every 6 months (July and January), based on Consumer Price Index (CPI) movement 6 months in arrears. That is, the adjustment made in January 2021 reflects the movement in the CPI for the period January to June 2020. This was a negative movement in the CPI, so pensions were not adjusted in January 2021.

The CPI measure reflects a 'bundle of commonly used goods and services'. Whilst there may be other potential measures, we do consider this a fair and reasonable basis for periodically adjusting CSC pensions.

We will advocate for legislative change if we believe existing scheme rules are not in the best interests of our customers.

Q. Will the Board advocate on behalf of CSS members to have pensions indexed by the higher of CPI or AWE as used for the Aged Pension, Members of Parliament, Defence Force ex members etc. as recommended by three Parliamentary inquiries?

A. For CSS pensioners, we adjust your pensions every 6 months (July and January), based on Consumer Price Index (CPI) movement 6 months in arrears. That is, the adjustment made in January 2021 reflects the movement in the CPI for the period January to June 2020. This was a negative movement in the CPI, so pensions were not adjusted in January 2021.

The CPI measure reflects a 'bundle of commonly used goods and services'. Whilst there may be other potential measures, we do consider this a fair and reasonable basis for periodically adjusting CSC pensions.

We will advocate for legislative change if we believe existing scheme rules are not in the best interests of our customers.

Q. Will the Board advocate on behalf of CSS members to have our pension excluded from income in the eligibility test for the CSHC as applies to all

other superannuants. It is an income test. The Government's clear intention was to exclude all superannuation pensions; the discrimination against CSS members is incompetent implementation of that policy.

A. CSC will advocate for legislative change if we believe existing rules are not in the best interests of scheme members.

Q. Hi, I have been retired for 12 years, over that time the average 6 monthly increase in my PSS pension has been 1.07%, with the last increase being 0.0% I understand that retired politicians under the old scheme have their pensions increased by a mixture of the CPI and the movements in salaries of current politicians. Further I understand that the Age Pension is also adjusted by a mixture of the CPI and movements in wages generally. I understand this anomaly that negatively affecting the PSS has been looked at previously, but given ongoing low inflation rate and inconsistency with other government pension schemes, what steps are being taken to address this?

A. For PSS pensioners, we adjust your pensions every 6 months (July and January), based on Consumer Price Index (CPI) movement 6 months in arrears. That is, the adjustment made in January 2021 reflects the movement in the CPI for the period January to June 2020. This was a negative movement in the CPI, so pensions were not adjusted in January 2021.

The CPI measure reflects a 'bundle of commonly used goods and services'. Whilst there may be other potential measures, we do consider this a fair and reasonable basis for periodically adjusting CSC pensions.

We will advocate for legislative change if we believe existing rules are not in the best interests of our customers.

Q. I served for twenty two and a half years went to three wars, The Malayan Emergency, The Indonesian Confrontation and The Vietnam War. I'm drawing part DFRDB and part Vet Affairs pension. When my DFRDB goes up my Vet Affairs goes down so how is this supposed to keep my income in line with inflation? DFRDB should not be counted as income as I think I've earned that much with the service to Australia.

A. If you are aged 55 or older, your pension will be adjusted in January and July each year by the greater of positive movements in the Consumer Price Index (CPI) and the Pensioner and Beneficiary Living Cost Index (LCI). The LCI is a measure of price changes used by the Australian Bureau of Statistics that better takes into account those goods and services used by retirees. Regard is also paid to movements in average wages.

If you are aged under 55, DFRDB pensions will be automatically adjusted twice yearly if there are upwards movements in the Consumer Price Index (CPI) for the six months ending 30 September and 31 March each year. Your pension will not decrease if there is a downwards movement in the CPI.

DFRDB's governing legislation is the Defence Force Retirement and Death Benefits Act 1973 (the DFRDB Act). CSC is responsible for making sure that the provisions of the DFRDB Act are applied fairly to all members of DFRDB.

CSC is not able to comment on how DVA calculate pensions administered by them. DFRDB customers are directed to the Department of Defence to raise concerns about the DFRDB Act.

Q. When are you going to do something about bringing our pensions into line with the basic wage? I have been receiving a pension from DFRDB for nearly sixteen years and in that time it has only increased by $200.00. Our pensions have gone backwards while the cost of living is going up. The politicians seem to be able to get massive increases why can't we at least keep up with the increases. The so called CPI increases every six months don't even come close to covering the cost of living increases. Around $900.00 a fortnight does not even cover the cost of daily existence let alone pay the daily bills.

A. DFRDB is a defined benefit superannuation scheme where the benefits are financed by you and the Department of Defence. DFRDB provides benefits for members who entered the ADF between 1 October 1972 and 30 September 1991, and also for contributors to Defence Force Retirement Benefits (DFRB) Scheme who were compulsorily transferred to DFRDB from its inception in 1972.

DFRDB's governing legislation is the Defence Force Retirement and Death Benefits Act 1973 (the DFRDB Act). CSC is responsible for making sure that the provisions of the DFRDB Act are applied fairly to all members of DFRDB.

If you are aged 55 or older, your pension will be adjusted in January and July each year by the greater of positive movements in the Consumer Price Index (CPI) and the Pensioner and Beneficiary Living Cost Index (LCI). The LCI is a measure of price changes used by the Australian Bureau of Statistics that better takes into account those goods and services used by retirees. Regard is also paid to movements in average wages.

If you are aged under 55, DFRDB pensions will be automatically adjusted twice yearly if there are upwards movements in the Consumer Price Index (CPI) for the six months ending 30 September and 31 March each year. Your pension will not decrease if there is a downwards movement in the CPI.

DFRDB customers are directed to the Department of Defence to raise concerns about the DFRDB Act.

Q. The CPI Index is no longer relevant and is outdated for pension adjustments. When will the board use an index that actually reflects increases to the cost of living for pensioners? The CPI is deceptive and need to be abolished for pension index purposes.

