Australian Government

Commonwealth Superannuation Corporation

Annual Report 2012–13

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Commonwealth Superannuation Corporation (CSC)

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Superannuation schemes

The CSS	ABN:	19 415 776 361
	RSE:	R1004649
	USI:	19415776361001
	Website:	css.gov.au
	Annual report:	css.gov.au/forms-and-publications/publications
The 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:	5092552312001
	Website:	militarysuper.gov.au
	Annual report:	militarysuper.gov.au/forms-and-publications/publications
The PSSap	ABN:	65 127 917 725
	RSE:	R1004601
	USI:	65127917725001
	Website:	pssap.gov.au
	Annual report:	pssap.gov.au/forms-and-publications/publications
The DFRB	Website:	csc.gov.au
	Annual report:	csc.gov.au/reports-and-information/annual-reports/
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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
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Note: All statistics are derived solely from records available to CSC, ComSuper 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 2013.

CSC is a Commonwealth authority established under section 5 of the *Governance of Australian Government Superannuation Schemes Act 2011* (the GAGSS Act) and subject to the *Commonwealth Authorities and Companies Act 1997* (the CAC Act).

The Board of CSC is responsible for the preparation and contents of the Annual Report 2012–13.

This report was approved by the Board on 13 September 2013 and satisfies section 9 of the CAC Act and the relevant Finance Minister's Orders, which are the:

> *Commonwealth Authorities (Annual Reporting) Orders 2011*
> *Finance Minister's Orders (Financial Statements for reporting periods ending on or after 1 July 2011).*

The report also provides information required by other applicable legislation.

Subsection 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 you receive it.

Yours sincerely,

Tony Hyams, AM
Chairman

13 September 2013

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 2012–13 financial year, satisfying the requirements of the CAC Act, the *Commonwealth Authorities (Annual Reporting) Orders 2011* and the *Finance Minister's Orders (Financial Statements for reporting periods ending on or after 1 July 2011).*

The report is divided into the sections described below.

Introduction

This section includes an introduction from the Chairman outlining significant achievements in 2012–13 and the annual review from the Chief Executive Officer (the CEO) of activities and performance to 30 June 2013.

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 2012–13 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 glossary.

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

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1

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 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 that tax paid on net income is assessed at the rate of 15%.

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

- the Commonwealth Superannuation Scheme (the CSS) established on 1 July 1976 by the *Superannuation Act 1976* (the CSS Act);
- the Public Sector Superannuation Scheme (the 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); and
- the Public Sector Superannuation accumulation plan (the PSSap) established on 1 July 2005 by the *Superannuation Act 2005* (the PSSap Act).

Exempt public sector schemes

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

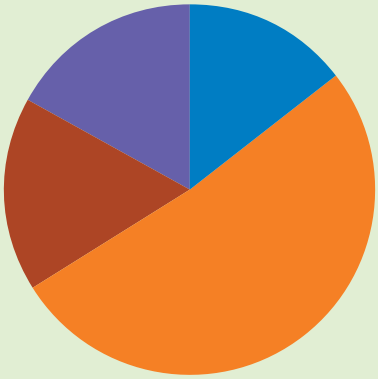
CSC administers five exempt public sector and military schemes:

- the scheme established under the *Superannuation Act 1922* (the 1922 Act);
- the Defence Forces Retirement Benefits Scheme (the DFRB) established in 1948 by the *Defence Forces Retirement Benefits Act 1948* (the DFRB Act);
- the Defence Force Retirement and Death Benefits Scheme (the DFRDB) established by the *Defence Force Retirement and Death Benefits Act 1973* (the DFRDB Act);
- the Papua New Guinea Scheme (the 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); and
- the *Defence Force (Superannuation) (Productivity Benefit) Determination* (the 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.

2012–13 highlights

Funds under management

Chart H1: CSC Funds under management

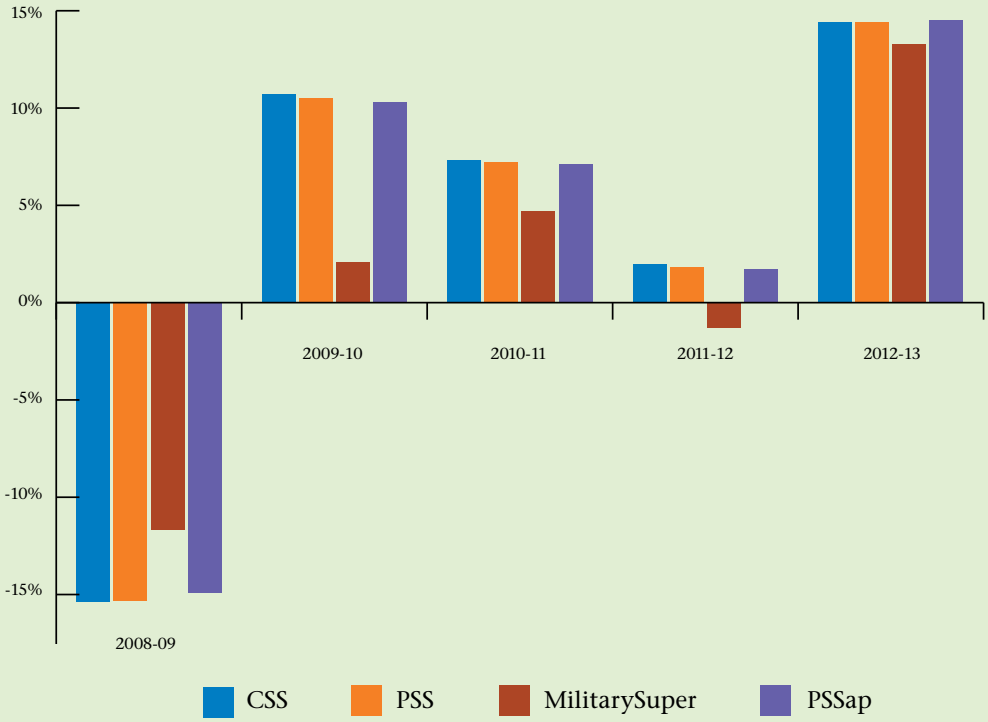


$28.8 billion at 30 June 2013

- CSS $4.2 billion (14%)
- PSS $14.9 billion (52%)
- MilitarySuper $4.9 billion (17%)
- PSSap $4.8 billion (17%)

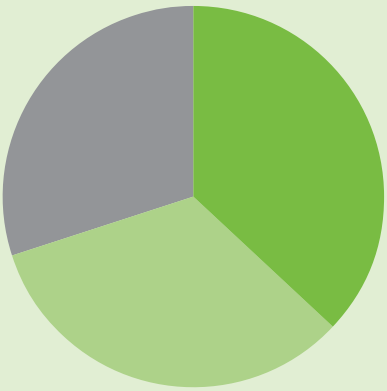
Default investment performance

Chart H2: Default fund annual investment returns for 5 years to 30 June 2013



Scheme membership

Chart H3: CSC scheme members and pensioners



713,364 at 30 June 2013

- Contributors 262,808 (37%)
- Preservers and deferred 239,259 (33%)
- Pensioners 211,297 (30%)

Chart H4: Members & pensioners by scheme as at 30 June 2012 and 30 June 2013

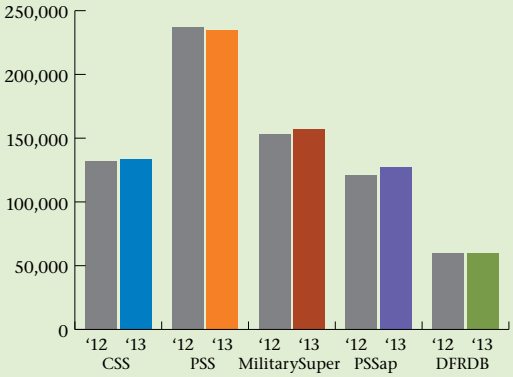


Chart H5: Contributors as at 30 June 2012 and 30 June 2013

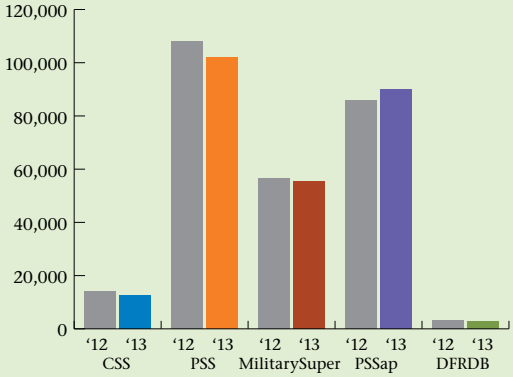


Chart H6: Preservers and deferred benefit members as at 30 June 2012 and 30 June 2013

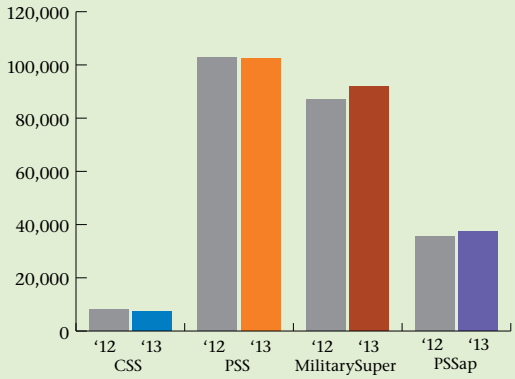
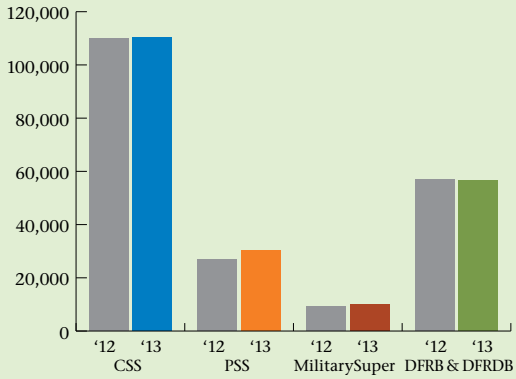


Chart H7: Pensioners as at 30 June 2012 and 30 June 2013



Chairman's introduction

2012–13 was a year of strong investment returns for members.

Each default investment fund for the CSS, PSS, MilitarySuper and PSSap, involving more than 90% of our members, posted double digit returns in 2012–13. These far exceeded our annual return objective of the CPI plus 3.5%.

Following the merger of ARIA and MilitarySuper, all of CSC's default funds now have similar cost and investment outcomes.

CSC's investments

These strong investment returns in the short term are pleasing, but it is appropriate to consider superannuation performance over longer periods. Our 3, 5 and 7 year annual return targets of the CPI plus 3.5% were 5.9%, 5.8% and 6.1% respectively; our actual results over the 5 and 7 year periods were lower largely as a result of the global financial crisis in 2008 and the later volatile investment markets.

The Board anticipates that the ongoing impact of the crisis will be a continuation of slower economic growth around the world and we expect it to result in more volatile investment markets with possibly lower investment returns. We believe that for the same level of risk taking, average investment returns in the decade ahead will be lower than those generated in the stronger growth environment of the 1980s to 2000s.

To this end, in 2013, CSC reduced its long-run, average return objectives for the default funds. The risk tolerance for these funds remains the same and is equivalent to no more than one year of negative returns in every five years.

Board review and planning

These important investment changes were outcomes of a major review of CSC by the Board in 2013. The Board also put heavy emphasis on reviewing governance policies, planning and our services to members.

The outcome from this review led us to recast CSC's Vision, Mission Statement and Strategic Objectives, and to put in place a plan that sets our priorities over a longer period to 2015.

Member products and services

In 2013 CSC launched the following new products for the benefit of members:

> the CSCri, which is a retirement income account, for CSS, PSS and PSSap members who want to invest their lump sum to receive regular payments;

> a PSSap ancillary membership for CSS and PSS members who want to make salary sacrifice payments or roll over outside super to the PSSap; and

> a personal financial advisory service via experienced financial planners from Industry Fund Services (IFS), which is in high demand.

CSC also received approval in February 2013 from the Australian Prudential Regulation Authority (APRA) as a MySuper provider. A MySuper investment product was launched to PSSap members on 1 July 2013.

Other Board achievements

Other significant achievements in 2012–13 included:

- the establishment of a new standing Board committee on governance;
- agreement on an enhanced investment governance framework at Board level and throughout the organisation;
- the update and implementation of governance policies to meet new prudential standards;
- the review of and changes to investment options and asset allocations; and
- the introduction of social media as an additional communication channel for MilitarySuper members.

Priorities ahead

Our primary focus will remain the ongoing achievement of our investment objectives, and the provision of competitive services that enable members to enhance their retirement wealth. Directors will maintain their emphasis on global best practice board and investment governance.

The Board will also work closely with Ministers, their advisers and Australian Government departments to ensure that CSC can provide the best possible fund investments and scheme administration.

Acknowledgements

In my report last year, I noted that the Board has a depth of skill, knowledge and experience, which made our first year of operation a year of achievement. The hard work and contributions of all directors in 2012–13 has confirmed this view.

I also thank the CSC management and staff for their professionalism and continued dedication in supporting the Board, and through it our members. I also note the valuable contributions of our major service providers, in particular the custodian, investment managers and scheme administrators.

Tony Hyams, AM
Chairman

Report from the Chief Executive Officer

Strategy and milestones

In 2012–13 the Board reviewed its Vision and Mission Statement and, as part of the Strategic Plan, set specific milestones for 2013 with a structured reporting and measuring process.

The milestones reflect our focus on governance, investment performance, a competitive product and service offering, and effective stakeholder and service provider relationships. Progress against achievement of specific targets related to each of these milestones is reported to the Board on a quarterly basis. Progress to date on achieving these milestones has been excellent.

Investments

CSC exceeded its real investment return objective (the CPI plus 3.5%) in 2012–13 for each default fund. For example, the PSSap default fund returned 14.5% in 2012–13 with an Indirect Cost Ratio (ICR) of 0.82%. (The ICR is the cost of investment expressed as a proportion of net asset value of the fund.)

The default funds are designed to exceed their real return objective in rising equity markets (relative to peers) and relatively outperform peers through falling markets. They are constructed in this way because, by preserving capital in poor market environments, we expect total returns to members to be higher over the long-run.

Changes were made to investment offerings in MilitarySuper and the PSSap on 1 July 2013. There are now four options, reflecting four levels of risk-appetite: default (balanced), cash, income focused and aggressive. For CSS and PSS preservers, the options remain default (balanced) and cash.

People

CSC is organised into six functional groups: Investments; Finance and Risk; General Counsel; Investment Operations; Member and Employer Services; and Board Services (refer to CSC's organisational chart in **Appendix 2**). The head of each of these groups reports directly to the CEO.

CSC employs over 60 staff on individual contracts at offices in Sydney and Canberra. We seek to attract and retain high calibre professional and support staff.

Three executive committees operated during 2012–13: the General Management Committee, the Risk Management Committee and the Information Technology Advisory Group; membership of each is drawn from all the relevant functional areas of the organisation.

We received very pleasing results from our staff engagement survey undertaken in October 2012. Staff remuneration was reviewed using the extensive Financial Institutions Remuneration Group (FIRG) database. (Details are in the Organisation section of this report.) We also undertook a staff consultation process in reviewing and renewing CSC Values (see following box).

CSC Values

Respect:

We respect each other and work together to achieve our objectives. This means that:

> I behave courteously and respectfully towards my colleagues, with a sense of empathy; and
> I am committed to my personal development plan and support others to achieve theirs.

Trust:

We make sure trust is at the core of everything we do. This means that:

> I treat CSC and members' assets and information with the highest standard of care; and
> I always give our members and partners clear, concise and accurate information.

Integrity:

We have the courage to do what we say we will do. This means that:

> I only make commitments I know I can honour; and
> I am thoughtful when making decisions and accountable for results.

Relationship:

We respect our relationships and seek quality partners that align with our values. This means that:

> I show respect and empathy to all those I deal with; and
> I seek out and listen to the opinion of others.

Adaptability:

We seek continual improvement and are open to and embrace change. This means that:

> I approach issues with an open mind, appropriately challenge the status quo and look for ways to be innovative; and
> I am prepared to engage in discussion and express my ideas and opinions.

Work program 2012–13

A significant focus of our work in 2012–13 was on planning and implementing changes required for MySuper; revising options in the PSSap and MilitarySuper; development and implementation of a pension product, the CSCri; the development of a salary sacrifice option for PSS and CSS members into our accumulation plan (the PSSap); and the introduction of financial advisory services.

Partners

CSC is required to use investment managers to invest funds and scheme administration is provided on a legislatively mandated basis by a government agency, ComSuper.

Our global master custodian is The Northern Trust Company (Northern Trust). Northern Trust is responsible for holding the assets of the Funds, dealing with fund managers appointed by CSC that operate in major world markets, unit pricing and investment performance information.

CSC's defined benefit schemes (including the PSS, CSS, MilitarySuper and the DFRDB) are administered by ComSuper. During 2012–13 we worked closely with ComSuper to ensure a shared vision for delivery of scheme administration services. Service delivery against standards for the PSS, CSS and MilitarySuper improved compared to 2011–12, a commendable performance given increasing processing volumes.

The scheme administrator for the PSSap is Pillar, under contract with ComSuper in respect of PSSap membership generally, and directly with CSC in respect of the CSCri (the PSSap pension) and salary sacrifice options. We continue to work with Pillar to enhance service delivery to our members.

APRA levies

CSC's regulated schemes and pooled superannuation trust paid $10.2m in supervisory levies to APRA during the 2012–13 financial year, compared to $2m in the prior financial year. The significant increase was predominantly due to APRA imposing a higher levy rate to recover costs of implementing the SuperStream administration processing efficiency measures. CSC sought reconsideration of the decision to impose this significant increase, but the original decision was upheld.

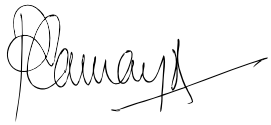
Strategic relationships

We initiated discussions in 2012–13 with a number of organisations in both Australia and overseas with whom we seek to develop closer relationships. These organisations operate in the investment and pension sectors. Our initial objectives are about information and knowledge sharing.

Looking forward

In 2013–14 we will continue to work on achieving our investment targets, improving scheme administration arrangements and developing critical product and service offerings for all of our members such as the CSCri, salary sacrifice and financial advice.

MySuper commenced on 1 July 2013. MySuper Balanced is the default fund for the PSSap. This is accompanied by the introduction of a new prudential and disclosure regime for most superannuation funds, including those under CSC trusteeship.



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:

> manage and invest each Fund so as to maximise the return earned on the Fund, having regard for the provision of payments from the Fund, the need for equity among members and the need to exercise reasonable care and prudence;

> 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; and

> 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 APRA 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 *Superannuation Act 1976,* the *Superannuation Act 1990*, the *Military Superannuation and Benefits Act 1991* and the *Superannuation Act 2005*, 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.

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 or convenient to be done for or in connection with the performance of its functions.

Composition

The Board consists of an independent Chair 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 Chair 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 Chair. 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 determined to delegate certain of its powers in relation to corporate and investment matters and scheme administration. All delegations are in writing and an up to date listing of all delegations is maintained.

Delegations are regularly reviewed to ensure a clear and proper set of accountabilities remains in effect. 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 exercise of some delegations is reported to the Board notwithstanding that they have been delegated. The Board remains ultimately responsible for all delegated functions.

The CSC Board

Mr Tony Hyams, AM
Appointed 1 July 2011 to 30 June 2014

Mr Hyams was appointed as the inaugural Chairman of CSC on 1 July 2011. Mr Hyams was Chairman of the predecessor organisations, ARIA (2009–2011) and the Military Superannuation and Benefits Board (2009–2011). He was previously the Deputy Chairman of the Australian Maritime Safety Authority (1999–2010) and a director of the Australian Government Employees Superannuation Trust (2001–2010) and other companies. He is Chairman of the Board's Governance and Remuneration Committees.

Mr Hyams is an independent adviser to the Credit Suisse Group (since 1992) and is a governor of WWF Australia (since 2005).

Mr Hyams has degrees in law and commerce from the University of Melbourne. In 2012 he was appointed a Member of the Order of Australia (AM) for service to the superannuation industry through leadership and executive roles, to the financial services sector, to the Parliament of Victoria, and to the community.

Mr Tony Cole, AO
Appointed 1 July 2011 to 30 June 2016

Mr Cole is a member of the Board's Governance and Remuneration Committees.

He 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. Mr Cole has also held a number of senior federal government appointments including Secretary to the Treasury.

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.

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.

2 CSC Board

General Peter Cosgrove, AC, MC, CNZM
Appointed 1 July 2011 to 30 June 2014

General Cosgrove is a retired Australian Army Officer and Chairman of the Board's Defence Force Case Assessment Panel and MSB Reconsideration Committee. He is also a member of the Governance and Remuneration Committees.

General Cosgrove was Chief of the Defence Force from 3 July 2002 to 3 July 2005, when he retired from full time service after a long and distinguished career (1965–2005).

General Cosgrove is a board member of Qantas Airways Limited (since 2005), a board member of the Trust, Qantas Superannuation Limited (since 2005), Chairman of AugustaWestland Australia (since 2006), Chairman of Defence South Australia Advisory Board (since 2006), a board member of Cardno Pty Ltd (since 2006), a board member of Australian Rugby Union Pty Ltd (2007–2010, 2011 to present), Chancellor of the Australian Catholic University (since 2010), Chairman of Leading Age Services Australia (since 2012) and a member of the Prince's Charities Trust in Australia (since 2012).

General Cosgrove is a nominee of the Chief of the Defence Force.

General Cosgrove is a graduate of the Royal Military College Duntroon. He has received numerous international honours and awards including being appointed as a Companion of the Order of Australia (AC) in 2000 and Australian of the Year in 2001.

Mr Peter Feltham
Appointed 1 July 2011 to 30 June 2015

Mr Feltham is a member of the Board's Audit and Risk Management and APS Reconsideration Committees. Mr Feltham was a trustee of the predecessor organisations ARIA and the PSS and CSS Boards, from July 2005 to June 2011.

He is a senior industrial officer with the Community and Public Sector Union (CPSU), and responsible for superannuation policy within the CPSU. He has worked for the CPSU and its predecessor organisations for more than 25 years in a range of capacities at the state and national level as both an employee and official. Previous to this, Mr Feltham worked for 10 years in the federal public service.

Mr Feltham has also been a director of a credit union and has been a Justice of the Peace since 1999. Mr Feltham is a nominee of the President of the ACTU.

Ms Nadine Flood
Appointed 1 July 2011 to 30 June 2014

Ms Flood is a member of the Board's Audit and Risk Management Committee.

She is the National Secretary of the CPSU (since March 2010), a director of Share Advantage Pty Ltd (since 2011), a director of ACTU Member Connect (since 2011), a board member for the Centre for Policy Development (since 2010), a member of the ACTU Growth and Campaign Committee (since 2010), a member of ACTU Executive (since 2009), a member of UNI World Executive (Global Union Federation) (since 2011),

a member of UNI-APRO Executive Committee (since 2011), a member of the ALP National Policy Forum (since 2013) and a member of the Department of Human Services Council on Strategy and Innovation (since 2013).

Ms Flood is a nominee of the President of the ACTU.

Ms Flood has a Bachelor of Economics degree from Macquarie University.

Ms Lyn Gearing
Appointed
13 September 2011
to 12 September 2016

Ms Gearing is a member of the Board's Audit and Risk Management Committee.

She has many years of experience in superannuation, funds management, corporate finance and management consulting. She is currently a director of Queensland Investment Corporation (since 2008) and the Garvan Research Foundation (since 2005). Ms Gearing was a director of Global Mining Investments Limited (2010–2012) and a non-executive director of IMB Limited (2003–2012).

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
Appointed 1 July 2011
to 30 June 2016

Ms Hall is a member of the Board's Remuneration and Governance Committees and was a trustee of its 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 three commercialisation funds as a nominee of Australian Super, Uniseed (since 2005), Medical Research Commercialisation Fund (since 2007) and Trans Tasman Commercialisation Fund (since 2008).

Ms Hall has previously been a non-executive director of various financial sector companies including Colonial First State Private Capital Limited (2001–2008), State Super Financial Services (2006–2009) and the Financial Industry Complaints Scheme (2004–2008). In other roles she has been a member of the Financial Complaints Scheme Panel, best practice advisor to the Association of Superannuation Funds Australia, Senior Advisor, Prime Minister and Cabinet, and Secretary of the ACT Branch of the CPSU.

Ms Hall is a nominee of the President of the ACTU.

Ms Hall has a Bachelor of Arts degree from the Australian National University.

Mr John McCullagh
Appointed 1 July 2011 to 30 June 2016

Mr McCullagh is Chairman of the Board's APS Reconsideration Committee and a member of the Board's Audit and Risk Management Committee. He is also a Deputy Chairman of the Defence Force Case Assessment Panel and the MSB Reconsideration Committee. Mr McCullagh is a director of the Board of the Yowani Country Club Limited (since 2011).

Mr McCullagh 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 is a nominee of the Chief of the Defence Force.

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
Appointed 1 July 2011 to 30 June 2014

Ms O'Neal is a member of the Board's Remuneration, Governance and APS Reconsideration Committees. She 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 and Compliance Committee of UniSuper Ltd (since 2009), an independent member of the External Compliance Committee for Vanguard Investments Australia (since 2009), a director of Retail Responsible Entity Limited (since 2012) and a director of the Richmond Football Club (since 2005), and is the Chair of the Tigers in Community Foundation (since 2009). She is also a director of Womens' Housing Limited (since 2013).

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.

Mr Gabriel Szondy
Appointed 1 July 2011 to 30 June 2014

Mr Szondy is Chairman of the Board's Audit and Risk Management Committee. He has extensive experience in the taxation and superannuation industries and was a senior partner with PricewaterhouseCoopers (1995–2007). He is a former member of the Military Superannuation Benefits Board (2007–2011).

Mr Szondy holds a number of other appointments including independent director and Chair of the Audit and Risk Management Committee of CARE Super (since 1985) and

director (representative of AustralianSuper) of Frontier Investment Consulting Pty Ltd (since 2008). He is a special advisor to the Centre for Investor Education (since 2007).

Mr Szondy is a Fellow of the Association of Superannuation Funds in Australia, a member of the Australian Institute of Superannuation Trustees and a former Fellow of the Institute of Chartered Accountants in Australia and the Taxation Institute of Australia. He has a Diploma of Business Studies (Commerce) from the Gordon Institute of Technology (now Deakin University).

Dr Michael John Vertigan, AC
Appointed 1 July 2011 to 30 June 2016

Dr Vertigan is a member of the Board's 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 holds a number of other appointments to government and private sector bodies including Chairman of the Energy Security Council (since 2011), Chairperson of MyState Limited (since 2009), Chairman of the Australian Maritime College Board (since 2012), director of Aurora Energy (since 2010) and a member of the Standing Committee on Energy and Resources Board Appointments Panel (since 2008). He is an independent member of the Tasmanian Government GBE Director Appointments (since 2008).

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 (ARM) Committee; the Remuneration Committee (established in 2011–12) and the Governance Committee (established in 2012–13).

Table 1: Standing Board committees

Committee	Purpose	Membership
ARM 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; and > overseeing CSC's risk profile upon events of change.	Mr Gabriel Szondy (Chair) Mr Peter Feltham Ms Nadine Flood Ms Lyn Gearing Mr John McCullagh Dr Michael Vertigan, AC
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; and > evaluation processes for Board, committees and directors.	Mr Tony Hyams, AM (Chair) Mr Tony Cole, AO Gen Peter Cosgrove, AC, MC, CNZM Ms Winsome Hall Ms Peggy O'Neal

Committee	Purpose	Membership
Remuneration 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 remunerations; > compliance with relevant law and regulations; and > setting and monitoring CEO key performance objectives.	Mr Tony Hyams, AM (Chair) Mr Tony Cole, AO Gen Peter Cosgrove, AC, MC, CNZM Ms Winsome Hall Ms Peggy O'Neal

Table 2: Board and standing Board committee meeting attendance in 2012–13

	Board meetings (8)		ARM Committee meetings (6)		Governance Committee meetings (4)		Remuneration Committee meetings (5)	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Tony Hyams	8	8	N/A	N/A	4	4	5	5
Tony Cole	7	8	N/A	N/A	4	4	4	5
Peter Cosgrove	8	8	N/A	N/A	4	4	3	5
Peter Feltham	8	8	6	6	N/A	N/A	N/A	N/A
Nadine Flood	6	8	5	5	N/A	N/A	N/A	N/A
Lyn Gearing	8	8	4	5	N/A	N/A	N/A	N/A
Winsome Hall	8	8	1	1	4	4	5	5
John McCullagh	8	8	6	6	N/A	N/A	N/A	N/A
Peggy O'Neal	6	8	N/A	N/A	3	4	3	5
Gabriel Szondy	8	8	6	6	N/A	N/A	N/A	N/A
Michael Vertigan	8	8	6	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 Committee
> the MSB (MilitarySuper) Reconsideration Committee
> the Defence Force Case Assessment Panel.

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

The Board may establish other committees from time to time. In 2012–13 a MySuper Committee was established to oversee the preparation of CSC's MySuper application.

Governance

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

The Board's governance framework consists of the following policies:

> Board Charter
> Board Performance Evaluation
> Board Renewal Policy
> Code of Conduct
> Governance Statement
> Whistleblower Protection Policy
> Fit and Proper Policy
> Business Continuity Management Policy.

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

Board performance

The performance of the Board is formally evaluated each year, covering the Board as a whole, the Chair, individual directors and the Board committees.

An evaluation of the Board may examine a range of matters including performance relative to objectives, fulfillment of responsibilities, structure and skills, strategic direction and planning, policy development and monitoring and supervision.

An internal performance evaluation was conducted by the Board in 2013 as a follow-up to an independent external evaluation which was conducted in 2012. The 2013 evaluation showed that the Board continues to operate well, and while the results from both evaluations were strong, the Board's approach is continuous improvement. A director education program is in place and a standing Board agenda item enables directors to comment about the means by which Board papers are submitted and conduct of the meetings can be improved.

