Australian Government
Commonwealth Superannuation Corporation

Product Disclosure Statement

Eighth edition,
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CSC — CSCri CSC retirement income

Contents

Contact us

If you would like us to send you a copy of this document or any additional information referred to, or if you have any questions about this document or CSCri in general, call us on **1300 736 096** or contact us using the details located at the back of this publication.

1. About CSCri

Commonwealth Superannuation Corporation retirement income (CSCri) offers a competitive retirement service to eligible members of Public Sector Superannuation accumulation plan (PSSap), Public Sector Superannuation Scheme (PSS) and Commonwealth Superannuation Scheme (CSS). CSCri is offered by Commonwealth Superannuation Corporation (referred to as CSC, we or us) (ABN 48 882 817 243, AFSL 238069, RSEL L0001397) through PSSap (referred to as PSSap or Fund) (ABN 65 127 917 725, RSE R1004601).

CSC manages all aspects of CSCri including investment strategy, administration and member communications. With over 30 years of experience CSC is the expert on the employment conditions of our members (current and former Australian Government employees) and is uniquely positioned to understand their needs and offer a profit-for-members retirement income stream dedicated to maximising member benefits, which means that any profits are returned to the members.

CSC is licensed under the *Corporations Act 2001* and the *Superannuation Industry (Supervision) Act 1993*. It is the trustee of five regulated superannuation schemes: PSSap, CSS, PSS, Australian Defence Superannuation Scheme (ADF Super), Military Superannuation and Benefits Scheme (MilitarySuper); and also administers six unregulated/exempt public sector schemes.

Important note about this Product Disclosure Statement (PDS)

Any information in this document is general information only and does not take account of your personal financial situation or needs. You should obtain financial advice tailored to your personal circumstances.

Information in this document may change from time to time. Information that is not materially adverse to you may be updated on our website, **csc.gov.au**, or contact us for a free paper copy. You can find information about product dashboards, director and executive officer remuneration and other mandated disclosure materials in the **About us** section of the website.

The offer to which this document relates is available only to persons eligible to acquire a CSCri income stream in Australia under the Superannuation (PSSap) Trust Deed made under section 10 of the *Superannuation Act 2005*.

2. Key features and benefits

CSCri offers two types of retirement income streams:

- Standard retirement income stream – if you have:
  - permanently retired from the workforce and reached your preservation age,
  - changed employment on or after age 60
    or
  - reached 65 years of age.
- Transition to retirement income stream – if you have reached your preservation age but are under 65 years of age and are still working.

Key features at a glance

Minimum investment	$20 000
Flexible payment and withdrawal options	**Payment options:** Fortnightly, monthly, quarterly, half-yearly or annually by direct credit to your bank account. **Lump sum withdrawals:** Available at any time (not available for transition to retirement income streams).
Investment options	**CSCri Cash, CSCri Income Focused** (default),**CSCri Balanced** and **CSCri Aggressive**, **TRIS Cash**, **TRIS Income Focused** (default), **TRIS Balanced** and **TRIS Aggressive** – see pages 6 and 7.
Investment switches	The first two switches each financial year are free – then $20 per switch.
In the event of death	In the event of your death, you can have your account balance paid as a retirement income stream or as a lump sum to your spouse, dependants or your estate (lump sum only).
Competitive fees	A retirement income stream with competitive fees, including a flat dollar based fee of $20 per month per account (no asset based administration fees). For more information see page 11.
Tax	CSCri receives favourable tax treatment.
Keeping you informed	• Confirmation of any transactions undertaken on your account • Annual Statement including annual review confirming your retirement income stream for the following financial year • Centrelink/Department of Veterans Affairs Schedule • PAYG Payment Summary • access to member website to view account details and update certain details.
Restart option	You can restart your CSCri account to add additional money. The minimum additional money required to restart is $10 000. For more information see page 20.

Benefits

Standard retirement income stream

- tax effective income in retirement. Your income stream payments are tax-free from age 60
- tax-free investment earnings
- variable retirement income stream payments and access to lump sums if and when you need them.

Transition to retirement income stream

- **Supplement your income.** You can make a gradual adjustment to retirement by reducing your working hours and supplementing your lower salary with regular retirement income stream payments.
- **Reduce your tax.** You may be able to pay less tax by salary sacrificing into super and topping up your income with regular retirement income stream payments.
- **Increase your super savings.** You can continue to work full-time, make additional contributions to your super by salary sacrificing and supplement your lower salary with regular income stream payments.

Checklist

- ◯ Read this Product Disclosure Statement (PDS) carefully.
- ◯ Choose which type of retirement income stream applies to your circumstances, and the frequency of payments you require.
- ◯ Choose your investment option(s).
- ◯ Decide your reversionary beneficiary, binding and non-binding beneficiaries as required.
- ◯ Complete the **Apply for CSC retirement income** application form and include proof of identity documents.
- ◯ Complete the **Nominate your beneficiaries** form if required.
- ◯ Complete the Tax File Number declaration form if aged under 60.

3. How CSCri works and your options

CSCri pays you a regular income stream to allow you to meet your needs and goals in retirement. It also allows your remaining balance to continue to work for you in the tax effective environment of superannuation.

Some factors you may wish to consider include:

- your age and how long your money needs to last during your retirement
- the amount of your super, other assets and whether and when you can apply for the age pension
- the level of investment performance that you are expecting
  and
- the level of risk and fluctuation in the value of your investment that you can tolerate.

You have the choice of investing in one or more of four investment options:

- for standard retirement income members – **CSCri Cash, CSCri Income Focused** (default), **CSCri Balanced** and **CSCri Aggressive**; and
- for transition to retirement income (TRIS) members – **TRIS Cash, TRIS Income Focused** (default), **TRIS Balanced** and **TRIS Aggressive.**

For example at the start of your retirement you may wish to invest in assets that are expected to grow over time, such as shares and property, and diversify your investments. Alternatively, you may choose to invest in more defensive assets if you are comfortable with lower levels of risk and more stable returns. Your choice depends on your individual circumstances. Note that past performance is no indication of future performance.

You can choose to access your retirement income as a transition to retirement income stream or a standard retirement income stream depending on your circumstances. Note that due to differing tax treatment, separate investment options have been established for a **transition to retirement income stream (TRIS)**, namely **TRIS Cash, TRIS Income Focused** (default), **TRIS Balanced** and **TRIS Aggressive**.

Transition to retirement income stream

Our transition to retirement option offers you the ability to draw down an income stream while you are still working.

To start a transition to retirement income stream you need to have reached your preservation age, be under the age of 65 and still be working. Use the table below to determine your **preservation age**:

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
From 1 July 1964	60

You can access between the minimum annual pension level and up to 10% of the value of your account per year and can choose to have this paid to you either fortnightly, monthly, quarterly, half-yearly or annually. The 10% maximum for each year is calculated on your account balance at the start date of your retirement income stream and at 1 July each year thereafter.

You can access more than 10% or receive a lump sum payment if:

- you have reached your preservation age, ceased working and do not intend to work for more than 10 hours a week in the future (permanently retire)
- you reach age 65
- on or after age 60 you change employment (you do not need to have permanently retired)
- you retire due to permanent disability or invalidity
- you have a terminal medical condition as defined under superannuation law
- you meet the eligibility rules for severe financial hardship or are approved a payment on compassionate grounds by the Department of Human Services,
  or
- you are a temporary resident permanently leaving Australia (except New Zealand citizens).

While you hold a transition to retirement income stream, we will move your account to a standard retirement income stream if:

- you tell us that you have permanently retired
- you tell us that you have ceased employment on or after age 60,
  or
- you are 65 or over.

Standard retirement income stream

Our standard retirement income stream allows you to invest your retirement savings in one or more of **CSCri Cash, CSCri Income Focused** (default), **CSCri Balanced** and **CSCri Aggressive** investment options, making your super work for you, while you receive a regular income.