A. For CSS and PSS pensioners, we adjust your pensions every 6 months (July and January), based on Consumer Price Index (CPI) movement 6 months in arrears. That is, the adjustment made in January 2021 reflects the movement in the CPI for the period January to June 2020. This was a negative movement in the CPI, so pensions were not adjusted in January 2021.

The CPI measure reflects a 'bundle of commonly used goods and services'. Whilst there may be other potential measures, we do consider this a fair and reasonable basis for periodically adjusting CSC pensions.

We will advocate for legislative change if we believe existing rules are not in the best interests of customers.

Q. When will you be appointing a CSC (PSS) Financial Planner in Hobart, Tasmania with whom your members living in this location can have the option of face to face advice meetings (COVID-19 permitting)? I have always been told you are 'working towards this' but you actually make it happen. Achieving this would be an excellent Member Outcome step. It's time we got the same service as our big city counterparts have been able to experience for years.

A. CSC will continue to explore the option of having a full time locally-based financial planner in Tasmania. It is a priority for CSC that we spend member's money appropriately, therefore demand will ultimately dictate if we have a full time planner located in your state. Our Melbourne based Planner does service your region and, given the COVID restrictions being lifted and interstate travel increasing, we are collating a wait list for our Tasmanian customers so we can arrange for him to set up appointments. Please call 1300 277 777 to place your name on the wait list and we will contact you once dates for appointments are set.

Q. When do you expect to be able to resume member education sessions in cities around Australia, e.g. Hobart, Tasmania as Australia's COVID-19 risk reduces?

A. CSC will look to recommence its live 'in-person' public seminars in 2022. Much like holiday travel, varying COVID restrictions have made it difficult to book venues too far into the future. However much of our education material is available online which you can view at a time convenient to you. Furthermore, live webinars are also listed on our website, which you can register to attend. We look forward to getting back to our face to face public events next year.

Q. Do you have people we can talk to about optimising voluntary contributions through salary sacrifice?

A. We do! Please contact us on 1300 277 777. We'll ask you a few questions to pinpoint exactly what kind of advice you need, and if required, schedule you in with one of our authorised financial planners*.

Q. I am a public service employee for the past 20 years, and during that time in the past CSC used to conduct information seminars at the workplace for the benefit of its members. In the past 2 years not one information session was conducted. I understand COVID19 prevents physical meetings taking place but that should not stop CSC conducting remote information sessions. Can you please advise when you plan to commence very useful information sessions where questions can be asked and clarified?

A. With COVID restrictions starting to ease we are hoping to get back into visiting more of our employer sites to deliver information sessions. Reach out to your HR/People team to express your interest. If you're an employer interested in arranging an in-house seminar for staff, please contact us on 1300 338 240.

Q. If the superannuation contribution increases by legislation, how does that impact on PSS or other scheme rates?

A. As the superannuation schemes administered by CSC are all legislated schemes, the increase of the superannuation guarantee rate will have no impact on our funds. CSC administers both defined benefit funds and accumulation funds, meaning there are varying rates of contributions depending on the scheme you are in. However all of the schemes administered by CSC currently have higher contribution rates than what the super guarantee is increasing to, so there is no disadvantage with our schemes not changing.

Q. What does 'preserved member' mean?

A. A member who previously made contributions to a fund administered by CSC, such as CSS or PSS, but is now a non-contributing member who still has funds held within that fund.

Q. What does 'preservation age' mean?

A. Preservation age is the age an individual can assess their super subject to them meeting a condition of release, for example, reaching age 60 and being retired from the workforce.

Q. Will CSS annuitants [sic] retain CSS membership or will CSS and PSS be combined?

A. If you are a CSS member you will remain a CSS member for life. There are currently no plans for CSS and PSS to be combined.

Q. How is the Transfer Balance Cap calculated on a defined benefit pension for a reversionary beneficiary? Has the anomaly that excludes their new reduced pension level being used by the ATO (instead of pension amount at date of partner's death) been corrected to calculate the new TBC?

A. The transfer balance cap that CSC reports to the ATO is 16 times the annual pension that a pensioner is in receipt of at the time of the reporting, this calculation is required by the ATO. The anomaly which you're referring to is inability for CSC to report any debits against the transfer balance account for reversionary pensioners. This has been amended, and CSC is now able to report debit amounts. When a reversionary pension commences, the full value is required to be reported as a credit against the transfer balance account, however we are now able to report a debit at the time a pension is permanently reduced. The ATO has information available on their website which outlines the calculations which occur when credits and debits such as these are reported.

Q. Due to ATO requesting balances does our super still continue for life?

A. As of 1 July 2017, a limit was imposed on the total amount you can transfer into superannuation income streams, such as pensions or annuities. This limit is referred to as the superannuation 'Transfer Balance Cap' (TBC).

All existing pensions were valued on 1 July 2017, and the individual values were reported to the ATO. All pensions beginning on or after 1 July 2017 are valued against the TBC upon commencement and that value is reported to the ATO. Ongoing management of the cap is a matter between the member and the Australian Taxation Office (ATO). All CSC defined benefit pensions are payable for life.

Q. Do you need to advise when you finish work, i.e. have retired or no longer have a job?

A. Yes. Whether you are a contributing or preserved member of one of our schemes, you will need to let us know by completing the relevant application form for your scheme. This will enable you to either preserve or claim your benefit when you become eligible.

Q. What is 54/11?

A. This commonly used term refers to the option of resigning prior to turning 55 (at least two days prior to your 55th birthday), preserving your benefit and claiming a deferred benefit after you reach age 55. If you choose this option, your deferred benefit will include an indexed pension (paid as your employer component). This pension is calculated based on 2.5 times your accumulated basic contributions, multiplied by a pension factor based on your age at claim. You will also be able to take your member and productivity components as a lump sum or additional non–indexed pension.