Board remuneration

The Remuneration Tribunal, established under the *Remuneration Tribunal Act 1973*, determines the remuneration of directors including the Chair and ARM Committee members. Remuneration is disclosed in CSC's annual financial statement included in this report.

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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 October 2012 and February and May 2013. CSC responds to questions on notice as required.

For the purposes of the Portfolio Budget Statements, CSC has a single outcome which is to provide retirement benefits for past, present and future Australian Government employees and members of the ADF, through investment and administration of Government superannuation funds and schemes. CSC has one key program objective, which is to maximise members' superannuation account balances. This objective has 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) licence and AFSL (Australian Financial Services licence) holder; and

> administration quality as reflected in the satisfaction level of members, beneficiaries and employers with the service provided through ComSuper, as CSC's delegate, to standards set by CSC.

Management

Senior executive

CSC's senior executive supports and advises the Board. Led by the CEO, the senior executive comprises seven 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 providing investment advice to the Board.

Other positions are responsible for finance and risk, legal and regulatory, human resources and business services, member and employer services, investment operations, and technology.

These positions oversee a range of matters including the management of relationships with major service providers such as the custodian and scheme administrators, coordination of advice from external advisers and ensuring compliance with all relevant legislation and law.

The Corporate Secretary is responsible for managing the business of the Board, supporting the Chair and other directors, and aiding the effectiveness of the Board.

Financial management

Finances are managed in accordance with the CAC 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 2012–13, resulting in a surplus of $173,000. CSC's business expenses were $8.3 million, of which $5.9 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.

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 Australian Financial Services 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 ARM Committee oversees compliance reporting, including remediation if a breach has occurred. CSC has a Breach and Compliance Policy which describes CSC's requirement for compliance and breach reporting and 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*.

Consultants

CSC engages consultants from time to time. During the year, 12 new consultancy arrangements began, involving total expenditure of $258,202 (GST exclusive) during the year. In addition, 10 ongoing consultancy arrangements were active, involving total expenditure of $490,164 (GST exclusive) during the year.

Fraud control

CSC conducted a Fraud Risk Assessment during the year and has a Fraud Control Plan in place which meets the Commonwealth Fraud Control Guidelines. There were no instances of fraud during the year.

Internal audit

The ARM 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 ARM 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 a key way we achieve this objective.

The collective experience of our people with superannuation and the financial services industry more broadly spans many years.

Table 3: CSC people at 30 June 2013

	Male	Female	Total
CSC Board	7 (64%)	4 (36%)	**11**
Senior executive	2 (29%)	5 (71%)	**7**
Staff	33 (51%)	32 (49%)	**65**

Note: staff in this table include senior executive members; 48 staff are located in Canberra and 17 in Sydney; 6 are part time (2 male and 4 female) and the remaining are full time; at 30 June 2012 CSC had 61 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 (presented in the CEO's year in review section of this report).

In March 2013, the CEO engaged all staff in small focus groups to better understand their view of CSC's existing Values. Minor adjustments were made to the Values, with the revised set communicated to staff in May 2013.

Staff engagement

CSC conducted a staff engagement survey in October 2012 with the assistance of an independent consultant. We believe engagement surveys are a critical communication and staff feedback tool. The results from the 2012 survey were extremely positive: 82% of employees completed the survey, with an overall employee engagement score of 89%.

Detailed findings included:

> 94% of staff are proud to work for CSC
> 90% would recommend CSC as a great place to work
> 100% are committed to CSC's goals.

Feedback sessions for management and staff were held in the Canberra and Sydney offices, and suggestions to enhance staff engagement were implemented as appropriate. CSC intends to conduct a staff engagement survey each year.

People development

Our people drive their own personal and professional development, with the support and approval of their manager, within a pre-determined budget, and for the purpose of helping CSC to achieve its Mission Statement and Objectives. The focus during the year was on helping managers and staff to increase the frequency and scope of their development.

For senior executives, senior managers and managers, development focused on the completion of management and leadership programmes that improved skills such as strategic capability, effective hiring and one-on-one coaching.

For staff members who do not have direct people management responsibilities, more emphasis was placed this year on the development of non-technical skills and competencies based on a person's unique needs. Development also continued to focus on technical capabilities relevant to a person's job responsibilities. This included superannuation training through reputable industry education organisations.

Managers are encouraged to hold one-on-one coaching sessions with their staff. This provides a framework for staff to speak regularly with their manager about their individual strengths, motivations, job satisfaction and career development, and to receive feedback and coaching on their individual performance.

Remuneration

The CSC Board approved a revised remuneration policy in May 2013, following an external review and consultation with all staff across CSC, through their senior executive. The revised policy represents a significant shift in the way CSC remunerates its people.

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 FIRG survey data to determine whether staff are paid at market levels or require salary adjustments. An increase in remuneration will only be considered where staff members achieve no less than a minimum performance rating.

CSC's bonus calculation methodology was also revised during the year, so it is now more transparent. It includes a component relating to a person's adherence to CSC's Values.

In the 2012–13 financial year, CSC paid a total of $1,059,448 to 51 employees in performance bonuses. Bonuses were paid in August 2012, for performance achieved in the 2011–12 financial year. The median performance bonus paid was $7,453.

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 2012–13 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.

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Investments

Background

CSC manages and invests four Funds:

> the CSS Fund;
> the PSS Fund;
> the MilitarySuper Fund; and
> 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 the member's benefit. Performance has a greater impact on contributor and deferred benefit members in the CSS and preservers in the 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 the PSSap are directly affected by investment performance.

CSC does not invest the money of the 1922, DFRB, DFRDB or the PNG schemes.

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 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.

The CSC Board

Sound and prudent management of the Funds is the responsibility of the Board. It sets, reviews and oversees the investment mission statement and core investment beliefs, approves and monitors investment strategies, agrees the budget, and determines appropriate delegations.

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

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 CIO, the team manages the investments in a manner consistent with the Board's decisions on asset allocation and investment policy for each asset class.

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 Senior Executive Operations. The CIO and Senior Executive Operations report independently to the CEO.

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

For the MilitarySuper Fund and the PSSap Fund, 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 both 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 (refer to the CSC Board section of this report), CSC is required to invest through external investment managers. Managers who specialise in particular asset classes are appointed by the Board and invest according to individual mandates.

These mandates provide directions on investment types to be held, the maximum and minimum holdings for each investment type and target rates of return.

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

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; and
- 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; and
- We will each report on our activities and progress towards implementing the Principles.

Investment options

Table 4: Investment options at 30 June 2013 (table 1 of 2)

Investment option (scheme)	Objective	Risk		Minimum suggested timeframe	Target asset allocation (ranges)
		Band	Label		
Cash					
Cash Investment Option (CSS/PSS) Cash (MilitarySuper) Cash (PSSap)	To preserve capital and earn a pre-tax return in line with that of the UBS Australia bank bill index by investing 100% in cash assets	One	Very low	1 year	Cash 100% (100%)
Income Focused					
Conservative (MilitarySuper) Conservative (PSSap)	To outperform the CPI by 2% per annum over the medium to long term	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 (balanced)					
Default Fund (CSS/PSS) Growth (MilitarySuper) Trustee Choice (PSSap)	To outperform the CPI by 3.5% per annum over the medium to long term	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					
High Growth (MilitarySuper) Aggressive (PSSap)	To outperform the CPI by 4.5% per annum over the medium to long term	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 each scheme Product Disclosure Statement; investment changes took effect on 1 March and 1 July 2013

Table 5: Investment options at 30 June 2013 (table 2 of 2)

Other investment options by scheme	Objective	Risk		Minimum suggested timeframe	Target asset allocation (ranges)
		Band	Label		
MilitarySuper					
Balanced	To outperform the CPI by 3.5% per annum over the medium to long term	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%)
PSSap					
Government Bonds	Before the payment of tax, to at least match the performance of the UBS Australian Government bond index	Four	Medium	5 years	Fixed interest 100% (100%)
Property	Before the payment of tax, to outperform the CPI by 5% per annum over the medium to long term	Four	Medium	7 years	Property 100% (100%)
Australian Shares	Before the payment of tax, to at least match the performance of the ASX 300 Accumulation Index	Seven	Very high	15 years	Equities 100% (100%)
International Shares	Before the payment of tax, to at least match the return of the MSCI All Country World (excluding Australia) Index with net dividends reinvested and a currency hedging ratio determined by the trustee	Seven	Very high	15 years	Equities 100% (100%)

Other investment options by scheme	Objective	Risk		Minimum suggested timeframe	Target asset allocation (ranges)
		Band	Label		
International Shares (unhedged)	Before the payment of tax, to at least match the return of the MSCI All Country World (excluding Australia) Index with net dividends reinvested	Seven	Very high	15 years	Equities 100% (100%)
Sustainable	Passively managed and represents a well diversified portfolio that has expected risk and total return characteristics similar to the broader Australian share market (as represented by the S&P/ASX 200 Index)	Seven	Very high	15 years	Equities 100% (100%)

Note: investment risk bands and labels (used by CSC's standard risk measure) are explained in each scheme Product Disclosure Statement; investment changes took effect on 1 March and 1 July 2013

Market commentary

Australia's economy performed adequately in the 2012–13 financial year, although the rate of economic growth slowed during the year in response to both a winding down of business investment and sluggish private consumption growth.

Business investment suffered from a reduction in mining investment as the resources boom matured, the negative impact of a high valuation for the Australian dollar, and a lack of confidence associated with a reduced level of political certainty and clarity. Private consumption growth was constrained by an apparent desire of consumers to reduce the size of their outstanding debt levels, rather than purchase non-essential items.

Australia's gross domestic product (GDP) increased by around 2.5% in the last year, a rate of growth generally considered as being below trend. Consistent with this lower rate of economic growth, unemployment edged up marginally from just over 5% to around 5.7%, while inflation remained well contained within the lower part of the Reserve Bank's 2%-3% target band. In an environment of low inflation, weakening economic growth and a perceived overvaluation of the Australian dollar, the Reserve Bank increased the extent of monetary policy stimulus by lowering Australia's official cash rate during the financial year from 3.5% to 2.75%.

Global economic data for the 2012–13 financial year was somewhat mixed. In the US, the rate of economic recovery picked-up due to a stronger housing sector, increased private consumption spending and higher confidence levels. The stronger rate of economic growth led many market commentators to predict that the US Federal Reserve would soon start to reduce the massive amount of monetary stimulus applied within the economy.

European countries generally continued to struggle with weak economic conditions, although the early signs of a slight improvement began to emerge towards the end of the year, perhaps in response to the European central bank's earlier promise to provide as much monetary policy stimulus as necessary to prevent a dis-orderly break-up of the Euro currency block.

In China, economic growth slowed marginally as the economy continued to transition the main source of growth from exports to domestic demand. Meanwhile, in Japan a policy shift towards greater monetary policy stimulus raised expectations that the pace of economic growth would soon improve.

Within this global environment of sustained monetary policy stimulus, Australian shares rose by a very strong 22% over the year, as measured by the S&P/ASX 300 Accumulation Index. This increase reflected enormous gains in the price of healthcare, telecommunication and financial stocks. Global share price appreciation was even greater.

The MSCI World ex Australia Accumulation Index returned 24% in hedged Australian dollar terms and 33% in unhedged terms. The return to unhedged investors in global shares was buoyed further by a significant decline in the value of the Australian dollar.

Other asset classes could not match the gains achieved by listed equity markets in 2012–13. The best performing sectors within this group included global high yield bonds, which provided investors with a return of 14% and emerging market local currency bonds at 13%, due largely to a decline in the value of the Australian dollar against a basket of emerging market currencies.

Other bond market returns were more modest, with returns constrained by the weakness apparent in the last couple of months of the financial year.

After modestly strengthening in the first nine months of the financial year, the Australian dollar experienced a significant decline in the last quarter of the year. This weakness was associated with a decline in Australia's short-term interest rate differential with the rest of the world, a slowing in Australia's rate of economic growth and a somewhat lagged reaction to a reduction in commodity prices. For the whole year, the Australian dollar declined by a little under 7% on a trade weighted index (TWI) basis.

Performance

Default fund commentary

CSS & PSS

After modest gains in 2011–12, both the CSS Default Fund and PSS Default Fund posted a very strong net return (after fees and tax) of 14.4% over the year to 30 June 2013. Performance was buoyed by very strong listed share market returns, which benefited from the huge amount of monetary policy stimulus injected into the major developed world economies. Returns were also supported by the significant reduction in the likelihood of a major crisis within Europe.

In the three years to 30 June 2013, the CSS Default Fund achieved an average net return of 7.8% per annum; compared to a five year average net return of 3.2% per annum and a seven year average net return of 4.3% per annum. In the

three years to 30 June 2013, the PSS Default Fund achieved an average net return of 7.7% per annum; compared to a five-year average net return of 3.2% per annum and a seven year average net return of 4.4% per annum.

MilitarySuper

MilitarySuper's Growth Option achieved a net return (after fees and tax) of 13.3% in the year to 30 June 2013. Returns benefited from the strong pick-up in listed equity markets, but were a little constrained by some underperforming legacy assets. Over 10 years to 30 June 2013, MilitarySuper's Growth Option achieved a net return of 6.0% per annum.

PSSap

PSSap Trustee Choice also benefited from the large increase in listed equity market returns in 2012–13. In the year ended 30 June 2013 it achieved a very strong net return (after fees and tax) of 14.5%; compared to a three year average net return of 7.6% per annum; a five year average net return of 3.2% per annum; and a seven year net return of 4.2% per annum.

Investment returns published in this report may differ to those published on the relevant scheme websites. Member returns on the websites are progressive, reflecting the movement in daily unit prices. Those prices are based on the best available information at the point in time they are declared. Returns in this report, however, reflect a snapshot in time, which is 30 June 2013. CSC is required to calculate the actual value of Fund assets as at the end of each month for audit purposes. These values are calculated approximately 10 days after month end once CSC has received updated valuation data.

Investment performance

Table 6: CSS investment performance

Options	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	10 years (%) p.a.
Default Fund	14.4	7.8	3.2	7.0
Cash Investment Option	2.8	3.6	3.7	N/A

Note: performance is after tax and fees; the CSS Cash Investment Option commenced in December 2004; and the return objective and target asset allocation changed for the Default Fund on 1 March 2013

Table 7: PSS investment performance

Options	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	10 years (%) p.a.
Default Fund	14.4%	7.7	3.2	7.1
Cash Investment Option	2.8%	3.7	3.8	N/A

Note: performance is after tax and fees; the PSS Cash Investment Option commenced in December 2004; the return objective and target asset allocation changed for the Default Fund on 1 March 2013

Table 8: MilitarySuper investment performance

Options	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	10 years (%) p.a.
Cash	2.8	3.7	3.8	4.5
Conservative	4.9	4.7	2.1	4.7
Balanced	11.6	6.2	1.9	6.1
Growth (default)	13.3	5.4	1.1	6.0
High Growth	17.3	6.8	-0.4	5.8

Note: performance is after tax and fees; the return objective and the target asset allocation changed for the Conservative, Growth, Balanced and High Growth options on 1 March 2013; important investment changes took effect on 1 July 2013

Table 9: PSSap investment performance

	1 year (%)	3 years (%) p.a.	5 years (%) p.a.
Pre-mixed options			
Trustee Choice (default)	14.5	7.6	3.2
Conservative	8.3	6.7	4.7
Balanced	12.3	7.7	4.5
Aggressive	17.3	8.2	3.2
Single sector options			
Cash	2.9	3.7	3.8
Government Bonds	2.0	5.6	4.3
Property	7.6	7.8	4.6
Australian Shares	21.6	7.7	3.8
International Shares (unhedged)	28.8	9.1	2.2
International Shares	26.3	10.6	0.9
Sustainable	22.0	6.7	2.3

Note: performance is after tax and fees; all PSSap options commenced on 1 July 2005; the return objective and target asset allocation changed for all options on 1 March 2013; important investment changes took effect on 1 July 2013

5

Super schemes

Overview of the schemes

The CSS

The CSS is a public sector scheme established on 1 July 1976 by the CSS Act. It closed to new members on 30 June 1990. The 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.

The PSS

The PSS is a public sector scheme established on 1 July 1990 by the PSS Act. It closed to new members on 30 June 2005. The 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 comprises 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. It is a hybrid scheme (part accumulation and defined benefit) that new ADF entrants must join. 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 the 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.

The PSSap

The PSSap is a public sector accumulation 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 earnings credited to a member's account after fees, taxes and charges have been deducted. The 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.

1922 scheme

The 1922 scheme is a closed public sector scheme with no contributing members. Established under the 1922 Act, 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.

The DFRB

The 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 the DFRDB on 1 October 1972.

The DFRDB

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

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

The PNG

The PNG is a closed public sector scheme with no contributing members. Constituted under the *Superannuation (Papua New Guinea) Ordinance 1951*, the 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.

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 department or agency) 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 reenter the ADF for a period of more than 12 months.

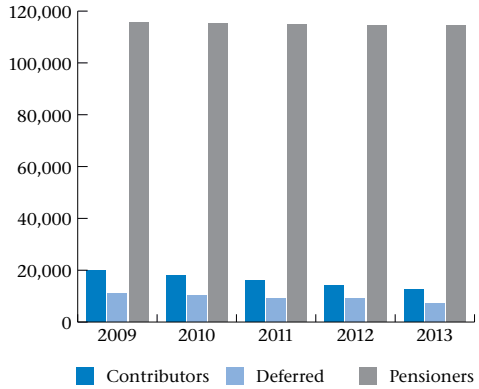
During the year, an account-based pension product (the CSCri) was launched to PSSap members (and to CSS and PSS members on 1 July 2013). Members who take up this product are referred to as CSCri members.

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 can hold a benefit in a second scheme, who are known in their second scheme as ancillary members.

CSS

Membership

Chart 1: CSS members & pensioners over 5 years



Note: figures are at 30 June of each year

Table 10: CSS membership by type & pensioners

	30 June 2012	30 June 2013
Contributors	14,192	12,410
Deferred	8,075	7,187
Pensioners	109,941	110,276
Total	**132,208**	**129,873**

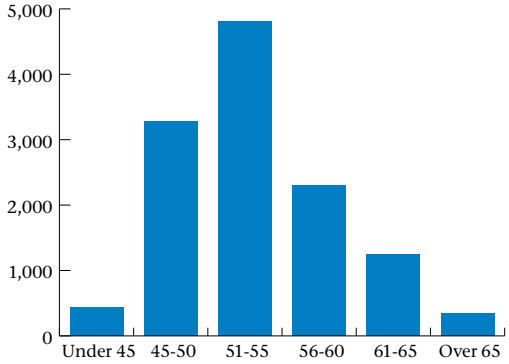
Contributors

Table 11: CSS contributors

	Male	Female	Total
At 30 June 2012	9,110	5,089	**14,199**
Plus rejoins	36	53	**89**
Less exits	1,171	707	**1,878**
At 30 June 2013	7,975	4,435	**12,410**

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

Chart 2: CSS contributor age profile at 30 June 2013



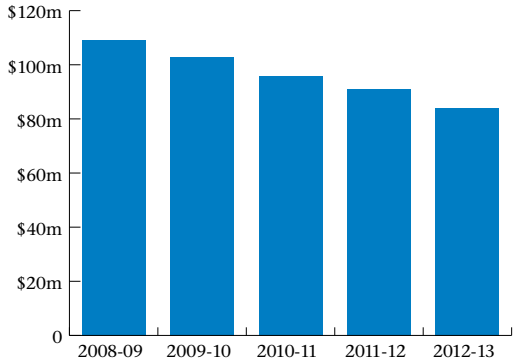
Years of service

More than 90 per cent of CSS contributors had over 20 years service at 30 June 2013.

Member contributions

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

Chart 3: CSS member contributions

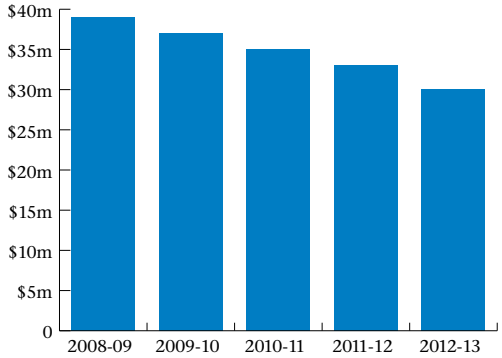


Note: shows basic and supplementary contributions

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 the 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 2012	5,698	2,382	**8,080**
Plus new	130	95	**225**
Less rejoins & exits	825	293	**1,118**
At 30 June 2013	5,003	2,184	**7,187**

Note: new members in this table are contributors who became deferred benefit members; rejoins are deferred benefit members who became contributors again; and exits are deferred benefit members who left the CSS

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

	2011–12	2012–13
Age retirement	72,499	58,967
Involuntary retirement		14,550
Invalidity	13,038	12,297
Spouse	24,360	24,423
Child/other	44	39
Total	**109,941**	**110,276**

Benefit payments

Benefits in the 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 2012	30 June 2013
Average amount ($)	30,652	31,611

Note: this table shows the weighted average yearly pension; pension indexation increases were 0.1% in July 2012 and 1.9% in January 2013; CSS pensions are paid by the Australian Government

Chart 5: CSS pension payments over 5 years

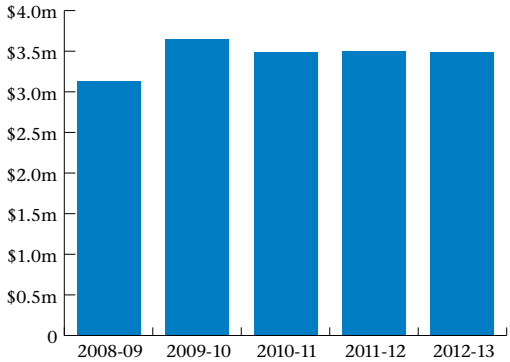
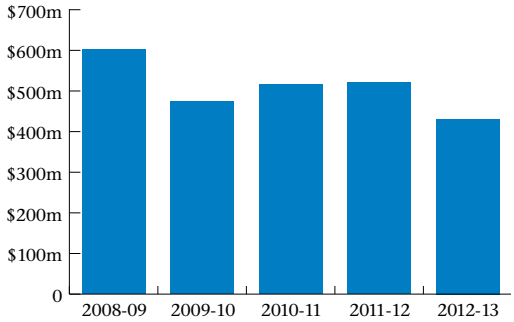


Chart 6: CSS lump sum payments over 5 years



Note: lump sums are paid from the CSS Fund

Invalidity benefits

The CSS provides partial invalidity, permanent invalidity and death benefits.

Death and permanent 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: Permanent invalidity pensions in the CSS

	2011–12	2012–13
Permanent invalidity pensioners	47	38

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 the CSS

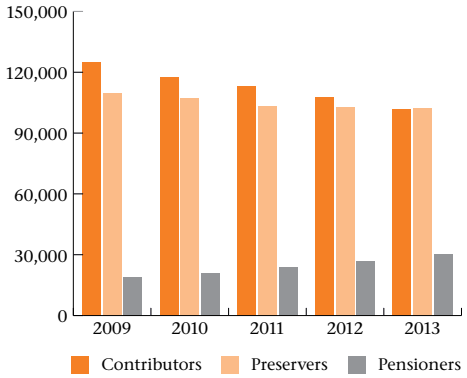
	2011–12	2012–13
New applications	14	15

Note: this table shows assessed applications including retrospective applications

PSS

Membership

Chart 7: PSS members & pensioners over 5 years



Note: figures are at 30 June of each year

Table 17: PSS membership by type & pensioners

	30 June 2012	30 June 2013
Contributors	107,907	101,889
Preservers	102,831	102,564
Pensioners	26,754	30,311
Total	**237,492**	**234,764**

Contributors

Table 18: PSS contributors

	Male	Female	Total
At 30 June 2012	45,360	62,553	**107,913**
Plus rejoins	638	1,020	**1,658**
Less exits	3,138	4,544	**7,682**
At 30 June 2013	42,860	59,029	**101,889**

Note: rejoins are preservers who became contributors and exits are contributors who became preservers or left the PSS

Chart 8: PSS contributor age profile at 30 June 2013

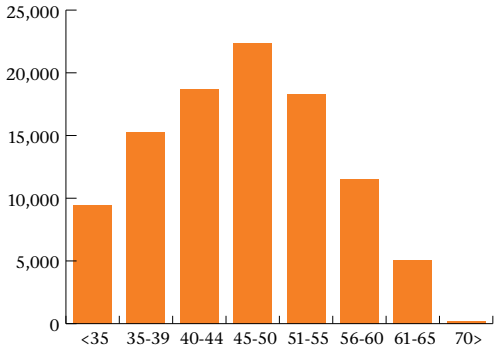


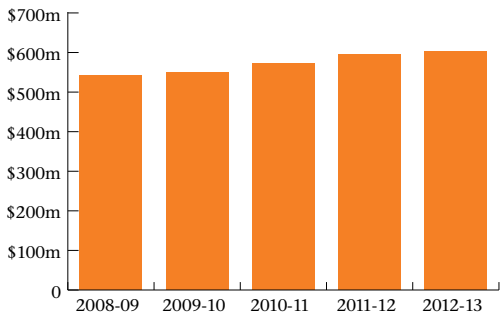
Table 19: PSS years of service at 30 June 2013

Years of service	Percentage (%)
Under 4	2.4
5-9	21.1
10-14	36.4
15-19	16.3
Over 20	23.8

Member contributions

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

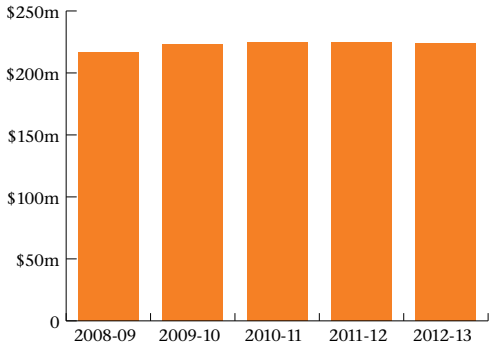
Chart 9: PSS member contributions over 5 years



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 5 years



Preservers

On leaving the employment of a PSS participating employer, members can keep their super in the 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.

Table 20: PSS preservers

	Male	Female	Total
At 30 June 2012	41,836	61,005	**102,841**
Plus new	1,288	2,274	**3,562**
Less rejoins & exits	1,589	2,250	**3,839**
At 30 June 2013	41,535	61,029	**102,564**

Note: new preservers in this table are contributors who became preservers; rejoins are preservers who became contributors again; and exits are preservers who left the PSS

Pensioners

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

Table 21: PSS pensioners by type

	2011–12	2012–13
Age retirement	22,840	14,608
Involuntary retirement		11,479
Invalidity	2,819	3,009
Spouse	1,009	1,130
Child/other	86	85
Total	**26,754**	**30,311**

Benefit payments

Benefits in the 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 2012	30 June 2013
Average amount ($)	22,217	23,577

Note: this table shows the weighted average yearly pension; pension indexation increases were 0.1% in July 2012 and 1.9% in January 2013; PSS pensions are paid by the Australian Government

Chart 11: PSS pension payments over 5 years

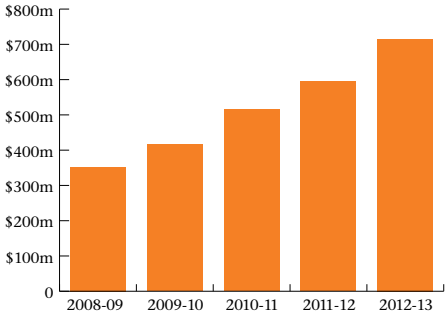
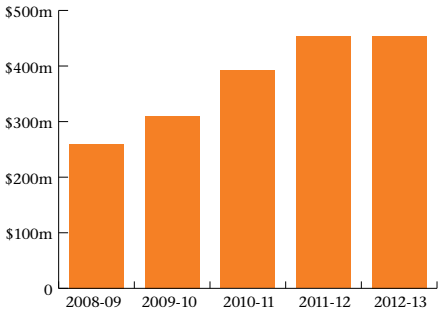


Chart 12: PSS lump sum payments over 5 years



Note: lump sums are paid from the PSS Fund

Invalidity benefits

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

Death and permanent 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: Permanent invalidity pensions in the PSS

	2011–12	2012–13
Permanent invalidity pensioners	271	231

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 the PSS

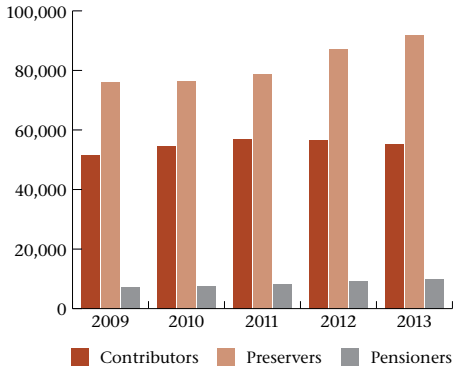
	2011–12	2012–13
New applications	105	100

Note: this table shows assessed applications including retrospective applications

MilitarySuper

Membership

Chart 13: MilitarySuper members & pensioners over 5 years



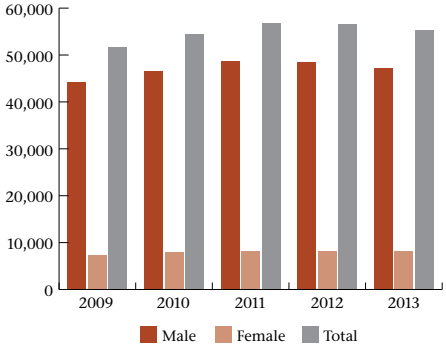
Note: figures are at 30 June of each year

Table 25: MilitarySuper membership by type & pensioners

	30 June 2012	30 June 2013
Contributors	56,622	55,395
Preservers	87,147	92,025
Pensioners	9,086	9,937
Total	**152,855**	**157,357**

Contributors

Chart 14: MilitarySuper contributors over 5 years



Note: figures are at 30 June of each year

Table 26: MilitarySuper contributors

	Male	Female	Total
At 30 June 2012	48,442	8,180	**56,622**
Plus new & rejoins	4,664	1,043	**5,707**
Less exits	5,973	961	**6,934**
At 30 June 2013	47,133	8,262	**55,395**

Note: new contributors in this table are new ADF entrants or preservers who rejoined the ADF and exits are contributors who became preservers (left the ADF) and/or left MilitarySuper

Chart 15: MilitarySuper contributor age profile at 30 June 2013

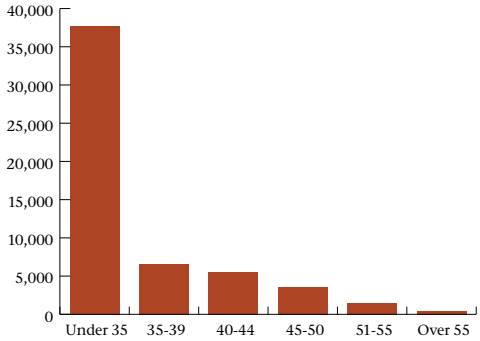


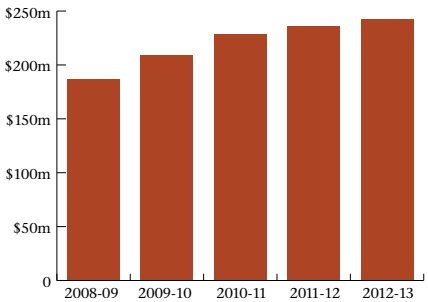
Table 27: MilitarySuper years of service at 30 June 2013

Years of service	Percentage (%)
Under 4	30.4
5-9	36.1
10-14	15.8
15-19	8.7
Over 20	9.0

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 super salary. Ancillary contributions are also accepted into the Fund, including both pre- and post-tax contributions such as additional personal, salary sacrifice and spouse contributions.