To set up a standard retirement income stream, you need to have:

- reached your preservation age and have permanently retired
- changed employment on or after age 60,
  or
- reached age 65.

Each year when receiving a standard retirement income stream you are required by superannuation law to withdraw a **minimum annual pension level** based on your age, detailed below:

Age	Minimum %
Under 65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95+	14%

The minimum percentage is calculated on your account balance at the start date of your retirement income stream and at 1 July each year thereafter. If you start a retirement income stream **before 1 June,** a payment will need to be made to you by 30 June of that year. The minimum amount of this payment will be calculated by reference to the period of time remaining until 30 June of that year, and will be a proportion of the minimum payment amount required for that year. If you start a retirement income stream on or **after 1 June** you can choose whether to receive a retirement income stream payment in that year or not, however you must receive a retirement income stream payment by 30 June the following year.

Income stream payments

If you have your account invested in more than one investment option you can choose how your payments will be proportioned. The default method is the **pro-rata method** where each payment is withdrawn from each investment option in proportion to the balance in each investment. Or you can choose to nominate the order of investment options from which your payments are to be drawn. This is the **priority method**. Alternatively, you can elect the proportion of the retirement income stream payment to be withdrawn from each investment option. This is the **proportional method**.

You can choose to receive your retirement income stream fortnightly, monthly, quarterly, half-yearly or annually.

Fortnightly payments are generally paid to your bank account every second Thursday (subject to how long your bank takes to process the payment).

If you elect a monthly, quarterly, half yearly or annual payment frequency – payments are paid regularly to your bank account, generally on the 21st day of the month in which the payment is due. If the 21st day of the month falls on a weekend or public holiday, your income stream payment will generally be made on the last business day that precedes the 21st day of the month.

The payments will continue until your balance is reduced to zero or you die. You can choose to have amounts remaining in your account when you die paid to your beneficiaries. How long your retirement income stream will last depends on your starting balance, the amount you draw down, any lump sum withdrawals you make, the investment options you choose and the performance of the investment options.

For more information on transition to retirement and standard retirement income streams refer to the Australian Securities and Investments Commission website **moneysmart.gov.au**

4. Investment options and risk

You can mix and match your investment options in a number of different ways to suit your retirement needs and goals.

Standard retirement income stream members have the choice of investing in one or more of four investment options – CSCri Cash, CSCri Income Focused (default), CSCri Balanced and CSCri Aggressive. Transition to retirement income stream members have the choice of investing in one or more of four investment options – TRIS Cash, TRIS Income Focused (default), TRIS Balanced and TRIS Aggressive. If you do not choose an investment option, your retirement income stream will be invested in the applicable Income Focused option. Note that if you or your reversionary beneficiary dies, we may switch the investment options in which your account is invested, pending payment of your benefit, to an investment option that we select.

CSC's framework for portfolio construction

CSC constructs a portfolio for each investment option by categorising assets according to their risk profile and their role in diversifying portfolio-level risk. To this end, investments rest within one of five broad categories, classified by their diversifying role in the portfolio.

The five broad categories (corporate equities, debt, real assets, sovereign assets and alternative strategies) are described below:

- corporate equities comprise Australian shares, international shares and private equity (investment in a company not listed on a stock exchange) investments. These investments earn a real return (i.e. return above inflation) by financing corporations through public and private equity markets.
- debt comprises corporate credit investments in developed and emerging countries. These investments earn a real return (i.e. return above inflation) by financing corporations through public and private debt markets.
- real assets comprise property and infrastructure investments. These investments earn a real return (i.e. return above inflation) by financing the building, maintenance, management and trading of assets, accessed through public and private equity and debt markets.
- sovereign assets comprise government bonds and cash investments. These investments earn a return by financing sovereigns and banks, through the holding of government bonds and Australian cash, respectively.
- alternative strategies comprise investments not included in the traditional asset classes listed above, often targeting an absolute return. Examples include investments in hedge funds and multi-asset diversified funds. These investments can have differing levels of risk depending on the actual strategy employed.

Each of the asset classes that make up the above categories are described in more detail below.

Description of asset classes

The following is a general description of asset classes that make up the investment options.

Cash

Cash investments comprise deposits with banks and money market securities (such as bank bills and promissory notes) that are issued or guaranteed by a government, bank or corporate entity. These securities must have a minimum credit rating of A1 (or its floating rate equivalent) for short-term securities and a minimum credit rating of A1 for long-term securities. Standard & Poor's (or the equivalent from Moody's or Fitch if no Standard & Poor's rating is available) determine these ratings. Interest rate futures, swaps and repurchase agreements are also investible securities in this sector.

Unlike bank deposits, these short-term money market securities can experience negative returns on a particular day if there are large unusual movements in interest rates.

Fixed interest

Government bonds

Investing in government bonds means your money is lent to governments wishing to raise funds. Generally, in return, you receive a fixed rate of interest until the bond matures and the amount invested is repayable.

CSC invests in both Australian and international government bonds (such as inflation-linked and nominal, government and semi-government bonds issued by developed and emerging country sovereigns). This is generally considered a moderate risk investment as the predominant exposure is to sovereign credit risk (the risk that a government cannot or will not honour its existing obligations) and interest rate risk.

Corporate credit

Investing in corporate credit means your money is lent to corporate organisations wishing to raise capital through the issue of corporate bonds. Generally, in return, you receive a fixed rate of interest until the bond matures and the amount invested is repayable. CSC invests in Australian and international corporate credit. This is generally considered a moderate risk investment as the predominant exposure is to credit risk (the risk that a borrower cannot or will not honour its existing obligations) and interest rate risk.

Equities

Australian shares

Investing in Australian shares means you are investing in companies listed on the Australian Stock Exchange (ASX). The return on your share investments is your part of the companies' profits which is paid to shareholders in the form of dividends, and any capital gains or losses from share price fluctuations. As the companies' fortunes fluctuate, so will the value of any shares. Share prices are affected by market forces and are considered to be one of the more risky investments, but over the longer term they may offer relatively higher returns.

International shares

Investing in international shares is like investing in Australian shares except that the companies are those listed on international stock market exchanges rather than the ASX. In addition to being exposed to global stock market fluctuations, investment returns can also be influenced by foreign currency exchange movements. Foreign currency exposure is managed through hedging against the Australian dollar. The level of hedging is determined by CSC and may vary from time to time.

Private equities

Investing in private equities means you are investing in companies that are not listed on a stock exchange. These companies are located both in Australia and internationally. They provide access to sectors or segments of economic growth that may not be accessed as efficiently through listed markets (eg information technology and health care sectors). The private companies are managed by teams with operational expertise in the industries in which these companies operate.

Property

Property includes investments in established buildings and properties, for example shopping centres, or buildings under construction. We also invest money in property trusts and property companies, which means we pool your money together with other investors, in order to have the scale to purchase a share of very large properties. The investment returns on property come from rent and changes to property values over time. Our property portfolio generally has lower returns than Australian shares as its risk profile is more moderate.

Infrastructure

Infrastructure includes investments in essential public works facilities and services in Australia and overseas, for example, toll roads, airports, schools, water systems and power supply including renewable energy. We also invest money in trusts and infrastructure companies, which means we pool your money together with that of other investors, in order to have the scale to purchase a share of very large infrastructure assets.

Alternatives

CSC also allocates capital to investment strategies that exploit price discrepancies between markets and between securities. These strategies provide a stream of returns that are less dependent on the actual direction of equity markets. In this way, these returns generally hedge the portfolio against episodes of negative equity market returns.

Investment options

CSCri Cash and TRIS Cash

Objective

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

Risk profile and investor suitability

This investment option may be suitable for those who prefer less risk. The minimum suggested time-frame for holding this option is one year or more. With a very low risk rating (band one), it is estimated that the option will have a negative return (i.e. will lose value) in less than six months over any 20 year period.