If you instead choose to continue working and retire at or after age 55, your indexed pension is calculated using a percentage of your final salary. This percentage is based on your age and years of contributory service. As the two calculation methods are very different, it is highly recommended you obtain benefit estimates for both scenarios well in advance of your 55th birthday.

Q. Will the PSSap be developing a pension, similar to PSS/CSS? What are the options to members to withdraw at retirement (i.e. can I take out a

fortnightly amount and leave the rest invested? what fees would be involved per withdrawal? Or must it all be withdrawn in one hit?)

A. PSSap is an accumulation fund and does not have a pension like that of PSS and CSS. As a PSSap member, you may be eligible to commence what is called an account based pension. CSC offers an account based pension through our retirement income product, CSCri. Once a member of PSSap reaches preservation age and intends to retire or transition to retirement, they can move some (or all) of their PSSap balance into a CSCri account to create a pension. For more information on CSCri, including fees and charges, withdrawal amounts and investments, please refer to the PSSap PDS and our website athttps://www.csc.gov.au/Members/Retirement/Retirement-benefit-options/Income-stream-cscri/pssap/ .

Q. PSSap - Does the insurance amount that shows for death cover on my online account include all that would be received to my beneficiaries, or is the balance of my super added to this amount?

A. Any amount payable from death insurance held through your PSSap account will be paid in addition to the balance of your PSSap super account. Unit prices on the day your account balance, including insurance benefit payable, is distributed to beneficiaries may impact the final benefit paid.

If you haven't already, you may wish to include a binding nomination on your account to let us know who we should pay your benefit to in the event of your death. For more information on binding benefit nominations, visit our website at https://www.csc.gov.au/Members/Advice-and-resources/Factsheets-and-publications

Q. Can a member move their super out of CSC to another fund?

A. If you are a member of one of the defined benefit schemes administered by CSC, there may be some restrictions on you rolling your benefit to another fund. However if you are a member of PSSap or ADF Super, you can roll your benefit to another fund by completing a rollover form. Please visit the CSC website at csc.gov.au for additional information relevant to your scheme.

Q. Hi my questions is about not accepting nominated beneficiaries. My child is 25 and if I die I want her to receive my Super. My understanding is that although I'm currently a single parent if I re-partner for 3 years or more Comsuper's rules mean it will go to that partner and I don't have a say. Is this correct and does this seem a good reflection of today's

society? I'm really concerned that my Super fund is making this decision for me. Is this something that can be changed? Thank you

A. The *Superannuation Industry (Supervision) Act 1993* provides that the governing rules of a super fund may permit a member to complete a notice nominating a recipient(s) of their death benefits. For each of CSC's schemes, the rules differ in regard to allowing members to nominate a beneficiary. If your scheme's governing rules allow you to make a death benefit nomination, CSC is bound by that nomination subject to the nomination being valid at the time of your death – there are strict rules governing who you can nominate, and in relation to the ongoing validity of a nomination.

If your scheme's governing rules do not allow you to make a death benefit nomination, CSC is bound to distribute your death benefit in accordance with the scheme rules. CSC does not have discretion to pay death benefits other than as prescribed in the relevant scheme legislation. This may mean that your death benefit would become payable to a new partner, rather than your adult child, should that partner meet the requirements of the scheme rules.

CSC is not able to change the governing legislation of our schemes. For civilian schemes, the governing legislation is managed by the Department of Finance. For military schemes, the governing legislation is managed by the Department of Defence. CSC will advocate on behalf of members to change the governing legislation where it believes a particular rule is not in the best interests of customers.

For further information on death benefit nominations, please visit our website.

Q. For many years I received the newsletter which was very much appreciated. In that newsletter we were told how our wives were able to claim a percentage of our pension after our death. This question is being asked by many expats overseas - how does our wife get access to this if she lives overseas. Some have said that when they enquired, they were told to open a bank account and get a TFN in Australia. Not possible as banks will not allow overseas residents to open an account from outside Australia.

A. If a customer is determined to be an eligible spouse, and is not able to get a TFN or open an Australian bank account, we may be able to pay these reversionary pensions to an overseas bank account. To be able to pay a reversionary pension to an overseas bank account, the eligible spouse must:

- Not be able to open an Australian bank account,

- Opt out of fortnightly payments and instead be paid the reversionary pension quarterly, and
- Have a bank account with an overseas bank which is willing and able to receive AUD.

If these requirements can't be met, then the pension can be paid by fortnightly cheque posted to their address.

Q. If the old age pension and DVA benefits can be paid into an overseas bank account, why is commsuper refusing to do same?

A. Due to requirements related to Anti Money Laundering and Counter Terrorism Financing legislation (AML/CTF Act), CSC pensions are required to be paid to an Australian bank account. In rare situations, reversionary pensions may be paid to an overseas bank account.

To be able to pay a reversionary pension to an overseas bank account, the eligible spouse must:

- Not be able to open an Australian bank account,
- Opt out of fortnightly payments and instead be paid the reversionary pension quarterly, and
- Have a bank account with an overseas bank which is willing and able to receive AUD.

If these requirements can't be met, then the pension can be paid by fortnightly cheque posted to their address.

CSC is unable to comment on the payment procedures of Services Australia or DVA.

Q. How long will it take to implement changes brought in by the Superannuation Amendment (PSSAP Membership) Act 2020, which was given Royal Assent over 6 months ago and should therefore commence very soon?

A. These changes were implemented on 7 March 2021. For further information go to: https://www.csc.gov.au/Members/News/More-changes-are-coming

Q. I want to invest a further $100,000 into PSSAP or a Commonwealth fund I am a CSS member. I have been told by your outsourced consultants that I have to put into another fund eg Australian Super or State Super. Why, change the rules and move with the times!

