Australian Government

Commonwealth Superannuation Corporation

2014–15 ANNUAL REPORT

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ANNUAL REPORT

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Superannuation schemes

CSS	ABN:	19 415 776 361
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PSS	ABN:	74 172 177 893
	RSE:	R1004595
	USI:	74172177893001
	Website:	pss.gov.au
	Annual report:	pss.gov.au/forms-and-publications/publications
MilitarySuper	ABN:	50 925 523 120
	RSE:	R1000306
	USI:	50925523120001
	Website:	militarysuper.gov.au
	Annual report:	militarysuper.gov.au/forms-and-publications/publications
PSSap	ABN:	65 127 917 725
	RSE:	R1004601
	USI:	65127917725001
	Website:	pssap.gov.au
	Annual report:	pssap.gov.au/forms-and-publications/publications
DFRB	Website:	csc.gov.au
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DFRDB	Website:	dfrdb.gov.au
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1922 Scheme	Website:	csc.gov.au
	Annual reports:	csc.gov.au/reports-and-information/annual-reports
PNG Scheme	Website:	csc.gov.au
	Annual reports:	csc.gov.au/reports-and-information/annual-reports

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

Letter of Transmittal

Senator the Hon Mathias Cormann
Minister for Finance
Parliament House
Canberra ACT 2600

Dear Minister

I am pleased to provide you with the annual report of the Commonwealth Superannuation Corporation (CSC) for the year ended 30 June 2015.

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

The Board of CSC is responsible for the preparation and contents of the Annual Report 2014–15. This report was approved by the Board on 25 August 2015 and satisfies Division 2 of the *GAGSS Act 2011* and Section 7AB of the *Public Governance, Performance and Accountability (Consequential and Transitional Provisions) Rule 2014*, which continues the application of the *Commonwealth Authorities (Annual Reporting) Orders 2011* for corporate Commonwealth entities such as CSC under the PGPA Act for the 2014–15 reporting period.

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

Yours sincerely,

Patricia Cross
Chairman

29 September 2015

Reader's guide

The activities of CSC are guided by legislative and government requirements, and CSC's vision, mission statement and strategic objectives.

This report describes these activities in the 2014–15 financial year, satisfying the requirements of Division 2 of the *GAGSS Act 2011* and Section 7AB of the *Public Governance, Performance and Accountability (Consequential and Transitional Provisions) Rule 2014*, which continues the application of the *Commonwealth Authorities (Annual Reporting) Orders 2011* for corporate Commonwealth entities such as CSC under the PGPA Act for the 2014–15 reporting period.

The report is divided into the sections described below.

Introduction

This section includes an introduction from the Chairman outlining significant achievements in 2014–15 and the annual review from the Chief Executive Officer (the CEO) of activities and performance to 30 June 2015.

CSC Board

This section describes the CSC Board, detailing its function, composition, committees and approach to performance evaluation, director remuneration and corporate governance.

Organisation

This section outlines the management of CSC covering matters including accountability, executive management, corporate governance and people.

Investments

This section describes CSC's approach to investment management and governance of the four Funds (the CSS, PSS, MilitarySuper and PSSap Funds). It also outlines 2014–15 investment performance.

Super schemes

This section presents the superannuation schemes and services available to members. It details scheme membership and benefits, services and administration, and the review of decisions.

Financial statements

These sections contain audited financial statements for each Fund and CSC.

Appendices

The report includes seven appendices on matters including CSC's corporate governance framework, organisational structure, changes to applicable legislation and a glossary.

There is also a list of specific reporting requirements for CSC and an index.

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Introduction

Introduction

About CSC

CSC was established on 1 July 2011, following the passage of legislation to merge the Boards responsible for the public sector and military superannuation schemes and Funds.

CSC manages nine super schemes and provides superannuation services to Australian Government employees and members of the Australian Defence Force (ADF). CSC's primary function is to administer the schemes and manage and invest the Funds in the best interests of all members and in accordance with the provisions of the various acts and deeds that govern the schemes.

Vision

CSC's vision is to grow the wealth of Australian Government employees and members of the ADF for their retirement.

Mission statement

- Achieve consistent long-term investment return targets within a structured risk framework.
- Provide information and services to members that are relevant, reliable and helpful.

Strategic objectives

1. Achieve investment excellence:
   - offer investment options and services appropriate to member needs
   - for the default Funds, achieve an average investment return of the Consumer Price Index (CPI) + 3.5% per annum over 10 years with negative returns no more than one in five years.
2. Achieve industry best practice in member interaction:
   - provide useful education and financial advice services for members
   - support employers to assist service delivery
   - work with administrators to achieve best possible scheme administration services.
3. Be a capable, efficient and sustainable organisation:
   - achieve excellence in Board governance policy and practice
   - attract and retain high quality people
   - retain existing members and attract eligible employees.

About the schemes

Regulated schemes

Regulated superannuation schemes must comply with the *Superannuation Industry (Supervision) Act 1993* (the SIS Act) so as to be entitled to concessional tax treatment.

CSC is trustee of four regulated public sector and military schemes:

- the Commonwealth Superannuation Scheme (CSS) established on 1 July 1976 by the *Superannuation Act 1976* (the CSS Act)
- the Public Sector Superannuation Scheme (PSS) established on 1 July 1990 by the *Superannuation Act 1990* (the PSS Act)
- the Military Superannuation and Benefits Scheme (MilitarySuper) established on 1 October 1991 by the *Military Superannuation and Benefits Act 1991* (the MilitarySuper Act)
- the Public Sector Superannuation accumulation plan (PSSap) established on 1 July 2005 by the *Superannuation Act 2005* (the PSSap Act), which also offers under its trust deed an account-based pension product called Commonwealth Superannuation Corporation retirement income (CSCri).

Exempt public sector schemes

Exempt public sector schemes are not regulated under the SIS Act.

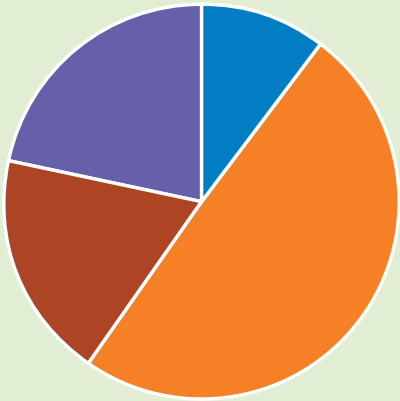
CSC administers five exempt public sector and military schemes:

- the scheme established under the *Superannuation Act 1922* (the 1922 Act)
- the Defence Forces Retirement Benefits Scheme (DFRB) established in 1948 by the *Defence Forces Retirement Benefits Act 1948* (the DFRB Act)
- the Defence Force Retirement and Death Benefits Scheme (DFRDB) established by the *Defence Force Retirement and Death Benefits Act 1973* (the DFRDB Act)
- the Papua New Guinea Scheme (PNG) constituted under the *Superannuation (Papua New Guinea) Ordinance 1951* and administered in accordance with section 38 of the *Papua New Guinea (Staffing Assistance) Act 1973* (the PNG Act)
- the *Defence Force (Superannuation) (Productivity Benefit) Determination* (DFSPB), issued under the *Defence Act 1903*. It is paid for by the Department of Defence and has accrued on behalf of ADF members since 1 January 1988.

2014–15 highlights

Funds under management

Chart H1: CSC Funds under management

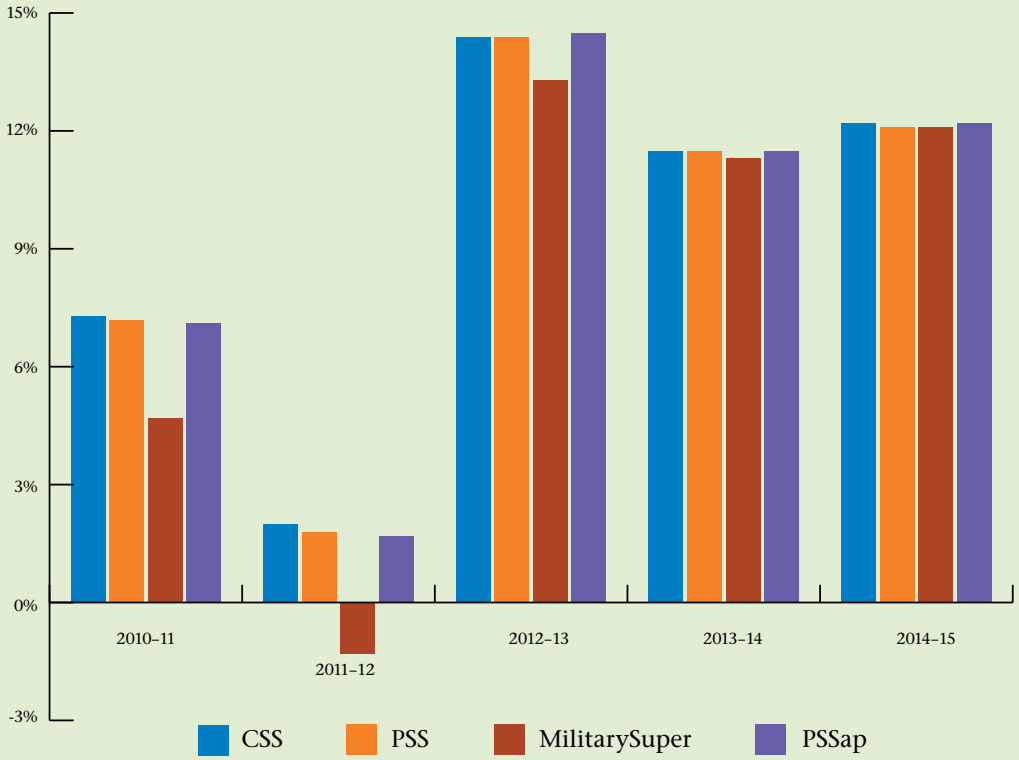


$36,247.4 million at 30 June 2015

- CSS $3,769.9 million (10.4%)
- PSS $17,890 million (49.4%)
- MilitarySuper $6,792.4 million (18.7%)
- PSSap $7,795.1 million (21.5%)

Default investment performance

Chart H2: Default Fund annual investment returns for five years to 30 June 2015



Scheme membership

Chart H4: Members & pensioners by scheme as at 30 June 2014 and 30 June 2015

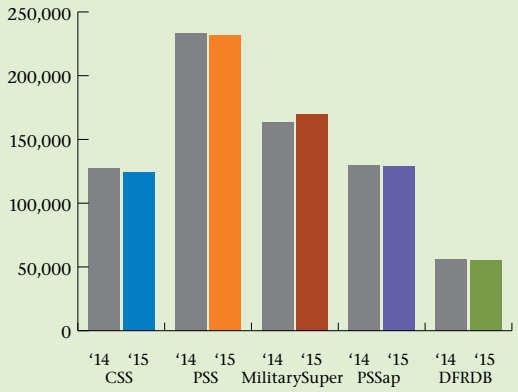


Chart H5: Contributors as at 30 June 2014 and 30 June 2015

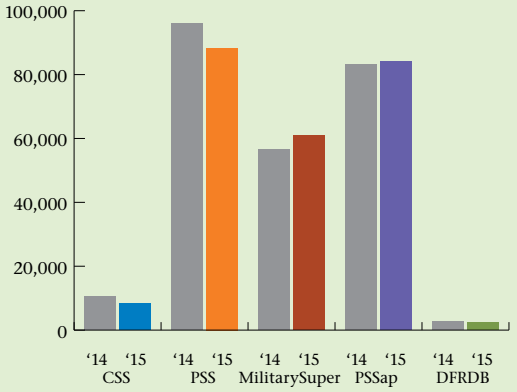


Chart H6: Preservers and deferred benefit members as at 30 June 2014 and 30 June 2015

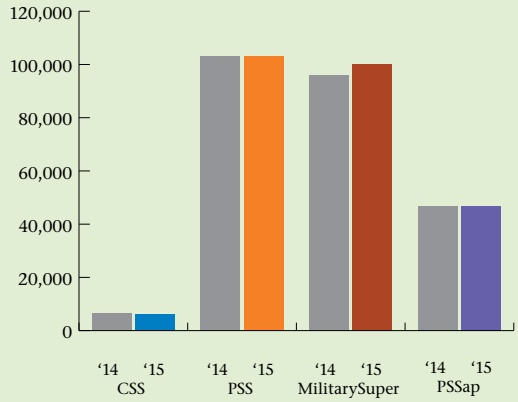
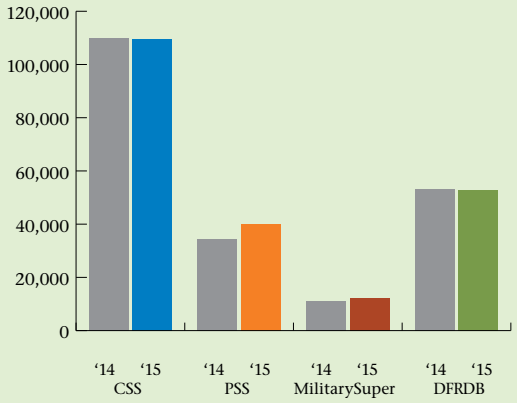


Chart H7: Pensioners as at 30 June 2014 and 30 June 2015



Chairman's introduction

2014–15 was another productive and rewarding year for CSC scheme members, with strong investment returns, the enhancement of member services, and the formal integration of our administrator through merger into CSC.

Investment performance

Each default investment option for CSS, PSS, MilitarySuper and PSSap far exceeded its long-term return objective of the CPI plus 3.5%, posting double digit returns to 30 June 2015.

Strong listed share market returns were a feature of global investment markets during the year. Returns were underpinned by modest levels of global economic growth, an absence of inflationary pressures and ongoing monetary policy stimulus provided by the central banks of the major developed economies.

CSC's investment performance after fees and taxes over one, five and 10 years for each default option at 30 June 2015 was:

	1 year (%)	5 years (%) pa	10 years (%) pa
CSS	12.2	9.4	6.6
PSS	12.1	9.3	6.7
MilitarySuper	12.1	7.9	5.6
PSSap	12.2	9.3	6.7

Investment performance relative to other superannuation funds has also been pleasing across all our pre-mixed investment options. The PSSap default fund – the MySuper Balanced Option – was the number one performing balanced fund for the year to 30 June 2015, according to research agency, SuperRatings. CSC's PSSap Aggressive Option also ranked number one over this period, and CSC's PSSap Income Focused option ranked well within the first quartile of peer funds.

While the one-year, peer-relative returns are very gratifying, the CSC Board focuses more on the longer-term objectives, which is appropriate for a superannuation fund where long term wealth creation is the key objective.

Investment return objectives continue to be achieved within Board approved risk limits. The risk limit for our default options is to experience negative returns (ie lose value) in no more than three to four years out of any 20 year period. Our focus on down-side protection, while seeking to capture most (but not all) returns in strong investment markets, is the best way to help members to save an adequate pool of super savings for their future income needs.

Strategic milestones

The Board achieved over 80% of its strategic milestones for 2014–15. Milestones are part of the Board's three year Strategic Plan and reflect our focus on investment performance, governance, a competitive product and service offering, and effective stakeholder and service provider relationships.

For 2015–16, the Board has set 10 milestones, with progress against

achievement of specific targets related to each of these milestones to be reported to the Board on a quarterly basis.

Major changes

During the year important Government reforms relating to the structure of CSC and our product and service offering to members were progressed. CSC worked closely with the Government on the following reforms:

1) The merger of ComSuper into CSC on 1 July 2015 (ComSuper was the legislatively mandated scheme administrator for CSC's defined benefit schemes, with those functions now performed by our scheme administration business unit).
2) The novation of the PSSap scheme administration contract from ComSuper to CSC on 4 December 2014

   and
3) improvements to the PSSap Ancillary membership (available to eligible CSS and PSS members) and CSCri (CSC's account-based pension product available to eligible public sector scheme members).

Discussions around the closure of MilitarySuper to new Australian Defence Force entrants and the commencement of ADF Super in 2016 are ongoing.

I am very pleased with the constructive working relationship that the Board has with all the relevant Ministers, and that CSC has with all levels of government.

Priorities ahead

Our priorities continue to be the ongoing achievement of our investment return objectives, and provision of competitive and helpful services to our members. Other significant priorities in the coming year include:

- preparation of ADF Super for its launch on 1 July 2016
- the efficient and effective operation of CSC as a large diversified superannuation provider following the merger of ComSuper into CSC
- further enhancements to PSSap

  and
- the full review of the IT platforms for our defined benefit schemes.

CSC Board

Your CSC directors constitute a highly committed and diligent board. While we appreciate 2014–15 was a year of significant achievement, we continue to anticipate ongoing challenges. This reflects lower levels of potential growth around the world, significant levels of debt, fairly valued asset prices and the potential for some market liquidity challenges.

CSC wouldn't be what it is without the significant contribution of the Board members. In addition to Board meetings, directors are involved in a number of committees including Audit and Risk, Remuneration, Governance and Reconsideration Committees.

There were no changes to the Board in 2014–15. Peter Feltham's Board membership was extended to 30 June 2016.

The past year has been one of enormous effort and change. I thank the CSC staff for its extraordinary diligence and commitment.

I trust our members are satisfied with the performance of CSC and want our members to know we will continue to do our best to look after the superannuation funds they have entrusted to us.

Patricia Cross
Chairman

Report from the Chief Executive Officer

The significant achievement in 2014–15 was investment performance across our investment options for members of the Australian Public Service and the Australian Defence Force (ADF). As an example, the long term goal for our default funds, of 3.5% per annum (after CPI) has been exceeded for one, three, five and 10 years. The performance of our balanced funds in 2014–15 was over 12%. In addition to investment, our attention in 2014–15 was focused on improving customer services, product enhancement, preparing to assume direct responsibility for all scheme administration functions, and continuing to build a sustainable well governed organisation.

The CSC Board set 11 milestones for 2014–15 as part of its three year Strategic Plan. We achieved over 80% of the targets for those milestones during the year.

People

At 30 June 2015, CSC employed 81 (75 FTE) people in its offices in Sydney and Canberra.

Staff continued to set performance objectives based on the Board's Strategic Plan and Milestones, and set personal development plans to enhance skills and professional development. A 360 degree personal development program was implemented for many senior managers in the organisation during the year.

We received a very positive response to our engagement with staff during the year on the integration of scheme administration functions into CSC (see below).

Investment

Investment returns exceeded objectives in 2014–15. Both absolute and relative (to peers) returns were a very good outcome for our members.

Returns in our balanced funds to 30 June 2015 were as follows:

	1 year (%)	3 years (%) pa
CSS	12.16	12.68
PSS	12.09	12.65
MilitarySuper	12.12	12.26
PSSap	12.18	12.73

Customer services

CSC assumed responsibility for seminars and education for ADF members during 2014–15. Staff are located in Brisbane, Canberra and Melbourne and provide seminars at major military establishments throughout Australia.

Demand for information and education was again very strong this year, with more than 18,000 members attending an education seminar, webinar or individual consultation in nationwide locations. There was particular interest from our CSS, PSS and PSSap members in 2014–15 due primarily to staffing adjustments throughout the APS.

Included in our communication and education program was the roll-out of **'the 3rd Act, Freedom in Retirement'** in 2014–15. This program takes a holistic view on retirement, providing seminars, workshops and interactive conversations via social media on all aspects of preparing and enjoying retirement, not just the finances.

Product enhancements

Changes to the CSC retirement income product (CSCri) and PSSap ancillary membership became effective in 2015. These changes enable CSCri pensioners to consolidate their pensions with other monies, and ancillary members to make after tax contributions into their accumulation accounts. Work is continuing on insurance changes for PSSap and these will be implemented following completion of the insurance tender process being undertaken.

Scheme administration

In May 2014 the Government announced that ComSuper (scheme administration service provider) would be merged into CSC on 1 July 2015. Implementing this decision was a major component of our work in 2014–15. From 1 July 2015, the staff and functions responsible for the administration of our defined benefit schemes were transferred to CSC.

In December 2014, CSC assumed direct responsibility for the contract with Pillar Administration, the scheme administrator for PSSap. That transition was very smooth, and a new contract for these services was negotiated with Pillar that came into effect on 1 July 2015.

Looking ahead

The CSC Board has set its Strategic Plan for 2015–2018 and agreed 10 Milestones for 2015–16. In 2015–16 our major priorities include:

(a) seeking to achieve our return objectives in challenging investment markets

(b) developing and implementing the organisational infrastructure to deliver synergy gains from the merger and to support a fully-integrated and cohesive, customer-focused culture

(c) reviewing our customer service delivery and engagement model

and

(d) building a cohesive organisation that provides opportunities for our people in a wide range of disciplines and functions.

Peter Carrigy-Ryan
Chief Executive Officer

2

CSC Board

Background

The GAGSS Act established CSC as a single trustee body on 1 July 2011 responsible for the super schemes covered in this report.

CSC's objectives and functions under the governing legislation are to:

- administer the schemes and mange and invest the Funds
- receive payments from employers per the relevant scheme legislation or trust deed
- receive payments from the Australian Government per the relevant scheme legislation or trust deed
- pay superannuation benefits to or in respect of members
- provide information about scheme benefits or potential benefits
- provide advice to the Minister for Finance on proposed changes to the scheme legislation or trust deeds
- be responsible for the general administration of scheme legislation and trust deeds.

CSC is a holder of a Registrable Superannuation Entity (RSE) licence and an Australian Financial Services (AFS) licence, meaning it is regulated by the Australian Securities and Investments Commission under the *Corporations Act 2001* and the Australian Prudential Regulation Authority under the SIS Act. CSC must uphold the conditions of both licences and comply with financial services law.

CSC is also bound by provisions of the various acts and deeds that establish and govern its schemes. The regulated schemes must be managed and invested in accordance with the CSS Act, the PSS Act, the MilitarySuper Act and the PSSap Act, together with the relevant trust deeds under these Acts.

The unregulated schemes must be administered in accordance with the 1922 Act, the DFRB Act, the DFRDB Act and the PNG Act, as relevant.

The Board

Function

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

Composition

The Board consists of an independent Chairman and 10 other directors. Of the 10 other directors, three directors are nominated by the President of the Australian Council of Trade Unions (ACTU) and two directors are nominated by the Chief of the Defence Force. The Minister for Finance (the Minister) chooses the remaining five directors in consultation with the Defence Minister.

The Chairman of the Board is appointed by the Minister after consultation with the Defence Minister. The Minister must obtain the Board's agreement to a person whom the Minister proposes to appoint as the Chairman. All directors must meet the fitness and propriety standards under the SIS Act.

Responsibilities

The Board is responsible for the sound and prudent management of the CSC schemes. Directors and CSC employees are required to comply with the Board's governance policy framework. The framework includes policies such as Code of Conduct, Conflicts Management, Fit and Proper, Board Renewal and Board Performance Evaluation.

Delegated authority

CSC may delegate its powers under scheme legislation. The Board has delegated authority for many activities, corporate and investment matters, and scheme administration.

Delegations are regularly reviewed to ensure currency. Employees exercising delegations are accountable to the CEO who is responsible to the Board. Even if within delegated powers, matters that are sensitive or extraordinary would typically be referred by the CEO to the Board.

The CSC Board from 1 July 2015

Mrs Patricia Cross

Appointed 1 July 2014 to 30 June 2017

- **Chairman of the Board**
- **Chairman of the Board Governance Committee**
- **Chairman of the Remuneration and HR Committee**

Mrs Cross is a director of Macquarie Group Limited (since 2013), Macquarie Bank Limited (since 2013) and Aviva plc (since 2013), Chair of 30% Club Australia (since 2015), and is a founding director of the Grattan Institute (since 2007). Having begun her career in public service with Congressman John Rousselot (1979–1981), Mrs Cross went on to gain extensive international financial services experience with Chase Manhattan Bank and Chase Investment Bank (1981–1987), Banque Nationale de Paris (1987–1988) and National Australia Bank (1988–1996). Since 1996 she has served as a public company director for Suncorp-Metway Limited (1996–2000), AMP Limited (2000–2003), Wesfarmers Ltd (2003–2010), Qantas Airways Limited (2004–2013) and National Australia Bank (2005–2013). She was also Chairman of Qantas Superannuation Limited (2002–2005) and Deputy Chairman of the Transport Accident Commission of Victoria (1997–2001).

Mrs Cross has held a number of honorary government positions, including with the Financial Sector Advisory Council, Companies and Securities Advisory Committee, Panel of Experts to Australia as a Financial Centre Forum and Sydney APEC Business Advisory Council. She is an Australian Indigenous Education Foundation Ambassador and Co-Chair of WomenCorporateDirectors (WCD) membership organisation in Australia (since 2014). She has previously served on a wide range of not for profit boards, including the Murdoch Children's Research Institute (2002–2011). In 2001, Mrs Cross received the Australian Centenary Medal for service to Australian society through the finance industry. Mrs Cross has a BSc (Hons) from Georgetown University.

Mr Anthony (Tony) Cole, AO

Reappointed 1 July 2013 to 30 June 2016

- **Director since 1 July 2011**
- **Member of the Board Governance Committee**
- **Member of the Remuneration and HR Committee**

Mr Cole is a former Asia Pacific business leader of the global consulting, outsourcing and investment company, Mercer (1996–2011). He stood down from all management and board roles at Mercer in 2011, but continues to work with Mercer on a part time basis in a limited role. Before joining Mercer he was an executive director of the Life Investment and Superannuation Association of Australia (1994–1996). Mr Cole has also held a number of senior federal government appointments including Secretary to the Treasury (1990–1993).

Mr Cole is a member of the Advisory Board of the Northern Territory Treasury Corporation (since 1995), a director of the Board of Australian Ethical Investments Limited (since 2012), a panel member of the Fairwork Minimum Pay Group (since 2013) and was formerly the Chairman of the Advisory Board of the Melbourne Institute of Applied Economic and Social Research (2002–2012).

Mr Cole has a Bachelor of Economics from Sydney University. In 1995 he was appointed an Officer in the Order of Australia (AO) for services to government and industry. He was made a life member of the Investment Management Consultants Association in 2012.

The Hon. Chris Ellison

Appointed 1 July 2014 to 30 June 2017

- **Member of the Board Governance Committee**
- **Member of the Remuneration and HR Committee**

The Hon. Chris Ellison is a director of the University of Notre Dame (since 2015), Governor of the University of Notre Dame in Western Australia (since 2009), Chair of Taylor's College Academic Board, UWA (since 2010), a member of Trinity College Board, Perth (since 2010), an advisory director of Tropical Forests Corporation (since 2009) and a director of the Australian Organisational Excellence Foundation (since 2014). He is also a member of the WA Law Society and Chair of the SAS Regiment Resources Fund Dinner fundraising committee.

He was a Cabinet Minister in the Howard Government and in the Ministry for over 10 years (1997–2007). He held a number of portfolios including Justice and Customs and he remains Australia's longest serving Justice Minister. He has also held a legal practising certificate for over 30 years.

Mr Peter Feltham

Reappointed 1 July 2013 to 30 June 2015

- **Director since 1 July 2011**
- **Nominee of the President of the ACTU**
- **Member of the Audit and Risk Management Committee**
- **Member of the APS Reconsideration Advisory Committee**

Mr Feltham was a trustee of the predecessor organisations ARIA and the PSS and CSS Boards (2005– 2011). He was a senior industrial officer with the Community and Public Sector Union (CPSU) responsible for superannuation policy within the CPSU until his retirement on 30 June 2015. He worked for the CPSU and its predecessor organisations for more than 30 years in a range of capacities at the state and national level as both an employee and official. Previous to the CPSU, Mr Feltham worked for 10 years in the federal public service. He has also been a director of a credit union and has been a Justice of the Peace since 1999.

Ms Nadine Flood

Reappointed 1 July 2014 to 30 June 2017

- **Director since 1 July 2011**
- **Nominee of the President of the ACTU**
- **Member of the Audit and Risk Management Committee**

Ms Flood is the National Secretary of the Community and Public Sector Union (CPSU), having been elected in 2010. She has been a member of the ACTU Executive since 2009 and the ACTU Growth and Campaign Committee since 2010.

Ms Flood is a board member for the Centre for Policy Development (since 2010) and director of Shared Advantage Pty Ltd and ACTU Member Connect (since 2011). She is also a union representative on the ALP National Policy Forum (since 2013). Ms Flood has been a representative on various Government bodies including the Department of Human Services Council on Strategy and Innovation and the L20 Steering Committee.

Ms Flood's public policy work was acknowledged in the Westpac/Australian Financial Review 100 Women of Influence awards in 2012. The ACTU recognised her work in establishing precedents on payment of superannuation on unpaid parental leave in the Australian Public Service with a Jennie George award for the advancement of women. Ms Flood has a Bachelor of Economics degree from Macquarie University.

Ms Lyn Gearing

Reappointed 13 September 2013 to 12 September 2016

- **Director since 13 September 2011**
- **Member of the Audit and Risk Management Committee**

Ms Gearing has many years of experience in superannuation, funds management, corporate finance and management consulting. Ms Gearing was a director of the Garvan Research Foundation (2005–2014) and a non-executive director of Queensland Investment Corporation (2008–2013), IMB Limited (2003–2012) and Hancock Natural Resources Australasia Limited (2003–2011). Ms Gearing is currently a Director of the Queens Club Limited.

Ms Gearing was also the Chief Executive of State Super (STC, FTC) from 1997 to 2002.

Ms Gearing has a Bachelor of Commerce degree, a Diploma in Valuations and a Certificate in Business Studies (Real Estate). She is a fellow of the Australian Institute of Company Directors and the Association of Superannuation Funds of Australia.

Ms Winsome Hall

Reappointed 1 July 2013 to 30 June 2016

- **Director since 1 July 2011**
- **Nominee of the President of the ACTU**
- **Member of the Board Governance Committee**
- **Member of the Remuneration and HR Committee**

Ms Hall was a trustee of the predecessor organisations ARIA and the CSS and PSS Boards (1996–2011). She is Chair of Zurich Australia Superannuation Pty Ltd (since 2010) and is an independent non-executive director of two commercialisation funds as a nominee of Australian Super-Uniseed (since 2005) and the Medical Research Commercialisation Fund (since 2007).

Ms Hall has been a non-executive director to financial sector companies both listed and unlisted for almost 20 years and held a variety of roles in consumer advocacy and financial industry associations. Prior to working in the financial sector, Ms Hall held senior roles in the Department of Prime Minister and Cabinet, and was Secretary of the ACT Branch of the CPSU. She is Chair of the Women in Super NSW Mother's Day Classic Committee NSW (since 2013). Ms Hall has a Bachelor of Arts degree from the Australian National University.

Mr John McCullagh

Reappointed 1 July 2013 to 30 June 2016

- **Director since 2011**
- **Nominee of the Chief of the Defence Force**
- **Member of the Audit and Risk Management Committee**
- **Chairman of the APS Reconsideration Advisory Committee**
- **Deputy Chairman of the MilitarySuper Reconsideration Committee**
- **Deputy Chairman of the Defence Force Case Assessment Panel**

Mr McCullagh is Chairman of the Yowani Country Club Limited (since 2014, having been a director since 2011). He formerly held the position of CEO to the Military Superannuation and Benefits Board (2004–2008) and was a member of the transition team established to implement the government's reforms affecting Australian Government superannuation schemes (2009–2011). Mr McCullagh attended the University of Adelaide, Graduate School of Management, the Public Service Commission Advanced Executive Program, has a Diploma of Financial Services, and is a fellow of the Australian Institute of Company Directors.

Ms Peggy O'Neal

Reappointed 1 July 2014 to 30 June 2017

- **Director since 1 July 2011**
- **Member of the Board Governance Committee**
- **Member of the Remuneration and HR Committee**
- **Member of the APS Reconsideration Advisory Committee**

Ms O'Neal is a former partner of law firm Herbert Smith Freehills (1995–2009 and then a consultant, 2009–2011) specialising in superannuation and financial services law. She continues to act as a consultant to Lander & Rogers, Melbourne (since 2011). Ms O'Neal also serves as a director of NAB subsidiaries (all superannuation fund trustee companies), MLC Nominees (since 2011), NULIS Nominees (since 2011) and PFS Nominees (since 2011). She is an independent member of the Audit, Risk and Compliance Committee of UniSuper Ltd (since 2009), an independent member of the External Compliance Committee for Vanguard Investments Australia (since 2009) and is the President of the Richmond Football Club (since 2013, having been a director from 2005). She is also a director of Women's Housing Limited (since 2013) and Chair of the Victorian Government Taskforce on Women in Sport and Recreation (since 2014).

Ms O'Neal is a fellow of the Australian Institute of Company Directors and an emeritus member of the Law Council of Australia Superannuation Committee. She has a Bachelor of Arts degree from Virginia Polytechnic Institute and State University, and a Juris Doctor, University of Virginia, having requalified to practice law in Australia at the University of Melbourne. She has also completed the ASFA Diploma in Superannuation Management.

Air Vice Marshal Margaret Staib, AM, CSC

Appointed 2 May 2014 to 1 May 2017

- **Nominee of the Chief of Defence Force**
- **Chair of the MilitarySuper Reconsideration Committee**
- **Chair of the Defence Force Case Assessment Panel**

Air Vice-Marshal Staib is a member of the Royal Australian Air Force Active Reserve (since 2012), following a distinguished career over three decades in the permanent Air Force. Her military service included holding the position of Commander Joint Logistics and Commandant of the Australian Defence Force Academy. Air Vice-Marshal Staib was the Chief Executive Officer, Airservices Australia (2012 to 2015). She is a member of the Industry Advisory Committee, School of Aerospace, Mechanical and Manufacturing Engineering, RMIT University (since 2013) and director of the Australian Strategic Policy Institute (since 2015). She is also a Certified Practicing Logistician and a Fellow of the Chartered Institute of Logistics and Transport.

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

Dr Michael John Vertigan, AC

Reappointed 1 July 2013 to 30 June 2016

- **Director since 1 July 2011**
- **Chairman of the Audit and Risk Management Committee**

Dr Vertigan has experience in the public, higher education, philanthropy and business sectors. He is the former Chairman of the AGEST Superannuation Fund (2004–2008) and former Secretary of the Victorian (1993–1998) and Tasmanian (1989–1993) Departments of Treasury and Finance and has held a number of academic appointments.

Dr Vertigan is currently Chairman of the Australian Maritime College Board (since 2012) and Chair of the Review of Governance of the Australian Energy Market (since 2015).

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

Committees

The Board has established committees to assist it in carrying out its responsibilities. Committee members are appointed by the Board. Each committee has its own documented and Board-approved terms of reference, which are reviewed from time to time.

The Board has three standing committees: the Audit and Risk Management Committee; the Remuneration and HR Committee; and the Board Governance Committee.

Table 1: Standing Board committees

Committee	Purpose	Membership
Audit and Risk Management Committee	To assist the Board in discharging its responsibilities by providing an objective non-executive review of the financial reporting and risk management framework. Functions include: > integrity of financial reports > significant financial and accounting issues and policies > regulatory requirements and compliance > assurances on internal control and compliance systems > operational risk and risk management framework > audit effectiveness, independence, scope and planning > overseeing CSC's risk profile upon events of change.	> Michael Vertigan (Chairman) > Peter Feltham > Nadine Flood > Lyn Gearing > John McCullagh.
Board Governance Committee	To assist the Board by advising and making recommendations on issues relevant to the corporate governance of CSC and the identification, education and evaluation of directors. Functions include: > review of Board governance policies and procedures > review of the skills of the Board and its committees > review performance and re-appointment of directors > identifying and recommending potential new directors > succession planning for the Chair, Board and the CEO > overseeing induction and ongoing education for directors > evaluation processes for Board, committees and directors.	> Patricia Cross (Chairman) > Tony Cole > Chris Ellison > Winsome Hall > Peggy O'Neal.

Table 1 continued on next page.

Committee	Purpose	Membership
Remuneration and HR Committee	To assist the Board by advising and making recommendations on issues relevant to its Remuneration Policy and human resource obligations. Functions include: > review and recommendations on the Remuneration Policy > recommendations on certain remuneration > compliance with relevant law and regulations > setting and monitoring CEO key performance objectives.	> Patricia Cross (Chairman) > Tony Cole > Chris Ellison > Winsome Hall > Peggy O'Neal.

Table 2: Board and standing Board committee meeting attendance in 2014–15

	Board meetings (8)		Audit and Risk Management (ARM) Committee meetings (6)		Board Governance Committee meetings (4)		Remuneration and HR Committee meetings (5)	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Patricia Cross	8	8	N/A	N/A	4	4	5	5
Tony Cole	8	8	N/A	N/A	4	4	5	5
Chris Ellison	8	8	N/A	N/A	2	2	3	3
Peter Feltham	8	8	6	6	N/A	N/A	N/A	N/A
Nadine Flood	8	8	5	6	N/A	N/A	N/A	N/A
Lyn Gearing	8	8	6	6	N/A	N/A	N/A	N/A
Winsome Hall	8	8	N/A	N/A	4	4	5	5
John McCullagh	8	8	6	6	N/A	N/A	N/A	N/A
Peggy O'Neal	7	8	N/A	N/A	4	4	4	5
Margaret Staib	8	8	N/A	N/A	N/A	N/A	N/A	N/A
Michael Vertigan	7	8	5	6	N/A	N/A	N/A	N/A

The Board has also established three reconsideration committees, pursuant to scheme legislation, which reconsider certain decisions made under scheme legislation on the application of affected members. These committees are:

> the APS (Australian Public Sector schemes) Reconsideration Advisory Committee

> the MSB (MilitarySuper) Reconsideration Committee

> the Defence Force Case Assessment Panel (DFCAP).

More information is provided in the **Super schemes** section of this report.

The Board may establish other committees from time to time.

Governance

The Board aspires to achieve best practice and to be a leader in governance policy and practice.

The Board's governance framework includes the following policies:

- Board Charter
- Board Performance Evaluation
- Board Renewal Policy
- Code of Conduct
- Fit and Proper Policy
- Governance Statement
- Outsourcing Policy
- Conflicts Management Framework and Policy
- Whistleblower Protection Policy.

Policies are available at **csc.gov.au**

Board performance review

The performance of the Board is formally evaluated each year, covering the Board as a whole, the Chairman, individual directors and the Board committees. An evaluation of the Board may examine a range of matters including performance relative to objectives, fulfilment of responsibilities, structure and skills, strategic direction and planning, policy development and monitoring and supervision.

An internal performance evaluation conducted by the Board in January 2015 showed a high level of satisfaction with the Board's performance, in particular the open channels of communication and the Board's risk and control frameworks.

All directors participate in ongoing professional development activities and there is a standing Board agenda item for open discussion and meeting evaluation. Directors can also comment about the means by which Board papers are submitted and how the conduct of Board meetings can be improved in open Board meeting discussions and through formal meeting evaluations.

Board remuneration

The Remuneration Tribunal, established under the *Remuneration Tribunal Act 1973*, determines the remuneration of directors including the Chairman and members of the Audit and Risk Management Committee and the reconsideration committees. Remuneration is disclosed in CSC's annual financial statements included in this report.

3

Organisation

Accountability

The governing legislation establishes accountability arrangements for CSC, including the tabling in Parliament of an annual report and audited financial statements.

CSC appeared before the Senate Finance and Public Administration Legislation Committee in November 2014 and February and May 2015.

CSC responds to questions on notice as required.

For the purposes of the 2014–15 Portfolio Budget Statements, CSC had a single outcome which was to provide retirement benefits for past, present and future Australian Government employees and members of the ADF, through investment and administration of their superannuation Funds and schemes. CSC had one key program objective, which was to maximise superannuation account balances. This objective had four key performance indicators:

- a long-term nominal investment performance target of a real return of 3.5% over a prospective three year horizon, achieved within Board approved risk parameters
- compliance with relevant law
- meet obligations as an RSE (Registrable Superannuation Entity) licensee and AFSL (Australian Financial Services licence) holder
- administration quality as reflected in the satisfaction level of members, beneficiaries and employers with the service provided through its scheme administrators.

(Note, the former ComSuper merged into CSC on 1 July 2015.)

Management

Senior management team

CSC's senior management supports and advises the Board. Led by the CEO, the senior management team comprises 8 positions. The CEO is responsible for the management of CSC, including provision of advice to the Board, implementation of Board decisions and the ongoing management of the Board's functions and responsibilities. The Chief Investment Officer (the CIO) is responsible for leading the investment team to provide advice to the Board and to execute the investment strategy approved by the Board.

Other positions are responsible for finance and risk, legal and compliance, member and employer services, investment operations, people and culture, scheme administration, and technology.

These positions oversee a range of matters including the management of relationships with major service providers such as the custodian and Pillar Administration, administration of CSC's defined benefit schemes, coordination of advice from external advisers and ensuring compliance with all relevant legislation and law.

Financial management

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

CSC's revenue and expenses were within budget for 2014–15, resulting in a surplus of $356,000. CSC's business expenses

were $13.4 million, of which $10.8 million was met by an administration fee paid by employer agencies. An expenses balance of $2.4 million was met from the investment assets of the four regulated Funds.

The novation of the PSSap scheme administration contract from the former ComSuper to CSC on 4 December 2014 resulted in the recognition of additional employer levy revenue and associated supplier expenses of $4.1 million.

Corporate governance

CSC's governance framework supports the achievement of the Board's strategies and objectives.

Risk management

CSC has a comprehensive Risk Management Strategy which describes CSC's strategy for managing risk and the key elements of its risk management framework. CSC's Strategy meets APRA's requirements under Prudential Standard SPS 220 and is supported by CSC's Risk Appetite Statement. Both the Strategy and Statement are reviewed at least annually and updated as required.

Compliance

A detailed compliance program underpins CSC's Risk Management Strategy, satisfying the requirements of CSC's AFS licence. Staff and service providers must submit positive certification that they are compliant with all relevant legislative requirements, contractual provisions, regulatory policy and service standards, as well as any relevant licence conditions. Any instance of non-compliance must be reported.

The Audit and Risk Management Committee oversees compliance reporting, including remediation if a breach has occurred. CSC has a Breach and Compliance Policy that describes CSC's requirements for compliance and breach reporting, which is provided to CSC's service providers.

Director indemnity

Anything done, or omitted to be done, in good faith by a director or a delegate of the Board, in the performance of functions under relevant CSC legislation will not subject that person to any action, liability, claim or demand. CSC may, however, be subject to an action, liability, claim or demand. In addition to the legislative indemnity, CSC holds trustee liability and comprehensive crime insurance which complies with the *Corporations Act 2001* and has given a deed of indemnity, insurance and access to each director.

Fraud control

CSC has a Fraud Control Plan in place which was reviewed during the year and meets the Commonwealth Fraud Control Guidelines. There were no instances of fraud in 2014–15.

Internal audit

The Audit and Risk Management Committee agrees an annual internal audit plan. In drawing up the plan, the Committee takes into account previously identified risks, the results and recommendations of previous internal and external audits, legislative and regulatory changes and requirements, and anticipated business changes. Audits can be initiated at any time by the Board or the Audit and Risk Management Committee to address changes to business priorities or to CSC's risk profile.

People

CSC strives to remain a capable, efficient and sustainable organisation. Attracting and retaining high quality people is key to meeting that objective.

CSC's current organisation structure is made up as follows:

- Investments
- Operations
- Member & Employer Services
- Scheme Administration
- Finance & Risk
- Technology
- General Counsel

  and
- People & Culture.

Our people have extensive experience within superannuation and the financial services industry more broadly.

As at 1 July 2015, and immediately following the merger with ComSuper, CSC employs 469 staff. Most of CSC's staff are employed in Canberra and Sydney, with a small number of our teams located in Melbourne and Brisbane.

Table 3 shows CSC's workforce on 30 June and 1 July 2015 (once ComSuper merged into CSC).