Bloomberg AusBond bank bill index

The Bloomberg AusBond bank bill index is a market accepted index that is commonly used to benchmark the performance of short-term cash investment portfolios. The index comprises a basket of 13 generic bank bills that range in maturity from one week to 13 weeks. Each week the shortest-dated bank bill matures and is replaced by a new 13 week bank bill. In this way, the index has an average maturity of 45 days and is turned over every 90 days.

CSCri Income Focused and TRIS Income Focused – the default options

Objective

To outperform the Consumer Price Index (CPI) by 2% per annum, after fees and taxes, over 10 years.

Risk profile and investor suitability

This investment option may be suitable for those who prefer less risk. The minimum suggested time-frame for holding this option is five years. With a low-to-medium risk rating (band three), it is estimated that the option will have a negative return (i.e. will lose value) in one to two years over any 20 year period.

Target asset allocations

Investment	CSCri Income Focused	TRIS Income Focused
Cash	30%	21%
Fixed Interest	23%	26%
Equities	12%	16%
Property	24%	24%
Infrastructure	1%	1%
Alternatives	10%	12%

CSCri Balanced and TRIS Balanced

Objective

To outperform the Consumer Price Index (CPI) by 3.5% per annum, after fees and taxes, over 10 years

Risk profile and investor suitability

This investment option may be suitable for those prepared to take more risk in exchange for potentially higher returns on their investment over the medium-to-long-term. The minimum suggested timeframe for holding this option is 10 years. With a medium-to-high risk rating (band five), it is estimated that the option will have a negative return (i.e. will lose value) in three to four years over any 20 year period.

Target asset allocations

Investment	CSCri Balanced	TRIS Balanced
Cash	15%	4%
Fixed Interest	15%	18%
Equities	40%	47%
Property	11%	11%
Infrastructure	1%	1%
Alternatives	18%	19%

CSCri Aggressive and TRIS Aggressive

Objective

To outperform the Consumer Price Index (CPI) by 4.5% per annum, after fees and taxes, over 10 years.

Risk profile and investor suitability

This investment option may be suitable for those prepared to take more risk in exchange for potentially higher returns on their investment over the long-term. The minimum suggested time-frame for holding this option is 15 years.

With a high risk rating (band six), it is estimated that the option will have a negative return (i.e. will lose value) in four to six years over any 20 year period.

Target asset allocations

Investment	CSCri Aggressive	TRIS Aggressive
Cash	2%	2%
Fixed Interest	6%	4%
Equities	60%	67%
Property	16%	16%
Infrastructure	1%	1%
Alternatives	15%	10%

Target asset allocations

CSCri Income Focused, CSCri Balanced, CSCri Aggressive, TRIS Income Focused, TRIS Balanced and TRIS Aggressive investment options have a specific target asset allocation to each asset class which is monitored for market movements within the following target asset allocation ranges.

Investment	CSCri Income Focused and TRIS Income Focused	CSCRri Balanced and TRIS Balanced	CSCri Aggressive and TRIS Aggressive
Cash	10-100%	0-65%	0-35%
Fixed Interest	10-100%	0-65%	0-35%
Equities	0-40%	15-75%	20-95%
Property	0-35%	5-25%	0-50%
Infrastructure	0-35%	0-20%	0-50%
Alternatives	0-70%	0-30%	0-70%
Foreign currency hedge ratio	0-100%	0-100%	0-100%

Target asset allocation ranges show, on average, the allocations each investment option is expected to hold over the long-term. These allocations may be changed by CSC without notice, for example in periods of extreme market conditions, and this may affect the amount of fees you pay.

Investment risk and Standard Risk Measure (SRM)

Investment risk is determined using the SRM. The SRM is a guide of the likely number of negative annual returns expected over any 20 year period. The purpose of the SRM is to provide members with a label to assist in comparing investment options.

The SRM is not a complete assessment of all forms of investment risk, for instance it does not detail what the size of a negative return could be or the potential for a positive return to be less than you might require to meet your objectives. Further, it does not take into account the impact of administration fees and tax on the likelihood of a negative return.

You should still ensure that you are comfortable with the risks and potential losses associated with your chosen investment option(s).

The table below demonstrates the estimated number of negative annual returns over a 20 year period applied to determine the risk band and label.

Risk band	Risk label	Estimated number of negative annual returns over a 20 year period
1	Very low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very high	6 or greater

For more information on the methodology applied to calculate the SRM, go to **csc.gov.au**

Significant risks

Whether your retirement income stream is adequate for your retirement will depend on your individual circumstances. Some factors you may want to consider include:

- your age and how long your money is to last during your retirement
- the amount of your super, other assets and whether and when you can apply for the age pension

- the level of investment performance that you are expecting
- the level of risk and fluctuation in the value of your investment that you can tolerate.

It is important to note that how long your retirement income stream will last depends on:

- your starting balance
- the amount you draw down
- the investment options you choose
- the performance of the investment options.

Investing your money in a retirement income stream, like any investment, has risks. Significant risks impacting your retirement income stream investment include:

Risk	Description
Inflation	Inflation may exceed the return on investment.
Asset investment risk	Individual assets we buy may fall in value for many reasons, such as changes in the internal operations or management of a fund or company we invest in, or in its business environment.
Market risk	Economic, technological, political or legal conditions, and even market sentiment, can (and do) change, and this can affect the value of investments.
Interest rate risk	Changes in interest rates can have a positive or negative impact directly or indirectly on investment value or returns.
Currency risk	We invest in assets located in other countries and if their currencies change in value relative to the Australian dollar, the value of the investments can change.
Derivatives risk	We may use derivatives to reduce risk or gain exposure to investment markets when we think it appropriate. Risks associated with these derivatives include the value of the derivative failing to move in line with the underlying asset, market or index.
Counterparty risk	Counterparty risk is the risk that the other party to a contract cannot meet its obligations under the contract. This may have a negative effect on the value of the investments.
Fund risk	Risks particular to the Fund include that it could cease operation, fraud against CSC could occur, Board restructure and that our investment professionals could change.
Liquidity risk	Assets that we invest in can become difficult to trade under certain market conditions.
Super laws	Changes are frequently made to superannuation law and may affect your investment and your ability to access it.
Changes to tax	Changes can occur to taxes on investments or super generally, which may affect the value of your investment. Changes to taxation can also impact on the value of your account and your entitlement for social security/age pension.

Investment risk management

Investment risk can be managed and even minimised, but cannot be eliminated. No matter how skilled the investment manager, or how strong performance has been in the past, there is always a chance you could receive less than you invested.

Ways we manage investment risk include:

- diversification across asset classes, individual assets, investment styles and investment managers;
- a focus on understanding the inherent risks of any particular type of investment;
- systematic compliance and fraud control programs;
- a continuous program of research and analysis, including environmental, social and governance (ESG) analysis; and
- continuous monitoring of market performance, investment manager performance and relevant legislation.

Our investment governance focuses on managing risk and is driven by our primary investment objective, which is to maximise long-term real returns (i.e. return above inflation) within strictly defined risk limits. Professional investment managers make day-to-day investment decisions, within agreed investment parameters, which are regularly reviewed.

We use a number of corporate engagement and governance advisory services to support our proxy voting in the Australian and international companies in which we invest.

Environmental, social or governance considerations

We take a wide frame to risks and integrate analysis of environmental, social and governance (ESG) considerations into our investment and portfolio management processes. ESG considerations cover the range of risks that relate to the management of the factors of production including human capital (labour practices); natural capital (ecosystem inputs and externalities); technology capital; and organisational capital (how all of these factors are overseen; decisions about their management controlled; and their interactions managed).

Transparency: The availability of robust and consistent data on ESG risks across global companies has improved over the last decade but remains below that of financial data. We support continued improvement and transparency on these measures because we consider ESG risks as potential future financial risks. Our internal risk analysis explicitly incorporates ESG scores on all public companies in our portfolio. All of our active external investment managers incorporate ESG risk analysis into their investment process and security valuations, and include this in their regular reporting to us.