Chart 16: MilitarySuper member contributions over 5 years

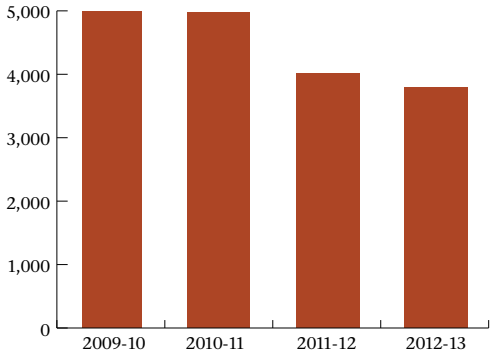


Note: this chart shows basic and ancillary contributions

Ancillary contributors

Ancillary contributions form part of a separate benefit for members called an ancillary benefit. It accrues as a separate accumulation interest, fluctuating in line with the relevant investment returns. Ancillary contributions do not impact the members' employer benefit in MilitarySuper or the DFRDB.

Chart 17: MilitarySuper ancillary contributors



Note: ancillary memberships began in 2009

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 2012	71,677	15,470	**87,147**
Plus new	5,216	891	**6,107**
Less rejoins & exits	1,045	184	**1,229**
At 30 June 2013	75,848	16,177	**92,025**

Note: new preservers in this table are contributors who left the ADF (but did not exit MilitarySuper); rejoins are preservers who rejoined the ADF; and exits are preservers who left MilitarySuper

Pensioners

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

Table 29: MilitarySuper pensioners by type

	2011–12	2012–13
Retirement	1,705	1,912
Redundancy	2,008	2,073
Invalidity	4,973	5,503
Reversionary	400	449
Total	**9,086**	**9,937**

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 2012	30 June 2013
Average amount ($)	24,734	26,582

Note: pension indexation increases were 0.1% in July 2012 and 1.9% in January 2013; MilitarySuper pensions are paid by the Australian Government

Chart 18: MilitarySuper pension payments over 5 years

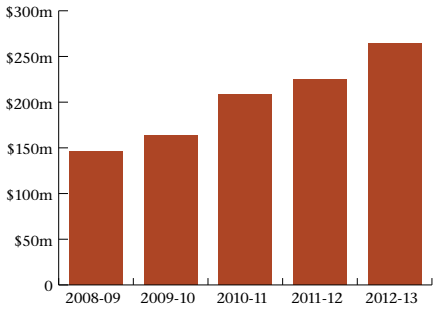
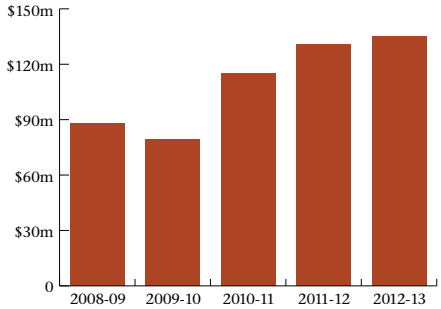


Chart 19: MilitarySuper lump sum payments over 5 years



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

Invalidity benefits

MilitarySuper provides partial invalidity, permanent 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; and

> Class C: Low incapacity (no entitlement to an invalidity pension).

Table 31: Initial invalidity classifications in MilitarySuper

	2011–12	2012–13
Initial classifications	676	754
Pensions granted	521	581
Pensions not granted	155	173

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; and not included are 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 classified be reconsidered. Their request must be made within 30 days of when the initial classification was determined.

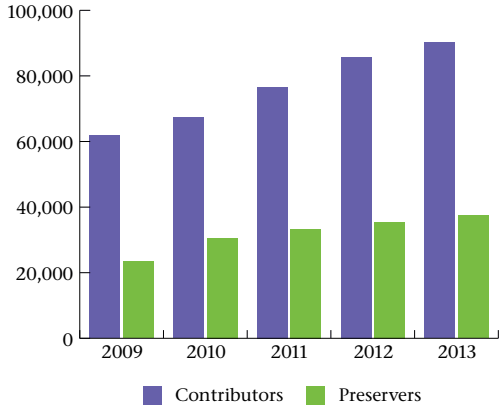
Table 32: Invalidity entitlement reviews in MilitarySuper

	2011–12	2012–13
Entitlements examined	250	188
Review with medical exam	242	182

PSSap

Membership

Chart 21: PSSap members over 5 years



Note: figures are at 30 June of each year

Table 33: PSSap membership by type & CSCri members

	30 June 2012	30 June 2013
Contributors	85,832	90,146
Preservers	35,434	37,482
CSCri members	N/A	6
Total	**121,266**	**127,634**

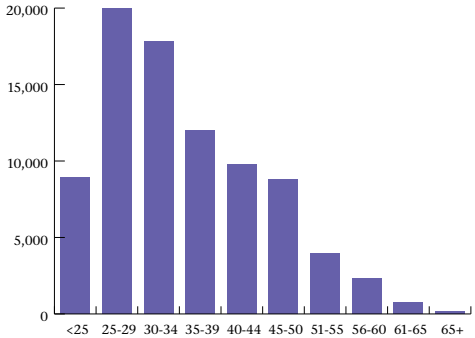
Note: the CSCri began in April 2013

Contributors

Table 34: PSSap contributors

	Male	Female	Total
At 30 June 2012	36,958	48,874	**85,832**
At 30 June 2013	38,798	51,348	**90,146**

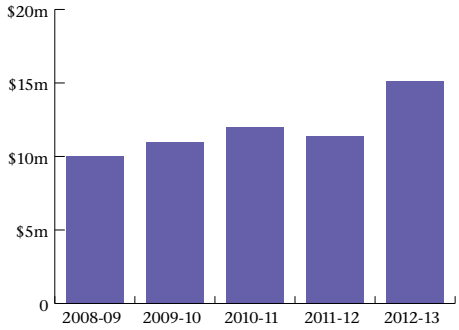
Chart 22: PSSap contributor age profile at 30 June 2013



Member contributions

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

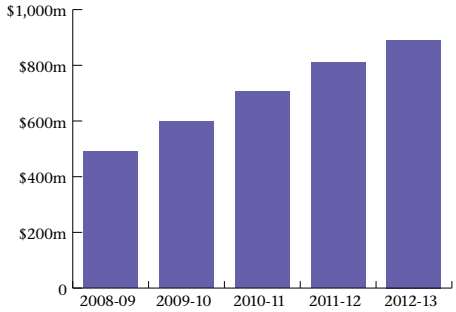
Chart 23: PSSap member contributions



Employer contributions

PSSap contributors receive 15.4% employer contributions.

Chart 24: PSSap employer contributions



Preservers

Members can leave their super in the 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 35: PSSap preservers

	Male	Female	Total
At 30 June 2012	13,656	21,778	**35,434**
At 30 June 2013	14,615	22,867	**37,482**

Benefit payments

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

Table 36: PSSap withdrawals

	2011–12	2012–13
Total withdrawals ($)	123.129m	167.387m

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). Insurance arrangements changed from 1 July 2013 to meet MySuper requirements.

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 37: TPD claims in the PSSap

	2011–12	2012–13
TPD claims assessed	67	59

Income protection cover

Cover provides an income stream paid monthly in arrears, which covers (by default, subject to meeting certain conditions) up to 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 38: Income protection claims in the PSSap

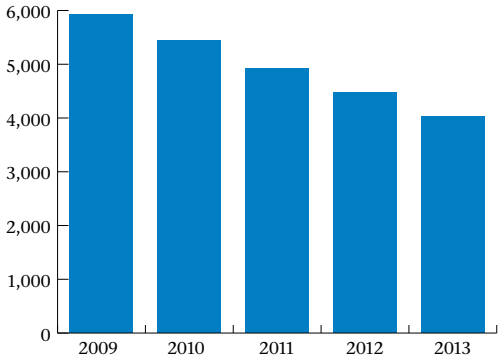
	2011–12	2012–13
IP claims assessed	86	140

1922 scheme

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

Pensioners

Chart 25: 1922 scheme pensioners over 5 years



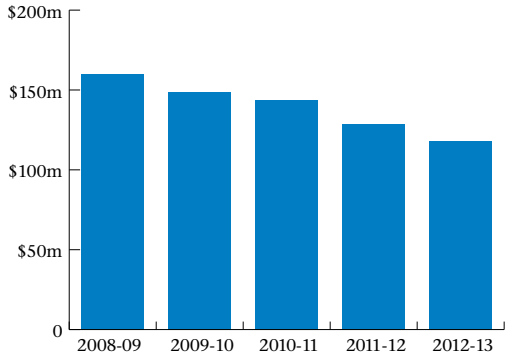
Note: figures are at 30 June of each year

Table 39: 1922 scheme pensioners by type

	30 June 2012	30 June 2013
Retirement/ redundancy	98	78
Invalidity	885	793
Reversionary	3,486	3,158
Total	**4,469**	**4,029**

Pension payments

Chart 26: 1922 scheme pension payments over 5 years



Note: pension indexation increases were 0.1% in July 2012 and 1.9% in January 2013; 1922 scheme pensions are paid by the Australian Government

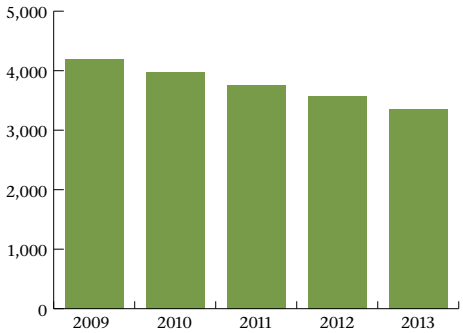
The DFRB and DFRDB

Membership

The DFRB

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

Chart 27: DFRB pensioners over 5 years



Note: figures are at 30 June of each year

The DFRDB

This scheme closed on 1 October 1991 when MilitarySuper commenced.

Chart 28: DFRDB members & pensioners over 5 years

Note: figures are at 30 June of each year

Table 40: DFRDB membership by type & pensioners

	30 June 2012	30 June 2013
Contributors	3,243	2,968
Preservers	3	1
Pensioners	53,348	53,204
Total	**56,594**	**56,173**

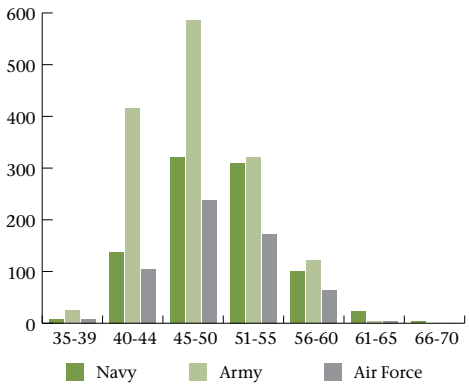
Note: pensioners who re-enter for less than 12 months do not contribute to the DFRDB, continue to receive a pension and are not eligible for invalidity; pensioners who re-enter for greater than 12 months become contributors, their pension is suspended and they are eligible for invalidity

Table 41: DFRDB contributors

	Male	Female	Total
At 30 June 2012	3,131	112	**3,243**
Plus rejoins	163	9	**172**
Less exits	435	12	**447**
At 30 June 2013	2,859	109	**2,968**

Note: rejoins are pensioners who re-entered for greater than 12 months; and exits are contributors who became preservers or left the DFRDB

Chart 29: DFRDB contributor age profile at 30 June 2013



Years of service

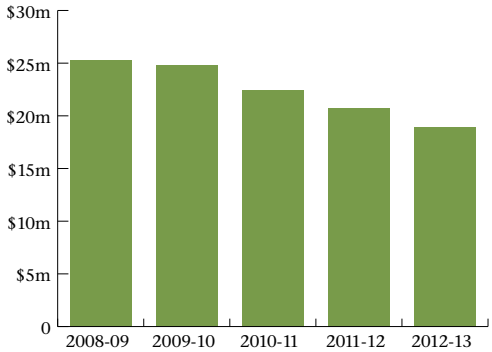
Almost all DFRDB contributors had more than 20 years of service at 30 June 2013.

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 42: DFRB pensioners by type

	2011–12	2012–13
Retirement	783	691
Invalidity	649	624
Redundancy	1	1
Reversionary	2,133	2,027
Total	**3,566**	**3,343**

Table 43: DFRDB pensioners by type

	2011–12	2012–13
Retirement	43,013	42,632
Invalidity	2,505	2,506
Redundancy	984	981
Reversionary	6,846	7,085
Total	**53,348**	**53,204**

Note: pensioners who re-enter the ADF for less than 12 months do not contribute to the 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

Benefit payments

Table 44: DFRB average pension amount

	30 June 2012	30 June 2013
Average amount ($)	16,817	16,698

Note: DFRB pension indexation increases were 0.1% in July 2012 and 1.9% in January 201; DFRB pensions are paid by the Australian Government

Table 45: DFRDB average pension amount

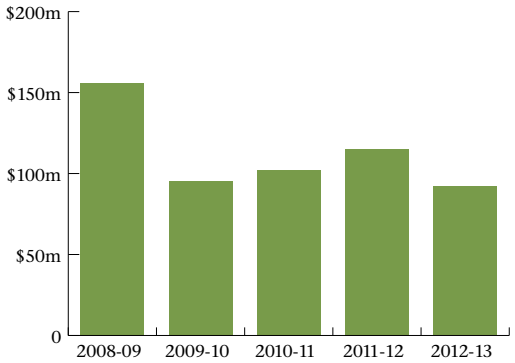
	30 June 2012	30 June 2013
Average amount ($)	24,603	25,143

Note: DFRDB pension indexation increases were 0.1% in July 2012 and 1.9% in January 2013; DFRDB pensions are paid by the Australian Government

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



Note: DFRDB lump sums are paid by the Australian Government

DFRDB invalidity benefits

The DFRDB provides partial invalidity, permanent 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; and

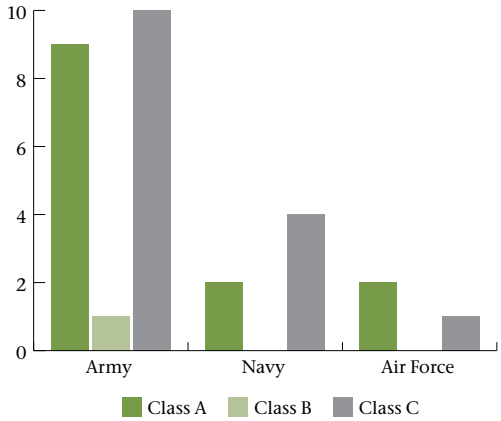
> Class C: Low incapacity (no entitlement to an invalidity pension).

Table 46: Initial invalidity classifications in the DFRDB

	2011–12	2011–13
Initial classifications	50	29
Pensions granted	32	14
Pensions not granted	18	15

Note: these figures 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 the 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.

The 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 5 years

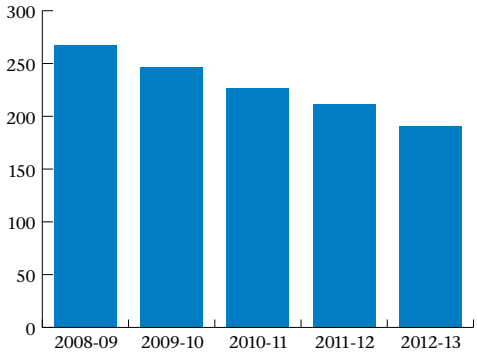
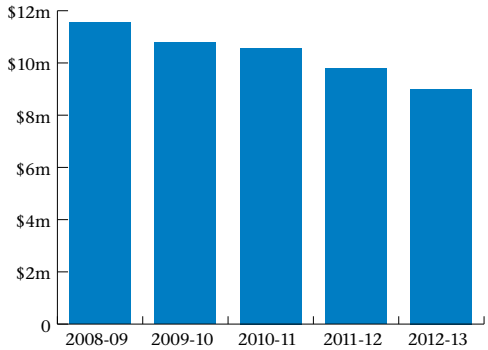


Table 47: PNG pensioners by type

	At 30 June 2012	At 30 June 2013
Retirement/ redundancy	42	34
Invalidity	11	11
Reversionary	159	146
Total	**212**	**191**

Pension payments

Chart 34: PNG pension payments over 5 years



Note: pension indexation increases were 0.1% in July 2012 and 1.9% in January 2013; 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, including:

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

Financial advisory services

In 2013, CSC partnered with experienced financial planners from IFS to make a personal financial advice service available to members of the CSS, MilitarySuper, PSS and PSSap.

IFS is responsible for the advice provided to CSC scheme members. All IFS advisers are licensed financial planners and authorised representatives of IFS. At 30 June 2013, there were six IFS advisers based in Canberra, Sydney, Melbourne and Brisbane, who are dedicated to CSC scheme members.

The services offered to CSC scheme members include face-to-face and phone-based personal financial advice; free educational seminars on wealth creation and retirement planning; and online tools and calculators.

Topics that members can discuss with their financial planner include:

> strategies to maximise super savings such as salary sacrifice, transition to retirement and maximising their CSS or PSS benefit;
> investments outside of superannuation;
> life and income protection insurance;
> debt elimination;
> redundancy; and
> retirement including options such as 54/11 and age retirement.

Scheme administration

CSC's legislatively mandated scheme administrator is ComSuper. ComSuper is established by section 4 of the *ComSuper Act 2011* and is a prescribed agency under section 5 of the *Financial Management and Accountability Act 1997* (FMA Act). The CSC Board delegates certain powers to ComSuper, enabling it to perform its role of scheme administrator which includes:

> maintenance of records for contributors, preservers and pensioners;
> receipt and accounting of contributions from employer agencies; and
> calculation and payment of member benefits.

ComSuper administers all CSC's schemes and outsources PSSap scheme administration to Pillar, a New South Wales statutory corporation.

Service levels and performance

CSC has service level agreements (SLAs) with ComSuper for the administration of the public sector and the military schemes. The SLAs set out the services to be provided and standards to be met by the administrators and reflect a shared understanding of the tasks that each party is to perform. ComSuper reports its performance at least monthly.

During the year, the key functions of account maintenance, receipt of contributions and benefit payment were performed to a high standard. The average attainment rate of monthly service standards was over 95% for

the public sector and military defined benefit schemes and over 80% for the PSSap, where performance has steadily improved since the outsourcing of arrangements to Pillar.

There were no changes to service standards or targets in the SLAs during the year.

CSC continues to work with the administrators to ensure that the services provided are of a high standard and can meet the evolving needs of our diverse membership. Improvements in email queuing and workforce management technology have reduced service response times, while specialist training for contact centre staff was provided during the year.

Superannuation services

Contact centres

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;

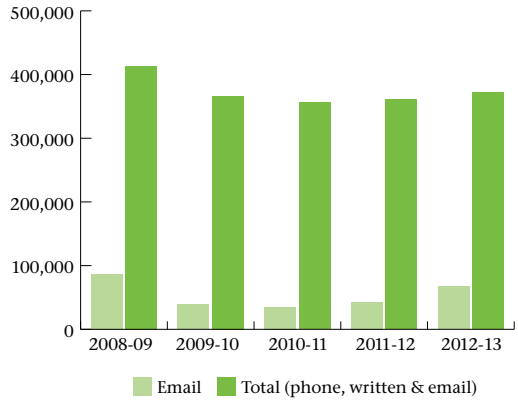
> update their account records or pension payment details; and

> request a benefit estimate.

Chart 35 shows that total enquiries were similar to previous financial years with email enquiries increasing in volume and as a proportion of total enquiries. The trend is that more members in the PSS, MilitarySuper and the PSSap are accessing the information they need through their scheme website and secure online member account area.

The traditional communication methods of telephone and written correspondence, however, remain the preferred methods of contact for more complex superannuation enquiries such as family law splitting, invalidity claims and the payment of scheme benefits at retirement.

Chart 35: Contact centre enquiries



Education and information seminars

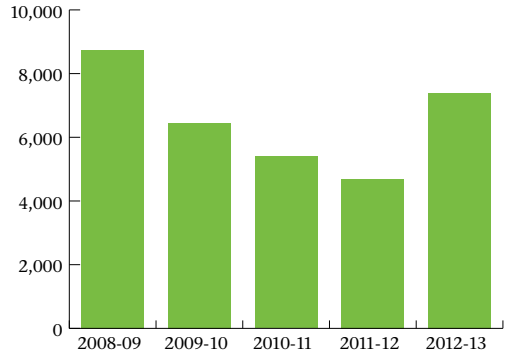
'At Work for You' seminar program

CSC provides free education workshops to public sector scheme members across Australia through the At Work for You (AWFY) program. Members can attend public and workplace seminars to improve their understanding of their scheme rules and potential benefits.

Chart 36 shows that the number of seminars held was higher than in previous years in response to the growing member demand for face-to-face education. In 2012–13, almost 3,000 more members attended a seminar than in 2011–12, with member interest focused on learning more about effective ways to maximise their benefit and the government's changes to superannuation.

Chart 36: AWFY seminars

Chart 37: AWFY seminar attendees



Military schemes seminars

Free information seminars are provided to military scheme members across Australia. Seminars are held at various locations arranged by the Department of Defence.

Chart 38: Military schemes seminars

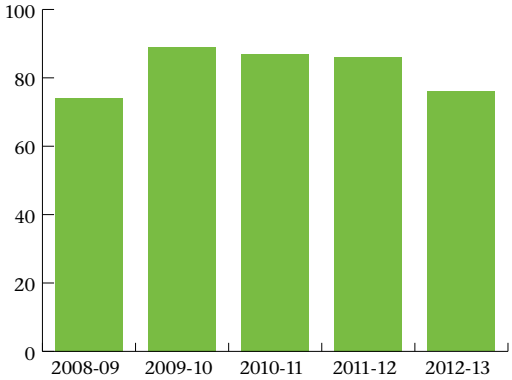


Chart 39: Military schemes seminar attendees

Military schemes information sessions

Free one-on-one information sessions are presented to members of the military schemes at locations around Australia. General information is provided on a range of topics, from scheme benefits to contribution and investment options.

Chart 40: Military schemes information sessions

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 and invalidity claims. Following the completion of any internal reconsideration investigations, cases are prepared for review by the APS Reconsideration Advisory Committee.

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; and

> 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 Chair, 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 (Chair 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 five occasions since its inception on 1 September 2012 to 30 June 2013.

Table 48: Cases with the APS Reconsideration Advisory Committee

	2011–12	2012–13
Carried over	17	18
Received	35	30
Finalised	34	34
Carried forward	18	14

Reconsideration cases were finalised by the Committee in an average of 4.9 months in 2012–13, compared to 4.7 months in 2011–12.

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; and

> in accordance with a request of the Board, either:

(i) make recommendations to the Board in relation to the decision; or

(ii) affirm or vary the decision, or set the decision aside and substitute another decision for it.

The Committee membership mirrors the membership of the reconsideration committee for the unregulated military schemes, which is outlined below.

During the year, membership of the military scheme reconsideration committees comprised General Peter Cosgrove (Chair of both committees and CSC director), Mr John McCullagh (Deputy Chair of both committees and CSC director), Group Captain David Richardson (Air Force nominee), Colonel Natasha Fox (Army nominee), Commander Steve Cornish (Navy nominee) and Brigadier Peter Bray (retirement pensioner).

The Committee met on nine occasions in 2012–13.

Table 49: Cases with the MilitarySuper Reconsideration Committee

	2011–12	2012–13
Requests on hand	39	38
Requests received	90	135
Requests resolved	91	96
Carried forward	38	77

Reconsideration cases were finalised by the Committee in an average of 4.3 months in 2012–13, compared to 4.9 months in 2011–12.

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 2012–13 financial year, no requests for reconsideration were received for the 1922 scheme or the 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 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.

The Defence Force Case Assessment Panel 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; and

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

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

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

The Panel met on six occasions in the 2012–13 financial year.

Table 50: Cases with the Defence Force Case Assessment Panel

	2011–12	2012–13
Requests on hand	11	18
Requests received	28	26
Requests resolved	21	30
Carried forward	18	14

Reconsideration cases were finalised by the Panel in an average of 7.7 months in 2012-13, compared to 7.9 months in 2011-12.

External review

Certain CSC decisions are subject to external review by bodies such as the SCT, 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 timeframe. CSC decisions include any decision taken by CSC or its delegates.

Table 51: Complaints lodged with the SCT

	2011–12	2012–13
Carried over	72	74
Lodged	51	35
Completed	49	50
Carried forward	74	59

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 this tribunal in 2012–13 in relation to the 1922 scheme or the PNG. There were, however, some matters referred for the unregulated military schemes, as shown below in **Table 52**.

Table 52: Complaints lodged with the AAT

	2011–12	2012–13
Carried over	9	8
Applications for review	14	4
Matters resolved	15	10
– Affirmed	4	3
– Dismissed or withdrawn	7	7
– Conceded by CSC or resolved by mediation	4	0
– Set aside or varied	0	0
Carried forward	8	2

Note: complaints relate to the DFRB and DFRDB

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 2012–13, no matters were 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 2012–13, no orders for review were sought.

Commonwealth Ombudsman

Enquiries can also be made to the Commonwealth Ombudsman. In 2012–13, eight 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. ComSuper and Pillar handle complaints relating to scheme administration including the maintenance of member accounts, recording of contributions, estimating and paying member benefits and issuing member statements.

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).

Complaints and representations

Table 53: The CSS

	2011–12	2012–13
Complaints	114	70
Ministerial representations	5	5
Ombudsman enquiries	1	2
Total	**120**	**77**

Table 54: The PSS

	2011–12	2012–13
Complaints	186	127
Ministerial representations	2	3
Ombudsman enquiries	0	0
Total	**188**	**130**

Table 55: The PSSap

	2011–12	2012–13
Complaints	316	247
Ministerial representations	8	6
Ombudsman enquiries	0	0
Total	**324**	**253**

Table 56: MilitarySuper

	2011–12	2012–13
Complaints	32	56
Ministerial representations	9	5
Ombudsman enquiries	1	1
Total	**42**	**62**

Table 57: DFRB and DFRDB

	2011–12	2012–13
Complaints	19	19
Ministerial representations	4	1
Ombudsman enquiries	0	5
Total	**23**	**25**

Legal claims

Legal claims are claims for compensation based on CSC liability.

Table 58: Legal claims in 2012–13

	Carried over	Received	Considered		Carried forward
			Accepted	Not accepted	
CSS	8	14	9	7	6
PSS	4	16	2	10	8
PSSap	0	2	2	0	0
MilitarySuper	3	3	1	0	5
DFRB & DFRDB	4	6	4	2	4

Total compensation paid during the year was:

> $36,837.83 for the public sector schemes; and
> $206,560.86 for the military schemes.

6

CSS financial statements

COMMONWEALTH SUPERANNUATION SCHEME (ABN 19415776361)

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

I have audited the financial statements of the Commonwealth Superannuation Scheme for the year ended 30 June 2013, 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 Deregulation 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 and Deregulation.

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 and Deregulation;

(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 2013 and the changes in net assets for the year ended 30 June 2013;

(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

Warren J. Cochrane
Group Executive Director

Delegate of the Auditor-General
Canberra

13 September 2013

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'*, and Schedule 1 of the *Finance Minister's Orders (Financial statements for reporting periods ending on or after 1 July 2011)(as amended)* to the extent that the latter is not inconsistent with AAS 25;

(b) the attached financial statements give a true and fair view of the net assets of the Scheme as at 30 June 2013 and the changes in net assets of the Scheme for the year ended 30 June 2013;

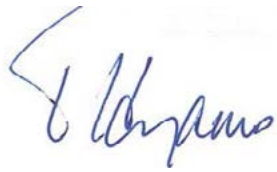
(c) at the date of this statement there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due;

(d) the financial statements are in a form agreed by the Minister for Finance and Deregulation 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 at Sydney this 13th day of September 2013 in accordance with a resolution of directors of the Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.