A. From 7 March 2021, PSSap rules have changed which may allow you to open an account and contribute funds.

The changes allow:

- former PSSAP contributory members to use their existing PSSAP account for contributions in respect of any employment (not just employment that attracts an SG obligation) and if they wish to make other contributions, such as, non-concessional contributions;
- PSSAP contributory members to use their existing PSSAP account for contributions in respect of concurrent non-Commonwealth employment;
- CSS and PSS contributory members to establish a PSSAP account for contributions in respect of concurrent non-Commonwealth employment;
- CSS and PSS contributory members who cease such membership after commencement of the Superannuation Amendment (PSSAP Membership) Act 2019 and, for example, become a pensioner or take their lump sum benefit, to establish a PSSAP account for contributions in respect of non-Commonwealth employment or for other contributions, such as, non-concessional contributions; and
- CSS deferred benefit or PSS preserved benefit members to establish a PSSAP account for contributions in respect of non-Commonwealth employment or for other contributions, such as, non-concessional contributions.

We encourage you to visit our website to find out more about these changes and to get in touch if you'd like to discuss opening a PSSap account: https://www.csc.gov.au/Members/News/More-changes-are-coming

You should obtain a copy of the PSSap Product Disclosure Statement and consider its contents before making any decision regarding your super.

Q. Why does my superannuation have to stay locked in the military super scheme? It's a low performing fund and I am involuntary member of the fund because I am not allowed to transfer it to my high performing accumulation fund.

A. Customers in our Defined Benefit superannuation schemes may have restrictions on how and when they can access their superannuation savings.

These restrictions may mean that customers who have left military or public service, are unable to access their CSC account until they fully retire from work. The governing legislation of each scheme determines when a member can access their benefits. CSC is required to administer these schemes in accordance with the governing legislation and does not have discretion to act outside of those rules.

CSC is not able to change the governing legislation of our schemes. For military schemes, the governing legislation is managed by the Department of Defence. CSC will advocate on behalf of members to change the governing legislation where it believes a particular rule is not in the best interests of customers.

Q. I would like the Board to explain to me in terms I can understand why I cannot roll my Superannuation from the PPS fund into my Self-Managed Super Fund (SMSF)? I have not contributed to the PPS fund in many years and cannot change the way it is invested. It makes a very small return in comparison to my SMSF yet I cannot roll it over? How come every other superfund I have been with can be rolled in and out of? Why is this fund not subject to the same rules as other funds?

A. Customers in our Defined Benefit superannuation schemes may have restrictions on how and when they can access their superannuation savings.

These restrictions may mean that customers who have left military or public service, are unable to access their CSC account until they fully retire from work. The governing legislation of each scheme determines when a member can access their benefits. CSC is required to administer these schemes in accordance with the governing legislation and does not have discretion to act outside of those rules.

CSC is not able to change the governing legislation of our schemes. For civilian schemes, the governing legislation is managed by the Department of Finance. CSC will advocate on behalf of members to change the governing legislation where it believes a particular rule is not in the best interests of customers.

Q. Will we ever be able to roll additional funds into Military Super?

A. MilitarySuper can only accept a roll in from Australian Defence Force (ADF) members or reservists on a current period of Contributing Full Time Service (CFTS).Any amount rolled in will form a part of the member's Ancillary Benefit.

Q. Why are members still unable to transfer their funds to any other super fund of their choosing? I hope the Australian Council of

Superannuation Investors (ACSI) takes up this issue - it is about time CSC members were empowered - as our own superfund refuses to do so.

A. Customers in our Defined Benefit superannuation schemes may have restrictions on how and when they can access their superannuation savings.

These restrictions may mean that customers who have left military or public service, are unable to access their CSC account until they fully retire from work. The governing legislation of each scheme determines when a member can access their benefits. CSC is required to administer these schemes in accordance with the governing legislation and does not have discretion to act outside of those rules.

CSC is not able to change the governing legislation of our schemes. For civilian schemes, the governing legislation is managed by the Department of Finance. For military schemes, the governing legislation is managed by the Department of Defence. CSC will advocate on behalf of members to change the governing legislation where it believes a particular rule is not in the best interests of customers.

Q. Is it going to be possible for ex ACT Gov employees to make payments into their PSS super fund in the near future?

A. PSS is only able to receive contributions from certain employers, generally Federal and ACT Government employers. Unless your current or new employer is eligible, employer contributions can't be made to your PSS account. There is currently no legislative change planned that would change these rules.

If you were employed by an eligible employer for a continuous period of at least 12 months and are a Contributing or Preserved member of PSS, you are eligible to open a PSSap Ancillary account for your personal and non-eligible employer contributions. You can find out more about PSSap here - https://www.csc.gov.au/Members/Superannuation/Ancillary-members

You should obtain a copy of the PSSap Product Disclosure Statement and consider its contents before making any decision regarding your super.

Q. I read that the Government is intending to increase the concessional cap to $27,500 from 1 July 2021. Is this correct? If so, is there a means for those of us on the PSS to know how much is left of our concessional cap, after we contribute to the PSS, so that we may choose to salary sacrifice contributions to our PSSap scheme?

A. Any changes to the concessional cap will be confirmed in the 2020-21 Federal Budget. A contributing PSS member can request a concessional cap estimate via our Customer Contact Centre. This request will provide you with an estimated cap space based on your current salary and contribution rate.

Q. If the Government changes legislation that forces Veterans to be treated as an Income Stream, then why won't CSC start contributing money into a Super Fund of our choice for our retirement?

A. Customers in our Defined Benefit superannuation schemes may have restrictions on how and when they can access their superannuation savings.

These restrictions may mean that customers who have left military or public service, are unable to access their CSC account until they fully retire from work. The governing legislation of each scheme determines when a member can access their benefits. CSC is required to administer these schemes in accordance with the governing legislation and does not have discretion to act outside of those rules.

