



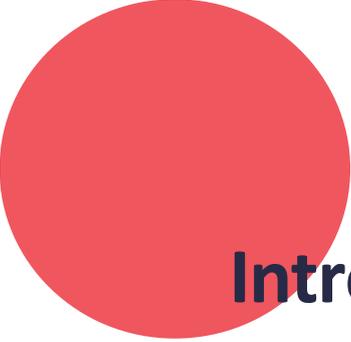
Australian Government

Commonwealth Superannuation Corporation

2018-19 Corporate Plan



Commonwealth
Superannuation
Corporation



Introduction

The CSC Board is the accountable authority of Commonwealth Superannuation Corporation (CSC). This document sets out the 2018–19 CSC Corporate Plan, which covers the periods of 2018–19 to 2021–22, as required under paragraph 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

About CSC

CSC is the trustee of the superannuation schemes for Australian Government employees and Australian Defence Force (ADF) members. CSC was established as a corporate Commonwealth entity on 1 July 2011 under the *Governance of Australian Government Superannuation Schemes Act 2011* (the GAGSS Act), following the passage of legislation to merge the Boards previously responsible for the superannuation schemes and funds.

CSC is the trustee of five regulated superannuation schemes:

- the Public Sector Superannuation accumulation plan (PSSap)
- the Australian Defence Force Superannuation Scheme (ADF Super)
- the Commonwealth Superannuation Scheme (CSS)
- the Public Sector Superannuation Scheme (PSS)
- the Military Superannuation and Benefits Scheme (MilitarySuper).

CSC administers six exempt public sector schemes that are not regulated under the *Superannuation Industry (Supervision) Act 1993*:

- the Australian Defence Force Cover Scheme (ADF Cover)
- the 1922 Scheme
- the Defence Forces Retirement Benefits Scheme (DFRB)
- the Defence Force Retirement and Death Benefits Scheme (DFRDB)
- the PNG Scheme
- the Defence Force (Superannuation) (Productivity Benefit) Determination (DFSPB).

The two accumulation superannuation schemes – PSSap and ADF Super – are the only CSC schemes open to new members. These schemes are the ‘default’ schemes for eligible Australian Government employees and new entrants to the ADF, meaning new Australian Public Service and ADF entrants automatically join PSSap and ADF Super, respectively, unless they elect another scheme available to them. Only eligible current and former Australian Government employees and ADF members can be members of these schemes.

CSC also offers an account-based pension product, called Commonwealth Superannuation Corporation Retirement Income Stream, to eligible Australian Government super scheme members.

CSC’s defined benefit superannuation schemes are closed to new members. They are some of the most complex superannuation schemes in Australia. Benefits are calculated by set formulas generally comprising length of contributory service, contribution level and salary.

Purpose

CSC's purpose is to build, support and protect better retirement outcomes for all our members (being current and former Australian Government employees and members of the Australian Defence Force) and their families.

Our Mission

We're here to be the trusted and valued partner who achieves long-term investment objectives, guides informed retirement decisions, and gives our members peace of mind that their families and futures are in safe hands.

Legislative objectives and functions

CSC's objectives and functions as set out under the GAGSS Act are to:

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



Operating environment

CSC operates within the Australian superannuation industry, regulated by the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC). CSC is licensed by both APRA and ASIC.

Scheme eligibility

Only eligible current and former Australian Government employees and ADF members can be members of CSC's schemes. New Australian Public Service (APS) and ADF entrants automatically join PSSap and ADF Super respectively unless they elect to exercise choice of fund and contribute to another scheme.

Markets and competition

CSC operates in four distinct superannuation markets:

1. Defined benefit scheme members – members of CSC's closed defined benefit schemes generally remain in those schemes, indeed members who are still employed within the Australian Government and the ADF have to do so.
2. New entrant – people joining either the APS or ADF for the first time have choice of fund, meaning that PSSap and ADF Super both compete directly with other Australian industry and retail superannuation funds for members.
3. Choice members – people who joined PSSap while they were employed within the Australian Government but have since left APS employment without closing their PSSap account remain eligible to choose to contribute to PSSap.
4. Non-compulsory superannuation monies – members of any CSC scheme who wish to contribute extra money to their superannuation (e.g. via salary sacrifice) or to purchase a pension product can do so from any fund available to them. CSS, PSS and PSSap members can salary sacrifice and/or purchase a pension product (CSCri) from PSSap; and ADF members can salary sacrifice to MilitarySuper (if eligible) or to ADF Super.