Table 3: CSC's workforce

	30 June 2015			1 July 2015		
	Male	Female	Total	Male	Female	Total
Board	6	5	11	6	5	11
Senior management	2	5	7	3	5	8
Other staff	38	36	74	206	255	461
Total	**40**	**41**	**81**	**209**	**260**	**469**

Note: at 1 July 2015, 446 employees (senior management and other staff) were located in Canberra, 19 in Sydney, 3 in Melbourne and 1 in Brisbane; 50 employees are part-time (7 male and 43 female) and the remaining are full-time; at 30 June 2014 CSC had 78 employees (senior management and other staff).

CSC's organisational structure is shown in **Appendix 2**.

Culture and values

CSC is committed to building a high performance organisational culture. We seek to recruit and retain people that reflect and live the organisation's values of respect, trust, integrity, relationship and adaptability.

Employee engagement

CSC last undertook an employee engagement survey in late 2013. Given the impending merger of ComSuper into CSC (this merger took place on 1 July 2015), it was decided to defer the next survey until the year immediately following the merger. Accordingly, a further survey will be undertaken no later than 30 June 2016.

People development

Our people are responsible for driving their own personal and professional development in the context of their role at CSC. Every member of staff in 2014–15 had a set of performance objectives which were linked to the Board-approved Strategic Plan.

Managers are required, as part of their own performance objectives, to hold regular one-on-one coaching sessions with their employees. This provides a framework for people to speak regularly with their manager about their individual strengths, motivations, job satisfaction and career development, and to receive feedback and coaching on their performance.

Remuneration

CSC remunerates its people in accordance with its Board-approved Remuneration Policy. Individual market-based adjustments are determined by reference to the market survey compiled by FIRG (Financial Institutions Remuneration Group), a not-for-profit association of over 100 banking and financial services organisations, who anonymously share remuneration data in the interest of establishing market levels and trends. CSC uses current FIRG survey data to determine what, if any, adjustments are required to ensure staff are remunerated in line with the policy.

An increase in remuneration will only be considered where staff members achieve a minimum performance rating against objectives. Bonuses are calculated with reference to CSC's performance against a number of metrics, as well as the individuals rating and their demonstrated adherence to CSC's values.

In 2014–15, CSC paid a total of $2,703,047 to 62 employees in performance bonuses. Bonuses were paid in September 2014, for performance achieved in 2013–14. The median performance bonus paid was $18,648.

Work health and safety

CSC's duty of care is to take all reasonably practicable steps to protect the health and safety of its staff at their place of work and third parties, pursuant to the *Safety, Rehabilitation and Compensation Act 1988* and the *Work Health and Safety Act 2011*.

CSC staff members are covered by workers' compensation provided by Comcare. During the 2014–15 financial year, there were:

- no dangerous incidents under section 37 of the *Work Health and Safety Act 2011*
- no workplace inspections carried out by Comcare
- no remedial provisional improvement notices issued.

4

Investments

Background

CSC manages and invests four Funds:

- the CSS Fund
- the PSS Fund
- the MilitarySuper Fund
- the PSSap Fund.

The impact of investment performance on a member's benefit differs across the schemes. For PSS contributors, investment returns do not affect their final benefit. Performance has a greater impact on contributor and deferred benefit members in CSS and preservers in PSS because in those circumstances it does directly influence a member's final benefit.

Investment returns also affect the Australian Government's financial outlays on members' benefits in some circumstances, such as in the case of PSS contributors.

For MilitarySuper, investment performance directly affects the member benefit for all members and a small part of the employer benefit for contributing members. Benefits in PSSap and CSCri are directly affected by investment performance.

The 1922, DFRB, DFRDB and the PNG schemes are unfunded superannuation schemes. CSC does not invest the monies of these schemes.

Investment approach

Part of CSC's mission is to achieve consistent long-term returns within a structured risk framework. To achieve this, CSC manages and invests each Fund so as to achieve its stated investment objective, having regard to strictly-defined risk limits. Each Fund is also managed in a way that allows for the payment of monies to meet scheme member benefit payments, achieves equity among all members, and exercises reasonable care and prudence to maintain and grow the Funds.

CSC jointly invests the Funds in one pooled investment trust, providing economies of scale benefits to members in each regulated scheme.

Investment options in each Fund gain exposure to various asset classes, and professional external investment managers are responsible for the management of the investments. A target asset allocation and asset allocation ranges are set for each option.

Investment strategy

CSC's investment strategy is focused on the provision of financial adequacy in retirement for all scheme members. The level of risk taking is measured and focused on maximising the probability of achieving targeted return objectives for each investment option.

This approach should manifest in the following pattern of returns:

CSC investment portfolios should help to preserve wealth through periods of negative equity market returns. The cost of this is that CSC's investment portfolio returns may lag other funds through periods of strong positive equity market returns. Note that through these periods, CSC member returns should be well in excess of their targeted objectives. Over the full investment horizon, as more capital is preserved in weak markets and most of the returns are captured in strong markets, the cumulative return should be very competitive and the volatility of returns should be reduced.

Investment governance

CSC's investment governance is focused on managing risk and is driven by our primary objective to achieve stated investment objectives within strictly defined risk limits. The CSC Board has agreed and established a comprehensive investment governance framework, which includes a clear statement of Board and Executive responsibilities.

The CSC Board

Sound and prudent management of the assets of the schemes is the responsibility of the Board. It sets, reviews and oversees the investment strategy, mission statement and core investment beliefs; approves and monitors investment strategies for each investment option; agrees the budget; and determines appropriate delegations.

To approve CSC's investment strategy, regard is had to factors such as CSC's size as measured by funds under management and scheme membership, perceived competitive advantages, member demographics and the broader investment environment.

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

Management of investment activities is delegated by the Board to relevant staff. Reports are made to the Board on approved investment policies. Reports are also presented and discussed at every Board meeting on liquidity, risk, manager and portfolio activity, portfolio structure, capital allocation and the risk budget.

CSC's investment team

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

The team performs two major functions:

> Formulating investment strategy, option design, risk budget deployment and monitoring the evolving risks and opportunities in the Fund as well as the broader financial markets.

> Identifying the most efficient implementation channels for investment strategies, with 'efficiency' defined as the highest prospective, net return per unit of risk.

Both functions are well resourced with specialist senior investment managers who report directly to the CIO and are supported by investment analysts.

CSC's operations team

Implementing investment decisions and attributing performance is the responsibility of the operations team, led by the General Manager Operations. The CIO and General Manager Operations report independently to the CEO.

For CSS and PSS, performance is attributed in accordance with CSC's Earning Rate Policy, effective since 28 June 2007. It is published on the CSS and PSS websites.

For MilitarySuper and PSSap, a member's interest is valued in units. Super contributions and other amounts are used to purchase units which are invested in accordance with an individual member's investment option selection.

Net earnings are allocated to a member's account through changes in the unit price for each relevant investment option. Unit prices fluctuate in line with the performance of investment markets. The unit price for each option reflects the total value of assets in that option, less taxes and expenses, divided by the number of units issued. Asset values are based on the latest available market value at the end of each business day and unit prices are published on the MilitarySuper and PSSap websites. Units are sold directly from a member's account to cover any fees payable.

A buy and sell spread is applied to all investment options in the PSSap Fund to reflect the costs associated with the purchase or sale of assets within an option.

Investment managers

Under scheme legislation (outlined in the **CSC Board** section of this report), CSC is required to invest through external investment managers. On the recommendation of the Executive, the Board approves the appointment of managers as 'investment grade managers' that may be funded at any time by CSC.

Investment managers are identified for their specific expertise and invest according to individual mandates set by CSC which are designed to address CSC's specific portfolio requirements. These mandates provide CSC's directions on investment types to be held, the maximum and minimum holdings for each investment type and target rates of return and risk limits.

Investment managers are paid a fee generally based, in part, on the value of assets managed on behalf of CSC, but importantly, where possible, on the basis of their performance both in terms of returns and risk taking.

Fees reflect investment costs applicable to each particular asset class category and the investment style employed by each manager.

Some managers may be paid a performance fee for exceeding a pre-determined benchmark or hurdle rate of return, within specified risk limits. The performance fee is generally a share of any excess risk-adjusted performance above an agreed benchmark return.

Environmental, social and governance factors

CSC is responsible for ensuring that member Funds are not exposed to undue risk because of poor governance. We actively pursue principles of good governance in our own operations and seek them in the companies in which we invest.

Poor environmental, social and governance (ESG) performance in an investment can indicate poor corporate management and may lead to a decline in investment value. CSC has implemented a number of investment governance practices, including:

- casting proxy votes in Australian and international companies in which we invest
- publicly communicating our ESG policy and practices
- governance research and engagement through Regnan, which provides governance research and engagement services to CSC and its other institutional investors.

CSC is also a signatory of the United Nations Principles for Responsible Investment, which provides a framework for institutional investors to align investment activities with the broader interests of society while maximising long-term returns for their beneficiaries.

The six Principles are:

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

Investment options

Table 4: Investment options at 30 June 2015

Investment option (scheme)	Objective	Risk		Minimum suggested time frame	Target asset allocation (ranges)
		Band	Label		
Cash (CSS, PSS, MilitarySuper, PSSap and CSCri)	To preserve capital and earn a pre-tax return in line with that of the Bloomberg AusBond Bank Bill Index by investing 100% in cash assets	One	Very low	1 year	Cash 100% (100%)
Income Focused (MilitarySuper, PSSap and CSCri)	To outperform the CPI by 2% per annum over 10 years	Three	Low to medium	5 years	Cash 23% (10–100%) Fixed interest 28% (10–100%) Equities 14% (0–40%) Property 15% (0–35%) Infrastructure 10% (0–35%) Other 10% (0–70%)
Default Fund (CSS/PSS) **Balanced** (MilitarySuper) **MySuper Balanced** and **Balanced** (PSSap) **Balanced** (CSCri)	To outperform the CPI by 3.5% per annum over 10 years	Five	Medium to high	10 years	Cash 3% (0–65%) Fixed interest 15% (0–65%) Equities 53% (15–75%) Property 13% (5–25%) Infrastructure 2% (0–20%) Other 14% (0–30%)
Aggressive (MilitarySuper, PSSap and CSCri)	To outperform the CPI by 4.5% per annum over 10 years	Six	High	15 years	Cash 2% (0–35%) Equities 71% (20–95%) Property 15% (0–50%) Infrastructure 2% (0–50%) Other 10% (0–70%)

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

Market commentary

Over the course of 2014–15, the pace of economic growth in Australia moderated from 3.2% to 2.3%, a level somewhat below its estimated longer-term trend rate of 3%.

Private consumption was the largest positive contributor to economic growth during the year, despite a decline in real domestic income growth. This apparent contradiction can be explained by a decline in the savings rate from 9.5% to 8.3%. Net export volumes also contributed positively to economic growth during the year thanks to an increase in mining export volumes and a lower Australian dollar. Although housing construction was robust, private investment detracted from economic growth due to the negative impact of a sharp decline in non-dwelling investment. Economic growth during the year was also supported by a modest inventory build-up.

The slowdown in the pace of growth occurred during a year in which real net national disposable income fell by 0.2%. The decline in income reflected a further sharp decline in our terms of trade. The rate of unemployment ended the year where it began at 6.0%, after declining from a mid-year peak of 6.3%. Meanwhile, inflationary pressures were subdued, with the headline rate of inflation declining from 3.0% to 1.5%. Core inflation moderated from a 2.8% annual pace to 2.2%, which is comfortably within the Reserve Bank's 2%–3% target band.

A slowing in economic growth and subdued inflationary pressures created an environment in which the Reserve Bank provided further monetary policy stimulus, by lowering the official cash rate from 2.5% to 2.0%.

Global economic growth in 2014–15 remained at modest levels of around 3%. In the US, parts of the country experienced another very severe winter, which dragged down first quarter economic growth. Looking through this impact, the economy is growing at a rate of around 2.5%, reflecting positive contributions from the housing sector and private consumption. The rate of growth has been sufficient to further bolster the strength of the labour market, as reflected by a decline in the unemployment rate from 6.1% to 5.3%.

European economic growth picked up modestly to around 1%–1.5%, with growth buoyed by the impact of the stimulatory monetary policies of the European Central Bank. The pick-up in economic growth was associated with a decline in the region's unemployment rate from 11.6% to 11.1% and a curtailing of deflation. While Europe's inflation rate remains very low, at an annual rate of just 0.2%, it is now positive, and above its mid-year low of -0.6%.

In China, the transition from an investment-led to consumption-led growth economy remains a work in progress. This transition has been associated with a slowdown in the pace of economic growth from around 8% to 7% in the last couple of years. Many commentators expect the pace of growth to slow further in the period ahead.

Global monetary policymakers, particularly in Europe, Japan and China, continue to underpin a modest recovery in global economic growth by the maintenance of very accommodative monetary policies. In the US, and to a lesser extent, the UK, the improvement in economic growth has been sufficient to suggest that policy makers may be able to move away from zero policy interest rates in the next year.

The general stance of global monetary policy accommodation in the last year continued to underpin most asset prices. Australian shares rose by just under 6% over the year, as measured by the S&P/ASX 300 Accumulation Index. This followed an increase of 17% in the previous financial year. The rise in the latest year was tempered by a 5% decline in the month of June, as the market grew concerned with events in Greece and equity market volatility in China. In the latest year, industrial share prices rose by 11%, but resource share prices fell by 17%, reflecting the sharp drop in key commodity prices as China's growth slowed.

Global shares, as measured by the MSCI World ex Australia Accumulation Index, rose by a strong 11% in hedged Australian dollar terms. This followed a 25% increase in the previous financial year. Global shares rose by 25% in unhedged terms, with the return boosted by a large decline in the value of the Australian dollar.

Other asset classes recorded solid gains, with most fixed interest markets achieving gains of around 5%–6%. Property markets were even more robust, exhibiting returns of around 9%–10%.

The Australian dollar depreciated materially over the year, finally succumbing to the combination of a significant decline in the terms of trade, a softening in the pace of economic growth and further reductions in the level of domestic short-term interest rates. On a trade weighted index (TWI) basis, the Australian dollar declined by almost 12%. Against individual currencies, the Australian dollar fell by 18% against the US dollar and 11% against the Pound. However, it was flat against the Euro, Yen and a basket of emerging currencies and rose by 6% against the NZ dollar.

Default Option performance

CSS & PSS

The CSS Default Fund and PSS Default Fund posted their third straight year of very strong net returns (after fees and tax) in the year to 30 June 2015, increasing by 12.2% and 12.1%, respectively. Performance was buoyed by strong listed share market returns, particularly in overseas markets, and ongoing investor appetite for high-yielding assets. The environment for positive financial market returns was underpinned by modest levels of economic growth, an absence of inflationary pressures and ongoing monetary policy stimulus provided by the central banks of the major developed economies.

In the three years to 30 June 2015, the CSS Default Fund achieved an average net return of 12.7% per annum. This compares with a five year average net return of 9.4% per annum and a 10 year average net return of 6.6% per annum.

In the three years to 30 June 2015, the PSS Default Fund achieved an average net return of 12.6% per annum, compared to a five-year average net return of 9.3% per annum and a 10 year average net return of 6.7% per annum.

MilitarySuper

MilitarySuper's Balanced Option achieved a net return (after fees and tax) of 12.1% in the year to 30 June 2015. Returns also benefited from the strong pick-up in listed equity markets. This compared to a three year average net return of 12.3% per annum and a five year average net return of 7.9% per annum. Over the 10 years to 30 June 2015, MilitarySuper's Balanced Option achieved an average net return of 5.6% per annum.

PSSap

The MySuper Balanced Option also benefited from the significant increase in listed equity market returns in 2014–15. In the year ended 30 June 2015 it achieved a strong net return (after fees and tax) of 12.2%.

In the three years to 30 June 2015, the MySuper Balanced Option achieved an average net return of 12.7% per annum. This compares with a five year average net return of 9.3% per annum and a 10 year average net return of 6.7% per annum.

Investment performance

Investment performance for each option is calculated after fees and taxes. Performance is calculated based on the actual value of investment option assets as at the end of the quoted performance period (which is 1 July 2014 to 30 June 2015 for this report) and is indicative only of the performance that a member achieves on their investment.

The following performance figures are based on final valuations as at 30 June 2015. Past performance is no indication of future performance.

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

Using earning rates or unit prices to calculate an investment performance figure for the 1 July 2014 to 30 June 2015 period will provide similar but not identical rates to the investment performance figures published below.

Table 5: CSS investment performance to 30 June 2015

Options	1 year (%)	3 years (%) pa	5 years (%) pa	10 years (%) pa
Default Fund	12.2	12.7	9.4	6.6
Cash Investment Option	2.1	2.3	3.0	3.9

Table 6: PSS investment performance to 30 June 2015

Options	1 year (%)	3 years (%) pa	5 years (%) pa	10 years (%) pa
Default Fund	12.1	12.6	9.3	6.7
Cash Investment Option	2.1	2.3	3.0	3.9

Table 7: MilitarySuper investment performance to 30 June 2015

Options	1 year (%)	3 years (%) pa	5 years (%) pa	10 years (%) pa
Cash	2.1	2.4	3.1	4.0
Income Focused	7.0	5.9	5.4	4.5
Balanced (default)	12.1	12.3	7.9	5.6
Aggressive	16.1	15.3	9.8	5.4

Table 8: PSSap investment performance to 30 June 2015

Options	1 year (%)	3 years (%) pa	5 years (%) pa	10 years (%) pa
Cash	2.2	2.4	3.1	3.9
Income Focused	6.9	7.0	6.6	5.4
MySuper Balanced (default)	12.2	12.7	9.3	6.7
Balanced	12.1	12.0	9.3	6.9
Aggressive	16.1	15.6	10.8	7.4

Table 9: CSCri investment performance to 30 June 2015

Options	1 year (%)	Since inception (%) pa
Cash	2.5	2.5
Income Focused (default)	7.6	6.3
Balanced	13.6	12.7
Aggressive	17.9	17.6

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

5

Super schemes

Overview of the schemes

CSS

CSS is a public sector scheme established on 1 July 1976 by the CSS Act. It closed to new members on 30 June 1990. CSS is a hybrid scheme (part accumulation and defined benefit) where benefits derive from a member and employer component.

The member component is the accumulation part. It consists of member contributions and Fund earnings. The employer component is the defined benefit part. It comprises two parts; the first is unfunded and generally paid as a lifetime non-commutable indexed pension (lifetime pensions are paid by the Australian Government). The second part is the employer productivity contributions, made-up of contributions and Fund earnings.

PSS

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

The member component consists of member contributions and Fund earnings. The employer components comprise two parts; the first being employer productivity contributions plus Fund earnings, with the second part being the unfunded 'benefit balance', which is determined at the time a member exits relevant public sector employment.

Members on retirement can convert 50% or more of their final benefit to a lifetime non-commutable indexed pension paid by the Australian Government.

MilitarySuper

MilitarySuper was established on 1 October 1991 by the MilitarySuper Act. MilitarySuper will close to new entrants from 1 July 2016, subject to the passage of legislation. ADF Super will be available to ADF members who join on or after 1 July 2016. MilitarySuper members may choose to move to the new scheme or remain in the current scheme.

MilitarySuper is a hybrid scheme (part accumulation and defined benefit).

Benefits derive from a member and employer component. The member component is the accumulation part. It consists of member contributions, any amounts notionally brought over from DFRDB, plus Fund earnings on those amounts. The employer component is the defined benefit part. It is based on a member's period of membership and final average salary. It is unfunded except for the portion relating to the employer 3% productivity contributions paid each fortnight to the Fund by the Department of Defence. Unfunded benefits are paid by the Australian Government.

MilitarySuper offers an Ancillary membership to eligible DFRDB members and their spouses who wish to make additional contributions and transfers.

PSSap

PSSap is a public sector scheme established on 1 July 2005 by the PSSap Act. It is an accumulation plan. Members and employers pay money into the Fund, with investment returns calculated as a compound average rate of return after fees and taxes have been deducted. PSSap is open to eligible employees of participating employers under choice of fund legislation. Employers contribute 15.4% per annum on behalf of their employees. PSSap also offers

an Ancillary membership to eligible CSS and PSS members to make additional super contributions and transfers. PSSap also offers an account-based pension product known as CSCri (Commonwealth Superannuation Corporation retirement income) to public sector scheme members.

DFRB

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

DFRDB

DFRDB is a closed unfunded military defined benefit scheme. Established by the DFRDB Act, the scheme closed to new ADF entrants on 1 October 1991 when MilitarySuper was established.

DFRDB provides superannuation for ADF members who became contributors on or after 1 October 1972 and for contributors of DFRB on 30 September 1972 who compulsorily transferred to DFRDB on 1 October 1972.

DFSPB

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

PNG

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

1922 scheme

The 1922 scheme, which was established under the 1922 Act, is a closed public sector scheme with no contributing members. Contributing members transferred to CSS when it opened on 1 July 1976. The 1922 Act continues to provide for payment of pensions, deferred benefit entitlements and any reversionary pensions that become payable.

Members and benefits

CSC's schemes generally consist of two types of members: contributors, who are employed by a participating scheme employer (usually an Australian Government entity) or are members of the ADF; and deferred benefit members or preservers who do not contribute to their scheme because they no longer work for a participating employer or are no longer ADF members. These members maintain an account within their scheme and under scheme rules can generally become contributors again if they join a participating employer or rejoin the ADF.

Pensioners are former scheme members who have exited their scheme and receive a pension paid by the Australian Government. Eligible pensioners from the military schemes may become contributors again if they re-enter the ADF for a period of more than 12 months.

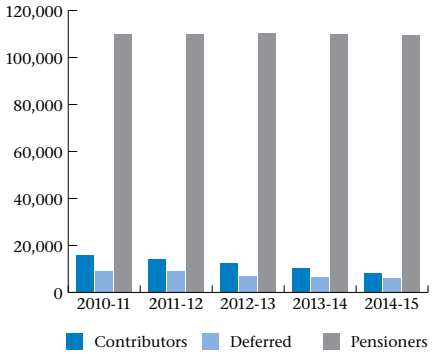
Public sector scheme members who join CSCri are referred to as CSCri members.

Depending on scheme rules, scheme membership may also include former spouses following a family law split, who are known as associates; spouses and eligible children of deceased pensioners or members; and members who under scheme rules hold a benefit in a second scheme (MilitarySuper or PSSap), who are known in their second scheme as Ancillary members.

CSS

Membership

Chart 1: CSS members & pensioners over five years



Note: figures are at 30 June of each year

Table 10: CSS membership by type & pensioners

	30 June 2014	30 June 2015
Contributors	10,550	8,396
Deferred	6,702	6,200
Pensioners	109,821	109597
Total	**127,073**	**124,193**

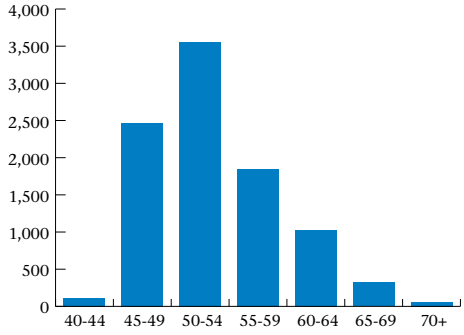
Contributors

Table 11: CSS contributors

	Male	Female	Total
At 30 June 2014	6,793	3,757	**10,550**
At 30 June 2015	5,383	3,013	**8,396**

Note: rejoins are deferred members who became contributors and exits are contributors who became deferred or left CSS.

Chart 2: CSS contributor age profile at 30 June 2015



Years of service

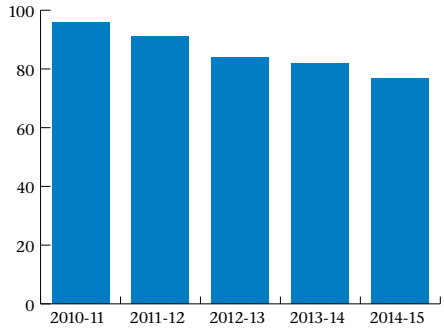
More than 90% of CSS contributors had over 20 years of service at 30 June 2015.

Member contributions

Contributors can make basic and supplementary contributions, both of which are made from after-tax income.

Contributors can also make voluntary payments into PSSap (refer to the **PSSap** part for details).

Chart 3: CSS member contributions

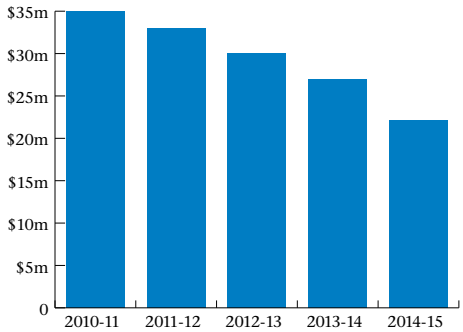


Note: this table shows basic and supplementary contributions.

Employer contributions

Employers pay a fortnightly contribution, which is the productivity component. It is based on the member's super salary.

Chart 4: CSS employer contributions



Deferred benefit members

On leaving the employment of a CSS participating employer, members can keep their super in CSS for future payment. This is called a 'deferred benefit'. A deferred benefit account can be 'reactivated' if the member recommences work with a participating employer.

Table 12: CSS deferred benefit members

	Male	Female	Total
At 30 June 2014	4,461	2,241	**6,702**
At 30 June 2015	4,015	2,185	**6,200**

Pensioners

Members who exit at retirement are generally entitled to a CPI-indexed pension paid for life.

Information on 1922 scheme pensioners is provided later in this section.

Table 13: CSS pensioners by type

	2013–14	2014–15
Age retirement	59,366	60,055
Involuntary retirement	14,592	14,610
Invalidity	11,649	10,965
Spouse	24,178	23,934
Child/other	36	33
Total	**109,821**	**109,597**

Benefit payments

Benefits in CSS are paid in most cases when a member exits the scheme at retirement. Generally benefits cannot be paid until minimum retirement age is reached.

Table 14: CSS average yearly pension amount

	30 June 2014	30 June 2015
Average amount ($)	33,010	$35,596

Note: this table shows the weighted average yearly pension; pension indexation increases were 1.3% in July 2014 and 0.9% in January 2015; CSS pensions are paid by the Australian Government.

Chart 5: CSS pension payments over five years

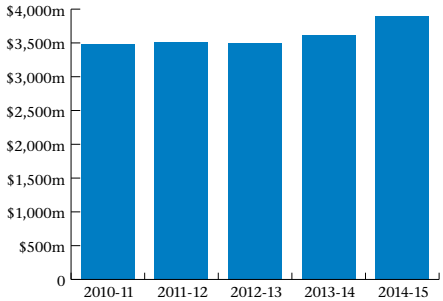
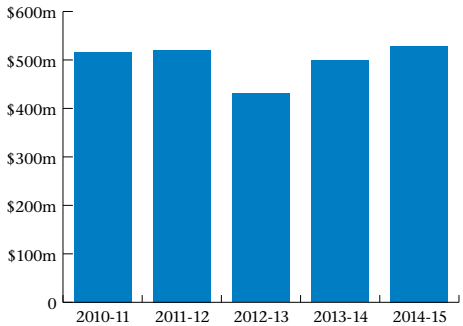


Chart 6: CSS lump sum payments over five years



Note: lump sums are paid from the CSS Fund.

Invalidity benefits

CSS provides partial invalidity, full invalidity and death benefits.

Death and invalidity

Benefits are based on the entitlement the individual member would have received if they had worked to their maximum retirement age (generally age 65), subject to any pre-existing medical conditions being assessed.

Table 15: Full invalidity pensions in CSS

	2013–14	2014–15
Full invalidity pensioners	44	28

Partial invalidity

A benefit is paid as a partial invalidity pension, which is a form of income maintenance, when a member's salary is permanently reduced because of a medical condition.

Table 16: Partial invalidity applications in CSS

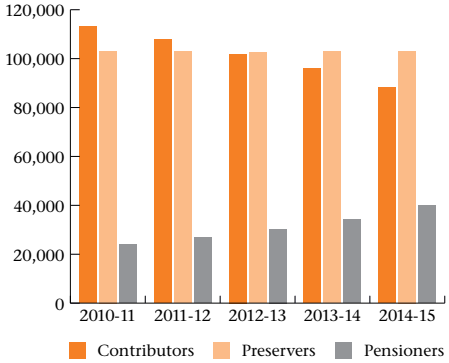
	2014–14	2014–15
New applications	4	1

Note: this table shows assessed applications including retrospective applications.

PSS

Membership

Chart 7: PSS members & pensioners over five years



Note: figures are at 30 June of each year.

Table 17: PSS membership by type & pensioners

	30 June 2014	30 June 2015
Contributors	96,051	88,309
Preservers	102,965	103,167
Pensioners	34,320	39,993
Total	**233, 336**	**231,469**

Contributors

Table 18: PSS contributors

	Male	Female	Total
At 30 June 2014	40,314	55,737	**96,051**
At 30 June 2015	37,006	51,303	**88,309**

Chart 8: PSS contributor age profile at 30 June 2015

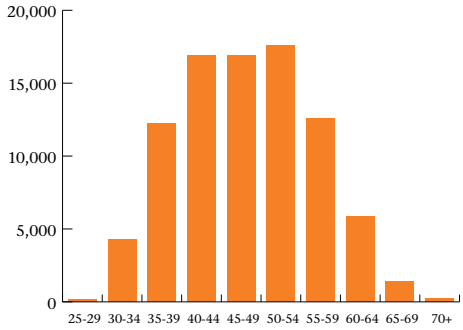


Table 19: PSS years of service at 30 June 2015

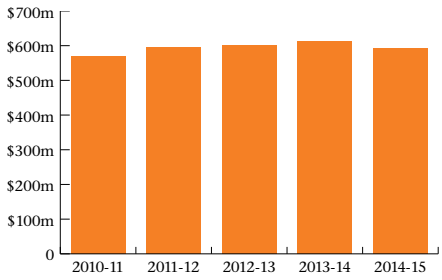
Years of service	Percentage (%)
Under 4	1.9
5–9	5.9
10–114	42.5
15–119	21.9
Over 20	27.8

Member contributions

Contributors can contribute up to 10% of their salary for super purposes. Contributions are made from after-tax income.

Contributors can also make voluntary payments into PSSap (refer to the **PSSap** section for details).

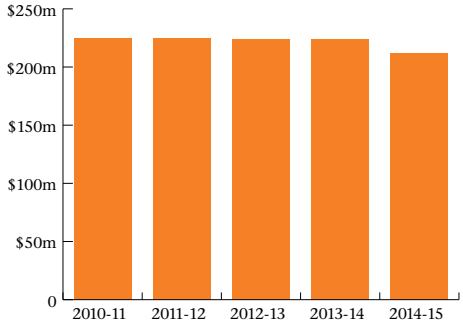
Chart 9: PSS member contributions over five years



Employer contributions

Employers pay a fortnightly contribution, which is the productivity component. It is based on the member's super salary.

Chart 10: PSS employer contributions over five years



Preservers

On leaving the employment of a PSS participating employer, members can keep their super in PSS for future payment. This is called a 'preserved benefit'. A preserved benefit account can be 'reactivated' if the member recommences work with a participating employer.

Preserved benefit members can also transfer eligible monies from their PSS account into PSSap without exiting PSS.

Table 20: PSS preservers

	Male	Female	Total
At 30 June 2014	41,443	61,522	**102,965**
At 30 June 2015	41,219	61,948	**103,167**

Pensioners

Members who exit PSS at retirement are generally entitled to a CPI-indexed pension paid for life.

Table 21: PSS pensioners by type

	2013–14	2014–15
Age retirement	16,584	18,657
Involuntary retirement	13,208	16,458
Invalidity	3,182	3,182
Spouse	1,261	1,397
Child/other	85	88
Total	**34,320**	**39,993**

Benefit payments

Benefits in PSS are paid in most cases when a member exits the scheme at retirement. Generally benefits cannot be paid until minimum retirement age is reached.

Table 22: PSS average yearly pension amount

	30 June 2014	30 June 2015
Average amount ($)	24,833	$26,990

Note: this table shows the weighted average yearly pension; pension indexation increases were 1.3% in July 2014 and 0.9% in January 2015; PSS pensions are paid by the Australian Government.

Chart 11: PSS pension payments over five years

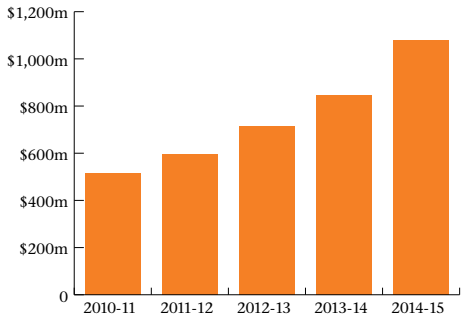
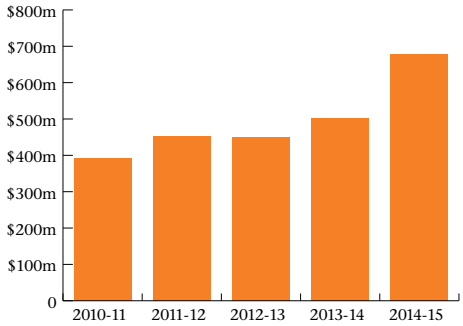


Chart 12: PSS lump sum payments over five years



Note: lump sums are paid from the PSS Fund.

Invalidity benefits

PSS provides partial invalidity, full invalidity and death benefits, and contributors can purchase additional death and invalidity cover, subject to those members meeting underwriting requirements.

Death and invalidity

Benefits are based on the entitlement the individual member would have received if they had worked to age 60, subject to any pre-existing medical conditions being assessed. Benefits for contributors after reaching age 60 are based on the age retirement pension that would have been payable to them.

Table 23: Full invalidity pensions in PSS

	2013–14	2014–15
Full invalidity pensioners	213	250

Partial invalidity

A benefit is paid as a partial invalidity pension, which is a form of income maintenance, when a member's salary is permanently reduced because of a medical condition.

Table 24: Partial invalidity applications in PSS

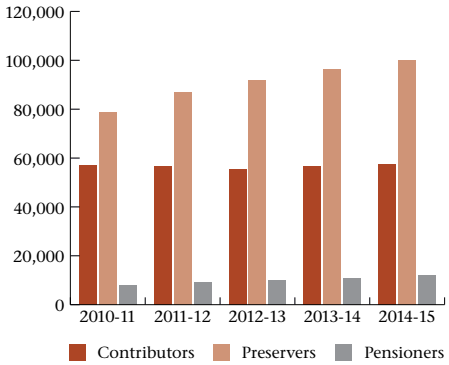
	2013–14	2014–15
New applications	76	55

Note: this table shows applications approved in the relevant year including retrospective applications.

MilitarySuper

Membership

Chart 13: MilitarySuper members & pensioners over five years



Note: figures are at 30 June of each year; Ancillary members are not included.

Table 25: MilitarySuper membership by type & pensioners

	30 June 2014	30 June 2015
Contributors	56,470	57,415
Preservers	96,161	100,042
Pensioners	10,975	12,186
Total	**163,606**	**169,643**

Chart 14: MilitarySuper contributors over five years

Note: figures are at 30 June of each year.

Table 26: MilitarySuper contributors

	Male	Female	Total
At 30 June 2013	47,711	8,759	**56,470**
At 30 June 2014	48,264	9,151	**57,415**

Chart 15: MilitarySuper contributor age profile at 30 June 2015

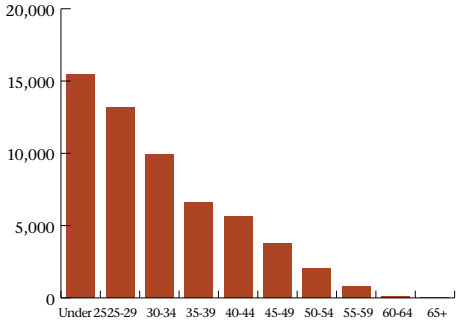


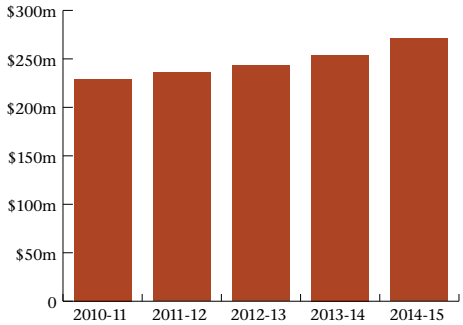
Table 27: MilitarySuper years of service at 30 June 2015

Years of service	Percentage (%)
Under 4	35.2
5–19	25.5
10–114	15.3
15–119	9.3
Over 20	14.7

Member contributions

The basic contribution rate is 5% of salary, including higher duties and the qualification and skills element of certain environmental allowances. Members can contribute up to 10% of their superannuation salary. Ancillary contributions are also accepted into the Fund from members, including both pre- and post-tax contributions such as additional personal, salary sacrifice and spouse contributions.

Chart 16: MilitarySuper member contributions over five years



Note: this chart shows basic and Ancillary contributions.

Ancillary contributions

Ancillary contributions can be made by contributing MilitarySuper and DFRDB members to build a separate superannuation benefit called an Ancillary benefit. It accrues as a separate accumulation interest, which has Fund earnings applied in line with the relevant investment returns. Ancillary contributions do not impact the member's employer benefit in MilitarySuper or DFRDB.

Chart 17: MilitarySuper Ancillary contributors over five years

Preservers

MilitarySuper members often leave the ADF before their minimum compulsory retirement age, usually to join the civilian workforce. In this case, some or all of a member's super benefit will be preserved in the scheme until they permanently retire from the workforce.

Table 28: MilitarySuper preservers

	Male	Female	Total
At 30 June 2014	79,442	16,719	**96,161**
At 30 June 2015	82,717	17,325	**100,042**

Pensioners

Members who exit at retirement are generally entitled to a CPI-indexed pension paid for life.

Table 29: MilitarySuper pensioners by type

	2013–14	2014–15
Retirement	2,199	2,517
Redundancy	2,088	2,113
Invalidity	6,202	7,033
Reversionary	486	523
Total	**10,975**	**12,186**

Benefit payments

Members who exit the scheme are entitled to receive a member-financed benefit regardless of their reason for leaving the ADF. Exiting members are also entitled to an employer-financed benefit, the amount of which varies based on the reason for their scheme exit. The employer-financed benefit is generally preserved until the member reaches their minimum preservation age.

Table 30: MilitarySuper average yearly pension amount

	30 June 2014	30 June 2015
Average amount ($)	28,553	30,695

Note: this table shows the weighted average yearly pension; pension indexation increases were 1.3% in July 2014 and 0.9% in January 2015; MilitarySuper pensions are paid by the Australian Government.

Chart 18: MilitarySuper pension payments over five years

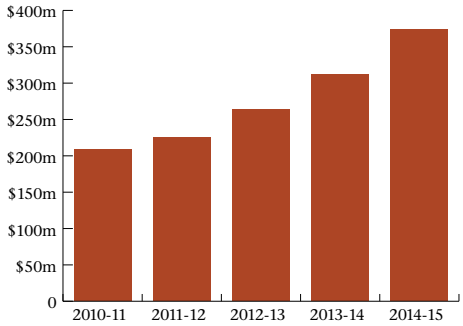
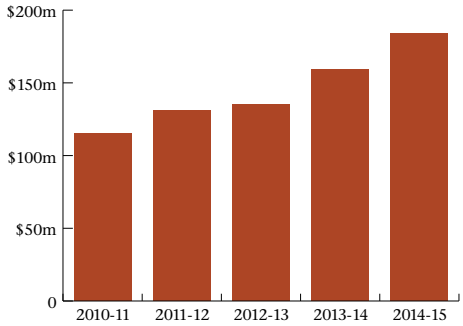


Chart 19: MilitarySuper lump sum payments over five years



Note: lump sums are paid from the MilitarySuper Fund and by the Australian Government.

Invalidity benefits

MilitarySuper provides partial invalidity, full invalidity and death benefits.

If a member becomes disabled and unable to continue their ADF service, invalidity benefits can help them to resettle into civilian employment.

Invalidity classifications

There are three levels of invalidity classifications:

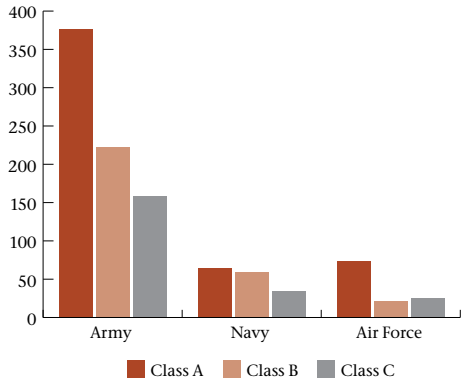
- Class A: Significant incapacity
- Class B: Moderate incapacity
- Class C: Low incapacity (no entitlement to an invalidity pension).

Table 31: Initial invalidity classifications in MilitarySuper

	2013–14	2014–15
Initial classifications	940	1040
Pensions granted	710	821
Pensions not granted	237	219

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

Chart 20: Invalidity classifications in MilitarySuper



Invalidity classification review

Members classified Class A or Class B are not guaranteed an invalidity benefit for their lifetime and may be subject to periodic medical reviews by CSC or its delegate until the member reaches age 55. Members can also initiate a classification level review.

Members classified Class C at retirement are not subject to periodic reviews but can request the initial classification be reconsidered. Their request must be made within 30 days of when the initial classification was determined.

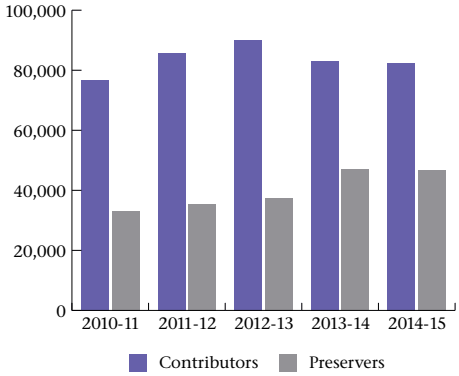
Table 32: Invalidity entitlement reviews in MilitarySuper

	2013–14	2014–15
Entitlements examined	142	16
Review with medical exam	91	112

PSSap

Membership

Chart 21: PSSap members over five years



Note: figures are at 30 June of each year and Ancillary members are not included.

Table 33: PSSap membership by type

	30 June 2014	30 June 2015
Contributors	83,155	82,495
Preservers	46,957	46,631
Total	**130,112**	**129,126**

Table 34: CSCri membership

	30 June 2014	30 June 2015
CSCri members	181	441

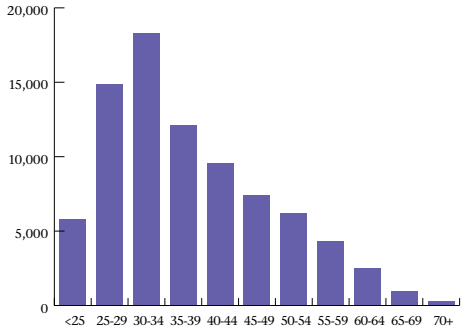
Contributors

Table 35: PSSap contributors over four years

	Male	Female	Total
At 30 June 2012	36,958	48,874	**85,832**
At 30 June 2013	38,798	51,348	**90,146**
At 30 June 2014	36,035	47,120	**83,155**
At 30 June 2015	35,584	46,911	**82,495**

Note: figures are at 30 June of each year.

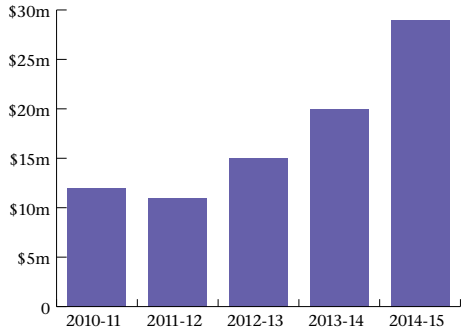
Chart 22: PSSap contributor age profile at 30 June 2015



Member contributions

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

Chart 23: PSSap member contributions over five years



Ancillary contributions

Ancillary contributions can be made by contributing CSS and PSS members who also join PSSap to build a separate superannuation benefit. Their benefit in PSSap has unit prices applied in line with the investment returns of the Fund and does not impact their CSS or PSS benefit in any way.