Tony Hyams
Chairman

Gabriel Szondy
Director

Commonwealth Superannuation Scheme
Statement of Changes in Net Assets
For the Year Ended 30 June 2013

	Note	2013 $'000	2012 $'000
Net assets available to pay benefits at the beginning of the financial year		**4 170 066**	4 598 445
Net investment revenue			
Interest		**1 169**	1 971
Changes in net market values	5c	**503 250**	82 877
		504 419	84 848
Contribution revenue			
Member contributions	6a	**83 805**	90 671
Employer contributions	6a	**29 757**	32 922
Government co-contributions	6a	**343**	476
Net appropriation from Consolidated Revenue Fund	6b	**3 469 307**	3 397 712
		3 583 212	3 521 781
Total revenue		**4 087 631**	3 606 630
Benefits paid	6b	**(4 044 082)**	(4 029 191)
Transfers to the Public Sector Superannuation Scheme	9	**(404)**	(577)
Total expenses		**(4 044 486)**	(4 029 768)
Change in net assets before income tax		**43 145**	(423 138)
Income tax expense	7a	**(4 639)**	(5 241)
Change in net assets after income tax		**38 506**	(428 379)
Net assets available to pay benefits at the end of the financial year		**4 208 572**	4 170 066

The attached notes form part of these financial statements.

Commonwealth Superannuation Scheme
Statement of Net Assets
As at 30 June 2013

	Note	2013 $'000	2012 $'000
Investments			
Pooled superannuation trust	4	**4 179 872**	4 176 894
Total investments		**4 179 872**	4 176 894
Other assets			
Cash and cash equivalents		**43 696**	50 065
Sundry debtors	8	**392**	1 175
Total other assets		**44 088**	51 240
Total assets		**4 223 960**	4 228 134
Liabilities			
Benefits payable		**10 529**	52 402
Amounts due to other superannuation schemes	9	**404**	577
Current tax liabilities	7b	**4 439**	5 063
Deferred tax liabilities	7c	**16**	26
Total liabilities		**15 388**	58 068
Net assets available to pay benefits		**4 208 572**	4 170 066

The attached notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 is conducted on behalf of the Trustee by ComSuper.

The principal place of business of the Scheme 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 Schedule 1 of the *Finance Minister's Orders (Financial statements for reporting periods ending on or after 1 July 2011)(as amended)* , 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

2. BASIS OF PREPARATION (continued)

(a) Statement of Compliance (continued)

The form of these financial statements has been agreed by the Minister for Finance and Deregulation 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 the 13th September 2013.

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'* . It is anticipated that adoption of the Standards will not have a material financial impact on the financial report of the Scheme. The following Standards expected to be relevant to the Scheme were in issue but not yet effective at the date of authorisation of the financial report.

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', **AASB 2010-7** 'Amendments to Australian Accounting Standards arising from AASB 9.' **AASB 2012-6** 'Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 1053 'Application of Tiers of Australian Accounting Standards' and **AASB 2010-2** 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 13 'Fair Value Measurement' and **2011-8** 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities (AASB 7 & 132)'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (AASB 132)'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and **AASB 2011-7** 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2014	30 June 2015

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 2010-8 'Amendments to Australian Accounting Standards - *Deferred Tax: Recovery of Underlying Assets*'	1 January 2012

(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 2013

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 2013 and the comparative information presented in these financial statements for the year ended 30 June 2012.

(a) Assets

Assets are included in the Statement of Net Assets at net market value as at the 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. 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 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 Translation

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 2013

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) Derivatives

The Scheme does not directly enter into derivative financial instruments.

(f) Revenue

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

Investment revenue
Interest revenue is recognised on an accrual basis.

Changes in the 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 from the Commonwealth Government are recognised on a cash basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(g) 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.

(h) 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.

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

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Income Tax (continued)

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

(i) Superannuation Contributions (Surcharge) Tax

Surcharge liabilities are calculated by the Australian Taxation Office (ATO) and recorded against Scheme member accounts. The liability for surcharge is not payable until the member receives a lump sum, transfers their contributions or receives a death benefit. The amount assessed by the ATO is fully recoverable from the member from their benefit or by voluntary member payment, therefore no surcharge expense is recognised in the Scheme (Note 11).

No estimate has been made for the balance of any tax payable in respect of surchargeable contributions received by the Scheme during the year on transfer of member entitlements from other superannuation funds as the Trustee is unable to determine the amount until receipt of applicable assessments in the following period.

The superannuation surcharge was abolished with effect from 1 July 2005 by the passing of the *Superannuation Laws Amendment (Abolition of Surcharge) Act 2005*.

(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 2013

(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 as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the Australian Taxation Office, 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 Australian Taxation Office is included as an asset or liability in the Statement of Net Assets.

4. INVESTMENTS

	2013	2012
	$'000	$'000
Pooled Superannuation Trust - ARIA Investments Trust	**4 179 872**	4 176 894
	4 179 872	4 176 894

5. CHANGES IN NET MARKET VALUES

	2013	2012
	$'000	$'000
(a) Investments held at 30 June:		
Pooled Superannuation Trust - ARIA Investments Trust	**471 378**	87 012
	471 378	87 012
(b) Investments realised during the year:		
Pooled Superannuation Trust - ARIA Investments Trust	**31 872**	(4 135)
	31 872	(4 135)
(c) Total changes in net market values of investments	**503 250**	82 877

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 year ended 30 June 2013, the Commonwealth Government contributes $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. The co-contribution rate was $1.00 for every $1.00 of eligible personal after tax member contributions paid to the Scheme up to a maximum of $1 000 per member in the 2012 financial year.

(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 into the Consolidated Revenue Fund, and the Commonwealth Government then assumes responsibility for payment of the benefit.

Of the total benefits payable at 30 June 2013, $0.191 million (2012: $0.969 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 2013

6. FUNDING ARRANGEMENTS

(b) Benefits (continued)

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

	2013	2012
	$'000	$'000
Gross Appropriation from Consolidated Revenue Fund	**4 043 593**	4 028 685
less: Transfers from CSS Fund to Consolidated Revenue Fund	**(574 286)**	(630 973)
Net Appropriation	**3 469 307**	3 397 712
Consolidated Revenue Fund		
Lump-sum benefits	**430 281**	520 218
Pensions	**3 613 312**	3 508 467
	4 043 593	4 028 685
CSS Fund		
Lump-sum benefits	**489**	506
Total benefits paid	**4 044 082**	4 029 191

(c) Costs of Administration

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 are met by ComSuper.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of Administration (continued)

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

	2013	2012
	$'000	$'000
Investment		
Investment Advisors	**837**	753
Investment Managers	**4 876**	6 150
Custodian	**1 201**	1 152
Other	**187**	412
Total direct investment expenses	**7 101**	8 467
APRA levies	**1 574**	342
General administration	**2 996**	3 335
Total costs	**11 671**	12 144

In accordance with the *ComSuper Act 2011* , ComSuper provides administrative services to the Trustee in relation to the Scheme. The expenses of ComSuper are met by government appropriation and a share of the administrative fees paid to ComSuper by employing agencies. The remaining share of administrative fees is 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.

Sponsoring employers contributed the following to Scheme administration costs:

	2013	2012
	$'000	$'000
Trustee costs	**1 219**	1 250
ComSuper costs	**12 847**	13 258
Total	**14 066**	14 508

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

7. INCOME TAX

	2013 $'000	2012 $'000
(a) Income tax recognised in the Statement of Changes in Net Assets		
Tax expense comprises:		
Current tax expense	**4 649**	5 247
Deferred tax expense relating to the origination and reversal of temporary differences	**(10)**	(6)
Total tax expense	**4 639**	5 241

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	**43 145**	(423 138)
Income tax expense / (benefit) calculated at 15%	**6 472**	(63 471)
Add (less) permanent differences - items not assessable or deductible		
Member contributions and government co-contributions	**(12 561)**	(13 578)
Benefits paid	**606 612**	604 379
Appropriation from Consolidated Revenue Fund	**(520 396)**	(509 657)
Investment revenue already taxed	**(75 488)**	(12 432)
Total tax expense	**4 639**	5 241

(b) Current tax liabilities		
Current tax payables:		
Provision for current year income tax	**4 439**	5 063
	4 439	5 063

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

7. INCOME TAX (continued)

(c) Deferred tax balances

	2013	2012
	$'000	$'000
Deferred tax liabilities comprise:		
Temporary differences	**16**	26
	16	26

Taxable and deductible temporary differences arise from the following:

2013	**Opening balance**	**Charged to income**	**Acquisition/ disposal**	**Closing balance**
	$'000	**$'000**	**$'000**	**$'000**
Gross deferred tax liabilities:				
Interest receivable	**26**	**(10)**	-	**16**
	26	**(10)**	**-**	**16**
Total	**26**	**(10)**	**-**	**16**

2012	Opening balance	Charged to income	Acquisition/ disposal	Closing balance
	$'000	$'000	$'000	$'000
Gross deferred tax liabilities:				
Interest receivable	32	(6)	-	26
	32	(6)	-	26
Total	32	(6)	-	26

8. SUNDRY DEBTORS

	2013	2012
	$'000	$'000
Interest receivable	**107**	171
Surcharge tax	**94**	35
Amount to be appropriated from Consolidated Revenue Fund	**-**	969
Total	**201**	1 175

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 8 elections to transfer made during the year ended 30 June 2013 (2012 :5).

The value of contributions transferrable for members who elected to transfer from CSS to PSS is $404 409 at 30 June 2013 (2012: $576 914). This is payable to PSS.

10. AUDITOR'S REMUNERATION

Amounts paid or payable to the Australian National Audit Office:

	2013	2012
	$	$
Financial statements and regulatory returns	**60 450**	93 302
Combined Risk Management Strategy and Plan	**1 550**	8 580
Total	**62 000**	101 882

The audits of the financial statements and regulatory returns were provided by the Australian National Audit Office. The audit fees for these and the audit of the combined Risk Management Strategy and Plan ('RMSP') will be charged against the assets of the ARIA Investments Trust that are referable to the Scheme.

Deloitte Touche Tohmatsu have been contracted by the Australian National Audit Office to provide audit services on its behalf. Fees for those services are included 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 2013

11. SUPERANNUATION CONTRIBUTIONS (SURCHARGE) TAX

The Superannuation Contributions (Surcharge) Tax applies to the surchargeable superannuation contributions of Scheme members whose adjusted taxable income exceeds the surcharge threshold. Surcharge liabilities are calculated by the Australian Taxation Office and recorded against Scheme member accounts. The surcharge liability may be paid by the member in full or in part during the period of Scheme membership. Any surcharge liability remaining at the end of the financial year incurs interest. Scheme rules provide for any outstanding surcharge liability to be recovered from a benefit payable to the member.

Transactions recorded during the reporting period were as follows:

	2013	2012
	$'000	$'000
Total surcharge liability outstanding at start of year	**54 223**	60 051
Changes in unpaid assessments	**(3)**	(77)
Interest on outstanding surcharge liabilities at year end	**1 748**	1 598
	55 968	61 572
Less: Amounts paid by members and Consolidated Revenue Fund	**(7 730)**	(7 349)
Total surcharge liability outstanding at end of year	**48 238**	54 223

The surcharge tax ceased on 1 July 2005. Assessments relating to periods prior to this date continue to be received by the Scheme.

No liability is recognised in the financial statements for the estimated value of the surcharge liability because the liability will be either met by the relevant members during their period of membership or will be recovered from benefits paid on exit from the Scheme.

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 0.84% (2012: 0.17%) of the members' funded entitlements as at 30 June 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

12. UNALLOCATED INCOME (continued)

	2013	2012
	$'000	$'000
Opening balance of unallocated income	**7 167**	25 290
Add: Earnings of fund for the year	**504 244**	85 144
Less: Earnings allocated	**(476 223)**	(103 266)
Closing balance of unallocated income	**35 188**	7 167

Unallocated income materially represents 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 2013 is $67.85 billion (2012: $67.24 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 2013 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.

The vested benefits amount is made up of:

	2013	2012
	$billion	$billion
Funded component	**4.3**	4.2
Unfunded component	**63.6**	63.0
	67.9	67.2

The net assets of the Scheme compared to the vested benefits are:

Funded component	**4.3**	4.2
Net assets plus funded benefits payable	**4.3**	4.2
Surplus/(deficiency)	**-**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 to be financed 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 2011. A summary of the report is attached.

Accrued benefits as at 30 June were:

	2011	2008
	$billion	$billion
Funded component	**4.6**	6.1
Unfunded component	**59.9**	59.2
	64.5	65.3

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

	2011	2008
	$billion	$billion
Funded accrued benefits	**4.6**	6.1
Net assets plus funded benefits payable	**4.6**	6.1
Surplus/(deficiency)	**-**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 license 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. 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 2013

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 counterparties with approved credit qualities, 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 2013

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 2013 or 30 June 2012.

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:

	2013	2012
	$'000	$'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**4 179 872**	4 176 894
Other financial assets		
Cash and cash equivalents	**43 696**	50 065
Sundry debtors	**392**	1 175
Total	**4 223 960**	4 228 134

There has been no other changes 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 2013

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 2013					
Amounts due to other superannuation schemes	**404**	**-**	**-**	**-**	**404**
Benefits payable	**10 529**	**-**	**-**	**-**	**10 529**
Current tax liability	**-**	**4 439**	**-**	**-**	**4 439**
Deferred tax liability	**-**	**-**	**16**	**-**	**16**
Vested benefits	**67 850 000**	**-**	**-**	**-**	**67 850 000**
Total financial liabilities	**67 860 933**	**4 439**	**16**	**-**	**67 865 388**
30 June 2012					
Amounts due to other superannuation schemes	577	-	-	-	577
Benefits payable	52 402	-	-	-	52 402
Current tax liability	-	5 063	-	-	5 063
Deferred tax liability	-	-	26	-	26
Vested benefits	67 243 000	-	-	-	67 243 000
Total financial liabilities	67 295 979	5 063	26	-	67 301 068

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

15. 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 exchange 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 2012 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. 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 2013 and 30 June 2012 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 1.2% p.a. (2012: 1.4%) 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 1.2% 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
2013		-1.2%		+1.2%	
Cash and cash equivalents	43 696	(524)	(524)	524	524
2012		-1.4%		+1.4%	
Cash and cash equivalents	50 065	(701)	(701)	701	701

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 2013

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, unit trusts and pooled superannuation 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 7% (2012: 8%) represents the average annual volatility in the default option unit price of the Scheme's investment in the AIT. For the Cash Option a factor of 1.2% (2012: 1.4%) 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 throughout the reporting period by the volatility factor, and based on period end balances with all other variables 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
2013						
Financial Assets						
ARIA Investments Trust:						
Default option	-/+7%	3 738 344	(261 684)	(261 684)	261 684	261 684
Cash option	-/+1.2%	441 528	(5 298)	(5 298)	5 298	5 298
Total Increase / (decrease)		4 179 872	(266 982)	(266 982)	266 982	266 982
2012						
Financial Assets						
ARIA Investments Trust:						
Default option	-/+8%	3 636 496	(290 920)	(290 920)	290 920	290 920
Cash option	-/+1.4%	540 398	(7 566)	(7 566)	7 566	7 566
Total Increase / (decrease)		4 176 894	(298 486)	(298 486)	298 486	298 486

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

15. FINANCIAL INSTRUMENTS (continued)

(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 are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2013				
Financial Assets				
Pooled superannuation trust	-	**4 179 872**	-	**4 179 872**
2012				
Financial Assets				
Pooled superannuation trust	-	4 176 894	-	4 176 894

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 2013

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 2013 and to the date of the report were:

Tony Cole	Tony Hyams (Chairman)
Peter Cosgrove	John McCullagh
Peter Feltham	Peggy O'Neal
Nadine Flood	Gabriel Szondy
Lyn Gearing	Michael Vertigan
Winsome Hall	

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 2013:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Executive Officer
Leonie McCracken	Senior Executive, Operations
Bronwyn McNaughton	General Counsel
Christine Pearce	Senior Executive, Member & Employer Services
Alison Tarditi	Chief Investment Officer
Andy Young	General Manager, Finance & Risk (commenced 30 July 2012)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

16. RELATED PARTIES (continued)

(c) Key Management Personnel Compensation

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

	2013	2012
	$	$
Short-term employee benefits	**224 763**	314 770
Post-employment benefits	**24 540**	33 854
Other long-term benefits	**2 280**	12 611
Termination benefits	**-**	11 330
	251 583	372 565

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 was charged as part of general administration expenses 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 2013, 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 2013

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 2013 (2012: $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
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
ARIA Investments Trust	**4 179 872**	4 176 894	**503 250**	82 877
	4 179 872	4 176 894	**503 250**	82 877

17. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital or other expenditure commitments at 30 June 2013 (2012: $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 2013 (2012: $nil).

18. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2013 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.

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INFORMATION REQUIRED FOR PURPOSES OF AUSTRALIAN ACCOUNTING STANDARD AAS 25 RELATING TO THE ACTUARIAL VALUATION OF THE COMMONWEALTH SUPERANNUATION SCHEME AS AT 30 JUNE 2011

Purpose of Report
This statement has been prepared for the purposes of AAS 25 as at 30 June 2011 for the Commonwealth Superannuation Scheme (CSS) at the request of the Commonwealth Superannuation Corporation (CSC).

This extract summarises the actuarial valuation of the Scheme as at 30 June 2011 carried out by Mercer Consulting (Australia) Pty Limited under the advice of Martin Stevenson FIAA, FIA and Darren Wickham FIAA. It has been prepared for the purposes of inclusion with the Scheme Accounts 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 2011	64.5	67.2

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.

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AAS25 COMMONWEALTH SUPERANNUATION SCHEME AT 30 JUNE 2011
Page 2

Review of Actuarial Report
AAS 25 also requires the notes to the Scheme accounts 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 2011. The summary contains the information required under AAS 25.

Martin A Stevenson
Fellow of the Institute of Actuaries of Australia
Partner, Mercer Consulting(Australia) Pty Ltd

13 July 2012

MERCER

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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 the date of calculation. The expected future benefits were determined allowing for future salary growth to the date of exit.

The approach used to apportion benefits between past and future membership involves an "actual accrual" or "Projected Unit Credit Method" (or PUCM) approach.

This involves determining the total benefit using:

Accrued Multiple (calculated using membership to the date of the valuation)	×	Final Salary at future date

The method used to apportion benefits between past and future membership is unchanged from that used in the previous review as at 30 June 2008.

The past membership component of the member-financed lump sum benefits and of the productivity superannuation benefits is taken to be the accumulated amount of contributions and interest at the calculation date.

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 elect the benefit option which is most costly to the CSS.

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 2011. Therefore, the Accrued Benefit calculated for AAS 25 purposes is the same as that calculated for the purposes of the Long Term Cost Report.

The financial assumptions used to determine the Accrued Benefits along with those used for the recent actuarial investigation are shown in the table below:

Item	AAS 25	Long Term Cost Report
CPI Increases	2.5% per annum	2.5% per annum
Investment Return / Discount Rate	6.0% per annum	6.0% per annum
General Salary Increases	4.0% per annum	4.0% 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.

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 2011.

This attachment provides a summary of that report.

Membership Data

Data relating to the membership of the PSS and the CSS was provided by ComSuper, the Schemes' administrator, on behalf of CSC, for the purposes of this investigation.

The table below summarises the total membership of the CSS as at 30 June 2011.

CSS MEMBERSHIP as at 30 JUNE 2011			
	Male	**Females**	**Total**
Number of Contributors	10,264	5,652	15,916
Salaries	$1,082 m	$524 m	$1,606 m
Number of Preserved Members	6,481	2,629	9,110
Number of Age Pensioners	52,581	19,209	71,790
Number of Invalidity Pensioners	10,433	4,309	14,742
Number of Reversionary Pensioners	1,441	27,026	28,467

Assumptions

The key economic assumptions adopted for this review are shown in the table below. The assumptions adopted for the previous review (which was carried out as at 30 June 2008) are shown for comparison purposes.

Item	Assumption	2008 Investigation
CPI Increases	2.5% per annum	2.5% per annum
Investment Returns / Discount Rate	6.0% per annum (nominal) 3.5% per annum (real)	6.0% per annum (nominal) 3.5% per annum (real)
General Salary Increases	4.0% per annum (nominal) 1.5% per annum (real)	4.0% per annum (nominal) 1.5% per annum (real)

The key economic assumptions are consistent between the 2008 investigation and the 2011 investigation.

The demographic assumptions at 2011 have been revised from those at 2008 to more closely reflect actual experience of the Scheme. These are set out in Appendix B of the Long Term Cost Report.

Of the changes in assumptions, the most significant were:

- An allowance for mortality improvements; and
- The extension of retirement assumptions to age 75.

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 2011 was $4.6 billion.

Accrued Benefits

The value of accrued benefits as at 30 June 2011 was $64.5 billion.

Accrued Benefits were determined as the present value of expected future benefit payments that arise from membership of the CSS up to the date of calculation. The expected future benefits were determined allowing for future salary growth to the date of exit. Benefits were apportioned between past and future membership by multiplying the accrued multiple at the calculation date by the Final Salary at the date of exit.

The past membership component of the member-financed lump sum benefits and of productivity superannuation benefits is taken to be the accumulated amount of contributions and interest at the calculation date. An amount of $4.6 billion has been included in the Accrued Benefit in respect of the member financed benefits and productivity superannuation benefits.

The Accrued Benefit also includes an amount of $49.3 billion in respect of pensioners and preserved beneficiaries of the CSS.

Vested Benefits

Vested Benefits of the CSS were not calculated as a part of the Long Term Cost Report as at 30 June 2011 but were calculated separately.

The estimated value of the Vested Benefits of the CSS as at 30 June 2011 is $67.2 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.

AAS25 COMMONWEALTH SUPERANNUATION SCHEME AT 30 JUNE 2011
Page 7

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. Further, 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.

Martin A Stevenson
Fellow of the Institute of Actuaries of Australia
Partner, Mercer Consulting (Australia) Pty Ltd

13 July 2012

MERCER

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7

PSS financial statements

PUBLIC SECTOR SUPERANNUATION SCHEME (ABN 74172177893)

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

I have audited the financial statements of the Public Sector Superannuation Scheme for the year ended 30 June 2013 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 Deregulation 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 and Deregulation.

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.

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-

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19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

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 and Deregulation;

(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 2013 and the changes in net assets for the year ended 30 June 2013;

(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

Warren J. Cochrane
Group Executive Director

Delegate of the Auditor-General
Canberra

13 September 2013

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'*, and Schedule 1 of the *Finance Minister's Orders (Financial Statements for reporting periods ending on or after 1 July 2011) (as amended)* to the extent that the latter is not inconsistent with AAS 25;

(b) the attached financial statements give a true and fair view of the net assets of the Scheme as at 30 June 2013 and the changes in net assets of the Scheme for the year ended 30 June 2013;

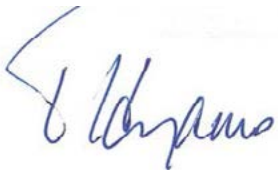
(c) at the date of this statement there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they fall due;

(d) the financial statements are in a form agreed by the Minister for Finance and Deregulation 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 at Sydney this 13th day of September 2013 in accordance with a resolution of directors of the Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Scheme.



Tony Hyams
Chairman

Gabriel Szondy
Director

Public Sector Superannuation Scheme
Statement of Changes in Net Assets
For the Year Ended 30 June 2013

	Note	2013 $'000	2012 $'000
Net assets available to pay benefits at the start of the financial year		**12 925 005**	12 480 633
Net investment revenue			
Interest		**879**	2 107
Changes in net market values	5c	**1 862 509**	228 674
		1 863 388	230 781
Contribution revenue			
Member contributions	6a	**602 060**	585 413
Employer contributions	6a	**224 243**	225 062
Government co-contributions	6a	**7 996**	10 192
Net appropriation from Consolidated Revenue Fund	6b	**519 292**	491 049
Transfers from the Commonwealth Super Scheme	9	**404**	577
		1 353 995	1 312 293
Total revenue		**3 217 383**	1 543 074
Benefits paid	6b	**(1 168 747)**	(1 064 516)
Total expenses		**(1 168 747)**	(1 064 516)
Change in net assets before income tax		**2 048 636**	478 558
Income tax expense	7a	**(34 666)**	(34 186)
Change in net assets after income tax		**2 013 970**	444 372
Net assets available to pay benefits at the end of the financial year		**14 938 975**	12 925 005

The attached notes form part of these financial statements.

Public Sector Superannuation Scheme
Statement of Net Assets
As at 30 June 2013

	Note	2013 $'000	2012 $'000
Investments			
Pooled superannuation trust	4	**14 940 866**	12 952 590
Total investments		**14 940 866**	12 952 590
Other assets			
Cash and cash equivalents		**43 343**	67 502
Sundry debtors	8	**4 299**	1 617
Total other assets		**47 642**	69 119
Total assets		**14 988 508**	13 021 709
Liabilities			
Benefits payable		**14 129**	61 666
Sundry payables		**955**	1 023
Current tax liabilities	7b	**34 438**	33 990
Deferred tax liabilities	7c	**11**	25
Total liabilities		**49 533**	96 704
Net assets available to pay benefits		**14 938 975**	12 925 005

The attached notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 is conducted on behalf of the Trustee by ComSuper.

The principal place of business of the Scheme 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 Schedule 1 of the *Finance Minister's Orders (Financial statements for reporting periods ending on or after 1 July 2011) (as amended)*, 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 2013

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 the power to govern the financial and operating policies of 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 Deregulation 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 the 13th September 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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'*. It is anticipated that adoption of the Standards will not have a material financial impact on the financial report of the Scheme. The following Standards expected to be relevant to the Scheme were in issue but not yet effective at the date of authorisation of the financial report.

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', **AASB 2010-7** 'Amendments to Australian Accounting Standards arising from AASB 9.' **AASB 2012-6** 'Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 1053 'Application of Tiers of Australian Accounting Standards' and **AASB 2010-2** 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 13 'Fair Value Measurement' and **2011-8** 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities (AASB 7 & 132)'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (AASB 132)'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and **AASB 2011-7** 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2014	30 June 2015

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 reported in these financial statements but may affect the accounting for future transactions or arrangements:

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets'	1 January 2012

(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 2013

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 2013 and the comparative information presented in these financial statements for the year ended 30 June 2012.

(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. 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 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 Translation

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 2013

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) Derivatives

The Scheme does not directly enter into derivative financial instruments.

(f) Revenue

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

Investment revenue
Interest revenue is recognised on an accrual basis.

Changes in the 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), and superannuation co-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).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(g) 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.

(h) 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.

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

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Income Tax (continued)

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

(i) Superannuation Contributions (Surcharge) Tax

Surcharge liabilities are calculated by the Australian Taxation Office (ATO) and recorded against Scheme member accounts. The liability for surcharge is not payable until the member receives a lump sum, transfers their contributions or receives a death benefit. The amount assessed by the ATO is fully recoverable from the member from their benefit or by voluntary member payment, therefore no surcharge expense is recognised in the Scheme (Note 11).

No estimate has been made for the balance of any tax payable in respect of surchargeable contributions received by the Scheme during the year on transfer of member entitlements from other superannuation funds as the Trustee is unable to determine the amount until receipt of applicable assessments in the following period.

The superannuation surcharge was abolished with effect from 1 July 2005 by the passing of the *Superannuation Laws Amendment (Abolition of Surcharge) Act 2005*.

(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 2013

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 as a reduced input tax credit. Where the amount of GST incurred is not recoverable from the Australian Taxation Office, 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 Australian Taxation Office is included as an asset or liability in the Statement of Net Assets.

4. INVESTMENTS

	2013	2012
	$'000	$'000
Pooled Superannuation Trust - ARIA Investments Trust	**14 940 866**	12 952 590
	14 940 866	12 952 590

5. CHANGES IN NET MARKET VALUES

	2013	2012
	$'000	$'000
(a) Investments held at 30 June:		
Pooled Superannuation Trust - ARIA Investments Trust	**1 859 903**	229 584
	1 859 903	229 584
(b) Investments realised during the year:		
Pooled Superannuation Trust - ARIA Investments Trust	**2 606**	(910)
	2 606	(910)
(c) Total changes in net market values of investments	**1 862 509**	228 674

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 year ended 30 June 2013, the Commonwealth Government contributes $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. The co-contribution rate was $1.00 for every $1.00 of eligible personal after tax member contributions paid to the Scheme up to a maximum of $1 000 per member in the 2012 financial year.

(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 into the Consolidated Revenue Fund, and the Commonwealth Government then assumes responsibility for payment of the benefit.

Of the total benefits payable as at 30 June 2013, $3.82 million (2012: $0.87 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 2013

6. FUNDING ARRANGEMENTS (continued)

(b) Benefits (continued)

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

	2013	2012
	$'000	$'000
Gross Appropriation from Consolidated Revenue Fund	**1 160 570**	1 047 178
less: Transfers from PSS Fund to Consolidated Revenue Fund	**(641 278)**	(556 129)
Net Appropriation	**519 292**	491 049
Consolidated Revenue Fund		
Lump-sum benefits	**445 920**	452 785
Pensions	**714 650**	594 393
	1 160 570	1 047 178
PSS Fund		
Lump-sum benefits	**8 177**	17 338
Total benefits paid	**1 168 747**	1 064 516

(c) Costs of administration

Costs of and incidental to the management of the Scheme and the investment of its money are charged against the assets of the 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 are met by ComSuper.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of administration (continued)

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

	2013	2012
	$'000	$'000
Investment		
Investment advisors	**2 792**	2 187
Investment managers	**16 275**	17 853
Custodian	**4 009**	3 345
Other	**625**	1 197
Total direct investment expenses	**23 701**	24 582
APRA levies	**5 255**	991
General administration	**9 854**	9 501
Total costs	**38 810**	35 074

In accordance with the *ComSuper Act 2011* , ComSuper provides administrative services to the Trustee in relation to the Scheme. The expenses of ComSuper are met by government appropriation and a share of the administrative fees paid to ComSuper by employing agencies. The remaining share of administrative fees is paid to the Trustee to meet costs other than those incurred in managing and investing the 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.