CSC is not able to change the governing legislation of our schemes. For civilian schemes, the governing legislation is managed by the Department of Finance. For military schemes, the governing legislation is managed by the Department of Defence. CSC will advocate on behalf of members to change the governing legislation where it believes a particular rule is not in the best interests of customers.

Q. Why does pay off my superannuation have to stay locked in the military super scheme? It's a low performing fund and I am involuntary member of the fund because I am not allowed to transfer it to my high performing ESSS accumulation fund.

A. Customers in our Defined Benefit superannuation schemes may have restrictions on how and when they can access their superannuation savings.

These restrictions may mean that customers who have left military or public service, are unable to access their CSC account until they fully retire from work. The governing legislation of each scheme determines when a member can access their benefits. CSC is required to administer these schemes in accordance with the governing legislation and does not have discretion to act outside of those rules.

CSC is not able to change the governing legislation of our schemes. For civilian schemes, the governing legislation is managed by the Department of Finance. For military schemes, the governing legislation is managed by the Department of Defence. CSC will advocate on behalf of members to change the governing legislation where it believes a particular rule is not in the best interests of customers.

Q. If a member's superannuation is a low amount <$5k, but locked under "preserved" conditions, can it be possible to rollover this amount into another superannuation scheme?

A. Scheme rules will determine whether you can transfer this amount out. There are conditions of release and other requirements that must be met, applicable to all super funds, as well as scheme-based rules that may apply.

Q. My career spanned both the Commonwealth and SA Public Sector, however I have been unable to consolidate my super funds into my Super SA Scheme after I finished working in the Commonwealth (finished career in SA Public Sector). My question is why does the Commonwealth Superannuation Corporation disallow the consolidation of Super funds to maximise the retirement benefit for career public servants such as myself? Both schemes are run by Govt? Seems an outdated and ridiculous situation that an individual cannot move funds to consolidate into one scheme prior to retirement. It financially undermines the careers of many who wish to move between the State and Commonwealth public sectors during their careers. What can be done to change this situation?

A. Customers in our Defined Benefit superannuation schemes may have restrictions on how and when they can access their superannuation savings.

These restrictions may mean that customers who have left military or public service, are unable to access their CSC account until they fully retire from work. The governing legislation of each scheme determines when a member can access their benefits. CSC is required to administer these schemes in accordance with the governing legislation and does not have discretion to act outside of those rules.

CSC is not able to change the governing legislation of our schemes. For civilian schemes, the governing legislation is managed by the Department of Finance. For military schemes, the governing legislation is managed by the Department of Defence. CSC will advocate on behalf of members to change the governing legislation where it believes a particular rule is not in the best interests of customers.

Q. I am currently a member of MilitarySuper. I am making voluntary contributions for the purposes of saving for a house deposit under the First Home Super Saver (FHSS) scheme. CSC are presently unable to release contributions under the FHSS as the MilitarySuper Trust Deed does not currently allow the release of these contributions. A legislative amendment is required to enable early release of contributions; the last amendment having occurred on 01 July 2016, 1 year before the FHSS was approved by government. CSC have stated that they are awaiting the MilitarySuper Trust Deed to be amended. When will this occur and what is being done to hasten the legislative amendment?

A. CSC has requested that the MilitarySuper Trust Deed be amended to allow for releases under the First Home Super Saver Scheme FHSSS, along with other releases which are able to be approved by the ATO. The Department of Defence are responsible for making changes to legislation governing MilitarySuper and we encourage you to get in touch with them for an update on how these amendments are progressing.

Q. My time in the commonwealth was such a short part of my total career. Why can't I roll this money into my larger superannuation fund?

A. Customers in our Defined Benefit superannuation schemes may have restrictions on how and when they can access their superannuation savings.

These restrictions may mean that customers who have left military or public service, are unable to access their CSC account until they fully retire from work. The governing legislation of each scheme determines when a member can access their benefits. CSC is required to administer these schemes in accordance with the governing legislation and does not have discretion to act outside of those rules.

CSC is not able to change the governing legislation of our schemes. For civilian schemes, the governing legislation is managed by the Department of Finance. For military schemes, the governing legislation is managed by the Department of Defence. CSC will advocate on behalf of members to change the governing legislation where it believes a particular rule is not in the best interests of customers.

Q. Why can't I still contribute to my military fund after discharging?

A. CSC is required to administer military superannuation schemes such as MilitarySuper and DFRDB in accordance with the governing legislation of the relevant scheme. Currently, the governing legislation of DFRDB and MilitarySuper do not allow for members who have left the ADF to continue contributing after discharge.

Q. While being grateful for our CSS pension - who wouldn't be - I am somewhat perplexed by its tax treatment. I like most others joined the government employment for the security and the pension. These benefits offset the lower than private enterprise wages. No one told me the scheme was unfunded or asked if I would prefer to join a taxed fund. Yet 50 years later I find most people receive their super tax free while our super is fully taxed albeit with an offset. Is it possible that at some stage we will also become a tax free system - or will this occur when most of us are dead?

A. Your CSS pension is taxed in accordance with the *Income Tax Assessment Act 1997*. This Act outlines what is considered as assessable income by the ATO, and includes specific rules in relation to way that superannuation income streams and pensions that include an untaxed element (as CSS pensions do) are to be assessed for tax purposes. Unfortunately CSC does not have any discretion in how it applies the Act to your pension payments. The ATO are responsible for the *Income Tax Assessment Act 1997*.

Q. When will legislation or the internal business rule change so that I can remove my preserved benefit and put it in an actual fund instead of this shadow lump sum sitting here accruing useless CPI each year. It's ruining my and thousands of others future.

A. Customers in our Defined Benefit superannuation schemes may have restrictions on how and when they can access their superannuation savings.