We recognised early on the impact that ESG risks could have on our members' investments both directly as they revealed themselves in franchise value or indirectly through regulation or changing customer preferences. As a result, we were the first Australian superannuation fund to invest in building a robust database measuring the environmental, social and governance risks associated with the operating activities of Australian companies more than a decade ago.

We were also the first Australian super fund to measure our climate footprint (undertaken independently by the Climate Institute in 2009), with the intention of understanding how and where we could support long-term thinking and robust transitions in our material public companies.

We have our own active owner policy which describes how we view our purpose; our comparative advantages and capacity to influence; our proxy voting principles; and our prioritisation of the material and consequential risks to our members. We draw on a wide variety of data and information sources including ratings agencies such as MSCI (ESG score providers); proxy voting advisors; our own active manager networks for deeper insights into idiosyncratic corporate risks; private asset operating partners and advisors; organisations such as the UNPRI; responsible investor network; TCFD; etc. Where information about environmental and social risks can lack robustness and consistency across international regions, we rely on governance insights as indicators of the quality of corporate management and their capacity for long-term thinking and strategic execution.

Integration and materiality: We take a portfolio approach to risk—respecting the extent to which risks are priced, and the potential interaction between individual risk factors as contributors to the sustainability of our members' incomes in retirement.

- Where CSC members are majority or control-interest shareholders, we directly mitigate ESG risks (eg. our directly-held private assets); we vote on ALL shareholder resolutions in all our public company investments.
- Where CSC members are minority shareholders but have a material exposure to a public company we take an active role to engage with those companies, either directly, or via our mandated external managers;
- Where CSC members are minority shareholders and have immaterial exposure to a public company, we support our active managers to engage on substantive issues;

- Our internal investment risk team monitors and assess all risks across the portfolio, ranking them according to the size of the potential impact on our members' income adequacy and sustainability in retirement.
- We identify and critically examine all factors relating to the future value and durability of returns from our investments.
- We use both internal and external tools to generate thematic research insights and measure specific risk exposures.
- We currently use MSCI ESG ratings in our portfolio analytics to measure, monitor and manage ESG exposures in our equity portfolios. Details can be found **msci.com/esg-ratings**
- We use scenario analysis to consider the distribution of potential outcomes regarding all risks, inclusive of those related to financial, environmental, social, governance, technological, regulatory etc.

Robust transitions: For us, divestment is a last resort. We believe that long-term investors have a responsibility to help the companies they invest in to transition to better practice, actively manage their ESG risks, along with the other strategic and cyclical risks they face, and to do this in an enduring way, with fit-for-purpose strategies, processes and controls.

That being said, we have divested from companies when our active engagement cannot effectively reduce franchise risks because governance risk can't be mitigated and/or our engagement efforts are grossly constrained. Examples of this have been in tobacco (which we divested in 2013) and Australian forestry company, Gunns, in which board governance risks were high and unmitigatable (which we divested in 2010). Of course, we don't invest in companies whose activities are contrary to Australian government regulations, sanctions, treaties or conventions. For example, we do not invest in cluster munitions.

Active-ownership: We seek to influence investee company behaviour by voting on all resolutions put forward by our public company management teams. We vote in the best interests of our members, not necessarily company management.
We exercise ownership through our active manager's analysis of company-specific situations; engaging directly or indirectly, through our contracted active managers, with the material companies in which we invest; and direct governance rights across our directly held private assets.

Public reporting: We publish our public company voting record on our website, along with the key issues voted on, every 6 months.

Collaboration: We engage and work with a diverse group of investment managers, advisers and shareholder groups, to leverage scale in the promotion of ESG awareness, integration and continuous improvement.

- We were a founding signatory to the Principles for Responsible Investment—an initiative for global best practice in responsible investment. This membership includes a commitment to explicitly consider ESG issues in our investment policies and practices.
- We are a member of the Investor Group on Climate Change Australia/New Zealand, and an investor signatory to CDP (formerly the Carbon Disclosure Project). These collaborative industry initiatives address the business and shareholder value implications of climate change.
- As a signatory to the Montreal Carbon Pledge, we are committed to measuring and disclosing the carbon footprint of our public market equities portfolio. This information is regularly updated on our website.

We have been independently recognised as a leader in the management of ESG risks by:

- UN PRI: receiving the inaugural innovation award for responsible investing in 2003
- Bretton Woods Initiative: being named as one of the top 25 global leaders in responsible asset allocation in 2018 and recognised again in 2019.

For further information, refer to our Stewardship Factsheet online.

Keeping track of your investments

Once you have made your choice of investment options, you also need to keep an eye on your investments, particularly if you have created your own portfolio combining different investment options.

Market movements may take your individual asset class proportions away from the point at which you started. As this happens, your fees and risk level may change and you will need to decide if you want to rebalance them by changing the amounts you invest in your selected investment options. We rebalance the individual asset class allocations within the **CSCri Income Focused**, **CSCri Balanced**, **CSCri Aggressive**, **TRIS Income Focused**, **TRIS Balanced** and **TRIS Aggressive** investment options regularly.

Switching between investment options

You can switch to a different investment option(s) any time:

- login to your Member Services Online account, or
- send us a Change your account details form. This form is available on our website or you can call us on **1300 736 096** for us to email or post you a copy.

You can make two (2) free switches each financial year. Each subsequent switch will incur a fee of $20 which will be deducted from your account.

Please note, any switch request received within two business days of your fortnightly payment date or the 21st (or earlier business day if the 21st falls on a weekend or public holiday) will not be processed prior to your payment date and will be taken to have been received after the payment date.

You will receive confirmation when we have processed your investment switch.

CSCri performance

Performance information on CSCri investment options can be found at **csc.gov.au**. Please note that past performance is no indication of future performance – investment markets are volatile, and it is not possible to predict when they will go up or down or how quickly this will happen.

How your investment in CSCri is valued

Your investment in CSCri is valued in units. We use the amount that you invest in CSCri to buy units in the investment option(s) you choose. We keep a record of all units you hold. You can estimate the balance of your account on any business day by multiplying the number of units you hold in each investment option by the relevant 'sell' unit price.

Unit prices fluctuate in line with investment performance – which may be either positive or negative.

We generally publish unit prices on our website each business day. We generally deduct fees, management costs and taxes before we calculate the unit price.

Where fees are payable directly from your account – for example, member account fees and switching fees – units in your account are sold to the extent required for payment.

How we calculate unit prices

The unit price for an investment option reflects the total value of assets in the investment option (less fees not deducted directly from your account, expenses and taxes), divided by the number of all units issued in the investment option. The costs associated with the purchase or sale of investments are reflected in the unit price for the relevant investment option through a buy-sell spread.

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

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

Operational risk financial requirement

All trustees of super funds are required to establish and maintain an operational risk reserve. The purpose of a risk reserve is to provide a source of financial resources to help protect members' interests should an operational risk event occur, such as the use of an inaccurate unit price to process a transaction that results in losses to the Fund or to members. CSCri is offered through PSSap. A target amount of 0.35% of funds under management was set for the operational risk reserve for PSSap. While the target amount has been reached, maintaining this will require an accrual rate which will result in a minor impact on investment earnings. The operational risk reserve is monitored on a quarterly basis. An update will be provided if there are material changes to the operational risk reserve.

Changes to investment options

You should note that we can add, change or remove an investment option. We will contact you should this occur. If we are unable to contact you, or you do not nominate a new investment option, we will switch any funds you have in the investment option we are closing to our default option for your income stream, CSCri Income Focused or TRIS income Focused.

5. Fees and other costs

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from $100 000 to $80 000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You or your employer, as applicable, may be able to negotiate to pay lower fees.* Ask the fund or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (**moneysmart.gov.au**) has a superannuation fee calculator to help you check out different fee options.

* We are required by law to provide you with this information, however lower fees cannot be negotiated for CSCri.

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the superannuation entity as a whole.

Other fees, such as activity fees and advice fees for personal advice may also be charged, but these will depend on the nature of the activity or advice chosen by you.† Entry and exit fees cannot be charged.