Ancillary memberships have been available since 1 July 2013. In 2014–15, $54 million in Ancillary contributions (in the form of salary sacrifice, personal (after tax) contributions,

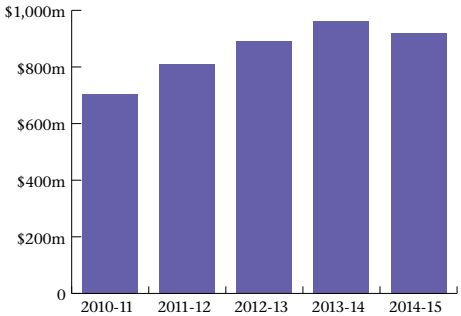
spouse contributions, and super transfers) were made (compared to $35 million in 2013–14).

At 30 June 2015, there were 1,506 Ancillary members of PSSap (235 from CSS and 1,271 from PSS), compared to 813 at 30 June 2014 (167 from CSS and 646 from PSS).

Employer contributions

PSSap contributors receive 15.4% employer contributions.

Chart 24: PSSap employer contributions



Preservers

Members can leave their super in PSSap for future payment. This is called a 'preserved benefit'. A preserved benefit account can be 'reactivated' if the member recommences work with a participating employer.

Table 36: PSSap preservers

	Male	Female	Total
At 30 June 2014	18,416	28,541	**46,957**
At 30 June 2015	18,367	28,264	**46,631**

Benefit payments

Superannuation benefits in PSSap are paid out of the PSSap Fund for the purpose of retirement, or if a member wishes to consolidate funds into another super fund.

Table 37: PSSap withdrawals

	2013–14	2014–15
Total withdrawals ($)	239.793m	376.612m

CSCri

CSCri is an account-based pension product offered to public sector scheme members. Lump sum amounts can be rolled into CSCri for the purpose of receiving regular income payments from superannuation in retirement or in the transition to retirement.

Table 38: CSCri membership by type

	30 June 2014	30 June 2015
Standard pensions	99	229
Transition pensions	82	210
Invalidity pensions	0	2
Total	**181**	**441**

Table 39: CSCri roll ins

	2013–14	2014–15
Total roll ins ($)	47.668m	67,864m

Table 40: CSCri pension payments and lump sum withdrawals

	2013–14	2014–15
Payments and withdrawals ($)	$3.16m	$9.73

Insurance benefits

Eligible PSSap members receive an automatic level of death, total and permanent disability (TPD) and income protection cover, and can apply to vary, increase, decrease or opt out of their cover. Cover is provided by the Insurer, AIA Australia Limited ABN 79 004 837 861, AFSL 230043).

Death and TPD

Cover provides a lump sum payment on death or TPD. The level of cover changes automatically based on a member's age, unless the member has fixed cover in place, which remains the same until the cover ceases or until the member advises that they wish to opt out of that level of cover.

Members can choose death and TPD cover or death only cover.

Table 41: TPD claims in PSSap

	2013–14	2014–15
TPD claims assessed	95	124

Income protection cover

Cover provides an income stream paid monthly in arrears, which covers (by default) 75% of an eligible member's base salary for up to two years when that member is unable to return to work due to disability caused by sickness or injury.

Table 42: Income protection claims in PSSap

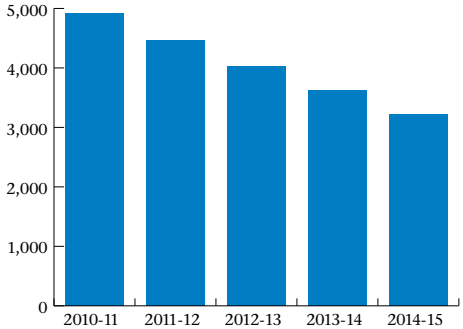
	2013–14	2014–15
IP claims assessed	180	194

1922 scheme

This scheme solely comprises pensioners. On 1 July 1976 contributors under the 1922 Act were compulsorily transferred to CSS and 1922 scheme closed to new contributors.

Pensioners

Chart 25: 1922 scheme pensioners over five years



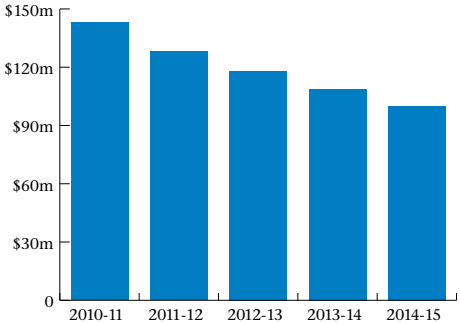
Note: figures are at 30 June of each year.

Table 43: 1922 scheme pensioners by type

	2013–14	2014–15
Retirement/ redundancy	73	63
Invalidity	721	659
Reversionary	2,822	2,496
Total	**3,616**	**3,218**

Pension payments

Chart 26: 1922 scheme pension payments over five years



Note: pension indexation increases were 1.3% in July 2014 and 0.9% in January 2015; 1922 scheme pensions are paid by the Australian Government.

DFRB and DFRDB

Membership

DFRB

This scheme solely comprises pensioners. It closed to new contributors on 30 September 1972.

Chart 27: DFRB pensioners over five years

Note: figures are at 30 June of each year.

DFRDB

This scheme closed on 1 October 1991 when MilitarySuper commenced.

Chart 28: DFRDB members & pensioners over five years

Table 44: DFRDB membership by type & pensioners

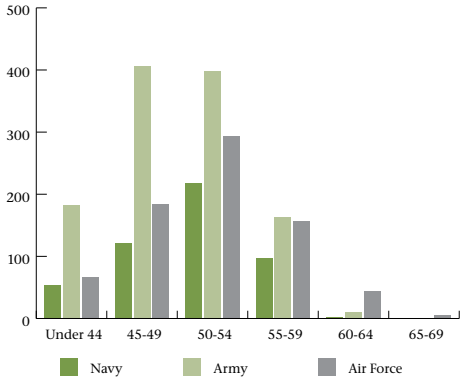
	30 June 2014	30 June 2015
Contributors	2,733	2,410
Pensioners	53,057	52,921
Total	**55,790**	**55,331**

Note: pensioners who re-enter for less than 12 months do not contribute to DFRDB, continue to receive a pension and are not eligible for invalidity; pensioners who re-enter for greater than 12 months become contributors, their pension is suspended and they are eligible for invalidity.

Table 45: DFRDB contributors

	Male	Female	Total
At 30 June 2014	2,627	106	**2,733**
At 30 June 2015	2,316	94	**2,410**

Chart 29: DFRDB contributor age profile at 30 June 2015



Years of service

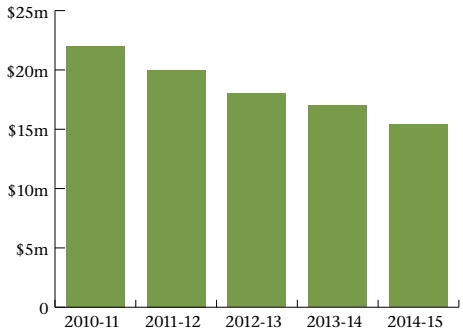
Almost all DFRDB contributors had more than 20 years of service at 30 June 2015.

Member contributions

DFRDB members contribute 5.5% of their fortnightly salary for super purposes until they reach 40 years of effective service, at which time they can no longer contribute.

Contributors can also make voluntary payments into MilitarySuper, known as ancillary contributions (refer to the **MilitarySuper** part for details).

Chart 30: DFRDB member contributions



Pensioners

Table 46: DFRB pensioners by type

	2013–14	2014–15
Retirement	606	533
Redundancy	1	1
Invalidity	598	568
Reversionary	1,924	1,825
Total	**3,129**	**2,927**

Table 47: DFRDB pensioners by type

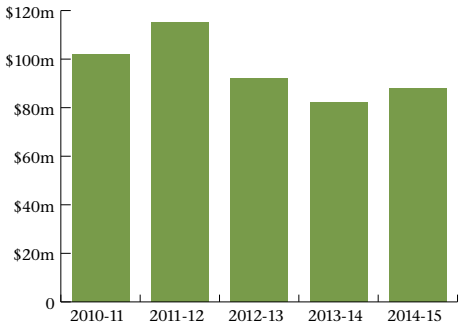
	2013–14	2014–15
Retirement	42,267	41,956
Redundancy	979	976
Invalidity	2,502	2,528
Reversionary	7,309	7,461
Total	**53,057**	**52,921**

Note: pensioners who re-enter the ADF for less than 12 months do not contribute to DFRDB, continue to receive a pension and are not eligible for invalidity; pensioners who re-enter for greater than 12 months become contributors, their pension is suspended until they again leave the ADF and they are eligible for invalidity.

DFRDB lump sum payments

Personnel retiring from the ADF can commute part of their DFRDB benefit to receive early payment of their retirement pension as a lump sum. In this case, their retirement pension is permanently reduced irrespective of how long they live. Retiring members can receive a maximum commutation lump sum of up to five times the value of their annual pension.

Chart 31: DFRDB lump sum payments



DFRDB invalidity benefits

DFRDB provides partial invalidity, full invalidity and death benefits.

If a member becomes disabled and unable to continue their ADF service, invalidity benefits can help them to resettle into civilian employment.

Invalidity classifications

There are three levels of invalidity classifications:

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

Table 48: Initial invalidity classifications in DFRDB

	2013–14	2014–15
Initial classifications	25	54
Pensions granted	25	38
Pensions not granted	0	16

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

Chart 32: Invalidity classifications by service in DFRDB

Invalidity classification review

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

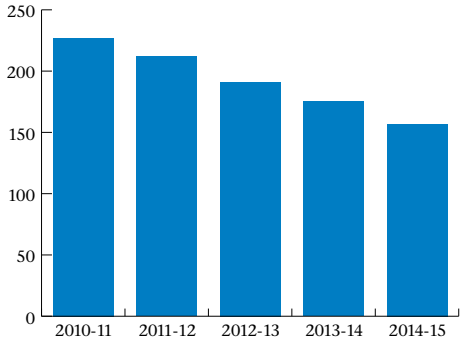
The reconsideration process for DFRDB is outlined later in this section of the report.

PNG

This scheme solely comprises pensioners. The Papua New Guinea Superannuation Fund closed to new contributors on 30 June 1976.

Pensioners

Chart 33: PNG pensioners over five years



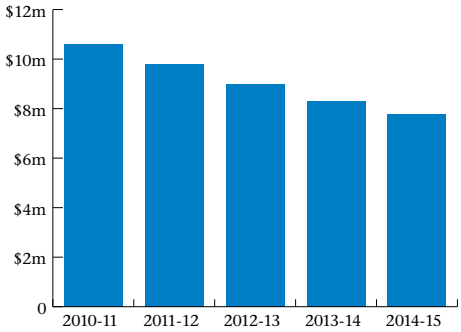
Note: figures are at 30 June of each year.

Table 49: PNG pensioners by type

	2013–14	2013–14
Retirement/ redundancy	32	27
Invalidity	9	7
Reversionary	134	123
Total	**175**	**157**

Pension payments

Chart 34: PNG pension payments over five years



Note: pension indexation increases were 1.3% in July 2014 and 0.9% in January 2015; PNG pensions are paid by the Australian Government.

Services and administration

Part of CSC's mission is to provide information and services that are relevant, reliable and helpful to members. Our services are designed to give our members the information, education and financial advice they need to make informed decisions about their superannuation, including:

- general information over the phone and online
- secure management of their account online
- education and general advice at a public or workplace seminar, online webinar or one-on-one information session
- personal financial advice from a qualified financial planner from Industry Fund Services (IFS).

Superannuation services

Personal financial advice

CSC partners with experienced financial planners from IFS to make a comprehensive personal financial advice service available to CSC scheme members.

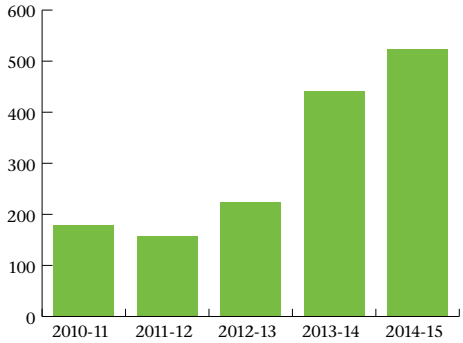
IFS is responsible for the advice provided generally on a fee-for-service basis to CSC scheme members. All IFS advisers are licensed financial planners and authorised representatives of IFS. At 30 June 2015, there were seven IFS advisers based in Canberra, Sydney, Melbourne and Brisbane, dedicated to CSC scheme members (compared to six advisers at 30 June 2014).

The services offered to CSC members include face-to-face and phone-based personal financial advice. In 2014–15, IFS planners met with approximately 2,300 CSC scheme members.

Scheme information

CSC scheme members can attend public and workplace seminars, as well as online webinars on their super scheme. Members can also attend sessions on specific topics such as their annual statement, the online calculator for defined benefit schemes known as i-Estimator, and redundancy. Seminars and webinars are presented by CSC's team of Member Education Consultants.

Chart 35: Workshops and seminars on public sector schemes



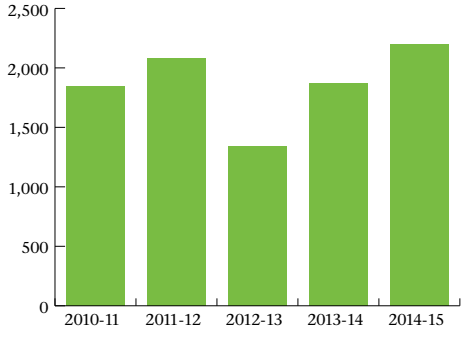
In 2014–15, over 12,000 members attended public sector scheme workshops and seminars.

Chart 36: Seminars on military schemes

In 2014–15, almost 5,000 members attended military scheme seminars.

Members of the military schemes can attend free one-on-one information sessions at locations around Australia. General information is provided on a range of topics, from scheme benefits to contribution and investment options.

Chart 37: One-on-one information sessions for military scheme members



Members can call, email and write to their scheme contact centre to:

- obtain general information about their scheme and superannuation
- receive information about their account or pension
- update their account records or pension payment details
- request a benefit estimate.

Chart 38: Member enquiries to contact centres

Scheme administration

Until 30 June 2015 CSC's legislatively mandated scheme administrator was ComSuper. ComSuper merged into CSC on 1 July 2015 when the *Governance of Australian Government Superannuation Schemes Legislation Amendment Act 2015* took effect.

ComSuper was established by section 4 of the *ComSuper Act 2011* and was a non-corporate Commonwealth entity under the PGPA Act for the period of this report. The CSC Board delegated certain powers to ComSuper, enabling it to perform its role of scheme administrator, which included:

- calculation and payment of benefits
- responding to member and employer enquiries

  and
- maintenance of accounts for contributors, preservers and pensioners.

ComSuper administered all CSC's schemes and outsourced PSSap scheme administration to Pillar Administration, a New South Wales statutory corporation. The contract with Pillar Administration was taken over by CSC in December 2014, while scheme administration functions provided by ComSuper were absorbed within CSC upon the merger of ComSuper into CSC on 1 July 2015.

Service levels and performance

CSC had service level agreements (SLAs) with the former ComSuper for the administration of the defined benefit public sector and military schemes. CSC also has SLAs with Pillar Administration for the PSSap scheme and CSCri, CSC's account-based income stream.

Public sector scheme performance

CSS and PSS

In 2014–15, 95% (125 out of 132) of the SLA standards were met or exceeded, compared to 88% the previous year. Core service delivery remained very strong despite high service demand and merger activities.

Table 50: Performance of CSS key functions

	Annual SLA standards achieved
Payment of benefits	11 of 11 (100%)
Member enquiries (eg telephone calls, benefit estimates, email and written enquiries)	7 of 7 (100%)
Account maintenance	4 of 4 (100%)

Table 51: Performance of PSS key functions

	Annual SLA standards achieved
Payment of benefits	11 of 12 (92%)
Member enquiries (eg telephone calls, benefit estimates, email and written enquiries)	6 of 6 (100%)
Account maintenance	4 of 4 (100%)

PSSap

In 2014–15, 90% (88 out of 98) of the SLA standards were met or exceeded, an increase of 6% when compared to the previous year. The missed service standards were all secondary performance standards requiring 100% for the relevant standard to be achieved. Most of these standards were missed by less than 1%.

Table 52: Performance of PSSap key functions

	Annual SLA standards achieved
Payment of benefits	5 of 6 (83%)
Communications (eg enquiries, online service complaints, reconsideration)	11 of 12 (92%)
Member service (eg account maintenance, investment changes, family law, member statements)	18 of 20 (90%)
Insurance	7 of 12 (58%)

Military scheme performance

In 2014–15, 86% (177 out of 206) of the SLA standards were met or exceeded (compared to 87% in the previous year). The most challenging area of work within the military schemes remained the rapid growth of military invalidity casework and reconsiderations.

Table 53: Performance of MilitarySuper key functions

	Annual SLA standards achieved
Payment of benefits	12 of 18 (67%)
Member enquiries (eg telephone calls, benefit estimates, email and written enquiries)	13 of 14 (93%)
Account maintenance	12 of 12 (100%)

Table 54: Performance of DFRDB key functions

	Annual SLA standards achieved
Payment of benefits	13 of 15 (87%)
Member enquiries (eg telephone calls, benefit estimates, email and written enquiries)	14 of 15 (93%)
Account maintenance	6 of 6 (100%)

Review of decisions

Decisions of CSC and its delegates are subject to both internal review (the reconsideration process) and external review (review by other bodies).

A formal complaints process is also in place.

Internal review (regulated schemes)

A person affected by a decision of CSC or a delegate may apply in writing to have it reconsidered. Reconsideration requests are treated as complaints for the purposes of section 101 of the SIS Act. If a member of a regulated scheme is dissatisfied with a decision, they may request the Superannuation Complaints Tribunal (the SCT) to review the decision in accordance with the *Superannuation (Resolution of Complaints) Act 1993* (the SRC Act).

Public sector schemes

Reconsideration requests generally relate to decisions made in respect of spouse eligibility, limited benefits membership for re-entered PSS members, applications to change benefit choices, invalidity claims and distribution of death benefits. Following the completion of any internal reconsideration investigations, cases are prepared for review by the.

The role of the Committee is to:

- examine decisions taken by CSC and its delegates under the provisions of the CSS, PSS, PSSap and PNG legislation and the 1922 Act which are the subject of requests for reconsideration
- in accordance with a request for reconsideration affirm or vary the decision, or set the decision aside and substitute another decision for it.

The APS Reconsideration Advisory Committee comprises at least two CSC directors, one of whom acts as a Chairman, and two independent members appointed by the CSC Board. A quorum of the Committee is three members, one of whom must be a CSC director.

During the year, the Committee comprised Mr John McCullagh (Chairman and CSC director), Mr Peter Feltham (CSC director), Ms Peggy O'Neal (CSC director), Ms Libby D'Abbs (independent member) and Mr Stevan Matheson (independent member).

The Committee met on seven occasions in 2014–15.

Table 55: Cases with the APS Reconsideration Advisory Committee

	2013–14	2014–15
Carried over	14	19
Received	18	55
Finalised	13	39
Carried forward	19	37

Reconsideration cases were finalised by the Committee in an average of 8.1 months for CSS cases and 4.6 months for PSS cases (there was one PSSap case only, which was carried over from 2013–14 and finalised in 2014–15).

MilitarySuper

Most MilitarySuper reconsideration requests relate to invalidity classifications and the related amount of invalidity benefit which is payable, and to subsequent invalidity classification reviews. Other common reconsideration subjects are late elections, recovery of overpayments, early access to superannuation on hardship grounds and spouse entitlements.

Following the completion of any internal reconsideration investigations, cases are prepared for review by the MilitarySuper Reconsideration Committee.

The role of the Committee is to:

- examine and report on matters referred to it by the Board of CSC in respect of decisions of the Board and its delegates under the MilitarySuper Rules (the Rules) relating to members' entitlements and benefits
- reconsider decisions of the Board and its delegates under the Rules relating to members' entitlements and benefits in accordance with a request of the Board, either:
  - make recommendations to the Board in relation to the decision

    or
  - affirm or vary the decision, or set the decision aside and substitute another decision for it.

The Committee membership mirrors the membership of the Defence Force Case Assessment Panel (DFCAP), which is the reconsideration committee for the unregulated military schemes (DFCAP is outlined below).

During the year, membership of the military scheme reconsideration committees comprised Air Vice Marshal Margaret Staib (CSC director and Chair of both committees), Mr John McCullagh (CSC director and Deputy Chairman of both committees), Group Captain Wayne Knight (Air Force nominee), Colonel Natasha Fox (Army nominee up to 8 January 2015), Colonel Mitch Kennedy (Army nominee from 9 January 2015), Commander David Thorley (Navy nominee) and Brigadier Peter Bray (retirement pensioner).

The Committee met on 13 occasions in 2014–15.

Table 56: Cases with the MilitarySuper Reconsideration Committee

	2013–14	2014–15
Requests on hand	77	63
Requests received	95	205
Requests resolved	109	193
Carried forward	63	75

Reconsideration cases were finalised by the Committee in an average of 8.3 months in 2014–15, compared to 6.2 months in 2013–14.

Internal review (unregulated schemes)

Unregulated public sector schemes

People who are dissatisfied with decisions made by delegates under either the 1922 Act or the PNG Act or the *Papua New Guinea (Staffing Assistance) (Superannuation) Regulations 1973* can have their matter reviewed by CSC.

During the year, no requests for reconsideration were received for the 1922 scheme or PNG.

Unregulated military schemes

A person affected by a decision of CSC or a delegate may apply in writing to have it reconsidered. Most requests in relation to the DFRB and DFRDB focus on invalidity classifications and the related amount of invalidity benefit which is payable, and on subsequent invalidity classification reviews. Other common reconsideration subjects are late elections to contribute, recovery of overpayments, early access to superannuation on hardship grounds and spouse entitlements.

Following the completion of any internal reconsideration investigations, cases are prepared for review by DFCAP (the Defence Force Case Assessment Panel). Its role is to:

> make recommendations to the CSC Board in relation to a decision

or

> affirm or vary the decision, or set the decision aside and substitute another decision for it.

DFCAP comprises:

(a) a Chairman (who must be one of the Chief of Defence Force nominated directors of CSC)

(b) a person nominated, in writing, by the Chief of the Air Force

(c) a person nominated, in writing, by the Chief of the Army

(d) a person nominated, in writing, by the Chief of the Navy

(e) two other persons as determined by CSC (one of them being a retirement pensioner in accordance with the Rules).

Membership of DFCAP during the year mirrored the membership of the MilitarySuper Reconsideration Committee (the individual members are outlined above in this section).

DFCAP met on 13 occasions in 2014–15.

Table 57: Cases with the Defence Force Case Assessment Panel

	2013–14	2014–15
Requests on hand	14	16
Requests received	15	35
Requests resolved	13	23
Carried forward	16	28

In 2014–15, reconsideration cases were finalised by DFCAP in an average of 8.1 months for DFRDB and 8.3 months for DFRB (in comparison to 5.3 months and nine months respectively in the previous year).

External review

Certain CSC decisions are subject to external review by bodies such as the SCT (the Superannuation Complaints Tribunal), the Administrative Appeals Tribunal (AAT), the Federal Court, the Commonwealth Ombudsman and the Australian Human Rights Commission.

Superannuation Complaints Tribunal

A member of a CSC regulated scheme dissatisfied with a decision may request the SCT to review the decision in accordance with the SRC Act. Decisions must first have been the subject of internal consideration, with the complainant either remaining unsatisfied with the outcome of the complaint or having not received a response within the appropriate time frame. CSC decisions include any decision taken by CSC or its delegates.

Table 58: Complaints lodged with the SCT

	2013–14	2014–15
Carried over	71	66
Lodged	56*	30
Completed	61	50
Carried forward	66*	46

* **Correction:** Two SCT complaint figures published in the CSC Annual Report 2013–14 for the 2013–14 financial year were incorrect; the revised figures published for that year in this report are correct.

Administrative Appeals Tribunal

Decisions made by CSC or its delegates in relation to the unregulated schemes can be the subject of a complaint to the AAT, established under the *Administrative Appeals Tribunal (AAT) Act 1975* (the AAT Act).

AAT applications are processed according to the procedures and practices of the AAT set out in the AAT Act and the practice directions issued by the AAT President. No matters were referred to the AAT in 2014–15 in relation to the 1922 scheme or the PNG. There were, however, some matters referred for the unregulated military schemes, as shown in **Table 61**.

Table 59: Complaints lodged with the AAT

	2013–14	2014–15
Carried over	2	3
Applications for review	4	1
Matters resolved	3	4
– Affirmed	1	0
– Dismissed or withdrawn	2	1
– Conceded by CSC or resolved by mediation	0	0
– Set aside or varied	0	3
Carried forward	3	0

Federal Court

Decisions of the SCT are reviewable by the Federal Court under section 46 of the SRC Act. Appeals, on the grounds of an error of law, must be initiated within 28 days of notification of the SCT decision. Under section 44 of the AAT Act, a party to a proceeding before the AAT may also appeal to the Federal Court on a question of law arising from any decision of the AAT in that proceeding.

In 2014–15, one matter was appealed to the Federal Court.

Judicial Review

The *Administrative Decisions (Judicial Review) Act 1977* (AD (JR) Act) provides another review mechanism for a person aggrieved by an administrative decision taken under Commonwealth legislation.

Under the AD (JR) Act the person can seek on specified grounds an order for review of the decision in the Federal Court. In 2014–15, no orders for review were sought.

Commonwealth Ombudsman

Enquiries can also be made to the Commonwealth Ombudsman. In 2014–15, 4 Ombudsman enquiries were received in relation to CSC's super schemes.

Member complaints

CSC has formal procedures in place to resolve member complaints. CSC handles complaints relating to investment, policy and governance. During the reporting year, the former ComSuper handled complaints relating to scheme administration (for all schemes except PSSap). Scheme administration includes the maintenance of member accounts, recording of contributions, estimating and paying member benefits and issuing member statements. Pillar Administration handles scheme administration complaints relating to PSSap (including CSCri).

These procedures comply with the Association of Superannuation Funds of Australia (ASFA) Best Practice Guide and reflect the guiding principles of Standards of Australia AS ISO 10002-2006 (Customer Satisfaction – guidelines for complaints handling in organisations).

Table 60: Complaints received

	2013–14	2014–15
CSS	52	41
PSS	106	106
MilitarySuper	66	32
PSSap	144	118
DFRB/DFRDB	21	25

Ministerial representations

Members of the public and members of parliament can raise matters of concern with the government of the day. Matters are addressed by the relevant minister's office.

If the matter is non-political, the minister's office may ask the relevant department or agency to prepare a ministerial brief and/or ministerial correspondence which addresses the concerns on behalf of the minister's office.

Table 61: Ministerial representations received

	2013–14	2014–15
CSS	2	2
PSS	0	5
MilitarySuper	9	14
PSSap	1	0
DFRB/DFRDB	5	9

6

CSS financial statements

COMMONWEALTH SUPERANNUATION SCHEME (ABN 19415776361)

REPORT BY THE INDEPENDENT APPROVED AUDITOR TO THE MINISTER FOR FINANCE AND MEMBERS OF THE SCHEME

I have audited the financial statements of the Commonwealth Superannuation Scheme for the year ended 30 June 2015, comprising the Statement of Net Assets, the Statement of Changes in Net Assets, a Summary of Principal Accounting Policies and other explanatory notes.

Trustee's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Commonwealth Superannuation Scheme and the Minister for Finance.

My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee's, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor's Opinion

In my opinion:

(i) the financial statements are in the form as agreed by the Minister for Finance;

(ii) the financial statements present fairly, in all material respects, in accordance with the Australian Accounting Standards, the net assets of the Commonwealth Superannuation Scheme as at 30 June 2015 and the changes in net assets for the year ended 30 June 2015;

(iii) the financial statements are based on proper accounts and records; and

(iv) the receipt of money into the Scheme, and the payment of money out of the Scheme and the investment of money standing to the credit of the Scheme during the year have been in accordance with the Trust Deed.

AUSTRALIAN NATIONAL AUDIT OFFICE

Carla Jago
Executive Director
Delegate of the Auditor-General
Canberra
29 September 2015

Commonwealth Superannuation Scheme (ABN 19 415 776 361)

Statement by the Trustee of the Commonwealth Superannuation Scheme ('Scheme')

The Board of Directors hereby states that in its opinion:

(a) the attached financial statements give a true and fair view of the matters required by Australian Accounting Standards, including AAS 25 *'Financial Reporting by Superannuation Plans'*.

(b) the attached financial statements give a true and fair view of the net assets of the Scheme as at 30 June 2015 and the changes in net assets of the Scheme for the year ended 30 June 2015;

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

(d) the financial statements are in a form agreed by the Minister for Finance and the Trustee in accordance with subsection 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

(e) the financial statements have been prepared based on properly maintained financial records; and

(f) the operations of the CSS Fund were conducted in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011,* the *Superannuation Act 1976* and the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations, and the relevant requirements of the *Corporations Act 2001* and Regulations (to the extent applicable).

Signed this 29th day of September 2015 in accordance with a resolution of directors of the Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Patricia Cross
Chairman

Michael Vertigan
Director

Commonwealth Superannuation Scheme
Statement of Changes in Net Assets
For the Year Ended 30 June 2015

	Note	2015 $'000	2014 $'000
Net assets available to pay benefits at the beginning of the financial year		**4 049 149**	4 208 572
Net investment revenue			
Interest		**1 159**	1 188
Changes in net market values	5c	**419 409**	422 840
		420 568	424 028
Contribution revenue			
Member contributions	6a	**76 836**	81 617
Employer contributions	6a	**22 135**	27 357
Government co-contributions	6a	**56**	105
Low income superannuation contributions	6a	**9**	11
Net appropriation from Consolidated Revenue Fund	6b	**3 633 802**	3 542 485
		3 732 838	3 651 575
Total revenue		**4 153 406**	4 075 603
Benefits paid	6b	**(4 430 071)**	(4 230 647)
Transfers to the Public Sector Superannuation Scheme	9	**(216)**	(97)
Total expenses		**(4 430 287)**	(4 230 744)
Change in net assets before income tax		**(276 881)**	(155 141)
Income tax expense	7a	**(3 494)**	(4 282)
Change in net assets after income tax		**(280 375)**	(159 423)
Net assets available to pay benefits at the end of the financial year		**3 768 774**	4 049 149

The attached notes form part of these financial statements.

Commonwealth Superannuation Scheme
Statement of Net Assets
As at 30 June 2015

	Note	2015 $'000	2014 $'000
Investments			
Pooled superannuation trust	4	**3 763 252**	4 063 050
Total investments		**3 763 252**	4 063 050
Other assets			
Cash and cash equivalents		**25 562**	7 909
Sundry debtors	8	**427**	432
Total other assets		**25 989**	8 341
Total assets		**3 789 241**	4 071 391
Benefits payable		**16 859**	18 002
Amounts due to other superannuation schemes	9	**216**	97
Current tax liabilities	7b	**3 382**	4 133
Deferred tax liabilities	7c	**10**	10
Total liabilities		**20 467**	22 242
Net assets available to pay benefits at the end of the financial year		**3 768 774**	4 049 149

The attached notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

1. DESCRIPTION OF THE SCHEME

The Commonwealth Superannuation Scheme ('Scheme') is a hybrid accumulation-defined benefits scheme which provides benefits to its members under the *Superannuation Act 1976* (as subsequently amended). The Trustee of the Scheme is Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243).

Monies paid to the Trustee for the purposes of the Scheme are held in the CSS Fund. The CSS Fund comprises contributions made by members and employers, income arising from investments, and unrealised and realised changes in market value of investments held within the CSS Fund. The Trustee pays member benefits and taxes relating to the CSS Fund out of the CSS Fund. The Trustee pays the direct and incidental costs of management of the CSS Fund and the investment of its money from the assets of the ARIA Investments Trust that are referable to the CSS Fund (Note 6(c)).

Administration of member records, contributions receipts and benefit payments was historically conducted on behalf of the Trustee by ComSuper.

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. CSC continues to be the trustee of the public sector and defence force superannuation schemes and now also performs the scheme administration activities formerly undertaken by ComSuper.

The principal place of business and registered office of the Trustee is Level 8, 121 Marcus Clarke Street, Canberra ACT 2601.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial report of the Scheme is a general purpose financial report which has been prepared in accordance with Accounting Standards and Interpretations and the *Superannuation Industry (Supervision) Act 1993*. Accounting Standards include Australian Accounting Standards and International Financial Reporting Standards ('IFRS') to the extent that they are not inconsistent with AAS 25 '*Financial Reporting by Superannuation Plans'*. For the purposes of preparing financial statements, the Scheme is a not-for-profit entity.

The financial statements have been prepared on the basis required by the Defined Benefit Plan provisions of AAS 25, which provides specific measurement requirements for assets, liabilities and for accrued benefits. A Defined Benefit Plan refers to a superannuation plan where the amounts to be paid to members on retirement are determined at least in part by a formula based on years of membership and salary levels. The Trustee adopted the provisions of AAS 25 whereby the financial statements include a Statement of Net Assets, a Statement of Changes in Net Assets and notes thereto.

The form of these financial statements has been agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011.*

The financial statements of the Scheme were authorised for issue by the Directors on 29 September 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of Compliance (continued)

Australian Accounting Standards require disclosure of Australian Accounting Standards that have not been applied for Standards that have been issued but are not yet effective. The Trustee expects to adopt the Standards disclosed below upon their application date to the extent that they are not inconsistent with AAS 25 *'Financial Reporting by Superannuation Plans'* (noting however that AASB 1056 *'Superannuation Entities'* replaces AAS 25 *'Financial Reporting by Superannuation Plans'*).

AASB 1056 *'Superannuation Entities'*

AASB 1056 *'Superannuation Entities'* was issued on 5 June 2014. It replaces AAS 25 *'Financial Reporting by Superannuation Plans'* with effect for annual reporting periods beginning on or after 1 July 2016 but can be applied earlier. The Trustee has elected not to early adopt AASB 1056 *'Superannuation Entities'*.

AASB 1056 *'Superannuation Entities'* has been developed in light of developments in the superannuation industry and Australia's adoption of IFRS. AASB 1056 *'Superannuation Entities'* also addresses deficiencies in AAS 25 *'Financial Reporting by Superannuation Plans'* and makes the requirements for superannuation entities more consistent with current requirements in Australian Accounting Standards.

The key impacts on the financial statements of the Scheme include:

- Preparation of five primary financial statements (rather than the current two), being:
  - Statement of Financial Position;
  - Income Statement;
  - Statement of Changes in Equity/Reserves;
  - Statement of Cash Flows; and
  - Statement of Changes in Member Benefits.
- The recognition of member benefits as a liability on the face of the Statement of Financial Position measured at each reporting date. As disclosed in Note 14, the liability for accrued member benefits at 30 June 2014 (being the date of the most recent valuation by Mercer Consulting (Australia) Pty Ltd) was $67.0 billion.
- The recognition of an 'employer sponsor receivable' to recognise the Commonwealth Government's legislated obligation under the *Superannuation Act 1976* (as amended) to meet the shortfall between the liability for accrued benefits and the fair value of the net assets available to meet that liability. Based on the fair value of net assets at 30 June 2015 and the most recent valuation of member benefits liabilities (as referred to above), the employer sponsor receivable at 30 June 2015 would be $63.2 billion.
- Additional disclosures on estimates, financial risk management and policies for managing defined benefit liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of Compliance (continued)

AASB 1056 requires the measurement approach of 'fair value through profit or loss' for all assets and liabilities, except for specific exemptions including member benefits, tax assets and liabilities and employer sponsor receivables. The investments of the Scheme are currently already measured at redemption price at the close of business on the last business day of the reporting period and therefore this change in measurement approach will have no impact on the valuation of the Scheme's investments.

Other Standards in issue but not effective

In addition to AASB 1056 *'Superannuation Entities'*, the following Standards were in issue but not yet effective at the date of authorisation of the financial report. The Directors are yet to consider the impact of AASB 15 *'Revenue from Contracts with Customers',* but it is anticipated that the adoption of the other Standards disclosed below will not have a material financial impact on the financial report of the Scheme:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and **AASB 2014-5** 'Amendments to Australian Accounting Standards arising from AASB 15' [1]	1 January 2017	30 June 2018
AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exemption'	1 January 2016	30 June 2017

[1] This standard is applicable to annual reporting periods beginning on or after 1 January 2017. Exposure Draft 263 *'Effective Date of AASB 15'* proposes to defer the application date by one year (1 January 2018). In July 2015 the International Accounting Standards Board (IASB) decided to defer the effective date of International Financial Reporting Standard (IFRS) 15 by one year to 1 January 2018. The amendment to the effective date of IFRS is expected to be issued in September 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of Compliance (continued)

The following new and revised Standards and Interpretations have been adopted in these financial statements. The adoption has not had any significant impact on the disclosures or amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard / Interpretation	Effective for annual reporting periods
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (AASB 132)'	beginning on or after 1 January 2014
AASB 1031 'Materiality'	beginning on or after 1 January 2014
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	beginning on or after 1 January 2014
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	beginning on or after 1 January 2014
AASB 2013-8 'Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities'	beginning on or after 1 January 2014
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' Part B Materiality	beginning on or after 1 January 2014
AASB 2014-1 'Amendments to Australian Accounting Standards': Part A - 'Annual Improvements 2010-2012 and 2011-2013', Part B - 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)', and Part C - 'Materiality'	beginning on or after 1 July 2014

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Scheme.

Amounts in these financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements, and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented in these financial statements for the year ended 30 June 2014.

(a) Assets

Assets are included in the Statement of Net Assets at net market value as at reporting date and changes in the net market value of assets are recognised in the Statement of Changes in Net Assets in the periods in which they occur. Net market value of investments includes a deduction for selling costs which would be expected to be incurred if the investments were sold.

Financial assets (being investments in a pooled superannuation trust, cash at bank and sundry debtors) are recognised on the date the Scheme becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. From this date, any gains and losses from changes in net market value are recorded.

Net market value means the amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal. If the price used is the selling or redemption price a deduction for selling costs has already been included. Otherwise, as selling costs are generally immaterial, net market value approximates fair value unless otherwise stated.

Net market values have been determined as follows:

(i) Units in a pooled superannuation trust are valued at the redemption price at close of business on the last business day of the reporting period as notified by the manager of the trust, reflecting the net market value of the underlying investments.

(ii) Sundry debtors are recognised at the amounts receivable. All amounts are unsecured and are subject to normal credit terms.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash at bank used to transact member and employer contributions, transfers to and from other funds, benefit payments and tax liabilities.

(c) Foreign Currency Transactions

The Scheme does not undertake transactions denominated in foreign currencies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Payables

Payables (being benefits payable, sundry payables and amounts due to other superannuation schemes) are recognised at their nominal value which is equivalent to net market value.

Benefits payable
Benefits payable to a member are recognised where a valid withdrawal notice has been received from the employer sponsor, and approved by the Scheme administrator ('ComSuper'), but payment has not been made by reporting date.

Sundry payables and amounts due to other schemes
Sundry payables represent liabilities for goods and services provided during the financial period and which are unpaid at reporting date. All amounts are unsecured. Creditors are subject to normal credit terms. Amounts due to other superannuation schemes are recognised in the year the election to transfer is received, valued at the amount of contributions plus earnings accrued (Note 9).

(e) Operational risk reserve

The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address losses arising from an operational risk event. The ORR is operated in accordance with an ORR policy. The level of the reserve is determined by the Trustee Directors and reviewed annually, based on an assessment of the risks faced by the Fund. The transferred assets underlying the ORR are held in a separate cash option of the ARIA Investments Trust and income earned on these assets is recognised in the reserve.

(f) Derivatives

The Scheme does not directly enter into derivative financial instruments.

(g) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Revenue (continued)

Investment revenue
Interest revenue is recognised on an accrual basis.

Changes in the net market value of investments are recognised as income and are determined as the difference between the net market value (measured at fair value) at year end or consideration received (if sold during the year) and the net market value (measured at fair value) as at the prior year end or cost (if the investment was acquired during the period).

Contribution Revenue
Employer and member contributions, transfers from other funds, superannuation co-contributions and low income superannuation contributions from the Commonwealth Government are recognised on a cash basis.

(h) Expenses

Expenses are recognised on an accruals basis and, if not paid at reporting date, are reflected in the Statement of Net Assets as an accrual or payable depending upon whether or not the expense has been billed.

(i) Income Tax

Income tax on the change in net assets for the year comprises current and deferred tax. Income tax is recognised in the Statement of Changes in Net Assets except to the extent that it relates to items recognised directly in members' funds. As the Scheme invests in the ARIA Investments Trust ('AIT'), which is a pooled superannuation trust, tax on this investment revenue is paid by the AIT.

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Income Tax (continued)

Deferred tax (continued)
In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Scheme intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax for the period is recognised as an expense or benefit in the Statement of Changes in Net Assets.

(j) Scheme Liability for Accrued Benefits

The liability for accrued benefits is the value of the Scheme's present obligation to pay benefits to members and other beneficiaries at the date of measurement. The liability is determined as the present value of expected future payments which arise from membership of the Scheme up to the date of measurement. The present value is determined by reference to expected future salary levels and by application of a current, market-determined, risk-adjusted discount rate and appropriate actuarial assumptions.

The liability for accrued benefits is not included in the Statement of Net Assets, however it is disclosed at Note 14.

The liability for accrued benefits is measured by an independent actuary on at least a triennial basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as an expense item.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Net Assets.

4. INVESTMENTS

	2015 $'000	2014 $'000
Pooled Superannuation Trust - ARIA Investments Trust	**3 763 252**	4 063 050
	3 763 252	4 063 050

5. CHANGES IN NET MARKET VALUES

	2015 $'000	2014 $'000
(a) Investments held at 30 June:		
Pooled Superannuation Trust - ARIA Investments Trust	**382 096**	388 000
	382 096	388 000
(b) Investments realised during the year:		
Pooled Superannuation Trust - ARIA Investments Trust	**37 313**	34 840
	37 313	34 840
(c) Total changes in net market values of investments	**419 409**	422 840

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

6. FUNDING ARRANGEMENTS

(a) Contributions

Member Contributions
Members contribute to the Scheme at optional rates from 5% of salary, or they may opt to make nil contributions. The contribution rates were the same in the prior year.

Employer Contributions
Employers who do not operate their own productivity schemes contribute employer (productivity) contributions to the Scheme on a sliding scale averaging 3% of salaries paid to members. The contribution rates were the same in the prior year.

Transferring Superannuation Benefits From Other Funds
Money invested in other superannuation funds can be transferred to the Scheme.

Government Co-Contributions
For the financial years ended 30 June 2015 and 30 June 2014, the Commonwealth Government contributed $0.50 for every $1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of $500 per member.

Low Income Superannuation Contributions
The low income super contribution (LISC) is a Commonwealth Government superannuation payment of up to $500 for the financial years 2012-13 to 2016-17. LISC payments are recognised as revenue when received.

(b) Benefits

Where a benefit that becomes payable in respect of a member can be fully met from Scheme assets attributable to that member, the benefit is paid to the beneficiary from the CSS Fund. Where a benefit becomes payable that cannot be fully met from Scheme assets attributable to the member, all moneys held in the CSS Fund in respect of the member are paid from the Consolidated Revenue Fund, and the Commonwealth Government then assumes responsibility for funding the benefit.