These restrictions may mean that customers who have left military or public service, are unable to access their CSC account until they fully retire from work. The governing legislation of each scheme determines when a member can access their benefits. CSC is required to administer these schemes in accordance with the governing legislation and does not have discretion to act outside of those rules.

CSC is not able to change the governing legislation of our schemes. For civilian schemes, the governing legislation is managed by the Department of Finance. For military schemes, the governing legislation is managed by the Department of Defence. CSC will advocate on behalf of members to change the governing legislation where it believes a particular rule is not in the best interests of customers.

Q. With the increase of the superannuation guarantee in the private sector from 9.5% to 12% by 2025, is the Government considering increasing the PSSap superannuation rate to ensure they remain an employer of choice in the future?

A. The current PSSap contribution rate is 15.4%. CSC is not aware of the Government's plans in respect of any increases to this rate.

Q. Why is it necessary to update beneficiary information every 3 years? A will does not need to be updated so why make it difficult for superannuation members to continually update this. It appears to be completely unnecessary and a great hindrance. I suspect this is purely an obstacle placed for the convenience of the fund.

A. Section 59(1A) of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) enables the governing rules of a superannuation entity to permit a member to nominate a beneficiary to receive benefits in the event of the members death. Under the SIS Regulations, binding nominations will generally expire after 3 years unless revoked earlier, or unless renewed prior to expiration. This legislation applies to all superannuation entities, not just to CSC. CSC is required to follow all applicable laws, including the SIS Act and SIS Regulations.

Q. How likely is the possibility of our css. Csc pensions becoming tax free in the near future like other retirees Income is now days. Seems fair that we older retirees that went on pensions before the no tax was introduced be treated the same. After all we r dying out at a pretty fair pass.

A. Your CSS pension is taxed in accordance with the *Income Tax Assessment Act 1997*. This Act outlines what is considered as assessable income by the ATO, and includes specific rules in relation to way that superannuation income streams and pensions that include an untaxed element (as CSS pensions do) are to be assessed for tax purposes. Unfortunately CSC does not have any discretion in how it applies the Act to your pension payments. The ATO are responsible for the *Income Tax Assessment Act 1997*.

I am in PSS cover however we are not able to pick our beneficiaries. Can this be changed so that we can?

A. CSC is required to administer PSS in accordance with the governing legislation of the fund, which currently does not allow PSS members to nominate a beneficiary.

CSC is not able to change the governing legislation of our schemes. For civilian schemes, the governing legislation is managed by the Department of Finance. CSC will advocate on behalf of members to change the governing legislation where it believes a particular rule is not in the best interests of customers.

Q. When can we roll out 100% of our super (MSBS) into a civilian fund or SMSF noting I have discharged Having 2x super funds until I retire is basically STUPID and grossly disadvantageous to my financial goals

A. A preserved Military Super member can transfer out their Member and Ancillary Benefit at any time, in order to be able to transfer out their Employer Benefit a member must reach age 55.

When can we rollover our MSBS preserved benefit amount to another fund?

A. A preserved Military Super member can transfer out their Member and Ancillary Benefit at any time, in order to be able to transfer out their Employer Benefit a member must reach age 55.

Q. In the event of the passing of a spouse and remarriage does new spouse continue receiving payments on death of member?

A. If an eligible spouse receiving a reversionary pension dies, the pension ceases upon their passing. Note: Any residual capital value (RCV) will be determined at the time of passing and will be payable to Estate of the original member. In the event that the Estate for the original member has been closed, then any RCV will be payable to the Estate of the deceased reversionary pensioner.

Q. Can members draw on their super as per the COVID allowance?

A. The COVID-19 early release of super program closed on 31 December 2020. You can no longer apply for early access to your superannuation using this program. If eligible, you may be able to withdraw some of your super on other compassionate grounds or financial hardship. For further information, please visit our website or call us.

Q. Does a superannuation contributions surcharge debt being paid out from a pre-tax pension since 2001 last forever? Can I find out the precise sum of the debt at any one time? Is there a mechanism to change the selected payment option to an immediate lump sum payment to clear the debt in its entirety? If this can be done, and given that any lump sum payment would not come out of my pension, will my pension revert to its pre-surcharge amount?

A. If you elected to have your surcharge debt deducted from your pension, this is generally a permanent reduction. You cannot later elect to pay it as a lump sum.

Hello I have a small deposit with your organisation and have another one with the police (gesb) and wish to combine with the one I am currently using (gesb) because I will improve my returns. Please tell me why I cannot do this?

A. Customers in our Defined Benefit superannuation schemes may have restrictions on how and when they can access their superannuation savings.

These restrictions may mean that customers who have left military or public service, are unable to access their CSC account until they fully retire from work. The governing legislation of each scheme determines when a member can access their benefits. CSC is required to administer these schemes in accordance with the governing legislation and does not have discretion to act outside of those rules.

Please contact us to discuss the rules that apply to your scheme.

.

Q. I am not married. In the event of death, the superannuation is paid to the spouse. Is it possible to redirect payments after death to nominees in my will, rather than a spouse?

A. If you have a valid binding nomination in place at the time of your death, CSC is required to pay your benefit in accordance with that nomination.

However, some of our schemes do not allow for members to make binding nominations, and therefore CSC will pay your benefit in accordance with the scheme rules. Generally, if you do not have an eligible spouse, CSC will consider whether there are any other eligible beneficiaries (such as children under age 25) and, if there are not, your death benefit will be paid to your estate.

Q. I receive both a CSC - CSS super pension and a CSC- DFRDB super pension. Question; why is it that both super pensions cannot be combined for taxation purposes now CSC is the controlling entity. By doing so I would receive my full super entitlement and would not require submitting a yearly tax return.

A. Although CSC administers both CSS and DFRDB pensions, these two pensions are subject to different legislative requirements. As such, they are required to be considered as separate pension entitlements and reported to the ATO as separate entitlements.