Taxes are set out in the **How retirement income streams are taxed** section of this document.

You should read all the information about fees and other costs because it is important to understand their impact on your investment.

† We are required by law to provide you with this information. All advice fees charged in CSCri are 'fee for service'. Refer to **Additional explanation of fees and costs**.

Type	Amount*	How and when paid
Investment fee^	Nil Refer to **Additional explanation of fees and costs.**	
Administration fee^	$20 per month ($240 per annum)	Deducted from your account monthly. These fees commence from the date your account is created.
Buy–sell spread	**CSCri Cash 0.00%** **CSCri Income Focused 0.135%** **CSCri Balanced 0.140%** **CSCri Aggressive 0.140%** **TRIS Cash 0.00%** **TRIS Income Focused 0.145%** **TRIS Balanced 0.150%** **TRIS Aggressive 0.150%**	Deducted from your account when you buy or sell units.
Switching fee	Nil for the first two (2) switches in any financial year. Additional switches are $20 each.	Deducted from your account when the switch is processed.
Advice fees relating to all members investing in a particular product or investment option	Nil	No advice fees are deducted from your account. You may be charged a 'fee for service' if you obtain financial advice. Refer to **Additional explanation of fees and costs**.
Other fees and costs	Refer to **Additional explanation of fees and costs.**	
Indirect cost ratio*^	**CSCri Cash 0.08%** **CSCri Income Focused 1.04%** **CSCri Balanced 1.20%** **CSCri Aggressive 1.61%** **TRIS Cash 0.08%** **TRIS Income Focused 1.05%** **TRIS Balanced 1.21%** **TRIS Aggressive 1.52%**	Indirect costs are paid from or reduce the amount or value of the income or assets attributable to each investment option, or underlying vehicles through which they invest, and are reflected in each option's unit price each business day.

^ If your account balance for a product offered by the superannuation entity is less than $6,000 at the end of the entity's income year, the total combined amount of administration fees, investment fees and indirect costs charged to you is capped at 3% of the account balance. Any amount charged in excess of that cap must be refunded.

* The indirect cost ratio is based on actual and estimated indirect costs incurred in the 2018/2019 financial year. Future costs may differ from those shown.

Additional explanation of fees and costs

Defined fees

Activity fees

A fee is an **activity fee** if:

a. the fee relates to costs incurred by CSC as the trustee of the superannuation entity that are directly related to an activity of the trustee:
   i. that is engaged in at the request, or with the consent, of a member; or
   ii. that relates to a member and is required by law; and
b. those costs are not otherwise charged as an administration fee, an investment fee, a buy-sell spread, a switching fee, an advice fee or an insurance fee.

Administration fees

An **administration fee** is a fee that relates to the administration or operation of the superannuation entity and includes costs that relate to that administration or operation, other than:

a. borrowing costs; and
b. indirect costs that are not paid out of the superannuation entity that the trustee has elected in writing will be treated as indirect costs and not fees, incurred by the trustee of the entity or in an interposed vehicle or derivative financial product; and
c. costs that are otherwise charged as an investment fee, a buy–sell spread, a switching fee, an activity fee, an advice fee or an insurance fee.

Advice fees

A fee is an advice fee if:

a. the fee relates directly to costs incurred by the trustee of the superannuation entity because of the provision of financial product advice to a member by:
   i. a trustee of the entity; or
   ii. another person acting as an employee of, or under an arrangement with, the trustee of the entity; and
b. those costs are not otherwise charged as an administration fee, an investment fee, a switching fee, an activity fee or an insurance fee.

Buy-sell spreads

A **buy-sell spread** is a fee to recover transaction costs incurred by the trustee of the superannuation entity in relation to the sale and purchase of assets of the entity.

Exit fees

An **exit fee** is a fee, other than a buy-sell spread, that relates to the disposal of all or part of member's interests in a superannuation entity.

Indirect cost ratio

The **indirect cost ratio** (ICR) for a superannuation product or an investment option offered by a superannuation entity is the ratio of the total of the indirect costs for the superannuation product or investment option to the total average net assets of the superannuation entity attributed to the superannuation product or investment option.

Note: A fee deducted from a member's account or paid out of the superannuation entity is not an indirect cost.

Investment fees

An **investment fee** is a fee that relates to the investment of the assets of a superannuation entity and includes:

a. fees in payment for the exercise of care and expertise in the investment of those assets (including performance fees); and
b. costs that relate to the investment of assets of the entity, other than:
   i. borrowing costs; and
   ii. indirect costs that are not paid out of the superannuation entity that the trustee has elected in writing will be treated as indirect costs and not fees, incurred by the trustee of the entity or in an interposed vehicle or derivative financial product; and
   iii. costs that are otherwise charged as an administration fee, a buy–sell spread, a switching fee, an activity fee, an advice fee or an insurance fee;

   but does not include property operating costs.

Switching fees

A **switching fee** for superannuation products other than a Mysuper product, is a fee to recover the costs of switching all or part of a member's interest in the superannuation entity from one investment option or product in the entity to another.

Investment fees and the Indirect Cost Ratio (ICR)

We do not charge any investment fees directly to your account. However, fees and costs that relate to the investment of assets attributable an investment option (such as fees paid to investment managers, custodian costs, investment consulting costs and internal investment costs) are indirect costs that are reflected in the ICR for the investment option.

Those fees and costs are deducted from the value of the assets attributable to the investment option before determining the relevant unit price. They are not directly deducted from your account as a separate transaction.

Operational risk financial requirement

The operational risk reserve may form an additional cost which has a minor impact on investment earnings. Funding and maintaining an operational risk reserve is a requirement of the Australian Prudential Regulation Authority. For more information refer to **Operational risk financial requirement** section above.

Performance based fees

We pay performance based fees to some investment managers. If, and only if, the performance of an investment manager exceeds certain benchmarks, they may become entitled to a performance based fee and this will increase the indirect cost ratio as the performance based fee is deducted from earnings before the return to the Fund is calculated. Performance based fees do not affect administration fees.

We have very carefully and deliberately designed our fee agreements with CSC's fund managers to ensure they align with your interests.

- This means that our fees, and therefore, our ICR can vary materially from year to year due to the varying performance recorded by the underlying fund managers.
- Less fees are paid when performance is below target generally, so that the manager more equitably shares the downside risk.
- Conversely, more fees are paid when performance is above target generally.

Actual performance based fees will depend upon the level of performance achieved by investment managers that charge performance based fees and the weighting of those managers in the relevant investment option.

In 2018-19 the following estimated performance based fees were paid and are reflected in the indirect cost ratio estimates for the standard retirement income stream investment options:

CSCri Cash	0%
CSCri Income Focused	0.58%
CSCri Balanced	0.45%
CSCri Aggressive	0.58%

In 2018-19 the following estimated performance based fees were paid and are reflected in the indirect cost ratio estimates for the TRIS investment options:

TRIS Cash	0%
TRIS Income Focused	0.58%
TRIS Balanced	0.44%
TRIS Aggressive	0.54%

The estimates of performance based fees reflected in unit prices are regularly reviewed and changes could be made, for example, due to changes to the asset allocation or changes to the weighting and composition of, or the fees charged by, underlying investments.

Transactional and operational costs

Transactional and operational costs may include brokerage, buy-sell spread, settlement costs (including custody costs), clearing costs and stamp duty on investment transactions. Transactional and operational costs are an additional cost to members that is reflected in unit prices. The following table sets out the estimated transactional and operational costs for each standard retirement income stream investment option in 2018-19.

Estimated transactional and operational costs in 2018-19 for the TRIS investment options are set out in the following table;

CSCri Cash	0%
CSCri Income Focused	0.09%
CSCri Balanced	0.15%
CSCri Aggressive	0.15%

Estimated transactional and operational costs in 2018-19 for the TRIS investment options are set out in the following table.