Sponsoring employers contributed the following to Scheme administration costs:

	2013	2012
	$'000	$'000
Trustee costs	**2 112**	2 120
ComSuper costs	**27 859**	28 232
Total	**29 971**	30 352

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

7. INCOME TAX

(a) Income tax recognised in the Statement of Changes in Net Assets

	2013	2012
	$'000	$'000
Tax expense comprises:		
Current tax expense	**34 680**	34 191
Deferred tax expense relating to the origination and reversal of temporary differences	**(14)**	(5)
Total tax expense	**34 666**	34 186

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	**2 048 636**	478 558
Income tax expense calculated at 15%	**307 295**	71 784
Add (less) permanent differences - items not assessable or deductible		
Member contributions and government co-contributions	**(90 671)**	(89 317)
Benefits paid	**175 312**	159 677
Appropriation from Consolidated Revenue Fund	**(77 894)**	(73 657)
Investment revenue already taxed	**(279 376)**	(34 300)
Total tax expense	**34 666**	34 186

(b) Current tax liabilities

Current tax payables:		
Provision for current year income tax	**34 438**	33 990
	34 438	33 990

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

7. INCOME TAX (continued)

	2013	2012
	$'000	$'000
(c) Deferred tax balances		
Deferred tax liabilities comprise:		
Temporary differences	**11**	25
	11	25

Taxable and deductible temporary differences arise from the following:

2013	**Opening balance $'000**	**Charged to income $'000**	**Acquisition / disposal $'000**	**Closing balance $'000**
Gross deferred tax liabilities:				
Interest receivable	**25**	**(14)**	**-**	**11**
	25	**(14)**	**-**	**11**
	25	**(14)**	**-**	**11**

2012	Opening balance $'000	Charged to income $'000	Acquisition / disposal $'000	Closing balance $'000
Gross deferred tax liabilities:				
Interest receivable	30	(5)	-	25
	30	(5)	-	25
	30	(5)	-	25

8. SUNDRY DEBTORS

	2013	2012
	$'000	$'000
Interest receivable	**75**	170
Amounts due from the CSS Fund	**404**	577
Amount to be appropriated from Consolidated Revenue Fund	**3 820**	870
	4 299	1 617

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 8 elections made during the year ended 30 June 2013 (2012: 5 elections).

The value of contributions transferrable for members who elected to transfer from CSS to PSS is $404 409 at 30 June 2013 (2012: $576 914). The transfer is receivable from CSS.

10. AUDITOR'S REMUNERATION

	2013	2012
	$	$
Amounts paid or payable to the Australian National Audit Office:		
Financial statements and regulatory returns	**60 450**	106 700
Combined Risk Management Strategy and Plan	**1 550**	8 580
Total	**62 000**	115 280

The audits of the financial statements and regulatory returns were provided by the Australian National Audit Office. The audit fees for these and the audit of the combined Risk Management Strategy and Plan ('RMSP') will be charged against the assets of the AIT that are referable to the Scheme.

Deloitte Touche Tohmatsu have been contracted by the Australian National Audit Office to provide audit services on its behalf. Fees for those services are included 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 2013

11. SUPERANNUATION CONTRIBUTIONS (SURCHARGE) TAX

The Superannuation Contributions (Surcharge) Tax applies to the surchargeable superannuation contributions of Scheme members whose adjusted taxable income exceeds the surcharge threshold. Surcharge liabilities are calculated by the Australian Taxation Office and recorded against Scheme member accounts. The surcharge liability may be paid by the member in full or in part during the period of Scheme membership. Any surcharge liability remaining at the end of the financial year incurs interest. Scheme rules provide for any outstanding surcharge liability to be recovered from a benefit payable to the member.

Transactions recorded during the reporting period were as follows:

	2013	2012
	$'000	$'000
Total surcharge liability outstanding at start of year	**38 845**	41 194
Changes in unpaid assessments	**(15)**	(11)
Interest on outstanding surcharge liabilities at end of year	**1 332**	1 146
	40 162	42 329
Less: Amounts paid by members and Consolidated Revenue Fund	**(3 445)**	(3 484)
Total surcharge liability outstanding at end of year	**36 717**	38 845

The surcharge tax ceased on 1 July 2005. Assessments relating to periods prior to this date continue to be received by the Scheme.

No liability is recognised in the financial statements for the estimated value of the surcharge liability because the liability will be either met by the relevant members during their period of membership or will be recovered from benefits paid on exit from the Scheme.

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 0.54% (2012: -0.15%) of the members' funded entitlements as at the 30 June 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

12. UNALLOCATED INCOME (continued)

	2013	2012
	$'000	$'000
Opening balance of unallocated income	**(19 870)**	64 870
Add: Earnings of Fund for the year	**1 863 256**	231 097
Less: Earnings allocation to members' accounts	**(1 762 857)**	(315 836)
Closing balance of unallocated income	**80 529**	(19 870)

Unallocated income materially represents 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 2013 is $65.1 billion (2012: $59.5 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 2013 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.

	2013	2012
	$billion	$billion
The vested benefits amount is made up of:		
Funded component	**14.9**	13.0
Unfunded component	**50.2**	46.5
	65.1	59.5

The net assets of the Scheme compared to the vested benefits are:

Funded component	**14.9**	13.0
Net assets plus funded benefits payable	**14.9**	13.0
Surplus / (deficiency)	**-**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 to be financed 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 2011. A summary of the review is attached.

	2011 $billion	2008 $billion
Accrued benefits as at 30 June were:		
Funded component	**12.5**	11.4
Unfunded component	**33.1**	20.9
	45.6	52.3

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

Funded accrued benefits	**12.5**	11.4
Net assets plus funded benefits payable	**12.5**	11.4
Surplus / (deficiency)	**-**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 license 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. 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 2013

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 2013

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 2013 or 30 June 2012.

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

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

	2013	2012
	$'000	$'000
Investments		
Pooled Superannuation Trust - ARIA Investments	**14 940 866**	12 952 590
Other financial assets		
Cash and cash equivalents	**43 343**	67 502
Sundry debtors	**4 299**	1 617
	14 988 508	13 021 709

There has been no other changes 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 2013

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 2013					
Benefits payable	**14 129**	**-**	**-**	**-**	**14 129**
Sundry payables	**955**	**-**	**-**	**-**	**955**
Current tax liability	**-**	**34 438**	**-**	**-**	**34 438**
Deferred tax liability	**-**	**-**	**11**	**-**	**11**
Vested benefits	**65 148 000**	**-**	**-**	**-**	**65 148 000**
Total financial liabilities	**65 163 084**	**34 438**	**11**	**-**	**65 197 533**
30 June 2012					
Benefits payable	61 666	-	-	-	61 666
Sundry payables	1 023	-	-	-	1 023
Current tax liability	-	33 990	-	-	33 990
Deferred tax liability	-	-	25	-	25
Vested benefits	59 506 000	-	-	-	59 506 000
Total financial liabilities	59 568 689	33 990	25	-	59 602 704

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 2013

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 exchange 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 2012 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. 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 2013

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 2013 and 30 June 2012 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 1.2% p.a. (2012: 1.4%) 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 1.2% 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
2013		-1.2%		+1.2%	
Cash and cash equivalents	43 343	(520)	(520)	520	520
2012		-1.4%		+1.4%	
Cash and cash equivalents	67 502	(945)	(945)	945	945

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 2013

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, unit trusts and pooled superannuation 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 7% (2012: 7%) represents the average annual volatility in the default option unit price of the Scheme's investment in the AIT. For the Cash Option a factor of 1.2% (2012: 1.4%) 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 throughout the reporting period by the volatility factor, and based on period end balances with all other variables 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
2013						
Financial Assets						
ARIA Investments Trust:						
Default Option	-/+7%	14 879 143	(1 041 540)	(1 041 540)	1 041 540	1 041 540
Cash option	-/+1.2%	61 723	(741)	(741)	741	741
Total		14 940 866	(1042 281)	(1042 281)	1 042 281	1 042 281
2012						
Financial Assets						
ARIA Investments Trust:						
Default Option	-/+7%	12 901 743	(903 122)	(903 122)	903 122	903 122
Cash option	-/+1.4%	50 847	(712)	(712)	712	712
Total		12 952 590	(903 834)	(903 834)	903 834	903 834

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

15. FINANCIAL INSTRUMENTS (continued)

(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 are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2013 **Financial Assets** Pooled superannuation trust	**-**	**14 940 866**	-	**14 940 866**
2012 **Financial Assets** Pooled superannuation trust	-	12 952 590	-	12 952 590

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 2013

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 2013 and to the date of the report v

Tony Cole	Tony Hyams (Chairman)
Peter Cosgrove	John McCullagh
Peter Feltham	Peggy O'Neal
Nadine Flood	Gabriel Szondy
Lyn Gearing	Michael Vertigan
Winsome Hall	

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 2013:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Executive Officer
Leonie McCracken	Senior Executive, Operations
Bronwyn McNaughton	General Counsel
Christine Pearce	Senior Executive, Member & Employer Services
Alison Tarditi	Chief Investment Officer
Andy Young	General Manager, Finance & Risk (commenced 30 July 2012)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

16. RELATED PARTIES (continued)

(c) Key Management Personnel Compensation

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

	2013	2012
	$	$
Short-term employee benefits	**747 470**	910 640
Post-employment benefits	**81 611**	97 940
Other long-term benefits	**7 583**	36 483
Termination benefits	**-**	32 777
	836 664	1 077 840

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 was charged as part of general administration expenses 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 2013, 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 2013

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 2013 (2012: $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
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
ARIA Investments Trust	**14 940 866**	12 952 590	**1 862 509**	228 674
	14 940 866	12 952 590	**1 862 509**	228 674

17. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Scheme had no capital expenditure commitments as at 30 June 2013 (2012: $nil).

The Scheme had the following commitments for other expenditure as at 30 June 2013 :

	2013	2012
	$'000	$'000
Within 12 months	**3 482**	-
Greater than 12 months but less than 3 years	**2 687**	-
Greater than 3 years	**1 383**	-
	7,552	-

During the year the Trustee Board authorised the expenditure of $7.55 million from the Scheme's assets over the next 5 years on systems and resourcing for the Scheme's administrator, ComSuper, to enable members to roll out amounts they have previously rolled into the Scheme.

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 2013 (2012: $nil).

18. SUBSEQUENT EVENTS

No matters have arisen since 30 June 2013 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.

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INFORMATION REQUIRED FOR PURPOSES OF AUSTRALIAN ACCOUNTING STANDARD AAS 25 RELATING TO THE ACTUARIAL VALUATION OF THE PUBLIC SECTOR SUPERANNUATION SCHEME AS AT 30 JUNE 2011

Purpose of Report

This statement has been prepared for the purposes of AAS 25 as at 30 June 2011 for the Public Sector Superannuation Scheme (PSS) at the request of the Commonwealth Superannuation Corporation (CSC).

This extract summarises the actuarial valuation of the Scheme as at 30 June 2011 carried out by Mercer Consulting (Australia) Pty Limited under the advice of Martin Stevenson FIAA, FIA and Darren Wickham FIAA. It has been prepared for the purposes of inclusion with the Scheme Accounts 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 2011	45.6	54.1

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.

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MARSH & McLENNAN COMPANIES

AAS 25 PUBLIC SECTOR SUPERANNUATION SCHEME AS AT 30 JUNE 2011
Page 2

Review of Actuarial Report
AAS 25 also requires the notes to the Scheme accounts 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 2011. The summary contains the information required under AAS 25.

Martin A Stevenson
Fellow of the Institute of Actuaries of Australia
Partner, Mercer Consulting (Australia) Pty Limited

13 July 2012

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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 the date of calculation. The expected future benefits were determined allowing for future salary growth to the date of exit.

The approach used to apportion benefits between past and future membership involves an "actual accrual" or "Projected Unit Credit Method" (or PUCM) approach.

This involves determining the total benefit using:

Accrued Multiple (calculated using membership to the date of the valuation)	×	Final Average Salary at future date

The method used to apportion benefits between past and future membership is unchanged from that used in the previous review as at 30 June 2008.

The past membership component of the member-financed lump sum benefits and of the productivity superannuation benefits is taken to be the accumulated amount of contributions and interest at the calculation date.

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 elect the benefit option which is most costly to the PSS.

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 2011. Therefore, the Accrued Benefit calculated for AAS 25 purposes is the same as that calculated for the purposes of the Long Term Cost Report.

The financial assumptions used to determine the Accrued Benefits along with those used for the recent actuarial investigation are shown in the table below:

Item	AAS 25	Long Term Cost Report
CPI Increases	2.5% per annum	2.5% per annum
Investment Return / Discount Rate	6.0% per annum	6.0% per annum
General Salary Increases	4.0% per annum	4.0% 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.

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 2011.

This attachment provides a summary of that report.

Membership Data

Data relating to the membership of the PSS and the CSS was provided by ComSuper, the Schemes' administrator, on behalf of CSC, for the purposes of this investigation.

The table below summarises the total membership of the PSS as at 30 June 2011.

PSS MEMBERSHIP as at 30 JUNE 2011			
	Male	**Females**	**Total**
Number of Contributors	47,638	65,586	113,224
Salaries	$4,267m	$5,190m	$9,457m
Number of Preserved Members	42,043	61,049	103,092
Number of Age Pensioners	9,961	10,325	20,286
Number of Invalidity Pensioners	1,150	1,432	2,582
Number of Reversionary Pensioners	329	724	1,053

Assumptions

The key economic assumptions adopted for this review are shown in the table below. The assumptions adopted for the previous review (which was carried out as at 30 June 2008) are shown for comparison purposes.

Item	Assumption	2008 Investigation
CPI Increases	2.5% per annum	2.5% per annum
Investment Returns / Discount Rate	6.0% per annum (nominal) 3.5% per annum (real)	6.0% per annum (nominal) 3.5% per annum (real)
General Salary Increases	4.0% per annum (nominal) 1.5% per annum (real)	4.0% per annum (nominal) 1.5% per annum (real)

The key economic assumptions are consistent between the 2008 investigation and the 2011 investigation.

The demographic assumptions at 2011 have been revised from those at 2008 to more closely reflect actual experience of the Scheme. These are set out in Appendix B of the Long Term Cost Report.

Of the changes in assumptions, the most significant were:

- An increase in the assumed rate of PSS member contributions;
- An increase in the take-up of pension benefits by PSS members; and
- The extension of retirement assumptions to age 75.

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 2011 was $12.5 billion.

Accrued Benefits

The value of accrued benefits as at 30 June 2011 was $45.6 billion.

Accrued Benefits were determined as the present value of expected future benefit payments that arise from membership of the PSS up to the date of calculation. The expected future benefits were determined allowing for future salary growth to the date of exit. Benefits were apportioned between past and future membership by multiplying the accrued multiple at the calculation date by the Final Average Salary at the date of exit.

The past membership component of the member-financed lump sum benefits and of productivity superannuation benefits is taken to be the accumulated amount of contributions and interest at the calculation date. An amount of $12.5 billion has been included in the Accrued Benefit in respect of the member financed benefits and productivity superannuation benefits.

The Accrued Benefit also includes an amount of $13.2 billion in respect of pensioners and preserved beneficiaries of the PSS.

Vested Benefits

Vested Benefits of the PSS were not calculated as a part of the Long Term Cost Report as at 30 June 2011 but were calculated separately.

The estimated value of the Vested Benefits of the PSS as at 30 June 2011 is $54.1 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. Further, 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.

Martin A Stevenson
Fellow of the Institute of Actuaries of Australia
Partner, Mercer Consulting (Australia) Pty Ltd

13 July 2012

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MilitarySuper financial statements

REPORT BY THE INDEPENDENT APPROVED AUDITOR TO THE MINISTER FOR FINANCE AND DEREGULATION, 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 2013 comprising Statement of Changes in Net Assets, Statement of Net Assets and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting Policies.

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 Deregulation 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 and Deregulation.

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 and Deregulation;

(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 2013 and the changes in net assets for the year ended 30 June 2013;

(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

Warren J. Cochrane
Group Executive Director

Delegate of the Auditor-General

Canberra
13 September 2013

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'*, and Schedule 1 of the *Finance Minister's Orders (Financial Statements for reporting periods ending on or after 1 July 2011)(as amended)* to the extent that the latter is not inconsistent with AAS 25;

(b) the attached financial statements give a true and fair view of the net assets of the Military Superannuation and Benefits Fund (defined in Note 1) as at 30 June 2013 and the changes in net assets of the Fund for the year ended 30 June 2013;

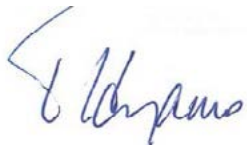
(c) at the date of this statement there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they fall due;

(d) the financial statements are in a form agreed by the Minister for Finance and Deregulation 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 at Sydney this 13th day of September 2013 in accordance with a resolution of Directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Fund.



Tony Hyams
Chairman

Gabriel Szondy
Director

Military Superannuation and Benefits Fund
Statement of Changes in Net Assets
For the Year Ended 30 June 2013

	Note	2013 $'000	2012 $'000
Net assets available to pay benefits at the start of the financial year		**4 012 156**	3 737 538
Investment revenue			
Interest	5	**531**	24 814
Dividends and trust distributions	5	**-**	107 107
Other investment revenue	5	**-**	1 117
Changes in net market values	5	**535 538**	(102 673)
Direct investment expenses	6c	**-**	(11 261)
Net investment revenue		**536 069**	19 104
Contribution revenue			
Member contributions	6a	**243 191**	236 185
Employer contributions	6a	**173 476**	174 352
Government co-contributions	6a	**8 840**	11 106
Net appropriations from Consolidated Revenue Fund	6b	**323 993**	285 676
Total contribution revenue		**749 500**	707 319
Total revenue		**1 285 569**	726 423
General administration expenses	6c	**-**	(3 050)
Benefits paid	6b	**(399 076)**	(355 812)
Total benefits paid and expenses		**(399 076)**	(358,862)
Change in net assets before income tax		**886 493**	367 561
Income tax expense	7a	**(10 824)**	(92 943)
Change in net assets after income tax		**875 669**	274 618
Net assets available to pay benefits at the end of the financial year		**4 887 825**	4 012 156

The attached notes form part of these financial statements.

Military Superannuation and Benefits Fund
Statement of Net Assets
As at 30 June 2013

	Note	2013 $'000	2012 $'000
Investments			
Pooled superannuation trust	4	**4 883 431**	4 004 624
Total Investments		**4 883 431**	4 004 624
Other assets			
Cash and cash equivalents		**26 346**	13 496
Consolidated Revenue Fund special account		**941**	1 435
Sundry debtors	8	**2 407**	2 639
Total other assets		**29 694**	17 570
Total assets		**4 913 125**	4 022 194
Benefits payable		**4 214**	3 759
Sundry payables	9	**225**	1 903
Current tax liabilities	7b	**20 861**	4 376
Deferred tax liabilities	7c	**-**	-
Total Liabilities		**25 300**	10 038
Net assets available to pay benefits		**4 887 825**	4 012 156

The attached notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 3% employer productivity contributions from the Department of Defence, 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 is conducted on behalf of the Trustee by ComSuper.

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

Following CSC becoming responsible for the administration of the Scheme, and in accordance with a resolution of the Directors, on 11 May 2012 the investment assets of the Fund were transferred to ARIA Investments Trust (AIT), a pooled superannuation trust managed by the Trustee. The Fund received units in the AIT in return for the value of investments transferred.

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 Schedule 1 of the *Finance Minister's Orders (Financial statements for reporting periods ending on or after 1 July 2011)(as amended)* , Australian 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

2. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

The form of these financial statements has been agreed by the Minister for Finance and Deregulation 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 the 13th September 2013.

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'* . It is anticipated that adoption of the Standards will not have a material financial impact on the financial report of the Fund. The following Standards expected to be relevant to the Fund were in issue but not yet effective at the date of authorisation of the financial report.

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', **AASB 2010-7** **'**Amendments to Australian Accounting Standards arising from AASB 9.' **AASB 2012-6 '**Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 1053 'Application of Tiers of Australian Accounting Standards' and **AASB 2010-2** 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 13 'Fair Value Measurement' and **AASB 2011-8** 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities (AASB 7 & 132)'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (AASB 132)'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and **AASB 2011-7** 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2014	30 June 2015

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

2. BASIS OF PREPARATION (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 reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets'	1 January 2012

(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 2013

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 2013 and the comparative information presented in these financial statements for the year ended 30 June 2012.

(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, Consolidated Revenue Fund (CRF) special account 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 Translation

From 11 May 2012, the Fund does not directly undertake transactions denominated in foreign currencies.

All foreign currency transactions during the prior financial year were brought to account using the exchange rate in effect at the date of the transaction.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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) Derivatives

The Fund did not directly enter into derivative financial instruments from 11 May 2012.

Prior to this, the Trustee used a variety of derivative financial instruments to manage the Fund's exposure to interest rate and foreign exchange rate risks, including exchange traded futures and options, over the counter options, foreign exchange forward contracts, interest rate swaps and cross currency swaps. Derivatives could also be used to manage the risk of the portfolio, manage transaction cost (including market impact), to implement investment positions in the portfolio, obtain market exposure to an asset class, hedge market risk and provide portfolio insurance. Derivatives were not used for speculation in any market or for gearing the portfolio.

Derivatives were initially recognised at fair value at the date a derivative contract was entered into and were subsequently re-measured to their fair value at each reporting date. The resulting gain or loss was recognised in the statement of changes in net assets. The Fund's investment managers could use derivative instruments, subject to strictly controlled limits. Derivatives could be used to obtain an equivalent exposure to that which would have been obtained had the manager purchased or sold the underlying physical security. They may also have been used to hedge risk exposure. These hedges should have had the effect of reducing the Fund's exposure to market fluctuations and must not have increased exposure. Hedges could only be used where there was an offsetting position in the Fund.

(f) 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 2013

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Revenue (continued)

Investment revenue
Interest revenue is recognised on an accrual basis.

Revenue from dividends and distributions is recognised on the date that the dividends and distributions become ex-dividend or ex-distribution and, if not received at reporting date, is reflected in the Statement of Net Assets as a receivable.

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 from the Commonwealth Government are recognised on a cash basis.

(g) 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.

(h) 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(h) 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 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 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.

(i) Superannuation Contributions (Surcharge) Tax

Surcharge liabilities are calculated by the Australian Taxation Office (ATO) and recorded against Scheme member accounts. The liability for surcharge is not payable until the member receives a lump sum, transfers their contributions or receives a death benefit. The amount assessed by the ATO is fully recoverable from the member from their benefit or by voluntary member payment, therefore no surcharge expense is recognised in the Fund (Note 11).

No estimate has been made for the balance of any tax payable in respect of surchargeable contributions received by the Fund during the year on transfer of member entitlements from other superannuation funds as the Trustee is unable to determine the amount until receipt of applicable assessments in the following period.

The superannuation surcharge was abolished with effect from 1 July 2005 by the passing of the *Superannuation Laws Amendment (Abolition of Surcharge) Act 2005*.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(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 13.

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

(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.

(l) Controlled entities

Prior to 11 May 2012, the Scheme had ownership in a number of investment vehicles that may have constituted control.

The entities were:

Herschel Concentrated Australian Equity Fund
Agora Absolute Return Fund

Presently Australian Accounting Standards require consolidation where control exists. The Trustee decided not to consolidated the financial statements of these investments into the Fund's financial statements, on the grounds that the Trustee did not in any practical sense have the power to govern the financial and operating policies of any of the above mentioned entities. The Directors remain of the the view that the decision does not impact on the true and fair view of the financial statements nor on the usefulness of the financial statements to the users of the statements.

4. INVESTMENTS

	2013	2012
	$'000	$'000
Pooled Superannuation Trust - ARIA Investments Trust	**4 883 431**	4 004 624
	4 883 431	4 004 624

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

5. INCOME AND CHANGES IN NET MARKET VALUES

2013	**Interest $'000**	**Dividends and Trust Distributions $'000**	**Other $'000**	**Realised Capital Gain/(Loss) $'000**	**Unrealised Capital Gain/(Loss) $'000**	**Total Investment Income $'000**
Cash and cash equivalents	**531**	**-**	**-**	**-**	**-**	**531**
Pooled Superannuation Trust - ARIA Investments	**-**	**-**	**-**	**5 457**	**530 081**	**535 538**
Total	**531**	**-**	**-**	**5 457**	**530 081**	**536 069**

2012	Interest $'000	Dividends and Trust Distributions $'000	Other $'000	Realised Capital Gain/(Loss) $'000	Unrealised Capital Gain/(Loss) $'000	Total Investment Income $'000
Cash and Short Term Deposits	17 652	131	807	4 360	-	22 950
Government Bonds and Global Credit	5 288	4 385	-	12 850	-	22 523
Australian Equities	323	36 807	14	(90 178)	-	(53 034)
Pooled Superannuation Trust - ARIA Investments	-	-	-	5	(1 807)	(1 802)
International Equities	170	10 220	6	(13 247)	-	(2 851)
Real Assets	1 382	8 582	38	2 442	-	12 444
Currency Contracts	6	-	-	(17331)	-	(17 325)
Private Capital	3	37 583	18	(9 121)	-	28 483
Diversified Investments	(11)	9 399	234	9 354	-	18 976
Total	24 814	107 107	1 117	(100 866)	(1 807)	30 365

The net loss on foreign currency contracts for the year was $nil (2012: net loss of $17.2 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 Plan 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 year ended 30 June 2013, the Commonwealth Government contributes $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. The co-contribution rate was $1.00 for every $1.00 of eligible personal after tax member contributions paid to the Scheme up to a maximum of $1 000 per member in the 2012 financial year.

(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 the 3% of salary 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 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.

Of the total benefits payable as at 30 June 2013, $2.35 million (2012: $2.60 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 2013

6. FUNDING ARRANGEMENTS (continued)

(b) Benefits (continued)

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

	2013	2012
	$'000	$'000
Gross Appropriation from Consolidated Revenue Fund	**376 450**	338 839
less: Transfers from Fund to Consolidated Revenue Fund	**(52 457)**	(53 163)
Net Appropriation	**323 993**	285 676
Consolidated Revenue Fund		
Lump-sum benefits	**112 295**	114 107
Pensions	**264 155**	224 732
	376 450	338 839
Military Superannuation & Benefits Fund		
Lump-sum benefits	**22 626**	16 973
Total benefits paid	**399 076**	355 812

(c) Costs of administration, managing and investing the Fund

Under Clause 9(3) of the Trust Deed set up under section 4 of the *Military Superannuation and Benefits Act 1991* , the Fund shall be used to pay costs and expenses of the management and investment of the Fund. Costs of the administration of the Fund are met from monies appropriated for the purpose.

Until 10 May 2012, costs of and incidental to the management and investment of the Fund were paid by the Fund and were shown in the Statement of Changes in Net Assets. On 11 May 2012, the investment assets of the Fund were transferred into ARIA Investments Trust (AIT) in exchange for units in the AIT. From this date, the costs of and incidental to the management and investment of the Fund's investments are charged to the assets of AIT that are referable to the Fund. Transactions in respect of these costs have been brought to account in the financial statements of AIT.

Total costs of managing and investing the Fund are:

	2013	2012
	$'000	$'000
Expenses met by the AIT and referable to the Fund	**12 410**	2 604
Fund management and investment expenses met directly by the Fund	**-**	11 262
Total costs of managing and investing the Fund	**12 410**	13 866

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of administration, managing and investing the Fund (continued)

Expenses met by the AIT and referable to the Fund are:

	2013 $'000	2012 $'000
Investment		
Investment advisors	**890**	155
Investment managers	**5 186**	1 262
Custodian	**1 278**	236
Other	**199**	85
Total direct investment expenses	**7 553**	1 738
APRA levies	**1 674**	70
General administration	**3 183**	796
Total costs	**12 410**	2 604

Fund Management and Investment Expenses met directly by the Fund prior to 11 May 2012:

	2013 $'000	2012 $'000
General Administration Expenses		
Accounting services	**-**	22
Professional advisers	**-**	663
Share of trustee fees, travel and incidental costs	**-**	1 217
Taxation services	**-**	276
Communications	**-**	11
APRA lodgement fees and industry levy	**-**	317
Insurance	**-**	55
External audit	**-**	107
Internal audit	**-**	381
Other expenses	**-**	2
Non recoverable GST	**-**	(1)
Total General Administration Expenses	**-**	3 050
Direct Investment Expenses		
Investment management fees	**-**	7 207
Asset consultancy and portfolio management	**-**	(2 459)
Custodian	**-**	2 282
Other Investment expenses	**-**	4 180
Non recoverable GST	**-**	52
Total Direct Investment Expenses	**-**	11 262

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of administration, managing and investing the Fund (continued)

In accordance with the *ComSuper Act 2011* , ComSuper provides administrative services to the Trustee in relation to the Scheme. The expenses of ComSuper are met by government appropriation and a share of the administrative fees paid to ComSuper by the Department of Defence. The remaining share of administrative fees is paid to the Trustee to meet costs other than those incurred in managing and investing the Fund's 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.