Will we ever be able to roll additional funds into Military Super?

A. MilitarySuper can only accept a roll in from Australian Defence Force (ADF) members or reservists on a current period of Contributing Full Time Service (CFTS). The amount rolled in would form a part of a member's Ancillary Benefit.

Q. Good afternoon, my question is how do I access my super early to be able to get myself out of debt and on track with my mortgage and credit debt. I have enough super that I wish to withdraw a quarter to a third of it and leave the rest until retirement maturing. I look forward to hearing from you.

A. You may be able to apply for early access to your super if you are in financial hardship. For further information please go to CSC's website and read the on early release for your scheme.

Q. I've recently stopped working after nearly 20 years in the Dept of Defence. I had to stop working due to back and neck pain and to look after my elderly parents. My husband has been very supportive and tried to deposit some funds into my PSS Superannuation only to be told that *this is not possible. I have not worked for anyone else during this time off and I would love to return to another APS job in the future. Why is it not possible to have the same benefits that other married couples have i.e. the ability to help your spouse keep their Superannuation growing whilst they are unable to work?*

A. As PSS is a defined benefit fund, and the benefit payable to PSS members is based on a legislated formula, scheme rules prevent us from accepting spouse contributions.

If you were employed by an eligible employer, such as the APS, for a continuous period of at least 12 months and are a Contributing or Preserved member of PSS, you are now eligible to open a PSSap account for your personal, spouse and non-eligible employer contributions. You can find out more about PSSap Ancillary here - https://www.csc.gov.au/Members/Superannuation/Ancillary-members
Please ensure you read the PSSap PDS and consider seeking financial advice before making any decisions regarding your super.

Q. My ex-wife still receives half of my Navy pension. When I die, will my current wife continue to receive my portion of the DFRDB pension, or will it revert to my ex-wife?

A. In the event of your passing, if your current wife was found to be your eligible spouse under the DFRDB Scheme legislation, she would receive a reversionary pension of 62.5% (i.e. 5/8ths) of your current uncommuted pension. The amount your current wife would receive would be reduced (according to a set formula) to take into account an existing family law superannuation split to your ex-wife.

Assuming your ex-wife is receiving a pension as a result of a previous family law split, your death would not affect her entitlements.

Your ex-wife will continue to receive their own DFRDB associate pension resulting from the previous family law superannuation split while they are alive.

Q. Why was my life insurance cancelled when my balance went below $6,000 even though I am still working?

A. The Putting Members' Interest First (PMIF) legislation, which came into effect on 1 April 2020, introduced new insurance rules. As the new rules had different implications for new and existing customers, please get in touch with us so that we can review your account and determine why your life insurance was cancelled.

Q. Two parts to my Question.... A) Is it true that when the last Superannuant dies the Balance left in the CSS Fund goes direct into Consolidated Revenue? B) Why cannot a reasonable amount of the current Balance be paid to those current surviving Superannuants before that event?

A. It is not the case that a balance left within the CSS fund will go directly into Consolidated Revenue when a superannuant dies.

There are multiple components of a CSS benefit, and a CSS member can choose to claim some or all of these components as a pension when they resign or retire. If a member converts some or all of their benefit to a lifetime pension, relevant amounts may be paid to Consolidated Revenue at that time.

If a CSS pensioner later passes away, their benefit will be paid as a reversionary pension to any eligible spouse or child. If a CSS pensioner passes away with no eligible spouse or child, and the pensioner has not received a prescribed minimum amount as a pension during their lifetime, an amount (called a Residual Capital Value) will be paid to the pensioner's estate.

The prescribed minimum amount depends on the benefit option chosen by the original member, but usually includes all member and productivity contributions (and interest) and any additional amount payable under the Superannuation Guarantee legislation.

Q. Can retired people who are now getting an income stream from the CSS be able to contribute to the fund if they have part time work? I thought that the CSS fund was closed many years ago.

A. Once a CSS member claims their benefit and commences to receive a pension, they are no longer able to make contributions to their CSS membership. The pension is calculated at the date their benefit is claimed, this pension (or part of this pension) is increased every 6 months in line with positive movements in CPI.

If a CSS pensioner returns to employment, they are not able to recommence contributing to CSS, they will need to open another superannuation fund. Depending on their employer, they may be eligible for PSSap.

This information is not applicable if the original pension was an invalidity pension. If you're in receipt of an invalidity pension and returning to work, please contact us as the options and requirements become more complicated.

If you were Contributing to CSS on or after 7 March 2021 and had been employed by an eligible employer for a continuous period of 12 months or more, you would be able to open a PSSap Ancillary account for your future part-time work. You can find out more about PSSap Ancillary here - https://www.csc.gov.au/Members/Superannuation/Ancillary-members

Q. I am currently with UniSuper and ComSuper PPS. Is it possible to roll my UniSuper to the ComSuper PSS?

A. If you're a contributing PSS member, you can usually transfer accumulated superannuation amounts from other funds into your PSS account.

If you're a preserved PSS member, you can only transfer government contributions, as long as they relate to a period when you were a contributing PSS member.

An amount you roll into PSS will not form part of your PSS Defined Benefit. Instead, it will form part of your PSS Accumulated Transfer Amount Benefit.

Please see the PSS fact sheet entitled 'Transfers into PSS' (PSF43) for more information. This fact sheet is available from the CSC website: www.csc.gov.au

Q. I resigned from the Public Service over 21 years ago and my preserved benefit has sat in this fund since then. I have enquired about transferring this amount to my current super fund but have been told that I can't do this. (I am 60 and technically still in the workforce). Given that it is over 21 years since leaving the public service, and we should be able to choose the fund our superannuation is held in, is there any way to roll this over to my current super fund so everything is in the one place?

A. Customers with accounts with some of our older Defined Benefit superannuation schemes may have restrictions on how and when they can access their superannuation savings.