TRIS Cash	0%
TRIS Income Focused	0.09%
TRIS Balanced	0.15%
TRIS Aggressive	0.14%

Property operating costs

Property operating costs are amounts paid or payable in relation to the holding of real property or an interest in real property, excluding costs relating to the acquisition or disposal of those assets and borrowing costs. Property operating costs are an additional cost to members that is reflected in unit prices. Estimated property operating costs in 2018-19 for each standard retirement income stream investment option are set out in the following table.

Estimated property operating costs in 2018-19 for each standard retirement income stream investment option are set out in the following table:

CSCri Cash	0%
CSCri Income Focused	0.35%
CSCri Balanced	0.16%
CSCri Aggressive	0.23%

Estimated property operating costs in 2018-19 for the TRIS investment options are set out in the following table:

CSCri Cash	0%
CSCri Income Focused	0.35%
CSCri Balanced	0.16%
CSCri Aggressive	0.23%

Borrowing costs

Borrowing costs are costs relating to credit facilities (which are not derivatives) in interposed vehicles through which the Fund invests. Borrowing costs are an additional cost to members that is reflected in unit prices. Estimated borrowing costs in 2018–19 for each standard retirement income stream investment option are set out in the following table:

CSCri Cash	0%
CSCri Income Focused	0.07%
CSCri Balanced	0.04%
CSCri Aggressive	0.06%

Estimated borrowing costs in 2018-19 for the TRIS investment options are set out in the following table:

CSCri Cash	0%
CSCri Income Focused	0.07%
CSCri Balanced	0.04%
CSCri Aggressive	0.06%

Activity fees

Family law fees

A fee of $150 for members and $165 ($150 plus GST) for non-members is payable upon initial request for family law related services for the preparation of a response to a request for superannuation information made in accordance with family law legislation. The fee covers the cost of the administrative work required to respond to these requests.

No fee is charged to split a member's account due to family law arrangements.

Advice fees

Fee for service

Members of CSCri have access to a personalised financial advice service. CSC's authorised financial planners provide a personalised service that takes your objectives, financial situation and needs into account.

It is 'fee for service' advice, which means you are required to pay for it. You will receive a fixed quote up front. There are no obligations, commissions or hidden fees – you know the exact cost upfront. We do not pay commissions to financial planners. CSC's authorised financial planners will always act in your best interests, even if that means recommending a financial product not provided by CSC.

To arrange an appointment please call **1300 277 777** during business hours. If you wish to find out more, please visit **csc.gov.au/Members/Advice-and-resources/Financial-planning/**

Buy-sell spreads

When we buy or sell investments, the Fund incurs costs such as brokerage and taxes. To ensure that other members do not bear the cost of these transactions, we pass this cost on to you when you contribute, withdraw or switch money between investment options. This is an additional cost to you, paid to cover the costs in undertaking the transactions.

We pass these costs on by using a buy-sell spread. A buy price applies when acquiring units (for example, when you acquire an account or switch into a new investment option). A sell price applies when selling units (for example, when you switch out of an investment option). There may be a difference between the buy and sell price (referred to as a buy-sell spread). Buy-sell spreads can change from time to time, although typically only by small amounts. No part of the buy-sell spread is paid to CSC or any underlying investment manager.

The table below shows the buy and sell spread for each investment option expressed as a percentage and shows worked examples;

Investment option	Buy spread	Sell spread	Worked example – buy spreas
Income Focused	0.135%	0.135%	x $5 000 = $6.75
Balanced	0.140%	0.140%	x $5 000 = $7.00
Aggressive	0.140%	0.140%	x $5 000 = $7.00
Cash	0%	0%	x $5 000 = $0
TRIS Income Focused	0.145%	0.145%	x $5 000= $7.25
TRIS Balanced	0.150%	0.150%	x $5 000= $7.50
TRIS Aggressive	0.150%	0.150%	x $5 000= $7.50
TRIS Cash	0%	0%	x $5 000 = $0

Changes to fees and costs

We may change fees and costs from time to time. We will let you know of any fee change that we believe will materially affect you at least 30 days before the change takes effect. Fees and costs can be changed without a member's consent.

GST

All fees and costs in this section are inclusive of GST less any reduced input tax credits the Fund may be entitled to.

Tax deductions

The benefit of any tax deductions, available in relation to administration fees paid by TRIS account holders, will be returned to TRIS account holders on or about the time that the fee is deducted.

Example of annual fees and costs

This table gives an example of how the fees and costs for the CSCri Balanced investment option for this superannuation product can affect your superannuation investment over a 1 year period. You should use this table to compare this superannuation product with other superannuation products.

Example – CSCri Balanced investment option		Balance of $50 000
Investment fees	0%	For every $50 000 you have in the superannuation product you will be charged $0 each year
PLUS Administration fees	$240 per annum	And, you will be charged $240 in administration fees regardless of your balance
PLUS Indirect costs for the superannuation product	1.20%	And, indirect costs of $600 each year will be deducted from your investment.
EQUALS Cost of product		If your balance was $50 000, then for that year you will be charged fees of $840 for the superannuation product.

Additional fees may apply.

6. How retirement income streams are taxed

Tax in super and retirement income streams is complex and subject to change from time to time. This section of this document is only intended to provide a summary of the tax implications of your retirement income stream. For these reasons we recommend that you seek advice from a licensed professional and refer to the ATO website **ato.gov.au**. The material relating to tax may change between the time when you read this document and the day when you sign the application form.

Rollovers

Generally, amounts transferred to set up a retirement income stream account (including amounts transferred from another fund) are not taxed, unless the amount includes taxable components from an untaxed source, such as amounts transferred from some public sector funds. Taxable components from an untaxed source are taxed at 15%.

Investment earnings

No tax is payable in the Fund on standard retirement income stream investment earnings. Earnings on a transition to retirement income stream are taxed at a concessional tax rate of up to 15%. The effective rate of tax incurred may be less than 15% due to the concessional tax treatment afforded to long term capital gains and franking credits.

Tax position if you are 60 or over

If you are aged 60 or over, no tax is payable on your retirement income stream payments or lump sum withdrawals, irrespective of whether or not you have provided a Tax File Number (TFN). Payments are reportable for Centrelink purposes.

Tax position if you are under 60

If you are aged under 60, your income stream payments may have a tax-free component and a taxable component. Tax is payable on the taxable component only. The tax treatment of the payment depends on whether it is paid as a retirement income stream or as a lump sum.

Providing your TFN

Under the *Superannuation Industry (Supervision) Act 1993*, CSC is authorised to collect, use and disclose your tax file number. We may disclose your tax file number to another superannuation provide when your benefits are being transferred, unless you request to us in writing that your tax file number not be disclosed to any other superannuation provider. Declining to quote your tax file number is not an offence, however giving your tax file number to us will have the following advantages:

- we will be able to accept all permitted types of contributions to your account/s;
- other than the tax that may ordinarily apply, you will not pay more tax that you need to – this affects both contributions to your superannuation and benefit payments when you start drawing down your superannuation benefits; and
- it will make it much easier to find different superannuation accounts in your name so that you receive all your superannuation benefits when you retire.

The purposes of supplying your TFN and the consequences for choosing not to supply your TFN may change in line with future legislative change. We intend to use your TFN only for approved purposes which include:

- advising the ATO for the purposes of tax
- supplying your TFN to another fund if your benefit is transferred or rolled over (unless you request in writing for this not to be done)
- assisting in searching for, and consolidating, your benefits for you in the Fund.

Your tax-free portion

The tax-free portion is calculated when your account is initially set up. The tax-free portion is the tax-free amount used to start your retirement income stream as a percentage of the total amount used to start your retirement income stream.

Once your tax-free portion is determined, this percentage will apply to every payment from your account (whether a retirement income stream payment or a lump sum withdrawal) before you reach 60.

The following items make up your tax-free component:

- after-tax contributions
- Government co-contribution amounts
- concessionally taxed components that existed before the taxation reforms of 1 July 2007.