Of the total benefits payable at 30 June 2015, $0.216 million (2014: $0.264 million) is payable by the Consolidated Revenue Fund. The Commonwealth Government is the corresponding debtor for this amount in accordance with the funding arrangements described above.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

6. FUNDING ARRANGEMENTS

(b) Benefits (continued)

Benefits paid and payable by the CSS Fund and the Consolidated Revenue Fund during the year are as follows:

	2015 $'000	2014 $'000
Gross Appropriation from Consolidated Revenue Fund	**4 429 547**	4 230 370
less: Transfers from CSS Fund to Consolidated Revenue Fund	**(795 745)**	(687 885)
Net Appropriation	**3 633 802**	3 542 485
Consolidated Revenue Fund		
Lump-sum benefits	**528 286**	498 506
Pensions	**3 901 261**	3 731 864
	4 429 547	4 230 370
CSS Fund		
Lump-sum benefits	**524**	277
Total benefits paid	**4 430 071**	4 230 647

(c) Costs of Managing, Investing and Administering the Scheme

Costs of and incidental to the management of the Scheme and the investment of its money are charged against the assets of ARIA Investments Trust ('AIT') that are referable to the Scheme. Transactions in respect of these costs have been brought to account in the financial statements of AIT. The costs of member administration were met by ComSuper until 30 June 2015.

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. From this date, costs of member administration will be met by CSC. CSC continues to be the trustee of the Scheme and now also performs the scheme administration activities formerly undertaken by ComSuper.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of Managing, Investing and Administering the Scheme (continued)

Expenses met by the AIT and referable to the Scheme are as follows:

	2015	2014
	$'000	$'000
Investment		
Investment manager fees	**5 135**	4 206
Custodian fees	**630**	686
Investment consultant and other service provider fees	**481**	527
Other investment expenses	**287**	231
Total direct investment expenses	**6 533**	5 650
Regulatory fees	**686**	1 390
Other operating expenses	**3 227**	3 365
Total costs	**10 446**	10 405

In accordance with the *ComSuper Act 2011* , ComSuper provided administrative services to the Trustee in relation to the Scheme. The expenses of ComSuper were met by government appropriation and a share of the administrative fees paid to ComSuper by employing agencies. The remaining share of administrative fees was paid to the Trustee to meet costs other than those incurred in managing and investing Scheme assets. Transactions in respect of the receipt of these fees and the costs of administration have been brought to account in the financial statements of the Trustee and ComSuper. As a result of the merger of ComSuper into CSC on 1 July 2015, the administration services previously provided by ComSuper will be conducted by CSC from this date.

Sponsoring employers contributed the following to Scheme administration costs:

	2015	2014
	$'000	$'000
Trustee costs	**1 166**	1 195
ComSuper costs	**12 123**	12 577
Total	**13 289**	13 772

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

7. INCOME TAX

		2015 $'000	2014 $'000
(a)	**Income tax recognised in the Statement of Changes in Net Assets**		
	Tax expense comprises:		
	Current tax expense	**3 494**	4 288
	Deferred tax expense / (income) relating to the origination and reversal of temporary differences	**-**	(6)
	Total tax expense	**3 494**	4 282

The prima facie income tax expense on the benefits accrued as a result of operations before income tax reconciles to the income tax expense in the Statement of Changes in Net Assets as follows:

	Increase / (decrease) in net assets for the year before income tax	**(276 881)**	(155 141)
	Income tax expense / (benefit) calculated at 15%	**(41 532)**	(23 271)
	Add (less) permanent differences - items not assessable or deductible		
	Member contributions, Government co-contributions and low income superannuation contributions	**(11 504)**	(12 245)
	Benefits paid	**664 511**	634 597
	Appropriation from Consolidated Revenue Fund	**(545 070)**	(531 373)
	Investment revenue already taxed	**(62 911)**	(63 426)
	Total tax expense	**3 494**	4 282

(b)	**Current tax liabilities**		
	Current tax payables:		
	Provision for current year income tax	**3 382**	4 133
		3 382	4 133

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

7. INCOME TAX (continued)

(c) Deferred tax balances

	2015 $'000	2014 $'000
Deferred tax liabilities comprise:		
Temporary differences	**10**	10
	10	10

Taxable and deductible temporary differences arise from the following:

2015	**Opening balance $'000**	**Charged to income $'000**	**Closing balance $'000**
Gross deferred tax liabilities:			
Interest receivable	**10**	**-**	**10**
	10	**-**	**10**
Net deferred tax liabilities / (assets)	**10**	**-**	**10**

2014	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Interest receivable	16	(6)	10
	16	(6)	10
Net deferred tax liabilities / (assets)	16	(6)	10

8. SUNDRY DEBTORS

	2015 $'000	2014 $'000
Receivable from the ARIA Investments Trust	**30**	68
Interest receivable	**65**	65
Surcharge tax	**116**	35
Amount to be appropriated from Consolidated Revenue Fund	**216**	264
Total	**427**	432

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

9. TRANSFERS FROM THE COMMONWEALTH SUPERANNUATION SCHEME TO THE PUBLIC SECTOR SUPERANNUATION SCHEME

Certain former contributors to the Commonwealth Superannuation Scheme (CSS) who rejoin as members of the CSS are entitled to elect to transfer to the Public Sector Superannuation Scheme ('PSS'). There were 2 elections to transfer made during the year ended 30 June 2015 (2014: 2 elections).

The value of contributions transferrable for members who elected to transfer from CSS to PSS is $215,828 at 30 June 2015 (2014: $97 371). This is payable to PSS.

10. OPERATIONAL RISK RESERVE

	2015	2014
	$'000	$'000
Opening balance	**4 572**	-
Transfers to reserve	**2 541**	4 525
Earnings on reserve	**121**	47
Closing balance	**7 234**	4 572

11. AUDITOR'S REMUNERATION

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

	2015	2014
	$	$
Financial statements	**67 325**	57 960
Regulatory returns and compliance	**35 175**	34 040
Total	**102 500**	92 000

The audits were provided by the Australian National Audit Office. The audit fees will be charged against the assets of the ARIA Investments Trust that are referable to the Fund.

Deloitte Touche Tohmatsu have been contracted by the Australian National Audit Office to provide audit services on its behalf. Fees for those services are included above.

No other services were provided by the Australian National Audit Office or Deloitte Touche Tohmatsu during the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

12. UNALLOCATED INCOME

Monthly earnings are allocated to members each month-end, or for part of a month on contributions made during a month or where a member exits the Scheme during a month.

The closing balance represents approximately 0.90% (2014: 1.06%) of the members' funded entitlements as at 30 June 2015.

	2015 $'000	2014 $'000
Opening balance of unallocated income	**43 030**	35 188
Add: Earnings of fund for the year	**420 506**	423 851
Less: Earnings allocation to members' accounts	**(427 107)**	(411 437)
Less: Transfers to and earnings on operational risk reserve	**(2 662)**	(4 572)
Closing balance of unallocated income	**33 767**	43 030

Unallocated income primarily represents timing differences, including the difference between investment valuations applied in daily earnings rates and the confirmed investment values published in these financial statements.

13. VESTED BENEFITS

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any other factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

An actuarial estimate of vested benefits at 30 June 2015 is $67.9 billion (2014: $68.7 billion). The value of vested benefits represents the liability that would have fallen on the Scheme if all members had ceased service on 30 June 2015 and elected the option which maximised their benefit entitlement.

The vested benefits have been calculated on the basis of current legislative arrangements for indexation of pension payments.

	2015 $billion	2014 $billion
The vested benefits amount is made up of:		
Funded component	**3.8**	4.1
Unfunded component	**64.1**	64.6
	67.9	68.7
The net assets of the Scheme compared to the vested benefits are:		
Funded component	**3.8**	4.1
Net assets	**3.8**	4.1
Surplus / (deficiency)	**-**	-

The net assets of the Scheme includes $7,234,437 of assets backing the operational risk reserve (2014: $4,571,931).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

14. LIABILITY FOR ACCRUED BENEFITS

The amount of accrued benefits is the present value of expected future benefit payments that arise from membership of the Scheme up to the measurement date. The accrued benefits are comprised of a funded component (i.e. accumulated member contributions, and, where applicable, productivity contributions, plus interest) which will be met from the Scheme, and an unfunded component that, pursuant to the *Superannuation Act 1976* (as subsequently amended), will be funded from the Consolidated Revenue Fund at the time the superannuation benefits become payable.

The amount of accrued benefits in respect of the Scheme is calculated on a triennial basis. The most recent valuation of the accrued benefits was undertaken by Mercer Consulting (Australia) Pty Ltd as part of a comprehensive review as at 30 June 2014. A summary of the report is attached.

Accrued benefits as at 30 June were:

	2014 $billion	2011 $billion
Funded component	**4.1**	4.6
Unfunded component	**62.8**	59.9
	66.9	64.5

The net assets compared to the liability for accrued benefits as at 30 June are:

	2014 $billion	2011 $billion
Funded accrued benefits	**4.1**	4.6
Net assets	**4.1**	4.6
Surplus / (deficiency)	**-**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS

(a) Financial instruments management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The investments of the Scheme (other than cash held for managing contribution receipts, benefit payments and tax payments) comprise units in the ARIA Investments Trust ('AIT'). AIT is a pooled superannuation trust which is also governed by the Commonwealth Superannuation Corporation as Trustee. This type of investment has been determined by the Trustee to be appropriate for the Scheme and is in accordance with the Scheme's published investment strategy. The Trustee applies strategies to manage the risk relating to the investment activities of AIT. The investments of AIT are managed on behalf of the Trustee by specialist sector fund managers who are required to invest the assets in accordance with contractual investment mandates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

(c) Capital risk management

The RSE licence of the Trustee of the Scheme requires the Trustee to maintain a balance of at least $100 000 at all times in an administration reserve account in the AIT until the operational risk reserve target amount is met. This is required to be maintained in cash or cash equivalents. The Trustee of the Scheme was in compliance with this requirement throughout the year.

(d) Categories of financial instruments

The financial assets and liabilities of the Scheme are recognised at net market value as at the reporting date. Net market value approximates fair value less costs of realisation of investments. The cost of realisation of investments is minimal and therefore net market value that is carrying value approximates fair value. Changes in net market value are recognised in the Statement of Changes in Net Assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(e) Financial risk management objectives

The Scheme is exposed to a variety of financial risks as a result of its pooled investment in AIT. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Scheme's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Scheme's financial performance. These policies may include the use of financial derivative instruments.

The Trustee is responsible for ensuring that there is an effective risk management control framework in place for the Scheme. Consistent with regulatory requirements, the Trustee has developed, implemented and maintains a Risk Management Framework to identify the policies, procedures, processes and controls that comprise its risk management and control systems for the Scheme and for the Scheme's investments through the AIT. The overall investment strategy of the Scheme is set out in the Trustee's approved investment policies which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

The Trustee's internal investment team monitors and manages the financial risks relating to the Scheme's investments. Derivative Risk Statements set out the strict parameters for the Trustee's investment managers authorised to use derivatives. In essence, derivatives cannot be used to raise the level of risk above the level it would otherwise have been, and derivatives cannot be used to leverage the investments.

The Scheme's investments are managed on behalf of the Trustee by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. The Trustee has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with its investment strategy.

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme. In its capacity as trustee of AIT, the Trustee has adopted a policy of spreading the aggregate value of transactions across approved creditworthy counterparties as a means of mitigating the risk of financial loss. The Scheme's exposure to its counterparties are continuously monitored by the Trustee.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(f) Credit risk (continued)

The largest exposure to a single counterparty is to cash held by the investment master custodian Northern Trust. Credit risk relating to the master custodian is mitigated through contract indemnity provisions. Other than the master custodian, no individual exposure within AIT exceeded 5% of net assets of that trust at 30 June 2015 or 30 June 2014.

The credit risk on the Scheme's directly held cash and cash equivalents and interest receivable is limited because the counterparty is the Reserve Bank of Australia.

The table below shows the maximum exposure of financial assets to credit risk at the reporting date:

	2015	2014
	$'000	$'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**3 763 252**	4 063 050
Other financial assets		
Cash and cash equivalents	**25 562**	7 909
Sundry debtors	**427**	432
Total	**3 789 241**	4 071 391

There has been no change to the Scheme's exposure to credit risk or the manner in which it manages and measures that risk during the reporting period.

(g) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in either realising assets or otherwise raising sufficient funds to meet its financial liabilities and/or member benefit payments or tax liabilities.

The Trustee's approach to managing liquidity is to ensure that the Scheme will always have sufficient liquidity to meet its liabilities and member benefit payments. The Scheme allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. The Trustee undertakes forecasting and scenario testing of the cashflow requirements of the Scheme to ensure timely access to sufficient cash and holds actively-traded, highly-liquid investments to meet anticipated funding requirements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(g) Liquidity risk (continued)

As a further risk mitigation strategy, it is the Trustee's policy that the target asset allocation to illiquid assets is limited to around 25% of the investments of the AIT (with a plus or minus 10 percentage point rebalancing range around that target). Regular scenario testing is performed to confirm the validity of the strategy.

The following tables summarise the maturity profile of the Scheme's financial liabilities. Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at reporting date. This is the earliest date on which the Scheme can be required to pay members' vested benefits. However, members may not necessarily call upon amounts vested to them during this time. The tables have been drawn up based on the contractual undiscounted cash flows of financial liabilities based on the earliest date on which the Scheme can be required to pay. The tables include both interest and principal cash flows.

Financial Liabilities maturity profile:

	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
30 June 2015					
Amounts due to other superannuation schemes	**216**	**-**	**-**	**-**	**216**
Benefits payable	**16 859**	**-**	**-**	**-**	**16 859**
Vested benefits	**67 904 000**	**-**	**-**	**-**	**67 904 000**
Total financial liabilities	**67 921 075**	**-**	**-**	**-**	**67 921 075**
30 June 2014					
Amounts due to other superannuation schemes	97	-	-	-	97
Benefits payable	18 002	-	-	-	18 002
Vested benefits	68 655 000	-	-	-	68 655 000
Total financial liabilities	68 673 099	-	-	-	68 673 099

There has been no change to the Scheme's exposure to liquidity risk or the manner in which it manages and measures that risk during the reporting period.

(h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in the Trustee's investment policies and the Risk Management Framework.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

There has been no change to the Scheme's exposure to market risk or the manner in which it manages and measures that risk since the 2014 reporting period.

Foreign currency risk

Foreign currency risk is the risk that the net market value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. However, the Scheme is indirectly exposed to foreign currency risk from the international assets held in the AIT, and it is managed in accordance with the Trustee's approved investment strategy. The AIT enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from its investments denominated in developed markets foreign currencies. These contracts neutralise some of the gains and losses from currency fluctuation. A small part of the investments of the AIT, relating to emerging markets, may remain unhedged due to lack of suitable currency instruments for hedging.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits and taxation payments. All holdings at 30 June 2015 and 30 June 2014 had a maturity profile of less than one month.

The Scheme is indirectly exposed to interest rate risk through its investments in AIT. The Trustee manages interest rate risk through its investment strategy including diversification of asset allocation and the use of a diversity of specialist investment sector managers.

The following table illustrates the Scheme's sensitivity to a 0.4% p.a. (2014: 0.6%) increase or decrease in interest rates, based on cash balances directly held at reporting date. This represents an assessment of a reasonably possible change in interest rates. Had interest rates been lower or higher by 0.4% (2014: 0.6%) at reporting date, and all other variables were held constant, the financial result would have improved / (deteriorated) as demonstrated:

	Carrying amount $'000	Interest rate risk $' 000			
		Changes in net assets	Net assets available to pay benefits	Changes in net assets	Net assets available to pay benefits
2015		-0.4%		+0.4%	
Cash and cash equivalents	25 562	(102)	(102)	102	102
2014		-0.6%		+0.6%	
Cash and cash equivalents	7 909	(47)	(47)	47	47

In the Trustee's opinion, the sensitivity analysis at reporting date approximates the direct interest rate exposures of the Scheme during the financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all similar financial instruments traded in the market.

The Scheme's investment in AIT is exposed to market price risk in respect of the latter's holdings of equity securities and unit trusts. As the investment in AIT is carried at net market value with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect the Scheme's net investment income.

In its capacity as trustee of AIT, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

The following table illustrates the Scheme's sensitivity to a reasonably possible change in the value of its investment in AIT, based on risk exposures at reporting date. The volatility factor of 6.5% (2014: 6.7%) represents the average annual volatility in the default option unit price of the Scheme's investment in the AIT. For the Cash Option and the investments backing the operational risk reserve a factor of 0.4% (2014: 0.6%) has been applied representing a reasonably possible change in interest rates as a proxy for price risk of the option. Had the unit price been higher or lower by the volatility factor at the reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as follows:

	Change in price	Carrying amount $'000	Price risk $' 000			
			Changes in net assets	Net assets available to pay benefits	Changes in net assets	Net assets available to pay benefits
2015						
Financial Assets						
ARIA Investments Trust:						
Default option	-/+6.5%	3 514 788	(228 461)	(228 461)	228 461	228 461
Cash option	-/+0.4%	241 260	(965)	(965)	965	965
Operational risk reserve	-/+0.4%	7 204	(29)	(29)	29	29
Total increase / (decrease)		3 763 252	(229 455)	(229 455)	229 455	229 455
2014						
Financial Assets						
ARIA Investments Trust:						
Default option	-/+6.7%	3 771 476	(252 689)	(252 689)	252 689	252 689
Cash option	-/+0.6%	287 070	(1 722)	(1 722)	1 722	1 722
Operational risk reserve	-/+0.6%	4 504	(27)	(27)	27	27
Total increase / (decrease)		4 063 050	(254 438)	(254 438)	254 438	254 438

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other price risk (continued)

In the Trustee's opinion, the sensitivity analysis at reporting date is representative of the other market price exposures during the financial year.

(i) Fair value measurements

The Scheme's financial instruments are included in the Statement of Net Assets at net market value that approximates fair value. The net market value is determined per accounting policies in Note 3(a).

Net market value measurements recognised in the Statement of Net Assets
The following table provides an analysis of the Scheme's financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: net market value measurements are those derived from quoted prices in active markets.

Level 2: net market value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: net market value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2015				
Financial Assets				
Pooled superannuation trust	-	**3 763 252**	-	**3 763 252**
2014				
Financial Assets				
Pooled superannuation trust	-	4 063 050	-	4 063 050

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued daily based on the latest listed and unlisted market prices and values of the underlying investments, less any tax and expenses.

Reconciliation of Level 3 net market value measurements
There were no Level 3 financial assets or liabilities for the period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. RELATED PARTIES

(a) Trustee

Commonwealth Superannuation Corporation (CSC) was the Trustee throughout the reporting period. No fees were charged by CSC for acting as Trustee of the Scheme during the reporting period.

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2015 and to the date of the report were:

Tony Cole
Patricia Cross (Chairman)
Christopher Ellison
Peter Feltham
Nadine Flood
Lyn Gearing
Winsome Hall
John McCullagh
Peggy O'Neal
Margaret Staib
Michael Vertigan

In addition to the Directors listed above, the following executives of the Trustee had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2015:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Executive Officer
Leonie McCracken	General Manager, Operations
Bronwyn McNaughton	General Counsel
Christine Pearce	General Manager, Member & Employer Services
Sarah Rodgers	General Manager, People & Culture (Commenced 27 April 2015)
Alison Tarditi	Chief Investment Officer
Andy Young	General Manager, Finance & Risk

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. RELATED PARTIES (continued)

(c) Key Management Personnel Compensation

The aggregate compensation of the key management personnel is set out below:

	2015	2014
	$	$
Short-term employee benefits	**198 791**	227 445
Post-employment benefits	**21 224**	23 582
Other long-term benefits	**14 064**	15 792
	234 079	266 819

Aggregate compensation in relation to the Scheme is a pro-rata apportionment of the overall compensation paid by the Trustee, based on the net assets of the entities under its trusteeship or actual control.

The compensation of key management personnel (including Directors) related to investment management is charged against assets of the AIT that are referable to the Scheme.

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally-related entities at any time during the year.

(d) Investing entities

Throughout the year ended 30 June 2015, the Scheme's only investment consisted of units in AIT, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

The other investors in AIT throughout the year were the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan and the Military Superannuation and Benefits Scheme. All investing transactions are conducted under normal industry terms and conditions.

The Trustee of the Scheme, Commonwealth Superannuation Corporation, is the trustee of the following regulated superannuation schemes: Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan and the Military Superannuation and Benefits Scheme.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. RELATED PARTIES (continued)

(d) Investing entities (continued)

The Trustee pays costs of and incidental to the management of the Scheme and the investment of its money from the assets of the AIT that are referable to the Scheme (see Note 6(c)). No fees were charged for acting as Trustee during the year ended 30 June 2015 (2014: $nil).

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

	Net Market Value of Investment	Net Market Value of Investment	Share of Net Income after tax	Share of Net Income after tax
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
ARIA Investments Trust	**3 763 252**	4 063 050	**419 409**	422 840
	3 763 252	4 063 050	**419 409**	422 840

(e) Transactions with director-related entities

During the financial year, Margaret Staib was Chief Executive Officer and a director of Airservices Australia, which made employer superannuation contributions of $6,849,216 to the Scheme during the year ended 30 June 2015 (2014: $7,757,908). The contributions were made at arm's length as part of a normal employer relationship on terms and conditions no more favourable than if the employer had not been a director-related entity.

17. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital or other expenditure commitments at 30 June 2015 (2014: $nil).

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Scheme which could result in additional benefits becoming payable in the future. Each request is considered on its merits prior to any benefit becoming payable. In the opinion of the Trustee, these requests do not represent a material liability on the Scheme.

There were no other contingent liabilities or contingent assets for the Scheme at 30 June 2015 (2014: $nil).

18. SUBSEQUENT EVENTS

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. CSC continues to be the trustee of the public sector and defence force superannuation schemes and now also performs the scheme administration activities formerly undertaken by ComSuper.

No other matters have arisen since 30 June 2015 that have materially affected, or may materially affect, the operations of the Scheme, the results of those operations, or the financial position of the Scheme in future financial years.

MERCER
MAKE TOMORROW, TODAY

INFORMATION REQUIRED FOR PURPOSES OF AUSTRALIAN ACCOUNTING STANDARD AAS 25 RELATING TO THE ACTUARIAL INVESTIGATION OF THE COMMONWEALTH SUPERANNUATION SCHEME AS AT 30 JUNE 2014

Purpose of Report
This statement has been prepared for the purposes of AAS 25 as at 30 June 2014 for the Commonwealth Superannuation Scheme (CSS or the Scheme) at the request of the Commonwealth Superannuation Corporation (CSC).

This extract summarises the actuarial investigation of the Scheme as at 30 June 2014 carried out by Mercer Consulting (Australia) Pty Limited with a report by Richard Boyfield FIAA and David Knox FIAA. It has been prepared for the purposes of inclusion with the Scheme's financial statements and is in a form that complies with the Australian Accounting Standard AAS 25.

Accrued and Vested Benefits
AAS 25 requires the disclosure of Accrued and Vested benefits at the reporting date.

For the purpose of AAS 25 the following amounts have been determined:

Reporting Date	Accrued Benefits $billion	Vested Benefits $billion
30 June 2014	66.9	68.7

Accrued Benefits have been determined as the present value of expected future benefit payments that arise from membership of the CSS up to the reporting date.

Vested Benefits are benefits which the CSS would be required to pay if all members were to voluntarily leave employment on the reporting date and elected the benefit option which is most costly to the Scheme.

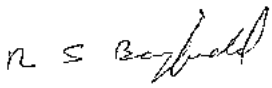
The method and assumptions used to determine Accrued and Vested Benefits are summarised in Attachment 1 to this statement.

Accrued Benefits have been calculated in a manner consistent with Guidance Note 454 and Professional Standard 402 issued by the Institute of Actuaries of Australia.

MARSH & McLENNAN COMPANIES

AAS25 COMMONWEALTH SUPERANNUATION SCHEME AT 30 JUNE 2014
Page 2

Summary of Actuarial Report
AAS 25 also requires the notes to the Scheme's financial statements to include a summary of the most recent actuarial report of the CSS. Attachment 2 to this Statement provides a summary of the report on the Long Term Cost of the Public Sector Superannuation Scheme (PSS) and the CSS carried out as at 30 June 2014. The summary contains the information required under AAS 25.



Richard Boyfield
Fellow of the Institute of Actuaries of Australia
Partner, Mercer Consulting (Australia) Pty Ltd

29 July 2015

Attachment 1 to AAS 25 Statement

Method of Determining Accrued and Vested Benefits

Accrued Benefits were determined as the present value of expected future benefit payments that arise from membership of the CSS up to 30 June 2014.

To apportion benefits between past and future membership an "actual accrual" approach has been used. Specifically the steps involved in calculating the Accrued Benefits are as follows:

1) The membership of the Scheme as at 30 June 2014 is projected into the future based on assumptions relating to the rates of exit of members.

2) The total value of benefits payable to the projected exits and pensioners in each future year are determined taking into account assumed salary growth and pension indexation in each future year.

   For contributory members, the projected benefits are determined based on members' service rendered prior to 30 June 2014 only.

   For example, for the CSS retirement benefit, this involves determining the benefit attributable to service to 30 June 2014 using:

Accrued Multiple as at 30 June 2014	×	Final Salary at future date

3) The Accrued Benefits as at 30 June 2014 is determined as the sum of the present values of the benefits payable to the projected exits over all future years.

No Vested Benefits minimum has been applied to the Accrued Benefits.

The calculation methodology is consistent with the Professional Standard No. 402 of the Actuaries Institute relating to the determination of accrued benefits for defined benefit superannuation funds.

The method used to apportion benefits between past and future membership is unchanged from that used in the previous actuarial investigation as at 30 June 2011.

Vested Benefits are determined as the value of benefits which the CSS would be required to pay if all members were to voluntarily leave employment on 30 June 2014 and elect the benefit option which is most costly to the CSS.

AAS25 COMMONWEALTH SUPERANNUATION SCHEME AT 30 JUNE 2014
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Assumptions Used to Determine Accrued Benefits

The assumptions used to determine Accrued Benefits are the same as those used for the most recent actuarial investigation into the long term cost of the PSS and the CSS as at 30 June 2014.

The financial assumptions used are:

Item	Assumption
Investment Return / Discount Rate	6.0% per annum (nominal) 3.5% per annum (real)
General Salary Increases	4.0% per annum (nominal) 1.5% per annum (real)
CPI Increases	2.5% per annum

A summary of the other assumptions used is contained in Appendix B of the Long Term Cost Report of the PSS and the CSS.

AAS25 COMMONWEALTH SUPERANNUATION SCHEME AT 30 JUNE 2014
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Attachment 2 to AAS 25 Statement

Summary of the Long Term Cost Report

The latest actuarial investigation into the long term cost of the PSS and CSS was conducted at 30 June 2014.

This attachment provides a summary of that report.

Membership Data

Data relating to the membership of the PSS and the CSS was provided by CSC for the purposes of this investigation.

The table below summarises the total membership of the CSS as at 30 June 2014.

CSS MEMBERSHIP as at 30 JUNE 2014			
	Male	**Females**	**Total**
Number of Contributors	6,793	3,755	10,548
Salaries	$812m	$398 m	$1,210 m
Number of Preserved Members	4,455	2,239	6,694
Number of Age Pensioners	53,096	20,451	73,547
Number of Invalidity Pensioners	8,397	3,920	12,317
Number of Reversionary Pensioners	1,550	25,896	27,446

Assumptions

The key economic assumptions adopted for this actuarial investigation are shown in the table below. The same assumptions were adopted for the previous investigation at 30 June 2011.

Item	Assumption
CPI Increases	2.5% per annum
Investment Returns / Discount Rate	6.0% per annum (nominal) 3.5% per annum (real)
General Salary Increases	4.0% per annum (nominal) 1.5% per annum (real)

AAS25 COMMONWEALTH SUPERANNUATION SCHEME AT 30 JUNE 2014
Page 6

The demographic assumptions at 2014 have been revised based on the experience of the schemes over the eight years to 30 June 2013. These are set out in Appendix B of the Long Term Cost Report.

Of the changes in assumptions, the most significant were:

- Increases in the non-indexed pension take-up assumptions for CSS members; and
- Changes to pensioner mortality rates and mortality improvement factors.

Value of Assets

The PSS and CSS are partly funded to the extent that real assets are held in respect of member contributions and productivity superannuation contributions. The realisable value of the CSS assets as at 30 June 2014 was $4.0 billion.

Accrued Benefits

The value of accrued benefits as at 30 June 2014 was $66.9 billion.

The Accrued Benefit also includes an amount of $54.7 billion in respect of pensioners and preserved beneficiaries of the CSS.

Accrued Benefits were determined as the present value of expected future benefit payments that arise from membership of the CSS up to 30 June 2014.

Vested Benefits

Vested Benefits of the CSS were not calculated as a part of the Long Term Cost Report as at 30 June 2014 but were calculated separately.

The estimated value of the Vested Benefits of the CSS as at 30 June 2014 is $68.7 billion.

Vested Benefits are determined as the value of benefits which the CSS would be required to pay if all members were to voluntarily leave employment on the reporting date and elected the benefit option which is most costly to the CSS.

Financial Condition

The CSS is a partially funded scheme. As a consequence, the value of Accrued Benefits and Vested Benefits is significantly more than the realisable value of Scheme assets at the same date.

However, the CSS operates under an underlying guarantee from the Commonwealth Government. Furthermore, the investigation shows that the projected combined Commonwealth costs in respect of the PSS and CSS reduce as a percentage of projected Gross Domestic Product over the next 40 years.

AAS25 COMMONWEALTH SUPERANNUATION SCHEME AT 30 JUNE 2014
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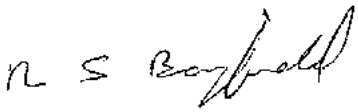

Richard Boyfield
Fellow of the Institute of Actuaries of Australia
Partner, Mercer Consulting (Australia) Pty Ltd

29 July 2015

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PSS financial statements

PUBLIC SECTOR SUPERANNUATION SCHEME (ABN 74172177893)

REPORT BY THE INDEPENDENT APPROVED AUDITOR TO THE MINISTER FOR FINANCE AND MEMBERS OF THE SCHEME

I have audited the financial statements of the Public Sector Superannuation Scheme for the year ended 30 June 2015 comprising the Statement of Net Assets, the Statement of Changes in Net Assets, a Summary of Principal Accounting Policies and other explanatory notes.

Trustee's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Public Sector Superannuation Scheme and the Minister for Finance.

My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee's, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession. The Auditor-General is mandated to perform the audit of the Public Sector Superannuation Scheme, pursuant to the *Superannuation Act 1990*. I am the delegate of the Auditor-General responsible for the conduct of this audit and I am a member of the Public Sector Superannuation Scheme. I have no involvement in any investment or any other decision made by the trustee of Public Sector Superannuation Scheme. A number of safeguards are in place in respect of my independence, including a quality review by an appropriately skilled auditor who is not a member of the Public Sector Superannuation Scheme.

Auditor's Opinion

In my opinion:

(i) the financial statements are in the form as agreed by the Minister for Finance;

(ii) the financial statements present fairly, in all material respects, in accordance with the Australian Accounting Standards, the net assets of the Public Sector Superannuation Scheme as at 30 June 2015 and the changes in net assets for the year ended 30 June 2015;

(iii) the financial statements are based on proper accounts and records; and

(iv) the receipt of money into the Fund, and the payment of money out of the Scheme and the investment of money standing to the credit of the Scheme during the year have been in accordance with the Trust Deed.

AUSTRALIAN NATIONAL AUDIT OFFICE

Carla Jago
Executive Director
Delegate of the Auditor-General
Canberra
29 September 2015

Public Sector Superannuation Scheme (ABN 74 172 177 893)

Statement by the Trustee of the Public Sector Superannuation Scheme ('Scheme')

The Board of Directors hereby states that in its opinion:

(a) the attached financial statements give a true and fair view of the matters required by Australian Accounting Standards, including AAS 25 *'Financial Reporting by Superannuation Plans.'*

(b) the attached financial statements give a true and fair view of the net assets of the Scheme as at 30 June 2015 and the changes in net assets of the Scheme for the year ended 30 June 2015;

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

(d) the financial statements are in a form agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

(e) the financial statements have been prepared based on properly maintained financial records; and

(f) the operations of the PSS Fund were conducted in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011*, the *Superannuation Act 1990*, the Trust Deed establishing the Scheme, the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations, and the relevant requirements of the *Corporations Act 2001* and Regulations (to the extent applicable).

Signed this 29th day of September 2015 in accordance with a resolution of directors of the Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.

Patricia Cross
Chairman

Michael Vertigan
Director

Public Sector Superannuation Scheme
Statement of Changes in Net Assets
For the Year Ended 30 June 2015

	Note	2015 $'000	2014 $'000
Net assets available to pay benefits at the start of the financial year		**16 562 516**	14 938 975
Net investment revenue			
Interest		**1 379**	1 003
Changes in net market values	5c	**1 952 653**	1 721 308
		1 954 032	1 722 311
Contribution revenue			
Member contributions	6a	**592 796**	612 778
Employer contributions	6a	**212 306**	224 016
Government co-contributions	6a	**1 830**	2 573
Low income superannuation contributions	6a	**400**	465
Net appropriation from Consolidated Revenue Fund	6b	**308 279**	442 820
Transfers from the Commonwealth Super Scheme	9	**216**	97
		1 115 827	1 282 749
Other revenue			
Insurance proceeds		**2 582**	1 464
Insurance premiums		**2 314**	2 256
		4 896	3 720
Total revenue		**3 074 755**	3 008 780
Benefits paid	6b	**(1 757 782)**	(1 349 186)
Insurance expense		**(2 314)**	(2 256)
Total expenses		**(1 760 096)**	(1 351 442)
Change in net assets before income tax		**1 314 659**	1 657 338
Income tax expense	7a	**(32 099)**	(33 797)
Change in net assets after income tax		**1 282 560**	1 623 541
Net assets available to pay benefits at the end of the financial year		**17 845 076**	16 562 516

The attached notes form part of these financial statements.

Public Sector Superannuation Scheme
Statement of Net Assets
As at 30 June 2015

	Note	2015 $'000	2014 $'000
Investments			
Pooled superannuation trust	4	**17 856 161**	16 587 308
Total investments		**17 856 161**	16 587 308
Other assets			
Cash and cash equivalents		**36 659**	22 158
Sundry debtors	8	**5 262**	4 385
Deferred tax assets	7c	**122**	-
Total other assets		**42 043**	26 543
Total assets		**17 898 204**	16 613 851
Benefits payable		**20 071**	16 665
Sundry payables		**1 096**	1 015
Current tax liabilities	7b	**31 961**	33 648
Deferred tax liabilities	7c	**-**	7
Total liabilities		**53 128**	51 335
Net assets available to pay benefits at the end of the financial year		**17 845 076**	16 562 516

The attached notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

1. DESCRIPTION OF THE SCHEME

The Public Sector Superannuation Scheme ('Scheme') is a defined benefit scheme which provides benefits to its members under the *Superannuation Act 1990* (as amended) and is administered in accordance with a Trust Deed dated 21 June 1990 (as amended). The Trustee of the Scheme is Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243).

Monies paid to the Trustee for the purposes of the Scheme are held in the PSS Fund. The PSS Fund comprises contributions made by members and employers, income arising from investments, and unrealised and realised changes in market value of investments held within the PSS Fund. The Trustee pays member benefits and taxes relating to the PSS Fund out of the PSS Fund. The Trustee pays the direct and incidental costs of management of the PSS Fund and the investment of its money from the assets of the ARIA Investments Trust that are referable to the PSS Fund (Note 6(c)).

Administration of member records, contributions receipts and benefit payments was historically conducted on behalf of the Trustee by ComSuper.

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. CSC continues to be the trustee of the public sector and defence force superannuation schemes and now also performs the scheme administration activities formerly undertaken by ComSuper.

The principal place of business and registered office of the Trustee is Level 8, 121 Marcus Clarke Street, Canberra ACT 2601.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report of Scheme is a general purpose financial report which has been prepared in accordance with Accounting Standards and Interpretations, the *Superannuation Industry (Supervision) Act 1993* and provisions of the Trust Deed. Accounting Standards include Australian Accounting Standards and International Financial Reporting Standards ('IFRS') to the extent that they are not inconsistent with AAS 25 *'Financial Reporting by Superannuation Plans'*. For the purposes of preparing financial statements, the Scheme is a not-for-profit entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

On review of the provisions of the Trust Deed of the investment entity, the ARIA Investments Trust (AIT), the Trustee has determined that no one investor can be regarded to have control over the AIT. Hence, the financial statements of the Scheme are prepared on a stand-alone basis.

The financial statements have been prepared on the basis required by the Defined Benefit Plan provisions of AAS 25, which provides specific measurement requirements for assets, liabilities and for accrued benefits. A Defined Benefit Plan refers to a superannuation plan where the amounts to be paid to members on retirement are determined at least in part by a formula based on years of membership and salary levels. The Trustee adopted the provisions of AAS 25 whereby the financial statements include a Statement of Net Assets, a Statement of Changes in Net Assets and notes thereto.

The form of these financial statements has been agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* .

The financial statements of the Scheme were authorised for issue by the Trustee on 29 September 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Australian Accounting Standards require disclosure of Australian Accounting Standards that have not been applied for Standards that have been issued but are not yet effective. The Trustee expects to adopt the Standards disclosed below upon their application date to the extent that they are not inconsistent with AAS 25 *'Financial Reporting by Superannuation Plans'* (noting however that AASB 1056 *'Superannuation Entities'* replaces AAS 25 *'Financial Reporting by Superannuation Plans'*).

AASB 1056 '*Superannuation Entities'*

AASB 1056 *'Superannuation Entities'* was issued on 5 June 2014. It replaces AAS 25 *'Financial Reporting by Superannuation Plans'* with effect for annual reporting periods beginning on or after 1 July 2016 but can be applied earlier. The Trustee has elected not to early adopt AASB 1056 *'Superannuation Entities'.*

AASB 1056 *'Superannuation Entities'* has been developed in light of developments in the superannuation industry and Australia's adoption of IFRS. AASB 1056 *'Superannuation Entities'* also addresses deficiencies in AAS 25 *'Financial Reporting by Superannuation Plans'* and makes the requirements for superannuation entities more consistent with current requirements in Australian Accounting Standards.

The key impacts on the financial statements of the Scheme include:

- Preparation of five primary financial statements (rather than the current two), being:
  - Statement of Financial Position;
  - Income Statement;
  - Statement of Changes in Equity/Reserves;
  - Statement of Cash Flows; and
  - Statement of Changes in Member Benefits.

- The recognition of member benefits as a liability on the face of the Statement of Financial Position measured at each reporting date. As disclosed in Note 14, the liability for accrued member benefits at 30 June 2014 (being the date of the most recent valuation by Mercer Consulting (Australia) Pty Ltd) was $63.5 billion.

- The recognition of an 'employer sponsor receivable' to recognise the Commonwealth Government's legislated obligation under the *Superannuation Act 1990* (as amended) to meet the shortfall between the liability for accrued benefits and the fair value of the net assets available to meet that liability. Based on the fair value of net assets at 30 June 2015 and the most recent valuation of member benefits liabilities (as referred to above), the employer sponsor receivable at 30 June 2015 would be $45.6 billion.

- Additional disclosures on estimates, financial risk management and policies for managing defined benefit liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

AASB 1056 requires the measurement approach of 'fair value through profit or loss' for all assets and liabilities, except for specific exemptions including member benefits, tax assets and liabilities and employer sponsor receivables. The investments of the Scheme are currently already measured at redemption price at the close of business on the last business day of the reporting period and therefore this change in measurement approach will have no impact on the valuation of the Scheme's investments.

Other Standards in issue but not effective

In addition to AASB 1056 'Superannuation Entities', the following Standards were in issue but not yet effective at the date of authorisation of the financial report. The Directors are yet to consider the impact of AASB 15 *'Revenue from Contracts with Customers'*, but it is anticipated that the adoption of the other Standards disclosed below will not have a material financial impact on the financial report of the Scheme:

Standard / Interpretation	Effective for annual reporting periods beginning on or	Expected to be initially applied in the financial year
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and **AASB 2014-5** 'Amendments to Australian Accounting Standards arising from AASB 15' [1]	1 January 2017	30 June 2018
AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exemption'	1 January 2016	30 June 2017

[1] This standard is applicable to annual reporting periods beginning on or after 1 January 2017. Exposure Draft 263 *'Effective Date of AASB 15'* proposes to defer the application date by one year (1 January 2018). In July 2015 the International Accounting Standards Board (IASB) decided to defer the effective date of International Financial Reporting Standard (IFRS) 15 by one year to 1 January 2018. The amendment to the effective date of IFRS is expected to be issued in September 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

The following new and revised Standards and Interpretations have been adopted in these financial statements. The adoption has not had any significant impact on the disclosures or amounts reported in these financial statements but may affect the accounting for future transactions or arrangements:

Standard / Interpretation	Effective for annual reporting periods
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (AASB 132)'	beginning on or after 1 January 2014
AASB 1031 'Materiality'	beginning on or after 1 January 2014
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	beginning on or after 1 January 2014
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	beginning on or after 1 January 2014
AASB 2013-8 'Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities'	beginning on or after 1 January 2014
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' Part B Materiality	beginning on or after 1 January 2014
AASB 2014-1 'Amendments to Australian Accounting Standards': Part A - 'Annual Improvements 2010-2012 and 2011-2013', Part B - 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)', and Part C - 'Materiality'	beginning on or after 1 July 2014

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Scheme.

Amounts in these financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements, and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented in these financial statements for the year ended 30 June 2014.

(a) Assets

Assets are included in the Statement of Net Assets at net market value as at reporting date and changes in the net market value of assets are recognised in the Statement of Changes in Net Assets in the periods in which they occur. Net market value of investments includes a deduction for selling costs which would be expected to be incurred if the investments were sold.

Financial assets (being investments in a pooled superannuation trust, cash at bank and sundry debtors) are recognised on the date the Scheme becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. From this date, any gains and losses from changes in net market value are recorded.

Net market value means the amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal. If the price used is the selling or redemption price a deduction for selling costs has already been included. Otherwise, as selling costs are generally immaterial, net market value approximates fair value unless otherwise stated.

Net market values have been determined as follows:

(i) Units in a pooled superannuation trust are valued at the redemption price at close of business on the last business day of the reporting period as notified by the manager of the trust, reflecting the net market value of the underlying investments.

(ii) Sundry debtors are recognised at the amounts receivable. All amounts are unsecured and are subject to normal credit terms.

(b) Cash and cash equivalents

Cash and cash equivalents include cash at bank used to transact member and employer contributions, transfers to and from other funds, benefit payments and tax liabilities.

(c) Foreign Currency Transactions

The Scheme does not undertake transactions denominated in foreign currencies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Payables

Payables (being benefits payable and sundry payables) are recognised at their nominal value which is equivalent to net market value.

Benefits payable
Benefits payable to a member are recognised where a valid withdrawal notice has been received from the employer sponsor, and approved by the Scheme administrator ('ComSuper'), but payment has not been made by reporting date.

Sundry payables
Sundry payables represent liabilities for goods and services provided during the financial period and which are unpaid at reporting date. All amounts are unsecured. Creditors are subject to normal credit terms.

(e) Operational risk reserve

The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address losses arising from an operational risk event. The ORR is operated in accordance with an ORR policy. The level of the reserve is determined by the Trustee Directors and reviewed annually, based on an assessment of the risks faced by the Fund. The transferred assets underlying the ORR are held in a separate cash option of the ARIA Investments Trust and income earned on these assets is recognised in the reserve.

(f) Derivatives

The Scheme does not directly enter into derivative financial instruments.