Sponsoring employers contributed the following to Scheme administration costs:

	2013	2012
	$'000	$'000
Trustee costs	**1 497**	1 425
ComSuper costs	**24 018**	23 808
Total	**25 515**	25 233

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

7. INCOME TAX

(a) Income tax recognised in the Statement of Changes in Net Assets

	2013	2012
	$'000	$'000
Tax expense comprises:		
Current tax expense	**26 102**	38 775
Deferred tax expense	**-**	55 448
Under/(over) provided in prior years	**(15 278)**	(1 280)
Total tax expense	**10 824**	92 943
Income tax expense is attributable to:		
Profit from continuing operations	**10 824**	25 013
Transfer of deferred tax asset[1]	**-**	67 930
Aggregate income tax expense	**10 824**	92 943

The prima facie income tax expense on changes in net assets 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	**886 493**	367 561
Income tax expense calculated at 15%	**132 974**	55 134
Tax effect of amounts which are not deductible (taxable) in		
Member contributions and government co-contributions	**(37 805)**	(37 094)
Appropriation from Consolidated Revenue Fund	**(48 599)**	(42 851)
Benefits paid and payable	**59 862**	53 372
Imputation and foreign tax credits	**-**	(9 500)
Non-deductible expenses	**-**	1 608
Other	**-**	5 624
Transfer of DTA (realised and unrealised losses) to AIT at 11 May 2012[1]	**-**	67 930
Investment revenue already taxed	**(80 330)**	-
Prior year (over)/under provision	**(15 278)**	(1 280)
Total tax expense	**10 824**	92 943

(1) On 11 May 2012 the investment assets of the Fund were transferred to ARIA Investments Trust (AIT) in exchange for units in the AIT. The amount of $67.93m shown in the comparative above is the unrealised and realised net capital losses transferred to the AIT with the investment assets comprising of $34.66m net realised losses and $33.27m in unrealised net capital losses. The Fund received value for these losses via increases in the unit prices of the Fund's investments in the AIT.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

7. INCOME TAX (continued)

	2013 **$'000**	2012 $'000
(b) Current tax liabilities		
Current tax payables:		
Provision for current year income tax	**(20 861)**	(4 376)
	(20 861)	(4 376)
(c) Deferred tax balances		
Deferred tax liabilities comprise:		
Temporary differences	**-**	-
	-	-

Taxable and deductible temporary differences arise from the following:

2013	**Opening balance $'000**	**Charged to income $'000**	**Acquisition / disposal $'000**	**Closing balance $'000**
Gross deferred tax liabilities:				
Interest receivable	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**
Net deferred tax (assets) / liabilities	-	-	-	-

2012	Opening balance $'000	Charged to income $'000	Acquisition/ disposal $'000	Closing balance $'000
Gross deferred tax assets:				
Unrealised capital gains/losses	(60 466)	60 466	-	-
Accrued expenses	(112)	112	-	-
	(60 578)	60 578	-	-
Gross deferred tax liabilities:				
Interest receivable	5 130	(5 130)	-	-
	5 130	(5 130)	-	-
Net deferred tax (assets) / liabilities	(55 448)	55 448	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

8. SUNDRY DEBTORS

	2013	2012
	$'000	$'000
Accrued income	**61**	36
Amount to be appropriated from Consolidated Revenue Fund	**2 346**	2 603
	2 407	2 639

9. SUNDRY PAYABLES

	2013	2012
	$'000	$'000
Unallocated contributions	**-**	1 612
Surcharge tax	**225**	291
	225	1 903

10. AUDITOR'S REMUNERATION

	2013	2012
	$	$
Amounts paid or payable to the Australian National Audit Office:		
Financial statements and regulatory returns	**60 450**	123 530
Combined Risk Management Strategy and Plan	**1 550**	8 580
Total	**62 000**	132 110

The audits of the financial statements and regulatory returns were provided by the Australian National Audit Office. The audit fees for these and the audit of the combined Risk Management Strategy and Plan ('RMSP') 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 period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

11. SUPERANNUATION CONTRIBUTIONS (SURCHARGE) TAX

The Superannuation Contributions (Surcharge) Tax applies to the surchargeable superannuation contributions of Scheme members whose adjusted taxable income exceeds the surcharge threshold. Surcharge liabilities are calculated by the Australian Taxation Office and recorded against Scheme member accounts. The surcharge liability may be paid by the member in full or in part during the period of Scheme membership. Any surcharge liability remaining at the end of the financial year incurs interest. Scheme rules provide for any outstanding surcharge liability to be recovered from a benefit payable to the member.

Transactions recorded during the reporting period were as follows:

	2013	2012
	$'000	$'000
Total surcharge liability outstanding at start of year	**19 318**	20 032
Changes in unpaid assessments	**38**	1
Interest on outstanding surcharge liabilities at year end	**683**	573
	20 039	20 606
Less: Amount paid by members	**(96)**	(96)
Less: Amounts deducted from members' benefit payments	**(1 262)**	(1192)
	18 681	19 318
Total surcharge liability outstanding at end of year	**18 681**	19 318

The surcharge tax ceased on 1 July 2005. Assessments relating to periods prior to this date continue to be received by the Fund.

No liability is recognised in the financial statements for the estimated value of the surcharge liability because the liability will be either met by the members during their period of membership or will be recovered from member benefits paid when they are paid.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

12. 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 2013 is $26.24 billion (2012: $23.1 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 2013 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.

	2013	2012
	$billion	$billion
The vested benefits amount is made up of :		
Funded component	**4.9**	4.0
Unfunded component	**21.3**	19.1
	26.2	23.1
The net assets of the Fund compared to the vested benefits are:		
Funded component	**4.9**	4.0
Net assets plus funded benefits payable	**4.9**	4.0
Surplus/(deficiency)	**-**	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

13. 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 to be financed 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.

	2011	2008
	$billion	$billion
Accrued benefits as at 30 June were:		
Funded component	**3.7**	2.9
Unfunded component	**19.3**	13.1
	23.0	16.0

The net assets of the Fund compared to the liability for accrued benefits are as follows:

Funded component	**3.7**	2.9
Net assets plus funded benefits payable	**3.7**	2.9
Surplus/(deficiency)	**-**	-

14. GUARANTEED BENEFITS

No guarantees have been made in respect of any part of accrued benefits.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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.

On 11 May 2012, the Fund moved its investments to the ARIA Investments Trust (AIT), a pooled superannuation trust governed by CSC as Trustee. The Fund transferred its investments to the AIT in return for the equivalent value of units in the AIT.

From 11 May 2012, the investments of the Fund (other than cash held for managing contribution receipts, benefit payments and tax payments) comprise units in the AIT. The Fund is therefore no longer exposed to investment risk directly, but is exposed to investment risk through its investment in the AIT. 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 a contractual investment mandate.

Prior to 11 May 2012 the investments of the Fund (other than cash held for meeting daily administrative and benefit expenses) were managed by specialist sector fund managers who were required to invest the assets allocated for management in accordance with the terms of a written investment mandate. The Trustee determined that the appointment of these managers was appropriate for the Fund and was in accordance with the Trustee's investment strategy.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

15. FINANCIAL INSTRUMENTS (continued)

(c) Capital risk management

The RSE license 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 AIT. 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.

(e) Financial risk management objectives

The Fund is exposed to a variety of financial risks as a result of its activities. 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 certain financial derivative instruments, either directly until 10 May 2012, or indirectly from 11 May 2012 through the Fund's pooled investment in AIT.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

15. FINANCIAL INSTRUMENTS (continued)

(e) Financial risk management objectives (continued)

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.

(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 2013 or 30 June 2012.

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:

	2013	2012
	$'000	$'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**4 883 431**	4 004 624
Other financial assets		
Cash and cash equivalents	**26 346**	13 496
Consolidated Revenue Fund special account	**941**	1 435
Sundry debtors	**2 407**	2 639
	4 913 125	4 022 194

There has been no other changes 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 2013

15. 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 it 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. Prior to 11 May 2012, the Fund had a targeted exposure of less than 50% of assets invested in illiquid assets.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

15. FINANCIAL INSTRUMENTS (continued)

(g) Liquidity risk (continued)

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 2013					
Sundry creditors	**225**	**-**	**-**	**-**	**225**
Benefits payable	**4 214**	**-**	**-**	**-**	**4 214**
Current tax liability	**-**	**20 861**	**-**	**-**	**20 861**
Vested benefits	**26 244 000**	**-**	**-**	**-**	**26 244 000**
Total financial liabilities	**26 248 439**	**20 861**	**-**	**-**	**26 269 300**
30 June 2012					
Sundry creditors	1 903	-	-	-	1 903
Benefits payable	3 759	-	-	-	3 759
Current tax liability	-	4 376	-	-	4 376
Vested benefits	23 065 000	-	-	-	23 065 000
Total financial liabilities	23 070 662	4 376	-	-	23 075 038

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 exchange 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.

Apart from the changes noted within, there has been no other changes to the Fund's exposure to market risk or the manner in which it manages and measures that risk since the 2012 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.

From 11 May 2012, the Fund does not undertake any transactions in foreign currency and is therefore not directly exposed to foreign currency risk. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 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 2013 and 30 June 2012 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 1.2% p.a. (2012: 1.4%) 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 1.2% (2012: 1.4%) 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	Changes in net assets	Net assets available to pay benefits
2013		-1.2%		+1.2%	
Cash and cash equivalents	26 346	(316)	(316)	316	316
2012		-1.4%		+1.4%	
Cash and cash equivalents	13 496	(189)	(189)	189	189

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 2013

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 Fund's investment in AIT is exposed to market price risk in respect of the latter's holdings of equity securities, unit trusts and pooled superannuation 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 a factor of 1.2% (2012: 1.4%) 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 throughout the reporting period by the volatility factor, and based on period end balances with all other variables 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
2013					
Financial Assets					
ARIA Investments Trust :					
Balanced Option	38,293	- **1,532**	(1,532)	1,532	1,532
Cash Option	46,437	- **557**	(557)	557	557
Conservative Option	22,622	- **452**	(452)	452	452
Growth Option	4,507,754	- **225,388**	(225,388)	225,388	225,388
High Growth Option	268,325	- **18,783**	(18,783)	18,783	18,783
Total Increase / (decrease)	4 883 431	(246 712)	(246 712)	246 712	246 712
2012					
Financial Assets					
ARIA Investment Trust :					
Balanced Option	21,924	- **877**	(877)	877	877
Cash Option	47,787	- **669**	(669)	669	669
Conservative Option	13,891	- **417**	(417)	417	417
Growth Option	3,709,601	- **259,672**	(259,672)	259,672	259,672
High Growth Option	211,421	- **23,256**	(23,256)	23,256	23,256
Total Increase / (decrease)	4 004 624	(284 891)	(284 891)	284 891	284 891

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

15. FINANCIAL INSTRUMENTS (continued)

(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 are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2013				
Financial Assets				
Pooled superannuation trust	-	**4 883 431**	-	**4 883 431**
2012				
Financial Assets				
Pooled superannuation trust	-	4 004 624	-	4 004 624

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 2013

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 throughout the year ended 30 June 2013 and to the date of this report were:

Tony Cole	Tony Hyams (Chairman)
Peter Cosgrove	John McCullagh
Peter Feltham	Peggy O'Neal
Nadine Flood	Gabriel Szondy
Lyn Gearing	Michael Vertigan
Winsome Hall	

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 2013:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Executive Officer
Leonie McCracken	Senior Executive, Operations
Bronwyn McNaughton	General Counsel
Christine Pearce	Senior Executive, Member & Employer Services
Alison Tarditi	Chief Investment Officer
Andy Young	General Manager, Finance & Risk (commenced 30 July 2012)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

16. RELATED PARTIES (continued)

(c) Key Management Personnel Compensation

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

	2013	2012
	$	$
Short-term employee benefits	**238 748**	277 601
Post-employment benefits	**26 067**	29 856
Other long-term benefits	**2 422**	11 121
Termination benefits	**-**	9 992
	267 237	328 570

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.

Since 11 May 2012, the compensation of key management personnel (including Directors) related to investment management is charged as part of general administration expenses against the assets of the AIT that are referable to the Fund. These compensation expenses were charged directly to the Fund prior to 11 May 2012.

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

Since 11 May 2012, 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. Prior to this the Fund invested in unrelated entities.

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 2013

16. RELATED PARTIES (continued)

(d) Investing entities (continued)

Since 11 May 2012, 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)). These costs were charged to the Fund directly prior to 11 May 2012. No fees were charged for acting as Trustee during the year ended 30 June 2013 (2012: $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
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
ARIA Investments Trust	**4 883 431**	4 004 624	**535 538**	(1 802)
	4 883 431	4 004 624	**535 538**	(1 802)

17. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Fund had no capital or other expenditure commitments at 30 June 2013. (2012: $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 2013. (2012: $nil).

18. SUBSEQUENT EVENTS

On 1 July 2013 the investment options of the Fund were renamed, primarily to better reflect the underlying objectives and asset allocations of the options. The High Growth option was renamed Aggressive, the Growth option was renamed Balanced and the Conservative option was renamed Income Focused. There was no change to the Cash option.

The pre - 30 June 2013 Balanced option was closed to new contributors and inward switches on 1 July 2013. It is intended that monies in this option are transferred to the new Balanced option (i.e. renamed the Growth Option) in November 2013.

No other matters have arisen since 30 June 2013 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.

12 September, 2012

MILITARY SUPERANNUATION AND BENEFITS SCHEME

SUMMARY OF THE 2011 LONG TERM COST REPORT

1. A report on the long term cost of the Military Superannuation and Benefits Scheme (MSBS), the Defence Force Retirement and Death Benefits Scheme (DFRDB) and the Defence Forces Retirement Benefits Scheme (DFRB) was carried out using data as at 30 June 2011 by the Australian Government Actuary.

2. 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. 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.

3. Projections of the actual annual employer costs of the MSBS, DFRDB and DFRB combined as a percentage of Gross Domestic Product (GDP) were made over a period of 40 years. These projections showed a progressive fall in the combined 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 2011 was satisfactory.

4. The value of net assets of the MSBS available to pay benefits as at 30 June 2011 reported in the audited financial statements of the Fund was $3,738 million.

5. The value of accrued benefits for the MSBS using the actuarial Projected Unit Credit (PUC) methodology as at 30 June 2011 was $23.1 billion. This comprised $19.3 billion in unfunded accrued benefits and $3.7 billion in funded accrued benefits[1]. 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 2011. 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.

6. 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.

7. A summary of the MSBS data used for the valuation is set out below:

   - 55,769 contributors with total superannuation salaries of $3,952m
   - 84,186 preserved beneficiaries with total nominal preserved benefits of $6,001m
   - 8,177 pensioners with total annual pensions of $201m.

[1] Due to rounding, the unfunded and funded components do not sum to the total.

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8. The major assumptions used in the calculations were as follows:

• Pension increases (CPI):	2.5% per annum (unchanged from the 2008 review)
• Interest Rate:	3.5% per annum real (unchanged from the 2008 review)
• Inflationary salary increases:	1.5% per annum real (unchanged from the 2008 review)
• Promotional salary increases:	scales based upon age and length of service
• GDP increases:	a series of rates starting at 3.6% (real) for 2011/12, falling to 3.2% (real) for 2012/13 and 2.9% (real) for 2013/14 and then gradually falling to 2.2% (real) from 2049/50 onwards.

9. The value of the vested benefits of the MSBS was not calculated as part of the 2011 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. As at 30 June 2011, the value of vested benefits was $20.8 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 2011 and elected the most costly option to the scheme. The likelihood of such an occurrence is extremely remote.

Peter Martin
Fellow of the Institute of Actuaries of Australia
Australian Government Actuary

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PSSap financial statements

Australian National
Audit Office

PUBLIC SECTOR SUPERANNUATION ACCUMULATION PLAN (ABN 65127917725)

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

I have audited the financial statements of the Public Sector Superannuation Accumulation Plan for the year ended 30 June 2013 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 Deregulation 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 and Deregulation.

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:

1. the financial statements are in the form as agreed by the Minister for Finance and Deregulation;
2. 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 2013 and the results of its operations and its cash flows for the year ended 30 June 2013;
3. the financial statements are based on proper accounts and records; and
4. 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

Warren J. Cochrane
Group Executive Director

Delegate of the Auditor-General
Canberra

13 September 2013

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'* and Schedule 1 of the *Finance Minister's Orders (Financial Statements for reporting periods ending on or after 1 July 2011) (as amended)* to the extent that the latter is not inconsistent with AAS 25;

(b) the attached financial statements give a true and fair view of the financial position as at 30 June 2013, the operating result for the year ended 30 June 2013, and the cash flows for the year ended 30 June 2013;

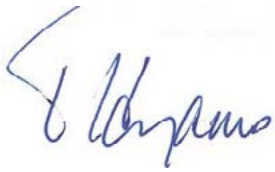
(c) at the date of this statement there are reasonable grounds to believe that the Plan will be able to pay its debts as and when they fall due;

(d) the financial statements are in a form agreed by the Minister for Finance and Deregulation 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 at Sydney this 13th day of September 2013 in accordance with a resolution of directors of Commonwealth Superannuation Corporation (ABN 48 882 817 243) as Trustee of the Plan:



Tony Hyams
Chairman

Gabriel Szondy
Director

Public Sector Superannuation Accumulation Plan
Operating Statement
For the Year Ended 30 June 2013

	Note	2013 $'000	2012 $'000
Net investment revenue			
Interest		**4 501**	5 657
Changes in net market values	5c	**542 082**	58 501
		546 583	64 158
Contribution revenue			
Member contributions	6a	**15 131**	12 380
Employer contributions	6a	**890 833**	809 001
Transfers from other funds	6a	**166 105**	148 739
Government co-contributions	6a	**878**	1 261
		1 072 947	971 381
Other revenue			
Insurance proceeds		**15 444**	10 677
Other revenue		**-**	27
		15 444	10 704
Total revenue		**1 634 974**	1 046 243
Expenses			
Insurance expense		**31 532**	28 340
Other administration expenses	6c	**1 607**	2
Total expenses		**33 139**	28 342
Benefits accrued as a result of operations before income tax		**1 601 835**	1 017 901
Income tax expense	7a	**(128 581)**	(120 047)
Benefits accrued as a result of operations after income tax		**1 473 254**	897 854

The attached notes form part of these financial statements.

Public Sector Superannuation Accumulation Plan
Statement of Financial Position
As at 30 June 2013

	Note	2013 $'000	2012 $'000
Investments			
Pooled superannuation trust	4	**4 838 896**	3 529 416
Total investments		**4 838 896**	3 529 416
Other assets			
Cash and cash equivalents	8a	**147 637**	142 666
Sundry debtors	9	**330**	415
Deferred tax asset	7c	**400**	264
Total other assets		**148 367**	143 345
Total assets		**4 987 263**	3 672 761
Liabilities			
Benefits payable		**1 697**	2 649
Sundry payables	10	**3 051**	2 260
Current tax liabilities	7b	**128 689**	120 072
Total liabilities		**133 437**	124 981
Net assets available to pay benefits		**4 853 826**	3 547 780
Represented by:			
Liability for accrued benefits			
Allocated to members' accounts		**4 827 581**	3 544 406
Not allocated to members' accounts	12a	**26 245**	3 374
Total liability for accrued benefits	12b	**4 853 826**	3 547 780

The attached notes form part of these financial statements.

Public Sector Superannuation Accumulation Plan
Statement of Cash Flows
For the Year Ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Contributions received -			
Employer		**890 780**	809 079
Member		**15 131**	12 380
Transfers from other funds		**166 105**	148 739
Government co-contributions		**878**	1 261
Interest received		**4 586**	5 703
Other revenue received		**22**	30
Insurance proceeds		**15 444**	10 738
Insurance expense paid		**(30 710)**	(28 232)
Other administration expenses paid		**(1 607)**	-
Benefits paid		**(168 161)**	(124 955)
Income tax paid		**(120 100)**	(104 413)
Net cash inflows from operating activities	8b	**772 368**	730 330
Cash flows from investing activities			
Proceeds from sales of units in pooled superannuation trusts		**97 832**	124 004
Purchases of units in pooled superannuation trusts		**(865 229)**	(832 118)
Net cash outflows from investing activities		**(767 397)**	(708 114)
Net increase in cash held		**4 971**	22 216
Cash at the beginning of the financial year		**142 666**	120 450
Cash at the end of the financial year	8a	**147 637**	142 666

The attached notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 Trustee's name was changed on 1 July 2011 from Australian Reward Investment Alliance (ARIA).

Administration of member records, contributions receipts and benefit payments is conducted on behalf of the Trustee by ComSuper. ComSuper contracted Pillar Administration ('Pillar') to perform these duties from 11 February 2012.

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

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 Schedule 1 of the *Finance Minister's Orders (Financial statements for reporting periods ending on or after 1 July 2011)(as amended)* , 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 Deregulation 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 the 13th September 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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'*. It is anticipated that adoption of the Standards will not have a material financial impact on the financial report of the Plan. The following Standards expected to be relevant to the Plan were on issue but not yet effective at the date of authorisation of the financial report.

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', **AASB 2010-7** 'Amendments to Australian Accounting Standards arising from AASB 9.' **AASB 2012-6** 'Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 1053 'Application of Tiers of Australian Accounting Standards' and **AASB 2010-2** 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 13 'Fair Value Measurement' and **2011-8** 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities (AASB 7 & 132)'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (AASB 132)'	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and **AASB 2011-7** 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2014	30 June 2015

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard / Interpretation	Effective for annual reporting periods beginning on or after
AASB 2010-8 'Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets	1 January 2012

(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 2013

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 2013 and the comparative information presented in these financial statements for the year ended 30 June 2012.

(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 Translation

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 2013

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) Derivatives

The Plan does not directly enter into derivative financial instruments.

(f) 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. The following recognition criteria relate to the different revenues the Fund has recognised:

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 and superannuation co-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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

3. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (continued)

(g) 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.

(h) 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.

(i) Superannuation Contributions (Surcharge) Tax

Amounts paid or payable in respect of the surcharge tax are recognised as an expense of the Plan. The expense (and any corresponding liability) is brought to account in the period in which the assessments are received by CSC and are properly payable by the Plan. All amounts paid are allocated back against the member account to which the surcharge applies.

No estimate has been made for the balance of any tax payable in respect of surchargeable contributions received by the Plan during the year on transfer of member entitlements from other superannuation funds as the Trustee is unable to determine the amount until receipt of applicable assessments in the following period.

The superannuation surcharge was abolished with effect from 1 July 2005 by the passing of the *Superannuation Laws Amendment (Abolition of Surcharge) Act 2005*. The Plan commenced on 1 July 2005, therefore surcharge assessments received by PSSap relate to surchargeable contributions transferred in from other funds.

(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.

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 2013

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 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 2013

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

	2013	2012
	$'000	$'000
Pooled superannuation trust - ARIA Investments Trust	**4 838 896**	3 529 416
	4 838 896	3 529 416

5. CHANGES IN NET MARKET VALUE OF INVESTMENTS

		2013	2012
		$'000	$'000
(a)	**Investments held at 30 June:**		
	Pooled superannuation trust - ARIA Investments Trust	**536 856**	59 665
(b)	**Investments realised during the year:**		
	Pooled superannuation trust - ARIA Investments Trust	**5 226**	(1 164)
(c)	**Total changes in net market values of investments**	**542 082**	58 501

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

6. FUNDING ARRANGEMENTS

(a) Contributions

Employer Contributions
Employers contribute at least 15.4% (2012: 15.4%) of employees' 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 year ended 30 June 2013, the Commonwealth Government contributes $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. The co-contribution rate was $1.00 for every $1.00 of eligible personal after tax member contributions paid to the Scheme up to a maximum of $1 000 per member in the 2012 financial year.

(b) Benefits paid

Where a member meets a condition of release and a valid application is received, the benefit is paid to the beneficiary from the Plan.

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

	2013	2012
	$'000	$'000
Benefits and transfers paid and payable	**167 208**	124 176
Total	**167 208**	124 176

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

6. FUNDING ARRANGEMENTS (continued)

(c) Costs of Administration

	2013 $'000	2012 $'000
System and service development expenses	**1 550**	-
Other administration expenses	**57**	2
	1 607	2

System and service development expenses include the costs associated with the new MySuper product required under the Federal Government's Stronger Super measures and the provision of a retirement income product (CSCri) to members.

Other 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 are met by ComSuper.

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

	2013 $'000	2012 $'000
Investment		
Investment advisors	**838**	541
Investment managers	**4 883**	4 419
Custodian	**1 203**	828
Other	**188**	296
Total direct investment expenses	**7 112**	6 084
APRA levies	**1 577**	246
General administration	**2 992**	2 467
Total costs	**11 681**	8 797

In accordance with the *ComSuper Act 2011* , ComSuper provides administrative services to the Trustee in relation to the Plan. ComSuper has contracted Pillar Administration to perform these services. The expenses of ComSuper are met by government appropriation and a share of administrative fees paid by employing agencies. The remaining share of administrative fees is paid to the Trustee to fund its costs other than those incurred in managing and investing the Plan 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.

Sponsoring employers contributed the following to Plan administration costs:

	2013 $'000	2012 $'000
Trustee costs	**1 099**	996
ComSuper costs	**11 359**	10 379
Total	**12 458**	11 375

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

7. INCOME TAX

(a) Income tax recognised in Operating Statement

	2013	2012
	$'000	$'000
Tax expense comprises:		
Current tax expense	**128 689**	120 071
Deferred tax benefit relating to the origination and reversal of temporary differences	**(136)**	(24)
Adjustments recognised in current year in relation to current tax of prior year	**28**	-
Total tax expense	**128 581**	120 047

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	**1 601 835**	1 017 901
Income tax expense calculated at 15%	**240 275**	152 685
Add (less) permanent differences - items not assessable or deductible		
Group life insurance proceeds	**(2 316)**	(1 602)
Investment revenue already taxed	**(81 312)**	(8 775)
Member contributions, government co-contributions and transfers from other superannuation funds	**(26 459)**	(23 449)
Death benefit increase (Anti-Detriment)	**(274)**	(111)
No-TFN Tax and Offset	**(1 361)**	1 299
Under/(over) provision for income tax in previous year	**28**	-
Total tax expense	**128 581**	120 047

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

7. INCOME TAX (continued)

	2013	2012
	$'000	$'000
(b) Current tax balances		
Current tax payables:		
Provision for current year income tax	**128 689**	120 072
	128 689	120 072
(c) Deferred tax balances		
Deferred tax asset:		
Temporary differences	**400**	264
	400	264

Taxable and deductible temporary differences arise from the following:

2013	**Opening balance**	**Charged to income**	**Acquisition / (disposal)**	**Closing balance**
	$'000	**$'000**	**$'000**	**$'000**
Gross deferred tax assets:				
Temporary differences	**264**	**136**	-	**400**
	264	**136**	**-**	**400**

2012	Opening balance	Charged to income	Acquisition / (disposal)	Closing balance
	$'000	$'000	$'000	$'000
Gross deferred tax assets:				
Temporary differences	240	24	-	264
	240	24	-	264

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

8. CASH FLOW INFORMATION

	2013	2012
	$'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	**147 637**	142 666

(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	**1 473 254**	897 854
Less:		
Benefits paid and payable	**(167 209)**	(124 176)
Increase in net market value of investments	**(542 082)**	(58 501)
Add back:		
(Increase)/decrease in sundry debtors	**85**	106
(Increase)/decrease in deferred tax asset	**(136)**	(24)
Increase/(decrease) in benefits payable	**(952)**	(779)
Increase/(decrease) in sundry payables	**791**	192
Increase/(decrease) in current tax liabilities	**8 617**	15 658
Net cash inflows from operating activities	**772 368**	730 330

9. SUNDRY DEBTORS

	2013	2012
	$'000	$'000
Interest receivable	**330**	415
	330	415

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

10. SUNDRY PAYABLES

	2013	2012
	$'000	$'000
Insurance premiums payable	**2 998**	2 176
Employer contributions refundable	**25**	78
Other payables	**28**	6
	3 051	2 260

11. AUDITOR'S REMUNERATION

	2013	2012
	$	$
Amounts paid or payable to the Australian National Audit Office:		
Financial statements and regulatory returns	**52 650**	91 080
Combined Risk Management Strategy and Plan	**1 350**	8 580
Administration transition	**-**	44 000
Total	**54 000**	143 660

The audits of the financial statements and regulatory returns were provided by the Australian National Audit Office. The audit fees for these and the audit of the combined Risk Management Strategy and Plan ('RMSP') will be charged against the assets of the ARIA Investments Trust that are referable to the Plan.

An assessment relating to the administrator transition process was provided by the Australian National Audit Office (ANAO) in the prior year and fees for those services are included above.

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 2013

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.

		2013	2012
		$'000	$'000
(a)	**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	**2 787**	4 330
	Change in net market value of investments	**13 708**	(13 319)
	Bank interest	**14 963**	17 633
	Other	**(5 213)**	(5 270)
	Funds not allocated to members' accounts at the end of the year	**26 245**	3 374
(b)	**Changes in the Liability for Accrued Benefits**		
	Liability for accrued benefits at beginning of the year	**3 547 780**	2 774 103
	Add:		
	Benefits accrued as a result of operations after income tax	**1 473 254**	897 854
	Less:		
	Benefits and transfers paid and payable	**(167 208)**	(124 177)
	Net change	**1 306 046**	773 677
	Liability for accrued benefits at the end of the year	**4 853 826**	3 547 780

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

13. GUARANTEED BENEFITS

No guarantees have been made in respect of any part of the liability for accrued benefits.

14. 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:

	2013	2012
	$'000	$'000
Members' account balances at 30 June	**4 827 581**	3 544 406
Plus contributions (refundable) allocated after balance date	**2 882**	5 123
Less accrued contributions tax on refunds / unallocated contributions	**(96)**	(794)
Vested benefits	**4 830 367**	3 548 735
Net assets available to pay benefits	**4 853 826**	3 547 780

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

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 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 license of the Trustee of the Plan requires the Trustee to maintain a balance of at least $100 000 at all times in an administration reserve account. This is required to be maintained in cash or cash equivalents. The Trustee was in compliance with this requirement throughout the year.

(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 2013

15. 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 2013

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 2013 or 30 June 2012.