Tax payable on retirement income streams

No tax is payable on the tax-free portion of your retirement income stream payment.

If you are under 60, the taxable component of your retirement income stream payment will be taxed at your personal marginal tax rate plus the Medicare levy, although a 15% tax offset may apply. You are eligible for a 15% tax offset if you have reached your preservation age and supplied your TFN.

Tax payable on lump sum payments

No tax is payable on the tax-free portion of your lump sum payment.

Tax is payable on the taxable portion of your lump sum payment at the following rates:

- If you are over your preservation age but under age 60:
  - no tax is payable up to the tax-free threshold ($210 000 in the 2019–20 financial year)
  - amounts over the low rate cap amount are taxed at a maximum rate of 15% plus the Medicare levy.
- If you are under your preservation age, tax is payable at a maximum rate of 20% plus the Medicare levy.

The low rate cap amount is a lifetime limit and is reduced by the value of the low rate cap amount applied to any previous lump sum payments. The low rate cap amount is indexed on an annual basis.

Transfer Balance Cap

From 1 July 2017, there is a limit (known as the transfer balance cap) on how much superannuation you can hold in retirement phase accounts. The transfer balance cap will start at $1.6 million, and will be indexed in line with the consumer price index (CPI), rounded down to the nearest $100 000. Any retirement phase income streams commenced before 1 July 2017 will be counted towards the transfer balance cap on 1 July 2017. New pension accounts (commenced from 1 July 2017) will be counted towards the transfer balance cap when they commence. If the total amount in your pension account(s) grows over time (through investment earnings) to more than $1.6 million, you won’t exceed your cap. If the amount in your pension account(s) goes down over time, you can’t ‘top it up’ if you have already used your cap. If you exceed your transfer balance cap, you may have to remove excess from one or more retirement phase income streams, and pay tax on the notional earnings related to that excess.

Transition to retirement income streams (TRIS) are not considered towards the transfer balance cap. However, when your TRIS account converts to a standard retirement income stream the amount at the time of conversion is counted towards the transfer balance cap.

Tax on death benefits

Your death benefit can be either paid as a lump sum, or as an ongoing retirement income stream if you have nominated a reversionary pensioner. The tax payable on a death benefit depends on how the payment is made.

Reversionary retirement income stream

If the death benefit is paid as a reversionary income stream, the retirement income stream will be tax free if either:

- the deceased member was aged 60 or over at the time of death
- the reversionary beneficiary is aged 60 or over at the time the retirement income stream payments are made.

Otherwise, the reversionary beneficiary will pay tax as follows until they reach age 60:

- no tax is payable on the tax free component
- the taxable component will be included in the reversionary beneficiary’s assessable income and entitled to the 15% offset.

Lump sum payments

If the person receiving a death benefit is a dependant under the tax law, the lump sum will be tax-free. If the person is not a dependant under the tax law, tax at a maximum rate of 15% plus the Medicare levy will be payable on the taxable component of the lump sum and no tax will be payable on the tax-free component.

A person is your dependant under the tax law if they are:

- your spouse or former spouse (including a de facto spouse of the same sex or opposite sex, who lives with you on a genuine domestic basis)
- your child aged under 18 (including an adopted child and a child by a previous relationship)
- any other person with whom you had an interdependency relationship just before you died
- any other person who was financially dependent on you just before you died.

Where CSC makes a payment to your estate it will be paid as a tax-free lump sum and the estate will be responsible for the tax treatment of the death benefit.

Summary of tax on retirement income streams

Amount	Rate of tax	
The amount you roll in to set up a CSCri account	No tax unless the rollover contains an untaxed element of the taxable component.	
Investment earnings	No tax on standard retirement income streams. Up to 15% tax on transition to retirement income streams.	
Death benefits	No tax is paid on lump sum death benefits paid to dependants. The taxable component of a lump sum paid to a non-dependant is taxed at 15% plus the Medicare levy. The taxation of a reversionary benefit depends on the ages of both the primary and reversionary beneficiaries.	
Payments	**Retirement income stream**	**Lump sum payment**
Aged 60 or over	No tax	No tax
Over preservation age but under 60	The taxable component is taxed at your personal marginal tax rate plus the Medicare levy. A 15% tax offset applies. If you have not supplied your Tax File Number, tax is withheld at the highest marginal tax rate plus the Medicare levy.	The taxable component is tax-free up to the tax-free threshold and the balance is taxed at 15% plus the Medicare levy on the remainder. If you have not supplied your Tax File Number, tax is withheld at the highest marginal tax rate plus the Medicare levy.
Under preservation age	The taxable component is taxed at your personal marginal tax rate plus the Medicare levy. If you have not supplied your Tax File Number, tax is withheld at the highest marginal tax rate plus the Medicare levy.	The taxable component is taxed at 20% plus the Medicare levy. If you have not supplied your Tax File Number, tax is withheld at the highest marginal tax rate plus the Medicare levy.

7. Nominating a beneficiary

You can nominate any of the following people to receive the benefit of your account in the event of your death:

- a reversionary beneficiary to receive your retirement income stream payments
- a binding death benefit nomination (if you do not nominate a reversionary beneficiary)

Superannuation law restricts the beneficiaries you can nominate to your dependants and your legal personal representative (the executor of your will, or the administrator of your estate). Your dependants under superannuation law are different to your dependants under the tax law. Under the superannuation law, your dependants are:

- your spouse, including a de facto spouse of the same sex or opposite sex, who lives with you on a genuine domestic basis
- your children of any age, including adopted children, foster children and those by a previous relationship
- any person with whom you have an interdependency relationship.

An **interdependency relationship** is defined under superannuation law and the tax law as between two people who:

- have a close personal relationship
- live together
- one or each of them gives the other financial support, and
- one or each of them gives the other domestic support and personal care.

An interdependency relationship may also exist if there is a close personal relationship between the two persons, but one or more of the other requirements for interdependency are not satisfied because of a physical, intellectual or psychiatric disability.

Ultimately, your choice of beneficiary is up to you. However, you should be aware that each of the options explained here may have different implications depending on the circumstances of your beneficiary/ies. For example there may be differing tax (see **Tax on death benefits** in **section 6**) or social security implications. A licensed professional, such as a financial planner, accountant, or solicitor can identify these considerations and explain how they apply to your particular circumstances.

Reversionary beneficiary

You can nominate for your retirement income stream payments to continue to be paid to a dependant under superannuation law. The payments will continue until your account balance is reduced to nil. You can nominate a reversionary beneficiary in the Apply for **CSC retirement income application** form available on our website. You cannot make a binding death benefit nomination if you have elected a reversionary beneficiary.

If you nominate a dependent child, payments will continue until the child reaches age 25 (or 18, if not financially dependent) – after which the remaining balance is paid to them as a tax-free lump sum. The reversionary retirement income stream can continue after the child reaches age 25 if they are permanently disabled. If a nominated spouse pre-deceases you, the retirement income stream balance will be paid out to your dependant, your estate or both, as a lump sum benefit at our discretion. A reversionary beneficiary, after being entitled to a benefit, can request a lump sum payment.

Binding death benefit nomination

If you have not nominated a reversionary beneficiary you can make a binding nomination. Subject to superannuation law, we must deal with payment of the balance of your account in accordance with your binding nomination. To do this, complete a **Nominate your beneficiaries** form available on our website.

When completing the form you need to make sure that your binding nomination is valid. Make sure you follow the instructions, as there are strict rules prescribed under the *Superannuation Industry (Supervision) Act 1993* and the Regulations made under that Act that need to be met to ensure that your nomination is valid. To meet these conditions you need to:

- nominate either your dependant (as defined under superannuation law) or your legal personal representative
- record the proportion of the benefits payable to each person in whole numbers and they must add up to 100%
- date and sign the nomination in the presence of two witnesses both of whom must be over the age of 18 and not listed as beneficiaries in the nomination (the nomination must contain declarations from each of the two witnesses confirming that you signed and dated the nomination before them)
- keep the nomination up to date by reviewing it every three years and amending if appropriate.