(g) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

Investment revenue
Interest revenue is recognised on an accrual basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Revenue (continued)

Investment revenue (continued)
Changes in the net market value of investments are recognised as income and are determined as the difference between the net market value (measured at fair value) at year end or consideration received (if sold during the year) and the net market value (measured at fair value) as at the prior year end or cost (if the investment was acquired during the period).

Contribution Revenue
Employer and member contributions, transfers from funds other than the Commonwealth Superannuation Scheme (CSS), superannuation co-contributions and low income superannuation contributions from the Commonwealth Government are recognised on a cash basis. Transfers from CSS are recognised as income and as a receivable in the year in which the member elects to transfer (Note 9).

(h) Expenses

Expenses are recognised on an accruals basis and, if not paid at reporting date, are reflected in the Statement of Net Assets as an accrual or payable depending upon whether or not the expense has been billed.

(i) Income Tax

Income tax on the change in net assets for the year comprises current and deferred tax. Income tax is recognised in the Statement of Changes in Net Assets except to the extent that it relates to items recognised directly in members' funds. As the Scheme invests in the ARIA Investments Trust ('AIT'), which is a pooled superannuation trust, tax on this investment revenue is paid by the AIT.

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Income Tax (continued)

Deferred tax (continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Scheme intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax for the period is recognised as an expense or benefit in the Statement of Changes in Net Assets.

(j) Scheme liability for accrued benefits

The liability for accrued benefits is the value of the Scheme's present obligation to pay benefits to members and other beneficiaries at the date of measurement. The liability is determined as the present value of expected future payments which arise from membership of the Scheme up to date of measurement. The present value is determined by reference to expected future salary levels and by application of a current, market-determined, risk-adjusted discount rate and appropriate actuarial assumptions.

The liability for accrued benefits is not included in the Statement of Net Assets, but is reported at Note 14.

The liability for accrued benefits is measured by an independent actuary on at least a triennial basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as an expense item.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Net Assets.

4. INVESTMENTS

	2015 $'000	2014 $'000
Pooled Superannuation Trust - ARIA Investments Trust	**17 856 161**	16 587 308
	17 856 161	16 587 308

5. CHANGES IN NET MARKET VALUES

	2015 $'000	2014 $'000
(a) Investments held at 30 June:		
Pooled Superannuation Trust - ARIA Investments Trust	**1 926 206**	1 710 984
	1 926 206	1 710 984
(b) Investments realised during the year:		
Pooled Superannuation Trust - ARIA Investments Trust	**26 447**	10 324
	26 447	10 324
(c) Total changes in net market values of investments	**1 952 653**	1 721 308

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

6. FUNDING ARRANGEMENTS

(a) Contributions

Member Contributions
Members contribute to the Scheme at optional rates ranging from 2% - 10% or they may opt to make nil contributions. The contribution rates were the same in the prior year.

Employer Contributions
Employers who do not operate their own productivity schemes contribute employer (productivity) contributions to the Scheme on a sliding scale averaging 3% of salaries paid to members. The contribution rates were the same in the prior year.

Transferring Superannuation Benefits From Other Funds
Money invested in other superannuation funds can be rolled over to the Scheme.

Government Co-Contributions
For the financial years ended 30 June 2015 and 30 June 2014, the Commonwealth Government contributed $0.50 for every $1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of $500 per member.

Low Income Superannuation Contributions
The low income super contribution (LISC) is a Commonwealth Government superannuation payment of up to $500 for the financial years 2012-13 to 2016-17. LISC payments are recognised as revenue when received.

(b) Benefits

Where a benefit that becomes payable in respect of a member can be fully met from Scheme assets attributable to that member, the benefit is paid to the beneficiary from the PSS Fund. Where a benefit becomes payable that cannot be fully met from Scheme assets attributable to the member, all moneys held in the PSS Fund in respect of the member are paid from the Consolidated Revenue Fund, and the Commonwealth Government then assumes responsibility for funding the benefit.

Of the total benefits payable as at 30 June 2015, $4.81 million (2014: $3.97 million) is payable by the Consolidated Revenue Fund. The Commonwealth is the corresponding debtor for this amount in accordance with the funding arrangements described above.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

6. FUNDING ARRANGEMENTS (continued)

(b) Benefits (continued)

Benefits paid and payable by the PSS Fund and the Consolidated Revenue Fund during the year are as follows:

	2015 $'000	2014 $'000
Gross Appropriation from Consolidated Revenue Fund	**1 723 136**	1 335 599
less: Transfers from PSS Fund to Consolidated Revenue Fund	**(1 414 857)**	(892 779)
Net Appropriation	**308 279**	442 820
Consolidated Revenue Fund		
Lump-sum benefits	**643 716**	489 518
Pensions	**1 079 420**	846 081
	1 723 136	1 335 599
PSS Fund		
Lump-sum benefits	**34 646**	13 587
Total benefits paid	**1 757 782**	1 349 186

(c) Costs of Managing, Investing and Administering the Scheme

Costs of and incidental to the management of the Scheme and the investment of its money are charged against the assets of ARIA Investments Trust ('AIT') that are referable to the Scheme. Transactions in respect of these costs have been brought to account in the financial statements of AIT. The costs of member administration were met by ComSuper until 30 June 2015.

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. From this date, costs of member administration will be met by CSC. CSC continues to be the trustee of the Scheme and now also performs the scheme administration activities formerly undertaken by ComSuper.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of Managing, Investing and Administering the Scheme (continued)

Expenses met by the AIT and referable to the Scheme are as follows:

	2015	2014
	$'000	$'000
Investment		
Investment manager fees	**22 598**	16 089
Custodian fees	**2 774**	2 624
Investment consultant and other service provider fees	**2 118**	2 015
Other investment expenses	**1 265**	882
Total direct investment expenses	**28 755**	21 610
Regulatory fees	**2 242**	4 072
Other operating expenses	**14 917**	14 466
Total costs	**45 914**	40 148

In accordance with the *ComSuper Act 2011* , ComSuper provided administrative services to the Trustee in relation to the Scheme. The expenses of ComSuper were met by government appropriation and a share of the administrative fees paid to ComSuper by employing agencies. The remaining share of administrative fees was paid to the Trustee to meet costs other than those incurred in managing and investing Scheme assets. Transactions in respect of the receipt of these fees and the costs of administration have been brought to account in the financial statements of the Trustee and ComSuper. As a result of the merger of ComSuper into CSC on 1 July 2015, the administration services previously provided by ComSuper will be conducted by CSC from this date.

Sponsoring employers contributed the following to Scheme administration costs:

	2015	2014
	$'000	$'000
Trustee costs	**2 070**	2 086
ComSuper costs	**26 861**	27 473
Total	**28 931**	29 559

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

7. INCOME TAX

(a) Income tax recognised in the Statement of Changes in Net Assets

	2015	2014
	$'000	$'000
Tax expense comprises:		
Current tax expense	**32 096**	33 801
Adjustments recognised in the current year in relation to the current tax of prior years	**132**	-
Adjustments recognised in the current year in relation to the deferred tax of prior years	**(132)**	-
Deferred tax expense relating to the origination and reversal of temporary differences	**3**	(4)
Total tax expense	**32 099**	33 797

The prima facie income tax expense on the benefits accrued as a result of operations before income tax reconciles to the income tax expense in the Statement of Changes in Net Assets as follows:

Increase in net assets for the year before income tax	**1 314 659**	1 657 338
Income tax expense calculated at 15%	**197 199**	248 601
Add / (less) permanent differences - items not assessable or deductible		
Member contributions, Government co-contributions and low income superannuation contributions	**(89 240)**	(92 343)
Insurance proceeds	**(387)**	(220)
Benefits paid	**263 667**	202 378
Appropriation from Consolidated Revenue Fund	**(46 242)**	(66 423)
Investment revenue already taxed	**(292 898)**	(258 196)
Adjustments recognised in the current year in relation to the current tax of prior years	**132**	-
Adjustments recognised in the current year in relation to the deferred tax of prior years	**(132)**	-
Total tax expense	**32 099**	33 797

(b) Current tax liabilities

Current tax payables:		
Provision for current year income tax	**31 961**	33 648
	31 961	33 648

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

7. INCOME TAX (continued)

	2015 **$'000**	2014 $'000
(c) Deferred tax balances		
Deferred tax asset / (liabilities):		
Temporary differences	**122**	(7)
	122	(7)

Taxable and deductible temporary differences arise from the following:

2015	**Opening balance $'000**	**Charged to income $'000**	**Closing balance $'000**
Gross deferred tax assets / (liabilities):			
Interest receivable	**(7)**	**(5)**	**(12)**
Insurance premiums payable	**-**	**134**	**134**
	(7)	**129**	**122**

2014	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax (liabilities):			
Interest receivable	(11)	4	(7)
	(11)	4	(7)

8. SUNDRY DEBTORS

	2015 **$'000**	2014 $'000
Receivable from the ARIA Investments Trust	**160**	275
Interest receivable	**78**	48
Amounts due from the CSS Fund	**216**	97
Amount to be appropriated from Consolidated Revenue Fund	**4 808**	3 965
	5 262	4 385

There are no receivables that are past due or impaired (2014: nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

9. TRANSFER TO THE PUBLIC SECTOR SUPERANNUATION SCHEME FROM THE COMMONWEALTH SUPERANNUATION SCHEME

Certain former contributors to the Commonwealth Superannuation Scheme (CSS) who again become members of the CSS are entitled to elect to transfer to the Public Sector Superannuation Scheme (PSS). There were 2 elections made during the year ended 30 June 2015 (2014: 2 elections).

The value of contributions transferrable for members who elected to transfer from CSS to PSS is $215,828 at 30 June 2015 (2014: $97 371). The transfer is receivable from CSS.

10. OPERATIONAL RISK RESERVE

	2015	2014
	$'000	$'000
Opening balance	**17 494**	-
Transfers to reserve	**12 671**	17 319
Earnings on reserve	**483**	175
Closing balance	**30 648**	17 494

11. AUDITOR'S REMUNERATION

	2015	2014
	$	$

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

Financial statements	**67 325**	57 960
Regulatory returns and compliance	**35 175**	34 040
Total	**102 500**	92 000

The audits were provided by the Australian National Audit Office. The audit fees will be charged against the assets of the ARIA Investments Trust that are referable to the Fund.

Deloitte Touche Tohmatsu have been contracted by the Australian National Audit Office to provide audit services on its behalf. Fees for those services are included above.

No other services were provided by the Australian National Audit Office or Deloitte Touche Tohmatsu during the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

12. UNALLOCATED INCOME

Monthly earnings are allocated to members each month-end, or for part of a month on contributions made during a month or where a member exits the Scheme during a month.

The closing balance is approximately 0.27% (2014: 0.70%) of the members' funded entitlements as at 30 June 2015.

	2015 $'000	2014 $'000
Opening balance of unallocated income	**116 205**	80 529
Add: Earnings of Fund for the year	**1 953 780**	1 722 115
Less: Earnings allocation to members' accounts	**(2 009 413)**	(1 668 945)
Less: Transfers to and earnings on operational risk reserve	**(13 154)**	(17 494)
Closing balance of unallocated income	**47 418**	116 205

Unallocated income primarily represents timing differences, including the difference between investment valuations applied in daily earnings rates and the confirmed investment values published in these financial statements.

13. VESTED BENEFITS

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any other factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

The actuarial estimate of vested benefits at 30 June 2015 is $76.6 billion (2014: $70.8 billion). The value of vested benefits represents the liability that would have fallen on the Scheme if all members had ceased service on 30 June 2015 and elected the option which maximised their benefit entitlement.

The vested benefits have been calculated on the basis of current legislative arrangements for indexation of pension payments.

	2015 $billion	2014 $billion
The vested benefits amount is made up of:		
Funded component	**17.8**	16.6
Unfunded component	**58.8**	54.2
	76.6	70.8
The net assets of the Scheme compared to the vested benefits are:		
Funded component	**17.8**	16.6
Net assets	**17.8**	16.6
Surplus / (deficiency)	**-**	-

The net assets of the Scheme includes $30,647,739 of assets backing the operational risk reserve (2014: $17,494,215).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

14. LIABILITY FOR ACCRUED BENEFITS

The amount of accrued benefits is the present value of expected future benefit payments that arise from membership of the Scheme up to the measurement date. The accrued benefits are comprised of a funded component (i.e. accumulated member contributions, and, where applicable, productivity contributions, plus interest) which will be met from the Scheme, and an unfunded component that, pursuant to the *Superannuation Act 1990* (as amended), will be funded from the Consolidated Revenue Fund at the time the superannuation benefits become payable.

The amount of accrued benefits in respect of the Scheme is calculated on a triennial basis. The most recent valuation of the accrued benefits was undertaken by Mercer Consulting (Australia) Pty Ltd as part of a comprehensive review as at 30 June 2014. A summary of the review is attached.

	2014	2011
	$billion	$billion
Accrued benefits as at 30 June were:		
Funded component	**16.6**	12.5
Unfunded component	**46.9**	33.1
	63.5	45.6

The net assets compared to the liability for accrued benefits as at 30 June are:

Funded accrued benefits	**16.6**	12.5
Net assets	**16.6**	12.5
Surplus / (deficiency)	**-**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS

(a) Financial instruments management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The investments of the Scheme (other than cash held for managing contribution receipts, benefit payments and tax payments) comprise units in the ARIA Investments Trust ('AIT'). AIT is a pooled superannuation trust which is also governed by the Commonwealth Superannuation Corporation as Trustee. This type of investment has been determined by the Trustee to be appropriate for the Scheme and is in accordance with the Scheme's published investment strategy. The Trustee applies strategies to manage risk relating to the investment activities of the AIT. The investments of AIT are managed on behalf of the Trustee by specialist sector fund managers who are required to invest the assets in accordance with contractual investment mandates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

(c) Capital risk management

The RSE licence of the Trustee of the Scheme requires the Trustee to maintain a balance of at least $100 000 at all times in an administration reserve account in the AIT until the operational risk reserve target amount is met. This is required to be maintained in cash or cash equivalents. The Trustee of the Scheme was in compliance with this requirement throughout the year.

(d) Categories of financial instruments

The financial assets and liabilities of the Scheme are recognised at net market value as at the reporting date. Net market value approximates fair value less costs of realisation of investments. The cost of realisation of investments is minimal and therefore net market value that is carrying value approximates fair value. Changes in net market value are recognised in the Statement of Changes in Net Assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(e) Financial risk management objectives

The Scheme is exposed to a variety of financial risks as a result of its pooled investment in AIT. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Scheme's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Scheme's financial performance. These policies may include the use of financial derivative instruments.

The Trustee is responsible for ensuring that there is an effective risk management control framework in place for the Scheme. Consistent with regulatory requirements, the Trustee has developed, implemented and maintains a Risk Management Framework to identify the policies, procedures, processes and controls that comprise its risk management and control systems for the Scheme and for the Scheme's investments through the AIT. The overall investment strategy of the Scheme is set out in the Trustee's approved investment policies which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

The Trustee's internal investment team monitors and manages the financial risks relating to the Scheme's investments. Derivative Risk Statements set out the strict parameters for the Trustee's investment managers authorised to use derivatives. In essence, derivatives cannot be used to raise the level of risk above the level it would otherwise have been, and derivatives cannot be used to leverage the investments.

The Scheme's investments are managed on behalf of the Trustee by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. The Trustee has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with its investment strategy.

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Scheme. In its capacity as trustee of AIT, the Trustee has adopted a policy of spreading the aggregate value of transactions across approved creditworthy counterparties as a means of mitigating the risk of financial loss. The Scheme's exposure to its counterparties are continuously monitored by the Trustee.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(f) Credit risk (continued)

The largest exposure to a single counterparty is to cash held by the investment master custodian Northern Trust. Credit risk relating to the master custodian is mitigated through contract indemnity provisions. Other than the master custodian, no individual exposure within AIT exceeded 5% of net assets of that trust at 30 June 2015 or 30 June 2014.

The credit risk on the Scheme's directly held cash and cash equivalents and interest receivable is limited because the counterparty is the Reserve Bank of Australia.

The table below shows the maximum exposure of financial assets to credit risk at the reporting date:

	2015	2014
	$'000	$'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**17 856 161**	16 587 308
Other financial assets		
Cash and cash equivalents	**36 659**	22 158
Sundry debtors	**5 262**	4 385
	17 898 082	16 613 851

There has been no change to the Scheme's exposure to credit risk or the manner in which it manages and measures that risk during the reporting period.

(g) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in either realising assets or otherwise raising sufficient funds to meet its liabilities and/or member benefit payments or tax liabilities.

The Trustee's approach to managing liquidity is to ensure that the Scheme will always have sufficient liquidity to meet its liabilities and member benefit payments. The Scheme allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. The Trustee undertakes forecasting and scenario testing of the cashflow requirements of the Scheme to ensure timely access to sufficient cash and actively-traded, highly-liquid investments to meet anticipated funding requirements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(g) Liquidity risk (continued)

As a further risk mitigation strategy, it is the Trustee's policy that the target asset allocation to illiquid assets is limited to around 25% of the investments of the AIT (with a plus or minus 10 percentage point rebalancing range around that target). Regular scenario testing is performed to confirm the validity of the strategy.

The following tables summarise the maturity profile of the Scheme's financial liabilities. Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at reporting date. This is the earliest date on which the Scheme can be required to pay members' vested benefits. However, members may not necessarily call upon amounts vested to them during this time. The tables have been drawn up based on the contractual undiscounted cash flows of financial liabilities based on the earliest date on which the Scheme can be required to pay. The tables include both interest and principal cash flows.

Financial Liabilities maturity profile:

	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
30 June 2015					
Benefits payable	**20 071**	**-**	**-**	**-**	**20 071**
Sundry payables	**1 096**	**-**	**-**	**-**	**1 096**
Vested benefits	**76 567 000**	**-**	**-**	**-**	**76 567 000**
Total financial liabilities	**76 588 167**	**-**	**-**	**-**	**76 588 167**
30 June 2014					
Benefits payable	16 665	-	-	-	16 665
Sundry payables	1 015	-	-	-	1 015
Vested benefits	70 803 000	-	-	-	70 803 000
Total financial liabilities	70 820 680	-	-	-	70 820 680

There has been no change to the Scheme's exposure to liquidity risk or the manner of management of the risk during the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(h) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in the Trustee's investment policies and the Risk Management Framework.

There has been no change to the Scheme's exposure to market risk or the manner in which it manages and measures that risk since the 2014 reporting period.

Foreign currency risk
Foreign currency risk is the risk that the net market value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Scheme does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. However, the Scheme is indirectly exposed to foreign currency risk from the international assets held in the AIT, and it is managed in accordance with the Trustee’s approved investment strategy. The AIT enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from its investments denominated in developed markets foreign currencies. These contracts neutralise some of the gains and losses from currency fluctuation. A small part of the investments of the AIT, relating to emerging markets, remains unhedged due to lack of suitable currency instruments for hedging.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits and taxation payments. All holdings at 30 June 2015 and 30 June 2014 had a maturity profile of less than one month.

The Scheme is indirectly exposed to interest rate risk through its investments in AIT. The Trustee manages interest rate risk through its investment strategy including diversification of asset allocation and the use of a diversity of specialist investment sector managers.

The following table illustrates the Scheme's sensitivity to a 0.4% p.a. (2014: 0.6%) increase or decrease in interest rates, based on cash balances directly held at reporting date. This represents an assessment of a reasonably possible change in interest rates. Had interest rates been lower or higher by 0.4% (2014: 0.6%) at reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as demonstrated:

	Carrying amount $'000	Interest rate risk $' 000			
		Changes in net assets	Net assets available to pay benefits	Changes in net assets	Net assets available to pay benefits
2015		-0.4%		+0.4%	
Cash and cash equivalents	36 659	(147)	(147)	147	147
2014		-0.6%		+0.6%	
Cash and cash equivalents	22 158	(133)	(133)	133	133

In the Trustee's opinion, the sensitivity analysis at reporting date approximates the direct interest rate exposures of the Scheme during the financial year.

Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all similar financial instruments traded in the market.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other price risk (continued)
The Scheme's investment in AIT is exposed to market price risk in respect of the latter's holdings of equity securities and unit trusts. As the investment in AIT is carried at net market value with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect the Scheme's net investment income.

In its capacity as trustee of AIT, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

The following table illustrates the Scheme's sensitivity to a reasonably possible change in the value of its investment in AIT, based on risk exposures at reporting date. The volatility factor of 6.5% (2014: 6.7%) represents the average annual volatility in the default option unit price of the Scheme's investment in the AIT. For the Cash Option and the investments backing the operational risk reserve a factor of 0.4% (2014: 0.6%) has been applied representing a reasonably possible change in interest rates as a proxy for price risk of the option. Had the unit price been higher or lower by the volatility factor at the reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as follows:

	Change in price	Carrying amount $'000	Price risk $' 000			
			Changes in net assets	Net assets available to pay benefits	Changes in net assets	Net assets available to pay benefits
2015						
Financial Assets						
ARIA Investments Trust:						
Default Option	-/+6.5%	17 779 082	(1 155 640)	(1 155 640)	1 155 640	1 155 640
Cash option	-/+0.4%	46 591	(186)	(186)	186	186
Operational risk reserve	-/+0.4%	30 488	(122)	(122)	122	122
Total increase / (decrease)		17 856 161	(1 155 948)	(1 155 948)	1 155 948	1 155 948
2014						
Financial Assets						
ARIA Investments Trust:						
Default Option	-/+6.7%	16 521 829	(1 106 963)	(1 106 963)	1 106 963	1 106 963
Cash option	-/+0.6%	48 260	(290)	(290)	290	290
Operational risk reserve	-/+0.6%	17 219	(103)	(103)	103	103
Total increase / (decrease)		16 587 308	(1 107 356)	(1 107 356)	1 107 356	1 107 356

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

15. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other price risk (continued)

In the Trustee's opinion, the sensitivity analysis at reporting date is representative of the other market price exposures during the financial year.

(i) Fair value measurement

The Scheme's financial instruments are included in the Statement of Net Assets at net market value that approximates fair value. The net market value is determined per accounting policies disclosed in Note 3(a).

Net market value measurements recognised in the Statement of Net Assets
The following table provides an analysis of the Scheme's financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: net market value measurements are those derived from quoted prices in active markets.

Level 2: net market value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: net market value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2015 **Financial Assets** Pooled superannuation trust	**-**	**17 856 161**	-	**17 856 161**
2014 **Financial Assets** Pooled superannuation trust	-	16 587 308	-	16 587 308

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued daily based on the latest listed and unlisted market prices and values of the underlying investments, less any tax and expenses.

Reconciliation of Level 3 net market value measurements
There were no Level 3 financial assets or liabilities for the period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. RELATED PARTIES

(a) Trustee

Commonwealth Superannuation Corporation (CSC) was the Trustee throughout the reporting period. No fees were charged by CSC for acting as Trustee of the Scheme during the reporting period.

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2015 and to the date of the report were:

Tony Cole
Patricia Cross (Chairman)
Christopher Ellison
Peter Feltham
Nadine Flood
Lyn Gearing
Winsome Hall
John McCullagh
Peggy O'Neal
Margaret Staib
Michael Vertigan

In addition to the Directors listed above, the following executives of the Trustee had authority and responsibility for planning, directing and controlling the activities of the Scheme throughout the year ended 30 June 2015:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Executive Officer
Leonie McCracken	General Manager, Operations
Bronwyn McNaughton	General Counsel
Christine Pearce	General Manager, Member & Employer Services
Sarah Rodgers	General Manager, People & Culture (Commenced 27 April 2015)
Alison Tarditi	Chief Investment Officer
Andy Young	General Manager, Finance & Risk

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. RELATED PARTIES (continued)

(c) Key Management Personnel Compensation

The aggregate compensation of the key management personnel is set out below:

	2015	2014
	$	$
Short-term employee benefits	**874 902**	867 656
Post-employment benefits	**93 409**	89 962
Other long-term benefits	**61 899**	60 243
	1 030 210	1 017 861

Aggregate compensation in relation to the Scheme is a pro-rata apportionment of the overall compensation paid by the Trustee, based on the net assets of the entities under its trusteeship or actual control.

The compensation of key management personnel (including Directors) related to investment management is charged against assets of the AIT that are referable to the Scheme.

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally-related entities at any time during the year.

(d) Investing entities

Throughout the year ended 30 June 2015, the Scheme's only investment consisted of units in AIT, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

The other investors in AIT throughout the year were the Commonwealth Superannuation Scheme, Public Sector Superannuation Accumulation Plan and the Military Superannuation and Benefits Scheme. All investing transactions are conducted under normal industry terms and conditions.

The Trustee of the Scheme, Commonwealth Superannuation Corporation, is the Trustee of the following regulated superannuation schemes: Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan and the Military Superannuation and Benefits Scheme.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. RELATED PARTIES (continued)

(d) Investing entities (continued)

The Trustee pays costs of and incidental to the management of the Scheme and the investment of its money from the assets of the AIT that are referable to the Scheme (Note 6(c)). No fees were charged for acting as Trustee during the year ended 30 June 2015 (2014: $nil).

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

	Net Market Value of Investment	Net Market Value of Investment	Share of Net Income after tax	Share of Net Income after tax
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
ARIA Investments Trust	**17 856 161**	16 587 308	**1 952 653**	1 721 308
	17 856 161	16 587 308	**1 952 653**	1 721 308

(e) Transactions with director-related entities

During the financial year, Margaret Staib was Chief Executive Officer and a director of Airservices Australia, which made employer superannuation contributions of $125,231 to the Scheme during the year ended 30 June 2015 (2014: $127,934). The contributions were made at arm's length as part of a normal employer relationship on terms and conditions no more favourable than if the employer had not been a director-related entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

17. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital or other expenditure commitments as at 30 June 2015 (2014: $nil).

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Scheme (including insurance benefits) which could result in additional benefits becoming payable in the future. Each request is considered on its merits prior to any benefit becoming payable. In the opinion of the Trustee, these requests do not represent a material liability on the Scheme.

There were no other contingent liabilities or contingent assets for the Scheme at 30 June 2015 (2014: $nil).

18. SUBSEQUENT EVENTS

Following the passage of the Governance of *Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. CSC continues to be the trustee of the public sector and defence force superannuation schemes and now also performs the scheme administration activities formerly undertaken by ComSuper.

No other matters have arisen since 30 June 2015 that have materially affected, or may materially affect, the operations of the Scheme, the results of those operations, or the financial position of the Scheme in future financial years.

MERCER
MAKE TOMORROW, TODAY

INFORMATION REQUIRED FOR PURPOSES OF AUSTRALIAN ACCOUNTING STANDARD AAS 25 RELATING TO THE ACTUARIAL INVESTIGATION OF THE PUBLIC SECTOR SUPERANNUATION SCHEME AS AT 30 JUNE 2014

Purpose of Report

This statement has been prepared for the purposes of AAS 25 as at 30 June 2014 for the Public Sector Superannuation Scheme (PSS or the Scheme) at the request of the Commonwealth Superannuation Corporation (CSC).

This extract summarises the actuarial investigation of the Scheme as at 30 June 2014 carried out by Mercer Consulting (Australia) Pty Limited with a report by Richard Boyfield FIAA and David Knox FIAA. It has been prepared for the purposes of inclusion with the Scheme's financial statements and is in a form that complies with the Australian Accounting Standard AAS 25.

Accrued and Vested Benefits

AAS 25 requires the disclosure of Accrued and Vested benefits at the reporting date.

For the purpose of AAS 25 the following amounts have been determined:

Reporting Date	Accrued Benefits $billion	Vested Benefits $billion
30 June 2014	63.5	70.8

Accrued Benefits have been determined as the present value of expected future benefit payments that arise from membership of the PSS up to the reporting date.

Vested Benefits are benefits which the PSS would be required to pay if all members were to voluntarily leave employment on the reporting date and elected the benefit option which is most costly to the Scheme.

The method and assumptions used to determine Accrued and Vested Benefits are summarised in Attachment 1 to this statement.

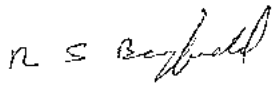
Accrued Benefits have been calculated in a manner consistent with Guidance Note 454 and Professional Standard 402 issued by the Institute of Actuaries of Australia.

MARSH & McLENNAN COMPANIES

AAS 25 PUBLIC SECTOR SUPERANNUATION SCHEME AS AT 30 JUNE 2014
Page 2

Summary of Actuarial Report

AAS 25 also requires the notes to the Scheme's financial statements to include a summary of the most recent actuarial report of the PSS. Attachment 2 to this Statement provides a summary of the report on the Long Term Cost of the PSS and the Commonwealth Superannuation Scheme (CSS) carried out as at 30 June 2014. The summary contains the information required under AAS 25.



Richard Boyfield
Fellow of the Institute of Actuaries of Australia
Partner, Mercer Consulting (Australia) Pty Ltd

29 July 2015

AAS 25 PUBLIC SECTOR SUPERANNUATION SCHEME AS AT 30 JUNE 2014
Page 3

Attachment 1 to AAS 25 Statement

Method of Determining Accrued and Vested Benefits
Accrued Benefits were determined as the present value of expected future benefit payments that arise from membership of the PSS up to 30 June 2014.

To apportion benefits between past and future membership an "actual accrual" approach has been used. Specifically the steps involved in calculating the Accrued Benefits are as follows:

1) The membership of the Scheme as at 30 June 2014 is projected into the future based on assumptions relating to the rates of exit of members.

2) The total value of benefits payable to the projected exits and pensioners in each future year are determined taking into account assumed salary growth and pension indexation in each future year.

   For contributory members, the projected benefits are determined based on members' service rendered prior to 30 June 2014 only.

   For example, for the PSS benefit, this involves determining the benefit attributable to service to 30 June 2014 using:

   Accrued Multiple as at 30 June 2014 × Final Average Salary at future date

3) The Accrued Benefits as at 30 June 2014 is determined as the sum of the present values of the benefits payable to the projected exits over all future years.

No Vested Benefits minimum has been applied to the Accrued Benefits.

The calculation methodology is consistent with the Professional Standard No. 402 of the Actuaries Institute relating to the determination of accrued benefits for defined benefit superannuation funds.

The method used to apportion benefits between past and future membership is unchanged from that used in the previous actuarial investigation as at 30 June 2011.

Vested Benefits are determined as the value of benefits which the PSS would be required to pay if all members were to voluntarily leave employment on 30 June 2014 and elect the benefit option which is most costly to the PSS.

AAS 25 PUBLIC SECTOR SUPERANNUATION SCHEME AS AT 30 JUNE 2014
Page 4

Assumptions Used to Determine Accrued Benefits

The assumptions used to determine Accrued Benefits are the same as those used for the most recent actuarial investigation into the long term cost of the PSS and the CSS as at 30 June 2014.

The financial assumptions used are:

Item	Assumption
Investment Return / Discount Rate	6.0% per annum (nominal) 3.5% per annum (real)
General Salary Increases	4.0% per annum (nominal) 1.5% per annum (real)
CPI Increases	2.5% per annum

A summary of the other assumptions used is contained in Appendix B of the Long Term Cost Report of the PSS and the CSS.

AAS 25 PUBLIC SECTOR SUPERANNUATION SCHEME AS AT 30 JUNE 2014
Page 5

Attachment 2 to AAS 25 Statement

Summary of the Long Term Cost Report

The latest actuarial investigation into the long term cost of the PSS and CSS was conducted at 30 June 2014.

This attachment provides a summary of that report.

Membership Data

Data relating to the membership of the PSS and the CSS was provided by CSC, for the purposes of this investigation.

The table below summarises the total membership of the PSS as at 30 June 2014.

PSS MEMBERSHIP as at 30 JUNE 2014			
	Male	**Females**	**Total**
Number of Contributors	40,313	55,736	96,049
Salaries	$4,143m	$5,096m	$9,239m
Number of Preserved Members	41,417	61,489	102,906
Number of Age Pensioners	14,170	15,551	29,721
Number of Invalidity Pensioners	1,359	1,811	3,170
Number of Reversionary Pensioners	434	989	1,423

Assumptions

The key economic assumptions adopted for this actuarial investigation are shown in the table below. The same assumptions were adopted for the previous investigation at 30 June 2011.

Item	Assumption
CPI Increases	2.5% per annum
Investment Returns / Discount Rate	6.0% per annum (nominal) 3.5% per annum (real)
General Salary Increases	4.0% per annum (nominal) 1.5% per annum (real)

The demographic assumptions at 2014 have been revised based on the experience of the schemes over the eight years to 30 June 2013. These are set out in Appendix B of the Long Term Cost Report.

Of the changes in assumptions, the most significant were:

- Introduction of age-specific member contribution rates for PSS members;
- Increases in the pension take-up assumptions for PSS members; and
- Changes to pensioner mortality rates and mortality improvement factors.

Value of Assets

The PSS and CSS are partly funded to the extent that real assets are held in respect of member contributions and productivity superannuation contributions. The realisable value of the PSS assets as at 30 June 2014 was $16.6 billion.

Accrued Benefits

The value of accrued benefits as at 30 June 2014 was $63.5 billion.

The Accrued Benefit also includes an amount of $24.0 billion in respect of pensioners and preserved beneficiaries of the PSS.

Accrued Benefits were determined as the present value of expected future benefit payments that arise from membership of the PSS up to 30 June 2014.

Vested Benefits

Vested Benefits of the PSS were not calculated as a part of the Long Term Cost Report as at 30 June 2014 but were calculated separately.

The estimated value of the Vested Benefits of the PSS as at 30 June 2014 is $70.8 billion.

Vested Benefits are determined as the value of benefits which the PSS would be required to pay if all members were to voluntarily leave employment on the reporting date and elected the benefit option which is most costly to the PSS.

Financial Condition

The PSS is a partially funded scheme. As a consequence, the value of Accrued Benefits and Vested Benefits is significantly more than the realisable value of Scheme assets at the same date.

However, the PSS operates under an underlying guarantee from the Commonwealth Government. Furthermore, the investigation shows that the projected combined Commonwealth costs in respect of the PSS and CSS reduce as a percentage of projected Gross Domestic Product over the next 40 years.

AAS 25 PUBLIC SECTOR SUPERANNUATION SCHEME AS AT 30 JUNE 2014
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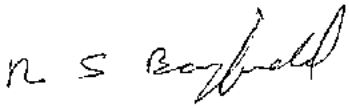

Richard Boyfield
Fellow of the Institute of Actuaries of Australia
Partner, Mercer Consulting (Australia) Pty Ltd

29 July 2015

8

MilitarySuper financial statements

REPORT BY THE INDEPENDENT APPROVED AUDITOR TO THE MINISTER FOR FINANCE AND MEMBERS OF THE MILITARY SUPERANNUATION AND BENEFITS FUND (ABN: 50925523120)

I have audited the financial statements of Military Superannuation and Benefits Fund for the year ended 30 June 2015 comprising the Statement of Net Assets, the Statement of Changes in Net Assets, a Summary of Principal Accounting Policies and other explanatory notes.

Trustee's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the members of Military Superannuation and Benefits Fund and the Minister for Finance.

My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee's, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor's Opinion

In my opinion:

(i) the financial statements are in the form as agreed by the Minister for Finance;

(ii) the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards, the net assets of Military Superannuation and Benefits Fund as at 30 June 2015 and the changes in net assets for the year ended 30 June 2015;

(iii) the financial statements are based and proper accounts and records; and

(iv) the receipt of money into the Fund, and the payment of money out of the Fund and the investment of money standing to the credit of the Fund during the year have been in accordance with the Trust Deed.

AUSTRALIAN NATIONAL AUDIT OFFICE

Carla Jago
Executive Director
Delegate of the Auditor-General
Canberra
29 September 2015

Military Superannuation and Benefits Fund (ABN 50 925 523 120)

Statement by the Trustee of the Military Superannuation and Benefits Fund ('Fund')

The Board of Directors hereby states that in its opinion:

(a) the attached financial statements give a true and fair view of the matters required by Australian Accounting Standards, including AAS 25 *'Financial Reporting by Superannuation Plans.'*

(b) the attached financial statements give a true and fair view of the net assets of the Military Superannuation and Benefits Fund No. 1 (defined in Note 1) as at 30 June 2015 and the changes in net assets of the Fund for the year ended 30 June 2015;

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

(d) the financial statements are in a form agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

(e) the financial statements have been prepared based on properly maintained financial records;

(f) the operations of the Military Superannuation and Benefits Scheme (Scheme) (defined at Note 1) were conducted in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011* , the *Military Superannuation and Benefits Act 1991* , the Trust Deed establishing the Fund, the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations, and the relevant requirements of the *Corporations Act 2001* and Regulations (to the extent applicable).

Signed this 29th day of September 2015 in accordance with a resolution of Directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Fund.

Patricia Cross
Chairman

Michael Vertigan
Director

Military Superannuation and Benefits Fund
Statement of Changes in Net Assets
For the Year Ended 30 June 2015

	Note	2015 $'000	2014 $'000
Net assets available to pay benefits at the start of the financial year		**5 765 203**	4 887 825
Net Investment revenue			
Interest		**746**	736
Changes in net market values	5c	**725 257**	569 463
		726 003	570 199
Contribution revenue			
Member contributions	6a	**271 124**	254 399
Employer contributions	6a	**177 979**	164 676
Government co-contributions	6a	**2 509**	3 481
Low income superannuation contributions	6a	**909**	1 502
Net appropriation from Consolidated Revenue Fund	6b	**439 406**	378 912
		891 927	802 970
Total revenue		**1 617 930**	1 373 169
Benefits paid	6b	**(557 928)**	(470 968)
Total expenses		**(557 928)**	(470,968)
Change in net assets before income tax		**1 060 002**	902 201
Income tax expense	7a	**(26 809)**	(24 823)
Change in net assets after income tax		**1 033 193**	877 378
Net assets available to pay benefits at the end of the financial year		**6 798 396**	5 765 203

The attached notes form part of these financial statements.

Military Superannuation and Benefits Fund
Statement of Net Assets
As at 30 June 2015

	Note	2015 $'000	2014 $'000
Investments			
Pooled superannuation trust	4	**6 792 394**	5 759 942
Total Investments		**6 792 394**	5 759 942
Other assets			
Cash and cash equivalents		**34 019**	30 947
Sundry debtors	8	**4 120**	3 996
Total other assets		**38 139**	34 943
Total assets		**6 830 533**	5 794 885
Benefits payable		**5 140**	4 683
Sundry payables		**256**	218
Current tax liabilities	7b	**26 733**	24 771
Deferred tax liabilities	7c	**8**	10
Total liabilities		**32 137**	29 682
Net assets available to pay benefits at the end of the financial year		**6 798 396**	5 765 203

The attached notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

1. DESCRIPTION OF THE SCHEME AND THE FUND

The Military Superannuation and Benefits Scheme ('Scheme') (ABN 50 925 523 120) is a hybrid accumulation-defined benefits scheme which provides benefits to its members under the *Military Superannuation and Benefits Act 1991*. The Trustee of the Scheme is Commonwealth Superannuation Corporation (CSC) (ABN 48 880 817 243).

The Scheme is operated for the purpose of providing members of the Australian Defence Force (and their dependants or beneficiaries) with lump sum and pension benefits upon retirement, termination of service, death or disablement. For the purposes of the Scheme, the Military Superannuation and Benefits Fund No. 1 (Fund) accepts employer contributions from the Department of Defence, other government contributions, members' contributions, transfers from other superannuation funds, and contributions made by members for the benefit of their spouse.

Administration of member records, contributions receipts and benefit payments was historically conducted on behalf of the Trustee by ComSuper.

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. CSC continues to be the trustee of the public sector and defence force superannuation schemes and now also performs the scheme administration activities formerly undertaken by ComSuper.

The principal place of business and registered office of the Trustee is Level 8, 121 Marcus Clarke Street, Canberra ACT 2601.

On 13 May 2014 the Government announced its intention to close the Scheme to new members from 1 July 2016. A new accumulation plan, Australian Defence Force (ADF) Super, is intended to commence on 1 July 2016. The legislation has yet to be passed by Parliament, however on 25 June 2015 a package of three bills were introduced into the House of Representatives, being the:

- *Australian Defence Force Superannuation Bill 2015;*
- *Australian Defence Force Cover Bill 2015;* and
- *Defence Legislation Amendment (Superannuation and ADF Cover) Bill 2015.*

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report of the Fund is a general purpose financial report which has been prepared in accordance with Accounting Standards and Interpretations, the *Superannuation Industry (Supervision) Act 1993* and provisions of the Trust Deed. Accounting Standards include Australian Accounting Standards and International Financial Reporting Standards ('IFRS') to the extent that they are not inconsistent with *AAS 25 'Financial Reporting by Superannuation Plans'.* For the purposes of preparing financial statements, the Fund is a not-for-profit entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

The financial statements have been prepared on the basis required by the Defined Benefit Plan provisions of AAS 25, which provides specific measurement requirements for assets, liabilities and for accrued benefits. A Defined Benefit Plan refers to a superannuation plan where the amounts to be paid to members on retirement are determined at least in part by a formula based on years of membership and salary levels. The Trustee adopted the provisions of AAS 25 whereby the financial statements include a Statement of Net Assets, a Statement of Changes in Net Assets and notes thereto.

The form of these financial statements has been agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* .

The financial statements of the Fund were authorised for issue by the Directors of the Trustee on 29 September 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Australian Accounting Standards require disclosure of Australian Accounting Standards that have not been applied for Standards that have been issued but are not yet effective. The Trustee expects to adopt the Standards disclosed below upon their application date to the extent that they are not inconsistent with AAS 25 *'Financial Reporting by Superannuation Plans'* (noting however that AASB 1056 *'Superannuation Entities'* replaces AAS 25 *'Financial Reporting by Superannuation Plans').*

AASB 1056 '*Superannuation Entities'*

AASB 1056 *'Superannuation Entities'* was issued on 5 June 2014. It replaces AAS 25 *'Financial Reporting by Superannuation Plans'* with effect for annual reporting periods beginning on or after 1 July 2016 but can be applied earlier. The Trustee has elected not to early adopt AASB 1056 *'Superannuation Entities'.*

AASB 1056 *'Superannuation Entities'* has been developed in light of developments in the superannuation industry and Australia's adoption of IFRS. AASB 1056 *'Superannuation Entities'* also addresses deficiencies in AAS 25 *'Financial Reporting by Superannuation Plans'* and makes the requirements for superannuation entities more consistent with current requirements in Australian Accounting Standards.

The key impacts on the financial statements of the Fund include:

- Preparation of five primary financial statements (rather than the current two), being:
  - Statement of Financial Position;
  - Income Statement;
  - Statement of Changes in Equity/Reserves;
  - Statement of Cash Flows; and
  - Statement of Changes in Member Benefits.
- The recognition of member benefits as a liability on the face of the Statement of Financial Position measured at each reporting date. As disclosed in Note 12, the liability for accrued member benefits at 30 June 2014 (being the date of the most recent valuation by the Australian Government Actuary) was $32.5 billion.
- The recognition of an 'employer sponsor receivable' to recognise the Commonwealth Government's legislated obligation under the *Military Superannuation and Benefits Act 1991* to meet the shortfall between the liability for accrued benefits and the fair value of the net assets available to meet that liability. Based on the fair value of net assets at 30 June 2015 and the most recent valuation of member benefits liabilities (as referred to above), the employer sponsor receivable at 30 June 2015 would be $25.7 billion.
- Additional disclosures on estimates, financial risk management and policies for managing defined benefit liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

AASB 1056 requires the measurement approach of 'fair value through profit or loss' for all assets and liabilities, except for specific exemptions including member benefits, tax assets and liabilities and employer sponsor receivables. The investments of the Fund are currently already measured at redemption price at the close of business on the last business day of the reporting period and therefore this change in measurement approach will have no impact on the valuation of the Fund's investments.