In some cases, a member aged over 60 who has left the public service but is still working will be unable to access their preserved benefit until they retire, resign from their current employment, or reach the age of 65.

For more information about claiming a preserved benefit, please see the PSS factsheet entitled 'Preservation of Benefits' (PSF09) and the PSS form entitled 'Preserved age retirement - Benefit application' (PBA-PSS) available from the CSC website: www.csc.gov.au.

How does ABM work? Is there a ceiling for ABM where you cannot go any higher? What happens if you reach ceiling and are still fully employed?

A. ABM is a multiplier used to calculate your defined benefit in the PSS. Depending on how much you choose to contribute will determine how quickly your ABM will grow and then your final average salary (last 3 years) is multiplied by the ABM to work out your total PSS benefit.

There is a Maximum Benefit Limit (MBL) applicable to the ABM which could be reached if you work long enough and contribute enough to do so. Once you reach your MBL, you won't be able to make contributions to PSS, even if your salary increases further. Instead, you may choose to make contributions to a PSSap ancillary account or another fund of your choice.

We monitor the records of all members who are approaching their MBL and we'll notify your employer when you reach it. They'll stop making member contributions on your behalf, and no longer pay employer (productivity) contributions. Your salary will continue being reported to us each birthday until you cease eligible employment.

Please see the PSS factsheet entitled 'Maximum Benefit Limit (MBL)' (PSF45) available from the CSC website: www.csc.gov.au.

You may also go to the following link to view recorded videos on how the PSS benefits work, ABM and Maximum Benefit Limits
https://www.csc.gov.au/Members/Advice-and-resources/Super%20Learning%20Hub

Q. For CSS pensions which are a defined benefit with a fall in funding as the pension is for life will the government supplement funds so the pension can be maintained?

A. The Australian Government guarantees all CSC defined benefit pension payments for life. The Future Fund was put in place specifically for this purpose, to meet the financial obligations of the Government.

Q. I am a CSS member (retired) receiving an indexed pension. Why have I received an invitation to the CSC member annual meeting? Doesn't my pension come out of Consolidated Revenue Fund thus requiring no CSC

investment strategies etc for me to question or concern myself with?

A. All super fund trustees are now required to hold an Annual Members Meeting (AMM) following passage of the Putting Members Interests First legislation early last year. CSC is the trustee of CSS. As a member of CSS, the AMM provides you with an opportunity to engage with the Directors of CSC, and to ask questions about your scheme or about superannuation generally.

Q. How is the funding allocated? Is it from the contributions of present and past servicemen current and past com public servants or outgoings calculated on a yearly basis with a percentage over and above from the current com gov coffers?

A. All Defined benefit pensions are paid from the Consolidated Revenue Fund (CRF) to pensioners each fortnight.

Q. Why are the fees and charges structures in PSSap so opaque and hard to find? I cannot find definite examples, e.g. if you have this much in PSSap, your annual fees and changes are this much? Is this to prevent comparing like for like of other super funds and switching?

A. The PSSap Product Disclosure Statement and Fees and Costs booklet contain information on fees and costs as well as examples. See: csc.gov.au/Members/Advice-and-resources/Product%20Disclosure%20Statement
Additional information is also provided on our Product dashboard. See: csc.gov.au/Members/Superannuation/Investment-options/Product-dashboard

Q. I asked earlier where the charts were. I've now found them (hidden at the bottom of my phone screen) but they're too small to read. I can see the video in full-screen mode: why no such option for the charts? Disappointing!

A. Thank you for the feedback which we will include in planning our next Annual Member Meeting.

Q. How do members access the Funds advice to Govt regarding member feedback regarding contentious rules?

A. CSC actively engages with our stakeholders in Government, Defence and more broadly. CSC does not provide advice to Government, but does advocate on behalf of members in circumstances where we believe a change to scheme rules is necessary.

Q. With reference to the recent AAT decision in Douglas v ATO, regarding the taxation of DFRDB lump sum back payments resulting from a retrospective medical discharge, Justice Logan, was particularly critical of CSC not providing any explanation for changing the income originally stated to different amount when challenged. What is CSC doing to ensure that the mistakes highlighted by Justice Logan do not occur again and what transparency of calculations is CSC going to provide veterans in the future?

A. While Justice Logan was critical of the how CSC explained the lump sum calculation, CSC was not summonsed and so was not able to explain the calculation in the detail which could have been provided.

Q. Due to ATO requesting balances does our super still continue for life?

A. As of 1 July 2017, a limit was imposed on the total amount you can transfer into superannuation income streams, such as pensions or annuities. This limit is referred to as the superannuation 'Transfer Balance Cap' (TBC).

All existing pensions were valued on 1 July 2017, and the individual values were reported to the ATO. All pensions beginning on or after 1 July 2017 are valued against the TBC upon commencement and that value is reported to the ATO. Ongoing management of the cap is a matter between the member and the Australian Taxation Office (ATO). All CSC defined benefit pensions are payable for life.

Q. I resigned from the Public Service over 21 years ago and my preserved benefit has sat in this fund since then. I have enquired about transferring this amount to my current super fund but have been told that I can't do

this. (I am 60 and technically still in the workforce). Given that it is over 21 years since leaving the public service, and we should be able to choose the fund our superannuation is held in, is there any way to roll this over to my current super fund so everything is in the one place?

A. Customers with accounts with some of our older Defined Benefit superannuation schemes may have restrictions on how and when they can access their superannuation savings.

In some cases, a member aged over 60 who has left the public service but is still working will be unable to access their preserved benefit until they retire, resign from their current employment, or reach the age of 65.

For more information about claiming a preserved benefit, please see the PSS factsheet entitled 'Preservation of Benefits' (PSF09) and the PSS form entitled 'Preserved age retirement - Benefit application' (PBA-PSS) available from the CSC website: www.csc.gov.au.