If the conditions are not met the form will be invalid and we are required to make the decision about who receives your benefit and how to divide the benefit. For more information on how we may exercise that discretion, refer to **Non-binding preferred beneficiary nomination**.

It is important to keep your binding nomination current. A binding nomination is only valid for three years from when you make, confirm or amend it. To keep your binding nomination current you must renew it in writing before it expires (that is, within three years from the date you originally signed it or within three years of the date it was last confirmed).

You can also change or cancel your nominations at any time. To renew, change or cancel your beneficiaries, complete a new **Nominate your beneficiaries** form. You can also view your nominated beneficiaries by logging into Member Services Online at **csc.gov.au**

We are unable to make a payment under a binding nomination instruction if we are subject to a court order (such as a Family Court of Australia order) preventing payment of the benefit or are aware that you are subject to a court order that prohibits or restricts you from giving a binding nomination or requires you to amend or revoke such a nomination

Non-binding preferred beneficiary nomination

You may nominate someone you would prefer to receive your benefit other than a revisionary beneficiary or by way of a binding nomination. This is called a 'non-binding death benefit nomination'. CSC will use this as a guide when making the final decision as to whom your benefit is paid but it is not binding on CSC. Invalid or expired binding death benefit nominations are treated as non-binding nominations for decision-making purposes.

We may at our discretion pay your death benefit to:

- one or more dependants
  and/or
- your legal personal representative,
  or
- if we cannot find a dependant or your legal personal representative, to any individual we decide.

In exercising our discretion, we will usually consider any application made by your spouse, your child or a person in an interdependency relationship with you or any other person who considers they have a claim. We may also take account of any beneficiaries nominated in an expired or invalid binding nomination or in your will.

We may also use other available avenues to identify other potential recipients. For this purpose, we may:

- ask your employer for help in identifying family members
- contact your family and/or solicitor to identify possible beneficiaries
- advertise in newspapers for potential claimants where we cannot identify family members.

Nominating beneficiaries and your will

A beneficiary nomination has no bearing on how your other assets will be dealt with in the event of your death. For this reason, you should not see a beneficiary nomination for your super as a substitute for having a legally enforceable will. You should seek advice from a licensed professional to decide whether you need to make a will in relation to other aspects of your estate.

8. How to open and keep track of your account

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To apply for a transition to retirement or a standard retirement income stream:

◯ Complete the **Apply for CSC retirement income** application form. Note that you can elect to nominate a reversionary beneficiary using the **Apply for CSC retirement income** application form available on our website.

◯ Consolidate and transfer your super accounts (if you have more than one).

◯ Seek financial advice. Although not compulsory, we recommend that you seek professional advice from a licensed financial planner as part of planning for your retirement. CSC's authorised financial planners provide a personalised service that takes your objectives, financial situation and needs into account. To make an appointment call **1300 277 777** or visit **csc.gov.au/advice**.

◯ If you are under age 60, complete the **Tax File Number (TFN) declaration** available on our website, and send it along with your application form. If you do not submit the form we may be required to deduct PAYG tax at the highest marginal tax rate plus the Medicare levy. For more information refer to **How retirement income streams are taxed**.

◯ If you have not nominated a reversionary beneficiary in your **Apply for CSC retirement income** application form, complete a **Nominate your beneficiaries** form if you would like to make sure that your account goes to your nominated dependant.

Commencing an account based income stream

All eligible PSSap, CSS and PSS members (contributing and non-contributing) are eligible to begin a CSCri account using monies from the following sources:

- your existing PSSap (including Ancillary) account
  and/or
- another superannuation fund
  and/or
- an eligible superannuation fund contribution (such as an after-tax/non-concessional contribution)
  and/or
  For PSS and CSS members commencing a standard retirement income stream only:
  - a lump sum amount from either CSS or PSS when you permanently retire.

If you are starting your CSCri account with multiple sources of funds and are not already a PSSap Member including Ancillary, you will be set up with a PSSap holding account for the purpose of consolidating these amounts. These amounts will be invested in the Cash option during this process. You should also note that there may be administration fees of up to $7 per month (charged on a pro rata basis) associated with this holding account please refer to the **PSSap Product Disclosure Statement** for further information.

Restarting your CSCri account with additional money

Restart option

To stay in control of your money, you may want to restart your CSCri account with additional money from:

- the sale of an investment property
- downsizing your family home
- an inheritance or other financial windfall
- other superannuation savings.

The minimum amount of additional money required to restart is $10 000 (in additional to your current CSCri balance).

The law requires us to consolidate your monies outside of CSCri, including your current CSCri balance. Extra money cannot be added directly to a CSCri account. When you restart, we roll your current CSCri balance back into the accumulation phase of super and consolidate all monies in your existing PSSap account or in a PSSap holding account. During the consolidation process all accounts, including your CSCri balance, will be invested in the Cash investment option. Once the consolidation is complete, we start a new CSCri account for you, with a new member number and higher starting balance.

How to restart

We must first receive your completed CSCri consolidation form (available by contacting us on **1300 736 096**) and additional monies. The consolidation form explains what to do, step-by-step.

The consolidation process generally takes five to ten working days from when we receive your additional monies. Your current CSCri account will not change in any way until we receive all your additional money and documentation. If the next income payday or 30 June is five business days or less away then your restart will be processed as soon as possible afterwards. During the consolidation process you will continue to receive pension payments.

You can elect the same arrangements for your new CSCri account (e.g. payment amount, frequency, investment strategy and personal details). You need to nominate beneficiaries when you restart.

Cost of restarting your CSCri

There is no charge to restart your CSCri. However, you will be charged a small administration fee while your monies are consolidated in PSSap and you may incur buy-sell spread costs in CSCri depending on your chosen investment strategy in your new CSCri account.

How we will communicate with you

Where we have your email address or mobile phone number, we will communicate with you electronically unless you specifically request otherwise. Electronic communication means we will keep you informed about important aspects of your super by email. Where we do not have your email address, we will communicate with you by text. If we do not have either your email address or mobile phone number, we will send paper communications to your mailing address.

You can check and update your communication preferences by logging in to your Member Services Online account or contacting us on **1300 736 096**.

Cooling-off period

A 14 day cooling-off period is available to you for newly established accounts. The cooling-off period begins on the earlier of:

- the day on which you receive confirmation that the application has been accepted
  or
- the end of the fifth business day after the day on which your account is established.

If you cancel the application during this time, management or transaction charges and any government taxes and charges paid by the Fund as a result of the application will be deducted. Any investments will also be adjusted to reflect any change in the unit price of the investment options selected and any tax as applicable. Any investments will also be adjusted to reflect any investment earnings (positive or negative) on the investment before being refunded. As a result the amount returned to you during the cooling-off period may be more or less than the original investment.

On cancellation you may elect to cash any unrestricted non preserved benefits and/or choose to transfer the balance to a complying superannuation fund. If preservation rules apply, the refund will be transferred to a complying superannuation fund of your choice or to an eligible rollover fund if you have made no choice.

Privacy

We're committed to protecting your privacy. We collect your personal information for the purposes of providing superannuation services to you, improving our products and to keep you informed.

We will only share your personal information where necessary for providing superannuation services to you. This may include disclosing your personal information to our scheme administrator, service providers or government or regulatory bodies. Your personal information may be accessed overseas by our service providers. Please see our privacy policy for full details. Your personal information will not be otherwise used or disclosed unless required or permitted under law.

A full copy of our privacy policy as well as the privacy complaint process is available at **csc.gov.au/Members/Privacy-policy/**

Anti-money laundering and counter-terrorism financing

Under Anti-money laundering and counter-terrorism financing legislation, we are required to obtain proof of identification before undertaking some transactions in relation to your account. This means we may need to identify you, your estate and/or beneficiaries, or anyone acting on your behalf (such as a power of attorney). Accordingly, we may be required to delay or refuse any request or transaction in relation to your account.