Other Standards in issue but not effective

In addition to AASB 1056 *'Superannuation Entities'*, the following Standards were in issue but not yet effective at the date of authorisation of the financial report. The Directors are yet to consider the impact of AASB 15 *'Revenue from Contracts with Customers',* but it is anticipated that the adoption of the other Standards disclosed below will not have a material financial impact on the financial report of the Scheme:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and **AASB 2014-5** 'Amendments to Australian Accounting Standards arising from AASB 15' [1]	1 January 2017	30 June 2018
AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exemption'	1 January 2016	30 June 2017

1 This standard is applicable to annual reporting periods beginning on or after 1 January 2017. Exposure Draft 263 *'Effective Date of AASB 15'* proposes to defer the application date by one year (1 January 2018). In July 2015 the International Accounting Standards Board (IASB) decided to defer the effective date of International Financial Reporting Standard (IFRS) 15 by one year to 1 January 2018. The amendment to the effective date of IFRS is expected to be issued in September 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

The following new and revised Standards and Interpretations have been adopted in these financial statements. The adoption has not had any significant impact on the disclosures or amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard / Interpretation	Effective for annual reporting periods
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (AASB 132)'	beginning on or after 1 January 2014
AASB 1031 'Materiality'	beginning on or after 1 January 2014
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	beginning on or after 1 January 2014
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	beginning on or after 1 January 2014
AASB 2013-8 'Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities'	beginning on or after 1 January 2014
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' Part B Materiality	beginning on or after 1 January 2014
AASB 2014-1 'Amendments to Australian Accounting Standards': Part A - 'Annual Improvements 2010-2012 and 2011-2013', Part B - 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)', and Part C - 'Materiality'	beginning on or after 1 July 2014

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Fund.

Amounts in these financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements, and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented in these financial statements for the year ended 30 June 2014.

(a) Assets

Assets are included in the Statement of Net Assets at net market value as at reporting date and changes in the net market value of assets are recognised in the Statement of Changes in Net Assets in the periods in which they occur. Net market value of investments includes a deduction for selling costs which would be expected to be incurred if the investments were sold.

Financial assets (being investments in a pooled superannuation trust, cash at bank and sundry debtors) are recognised on the date the Fund becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. From this date, any gains and losses from changes in net market value are recorded.

Net market value means the amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal. If the price used is the selling or redemption price a deduction for selling costs has already been included. Otherwise, as selling costs are generally immaterial, net market value approximates fair value unless otherwise stated.

Net market values have been determined as follows:

(i) Units in a pooled superannuation trust are valued at the redemption price at close of business on the last business day of the reporting period as notified by the manager of the trust, reflecting the net market value of the underlying investments.

(ii) Sundry debtors are recognised at the amounts receivable. All amounts are unsecured and are subject to normal trade credit terms.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash at bank used to transact member and employer contributions, transfers to and from other funds, benefit payments and tax liabilities.

(c) Foreign Currency Transactions

The Fund does not undertake transactions denominated in foreign currencies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Payables

Payables (being benefits payable and sundry payables) are recognised at their nominal value which is equivalent to net market value.

Benefits payable
Benefits payable to a member are recognised where a valid withdrawal notice has been received from the employer sponsor, and approved by the Scheme administrator ('ComSuper'), but payment has not been made by reporting date.

Sundry Payables
Sundry payables represent liabilities for goods and services provided during the financial period and which are unpaid at reporting date. All amounts are unsecured. Creditors are subject to normal credit terms.

(e) Operational risk reserve

The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address losses arising from an operational risk event. The ORR is operated in accordance with an ORR policy. The level of the reserve is determined by the Trustee Directors and reviewed annually, based on an assessment of the risks faced by the Fund. The transferred assets underlying the ORR are held in a separate cash option of the ARIA Investments Trust and income earned on these assets is recognised in the reserve.

(f) Derivatives

The Fund does not directly enter into derivative financial instruments.

(g) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

Investment revenue
Interest revenue is recognised on an accrual basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Revenue (continued)

Investment revenue (continued)
Changes in the net market value of investments are recognised as income and are determined as the difference between the net market value (measured at fair value) at year end or consideration received (if sold during the year) and the net market value (measured at fair value) as at the prior year end or cost (if the investment was acquired during the period).

Contribution revenue
Employer and member contributions, transfers from other funds and superannuation co-contributions and low income superannuation contributions from the Commonwealth Government are recognised on a cash basis.

(h) Expenses

Expenses are recognised on an accruals basis and, if not paid at reporting date, are reflected in the Statement of Net Assets as an accrual or payable depending upon whether or not the expense has been billed.

(i) Income Tax

Income tax on change in net assets for the year comprises current and deferred tax. Income tax is recognised in the Statement of Changes in Net Assets except to the extent that it relates to items recognised directly in members' funds. As the Scheme invests in the ARIA Investments Trust ('AIT'), which is a pooled superannuation trust, tax on this investment revenue is paid by the AIT.

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current period is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Income Tax (continued)

Deferred tax (continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax for the period is recognised as an expense or benefit in the Statement of Changes in Net Assets.

(j) Scheme liability for accrued benefits

The liability for accrued benefits is the value of the Scheme's present obligation to pay benefits to members and other beneficiaries at the date of measurement. The liability is determined as the present value of expected future payments which arise from membership of the Scheme up to date of measurement. The present value is determined by reference to expected future salary levels and by application of a current, market-determined, risk-adjusted discount rate and appropriate actuarial assumptions.

The liability for accrued benefits is not included in the Statement of Net Assets, but is reported at Note 12.

The liability for accrued benefits is measured by an independent actuary on at least a triennial basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office ('ATO') as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as an expense item.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Net Assets.

4. INVESTMENTS

	2015 $'000	2014 $'000
Pooled Superannuation Trust - ARIA Investments Trust	**6 792 394**	5 759 942
	6 792 394	5 759 942

5. CHANGES IN NET MARKET VALUES OF INVESTMENTS

	2015 $'000	2014 $'000
(a) Investments held at 30 June:		
Pooled Superannuation Trust - ARIA Investments Trust	**718 187**	562 424
(b) Investments realised during the year:		
Pooled Superannuation Trust - ARIA Investments Trust	**7 070**	7 039
(c) Total changes in net market values of investments	**725 257**	569 463

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

6. FUNDING ARRANGEMENTS

(a) Contributions

Member Contributions
Members contribute to the Fund each fortnight at optional rates ranging from a minimum of 5% of salary, to a maximum of 10% of salary. The contribution rates were the same in the prior year.

Employer Contributions
The Department of Defence contributes to the Fund each fortnight in respect of each member at the rate of 3% of the member's salary. The contribution rates were the same in the prior year. Employers may also make salary sacrifice contributions (before tax) and Ordinary Time Earnings top up contributions to the Fund on behalf of members.

Transferring Superannuation Benefits From Other Funds
Money invested in other superannuation funds can be rolled over to the Fund.

Government Co-Contributions
For the financial years ended 30 June 2015 and 30 June 2014, the Commonwealth Government contributed $0.50 for every $1.00 of eligible personal after-tax member contributions paid to the Fund up to a maximum of $500 per member.

Low Income Superannuation Contributions
The low income super contribution (LISC) is a Commonwealth Government superannuation payment of up to $500 for the financial years 2012-13 to 2016-17. LISC payments are recognised as revenue when received.

(b) Benefits

The benefits payable from the Scheme comprise a lump sum of accumulated member contributions and a defined benefit financed by the employer and calculated on the basis of the member's final average salary and length of service. The defined benefit may be taken as a lump sum or as a pension or as a combination of lump sum and pension. The defined benefit consists of a funded component (the accumulated value of contributions made to the Fund by the Department of Defence) and an unfunded component (the balance of the defined benefit).

In general, when a benefit becomes payable to a member, the accumulated member and employer contributions held in the Fund in respect of the member are transferred to the Consolidated Revenue Fund (CRF) which pays out the total benefit (both funded and unfunded components).

Appropriation refers to the total amount paid from the CRF. The appropriation from CRF shown in the Statement of Changes in Net Assets is the net amount after taking into account transfers from the Fund to the CRF.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

6. FUNDING ARRANGEMENTS (continued)

(b) Benefits (continued)

Of the total benefits payable as at 30 June 2015, $2.72 million (2014: $2.63 million) is payable by the Consolidated Revenue Fund. The Commonwealth is the corresponding debtor for this amount in accordance with the funding arrangements described above.

Benefits paid and payable by the Fund and the Consolidated Revenue Fund during the year are as follows:

	2015	2014
	$'000	$'000
Gross Appropriation from Consolidated Revenue Fund	**524 153**	439 760
less: Transfers from Fund to Consolidated Revenue Fund	**(84 747)**	(60 848)
Net Appropriation	**439 406**	378 912
Consolidated Revenue Fund		
Lump-sum benefits	**150 098**	128 050
Pensions	**374 055**	311 710
	524 153	439 760
Military Superannuation & Benefits Fund		
Lump-sum benefits	**33 775**	31 208
Total benefits paid	**557 928**	470 968

(c) Costs of managing, investing and administering the Fund

Costs of and incidental to the management of the Fund and the investment of its money are charged against the assets of the ARIA Investments Trust ('AIT') that are referable to the Fund. Transactions in respect of these costs have been brought to account in the financial statements of AIT. The costs of member administration were met by ComSuper until 30 June 2015.

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. From this date, costs of member administration will be met by CSC. CSC continues to be the trustee of the Scheme and now also performs the scheme administration activities formerly undertaken by ComSuper.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of managing, investing and administering the Fund (continued)

Expenses met by the AIT and referable to the Fund are:

	2015 $'000	2014 $'000
Investment		
Investment manager fees	**8 235**	5 431
Custodian fees	**1 011**	886
Investment consultant and other service provider fees	**772**	680
Other investment expenses	**461**	298
Total direct investment expenses	**10 479**	7 295
Regulatory fees	**956**	1 668
Other operating expenses	**5 175**	4 345
Total costs	**16 610**	13 308

In accordance with the *ComSuper Act 2011* , ComSuper provided administrative services to the Trustee in relation to the Scheme. The expenses of ComSuper were met by government appropriation and a share of the administrative fees paid to ComSuper by employing agencies. The remaining share of administrative fees was paid to the Trustee to meet costs other than those incurred in managing and investing Scheme assets. Transactions in respect of the receipt of these fees and the costs of administration have been brought to account in the financial statements of the Trustee and ComSuper. As a result of the merger of ComSuper into CSC on 1 July 2015, the administration services previously provided by ComSuper will be conducted by CSC from this date.

Sponsoring employers contributed the following to Scheme administration costs:

	2015 $'000	2014 $'000
Trustee costs	**1 528**	1 469
ComSuper costs	**19 661**	18 898
Total	**21 189**	20 367

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

7. INCOME TAX

(a) Income tax recognised in the Statement of Changes in Net Assets

	2015	2014
	$'000	$'000
Tax expense comprises:		
Current tax expense	**26 812**	24 812
Deferred tax expense / (income) relating to the originiation and reversal of temporary differences	**(2)**	1
Under / (over) provided in prior years	**(1)**	10
Total tax expense	**26 809**	24 823

The prima facie income tax expense on the benefits accrued as a result of operations before income tax reconciles to the income tax expense in the Statement of Changes in Net Assets as follows:

Increase in net assets for the year before income tax	**1 060 002**	902 201
Income tax expense calculated at 15%	**159 000**	135 330
Add / (less) permanent differences - items not assessable or deductible		
Member contributions, Government co-contributions and low income superannuation contributions	**(41 179)**	(38 906)
Benefits paid	**83 689**	70 645
Appropriation from Consolidated Revenue Fund	**(65 911)**	(56 837)
Investment revenue already taxed	**(108 789)**	(85 419)
Prior year under / (over) provision	**(1)**	10
Total tax expense	**26 809**	24 823

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

7. INCOME TAX (continued)

	2015 **$'000**	2014 $'000
(b) Current tax liabilities		
Current tax payables:		
Provision for current year income tax	**26 733**	24 771
	26 733	24 771
(c) Deferred tax balances		
Deferred tax liabilities comprise:		
Temporary differences	**8**	10
	8	10

Taxable and deductible temporary differences arise from the following:

2015	**Opening balance $'000**	**Charged to income $'000**	**Closing balance $'000**
Gross deferred tax liabilities:			
Interest receivable	**10**	**(2)**	**8**
	10	**(2)**	**8**
Net deferred tax liabilities	**10**	**(2)**	**8**

2014	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax liabilities:			
Interest receivable	-	10	10
	-	10	10
Net deferred tax liabilities	-	10	10

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

8. SUNDRY DEBTORS

	2015	2014
	$'000	$'000
Receivable from the ARIA Investments Trust	**68**	95
Interest receivable	**56**	65
Amount to be appropriated from Consolidated Revenue Fund	**3 996**	3 836
	4 120	3 996

9. OPERATIONAL RISK RESERVE

	2015	2014
	$'000	$'000
Opening balance	**5 997**	-
Transfers to reserve	**5 125**	5,938
Earnings on reserve	**170**	59
Closing balance	**11 292**	5 997

10. AUDITOR'S REMUNERATION

	2015	2014
	$	$

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

Financial statements	**67 325**	57 960
Regulatory returns and compliance	**35 175**	34 040
Total	**102 500**	92 000

The audits were provided by the Australian National Audit Office. The audit fees will be charged against the assets of the ARIA Investments Trust that are referable to the Fund.

Deloitte Touche Tohmatsu are contracted by the ANAO to provide audit services on its behalf. Fees for those services are included above.

No other services were provided by the Australian National Audit Office or Deloitte Touche Tohmatsu to the Fund during the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

11. VESTED BENEFITS

Vested benefits are benefits which are not conditional upon continued membership of the Scheme (or any other factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

The actuarial estimate of vested benefits at 30 June 2015 is $33.1 billion (2014: $29.5 billion). The value of vested benefits represents the liability that would have fallen on the Scheme if all members had ceased service on 30 June 2015 and elected the option which maximised their benefit entitlement.

The vested benefits have been calculated on the basis of current legislative arrangements for indexation of pension payments.

	2015 $billion	2014 $billion
The vested benefits amount is made up of :		
Funded component	**6.8**	5.8
Unfunded component	**26.3**	23.7
	33.1	29.5

The net assets of the Fund compared to the vested benefits are:

Funded component	**6.8**	5.8
Net assets	**6.8**	5.8
Surplus / (deficiency)	**-**	-

The net assets of the Fund includes $11,292,399 of assets backing the operational risk reserve (2014: $5,996,594).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

12. LIABILITY FOR ACCRUED BENEFITS

The amount of accrued benefits is the present value of expected future benefit payments that arise from membership of the Scheme up to the measurement date. The accrued benefits are comprised of a funded component (i.e. accumulated member contributions, and, where applicable, productivity contributions, plus interest) which will be met from the Fund, and an unfunded component that, pursuant to the *Military Superannuation and Benefits Act 1991* , will be funded from the Consolidated Revenue Fund at the time the superannuation benefits become payable.

The amount of accrued benefits in respect of the Scheme is calculated on a triennial basis. The most recent valuation of the accrued benefits was undertaken by the Australian Government Actuary as part of a comprehensive review as at 30 June 2011. A summary of the review is attached.

	2014 $billion	2011 $billion
Accrued benefits as at 30 June were:		
Funded component	**5.8**	3.7
Unfunded component	**26.7**	19.3
	32.5	23.0

The net assets of the Fund compared to the liability for accrued benefits are as follows:

Funded component	**5.8**	3.7
Net assets	**5.8**	3.7
Surplus / (deficiency)	**-**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

13. FINANCIAL INSTRUMENTS

(a) Financial instruments management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The investments of the Fund (other than cash held for managing contribution receipts, benefit payments and tax payments) comprise units in the ARIA Investments Trust (AIT). AIT is a pooled superannuation trust which is also governed by the Commonwealth Superannuation Corporation as Trustee. This type of investment has been determined by the Trustee to be appropriate for the Fund and is in accordance with the Fund's published investment strategy. The Trustee applies strategies to manage risk relating to the investment activities of the AIT. The investments of AIT are managed on behalf of the Trustee by specialist sector fund managers who are required to invest the assets in accordance with contractual investment mandates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

(c) Capital risk management

The RSE licence of the Trustee of the Fund requires the Trustee to maintain a balance of at least $100 000 at all times in an administration reserve account in the AIT until the operational risk reserve target amount is met. This is required to be maintained in cash or cash equivalents. The Trustee of the Fund was in compliance with this requirement throughout the year.

(d) Categories of financial instruments

The financial assets and liabilities of the Fund are recognised at net market value as at the reporting date. Net market value approximates fair value less costs of realisation of investments. The cost of realisation of investments is minimal and therefore net market value that is carrying value approximates fair value. Changes in net market value are recognised in the Statement of Changes in Net Assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

13. FINANCIAL INSTRUMENTS (continued)

(e) Financial risk management objectives

The Fund is exposed to a variety of financial risks as a result of its pooled investment in the AIT. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Fund's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Fund's financial performance. These policies may include the use of financial derivative instruments.

The Trustee is responsible for ensuring that there is an effective risk management control framework in place for the Fund. Consistent with regulatory requirements, the Trustee has developed, implemented and maintains a Risk Management Framework to identify the policies, procedures, processes and controls that comprise its risk management and control systems for the Fund and for the Fund's investments through the AIT. The overall investment strategy of the Fund is set out in the Trustee's approved investment policies which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

The Trustee's internal investment team monitors and manages the financial risks relating to the Fund's investments. Derivative Risk Statements set out the strict parameters for the Trustee's investment managers authorised to use derivatives. In essence, derivatives cannot be used to raise the level of risk above the level it would otherwise have been, and derivatives cannot be used to leverage the investments.

The Fund's investments are managed on behalf of the Trustee by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. The Trustee has determined that the appointment of these managers is appropriate for the Fund and is in accordance with its investment strategy.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

13. FINANCIAL INSTRUMENTS (continued)

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. In its capacity as trustee of the AIT, the Trustee has adopted a policy of spreading the aggregate value of transactions across approved creditworthy counterparties as a means of mitigating the risk of financial loss. The Fund's exposure to its counterparties are continuously monitored by the Trustee.

The largest exposure to a single counterparty is to cash held by the investment master custodian Northern Trust. Credit risk relating to the master custodian is mitigated through contract indemnity provisions. Other than the master custodian, no individual exposure within AIT exceeded 5% of net assets of that trust at 30 June 2015 or 30 June 2014.

The credit risk on the Fund's directly held cash and cash equivalents and interest receivable is limited because the counterparty is the Reserve Bank of Australia.

The table below shows the maximum exposure of financial assets to credit risk at the reporting date:

	2015	2014
	$'000	$'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**6 792 394**	5 759 942
Other financial assets		
Cash and cash equivalents	**34 019**	30 947
Sundry debtors	**4 120**	3 996
	6 830 533	5 794 885

There has been no change to the Fund's exposure to credit risk or the manner in which it manages and measures that risk during the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

13. FINANCIAL INSTRUMENTS (continued)

(g) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in either realising assets or otherwise raising sufficient funds to meet its liabilities and/or member benefit payments or tax liabilities.

The Trustee's approach to managing liquidity is to ensure that the Fund will always have sufficient liquidity to meet its liabilities as they fall due. On resignation the member benefit accrued before 30 June 1999 can be paid as a lump sum but the balance must be preserved until the member's preservation age, either in the Fund or another complying superannuation fund. The employer benefit, including productivity component, must be preserved in the Fund. The unfunded component of benefit payments is financed by the Commonwealth, from the CRF. As such there is minimal liquidity risk.

The Fund's exposure to liquidity risk is therefore limited to those circumstances in which the Scheme Rules allow members to withdraw benefits.

The Trustee undertakes forecasting and scenario testing of the cashflow requirements of the Fund to ensure timely access to sufficient cash and holds actively-traded, highly-liquid investments to meet anticipated funding requirements. As a further risk mitigation strategy, it is the Trustee's policy that the target asset allocation to illiquid assets is limited to around 25% of the investments of the AIT (with a plus or minus 10 percentage point rebalancing range around that target). Regular scenario testing is performed to confirm the validity of the strategy.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

13. FINANCIAL INSTRUMENTS (continued)

(g) Liquidity risk (continued)

The following tables summarise the maturity profile of the Fund's financial liabilities. Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at reporting date. This is the earliest date on which the Fund can be required to pay members' vested benefits. However, members may not necessarily call upon amounts vested to them during this time. The tables have been drawn up based on the contractual undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay. The tables include both interest and principal cash flows.

Financial Liabilities maturity profile:

	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
30 June 2015					
Sundry payables	**256**	**-**	**-**	**-**	**256**
Benefits payable	**5 140**	**-**	**-**	**-**	**5 140**
Vested benefits	**33 111 000**	**-**	**-**	**-**	**33 111 000**
Total financial liabilities	**33 116 396**	**-**	**-**	**-**	**33 116 396**
30 June 2014					
Sundry payables	218	-	-	-	218
Benefits payable	4 683	-	-	-	4 683
Vested benefits	29 520 000	-	-	-	29 520 000
Total financial liabilities	29 524 901	-	-	-	29 524 901

There has been no change to the Fund's exposure to liquidity risk or the manner of management of the risk during the reporting period.

(h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in the Trustee's investment policies and the Risk Management Framework.

There has been no change to the Fund's exposure to market risk or the manner in which it manages and measures that risk since the 2014 reporting period.

Foreign currency risk
Foreign currency risk is the risk that the net market value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

13. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Foreign currency risk (continued)
The Fund does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. However, the Fund is indirectly exposed to foreign currency risk from the international assets held in the AIT, and it is managed in accordance with the Trustee's approved investment strategy. The AIT enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from the its investments denominated in developed markets foreign currencies. These contracts neutralise some of the gains and losses from currency fluctuation. A small part of the investments of the AIT, relating to emerging markets, remain unhedged due to lack of suitable currency instruments for hedging.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits and taxation payments. All holdings at 30 June 2015 and 30 June 2014 had a maturity profile of less than one month.

The Fund is indirectly exposed to interest rate risk through its investments in the AIT. The Trustee manages interest rate risk through its investment strategy including diversification of asset allocation and the use of a diversity of specialist investment sector managers.

The following table illustrates the Fund's sensitivity to a 0.4% p.a. (2014: 0.6%) increase or decrease in interest rates, based on cash balances directly held at reporting date. This represents an assessment of a reasonably possible change in interest rates. Had interest rates been lower or higher by 0.4% (2014: 0.6%) at reporting date, and all other variables were held constant, the financial result would have improved / (deteriorated) as demonstrated:

	Carrying amount $'000	Interest rate risk $' 000			
		Changes in net assets	Net assets available to pay benefits	Changes in net assets	Net assets available to pay benefits
2015		-0.4%		+0.4%	
Cash and cash equivalents	**34 019**	**(136)**	**(136)**	**136**	**136**
2014		-0.6%		+0.6%	
Cash and cash equivalents	30 947	(186)	(186)	186	186

In the Trustee's opinion, the sensitivity analysis at reporting date approximates the direct interest rate exposures of the Fund during the financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

13. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all similar financial instruments traded in the market.

The Fund's investment in AIT is exposed to market price risk in respect of the latter's holdings of equity securities and unit trusts. As the investment in AIT is carried at net market value with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect the Fund's net investment income.

In its capacity as trustee of AIT, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

The following table illustrates the Fund's sensitivity to a reasonably possible change in the value of its investment in AIT, based on risk exposures at reporting date. The volatility factors shown represent the average annual volatility of comparable option prices expected for the Fund's investment in the ARIA Investments Trust. For the Cash Option and the investments backing the operational risk reserve, a factor of 0.4% (2014: 0.6%) has been applied representing a reasonably possible change in interest rates as a proxy for price risk of the option. Had the unit price been higher or lower by the volatility factor at reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as follows:

	Change in price	Carrying amount $'000	Price risk $' 000			
			Changes in net assets	Net assets available to pay benefits	Changes in net assets	Net assets available to pay benefits
2015						
Financial Assets						
ARIA Investments Trust :						
Balanced Option	-/+5.4%	6 284 941	(339 387)	(339 387)	339 387	339 387
Cash Option	-/+0.4%	40 221	(161)	(161)	161	161
Income Focused Option	-/+2.0%	27 355	(547)	(547)	547	547
Aggressive Option	-/+6.6%	428 653	(28 291)	(28 291)	28 291	28 291
Operational risk reserve	-/+0.4%	11 224	(45)	(45)	45	45
Total increase / (decrease)		6 792 394	(368 431)	(368 431)	368 431	368 431
2014						
Financial Assets						
ARIA Investment Trust :						
Balanced Option	-/+5.5%	5 351 437	(294 329)	(294 329)	294 329	294 329
Cash Option	-/+0.6%	40 105	(241)	(241)	241	241
Income Focused Option	-/+1.9%	24 823	(472)	(472)	472	472
Aggressive Option	-/+6.7%	337 675	(22 624)	(22 624)	22 624	22 624
Operational risk reserve	-/+0.6%	5 902	(35)	(35)	35	35
Total increase / (decrease)		5 759 942	(317 701)	(317 701)	317 701	317 701

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

13. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other price risk (continued)

In the Trustee's opinion, the sensitivity analysis at reporting date is representative of the other market price exposures during the financial year.

(i) Fair value measurement

The Fund's financial instruments are included in the Statement of Net Assets at net market value that approximates fair value. The net market value is determined per accounting policies disclosed in Note 3(a).

Net market value measurements recognised in the Statement of Net Assets
The following table provides an analysis of the Fund's financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: net market value measurements are those derived from quoted prices in active markets.

Level 2: net market value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: net market value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2015				
Financial Assets				
Pooled superannuation trust	**-**	**6 792 394**	**-**	**6 792 394**
2014				
Financial Assets				
Pooled superannuation trust	-	5 759 942	-	5 759 942

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued daily based on the latest listed and unlisted market prices and values of the underlying investments, less any tax and expenses.

Reconciliation of Level 3 net market value measurements
There were no Level 3 financial assets or liabilities for the period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

14. RELATED PARTIES

(a) Trustee

Commonwealth Superannuation Corporation (CSC) was the Trustee throughout the reporting period. No fees were charged by CSC for acting as Trustee of the Scheme during the reporting period.

(b) Key Management Personnel

The Directors throughout the year ended 30 June 2015 and to the date of the report were:

Tony Cole
Patricia Cross (Chairman)
Christopher Ellison
Peter Feltham
Nadine Flood
Lyn Gearing
Winsome Hall
John McCullagh
Peggy O'Neal
Margaret Staib
Michael Vertigan

In addition to the Directors listed above, the following executives of the Trustee had authority and responsibility for planning, directing and controlling the activities of the Fund throughout the year ended 30 June 2015:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Executive Officer
Leonie McCracken	General Manager, Operations
Bronwyn McNaughton	General Counsel
Christine Pearce	General Manager, Member & Employer Services
Sarah Rodgers	General Manager, People & Culture (Commenced 27 April 2015)
Alison Tarditi	Chief Investment Officer
Andy Young	General Manager, Finance & Risk

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

14. RELATED PARTIES (continued)

(c) Key Management Personnel Compensation

The aggregate compensation of the key management personnel is set out below:

	2015	2014
	$	$
Short-term employee benefits	**319 462**	293 420
Post-employment benefits	**34 108**	30 423
Other long-term benefits	**22 602**	20 373
	376 172	344 216

Aggregate compensation in relation to the Fund is a pro-rata apportionment of the overall compensation paid by the Trustee, based on the net assets of the entities under its trusteeship or actual control.

The compensation of key management personnel (including Directors) related to investment management is charged against the assets of the AIT that are referable to the Fund.

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally-related entities at any time during the year.

(d) Investing entities

Throughout the year ended 30 June 2015, the Fund's only investment has consisted of units in AIT, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

The other investors in AIT throughout the year were the Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme and the Public Sector Superannuation Accumulation Plan. All investing transactions are conducted under normal industry terms and conditions.

The Trustee of the Fund, Commonwealth Superannuation Corporation, is the trustee of the following regulated superannuation schemes: Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan and the Military Superannuation and Benefits Scheme.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

14. RELATED PARTIES (continued)

(d) Investing entities (continued)

The Trustee pays costs of and incidental to the management of the Fund and the investment of its money from the assets of the AIT that are referable to the Fund (see Note 6(c)). No fees were charged for acting as Trustee during the year ended 30 June 2015 (2014: $nil).

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

	Net Market Value of Investment	Net Market Value of Investment	Share of Net Income/ (Loss) after tax	Share of Net Income/ (Loss) after tax
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
ARIA Investments Trust	**6 792 394**	5 759 942	**725 257**	569 463
	6 792 394	5 759 942	**725 257**	569 463

15. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Fund had no capital or other expenditure commitments at 30 June 2015 (2014: $nil).

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Fund which could result in additional benefits becoming payable in the future. Each request is considered on its merits prior to any benefit becoming payable. In the opinion of the Trustee, these requests do not represent a material liability on the Fund.

There were no other contingent liabilities or contingent assets for the Fund at 30 June 2015 (2014: $nil).

16. SUBSEQUENT EVENTS

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. CSC continues to be the trustee of the public sector and defence force superannuation schemes and now also performs the scheme administration activities formerly undertaken by ComSuper.

No other matters have arisen since 30 June 2015 that have materially affected, or may materially affect, the operations of the Scheme, the results of those operations, or the financial position of the Scheme in future financial years.

17 August, 2015

MILITARY SUPERANNUATION AND BENEFITS SCHEME

SUMMARY OF THE 2014 LONG TERM COST REPORT

1. A report on the long term cost of the Military Superannuation Schemes which includes the Military Superannuation and Benefits Scheme (MSBS), was carried out using data as at 30 June 2014 by the Australian Government Actuary.

2. The standard defined benefit section of the MSBS is partially funded and has an underlying Government guarantee. Member contributions and the employer 3% Productivity Benefit contributions are paid into the MSBS Fund. Any MSBS benefit payment amounts not paid from Fund assets are paid from Consolidated Revenue.

3. From 1 July 2008, following changes in the Superannuation Guarantee regime, additional employer superannuation contributions have been paid into the Ancillary Section of the MSBS in respect of allowances that are regarded as being part of Ordinary Time Earnings but are not included in the existing definition of superannuation salary. These additional contributions are payable in respect of serving ADF members in both MSBS and DFRDB. The Ancillary Section also includes salary sacrifice contributions, amounts transferred into the scheme and spouse contributions. The Ancillary Section is fully funded and provides lump sum accumulation benefits.

4. Projections of the actual annual employer cash costs of the military schemes (MSBS, DFRDB and DFRB) as a percentage of Gross Domestic Product (GDP) were made over a period of 41 years. Projections were done on two bases. The first assumed that MSBS would remain open to new members indefinitely. The second assumed that the MSBS would be closed to new members from 1 July 2016 in line with Government announcements. Both of these projections showed a progressive fall in the combined cash cost of the three schemes as a percentage of GDP. Given the underlying Government guarantee, I was therefore of the opinion that the financial position of the schemes as at 30 June 2014 was satisfactory.

5. The value of net assets of the MSBS available to pay benefits as at 30 June 2014 reported in the audited financial statements of the Fund was $5,765 million. Included in this are Ancillary Section accounts totalling $658 million.

6. The value of accrued benefits for the combined defined benefit section and the Ancillary Section of the MSBS using the actuarial Projected Unit Credit (PUC) methodology as at 30 June 2014 was $32.5 billion. This comprised $26.7 billion in unfunded accrued benefits and $5.8 billion in funded accrued benefits. The value of accrued benefits is the present value of the portion of projected benefit payments that had accrued in respect of membership of the MSBS to 30 June 2014. The employer component of the benefits for contributors was apportioned on the basis used to calculate accrued benefits for purposes of Australian Accounting Standard AASB 119.

7. As would be expected in a substantially unfunded arrangement, the value of total accrued benefits is more than the audited value of scheme assets at the same date.

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8. A summary of the MSBS data[1] used for the valuation is set out below:
   - 54,974 contributors with total superannuation salaries of $4,364m
   - 97,139 preserved beneficiaries with total nominal preserved benefits of $8,062m
   - 10,837 pensioners with total annual pensions of $326m.
9. The major assumptions used in the calculations were as follows:

• Pension increases (CPI):	2.5% per annum (unchanged from the 2011 review)
• Interest Rate:	3.5% per annum real (6.0% per annum nominal, unchanged from the 2011 review)
• Inflationary salary increases:	1.5% per annum real (4.0% per annum nominal, unchanged from the 2011 review)
• Promotional salary increases:	scales based upon age and length of service
• GDP increases:	a series of rates starting at 2.9% (real) for 2014/15, 3.1% (real) for 2015/16 to 2017/18, 3.2% (real) for 2018/19 and then gradually falling to 2.4% (real) from 2052/53 onwards.

10. The value of the vested benefits of the MSBS was not calculated as part of the 2014 Long Term Cost Report. This value is calculated separately on an annual basis for the MSBS financial statements and covers contributors, preserved members and pensioners, and includes Ancillary Section accounts. As at 30 June 2014, the value of vested benefits was $29.5 billion.

    It should be noted that this value of vested benefits represents the liability that would have fallen on the scheme if all members had ceased service on 30 June 2014 and elected the most costly option to the scheme.

Peter Martin
Fellow of the Institute of Actuaries of Australia
Australian Government Actuary

[1] This excludes individuals whose only interest in the MSBS is an Ancillary Section account.

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PSSap financial statements

PUBLIC SECTOR SUPERANNUATION ACCUMULATION PLAN (ABN 65127917725)

REPORT BY THE INDEPENDENT APPROVED AUDITOR TO THE MINISTER FOR FINANCE AND MEMBERS OF THE PLAN

I have audited the financial statements of the Public Sector Superannuation Accumulation Plan for the year ended 30 June 2015 comprising the Statement of Financial Position, the Operating Statement and Statement of Cash Flows, a Summary of Principal Accounting Policies and other explanatory notes.

Trustee's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the Public Sector Superannuation Accumulation Plan and the Minister for Finance.

My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

Auditor's Opinion

In my opinion:

(i) the financial statements are in the form as agreed by the Minister for Finance;

(ii) the financial statements present fairly, in all material respects, in accordance with the Australian Accounting Standards, the financial position of the Public Sector Superannuation Accumulation Plan as at 30 June 2015 and the results of its operations and its cash flows for the year ended 30 June 2015;

(iii) the financial statements are based on proper accounts and records; and

(iv) the receipt of money into the Plan, and the payment of money out of the Plan and the investment of money standing to the credit of the Plan during the year have been in accordance with the Trust Deed.

AUSTRALIAN NATIONAL AUDIT OFFICE

Carla Jago
Executive Director
Delegate of the Auditor-General
Canberra
29 September 2015

Public Sector Superannuation Accumulation Plan (ABN 65 127 917 725)

Statement by the Trustee of the Public Sector Superannuation Accumulation Plan ('Plan')

The Board of Directors hereby states that in its opinion:

(a) the attached financial statements give a true and fair view of the matters required by Australian Accounting Standards, including AAS 25 *'Financial Reporting by Superannuation Plans.'*

(b) the attached financial statements give a true and fair view of the financial position as at 30 June 2015, the operating result for the year ended 30 June 2015, and the cash flows for the year ended 30 June 2015;

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

(d) the financial statements are in a form agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011* and have been prepared in accordance with Australian Accounting Standards and other mandatory professional reporting requirements;

(e) the financial statements have been prepared based on properly maintained financial records; and

(f) the operations of the Plan were conducted in accordance with the *Governance of Australian Government Superannuation Schemes Act 2011* , the *Superannuation Act 2005,* the Trust Deed establishing the Plan, the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations, and the relevant requirements of the *Corporations Act 2001* and Regulations (to the extent applicable).

Signed this 29th day of September 2015 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Plan:

Patricia Cross
Chairman

Michael Vertigan
Director

Public Sector Superannuation Accumulation Plan
Operating Statement
For the Year Ended 30 June 2015

	Note	2015 $'000	2014 $'000
Net investment revenue			
Interest		**3 394**	3 627
Changes in net market values	5c	**785 756**	588 093
		789 150	591 720
Contribution revenue			
Member contributions	6a	**28 820**	19 875
Employer contributions	6a	**986 722**	962 672
Transfers from other funds	6a	**227 453**	242 145
Government co-contributions	6a	**206**	284
Low income superannuation contributions	6a	**3 536**	3 748
		1 246 737	1 228 724
Other revenue			
Insurance proceeds		**22 026**	19 794
Other revenue		**220**	241
		22 246	20 035
Total revenue		**2 058 133**	1 840 479
Expenses			
Insurance expense		**36 571**	35 609
Other administration expenses		**188**	57
Total expenses		**36 759**	35 666
Benefits accrued as a result of operations before income tax		**2 021 374**	1 804 813
Income tax expense	7a	**(143 121)**	(141 020)
Benefits accrued as a result of operations after income tax		**1 878 253**	1 663 793

The attached notes form part of these financial statements.

Public Sector Superannuation Accumulation Plan
Statement of Financial Position
As at 30 June 2015

	Note	2015 $'000	2014 $'000
Investments			
Pooled superannuation trust	4	**7 780 748**	6 252 107
Total investments		**7 780 748**	6 252 107
Other assets			
Cash and cash equivalents	8a	**155 169**	161 277
Sundry debtors	9	**249**	418
Deferred tax asset	7c	**404**	404
Total other assets		**155 822**	162 099
Total assets		**7 936 570**	6 414 206
Liabilities			
Benefits and pensions payable		**912**	1 489
Sundry payables	10	**3 373**	3 021
Current tax liabilities	7b	**142 959**	140 644
Total liabilities		**147 244**	145 154
Net assets available to pay benefits		**7 789 326**	6 269 052
Represented by:			
Liability for accrued benefits			
Allocated to members' accounts		**7 760 286**	6 217 823
Operational risk reserve	13a	**19 309**	6 280
Other funds not allocated to members' accounts	13b	**9 731**	44 949
Total liability for accrued benefits	12	**7 789 326**	6 269 052

The attached notes form part of these financial statements.

Public Sector Superannuation Accumulation Plan
Statement of Cash Flows
For the Year Ended 30 June 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Contributions received -			
Employer		**986 886**	962 659
Member		**28 820**	19 875
Transfers from other funds		**227 453**	242 145
Government co-contributions		**206**	284
Low income superannuation contributions		**3 536**	3 748
Interest received		**3 473**	3 643
Other revenue received		**220**	241
Insurance proceeds		**22 026**	19 794
Insurance expense paid		**(36 650)**	(35 600)
Other administration expenses paid		**(63)**	(83)
Benefits and pensions paid		**(358 556)**	(248 775)
Income tax paid		**(140 678)**	(129 069)
Net cash inflows from operating activities	8b	**736 673**	838 862
Cash flows from investing activities			
Proceeds from sales of units in pooled superannuation trusts		**68 411**	4 707 044
Purchases of units in pooled superannuation trusts		**(811 192)**	(5 532 266)
Net cash outflows from investing activities		**(742 781)**	(825 222)
Net (decrease) / increase in cash held		**(6 108)**	13 640
Cash at the beginning of the financial year		**161 277**	147 637
Cash at the end of the financial year	8a	**155 169**	161 277

The attached notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

1. DESCRIPTION OF THE PLAN

The Public Sector Superannuation Accumulation Plan ('Plan') is a defined contribution scheme constituted by Trust Deed dated 29 June 2005 under the *Superannuation Act 2005* and is domiciled in Australia. The Trustee of the Plan is the Commonwealth Superannuation Corporation (CSC) (ABN 48 882 817 243).

The administration of member records, contributions receipts and benefit payments was conducted on behalf of the Trustee by ComSuper until 4 December 2014. ComSuper contracted Pillar Administration ('Pillar') to perform these duties. On 4 December 2014 the PSSap scheme administration contract was novated from ComSuper to CSC.

The principal place of business and registered office of the Plan is Level 8, 121 Marcus Clarke Street, Canberra ACT 2601.

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, scheme administration costs for the Plan will be paid for by members from 1 July 2015. Prior to this date, administration expenses were met by government appropriation and a share of administrative fees paid by employing agencies.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial report of the Plan is a general purpose financial report which has been prepared in accordance with Accounting Standards and Interpretations, the *Superannuation Industry (Supervision) Act 1993* and provisions of the Trust Deed. Accounting Standards include Australian Accounting Standards and International Financial Reporting Standards ('IFRS') to the extent that they are not inconsistent with AAS 25 *'Financial Reporting by Superannuation Plans'*. For the purposes of preparing financial statements, the Plan is a not-for-profit entity.

The form of these financial statements has been agreed by the Minister for Finance and the Trustee in accordance with sub-section 30(1)(d) of the *Governance of Australian Government Superannuation Schemes Act 2011*.

The financial statements of the Plan were authorised for issue by the Directors on 29 September 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Australian Accounting Standards require disclosure of Australian Accounting Standards that have not been applied for Standards that have been issued but are not yet effective. The Trustee expects to adopt the Standards disclosed below upon their application date to the extent that they are not inconsistent with AAS 25 *'Financial Reporting by Superannuation Plans'* (noting however that AASB 1056 *'Superannuation Entities'* replaces AAS 25 *'Financial Reporting by Superannuation Plans').*

AASB 1056 '*Superannuation Entities'*

AASB 1056 *'Superannuation Entities'* was issued on 5 June 2014. It replaces AAS 25 *'Financial Reporting by Superannuation Plans'* with effect for annual reporting periods beginning on or after 1 July 2016 but can be applied earlier. The Trustee has elected not to early adopt AASB 1056 *'Superannuation Entities'*.

AASB 1056 *'Superannuation Entities'* has been developed in light of developments in the superannuation industry and Australia's adoption of IFRS. AASB 1056 *'Superannuation Entities'* also addresses deficiencies in AAS 25 *'Financial Reporting by Superannuation Plans'* and makes the requirements for superannuation entities more consistent with current requirements in Australian Accounting Standards.

The key impact on the financial statements of the Plan includes the preparation of five primary financial statements (rather than the current three), being:

- Statement of Financial Position;
- Income Statement;
- Statement of Changes in Equity/Reserves;
- Statement of Cash Flows; and
- Statement of Changes in Member Benefits.

AASB 1056 requires the measurement approach of 'fair value through profit or loss' for all assets and liabilities, except for specific exemptions including member benefits, tax assets and liabilities and employer sponsor receivables. The investments of the Plan are currently already measured at redemption price at the close of business on the last business day of the reporting period and therefore this change in measurement approach will have no impact on the valuation of the Plans' investments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Other Standards in issue but not effective

In addition to AASB 1056 *'Superannuation Entities'*, the following Standards were in issue but not yet effective at the date of authorisation of the financial report. The Directors are yet to consider the impact of AASB 15 *'Revenue from Contracts with Customers',* but it is anticipated that the adoption of the other Standards disclosed below will not have a material financial impact on the financial report of the Plan:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and **AASB 2014-5** 'Amendments to Australian Accounting Standards arising from AASB 15' [1]	1 January 2017	30 June 2018
AASB 2014-10 'Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards - Investment Entities: Applying the Consolidation Exemption'	1 January 2016	30 June 2017

[1] This standard is applicable to annual reporting periods beginning on or after 1 January 2017. Exposure Draft 263 *'Effective Date of AASB 15'* proposes to defer the application date by one year (1 January 2018). In July 2015 the International Accounting Standards Board (IASB) decided to defer the effective date of International Financial Reporting Standard (IFRS) 15 by one year to 1 January 2018. The amendment to the effective date of IFRS is expected to be issued in September 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

The following new and revised Standards and Interpretations have been adopted in these financial statements. The adoption has not had any significant impact on the amounts or disclosures reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard / Interpretation	Effective for annual reporting periods
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (AASB 132)'	beginning on or after 1 January 2014
AASB 1031 'Materiality'.	beginning on or after 1 January 2014
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	beginning on or after 1 January 2014
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	beginning on or after 1 January 2014
AASB 2013-8 'Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities'	beginning on or after 1 January 2014
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' Part B Materiality	beginning on or after 1 January 2014
AASB 2014-1 'Amendments to Australian Accounting Standards': Part A - 'Annual Improvements 2010-2012 and 2011-2013', Part B - 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)', and Part C - 'Materiality'	beginning on or after 1 July 2014

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

2. BASIS OF PREPARATION (continued)

(b) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the functional currency of the Plan.