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:

	2013	2012
	$'000	$'000
Investments		
Pooled Superannuation Trust - ARIA Investments Trust	**4 838 896**	3 529 416
Other financial assets		
Cash and cash equivalents	**147 637**	142 666
Sundry debtors	**330**	415
Total financial assets	**4 986 863**	3 672 497

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 2013

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 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 2013					
Benefits payable	**1 697**	**-**	**-**	**-**	**1 697**
Sundry payables	**3 051**	**-**	**-**	**-**	**3 051**
Current tax liability	**-**	**128 689**	**-**	**-**	**128 689**
Vested benefits	**4 830 367**	**-**	**-**	**-**	**4 830 367**
Total financial liabilities	**4 835 115**	**128 689**	**-**	**-**	**4 963 804**
30 June 2012					
Benefits payable	2 649	-	-	-	2 649
Sundry payables	2 260	-	-	-	2 260
Current tax liability	-	120 072	-	-	120 072
Vested benefits	3 548 735	-	-	-	3 548 735
Total financial liabilities	3 553 644	120 072	-	-	3 673 716

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 2013

15. 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 exchange 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 2012 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. 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 2013

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 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 2013 and 30 June 2012 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 1.2% p.a. increase or decrease in interest rates (2012: 1.4%), 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 1.2% 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
2013		-1.2%		+1.2%	
Cash and cash equivalents	147 637	(1 772)	(1 772)	1 772	1 772
2012		-1.4%		+1.4%	
Cash and cash equivalents	142 666	(1 997)	(1 997)	1 997	1 997

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 2013

15. 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, unit trusts and pooled superannuation 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 a factor of 1.2% (2012: 1.4%) 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 at the reporting date by the volatility factor, 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
2013						
Balanced	-/+4%	80 143	(3 206)	(3 206)	3 206	3 206
Aggressive	-/+11%	124 277	(13 671)	(13 671)	13 671	13 671
Australian Shares	-/+18%	66 827	(12 029)	(12 029)	12 029	12 029
Cash	-/+1.2%	89 330	(1 072)	(1 072)	1 072	1 072
Conservative	-/+3%	70 878	(2 126)	(2 126)	2 126	2 126
International Shares Hedged	-/+15%	9 546	(1 432)	(1 432)	1 432	1 432
International Shares Unhedged	-/+15%	7 511	(1 127)	(1 127)	1 127	1 127
Government Bonds	-/+4%	22 228	(889)	(889)	889	889
Property	-/+4%	41 980	(1 679)	(1 679)	1 679	1 679
Sustainable	-/+17%	13 747	(2 337)	(2 337)	2 337	2 337
Trustee Choice	-/+7%	4 311 907	(301 834)	(301 834)	301 834	301 834
CSC RI Cash	-/+1.2%	47	(1)	(1)	1	1
CSC RI Aggressive	-/+11%	176	(19)	(19)	19	19
CSC RI Balanced	-/+4%	141	(6)	(6)	6	6
CSC RI Income Focused	-/+3%	158	(5)	(5)	5	5
Total		4 838 896	(341 433)	(341 433)	341 433	341 433

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

15. 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
2012						
Balanced	-/+4%	42 216	(1689)	(1689)	1 689	1 689
Aggressive	-/+11%	85 608	(9 417)	(9 417)	9 417	9 417
Australian Shares	-/+19%	45 719	(8 687)	(8 687)	8 687	8 687
Cash	-/+0%	90 656	-	-	-	-
Conservative	-/+3%	41 375	(1241)	(1241)	1 241	1 241
International Shares Hedged	-/+16%	5 833	(933)	(933)	933	933
International Shares Unhedged	-/+15%	4 360	(654)	(654)	654	654
Government Bonds	-/+4%	13 640	(546)	(546)	546	546
Property	-/+4%	22 803	(912)	(912)	912	912
Sustainable	-/+18%	9 651	(1 737)	(1 737)	1 737	1 737
Trustee Choice	-/+7%	3 167 555	(221 729)	(221 729)	221 729	221 729
Total		3 529 416	(247 545)	(247 545)	247 545	247 545

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 2013

15. 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 are not based on observable market data.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2013				
Financial Assets				
Pooled superannuation trust	**-**	**4 838 896**	**-**	**4 838 896**
2012				
Financial Assets				
Pooled superannuation trust	-	3 529 416	-	3 529 416

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 2013

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 Plan during the reporting period.

(b) Key Management Personnel

The Directors of CSC throughout the year ended 30 June 2013 and to the date of the report were:

Tony Cole	Tony Hyams (Chairman)
Peter Cosgrove	John McCullagh
Peter Feltham	Peggy O'Neal
Nadine Flood	Gabriel Szondy
Lyn Gearing	Michael Vertigan
Winsome Hall	

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 2013:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Executive Officer
Leonie McCracken	Senior Executive, Operations
Bronwyn McNaughton	General Counsel
Christine Pearce	Senior Executive, Member & Employer Services
Alison Tarditi	Chief Investment Officer
Andy Young	General Manager, Finance & Risk (commenced 30 July 2012)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

16. 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:

	2013	2012
	$	$
Short-term employee benefits	**225 379**	226 455
Post-employment benefits	**24 608**	24 355
Other long-term benefits	**2 287**	9 072
Termination benefits	**-**	8 151
	252 274	268 033

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 for the year ended 30 June 2013 was charged as part of general administration expenses against assets of the ARIA Investments Trust.

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 2013, 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 2013

16. 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 2013 (2012 - $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
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
ARIA Investments Trust	**4 838 896**	3 529 416	**542 082**	58 501
	4 838 896	3 529 416	**542 082**	58 501

17. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Plan had no capital or other expenditure commitments at 30 June 2013 (2012: $nil).

In the normal course of business, requests are made by members and former members for the review of decisions relating to benefit entitlements of the Plan 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 (2012: $nil).

18. SUBSEQUENT EVENTS

On 1 July 2013, the Trustee Choice investment option was renamed MySuper Balanced to reflect the offering of a MySuper product, and the Conservative option was renamed Income Focused to better reflect the underlying objectives of the option.

In addition, the Balanced, Government Bonds, International Shares, International Shares (Unhedged), Australian Shares, Property and Sustainable investment options were closed to new members on 1 July 2013 following the Trustee's decision to streamline the number of the investment options it offers to members. It is intended that these options will be closed to all PSSap members from November 2013.

No other matters have arisen since 30 June 2013 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

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Finance and Deregulation

Report on the Financial Statements

I have audited the accompanying financial statements of Commonwealth Superannuation Corporation for the year ended 30 June 2013, which comprise: a Statement by the Chairman and Chief Executive Officer; the Statement of Profit or Loss and Other Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Statement of Cash Flows; Schedule of Commitments; Schedule of Contingencies; Schedule of Asset Additions and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Commonwealth Superannuation Corporation are responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation 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 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 Authority's preparation of the financial statements that give a true and fair view 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 Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting

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estimates made by the directors, 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.

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.

Opinion

In my opinion, the financial statements of the Commonwealth Superannuation Corporation:

(a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and

(b) give a true and fair view of the matters required by the Finance Minister's Orders including the Commonwealth Superannuation Corporation's financial position as at 30 June 2013 and of its financial performance and cash flows for the year then ended.

AUSTRALIAN NATIONAL AUDIT OFFICE

Warren J. Cochrane
Group Executive Director

Delegate of the Auditor-General

Canberra

13 September 2013

STATEMENT BY THE DIRECTORS, CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the Commonwealth Authorities and Companies Act 1997, as amended.

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

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

Signed…….	Signed…….	Signed……
Tony Hyams Chairman	Peter Carrigy-Ryan Chief Executive Officer	Andy Young General Manager, Finance & Risk
13 September 2013	13 September 2013	13 September 2013

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
EXPENSES			
Employee benefits	3A	**797**	12,366
Suppliers	3B	**7,495**	8,403
Depreciation and amortisation	3C	**-**	879
Total expenses		**8,292**	21,648
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	**8,249**	21,757
Interest	4B	**216**	118
Total own-source revenue		**8,465**	21,875
Gains			
Sale of assets	4C	**-**	3
Total gains		**-**	3
Net contribution by services		**173**	230
Surplus for the period		**173**	230
Other comprehensive income		**-**	-
Total comprehensive income		**173**	230

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

BALANCE SHEET
as at 30 June 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	**7,879**	4,772
Trade and other receivables	5B	**495**	1,150
Total financial assets		**8,374**	5,922
Non-Financial Assets			
Property, plant and equipment	6A	**-**	3,758
Intangibles	6C	**-**	393
Total non-financial assets		**-**	4,151
Total assets		**8,374**	10,073
LIABILITIES			
Payables			
Suppliers	7A	**(1,995)**	(1,067)
Other	7B	**(1,158)**	(1,831)
Total payables		**(3,153)**	(2,898)
Provisions			
Employee provisions	8A	**-**	(1,887)
Other	8B	**-**	(240)
Total provisions		**-**	(2,127)
Total liabilities		**(3,153)**	(5,025)
Net assets		**5,221**	5,048
EQUITY			
Contributed equity		**2,324**	2,324
Reserves		**-**	511
Retained surplus		**2,897**	2,213
Total equity		**5,221**	5,048

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2013

	Retained surplus		Asset revaluation reserve		Contributed equity		Total equity	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Opening balance								
Balance carried forward from previous period	**2,213**	1,983	**511**	511	**2,324**	1,343	**5,048**	3,837
Adjusted opening balance	**2,213**	1,983	**511**	511	**2,324**	1,343	**5,048**	3,837
Comprehensive income								
Other comprehensive income	**-**	-	**-**	-	**-**	-	**-**	-
Surplus for the period	**173**	230	**-**	-	**-**	-	**173**	230
Total comprehensive income	**173**	230	**-**	-	**-**	-	**173**	230
Transfer to retained earnings on sale of assets	**511**	-	**(511)**	-	**-**	-	**-**	-
Transactions with owners								
Contributions by owners								
Restructuring	**-**	-	**-**	-	**-**	981	**-**	981
Sub-total transactions with owners	-	-	-	-	-	981	-	981
Closing balance as at 30 June	**2,897**	2,213	**-**	511	**2,324**	2,324	**5,221**	5,048

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

CASH FLOW STATEMENT

for the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
OPERATING ACTIVITIES			
Cash received			
Sale of goods and rendering of services		**9,397**	21,867
Interest		**216**	118
Other		**-**	2
Total cash received		**9,613**	21,987
Cash used			
Employees		**(797)**	(11,874)
Suppliers		**(5,888)**	(7,250)
Total cash used		**(6,685)**	(19,124)
Net cash from operating activities	10	**2,928**	2,863
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of net assets transferred to ARIA Investments Trust		**179**	-
Total cash received		**179**	-
Cash used			
Purchase of property, plant and equipment		**-**	(782)
Purchase of intangibles		**-**	(218)
Total cash used		**-**	(1,000)
Net cash received from/(used by) investing activities		**179**	(1,000)
FINANCING ACTIVITIES			
Cash received			
Contributed equity from restructuring		**-**	917
Total cash received		**-**	917
Net increase (decrease) in cash held		**3,107**	2,780
Cash and cash equivalents at the beginning of the reporting period		**4,772**	1,992
Cash and cash equivalents at the end of the reporting period	5A	**7,879**	4,772

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

SCHEDULE OF COMMITMENTS
as at 30 June 2013

	2013	2012
BY TYPE	**$'000**	$'000
Commitments receivable		
Sublease rental income	**-**	1,023
Net GST recoverable on commitments [1]	**916**	823
Total commitments receivable	**916**	1,846
Commitments payable		
Other commitments		
Operating leases [2]	**(10,072)**	(9,049)
Net GST payable on commitments	**-**	(93)
Total other commitments	**(10,072)**	(9,142)
Net commitments by type	**(9,156)**	(7,296)
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	**-**	312
From one to five years	**-**	1,363
Over five years	**-**	171
Total operating lease income	**-**	1,846
Commitments payable		
Operating lease commitments		
One year or less	**(1,320)**	(1,754)
From one to five years	**(5,239)**	(5,512)
Over five years	**(2,597)**	(1,876)
Total operating lease commitments	**(9,156)**	(9,142)
Net commitments by maturity	**(9,156)**	(7,296)

1. Commitments are GST inclusive where relevant
2. Operating leases included are effectively non-cancellable.

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 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 Force 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 collected by ComSuper from employers participating in PSS, CSS and PSSap, and in part through negotiated administration charges 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.

In addition, CSC's activities are funded through charges to the ARIA Investments Trust (AIT) to recover the cost of managing the Schemes and the investment of their monies.

On 1 July 2012 CSC changed its expense payment arrangements whereby from that date all operating expenses are paid by the AIT other than:
- premises lease payments
- trustee director expenses (other than the Chairman's expenses, which by law are paid by the Schemes).

The AIT invoices CSC for CSC’s share of those expenses as a service fee.

On that date CSC therefore sold all of its fixed assets and intangibles and transferred its employee and other provisions to the AIT at their 30 June 2012 fair values. The only exception to this was CSC’s premises lease liability, which remains in CSC. The lease make good provision was assumed by the AIT for consideration as it is deemed to relate to the leasehold improvement fixed assets that were acquired by the AIT.

Note 1: Summary of Significant Accounting Policies

1.1 Objective of the entity (continued)

Assets sold and liabilities transferred at 1 July 2012 are as follows:

	2013 $'000
Assets	
Fixed assets and intangibles	4,151
	4,151
Liabilities	
Supplier payables	(1,026)
Other payables	(919)
Employee provisions	(1,887)
Other provisions	(140)
	(3,972)
Net assets acquired by the AIT	179

As defined by the Portfolio Budget Statements, CSC is 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 and on continuing funding by Parliament for the entity's administration and programs.

1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by clause 1(b) of Schedule 1 to the Commonwealth Authorities and Companies Act 1997.

The financial statements have been prepared in accordance with:

a) Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011 (as amended); 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 for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Note 1: Summary of Significant Accounting Policies

1.2 Basis of Preparation of the Financial Statements (continued)

Unless an alternative treatment is specifically required by an accounting standard or the FMOs, assets and liabilities are recognised in the balance sheet 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 executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments.

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 process of applying the accounting policies listed in this note, the entity has made the following judgement that has the most significant impact on the amounts recorded in the financial statements: the fair value of Property, Plant and Equipment has been taken to be the market value of similar assets as determined by an independent valuer.

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.

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:

	Effective	Application Date
AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
AASB 2011-13 'Amendments to Australian Accounting Standards - Improvements to AASB 1049'	1 July 2012	30 June 2013

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 and are expected to have a financial impact on the entity for future reporting periods:

	Effective	Application Date
AASB 9 'Financial Instruments', **AASB 2010-7** 'Amendments to Australian Accounting Standards arising from AASB 9.' **AASB 2012-6** 'Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures'	1 January 2015	30 June 2016
AASB 13 'Fair Value Measurement' and **AASB 2011-8** 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits': **AASB 2011-10** 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)' & **AASB 2011-11** 'Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements'	1 January 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities' **(AASB 7 & AASB 132)**	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities' **(AASB 132)**	1 January 2014	30 June 2015
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle'	1 January 2013	30 June 2014

Other new, amending or revised standards and interpretations that were issued prior to the sign-off date and are applicable to the future reporting period are not expected to have a future financial impact on the entity.

Note 1: Summary of Significant Accounting Policies (continued)

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 shall be 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.*

Revenue from rendering of services

CSC receives a share of administration fees collected by ComSuper from participating employer contributors to the Schemes. Any revenue due but not received by balance date is reflected in the balance sheet 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 Gains

Sale of Assets

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

1.7 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.

Restructuring of Administrative Arrangements

Net assets received from or relinquished to another Government entity under a restructuring of administrative arrangements are adjusted at their book value directly against contributed equity.

Note 1: Summary of Significant Accounting Policies (continued)

1.8 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

Other long-term employee benefits are measured as the net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the entity is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the entity's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to the work of an actuary. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

CSC's staff are members of various superannuation schemes including CSS, PSS and PSSap.

The CSS and PSS are defined benefit schemes 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 and Deregulation as an administered item. CSC makes employer contributions to the defined benefit schemes 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 defined contribution plans.

The PSSap is a defined contribution scheme for Australian Government employees.

Any liability for superannuation recognised as at 30 June represents outstanding contributions for the final two weeks of the reporting period.

Note 1: Summary of Significant Accounting Policies (continued)

1.9 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.

1.10 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.

1.11 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.

Note 1: Summary of Significant Accounting Policies (continued)

1.12 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).

1.13 Acquisition of Assets

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

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

1.14 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than $2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by the entity where there exists an obligation to restore the property to its original condition. These costs are included in the value of the entity's leasehold improvement with a corresponding provision for the 'make good' recognised.

Note 1: Summary of Significant Accounting Policies (continued)

Revaluations

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measurement
Leasehold improvements	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. Property plant and equipment was independently revalued as at 30 June 2010 by the Australian Valuation Office. It was due to be independently revalued at 30 June 2013 but was transferred out to the AIT prior to year-end.

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

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

Depreciation

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

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

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

	2013	2012
Leasehold improvements	Lease term	Lease term
Infrastructure, plant and equipment	3 to 10 years	3 to 10 years

Note 1: Summary of Significant Accounting Policies (continued)

Impairment

All assets were assessed for impairment at 30 June 2013. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

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

Derecognition

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

1.15 Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful life of the entity's software assets is 2 to 4 years (2011-12: 4 years).

All software assets are assessed for indications of impairment as at balance date.

1.16 Taxation

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

Revenues, expenses and assets 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.

Note 2: Events After the Reporting Period

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of Commonwealth Superannuation Corporation.

Note 3: Expenses

	2013 $'000	2012 $'000
Note 3A: Employee Benefits		
Wages and salaries	**(711)**	(10,567)
Superannuation:		
Defined contribution plans	**(59)**	(822)
Defined benefit plans	**(27)**	(455)
Leave and other entitlements	**-**	(522)
Total employee benefits	**(797)**	(12,366)
Note 3B: Suppliers		
Goods and services		
Consultants	**(73)**	(1,279)
Contractors	**(5,887)**	(4,894)
Other	**-**	(559)
Total goods and services	**(5,960)**	(6,732)
Goods and services are made up of:		
Provision of goods - external parties	**-**	(378)
Rendering of services – related entities	**-**	(583)
Rendering of services - external parties	**(5,960)**	(5,771)
Total goods and services	**(5,960)**	(6,732)
Other supplier expenses		
Operating lease rentals – external parties:		
Minimum lease payments	**(1,535)**	(1,601)
Sublease		-
Workers compensation expenses	**-**	(70)
Total other supplier expenses	**(1,535)**	(1,671)
Total supplier expenses	**(7,495)**	(8,403)
Note 3C: Depreciation and Amortisation		
Depreciation:		
Property, plant & equipment	**-**	(750)
Total depreciation	**-**	(750)
Amortisation:		
Intangibles	**-**	(129)
Total amortisation	**-**	(129)
Total depreciation and amortisation	**-**	(879)

Note 3: Expenses (continued)

Note 3D: Changes in expense payment arrangements and associated asset and liability transfers

On 1 July 2012 CSC changed its expense payment arrangements whereby from that date all operating expenses are paid by the AIT other than:
- premises lease payments
- trustee director expenses (other than the Chairman's expenses, which by law are paid by the Schemes).

The AIT invoices CSC for CSC's share of those expenses as a service fee.

On that date CSC therefore sold all of its fixed assets and intangibles and transferred its employee and other provisions to the AIT at their 30 June 2012 fair values. The only exception to this was CSC's premises lease liability, which remains in CSC. The lease make good provision was assumed by the AIT for consideration as it is deemed to relate to the leasehold improvement fixed assets that were acquired by the AIT.

Assets sold and liabilities transferred at 1 July 2012 are as follows:

	2013 $'000
Assets	
Fixed assets and intangibles	4,151
	4,151
Liabilities	
Supplier payables	(1,026)
Other payables	(919)
Employee provisions	(1,887)
Other provisions	(140)
	(3,972)
Net assets acquired by the AIT	179

Note 4: Income

OWN-SOURCE REVENUE	2013 $'000	2012 $'000
Note 4A: Sale of Goods and Rendering of Services		
Rendering of services - related entities	**5,927**	6,839
Rendering of services - external parties	**2,323**	14,918
Total sale of goods and rendering of services	**8,249**	21,757
Note 4B: Interest		
Deposits	**216**	118
Total interest	**216**	118
GAINS		
Note 4C: Sale of Assets		
Property, plant and equipment:		
Proceeds from sale	**3,758**	3
Carrying value of assets sold	**(3,758)**	-
Intangibles:		
Proceeds from sale	**393**	-
Carrying value of assets sold	**(393)**	-
Net gain from sale of assets	**-**	3

Note 5: Financial Assets

	2013 $'000	2012 $'000
Note 5A: Cash and Cash Equivalents		
Cash on hand or on deposit	**7,879**	4,772
Total cash and cash equivalents	**7,879**	4,772
Note 5B: Trade and Other Receivables		
Goods and Services:		
Goods and services - external parties	**-**	1,150
Total receivables for goods and services	**-**	1,150
Other receivables:		
GST receivable	**495**	-
Total other receivables	**495**	-
Total trade and other receivables (net)	**495**	1,150
Receivables are expected to be recovered in:		
No more than 12 months	**495**	1,150
Total trade and other receivables (net)	**495**	1,150
Receivables are aged as follows:		
Not overdue	**495**	1,150
Total receivables (net)	**495**	1,150

Note 6: Non-Financial Assets

	2013 $'000	2012 $'000
Note 6A: Property, Plant and Equipment		
Fair value	-	4,874
Accumulated depreciation and impairment	-	(1,116)
Total property, plant and equipment	-	3,758

No indicators of impairment were found for property, plant and equipment.
No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

Note 6B: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2012-13)

	Property, plant & equipment $'000	Total $'000
As at 1 July 2012		
Gross book value	**4,874**	**4,874**
Accumulated depreciation and impairment	**(1,116)**	**(1,116)**
Net book value 1 July 2012	**3,758**	**3,758**
Disposals:		
Gross book value	**(4,874)**	**(4,874)**
Accumulated depreciation and impairment	**1,116**	**1,116**
Net book value 30 June 2013	**-**	**-**

Note 6B (Cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment (2011-12)

	Property, plant & equipment $'000	Total $'000
As at 1 July 2011		
Gross book value	3,875	3,875
Accumulated depreciation and impairment	(366)	(366)
Net book value 1 July 2011	3,509	3,509
Additions		
By purchase	782	782
From acquisition of entities or operations (including restructuring)*	217	217
Depreciation expense	(750)	(750)
Net book value 30 June 2012	3,758	3,758
Net book value as of 30 June 2012 represented by:		
Gross book value	4,874	4,874
Accumulated depreciation and impairment	(1,116)	(1,116)
Net book value 30 June 2012	3,758	3,758

* Property, plant and equipment with a net book value of $0.217m were acquired as a result of a merger (see Note 9) during 2012.

	2013 $'000	2012 $'000
Note 6C: Intangibles		
Computer software:		
Purchased	-	567
Accumulated amortisation and impairment	-	(174)
Total computer software	-	393

No indicators of impairment were found for intangible assets.
No intangibles are expected to be sold or disposed of within the next 12 months.

Note 6D: Reconciliation of the Opening and Closing Balances of Intangibles (2012-13)

	Computer software purchased $'000	Total $'000
As at 1 July 2012		
Gross book value	**567**	**567**
Accumulated amortisation and impairment	**(174)**	**(174)**
Net book value 1 July 2012	**393**	**393**
Disposals:		
Gross book value	**(567)**	**(567)**
Accumulated amortisation and impairment	**174**	**174**
Net book value 30 June 2013	**-**	**-**

	Computer software purchased $'000	Total $'000
As at 1 July 2011		
Gross book value	349	349
Accumulated amortisation and impairment	(45)	(45)
Net book value 1 July 2011	304	304
Additions		
By purchase	218	218
Amortisation	(129)	(129)
Net book value 30 June 2012	393	393
Net book value as of 30 June 2012 represented by:		
Gross book value	567	567
Accumulated amortisation and impairment	(174)	(174)
Net book value 30 June 2012	393	393

Note 7: Payables

	2013 $'000	2012 $'000
Note 7A: Suppliers		
Trade creditors and accruals	**(1,995)**	(1,067)
Total supplier payables	**(1,995)**	(1,067)
Supplier payables expected to be settled within 12 months:		
Related entities	-	(71)
External parties	**(1,995)**	(996)
Total Supplier payables expected to be settled within 12 months	**(1,995)**	(1,067)
Total Supplier payables	**(1,995)**	(1,067)
Note 7B: Other Payables		
Wages and salaries	**-**	(310)
Unearned income	**(363)**	-
GST payable	**-**	(609)
Lease liabilities	**(795)**	(912)
Total other payables	**(1,158)**	(1,831)
Total other payables are expected to be settled in:		
No more than 12 months	**(485)**	(1,075)
More than 12 months	**(673)**	(756)
Total other payables	**(1,158)**	(1,831)

Note 8: Provisions

	2013 $'000	2012 $'000
Note 8A: Employee Provisions		
Leave	-	(1,882)
Other	-	(5)
Total employee provisions	-	(1,887)
Employee provisions are expected to be settled in:		
No more than 12 months	-	(805)
More than 12 months	-	(1,082)
Total employee provisions	-	(1,887)
Note 8B: Other Provisions		
Provision for make good	-	(140)
Provision for surplus lease	-	(100)
Total other provisions	-	(240)
Other provisions are expected to be settled in:		
No more than 12 months	-	(100)
More than 12 months	-	(140)
Total other provisions	-	(240)

	Provision for make good $'000	Provision for surplus lease $'000	Total $'000
Carrying amount 1 July 2012	**(140)**	**(100)**	**(240)**
Additional provisions made	-	-	-
Amounts used	-	-	-
Amounts reversed	**140**	**100**	**240**
Unwinding of discount or change in discount rate	-	-	-
Closing balance 30 June 2013	-	-	-

Note 9: Restructuring

	2013	2012
	$'000	$'000
FUNCTIONS ASSUMED [1]		
Assets recognised [2]		
Cash on hand or on deposit	-	917
Goods and services receivable - external parties	-	406
GST receivable from the Australian Taxation Office	-	99
Prepayment	-	28
Property, Plant and Equipment	-	217
Total assets recognised	-	1,667
Liabilities recognised		
Trade creditors and accruals	-	(1)
Wages and salaries	-	(47)
Unearned income	-	(25)
GST payable to ATO	-	(78)
Other - accrued expense	-	(325)
Employee Provisions	-	(182)
Other Provisions	-	(28)
Total liabilities recognised	-	(686)
Net assets/(liabilities) assumed for no consideration [3]	-	981

1. Functions assumed as a result of a change in responsibilities of CSC on 1 July 2011. On 1 July 2011 the name of CSC was changed from Australian Reward Investment Alliance (ARIA) and CSC became responsible for the administration of Military Superannuation and Benefits Scheme ('MSBS'), the Defence Force Retirement and Death Benefits Scheme ('DFRDB'), the Defence Force Retirement Benefits Scheme ('DFRB'), the Defence Force (Superannuation) (Productivity Benefit) Scheme ('DFSPB'), the Papua New Guinea Scheme ('PNG') and the 1922 Scheme in addition to the Public Sector Superannuation Scheme ('PSS'), the Commonwealth Superannuation Scheme ('CSS') and the Public Sector Superannuation Accumulation Plan ('PSSap') for which ARIA was trustee.

2. The restructure is assumed at 1 July 2011.

3. In respect of functions assumed, the net book values of assets and liabilities were transferred to the entity for no consideration.

Note 10: Cash Flow Reconciliation

	2013	2012
	$'000	$'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	**7,879**	4,772
Balance sheet	**7,879**	4,772
Difference	**-**	-
Reconciliation of net contribution by services to net cash from operating activities:		
Net contribution by services	**173**	230
Adjustments for non-cash items		
Depreciation / amortisation	**-**	879
Changes in assets / liabilities		
(Increase) / decrease in trade & other receivables	**655**	779
Increase / (decrease) in supplier payables	**1,954**	198
Increase / (decrease) in other payables	**246**	11
Increase / (decrease) in employee provisions	**-**	556
Increase / (decrease) in other provisions	**(100)**	210
Net cash from operating activities	**2,928**	2,863

Note 11: Contingent Liabilities and Assets

Quantifiable Contingencies

CSC has no quantifiable contingent liabilities or assets as at 30 June 2013 (2012: Nil).

Unquantifiable Contingencies

CSC has no unquantifiable contingent liabilities or assets as at 30 June 2013 (2012: Nil).

Significant Remote Contingencies

CSC has no remote contingent liabilities or assets as at 30 June 2013 (2012: Nil).

Note 12: Directors Remuneration

	2013 No.	2012 No.
The number of non-executive directors of the entity included in numbers are shown below in the relevant remuneration bands:		
$0 to $29,999	**-**	-
$30,000 to $59,999	**-**	1
$60,000 to $89,999	**10**	8
$90,000 to $119,999	**-**	1
$120,000 to $149,999	**1**	-
$150,000 to $179,999	**-**	1
Total	11	11
	$	$
Total remuneration received or due and receivable by directors of the entity	**902,938**	930,353

The Directors throughout the year ended 30 June 2013 and to the date of this report were:

Tony Cole
Peter Cosgrove
Peter Feltham
Nadine Flood
Lyn Gearing
Winsome Hall
Tony Hyams (Chairman)
John McCullagh
Peggy O'Neal
Gabriel Szondy
Michael Vertigan

Note 13: Senior Executive Remuneration

Following the change in expense payment arrangements on 1 July 2012 (see Note 3D), 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 CSC's share of those expenses as a service fee. The following notes disclose the total remuneration of CSC's employees regardless of which entity bears the expense.

Note 13A: Senior Executive Remuneration Expenses for the Reporting Period

	2013	2012
	$	$
Short-term employee benefits:		
Salary	**(1,998,920)**	(2,053,195)
Annual leave accrued	**(21,255)**	(62,870)
Performance bonuses	**(443,980)**	(480,480)
Motor vehicle and other	**(628)**	(368)
Total short-term employee benefits	**(2,464,783)**	(2,596,913)
Post-employment benefits:		
Superannuation	**(253,533)**	(260,759)
Total post-employment benefits	**(253,533)**	(260,759)
Other long-term benefits:		
Long service leave	**(33,123)**	(137,022)
Total other long-term benefits	**(33,123)**	(137,022)
Termination benefits	**-**	(123,103)
Total Senior Executive Remuneration Expenses	**(2,751,438)**	(3,117,797)

Notes:

1. Note 13A is prepared on an accrual basis.
2. Note 13A excludes acting arrangements and part-year service where remuneration expensed was less than $180,000.

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 2013:

Helen Ayres	Corporate Secretary
Peter Carrigy-Ryan	Chief Executive Officer
Leonie McCracken	Senior Executive, Operations
Bronwyn McNaughton	General Counsel
Christine Pearce	Senior Executive, Member & Employer Services
Alison Tarditi	Chief Investment Officer
Andy Young	General Manager, Finance & Risk (commenced 30 July 2012)

Note 13B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives during the Reporting Period

Average annual reportable remuneration[1]	2013 Senior Executives No.	Reportable salary[2] $	Contributed superannuation[3] $	Reportable allowances[4] $	Bonus paid[5] $	Total
Total reportable remuneration (including part-time arrangements):						
$180,000 to $209,999						
$210,000 to $239,999	**2**	**186,683**	**28,408**	**-**	**24,778**	**227,481**
$240,000 to $269,999	**1**	**197,773**	**31,417**	**-**	**28,350**	**257,540**
$270,000 to $299,999	**1**	**231,946**	**24,948**	**-**	**30,525**	**287,419**
$300,000 to $329,999	**1**	**236,120**	**35,436**	**-**	**36,170**	**307,726**
$540,000 to $569,999	**1**	**417,633**	**79,915**	**399**	**69,090**	**567,037**
$810,000 to $839,999	**1**	**557,003**	**25,000**	**-**	**255,067**	**837,069**
Total	**7**					

Average annual reportable remuneration[1]	2012 Senior Executives No.	Reportable salary[2] $	Contributed superannuation[3] $	Reportable allowances[4] $	Bonus paid[5] $	Total
Total reportable remuneration (including part-time arrangements):						
$180,000 to $209,999	1	143,224	25,863	-	24,583	193,669
$210,000 to $239,999	2	175,617	20,071	-	26,778	222,466
$240,000 to $269,999	2	205,797	32,923	368	33,750	255,779
$270,000 to $299,999	1	214,748	36,011	-	32,893	283,652
$540,000 to $569,999	1	420,421	67,899	-	58,262	546,582
$840,000 to $869,999	1	550,647	25,000	-	277,437	853,084
Total	**7**					

Notes:

1. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.

2. 'Reportable salary' includes the following:
   a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
   b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits); and
   c) salary sacrificed benefits.

3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.

4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as performance and individuals commencing with or leaving the entity during the financial year.

Note 13C: Average Annual Reportable Remuneration Paid to Other Highly Paid Staff during the Reporting Period

Average annual reportable remuneration[1]	2013 Staff No.	Reportable salary[2] $	Contributed superannuation[3] $	Reportable allowances[4] $	Bonus paid[5] $	Total $
Total reportable remuneration (including part-time arrangements):						
$180,000 to $209,999	**2**	**167,573**	**16,225**	**-**	**12,702**	**196,500**
$210,000 to $239,999	**3**	**173,600**	**25,332**	**365**	**23,020**	**222,317**
$240,000 to $269,999	**1**	**208,593**	**19,868**	**-**	**12,166**	**240,628**
$330,000 to $359,999	**3**	**275,550**	**35,990**	**-**	**38,850**	**350,390**
$420,000 to $449,999	**1**	**357,817**	**25,000**	**-**	**47,504**	**430,321**
$480,000 to $509,999	**1**	**317,165**	**25,000**	**-**	**149,956**	**492,120**
Total	**11**					

Average annual reportable remuneration[1]	2012 Staff No.	Reportable salary[2] $	Contributed superannuation[3] $	Reportable allowances[4] $	Bonus paid[5] $	Total $
Total reportable remuneration (including part-time arrangements):						
$180,000 to $209,999	2	177,816	16,818	-	18,105	203,687
$210,000 to $239,999	3	180,596	23,162	210	19,795	217,024
$300,000 to $329,999	1	247,458	43,201	-	33,069	323,728
$330,000 to $359,999	2	257,971	48,380	-	41,921	348,272
$420,000 to $449,999	1	342,222	34,332	-	49,271	425,825
$480,000 to $509,999	1	295,308	41,257	-	163,108	499,674
Total	**10**					

Notes:

1. This table reports staff:
   a) who were employed by the entity during the reporting period;
   b) whose reportable remuneration was $180,000 or more for the financial period; and
   c) were not required to be disclosed in Table B or director disclosures.

Each row is an averaged figure based on headcount for individuals in the band.

2. 'Reportable salary' includes the following:
   a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
   b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes); and
   c) salary sacrificed benefits.

3. The 'contributed superannuation' amount is the average cost to the entity for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.

4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as performance and individuals commencing with or leaving the entity during the financial year.

Note 14: Remuneration of Auditors

Financial statement audit services were provided to the entity by the Australian National Audit Office (ANAO) through its contracted service provider Deloitte Touche Tohmatsu (Deloitte). Fees for the services are as follows:

	2013	2012
	$'000	$'000
Financial statement audit services	**21**	27
Australian Financial Services Licence audit services	**12**	7
Risk Management Strategy/Plan audit services	**27**	-
	60	34

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

Note 15: Financial Instruments

	2013 $'000	2012 $'000
Note 15A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	**7,879**	4,772
Receivables for goods and services	**-**	1,150
GST receivable	**495**	-
Carrying amount of financial assets	**8,374**	5,922
Financial Liabilities		
At amortised cost:		
Trade creditors	**(1,652)**	(71)
Wages and salaries	**-**	(310)
GST payable	**-**	(609)
Lease liabilities	**(795)**	(912)
Carrying amount of financial liabilities	**(2,447)**	(1,902)

The carrying amount of the financial assets and financial liabilities is equivalent to their fair value.

Note 15B: Net Income and Expense from Financial Assets		
Loans and receivables		
Interest revenue	**216**	118
Net gain from loans and receivables	**216**	118

Note 15C: 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 $7,878,764 at 30 June 2013 (2012: $4,771,844). 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 receivables (2013: $495,018 and 2012: $1,150,463). Trade receivables are usually limited to the ARIA Investments Trust and Australian Government agencies. CSC has assessed the risk of the default on payment and has determined there is no credit risk to CSC. CSC holds no collateral to mitigate against credit risk. No receivables are past due or impaired at the balance date (2012: Nil).

Note 15D: 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.

Maturities for financial liabilities 2013

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors	-	(1,652)	-	-	-	(1,652)
Wages and salaries	-	-	-	-	-	-
GST payable	-	-	-	-	-	-
Lease liabilities	-	(122)	(166)	(93)	(414)	(795)
Total	-	(1,774)	(166)	(93)	(414)	(2,447)

Maturities for financial liabilities 2012

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	> 5 years $'000	Total $'000
Trade creditors	-	(71)	-	-	-	(71)
Wages and salaries	-	(310)	-	-	-	(310)
GST payable	-	(609)	-	-	-	(609)
Lease liabilities	-	(156)	(213)	(393)	(150)	(912)
Total	-	(1,146)	(213)	(393)	(150)	(1,902)

Note 15E: Market Risk

CSC is not exposed to market risk.

Note 16: 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.

	2013	2012
	$'000	$'000
CSS		
Opening balance	**4 228 134**	4 619 878
Closing balance	**4 223 960**	4 228 134
PSS		
Opening balance	**13 021 709**	12 534 422
Closing balance	**14 988 508**	13 021 709
PSSap		
Opening balance	**3 672 761**	2 884 013
Closing balance	**4 987 263**	3 672 761
MSBS		
Opening balance	**4 022 194**	3 878 664
Closing balance	**4 913 125**	4 022 194

Note 17: 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 17A: Net Cost of Outcome Delivery

	Outcome 1	
	2013	2012
	$'000	$'000
Departmental		
Expenses	**8,292**	21,648
Own-source income	**8,465**	21,878
Net cost of/(contribution by) outcome delivery	**(173)**	(230)

Note 17B: Major Classes of Departmental Expenses, Income, Assets and Liabilities by Outcomes

	Outcome 1	
	2013	2012
	$'000	$'000
Expenses:		
Employees	**(797)**	(12,366)
Suppliers	**(7,495)**	(8,403)
Depreciation and Amortisation	**-**	(879)
Write-down and impairment of assets	**-**	-
Total	**(8,292)**	(21,648)
Income:		
Sale of goods and rendering of services	**8,249**	21,757
Other gains	**-**	3
Interest	**216**	118
Total	**8,465**	21,878
Assets		
Cash and cash equivalents	**7,879**	4,772
Trade and other receivables	**495**	1,150
Property, plant and equipment	**-**	3,758
Intangibles	**-**	393
Total	**8,374**	10,073
Liabilities		
Suppliers	**(1,995)**	(1,067)
Other payables	**(1,158)**	(1,831)
Employee provisions	**-**	(1,887)
Other provisions	**-**	(240)
Total	**(3,153)**	(5,025)

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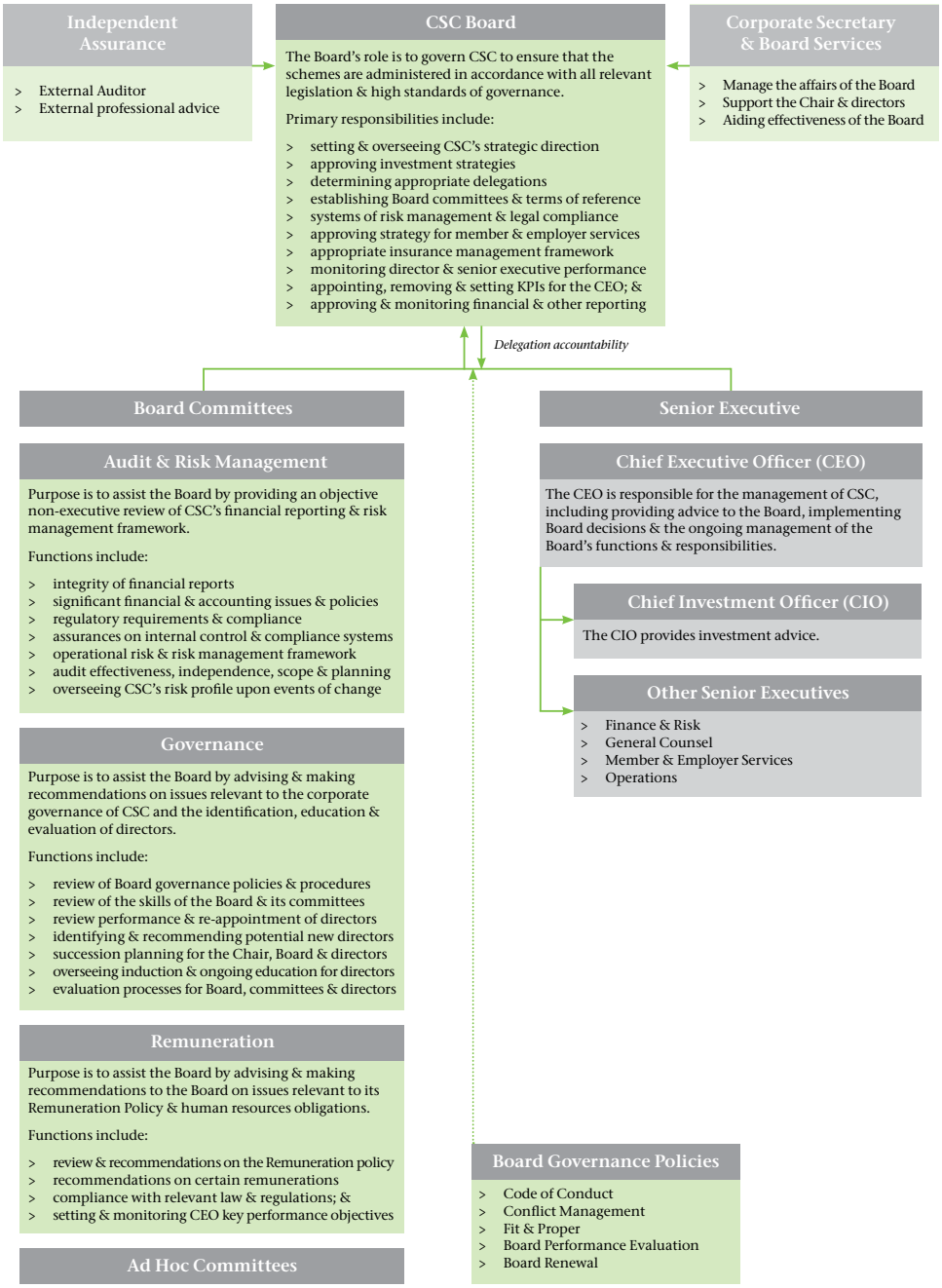
Appendices

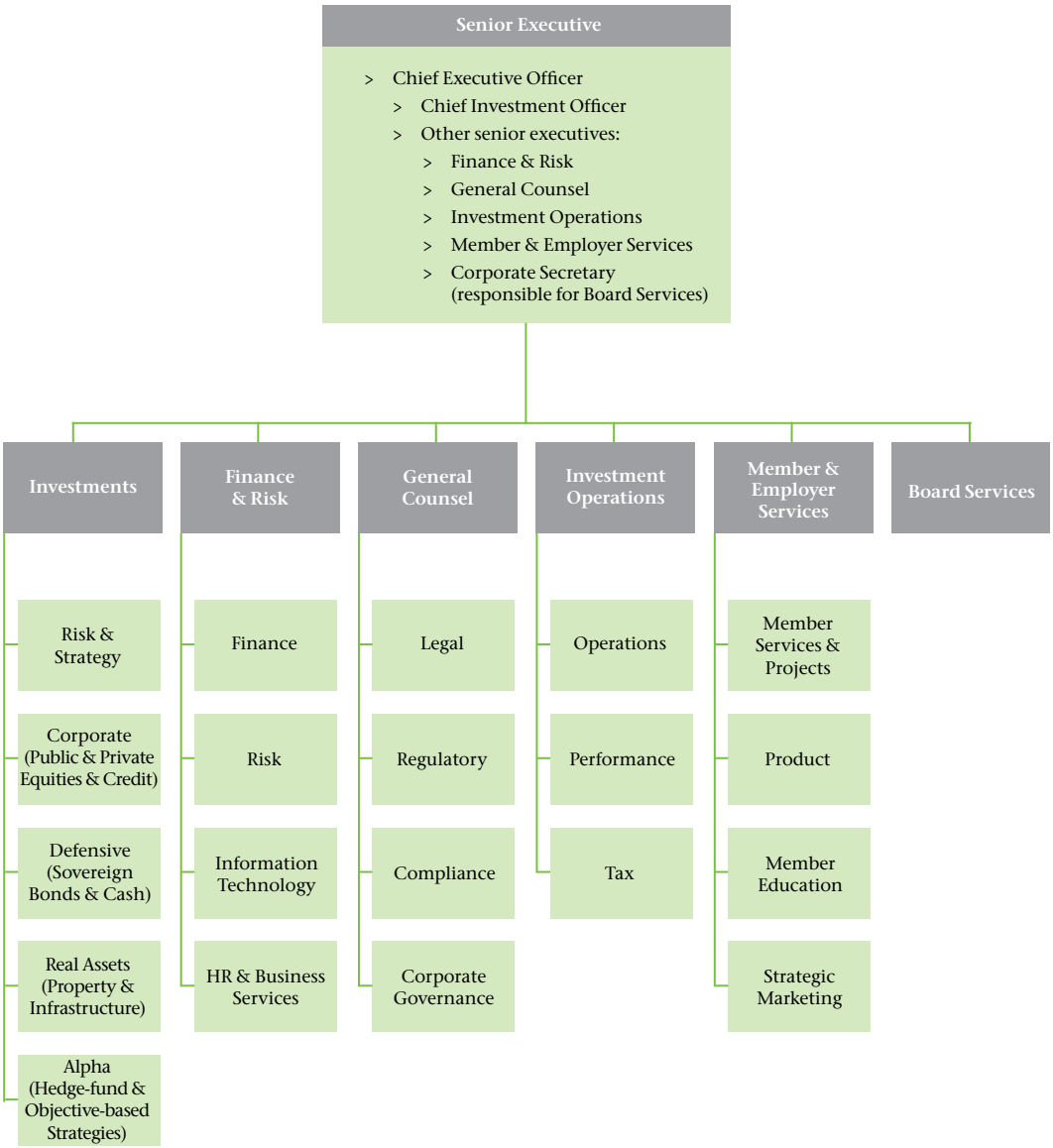
Appendix 1

CSC's corporate governance framework



Appendix 2

CSC's organisational structure



Appendix 3

Advertising and market research

Pursuant to Section 311A of the *Commonwealth Electoral Act 1918*, CSC must report on advertising and market research expenditure during the year. Individual contracts that exceeded $11,200 (inclusive of GST) during the year must be reported.

Table 59 details these individual contracts. All amounts include GST.

Table 59: Advertising and market research expenditure in 2012–13

Provider	Purpose	Expenditure ($)
Faircount Media Group	Print advertising	26,345
APN Outdoor (Trading)	Public space advertising	13,200
Fairfax Media	Print advertising	34,050
Total		**73,595**

Appendix 4

Information publication scheme statement

Agencies subject to the *Freedom of Information Act 1982 (FOI Act)* are required to publish information to the public as part of the Information Publication Scheme (IPS). This requirement is in Part II of the FOI Act and has replaced the former requirement to publish a Section 8 statement in an annual report. Each agency must display on its website a plan showing what information it publishes in accordance with the IPS requirements. Our IPS is available at: **csc.gov.au/reports-and-information/information-publication-scheme/**

Appendix 5

Changes to legislation

Governance of Australian Government Superannuation Schemes Act 2011

The *Statute Law Revision Act 2012* made a minor amendment relating to acting appointments to the Board, consequential to earlier amendments to the *Acts Interpretation Act 1901*, and updated cross-references to the *Acts Interpretation Act 1901*. The change removes the provision providing that anything done by or in relation to a person purporting to act under an appointment is not invalid merely because of various matters. These provisions are no longer required as section 33AB of the *Act Interpretation Act 1901* now deals with this. A note has also been included referring to the general acting appointment provisions in the *Acts Interpretation Act 1901*. These changes had effect from 22 September 2012.

The CSS Act

The *Public Service Amendment Act 2013* updated the CSS Act to remove an out-of-date reference to the retirement of a former unattached Secretary under a provision of the *Public Service Act 1922*. This reference is out-of-date as the *Public Employment (Consequential and Transitional) Amendment Act 1999* has now been repealed. This change took effect from 14 February 2013.

The *Tax and Superannuation Laws Amendment (Increased Concessional Contributions Cap and Other Measures) Act 2013* amended the definition of 'benefit' in the CSS Act to expressly include release authority lump sums, but exclude certain other payments. These amendments allow a release authority lump sum to be paid by CSC to the ATO if a person presents a release authority issued under the relevant provisions of the *Taxation Administration Act 1953*. This release authority lump sum will allow the person to meet their debt account discharge liability for members who are very high income earners, when their superannuation benefit becomes payable. Further amendments allow a person to reduce their pension to pay this liability. These changes took effect from 28 June 2013.

The PSS Act

The *Public Service Amendment Act 2013* updated a provision in the PSS Act which related to eligibility of some public servants who undertook continued employment because of the *Public Employment (Consequential and Transitional) Amendment Act 1999* (the PECTA Act) which has since been repealed. The provision in the PSS Act has been amended to refer to the PECTA Act as in force immediately before its appeal. This change took effect from 14 February 2013.

The *Tax and Superannuation Laws Amendment (Increased Concessional Contributions Cap and Other Measures) Act 2013* amended the definition of 'benefit' in the PSS Act to expressly include release authority lump sums, but exclude certain other payments. This change took effect from 28 June 2013.

The 37th Amending Deed to the PSS Trust Deed was made on 31 May 2013. The 37th Amending Deed amended the Trust Deed to give PSS members greater flexibility to roll-over certain funded amounts into other funds prior to exiting the PSS. This provision commenced on 14 June 2013. It also amends the Trust Deed to reflect the removal of the age limit for Superannuation Guarantee contributions, which took effect on 1 July 2013. The amendments allow for accrual of benefits for members aged 75 and above, and for members aged 65 and above who are not gainfully employed on at least a part-time basis. Further, the Trust Deed has been amended to clarify that when a member makes an election to change their rate of contributions it takes effect from that contribution day rather than the next contribution day. This provision commences on 1 July 2014.

The MilitarySuper Act

There were no changes to the MilitarySuper Act or Trust Deed.

The PSSap Act

There were no changes to the PSSap Act.

From 1 July 2013, the 7th Amending Deed to the PSSap Trust Deed took effect. The 7th Amending Deed amended the Trust Deed as a consequence of amendments to the *Superannuation Industry (Supervision) Act 1993* that introduce MySuper products as default superannuation products and also ensures that the PSSap complies with MySuper requirements for offering a MySuper product to default fund members. On 26 March 2013, the 8th Amending Deed took effect. The 8th Amending Deed amended the Trust Deed to allow CSC to offer members account-based pensions within the PSSap. The 9th Amending Deed took effect, for the most part, on 31 May 2013. The 9th Amending Deed amended the Trust Deed to allow CSS and PSS members to salary sacrifice into the PSSap and make certain transfers in the PSSap.

The 1922 Act

The *Statute Law Revision Act 2012* repealed parts of the1922 Act that are now obsolete, as they relate to the transfer of persons employed in the Williamstown Dockyard from the Melbourne Harbor Trust Commissioners to the Commonwealth which occurred in 1942. This change took effect from 22 September 2012.

The *Statute Stocktake (Appropriations) Act (No. 1) 2012* repealed parts of the 1922 Act that are now obsolete, as they relate to the provision of life assurance prior to 1976 and certain pension increases prior to 1961, by way of special appropriations. This change took effect from 25 September 2012.

The DFRB Act

The *Statute Law Revision Act 2013* amended a section of the DFRB Act which contained a spelling mistake as it referred to “classifed” to correct it to “classified”. This amendment took effect from 29 June 2013.

The DFRDB Act

The *Superannuation Laws Amendment (MySuper Capital Gains Tax Relief and Other Measures) Act 2013* made amendments to allow for a lump sum to be paid from a superannuation interest in the DFRDB scheme to meet a debt account discharge liability for members who are very high income earners. As a result, a member’s superannuation benefits, including any reversionary pension to be paid to the surviving spouse of a deceased member, is reduced. These changes took effect from 28 June 2013.

The DFSPB

The *Defence Force (Superannuation) (Productivity Benefit) Amendment Determination 2013 (No. 1)* amended the DFSPB Determination to make provision for a 3 per cent productivity benefit and superannuation guarantee top-up in accordance with the factors set out in the DFSPB Determination, covering the period 1 January 2013 to 31 December 2013.

The PNG Act

The *Financial Framework Legislation Amendment Act (No. 1) 2013* made amendments to provide authority for recoverable payments and recoverable death benefits to address administrative issues where technical overpayments of an entitlement payment may be made, and thereby risk breaching section 83 of the Constitution. These changes took effect from 15 March 2013.

Appendix 6

Publications

CSC publishes the following communication materials for the benefit of members and employers. Forms, educational videos and calculators are also available online.

CSC annual report

CSC Annual Report to Parliament

APS employer publications

Employer news (bimonthly newsletter)
On the case (quarterly newsletter)

Quick guides

Casuals
Continuous service and membership numbers
Death of a contributing member
Membership eligibility
Part time members
Salary reductions
Tax file numbers
0% contributions (CSS and PSS only)
CSS and PSS invalidity notes
How to complete departmental reports (CSS and PSS only)
CSS contributions in arrears
CSS part-time members
CSS transition to retirement
PSS changes to maximum benefit limits
PSS contributions in arrears
PSS election to cease membership
PSS members ceasing scheme membership
PSSap ceasing members
PSSap commencing new members

Training notes

Contributions to CSS
CSS employer productivity superannuation contributions
CSS general benefit accrual
Membership of CSS
CSS permanent part-time membership
CSS salary for superannuation
CSS reduction in salary for superannuation
CSS shift allowance
Contributions to PSS
PSS employer productivity superannuation contributions
PSS general benefit accrual
PSS medical status of scheme members
Membership of PSS
PSS part-time and casual membership
PSS salary for superannuation
PSS reduction in salary for superannuation
CSS and PSS Employer Services Online
PSSap manual

CSS publications

Publications

CSS Product Disclosure Statement
> Investment Options and Risk
> Fees and other costs
> Tax and your CSS super

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
Explore your expanded options booklet
CSS benefit tables

Factsheets

CSS age retirement
CSS preservation of benefits
Death benefits
Early access to super benefits
Invalidity benefits
Postponement of benefits
Retiring and claiming your CSS benefit
Retrenchment
Contributions to the CSS
CSS transfers in
Leave without pay
Salary reductions and your super
Salary sacrifice
The CSS cash investment option

Accessing your super information online
CSS changing from permanent full-time to permanent part-time
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
> Additional 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
Explore your expanded options booklet

Factsheets

Death benefits
Early access to superannuation benefits
Invalidity benefits
Maximum benefit limits
Preservation of benefits
Retrenchment
Contributing to the PSS
Leave without pay
Rolling money into the PSS
Salary reductions and your super
Salary sacrifice
The cash investment option for preserved benefit and associate members
Ceasing PSS membership
Changing from part-time to full-time
Getting info online
Multiple PSS memberships
Tax concessions for PSS pensions
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
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
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 concessions for pensions

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
PSSap Member Report (including CSCri)

Factsheets

Withdrawing your super from PSSap
Transfers to PSSap
Your super salary and PSSap
Beneficiary nomination

CSCri publications

Publications

CSCri Product Disclosure Statement
CSCri Financial Services Guide

Factsheets

CSCri standard retirement income stream

DFRDB publications

Publications

DFRDB Book
DFRDB About Your Statement Guide
DFRDB Annual Member Report
Pension update (biannual newsletter)
Family law and super splitting booklet
Long-term Cost Report 2011

Appendix 7

Glossary

AAT	Administrative Appeals Tribunal
AAT Act	*Administrative Appeals Tribunal Act 1975*
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
ARIA	Australian Reward Investment Alliance
ARM Committee	Audit and Risk Management Committee
ASX	Australian Stock Exchange
ATO	Australian Taxation Office
AWFY seminars	At Work For You seminars
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*
DFRB	Defence Forces Retirement Benefits Scheme
DFRB Act	*Defence Forces Retirement Benefits Act 1948*
DFRDB	Defence Force Retirement and Death Benefits Scheme
DFRDB Act	*Defence Force Retirement and Death Benefits Act 1973*
DFSPB	*Defence Force (Superannuation) (Productivity Benefit) Determination 1988*
ESG	Environmental, social and governance
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 Schemes Act*
GDP	Gross domestic product
ICR	Indirect cost ratio
IFS	Industry Fund Services
IPS	Information Publication Scheme
MilitarySuper	Military Superannuation and Benefits Scheme
MilitarySuper Act	*Military Superannuation and Benefits Scheme Act 1991*
Minister	Minister for Finance
Pillar	Pillar Administration
PECTA Act	*Public Employment (Consequential and Transitional) Amendment Act 1999*
PNG	Papua New Guinea Scheme
PNG Act	*Papua New Guinea (Staffing Assistance) Act 1973*
PSS	Public Sector Superannuation Scheme
PSS Act	*Superannuation Act 1990*
PSSap	Public Sector Superannuation accumulation plan
PSSap Act	*Superannuation Act 2005*
RSE licence	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

12 Report requirements

This report satisfies section 9 of the CAC Act and the relevant Finance Minister's Orders, which are the *Commonwealth Authorities (Annual Reporting) Orders 2011* and the *Finance Minister's Orders (Financial Statements for reporting periods ending on or after 1 July 2011)*. A list of specific reporting requirements is set out below in **Table 60**.

Table 60: List of CSC's annual reporting requirements

Requirement	Page
> Signed by a CSC director	3
> Details of how and when approval by Board was given	3
> State that directors are responsible for the preparation and contents of the Annual Report of Operations	3
Comply with relevant presentation and printing standards for documents presented to Parliament	-
Be written in a manner that is relevant, reliable, concise, understandable and balanced	-
Specify CSC's enabling legislation, including a summary of its objectives and function, as specified in the GAGGS Act	20
Specify the name of the current responsible Minister	3
> Provide details of directions issued by any Minister to CSC, under the GAGGS Act; general policies of Government that apply to CSC; and General Policy Orders made under the CAC Act that apply to CSC	N/A
> Where CSC has not complied with any directions, policies or Orders, include explanation of non-compliance	N/A
Report on certain matters in other legislation:	
> Environmental matters under the *Environmental Protection and Biodiversity Conservation Act 1999*	38
> Advertising and market research (*Commonwealth Electoral Act 1918*)	274
> Work health and safety (*Work, Health and Safety Act 2011*)	33
> Information publication scheme statement (FOI Act)	275
> Information on the directors, including names, qualifications, experience, attendance at meetings and whether they are executive or non-executive	21-25
> Outline of the organisational structure of CSC, and the location of major activities and facilities	273
> Information on the main corporate governance practices that CSC used during the financial year	31
Disclose the decision-making process when approving related entity transactions, where a conflict of interest arises	N/A
Key activities and changes that affected CSC during the financial year	14-15, 16-18, 276-277
Significant third party decisions by judicial or administrative bodies, and reports about CSC by the Auditor-General, a Parliamentary committee, the Commonwealth Ombudsman or the Office of the Australian Information Commissioner	68-72
Details of any indemnity given to an officer (including directors) against a liability, including premiums paid, or agreed to be paid, for insurance against the officer's liability for legal costs	31
Index of the annual report requirements, identifying where relevant information can be found in the annual report	286-287

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Numerals