Amounts in these financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

(c) Use of judgements and estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Accounting Standards that have significant effects on the financial statements, and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2015 and the comparative information presented in these financial statements for the year ended 30 June 2014.

(a) Assets

Assets are included in the Statement of Financial Position at net market value as at reporting date and movements in the net market value of assets are recognised in the Operating Statement in the periods in which they occur. Net market value of investments includes a deduction for selling costs which would be expected to be incurred if the investments were sold.

Financial assets (being investments in a pooled superannuation trust, cash at bank and sundry debtors) are recognised on the date the Plan becomes a party to the contractual provisions of the asset. Financial assets are recognised using trade date accounting. From this date, any gains and losses from changes in net market value are recorded.

Net market value means the amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal. As selling costs are generally immaterial, net market value approximates fair value unless otherwise stated.

Net market values have been determined as follows:

(i) Units in a pooled superannuation trust are valued at the redemption price at close of business on the last business day of the reporting period as notified by the manager of the trust, reflecting the net market value of the underlying investments.

(ii) Sundry debtors are recognised at the amounts receivable. All amounts are unsecured and are subject to normal credit terms.

(b) Cash and Cash Equivalents

Cash and cash equivalents includes cash at bank used to transact contributions, transfers to and from other funds, benefit payments and tax liabilities.

(c) Foreign Currency Transactions

The Plan does not undertake transactions denominated in foreign currencies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Payables

Payables (being benefits payable and sundry payables) are recognised at their nominal value which is equivalent to net market value.

Benefits payable
Benefits payable to a member are recognised where a valid withdrawal notice has been received from the employer sponsor, and approved by the Plan administrator ('Pillar'), but payment has not been made by reporting date.

Sundry payables
Sundry payables represent liabilities for goods and services provided to the Plan during the financial period and which are unpaid at reporting date. All amounts are unsecured. Creditors are subject to normal credit terms.

(e) Operational risk reserve

The purpose of the operational risk reserve (ORR) is to provide adequate financial resources to address losses arising from an operational risk event. The ORR is operated in accordance with an ORR policy. The level of the reserve is determined by the Trustee Directors and reviewed annually, based on an assessment of the risks faced by the Fund. The transferred assets underlying the ORR are held in a separate cash option of the ARIA Investments Trust and income earned on these assets is recognised in the reserve.

(f) Derivatives

The Plan does not directly enter into derivative financial instruments.

(g) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Specific revenues are recognised as follows:

Investment revenue
Interest revenue is recognised on an accrual basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Revenue (continued)

Investment revenue (continued)
Changes in the net market value of investments are recognised as income and are determined as the difference between the net market value (measured at fair value) at year end or consideration received (if sold during the year) and the net market value (measured at fair value) as at the prior year end or cost (if the investment was acquired during the period).

Contribution revenue
Employer and member contributions, transfers from other funds and superannuation co-contributions and low income superannuation contributions from the Commonwealth Government are recognised on a cash basis.

Other revenue
Insurance claim amounts on a group life policy and compensation payments from the administrator are recognised on a cash basis.

(h) Expenses

Expenses are recognised on an accruals basis and, if not paid at reporting date, are reflected in the Operating Statement as an accrual or payable depending upon whether or not the expense has been billed.

(i) Insurance Premiums

Death and total & permanent disability insurance premiums are charged to member accounts on a monthly basis and then remitted to the life insurer in arrears.

(j) Income Tax

Income tax on benefits accrued as a result of operations for the year comprises current and deferred tax. Income tax is recognised in the Operating Statement except to the extent that it relates to items recognised directly in members' funds. As the Plan invests in the ARIA Investments Trust ('AIT'), which is a pooled superannuation trust, tax on this investment revenue is paid by the AIT.

Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for the current period is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(j) Income Tax (continued)

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Plan expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Plan intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax for the period is recognised as an expense or benefit in the Operating Statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Goods and Services Tax ('GST')

Revenues, expenses and assets are recognised net of the amount of goods and services tax ('GST') recoverable from the Australian Taxation Office ('ATO') as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the ATO, it is recognised as part of the cost of acquisition of an asset or as part of an expense item.

Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

4. INVESTMENTS

	2015	2014
	$'000	$'000
Pooled superannuation trust - ARIA Investments Trust	**7 780 748**	6 252 107
	7 780 748	6 252 107

5. CHANGES IN NET MARKET VALUE OF INVESTMENTS

		2015	2014
		$'000	$'000
(a)	**Investments held at 30 June:**		
	Pooled superannuation trust - ARIA Investments Trust	**775 091**	565 520
(b)	**Investments realised during the year:**		
	Pooled superannuation trust - ARIA Investments Trust	**10 665**	22 573
(c)	**Total changes in net market values of investments**	**785 756**	588 093

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

6. FUNDING ARRANGEMENTS

(a) Contributions

Employer Contributions
Employers contribute at least 15.4% (2014: 15.4%) of employee's superannuation salary to the Plan, subject to superannuation law. Employers may also make salary sacrifice contributions (before tax) to the Plan on behalf of members.

Member Contributions
Members may make voluntary contributions to the Plan in the form of personal contributions (after tax).

Transferring superannuation from other funds
Money invested in other superannuation funds can be rolled over to the Plan.

Spouse Contributions
Additional contributions can be made by a spouse on behalf of a member of the Plan.

Government Co-Contributions
For the financial years ended 30 June 2015 and 30 June 2014, the Commonwealth Government contributed $0.50 for every $1.00 of eligible personal after-tax member contributions paid to the Scheme up to a maximum of $500 per member.

Low income superannuation contributions
The low income super contribution (LISC) is a Commonwealth Government superannuation payment of up to $500 for the financial years 2012-13 to 2016-17. LISC payments are recognised as revenue when received.

(b) Benefits paid

Where a member meets a condition of release and a valid application is received, the benefit is paid to the beneficiary from the Plan.

Where members invest in a standard or transition retirement income stream (pension) via the Commonwealth Superannuation Corporation retirement income product (CSCri), regular income payments are made to the member from the Plan. Standard retirement income stream members also have access to ad hoc withdrawals.

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

	2015 **$'000**	2014 $'000
Lump sum benefits paid and payable	**353 025**	247 291
Pensions paid and payable	**4 954**	1 276
Total	**357 979**	248 567

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of Managing, Investing and Administering the Plan

Costs of and incidental to the management of the Plan and the investment of its money are charged against the assets of ARIA Investments Trust ('AIT') that are referable to the Plan. Transactions in respect of these costs have been brought to account in the financial statements of AIT. The costs of member administration were met by ComSuper until 4 December 2014.

Expenses met by the AIT and referable to the Plan are as follows:

	2015	2014
	$'000	$'000
Investment		
Investment manager fees	**9 207**	5 660
Custodian fees	**1 130**	923
Investment consultant and other service provider fees	**863**	709
Other investment expenses	**515**	310
Total direct investment expenses	**11 715**	7 602
Regulatory fees	**1 021**	1 683
Other operating expenses	**5 786**	4 528
Total costs	**18 522**	13 813

In accordance with the *ComSuper Act 2011* , ComSuper provided administrative services to the Trustee in relation to the Plan. The expenses of ComSuper were met by government appropriation and a share of administrative fees paid by employing agencies. The remaining share of administrative fees was paid to the Trustee to fund its costs other than those incurred in managing and investing the Plan assets. ComSuper contracted Pillar Administration to perform these services until 4 December 2014. On 4 December 2014 the PSSap scheme administration contract was novated from ComSuper to CSC. From this date the costs of member administration were met by CSC. Transactions in respect of the receipt of these fees and the costs of administration have been brought to account in the financial statements of the Trustee and ComSuper.

Sponsoring employers contributed the following to Plan administration costs:

	2015	2014
	$'000	$'000
Trustee costs	**5 446**	1 154
ComSuper costs	**7 977**	11 945
Total	**13 423**	13 099

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

7. INCOME TAX

(a) Income tax recognised in Operating Statement

	2015 $'000	2014 $'000
Tax expense comprises:		
Current tax expense	**143 115**	140 789
Deferred tax expense / (income) relating to the origination and reversal of temporary differences	**-**	(4)
Adjustments recognised in current year in relation to current tax of prior year	**6**	235
Total tax expense	**143 121**	141 020

The prima facie income tax expense on benefits accrued as a result of operations before income tax reconciles to the income tax expense in the financial statements as follows:

Benefits accrued as a result of operations before income tax	**2 021 374**	1 804 813
Income tax expense calculated at 15%	**303 206**	270 722
Add / (less) permanent differences - items not assessable or deductible		
Insurance proceeds	**(3 304)**	(2 969)
Investment revenue already taxed	**(117 863)**	(88 214)
Member contributions, government co-contributions, low income superannuation contributions and transfers from other superannuation funds	**(38 108)**	(39 131)
Death benefit increase (Anti-Detriment)	**(617)**	(271)
No-TFN Tax and Offset	**(199)**	680
Non-assessable income	**-**	(32)
Under / (over) provision for income tax in previous year	**6**	235
Total tax expense	**143 121**	141 020

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

7. INCOME TAX (continued)

	2015	2014
	$'000	$'000
(b) Current tax balances		
Current tax payables:		
Provision for current year income tax	**142 959**	140 644
	142 959	140 644
(c) Deferred tax balances		
Deferred tax asset:		
Temporary differences	**404**	404
	404	404

Taxable and deductible temporary differences arise from the following:

2015	**Opening balance $'000**	**Charged to income $'000**	**Closing balance $'000**
Gross deferred tax assets / (liabilities):			
Interest receivable	**(47)**	**12**	**(35)**
Insurance premiums payable	**451**	**(12)**	**439**
	404	**-**	**404**

2014	Opening balance $'000	Charged to income $'000	Closing balance $'000
Gross deferred tax assets / (liabilities):			
Interest receivable	(50)	3	(47)
Insurance premiums payable	450	1	451
	400	4	404

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

8. CASH FLOW INFORMATION

	2015	2014
	$'000	$'000

(a) Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash represents cash at bank. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank	**155 169**	161 277

(b) Reconciliation of Benefits Accrued as a Result of Operations after Income Tax to Net Cash Inflows from Operating Activities

Benefits accrued as a result of operations after income tax	**1 878 253**	1 663 793
Less:		
Lump sum benefits paid and payable	**(353 025)**	(247 291)
Pensions paid and payable	**(4 954)**	(1 276)
Increase in net market value of investments	**(785 756)**	(588 093)
Add back:		
(Increase)/decrease in interest receivable	**79**	16
(Increase)/decrease in GST receivable	**(14)**	-
(Increase)/decrease in deferred tax asset	**-**	(4)
Increase/(decrease) in benefits and pensions payable	**(577)**	(208)
Increase/(decrease) in sundry payables	**352**	(30)
Increase/(decrease) in current tax liabilities	**2 315**	11 955
Net cash inflows from operating activities	**736 673**	838 862

9. SUNDRY DEBTORS

	2015	2014
	$'000	$'000
Receivable from the ARIA Investments Trust	**-**	104
Interest receivable	**235**	314
GST receivable	**14**	-
	249	418

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

10. SUNDRY PAYABLES

	2015	2014
	$'000	$'000
Insurance premiums payable	**2 928**	3 007
Employer contributions refundable	**176**	12
Other payables	**269**	2
	3 373	3 021

11. AUDITOR'S REMUNERATION

	2015	2014
	$	$

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

Financial statements	**49 000**	48 495
Regulatory returns and compliance	**45 000**	43 005
Total	**94 000**	91 500

The audits were provided by the Australian National Audit Office. The audit fees will be charged against the assets of the ARIA Investments Trust that are referable to the Plan.

Deloitte Touche Tohmatsu are contracted by the ANAO to provide audit services on its behalf. Fees for those services are included above.

No other services were provided by the Australian National Audit Office or Deloitte Touche Tohmatsu to the Plan during the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

12. LIABILITY FOR ACCRUED BENEFITS

The liability for accrued benefits is the Plan's present obligation to pay benefits to members and beneficiaries and has been calculated as the difference between the total assets and total liabilities as at year-end.

	2015 $'000	2014 $'000
Liability for accrued benefits at beginning of the year	**6 269 052**	4 853 826
Add:		
Benefits accrued as a result of operations after income tax	**1 878 253**	1 663 793
Less:		
Lump sum benefits paid and payable	**(353 025)**	(247 291)
Pensions paid and payable	**(4 954)**	(1 276)
Net change	**1 520 274**	1 415 226
Liability for accrued benefits at the end of the year	**7 789 326**	6 269 052

13. FUNDS NOT ALLOCATED TO MEMBER ACCOUNTS

	2015 $'000	2014 $'000
(a) Operational Risk Reserve		
Opening balance	**6 280**	-
Transfers to reserve	**12 745**	6 220
Earnings on reserve	**284**	60
Closing balance	**19 309**	6 280
(b) Other Funds Not Allocated to Members' Accounts		
Employer contributions (net of contributions tax) and member transfers received prior to year-end but not allocated at balance date	**4 576**	5 219
Valuation differences between unit pricing and financial statements	**(182)**	26 004
Bank interest	**4 534**	14 584
Other	**803**	(858)
	9 731	44 949

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

14. GUARANTEED BENEFITS

No guarantees have been made in respect of any part of the liability for accrued benefits.

15. VESTED BENEFITS

Vested benefits are benefits which are not conditional upon continued membership of the Plan (or any factor other than resignation from the Plan) and include benefits which members were entitled to receive had they terminated their Plan membership as at the balance date.

The vested benefits amount is made up of:

	2015 $'000	2014 $'000
Members' account balances at 30 June	**7 760 286**	6 217 823
Employer contributions (net of contributions tax) and member transfers received prior to year-end but not allocated at balance date	**4 576**	5 219
Vested benefits	**7 764 862**	6 223 042
Net assets available to pay benefits	**7 789 326**	6 269 052

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. FINANCIAL INSTRUMENTS

(a) Financial instruments management

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The investments of the Plan (other than cash held for managing contribution receipts, insurance expenses, benefit payments and tax payments) comprise units in the ARIA Investments Trust ('AIT'). AIT is a pooled superannuation trust which is also governed by the Trustee. This type of investment has been determined by the Trustee to be appropriate for the Plan and is in accordance with the Plan's published investment strategy. The Trustee applies strategies to manage risk relating to the investment activities of the AIT. The investments of AIT are managed on behalf of the Trustee by specialist sector fund managers who are required to invest the assets in accordance with contractual investment mandates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in Note 3 to the financial statements.

(c) Capital risk management

The RSE licence of the Trustee of the Plan required the Trustee to maintain a balance of at least $100 000 at all times in an administration reserve account until the operational risk reserve target amount is met. The operational risk reserve target amount of cash and cash equivalents was met on 25 November 2014 and the RSE administration reserve requirement ceased on this date. The purpose of this operational risk reserve is to provide funding for incidents where material losses may arise from operational risk (as opposed to investment risk) relating to the Plan. The level of reserve is determined by the Board based on an assessment of the risks faced by the Plan.

(d) Categories of financial instruments

The financial assets and liabilities of the Plan are recognised at net market value as at the reporting date. Net market value approximates fair value less costs of realisation of investments. The cost of realisation of investments is minimal and therefore net market value that is carrying value approximates fair value. Changes in net market value are recognised in the Operating Statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. FINANCIAL INSTRUMENTS (continued)

(e) Financial risk management objectives

The Plan is exposed to a variety of financial risks as a result of its pooled investments in the AIT. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Plan's risk management and investment policies, approved by the Trustee, seek to minimise the potential adverse effects of these risks on the Plan's financial performance. These policies may include the use of financial derivative instruments.

The Trustee ensures that there is an effective risk management control framework in place for the Plan. Consistent with regulatory requirements, the Trustee has developed, implemented and maintains a Risk Management Framework to identify the policies, procedures, processes and controls that comprise its risk management and control systems for the Plan and for the Plan's investments through the AIT. The overall investment strategy of the Plan is set out in the Trustee's approved investment policies which address the investment strategy and objectives and risk mitigation strategies including risk mitigation relating to the use of derivatives.

The Trustee's internal investment team monitors and manages the financial risks relating to the Plan's investments. Derivative Risk Statements set out the strict parameters for the Trustee's investment managers authorised to use derivatives. In essence, derivatives cannot be used to raise the level of risk above the level it would otherwise have been, and derivatives cannot be used to leverage the investments.

The Plan's investments are managed on behalf of the Trustee by specialist external investment managers who invest their respective fund allocation in accordance with the terms of a written investment mandate or disclosure document. The Trustee has determined that the appointment of these managers is appropriate for the Plan and is in accordance with its investment strategy.

(f) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Plan. In its capacity as trustee of AIT, the Trustee has adopted a policy of spreading the aggregate value of transactions across approved creditworthy counterparties as a means of mitigating the risk of financial loss. The Plan's exposure to its counterparties are continuously monitored by the Trustee.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. FINANCIAL INSTRUMENTS (continued)

(f) Credit risk (continued)

The largest exposure to a single counterparty is to cash held by the investment master custodian Northern Trust. Credit risk relating to the master custodian is mitigated through contract indemnity provisions. Other than the master custodian, no individual exposure within AIT exceeded 5% of net assets of that trust at 30 June 2015 or 30 June 2014.

The credit risk on the Plan's directly held cash and cash equivalents and interest receivable is limited because the counterparty is the Reserve Bank of Australia.

The table below shows the maximum exposure of financial assets to credit risk at the reporting date:

	2015	2014
	$'000	$'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**7 780 748**	6 252 107
Other financial assets		
Cash and cash equivalents	**155 169**	161 277
Sundry debtors	**235**	418
Total financial assets	**7 936 152**	6 413 802

There has been no change to the Plan's exposure to credit risk or the manner in which it manages and measures that risk during the reporting period.

(g) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in either realising assets or otherwise raising sufficient funds to meet its financial liabilities and/or member benefit payments or tax liabilities.

The Trustee's approach to managing liquidity is to ensure that the Plan will always have sufficient liquidity to meet its liabilities and member withdrawals. The Plan allows members to withdraw benefits, and it is therefore exposed to the liquidity risk of meeting member withdrawals at any time. The Plan has a high level of net inward cash flows through new contributions which provide capacity to manage liquidity risk. The Trustee undertakes forecasting and scenario testing of the cashflow requirements of the Plan to ensure timely access to sufficient cash and holds actively-traded, highly-liquid investments to meet anticipated funding requirements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. FINANCIAL INSTRUMENTS (continued)

(g) Liquidity risk (continued)

As a further risk mitigation strategy, it is the Trustee's policy that the target asset allocation to illiquid assets is limited to around 25% of the investments of the AIT (with a plus or minus 10 percentage point rebalancing range around that target). Regular scenario testing is performed to confirm the validity of the strategy.

The following tables summarise the maturity profile of the Plan's financial liabilities. Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at reporting date. This is the earliest date on which the Plan can be required to pay members' vested benefits. However, members may not necessarily call upon amounts vested to them during this time. The tables have been drawn up based on the contractual undiscounted cash flows of financial liabilities based on the earliest date on which the Plan can be required to pay. The tables include both interest and principal cash flows.

Financial Liabilities maturity profile:

	Less than 3 months $'000	3 months to 1 year $'000	1-5 years $'000	Over 5 years $'000	Total $'000
30 June 2015					
Benefits and pensions payable	**912**	**-**	**-**	**-**	**912**
Sundry payables	**3 373**	**-**	**-**	**-**	**3 373**
Vested benefits	**7 764 862**	**-**	**-**	**-**	**7 764 862**
Total financial liabilities	**7 769 147**	**-**	**-**	**-**	**7 769 147**
30 June 2014					
Benefits payable	1 489	-	-	-	1 489
Sundry payables	3 021	-	-	-	3 021
Vested benefits	6 223 042	-	-	-	6 223 042
Total financial liabilities	6 227 552	-	-	-	6 227 552

There has been no change to the Plan's exposure to liquidity risk or the management and measurement of that risk during the reporting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. FINANCIAL INSTRUMENTS (continued)

(h) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other market price risk. The policies and procedures put in place to mitigate the exposure to market risk are detailed in the Trustee's investment policies and the Risk Management Framework.

There has been no change to the Plan's exposure to market risk or the manner in which it manages and measures the risk since the 2014 reporting period.

Foreign currency risk
Foreign currency risk is the risk that the net market value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Plan does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. However, the Plan is indirectly exposed to foreign currency risk from the international assets held in the AIT, and it is managed in accordance with the Trustee's approved investment strategy. The AIT enters into forward foreign exchange contracts to hedge into Australian dollars some of the currency exposure arising from its investments denominated in developed markets foreign currencies. These contracts neutralise some of the gains and losses from currency fluctuation. A small part of the investments of AIT, relating to emerging markets, may remain unhedged due to lack of suitable currency instruments for hedging.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Plan is directly exposed to interest rate risk on cash and cash equivalents held with the Reserve Bank of Australia to meet benefits, taxation and insurance payments. All holdings at 30 June 2015 and 30 June 2014 had a maturity profile of less than one month.

The Plan is indirectly exposed to interest rate risk through its investments in AIT. The Trustee manages interest rate risk through its investment strategy including diversification of asset allocation and the use of a diversity of specialist investment sector managers.

The following table illustrates the Plan's sensitivity to a 0.4% p.a. (2014: 0.6%) increase or decrease in interest rates, based on cash balances directly held at reporting date. This represents an assessment of the reasonably possible change in interest rates as at that date. Had interest rates been lower or higher by 0.4% (2014: 0.6%) at reporting date, and all other variables were held constant, the financial result would have improved/(deteriorated) as demonstrated:

	Carrying amount $'000	Interest rate risk $' 000			
		Benefits accrued	Net assets available to pay benefits	Benefits accrued	Net assets available to pay benefits
2015		-0.4%		+0.4%	
Cash and cash equivalents	155 169	(621)	(621)	621	621
2014		-0.6%		+0.6%	
Cash and cash equivalents	161 277	(968)	(968)	968	968

In the Trustee's opinion, the sensitivity analysis at reporting date approximates the direct interest rate exposures of the Plan during the financial year.

Other price risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all similar financial instruments traded in the market.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other price risk (continued)
The Plan's investment in AIT is exposed to market price risk in respect of the latter's holdings of equity securities and unit trusts. As the investment in AIT is carried at net market value with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect the Plan's net investment income. In its capacity as trustee of AIT, the Trustee manages the market price risk arising from these investments by diversifying the portfolio in accordance with its investment strategy.

The following table illustrates the Plan's sensitivity to a reasonably possible change in the value of its investment in AIT, based on risk exposures at reporting date. The volatility factors represent the average annual historical volatility in the investment option unit prices. For the Cash Option and the investments backing the operational risk reserve a factor of 0.4% (2014: 0.6%) has been applied representing a reasonably possible change in interest rates as a proxy for price risk of the option. Had the unit price been higher or lower by the volatility factor at the reporting date, and all other variables were held constant, the financial result would have improved/ (deteriorated) as follows:

Financial Assets ARIA Investments Trust:	Change in price	Carrying amount $'000	Price risk $' 000			
			Benefits accrued	Net assets available to pay benefits	Benefits accrued	Net assets available to pay benefits
2015						
Balanced	-/+4.8%	26 346	(1 265)	(1 265)	1 265	1 265
Aggressive	-/+10.0%	407 832	(40 783)	(40 783)	40 783	40 783
Cash	-/+0.4%	95 075	(380)	(380)	380	380
Income Focused	-/+2.9%	115 925	(3 362)	(3 362)	3 362	3 362
MySuper Balanced	-/+6.5%	7 004 957	(455 322)	(455 322)	455 322	455 322
CSCri Cash	-/+0.4%	7 304	(29)	(29)	29	29
CSCri Aggressive	-/+11.0%	9 877	(1 086)	(1 086)	1 086	1 086
CSCri Balanced	-/+7.1%	46 488	(3 301)	(3 301)	3 301	3 301
CSCri Income Focused	-/+3.3%	47 635	(1 572)	(1 572)	1 572	1 572
Operational risk reserve	-/+0.4%	19 309	(77)	(77)	77	77
Total		7 780 748	(507 177)	(507 177)	507 177	507 177

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. FINANCIAL INSTRUMENTS (continued)

(h) Market risk (continued)

Other price risk (continued)

Financial Assets ARIA Investments Trust:	Change in price	Carrying amount $'000	Price risk $' 000			
			Benefits accrued	Net assets available to pay benefits	Benefits accrued	Net assets available to pay benefits
2014						
Balanced	-/+4.1%	8 284	(340)	(340)	340	340
Aggressive	-/+10.3%	251 264	(25 880)	(25 880)	25 880	25 880
Cash	-/+0.6%	89 932	(540)	(540)	540	540
Income Focused	-/+3.0%	97 399	(2 922)	(2 922)	2 922	2 922
MySuper Balanced	-/+6.7%	5 753 060	(385 455)	(385 455)	385 455	385 455
CSCri Cash	-/+0.6%	2 748	(16)	(16)	16	16
CSCri Aggressive	-/+11.4%	5 050	(576)	(576)	576	576
CSCri Balanced	-/+7.3%	17 097	(1 248)	(1 248)	1 248	1 248
CSCri Income Focused	-/+3.4%	21 097	(717)	(717)	717	717
Operational risk reserve options	-/+0.6%	6 176	(37)	(37)	37	37
Total		6 252 107	(417 731)	(417 731)	417 731	417 731

In the Trustee's opinion, the sensitivity analysis at reporting date is representative of the other market price exposures during the financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

16. FINANCIAL INSTRUMENTS (continued)

(i) Fair value measurements

The Plan's financial instruments are included in the Statement of Financial Position at net market value that approximates fair value. The net market value is determined per accounting policies in Note 3(a).

Net market value measurements recognised in the Statement of Financial Position
The following table provides an analysis of the Plan's financial instruments whereby the assets and liabilities are each grouped into one of three categories based on the degree to which their method of valuation is observable.

Level 1: net market value measurements are those derived from quoted prices in active markets.

Level 2: net market value measurements are those derived from inputs (other than quoted prices included within Level 1) that are observable such as prices or derived from prices.

Level 3: net market value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2015				
Financial Assets				
Pooled superannuation trust	**-**	**7 780 748**	**-**	**7 780 748**
2014				
Financial Assets				
Pooled superannuation trust	-	6 252 107	-	6 252 107

There were no transfers between Level 1 and 2 in the period.

Units in the pooled superannuation trust are valued daily based on the latest listed and unlisted market prices and values of the underlying investments, less any tax and expenses.

Reconciliation of Level 3 net market value measurements
There were no Level 3 financial assets or liabilities for the period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

17. RELATED PARTIES

(a) Trustee

Commonwealth Superannuation Corporation (CSC) was the Trustee throughout the reporting period. No fees were charged by CSC for acting as Trustee of the Plan during the reporting period.

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2015 and to the date of the report were:

Tony Cole
Patricia Cross (Chairman)
Christopher Ellison
Peter Feltham
Nadine Flood
Lyn Gearing
Winsome Hall
John McCullagh
Peggy O'Neal
Margaret Staib
Michael Vertigan

In addition to the Directors listed above, the following executives of the Trustee had authority and responsibility for planning, directing and controlling the activities of the Plan throughout the year ended 30 June 2015:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Executive Officer
Leonie McCracken	General Manager, Operations
Bronwyn McNaughton	General Counsel
Christine Pearce	General Manager, Member & Employer Services
Sarah Rodgers	General Manager, People & Culture (Commenced 27 April 2015)
Alison Tarditi	Chief Investment Officer
Andy Young	General Manager, Finance & Risk

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

17. RELATED PARTIES (continued)

(c) Key Management Personnel Compensation

The aggregate compensation of the key management personnel in relation to the Plan is set out below:

	2015	2014
	$	$
Short-term employee benefits	**357 471**	306 361
Post-employment benefits	**38 166**	31 765
Other long-term benefits	**25 291**	21 271
	420 928	359 397

Aggregate compensation in relation to the Plan is a pro-rata apportionment of the overall compensation paid by the Trustee, based on the net assets of the entities under its trusteeship or actual control.

The compensation of key management personnel (including Directors) related to investment management is charged against the assets of the ARIA Investments Trust that are referable to the Plan.

The Plan has not made, guaranteed or secured, directly or indirectly, any loans to key management personnel or their personally-related entities at any time during the year.

(d) Investing entities

Throughout the year ended 30 June 2015, the Plan's only investment consisted of units in AIT, which was established to provide a cost-effective means of gaining exposure to a broad range of listed and unlisted securities across various asset classes.

The other investors in AIT throughout the year were the Public Sector Superannuation Scheme, the Commonwealth Superannuation Scheme and the Military Superannuation and Benefits Scheme. All investing transactions are conducted under normal industry terms and conditions.

The Trustee of the Plan, Commonwealth Superannuation Corporation, is the trustee of the following regulated superannuation schemes: Commonwealth Superannuation Scheme, the Public Sector Superannuation Scheme, the Public Sector Superannuation Accumulation Plan and the Military Superannuation and Benefits Scheme.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

17. RELATED PARTIES (continued)

(d) Investments (continued)

The Trustee pays costs of and incidental to the management of the Plan and the investment of its money from the assets of the ARIA Investments Trust that are referable to the Plan (Note 6(c)). No fees were charged for acting as Trustee during the year ended 30 June 2015 (2014: $nil).

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

	Net Market Value of Investment	Net Market Value of Investment	Share of Net Income after tax	Share of Net Income after tax
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
ARIA Investments Trust	**7 780 748**	6 252 107	**785 756**	588 093
	7 780 748	6 252 107	**785 756**	588 093

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

18. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Plan had no capital commitments at 30 June 2015 (2014: $nil).

The Plan had the following commitments for other expenditure as at 30 June 2015 :

	2015	2014
	$'000	$'000
BY TYPE		
Commitments receivable		
Net GST recoverable on commitments [1]	**3 057**	-
	3 057	-
Commitments payable		
Administration expenses [2]	**(44 830)**	-
	(44 830)	-
Net commitments by type	**(41 774)**	-
BY MATURITY		
One year or less	**(8 071)**	-
From one to three years	**(17 514)**	-
Over three years	**(16 189)**	-
Total commitments	**(41 774)**	-

[1] Commitments payable are GST inclusive.
[2] Administration expenses are for project commitments and operational activities, including the outsourcing of administration of the Plan. These expenses will be met through the collection of member administration fees received from members through the redemption of member benefits held by the Plan.

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Plan (including insurance benefits) which could result in additional benefits becoming payable in the future. Each request is considered on its merits prior to any benefit becoming payable. In the opinion of the Trustee, these requests do not represent a material liability on the Plan.

There were no other contingent liabilities or contingent assets as at the reporting date (2014: $nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

19. SUBSEQUENT EVENTS

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, scheme administration costs for PSSap will be paid for by members from 1 July 2015. Prior to this date, adminstration expenses were met by government appropriation and a share of administrative fees paid by employing agencies.

No other matters have arisen since 30 June 2015 that have materially affected, or may materially affect, the operations of the Plan, the results of those operations, or the financial position of the Plan in future financial years.

10

CSC financial statements

Auditor-General for Australia

INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance

I have audited the accompanying annual financial statements of the Commonwealth Superannuation Corporation for the year ended 30 June 2015, which comprise:

- Statement by the Chairman, Chief Executive Officer and General Manager, Finance and Risk;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments; and
- Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Accountable Authority's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Accountable Authority of the entity, as well as evaluating the overall presentation of the financial statements.

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of Commonwealth Superannuation Corporation:

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

(b) present fairly the financial position of Commonwealth Superannuation Corporation as at 30 June 2015 and its financial performance and cash flows for the year then ended.

Australian National Audit Office

Rona Mellor

Rona Mellor PSM
Acting Auditor-General
Canberra
29 September 2015

Commonwealth Superannuation Corporation

STATEMENT BY THE CHAIRMAN, CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER, FINANCE & RISK

In our opinion, the attached financial statements for the year ended 30 June 2015 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

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

Signed…….	Signed…….	Signed…….
Patricia Cross Chairman	Peter Carrigy-Ryan Chief Executive Officer	Andy Young General Manager, Finance & Risk
29 September 2015	29 September 2015	29 September 2015

Commonwealth Superannuation Corporation

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
EXPENSES			
Employee benefits	3A	**833**	807
Suppliers	3B	**12,556**	6,946
Total expenses		**13,389**	7,753
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	**13,469**	8,412
Interest	4B	**156**	194
Other revenue		**120**	-
Total own-source income		**13,745**	8,606
Net contribution by services		**356**	853
Surplus for the year		**356**	853
Other comprehensive income		**-**	-
Total comprehensive income		**356**	853

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

Commonwealth Superannuation Corporation

STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

	Notes	2015 $'000	2014 $'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	**8,845**	7,870
Trade and other receivables	5B	**706**	189
Total financial assets		**9,551**	8,059
Non-financial Assets			
Other non-financial assets	6A	**157**	-
Total non-financial assets		**157**	-
Total assets		**9,708**	8,059
LIABILITIES			
Payables			
Suppliers	7A	**1,965**	1,312
Other payables	7B	**1,313**	673
Total payables		**3,278**	1,985
Total liabilities		**3,278**	1,985
Net assets		**6,430**	6,074
EQUITY			
Contributed equity		**2,324**	2,324
Retained surplus		**4,106**	3,750
Total equity		**6,430**	6,074

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

Commonwealth Superannuation Corporation

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2015

	Retained surplus		Contributed equity		Total equity	
	2015	2014	**2015**	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Opening balance						
Balance carried forward from previous period	**3,750**	2,897	**2,324**	2,324	**6,074**	5,221
Adjusted opening balance	**3,750**	2,897	**2,324**	2,324	**6,074**	5,221
Comprehensive income						
Surplus for the period	**356**	853	**-**	-	**356**	853
Other comprehensive income	**-**	-	**-**	-	**-**	-
Total comprehensive income	**356**	853	**-**	-	**356**	853
Closing balance as at 30 June	**4,106**	3,750	**2,324**	2,324	**6,430**	6,074

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

Commonwealth Superannuation Corporation

CASH FLOW STATEMENT
for the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services		**13,812**	8,572
Interest		**157**	181
Net GST Received		**581**	812
Total cash received		**14,550**	9,565
Cash used			
Employee benefits		**833**	807
Suppliers		**12,742**	8,767
Total cash used		**13,575**	9,574
Net cash from / (used by) operating activities	8	**975**	(9)
Net increase / (decrease) in cash held		**975**	(9)
Cash and cash equivalents at the beginning of the reporting period		**7,870**	7,879
Cash and cash equivalents at the end of the reporting period	5A	**8,845**	7,870

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

Commonwealth Superannuation Corporation

SCHEDULE OF COMMITMENTS
as at 30 June 2015

	2015	2014
BY TYPE	**$'000**	$'000
Commitments receivable		
Net GST recoverable on commitments[1]	**703**	784
Total commitments receivable	**703**	784
Commitments payable		
Other commitments		
Operating leases [2]	**7,735**	8,620
Total other commitments	**7,735**	8,620
Net commitments by type	**7,032**	7,836
BY MATURITY		
Commitments payable		
Operating lease commitments		
Within 1 year	**1,354**	1,060
Between 1 to 5 years	**5,466**	5,730
More than 5 years	**212**	1,046
Total operating lease commitments	**7,032**	7,836
Net commitments by maturity	**7,032**	7,836

1. Commitments payable are GST inclusive.
2. Operating leases included are non-cancellable in the normal course of business. The entity in its capacity as a lessee has leases for office accommodation in Canberra (main office and financial planning office) and Sydney. Lease payments are subject to annual increases of the higher of 3.25% or upwards movements in the Consumer Price Index in the main Canberra office, 3.75% fixed rate annual increases in the financial planning Canberra office and 4% fixed rate annual increases in Sydney. The initial period of the main Canberra office lease is still current and may be renewed by two further terms of 3 years. The financial planning Canberra office may be renewed by one period of two years. The Sydney office lease has no further option for renewal.

CSC as trustee enters into commitments on behalf of the funds that it is trustee for. These commitments are paid for by the funds rather than CSC itself.

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

Commonwealth Superannuation Corporation

Note 1: Summary of Significant Accounting Policies

1.1 Objective of the entity

The objective of Commonwealth Superannuation Corporation ('CSC') (ABN 48 882 817 243) is to provide retirement benefits for past, present and future Australian Government employees and members of the Australian Defence Force, as trustee of their superannuation funds and schemes. CSC is a not-for-profit entity.

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

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

CSC's sole source of income is from external sources, and therefore no direct appropriations are included.

CSC's activities are funded in part through a share of the scheme administration charges historically collected by ComSuper from employers participating in PSS, CSS and PSSap, and in part through negotiated administration charges historically collected by ComSuper from the Department of Defence. Additional funding may be provided by Government to meet specific administration requirements. No such monies were received during the financial year.

The PSSap scheme administration contract was novated from ComSuper to CSC on 4 December 2014. This has resulted in the recognition of additional revenue from rendering of services received from related parties (ComSuper) and associated supplier expenses.

All CSC's operating expenses are paid by the ARIA Investments Trust (AIT) other than:
- premises lease payments;
- trustee director expenses (other than the Chairman's expenses, which by law are paid by the Schemes); and
- PSSap scheme administration expenses.

The AIT invoices CSC for the share of those expenses that relate to Scheme administration as a service fee. Similarly, CSC invoices the AIT for the share of premises lease payments and trustee director expenses that relate to the management and investment of Scheme funds.

CSC also receives revenue and pays expenses relating to the administration of the retirement income (CSCri) and ancillary products of the PSSap plan.

Commonwealth Superannuation Corporation

Note 1: Summary of Significant Accounting Policies (continued)

1.1 Objective of the entity (continued)

As defined by the 2014-15 Portfolio Budget Statements, CSC was structured to meet the following sole outcome:

> Outcome 1: Retirement benefits for past, present and future Australian Government employees and members of the Australian Defence Force through investment and administration of their superannuation funds and schemes.

The continued existence of the entity in its present form and with its present programs is dependent on Government policy.

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. As a result of the merger, the Statutory Agency of ComSuper was abolished, and as at 1 July 2015, the assets and liabilities ceased to be assets and liabilities of ComSuper, and became assets and liabilities of CSC without any conveyance, transfer or assignment. CSC was the successor in law in relation to the assets and liabilities. CSC continues to be the trustee of the public sector and defence force superannuation schemes.

1.2 Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

a) *The Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) for reporting periods ending on or after 1 July 2014; and
b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accruals basis and in accordance with the historical cost convention. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Commonwealth Superannuation Corporation

Note 1: Summary of Significant Accounting Policies (continued)

1.2 Basis of Preparation of the Financial Statements (continued)

Unless an alternative treatment is specifically required by an accounting standard or the FRR, assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the entity or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments, or the contingencies note.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant Accounting Judgements and Estimates

In the application of Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

No accounting assumptions and estimates have been identified that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period.

Commonwealth Superannuation Corporation

Note 1: Summary of Significant Accounting Policies (continued)

1.4 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

The following amending standards that were issued prior to the sign-off date were applicable to the current reporting period and did not have a financial impact and are not expected to have a future financial impact on the entity:

Accounting Standard / Interpretation	Effective for annual reporting periods beginning on or after	Application date
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (AASB 132)'	1 January 2014	30 June 2015
AASB 1031 'Materiality'	1 January 2014	30 June 2015
AASB 1055 'Budgetary Reporting' and **AASB 2013-1** 'Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements'	1 July 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' - Part B 'Materiality'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards': Part A - 'Annual Improvements 2010-2012 and 2011-2013', Part B - 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)', and Part C - 'Materiality'	1 July 2014	30 June 2015

AASB 1055 *'Budgetary Reporting'* added a new disclosure note "Budgetary Reports and Explanations of Major Variances" (refer to Note 14).

Commonwealth Superannuation Corporation

Note 1: Summary of Significant Accounting Policies (continued)

1.4 New Australian Accounting Standards (continued)

Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations or amending standards were issued by the Australian Accounting Standards Board prior to the sign-off date. The Directors are yet to consider the impact of AASB 15 *'Revenue from Contracts with Customers'*, but it is anticipated that the adoption of the other Standards disclosed below will not have a financial impact on the entity for future reporting periods (although existing disclosures may be impacted):

Accounting Standard / Interpretation	Effective for annual reporting periods beginning on or after	Application date
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and **AASB 2014-5** 'Amendments to Australian Accounting Standards arising from AASB 15' [1]	1 January 2017	30 June 2018
AASB 2014-4 'Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

[1] This standard is applicable to annual reporting periods beginning on or after 1 January 2017. Exposure Draft (ED 263) *'Effective Date of AASB 15'* proposes to defer the application date by one year (1 January 2018). In July 2015 the IASB decided to defer the effective date of IFRS 15 by one year to 1 January 2018. The amendment to the effective date of IFRS is expected to be issued in September 2015.

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Where revenue is received but not earned, it is shown as the liability 'unearned revenue'.

Revenue from interest

Interest revenue is recognised using the effective interest method as set out in *AASB 139 'Financial Instruments: Recognition and Measurement'*.

Commonwealth Superannuation Corporation

Note 1: Summary of Significant Accounting Policies (continued)

1.5 Revenue (continued)

Revenue from rendering of services

CSC receives a share of administration fees historically collected by ComSuper from participating employer contributors to the Schemes. CSC also receives revenue relating to the administration of the retirement income (CSCri) and ancillary products of the PSSap Plan. Any revenue due but not received by balance date is reflected in the Statement of Financial Position as a receivable.

Revenue from Government

CSC may receive supplementary funding from Government from time to time to meet specific administration needs. Any such funding is recognised as revenue in the period specified by the funding arrangement.

1.6 Transactions with the Government as Owner

Equity Injections

Amounts that are designated as equity injections for a year are recognised directly in contributed equity in that year.

1.7 Employee Benefits

Amounts disclosed for employee benefits represent trustee directors' benefits only, as all other staff are employed by the AIT.

Leave

No leave liabilities are provided for as CSC's directors are not entitled to annual, long service or sick leave.

Superannuation

CSC's directors are members of various superannuation schemes including PSS and PSSap.

The PSS is a defined benefit scheme for Australian Government employees.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance as an administered item. CSC makes employer contributions to the PSS at rates determined by an actuary to be sufficient to meet the current cost to the Government and accounts for the contributions as if they were contributions to a defined contribution plan.

The PSSap is a defined contribution scheme for Australian Government employees.

Commonwealth Superannuation Corporation

Note 1: Summary of Significant Accounting Policies (continued)

1.8 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.9 Cash

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

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

1.10 Financial Assets

CSC classifies its financial assets as loans and receivables.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Commonwealth Superannuation Corporation

Note 1: Summary of Significant Accounting Policies (continued)

1.11 Financial Liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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

1.12 Taxation

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

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

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

b) for receivables and payables.

1.13 Controlled Entities

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

Commonwealth Superannuation Corporation

Note 2: Events After the Reporting Period

Following the passage of the *Governance of Australian Government Superannuation Schemes Legislation Amendment Bill 2015* on 15 June 2015, ComSuper was merged into CSC on 1 July 2015. As a result of the merger, the Statutory Agency of ComSuper was abolished, and as at 1 July 2015, the assets and liabilities ceased to be assets and liabilities of ComSuper, and became assets and liabilities of CSC without any conveyance, transfer or assignment. CSC was the successor in law in relation to the assets and liabilities. CSC continues to be the trustee of the public sector and defence force superannuation schemes and now also performs the scheme administration activities formerly undertaken by ComSuper.

To facilitate post-merger integration, CSC has changed its expense payment arrangements, whereby from 1 July 2015 all operational expenses will be paid by CSC. CSC will then invoice the AIT for the portion of expenses that are referable to the Schemes. Accordingly, on 1 July 2015 CSC acquired all the operational assets and liabilities, (principally trade receivables, fixed assets, supplier payables, employee and other provisions), from the AIT at their 30 June 2015 fair values.

There were no other subsequent events that had the potential to significantly affect the ongoing structure and financial activities of Commonwealth Superannuation Corporation.

Commonwealth Superannuation Corporation

Note 3: Expenses

	2015 $'000	2014 $'000
Note 3A: Employee Benefits		
Wages and salaries	**730**	706
Superannuation:		
Defined contribution plans	**65**	61
Defined benefit plans	**38**	40
Total employee benefits	**833**	807
Note 3B: Suppliers		
Services rendered:		
Consultants	**3**	24
Contractors	**11,148**	5,843
Total services rendered	**11,151**	5,867
Services rendered in connection with:		
External Parties	**11,151**	5,867
Total services rendered	**11,151**	5,867
Other supplier expenses		
Operating lease rentals in connection with:		
External parties		
Minimum lease payments	**1,405**	1,079
Total other supplier expenses	**1,405**	1,079
Total supplier expenses	**12,556**	6,946

The PSSap scheme administration contract was novated from ComSuper to CSC on 4 December 2014. This has resulted in the recognition of additional revenue for rendering of services from related parties (ComSuper) and associated supplier expenses.

Commonwealth Superannuation Corporation

Note 4: Own-Source Income

Own-Source Revenue	2015 $'000	2014 $'000
Note 4A: Sale of Goods and Rendering of Services		
Rendering of services in connection with:		
Related parties	**10,763**	5,904
External parties	**2,706**	2,508
Total sale of goods and rendering of services	**13,469**	8,412
Note 4B: Interest		
Deposits	**156**	194
Total interest	**156**	194

Commonwealth Superannuation Corporation

Note 5: Financial Assets

	2015 $'000	2014 $'000
Note 5A: Cash and Cash Equivalents		
Cash on hand or on deposit	**8,845**	7,870
Total cash and cash equivalents	**8,845**	7,870
Note 5B: Trade and Other Receivables		
Goods and services receivables in connection with:		
Related parties	**46**	-
External parties	**26**	9
Total goods and services receivables	**72**	9
Other receivables:		
GST receivable	**502**	167
Insurance claim receivable	**120**	-
Interest receivable	**12**	13
Total other receivables	**634**	180
Total trade and other receivables (net)	**706**	189
Trade and other receivables expected to be recovered in:		
No more than 12 months	**706**	189
Total trade and other receivables (net)	**706**	189
Trade and other receivables are aged as follows:		
Not overdue	**706**	189
Total trade and other receivables (net)	**706**	189

There are no receivables that are past due or impaired (2014: Nil).

Commonwealth Superannuation Corporation

Note 6: Non-Financial Assets

	2015 $'000	2014 $'000
Note 6A: Other Non-Financial Assets		
Prepayments	157	-
Total Other Non-Financial Assets	157	-
Total Other Non-Financial Assets expected to be recovered in:		
No more than 12 months	157	-
Total Other Non-Financial Assets	157	-

No indicators of impairment were found for other non-financial assets (2014: Nil).

Commonwealth Superannuation Corporation

Note 7: Payables

	2015 $'000	2014 $'000
Note 7A: Suppliers		
Trade creditors and accruals	**1,965**	1,312
Total supplier payables	**1,965**	1,312
Supplier payables expected to be settled in:		
No more than 12 months	**1,965**	1,312
Total supplier payables	**1,965**	1,312
Supplier payables in connection with:		
External parties	**1,965**	1,312
Total supplier payables	**1,965**	1,312

The average credit period on purchases is less than 30 days. CSC has financial risk management policies in place to ensure that all payables are paid within the pre-agreed terms.

Note 7B: Other Payables		
Lease liabilities	**1,229**	673
Unearned income	**76**	-
Other payables	**8**	-
Total other payables	**1,313**	673
Other payables expected to be settled in:		
No more than 12 months	**176**	166
More than 12 months	**1,137**	507
Total other payables	**1,313**	673

Commonwealth Superannuation Corporation

Note 8: Cash Flow Reconciliation

	2015	2014
	$'000	$'000
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash Flow Statement	**8,845**	7,870
Statement of Financial Position	**8,845**	7,870
Difference	**-**	-
Reconciliation of net contribution by services to net cash from operating activities:		
Net contribution by services	**356**	853
Changes in assets / liabilities		
(Increase) / decrease in trade and other receivables	**(517)**	306
(Increase) / decrease in prepayments	**(157)**	-
Increase / (decrease) in supplier payables	**653**	(683)
Increase / (decrease) in other payables	**640**	(485)
Net cash from / (used by) operating activities	**975**	(9)

Commonwealth Superannuation Corporation

Note 9: Contingent Liabilities and Assets

Quantifiable Contingencies

CSC has no quantifiable contingent liabilities or assets as at 30 June 2015 (2014: Nil).

Unquantifiable Contingencies

CSC has no unquantifiable contingent liabilities or assets as at 30 June 2015 (2014: Nil).

Significant Remote Contingencies

CSC has no remote contingent liabilities or assets as at 30 June 2015 (2014: Nil).

Commonwealth Superannuation Corporation

Note 10: Senior Management Personnel Remuneration

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

CSC's staff are employed by CSC as trustee for the AIT. Employee expenses are initially paid by the AIT, and the AIT invoices CSC for the share of those expenses that relate to Scheme administration as a service fee. The following notes discloses the total remuneration of CSC's senior management personnel regardless of which entity bears the expense.

	2015	2014
	$	$
Short-term employee benefits:		
Salary	**2,982,989**	2,876,517
Performance bonuses	**1,008,923**	975,725
Motor vehicle and other allowances	**-**	6,442
Total short-term employee benefits	**3,991,912**	3,858,684
Post-employment benefits:		
Superannuation	**426,199**	400,083
Total post-employment benefits	**426,199**	400,083
Other long-term employee benefits:		
Annual leave	**224,276**	213,173
Long service leave	**58,151**	54,742
Total other long-term employee benefits	**282,427**	267,915
Total Senior Management Personnel Remuneration	**4,700,538**	4,526,682

The total number of senior management personnel that are included in the above table are 19 individuals (2014: 18 individuals)

Notes:
The Directors of CSC throughout the year ended 30 June 2015 were:

Patricia Cross (Chairman)
Tony Cole
Christopher Ellison
Peter Feltham
Nadine Flood
Lyn Gearing
Winsome Hall
John McCullagh
Peggy O'Neal
Margaret Staib
Michael Vertigan

The following Executives of CSC had authority and responsibility for planning, directing and controlling the activity of the entity throughout the year ended 30 June 2015:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Executive Officer
Leonie McCracken	General Manager, Operations
Bronwyn McNaughton	General Counsel
Christine Pearce	General Manager, Member & Employer Services
Sarah Rodgers	General Manager, People & Culture (Commenced 27 April 2015)
Alison Tarditi	Chief Investment Officer
Andy Young	General Manager, Finance & Risk

Commonwealth Superannuation Corporation

Note 11: Financial Instruments

	2015 $'000	2014 $'000
Note 11A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	**8,845**	7,870
Trade and other receivables	**204**	22
Total loans and receivables	**9,049**	7,892
Total financial assets	**9,049**	7,892
Financial Liabilities		
Financial liabilities measured at amortised cost:		
Trade creditors and accruals	**1,965**	1,312
Other payables	**8**	-
Total financial liabilities measured at amortised cost	**1,973**	1,312
Total financial liabilities	**1,973**	1,312

The carrying amount of the financial assets and financial liabilities is equivalent to their fair value.

Note 11B: Net Gains or Losses on Financial Assets		
Loans and receivables		
Interest revenue	**156**	194
Net gains on loans and receivables	**156**	194

Note 11C: Credit Risk

CSC is exposed to minimal credit risk as financial assets comprise cash at bank and trade receivables. CSC has exposure to an Australian bank of $8,844,852 at 30 June 2015 (2014: $7,869,771). The greatest exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade and other receivables, excluding GST receivable (2015: $203,804 and 2014: $22,276). CSC has assessed the risk of the default on payment and has determined there is no credit risk to CSC as CSC's debtors are primarily comprised of Australian Government agencies. CSC holds no collateral to mitigate against credit risk. No receivables are past due or impaired at the balance date (2014: $Nil).

Note 11D: Liquidity Risk

CSC's financial liabilities are payables. The exposure to liquidity risk is based on the notion that CSC will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely as CSC's cash receipts are primarily received from Australian Government agencies and the ARIA Investments Trust. CSC manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, CSC has policies in place to ensure timely payments are made when due and has no past experience of default.

The entity has no derivative financial liabilities in both the current and prior year.

Commonwealth Superannuation Corporation

Note 11: Financial Instruments (continued)

Note 11D: Liquidity Risk (continued)

Maturities for financial liabilities 2015

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	-	1,965	-	-	-	1,965
Other payables	-	8	-	-	-	8
Total	-	1,973	-	-	-	1,973

Maturities for financial liabilities 2014

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors and accruals	-	1,312	-	-	-	1,312
Total	-	1,312	-	-	-	1,312

Note 11E: Market Risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

CSC held basic financial instruments that did not expose the entity to certain market risks, such as 'Currency risk' and 'Other price risk'.

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. CSC is directly exposed to interest rate risk on cash and cash equivalents held with the Australia and New Zealand Banking Group Limited (ANZ). All holdings at 30 June 2015 and 30 June 2014 had a maturity profile of less than one month.

The following table illustrates the entity's sensitivity to a 0.4% p.a. (2014: 0.6%) increase or decrease in interest rates, based on cash balance directly held at reporting date. This represents an assessment of a reasonably possible change in interest rates. Had interest rates been lower or higher by 0.4% (2014: 0.6%) at reporting date, and all other variables were held constant, the financial result would have improved /(deteriorated) as demonstrated:

	Carrying amount $'000	Interest rate risk $' 000			
		Net contribution by services	Equity	Net contribution by services	Equity
2015		-0.4%		+0.4%	
Cash and cash equivalents	8 845	(35)	(35)	35	35
2014		-0.6%		+0.6%	
Cash and cash equivalents	7 870	(47)	(47)	47	47

There has been no changes to the entity's exposure to market risk or the manner in which it manages and measures that risk since the 2014 reporting period.

Commonwealth Superannuation Corporation

Note 12: Assets Held in Trust

Monetary assets

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

	2015	2014
	$'000	$'000
CSS		
Opening balance	**4,071,391**	4,223,960
Closing balance	**3,789,241**	4,071,391
PSS		
Opening balance	**16,613,851**	14,988,508
Closing balance	**17,898,204**	16,613,851
PSSap		
Opening balance	**6,414,206**	4,987,263
Closing balance	**7,936,570**	6,414,206
MSBS		
Opening balance	**5,794,885**	4,913,125
Closing balance	**6,830,533**	5,794,885

Commonwealth Superannuation Corporation

Note 13: Reporting of Outcomes

CSC receives its funding via ComSuper from levies and fees charged by ComSuper to employers. This funding is to be used solely for the Outcome specified in Note 1.1.

Note 13A: Net Cost of Outcome Delivery

	Outcome 1	
	2015	2014
	$'000	$'000
Departmental		
Expenses	**13,389**	7,753
Own-source income	**13,745**	8,606
Net contribution by outcome delivery	**(356)**	(853)

Note 13B: Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcome

	Outcome 1	
	2015	2014
	$'000	$'000
Expenses:		
Employee benefits	**833**	807
Suppliers	**12,556**	6,946
Total expenses	**13,389**	7,753
Own-source income:		
Sale of goods and rendering of services	**13,469**	8,412
Interest	**156**	194
Other revenue	**120**	-
Total own-source income	**13,745**	8,606
Assets		
Cash and cash equivalents	**8,845**	7,870
Trade and other receivables	**706**	189
Other non-financial assets	**157**	-
Total assets	**9,708**	8,059
Liabilities		
Suppliers	**1,965**	1,312
Other payables	**1,313**	673
Total liabilities	**3,278**	1,985

Note 14: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2014-15 Portfolio Budget Statements (PBS) to the 2014-15 final outcome as presented in accordance with Australian Accounting Standards for CSC. The Budget is not audited.

Note 14A: Departmental Budgetary Reports

Statement of Comprehensive Income
for the period ended 30 June 2015

	Actual	Budget estimate		Explanatory
		Original[1]	Variance[2]	Notes
	2015	2015	2015	
	$'000	$'000	$'000	
NET CONTRIBUTION BY SERVICES				
Expenses				
Employee benefits	833	792	41	
Suppliers	12,556	8,232	4,324	a
Total expenses	13,389	9,024	4,365	
Own-source Income				
Own-source revenue				
Sale of goods and rendering of services	13,469	8,864	4,605	a
Interest	156	160	(4)	
Other revenue	120	-	120	b
Total own-source income	13,745	9,024	4,721	
Net contribution by services	356	-	356	
Total comprehensive income	356	-	356	

1. The entity's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the entity's 2014-15 PBS).

2. Between the actual and original budgeted amounts for 2015. Explanations of major variances are provided further below.

Note 14: Budgetary Reports and Explanations of Major Variances (continued)

Note 14A: Departmental Budgetary Reports (continued)

Statement of Financial Position
as at 30 June 2015

	Actual	Budget estimate		Explanatory
		Original[1]	Variance[2]	Notes
	2015	2015	2015	
	$'000	$'000	$'000	
ASSETS				
Financial assets				
Cash and cash equivalents	**8,845**	**6,522**	2,323	a & c
Trade and other receivables	**706**	**30**	676	a & b
Total financial assets	**9,551**	**6,552**	2,999	
Non-financial assets				
Other non-financial assets	**157**	**-**	157	d
Total non-financial assets	**157**	**-**	157	
Total assets	**9,708**	**6,552**	3,156	
LIABILITIES				
Payables				
Suppliers	**1,965**	**484**	1,481	a
Other payables	**1,313**	**847**	466	e
Total payables	**3,278**	**1,331**	1,947	
Total liabilities	**3,278**	**1,331**	1,947	
Net assets	**6,430**	**5,221**	1,209	
EQUITY				
Contributed equity	**2,324**	**2,324**	-	
Retained surplus/(Accumulated deficit)	**4,106**	**2,897**	1,209	c
Total equity	**6,430**	**5,221**	1,209	

1. The entity's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the entity's 2014-15 PBS).

2. Between the actual and original budgeted amounts for 2015. Explanations of major variances are provided further below.

Note 14: Budgetary Reports and Explanations of Major Variances (continued)

Note 14A: Departmental Budgetary Reports (continued)

Statement of Changes in Equity
for the period ended 30 June 2015

	Retained earnings			Contributed equity/capital			Total equity			
	Actual	Budget estimate		Actual	Budget estimate		Actual	Budget estimate		Explanatory Notes
		Original[1]	Variance[2]		Original[1]	Variance[2]		Original[1]	Variance[2]	
	2015	2015	2015	2015	2015	2015	2015	2015	2015	
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	
Opening balance										
Balance carried forward from previous period	3,750	2,897	853	2,324	2,324	-	6,074	5,221	853	
Adjusted opening balance	3,750	2,897	853	2,324	2,324	-	6,074	5,221	853	
Comprehensive income										
Surplus for the period	356	-	356	-	-	-	356	-	356	
Other comprehensive income	-	-	-	-	-	-	-	-	-	
Total comprehensive income	356	-	356	-	-	-	356	-	356	
Closing balance as at 30 June	4,106	2,897	1,209	2,324	2,324	-	6,430	5,221	1,209	c

1. The entity's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the entity's 2014-15 PBS).
2. Between the actual and original budgeted amounts for 2015. Explanations of major variances are provided further below.

Note 14: Budgetary Reports and Explanations of Major Variances (continued)

Note 14A: Departmental Budgetary Reports (continued)

Cash Flow Statement
for the period ended 30 June 2015

	Actual	Budget estimate		Explanatory
		Original[1]	Variance[2]	Notes
	2015	**2015**	2015	
	$'000	**$'000**	$'000	
OPERATING ACTIVITIES				
Cash received				
Sale of goods and rendering of services	**13,812**	**8,864**	4,948	a
Interest	**157**	**160**	(3)	
Net GST received	**581**	**-**	581	a
Total cash received	**14,550**	**9,024**	5,526	
Cash used				
Employees	**833**	**792**	41	
Suppliers	**12,742**	**8,134**	4,608	a
Total cash used	**13,575**	**8,926**	4,649	
Net cash from/(used by) operating activities	**975**	**98**	877	
Net increase/(decrease) in cash held	**975**	**98**	877	
Cash and cash equivalents at the beginning of the reporting period	**7,870**	**6,424**	1,446	
Cash and cash equivalents at the end of the reporting period	**8,845**	**6,522**	2,323	

1. The entity's original budgeted financial statement that was first presented to Parliament in respect of the reporting period (i.e. from the entity's 2014-15 PBS).

2. Between the actual and original budgeted amounts for 2015. Explanations of major variances are provided further below.

Note 14: Budgetary Reports and Explanations of Major Variances (continued)

Note 14B: Departmental Major Budget Variances for 2015

Explanations of major variances	Affected line items (and statement)
a. The variance in net cost of services from revenue and expenses for suppliers is largely driven by the novation of the PSSap scheme administration services contract from ComSuper to CSC on 4 December 2014. This has resulted in the recognition of additional revenue from rendering of services received from related parties (ComSuper) of $4,725k and additional supplier expenses of $4,174k. This has also resulted in an increase in net GST receivable and suppliers payable ($1,172k).	Expenses - Suppliers and Own-Source Revenue - Sale of goods and rendering of services (Statement of Comprehensive Income) Financial Assets - Trade and other receivables, Financial Assets - Cash and cash equivalents and Payables - Suppliers (Statement of Financial Position) Cash Received - Sale of goods and rendering of services , Cash Received - Net GST received and Cash Used - Suppliers (Cash Flow Statement)
b. The variance in other revenue reflects an insurance claim of $120k, which was not foreseen at the time of the budget. A receivable for this claim is included in trade and other receivables, contributing to the variance in this line item.	Own-Source Revenue - Other revenue (Statement of Comprehensive Income) Financial Assets - Trade and other receivables (Statement of Financial Position)
c. The variance in retained surplus included surplus of $853k from 2013-14, and surplus of $356k from 2014-15 as opposed to budgeted nil surpluses. This variance is due to differences in the timing of incurring expenses relative to budget, including the filling of staff vacancies and undertaking of project work. This has also resulted in an increase to the cash balance.	Equity - Retained surplus and Financial Assets - Cash and cash equivalents (Statement of Financial Position)
d. Other non-financial assets increased by $157k due to an increase in prepayments. The prepayments balance represents two months of insurance premiums ($88k) and rent for July 2015 ($69k). This was not included in the budget as the extension of the insurance policy and timing of the rent payment were not known at the time the budget was developed.	Non-Financial Assets - Other non-financial assets (Statement of Financial Position)
e. The variance in other payables is largely due lease liabilities associated with the renewal of the Sydney office lease ($624k).	Payables - Other payables (Statement of Financial Position)

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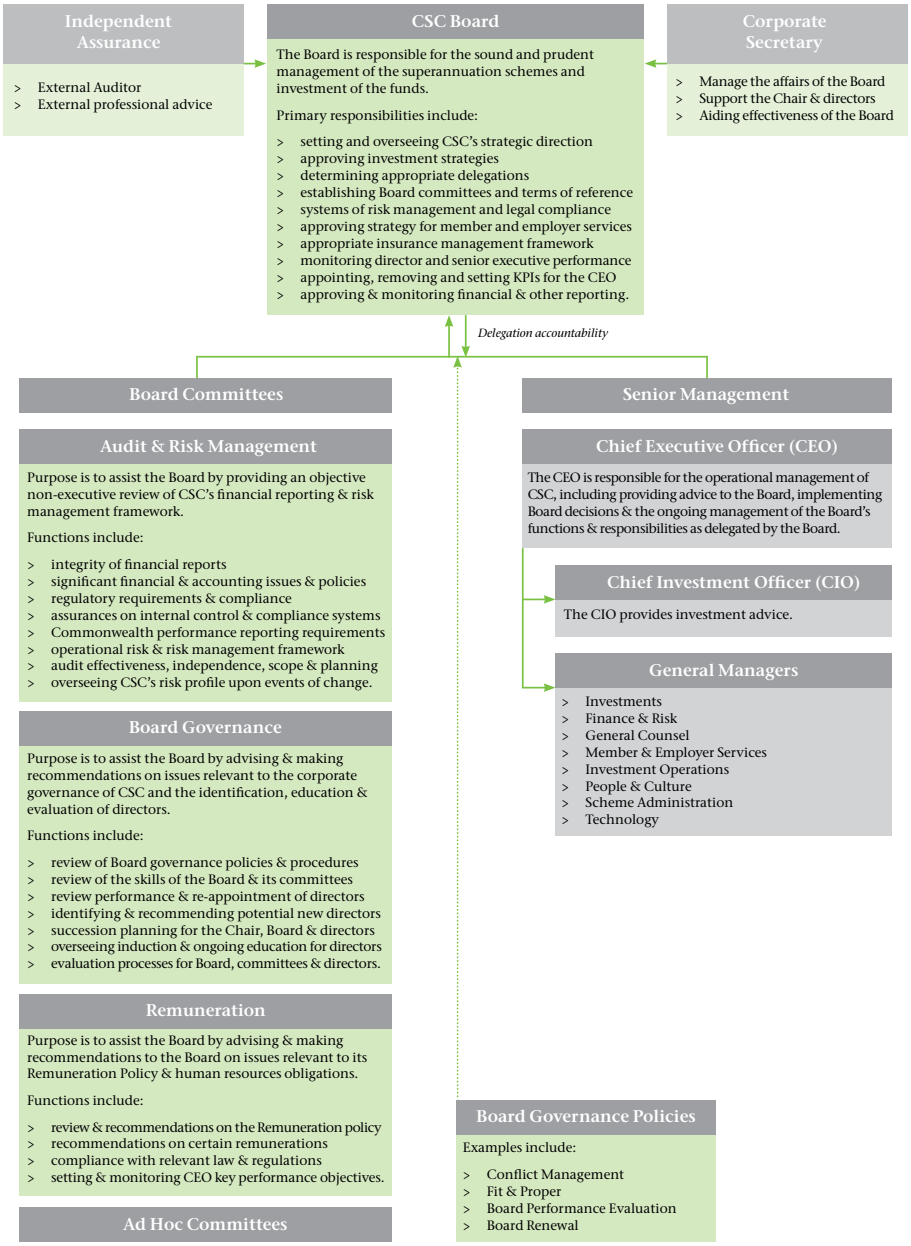
Appendices

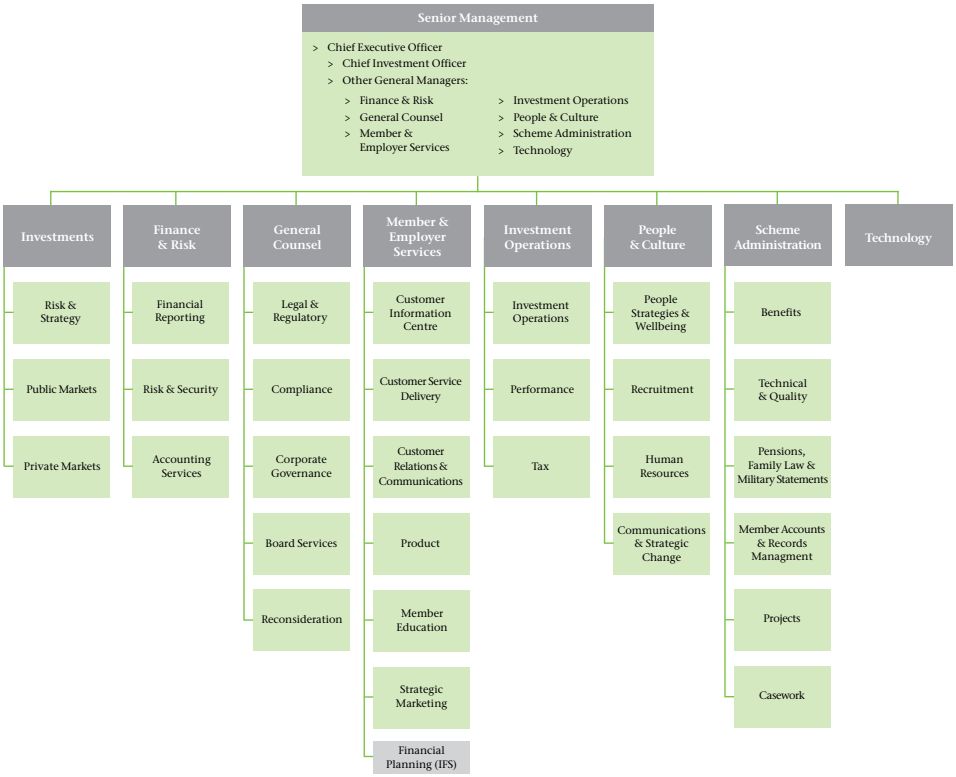
Appendix 1

CSC's corporate governance framework



Appendix 2

CSC's organisational structure from 1 July 2015



Appendix 3

Information Publication Scheme

CSC is subject to the *Freedom of Information Act 1982* (FOI Act) and the associated Information Publication Scheme (IPS) requirements. The IPS specifies categories of information that agencies must publish online. Agencies can also choose to publish other information under the IPS.

The IPS encourages agencies to proactively release information in a consistent way, reflecting the pro-disclosure goals of the IPS. Information published under the IPS must be accurate, up-to-date and complete.

CSC's Information Publication Scheme Plan is available at:
csc.gov.au/reports-and-information/information-publication-scheme/

Appendix 4

Changes to legislation

Governance of Australian Government Superannuation Schemes Act 2011 (GAGSS Act)

The *Governance of Australian Government Superannuation Schemes Legislation Amendment Act 2015* (Legislation Amendment Act 2015) made a number of amendments to the GAGSS Act to give effect to the merger of ComSuper into CSC. The amendments included establishing a CSC Special Account for the purposes of the PGPA Act, providing CSC with the power to receive and make certain payments and recover debts on behalf of the Commonwealth and exempting CSC from paying Commonwealth income tax in relation to funding received from the Commonwealth for the provision of administration services. These changes took effect on 1 July 2015.

The *Legislation Amendment Act 2015* also included a number of transitional provisions arising from the merger. These included provisions that transfer ComSuper's assets and liabilities to CSC, require CSC to provide financial and other reports that prior to the merger were required of the Chief Executive Officer (CEO) of ComSuper, substitute CSC for the CEO of ComSuper in pending proceedings to which the CEO of ComSuper was a party prior to the merger. The Act also saved delegations under section 36 of the GAGSS Act where not remade immediately after the merger, assisted in maintaining the terms and conditions of employment of ComSuper staff on transfer to CSC employment, and translated state-based long service leave entitlements and service of CSC employees to the *Long Service Leave (Commonwealth Employees) Act 1976* that applies to CSC from the merger. These transitional provisions took effect on 1 July 2015.

The CSS Act

The *Legislation Amendment Act 2015* made consequential amendments to the CSS Act from 1 July 2015 to reflect that administration of CSS is performed by CSC because of the merger of ComSuper into CSC from that date. This included amendments to allow CSC to recover overpayments and recoverable death payments on behalf of the Commonwealth and to require CSC to report on any recoverable amounts. The amendments also enable the Finance Minister to delegate a power under the CSS Act to CSC or an employee of CSC.

The *Statute Law Revision Act (No. 1) 2015* amended the CSS Act to modernise language, specifically to change all references to "servant" to "employee". This change took effect from 25 March 2015.

The PSS Act

The *Legislation Amendment Act 2015* made consequential amendments to the PSS Act from 1 July 2015 to reflect that administration of PSS is performed by CSC because of the merger of ComSuper into CSC from that date. This included amendments to allow CSC to recover overpayments and recoverable death payments on behalf of the Commonwealth and to require CSC to report on any recoverable amounts. The amendments also enable the Finance Minister to delegate a power under the PSS Act or regulations to CSC or an employee of CSC.

There were no changes to the PSS Trust Deed.

The MilitarySuper Act

The *Legislation Amendment Act 2015* made consequential amendments to the MilitarySuper Act from 1 July 2015 to reflect that administration of MilitarySuper is performed by CSC because of the merger of ComSuper into CSC from that date. This included amendments to allow CSC to recover overpayments and recoverable death payments on behalf of the Commonwealth and to require CSC to report on any recoverable amounts.

The amendments also covered the Minister's power to delegate under the MilitarySuper Act or regulations to CSC or a staff member of CSC, replacing the 'Secretary of the Department' with 'Board of CSC' and 'Departmental official' with 'employee of CSC'. This is consistent with CSC's responsibility for administering MilitarySuper.

There were no changes to the MilitarySuper Trust Deed.

The PSSap Act

The *Legislation Amendment Act 2015* made consequential amendments to the PSSap Act from 1 July 2015 to reflect that administration of PSSap is performed by CSC because of the merger of ComSuper into CSC from that date. This included amendments to the Minister's power to delegate under the PSSap Act or Trust Deed to CSC or an employee of CSC.

The *Legislation Amendment Act 2015* also amended the PSSap Act to require that from 1 July 2015, costs incurred in the administration of PSSap are to be paid out of the PSSap Fund by CSC. Following this, the *Superannuation (PSSAP) Amendment (Administration Costs) Instrument 2015* amended the PSSap Trust Deed to allow CSC to determine administration fees paid by PSSap members and to deduct these from PSSap members' accounts.

The *Tax and Superannuation Laws Amendment (2014 Measures No. 7) Act 2015* amended provisions of the PSSap Act to remove out of date references to a repealed subsection of the *Superannuation Guarantee (Administration) Act 1992*. These changes took effect from 20 March 2015.

The 11th Amending Deed amended the PSSap Trust Deed to implement a number of product changes. The amendments enable PSSap members to make contributions into PSSap and transfer roll-over amounts into PSSap, at the time they purchase an account-based pension. The amendments also provide CSC with greater flexibility in offering death and invalidity and income protection insurance cover. The 11th Amending Deed to the PSSap Trust Deed took effect on 11 March 2015.

The 1922 Act

There were no changes to the 1922 Act.

The PNG Act

The *Legislation Amendment Act 2015* made consequential amendments to the PNG Act from 1 July 2015 to reflect that administration of the PNG scheme is performed by CSC because of the merger of ComSuper into CSC from that date. This included amendments to allow CSC to recover overpayments and recoverable death payments on behalf of the Commonwealth and to require CSC to report on any recoverable amounts.

The DFRB Act

There were no changes to the DFRB Act.

The DFRDB Act

The *Legislation Amendment Act 2015* made consequential amendments to the DFRDB Act from 1 July 2015 to reflect that administration of DFRDB is performed by CSC because of the merger of ComSuper into CSC from that date. This included amendments to the recoverable payment provisions to allow CSC to recover overpayments and recoverable death payments on behalf of the Commonwealth and to require CSC to report on any recoverable amounts.

The amendments also cover the Minister's power to delegate power under the DFRDB Act or regulations to CSC or an employee of CSC, replacing the 'Secretary of the Department' with 'Board of CSC' and 'Departmental official' with 'employee of CSC'. This is consistent with the CSC Board's responsibility for ensuring that CSC performs it functions effectively.

The *Statute Law Revision Act (No. 1) 2015* amended a provision of the DFRDB Act to fix an incorrectly cited cross-reference. This change took effect from 25 March 2015.

The DFSPB

The *Defence Force (Superannuation) (Productivity Benefit) Amendment (Interest Factor and Other Measures) Determination 2015* amended the DFSPB Determination to automate the calculation of the superannuation guarantee top-up and factors by reference to the charge percentage in the *Superannuation Guarantee (Administration) Act 1992* and to the 10 yearly bond rate published by the Reserve Bank of Australia. This change took effect from 12 May 2015.

Appendix 5

Publications

CSC publishes the following communication materials for the benefit of members and employers. Forms, educational videos and calculators are also available online.

CSS publications

Publications

CSS Product Disclosure Statement

- Investment Options and Risk
- Fees and other costs
- Tax and your CSS super
- Death and invalidity benefits

CSS Member Statement Guide – contributing
CSS Member Statement Guide – deferred
CSS Annual Member Report
CSS Financial Services Guide
Pension update (biannual newsletter)
Family law and super splitting
CSS benefit tables

Factsheets

CSS age retirement
CSS preservation of benefits
CSS retrospective invalidity guidelines
Death benefits
Early access to super benefits
Invalidity benefits
Postponement of benefits
Redundancy
Retiring and claiming your CSS benefit
Contributions to CSS
CSS transfers in
Leave without pay (LWOP)
Salary reductions and your super
Salary sacrifice
Accessing your super information online
CSS changing from permanent full-time to permanent part-time
Tax and your CSS pension
The superannuation contributions surcharge
Transition to retirement

PSS publications

Publications

PSS Product Disclosure Statement

- Investment Options and Risk
- Fees and other costs
- Tax and your PSS super
- Death and invalidity cover

PSS Member Statement Guide – contributing
PSS Member Statement Guide – preserved
PSS Annual Member Report
PSS Financial Services Guide
Pension update (biannual newsletter)
Family law and super splitting

Factsheets

Death benefits
Early access to superannuation benefits
Invalidity benefits
Preservation of benefits
Redundancy
Salary sacrifice
Ceasing PSS membership
Changing from part-time to full-time
Getting info online
Multiple PSS memberships
PSS deemed invalidity retirement guidelines
Tax and your PSS pension
The superannuation contributions surcharge
Transition to retirement

MilitarySuper publications

Publications

MilitarySuper Product Disclosure Statement

- Investment Options and Risk
- Fees and other costs
- Tax and your MilitarySuper
- Death and invalidity benefits

MilitarySuper About Your Statement Guide – Contributing

MilitarySuper About Your Statement Guide – Preserved

MilitarySuper About Your Statement Guide – Ancillary

MilitarySuper About Your Statement Guide – Associate

MilitarySuper Annual Member Report

MilitarySuper Financial Services Guide

Member updates

Pension update (biannual newsletter)

Family law and super splitting

Death benefits summary guide

Preserved benefits summary guide

Retirement benefits summary guide

Retirement, resignation and redundancy summary guide

Long-term Cost Report 2011

MilitarySuper pension surcharge reduction factors

Factsheets

About to leave the ADF

Death and dependant benefits

Early access to your superannuation benefits

Invalidity benefits – classification process

Invalidity benefits

Lump sum maximum benefits limit

Pension maximum benefits limit

Additional personal contributions

Salary sacrifice contributions

Spouse contributions

Superannuation Guarantee contributions

Taxation of contributions (contribution caps)

Transfer amounts

Appeal rights

Family law and super overview

Foreign service

Leave without pay provisions

Productivity benefit

Rejoining the ADF

Relationship definitions

Summary of scheme

Superannuation contributions surcharge

Tax and lump sums

Tax and your MilitarySuper pension

PSSap publications

Publications

PSSap Product Disclosure Statement

- Investment Options and Risk
- Fees and other costs
- Tax and your PSSap super
- Insurance and your PSSap super
- Ancillary membership

PSSap Financial Services Guide

PSSap Member Statement Guide – Contributing

PSSap Member Statement Guide – Ancillary

PSSap Member Report (including CSCri)

Factsheets

Withdrawing your super from PSSap

Transfers to PSSap

Your super salary and PSSap

Beneficiary nomination

PSSap SuperRatings Fundamentals

CSCri publications

Publications

CSCri Product Disclosure Statement
CSCri Financial Services Guide

Factsheets

CSCri standard retirement income stream
CSCri transition to retirement income stream

DFRDB publications

Publications

DFRDB Book
DFRDB About Your Statement Guide – Contributor
DFRDB Annual Member Report
Pension update (biannual newsletter)
Family law and super splitting booklet
Long-term Cost Report 2011

Factsheets

About to leave the ADF
Dependant's benefits
Invalidity benefits
Martial or couple relationship
Productivity benefit
Restoration of reversionary pensions
Retirement benefits
Retrenchment/redundancy
Additional personal contributions
Salary sacrifice contributions
Spouse contributions
Transfer amounts
Appeal rights
Family law and your super
Resuming ADF full-time service (former contributors)
Resuming ADF full-time service (pension recipients and deferred members)
Superannuation contributions surcharge
Tax and your DFRDB pension
Taxation of benefits

Appendix 6

Glossary

AAT	Administrative Appeals Tribunal
AAT Act	*Administrative Appeals Tribunal Act 1975*
ABN	Australian Business Number
ACTU	Australian Council of Trade Unions
ADF	Australian Defence Force
AD (JR) Act	*Administrative Decisions (Judicial Review) Act 1997*
AFS licence	Australian Financial Services licence
APRA	Australian Prudential Regulation Authority
APS	Australian Public Sector
ARIA	Australian Reward Investment Alliance
ASFA	Association of Superannuation Funds of Australia
AWOTE	Average Weekly Ordinary Time Earnings
CAC Act	*Commonwealth Authorities and Companies Act 1997*
CEO	Chief Executive Officer
CIO	Chief Investment Officer
CPI	Consumer Price Index
CPSU	Community and Public Sector Union
CSC	Commonwealth Superannuation Corporation
CSCri	Commonwealth Superannuation Corporation retirement income
CSS	Commonwealth Superannuation Scheme
CSS Act	*Superannuation Act 1976*
DFCAP	Defence Force Case Assessment Panel
DFRB	Defence Forces Retirement Benefits Scheme
DFRB Act	*Defence Forces Retirement Benefits Act 1948*
DFRDB	Defence Force Retirement and Death Benefits
DFRDB Act	*Defence Force Retirement and Death Benefits Act 1973*
DFSPB	*Defence Force (Superannuation) (Productivity Benefit) Determination 1988*
ESG	Environmental, social and governance
FIRG	Financial Institutions Remuneration Group

FMA ACT	*Financial Management and Accountability Act 1997*
FOI Act	*Freedom of Information Act 1982*
GAGSS Act	*Governance of Australian Government Superannuation Scheme Act 2011*
GDP	Gross Domestic Product
IFS	Industry Fund Services
IP	Income Protection
IPS	Information Publication Scheme
MilitarySuper	Military Superannuation and Benefits Scheme
MilitarySuper Act	*Military Superannuation and Benefits Scheme Act 1991*
Minister	Minister for Finance
PGPA	*Public Governance, Performance and Accountability Act 2013*
Pillar	Pillar Administration
PNG Act	*Papua New Guinea (Staffing Assistance) Act 1973*
PNG Scheme	Papua New Guinea Scheme
PSS	Public Sector Superannuation Scheme
PSS Act	*Superannuation Act 1990*
PSSap	Public Sector Superannuation accumulation plan
PSSap Act	*Superannuation Act 2005*
RSE	Registrable Superannuation Entity
RSEL	Registered Superannuation Entity licence
SCT	Superannuation Complaints Tribunal
SIS Act	*Superannuation Industry (Supervision) Act 1993*
SLA	Service level agreement
SRC Act	*Superannuation (Resolution of Complaints) Act 1993*
TPD	Total and permanent disability
TWI	Trade weighted index
1922 Act	*Superannuation Act 1922*

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Report requirements

This report satisfies Division 2 of the GAGSS Act 2011 and Sections 7AB and 7AC of the *Public Governance Performance and Accountability (Consequential and Transitional Provisions) Rules*, which continues the application of the *Commonwealth Authorities (Annual Reporting) Orders 2011* for corporate entities such as CSC under the PGPA Act for the 2014–15 reporting period. The report also satisfies, for the purpose of financial statement reporting, the Australian Accounting Standards, including AAS '*Financial Reporting by Superannuation Plans*'.

Table 62: Index of CSC's annual reporting requirements

Requirement	Page
Parliamentary standards of presentation	
Compliance with the presentation and printing standards for documents presented to the Parliament	All
Plain English and clear design	
Information is relevant, reliable, concise, understandable and balanced (ie the report is written in plain English and presented in clear design)	All
Enabling legislation	
Specification of enabling legislation, including a summary of its objectives and functions, as specified in its legislation	20
Responsible Minister	
Specification of the name of the current responsible Minister and the names of any others responsible Ministers during the relevant reporting year	3
Approval of report by a resolution of directors	3
Ministerial directions and other statutory requirements	
Directions and Government policies	
Detail of directions issued by responsible Minister, or other Minister, under the enabling legislation or other legislation	N/A
Detail of general policies of the Government notified to CSC before 1 July 2008 under section 28 of the CAC Act	N/A
Detail of General Policy Orders that apply to CSC under section 48A of the CAC Act	N/A
Other legislation	
Governance of Australian Government Superannuation Schemes Act 2011	
Details on performance of CSC functions in relation to each superannuation scheme and superannuation fund administered by CSC (other than the 1922 Scheme, DFRB, DFRDB, DFSPB and PNG) during the year	51–63
Details on general administration of the 1922 Scheme, DFRB, DFRDB, DFSPB and PNG Acts during the year	64–68
Financial statements in respect of the management of each superannuation fund administered by CSC in a form agreed between the Minister and the Board	77–239
Environment Protection and Biodiversity Conservation Act 1999	
Information on ecologically sustainable development	40–41
Information about directors	
Details about directors of CSC including names, qualifications, experience, attendance and whether the director is an executive or non-executive director	21–26

Table 62 continued on next page.

Requirement	Page
Outline of organisational structure and statement on governance	
Organisational structure	
Outline of CSC's organisational structure (including subsidiaries)	279
Outline of CSC's location in Australia or elsewhere, of major activities and facilities	34
Statement on governance	
Information on the main corporate governance practices at CSC during the year, including: > Board committees and their main responsibilities > education and performance review processes for directors and > ethics and risk management policies	20–29
Related entity transactions	
Disclosure of decision-making processes by the Board when: A) it approves for the authority to pay for a good or service from another entity, or provide a grant to another entity and B) a director of the authority is also a director of the other entity that provides the good or service or receives the grant and C) the value of the transaction, or if there is more than one transaction, the aggregate value of those transactions, exceeds $10,000 (GST inclusive)	N/A
Key activities and changes affecting the authority	
Detail of key activities and changes that affected the operations or structure of CSC during the year	14–17
Judicial decisions and reviews by outside bodies	
Particulars of judicial decisions and decisions of administrative tribunals that have had, or may have, a significant effect on the operations of CSC	N/A
Particulars of reports about CSC made by the Auditor-General, a Parliamentary committee, the Commonwealth Ombudsman or the Office of the Australian Information Commissioner	N/A
Obtaining information from subsidiaries	
Explanation of any missing information regarding a subsidiary that is required to be submitted in this report under Section 9 of the CAC Act	N/A
Indemnities and insurance premiums for officers	
Detail of any indemnity given to an officer against a liability, including premiums paid, or agreed to be paid, for insurance against the officer's liability for legal costs	33
Disclosure requirements for GBEs	
Changes in financial conditions and community service obligations	
Assessment of (i) significant changes in the GBE's overall financial structure and condition over the financial year and (ii) any events or risks that could cause reported financial information not to be indicative of future operations or financial condition	N/A
Dividends paid or recommended in relation to the financial year	N/A
Details of any community service obligation of the GBE, including an outline of actions the GBE has taken to achieve those obligations and an assessment of the cost of fulfilling those obligations	N/A

Table 62 continued on next page.

Requirement	Page
Information that is commercially prejudicial	
Statement of whether any disclosure requirements for the GBE has been excluded because the directors believe, on reasonable grounds, that the information is commercially sensitive and would likely result in unreasonable commercial prejudice to the GBE	N/A
Index of annual report requirements	
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