Investment landscape

CSC funds are invested across a full universe of local and international investment markets, assets and strategies (including cash, fixed income, equity, property, infrastructure and hedge fund strategies). Investment markets are always in flux, dealing with the inherent uncertainties around resolution of the near- and long-term influences on their fundamental value.

Change has been re-shaping industries and economies throughout history but today it seems faster and more prevalent, because of the penetration of technology and the interconnectedness of global labour, trade and capital markets. The policy approaches adopted by central banks in major economies, and the prospect of fiscal initiatives are additional, important cross-currents influencing prospective returns.

CSC's level of investment risk taking is measured and focused on maximising the probability of achieving the targeted return objectives required for each investment option.

Legislation and regulation

CSC's schemes are governed by the requirements of their establishing legislation (e.g. the *Superannuation Act 2005* in the case of PSSap) and by their trust deeds. These governing documents cannot be amended without ministerial or parliamentary approval.

Changes in government superannuation policy or taxation rules can impact CSC's schemes, their members and CSC's operations. As regulated entities, CSC and the schemes are also subject to the APRA Prudential Standards and ASIC regulations.

Planned performance

Outcome	Activity	Performance Criteria	Targets
			2018-19, 2019-20, 2020-21 & 2021-22
Retirement and insurance benefits for scheme members and beneficiaries, including past, present and future employees of the Australian Government and other eligible employers and members of the ADF, through investment and administration of their superannuation funds and schemes	Manage and invest the funds	1. CSC's investment performance for its default options over a rolling three year period 2. CSC's investment portfolio is maintained within Board approved risk parameters, such that negative returns are expected in no more than four out of every 20 years for the default option	<ul style="list-style-type: none"> • Default option annual real return of 3.5% over a rolling three year period • Negative returns in no more than four out of every 20 years for the default options
	Administer the schemes	Achievement of operational objectives for contributions processing and benefits/ pension payments.	<ul style="list-style-type: none"> • 90% of each operational objective achieved
	Provide services to members	Adequate satisfaction levels of members, beneficiaries and employers with the service provided	<ul style="list-style-type: none"> • Net Promoter Score (industry standard satisfaction measure) survey result of +10 for employers • Annual increase in NPS survey result for members/ beneficiaries of 4 points.

Capability

Strategic planning

This Corporate Plan is CSC's principal planning document for delivering on its purpose to build, support and protect better retirement outcomes for all our members (being current and former Australian Government employees and members of the Australian Defence Force) and their families.

CSC also has a Board-approved Strategic Plan to assist in delivering on the purpose.

Strategic Plan

CSC's Strategic Plan is a rolling three year plan comprising a set of specific and measurable outcomes at the end of the three year period that are supported by annual milestones. Strategic milestones for 2018–19 include:

- Implemented digital program for growth opportunities.
- Re-engineered customer service to support growth strategies and operational efficiency.
- Agreed target operating model for future business.

Quarterly reporting

Reporting on the achievement of CSC's Corporate Plan performance targets, the specific targets related to each Strategic Plan milestone, and other key operational objectives, is provided to the CSC Board on a quarterly basis.

Workforce

CSC's workforce totals over 450 staff, organised into nine functional groups: Investments, Investment Operations, Finance, Risk, Member and Employer Services, Program Management, Scheme Administration, Corporate and Technology.

Most staff are employed in Canberra and Sydney, with a small number of staff (member educators and financial planners) located in Melbourne, Brisbane and Adelaide.

Staff are employed under individual contracts or in accordance with an Enterprise Agreement, which transferred to CSC upon the merger of ComSuper into CSC on 1 July 2015. Staff set annual performance objectives and personal development plans to enhance skills and professional development and to ensure that professional qualifications are maintained.

Technology

CSC manages a diverse range of information and communication technology supporting the services that it provides. A long-term technology strategy began in 2016 to change the operations and governance of the technology function, enable new capabilities, simplify and transform existing platforms and design the future technology model.

In the next 12 months, CSC plans to accelerate its investigation and use of cloud technologies where appropriate. CSC is continually seeking to improve digital communication with our members, and a new corporate website was launched in June 2018.

A review and update of the technology strategy is planned for early 2019.



Risk oversight and management

CSC's Board is ultimately responsible for having a risk management framework appropriate to the size, business mix and complexity of its operations. This enables it to implement tailored risk management approaches that manage the risks the business faces in pursuit of its purpose. A Risk Committee of the Board has been established to assist the Board in discharging its responsibilities by overseeing the framework and management of risk. As a Registrable Superannuation Entity (RSE) licensee, CSC is also subject to APRA Prudential Standard SPS220 *Risk Management* which prescribes detailed requirements of such a framework.

CSC's framework is fully aligned to its business plan and includes:

- a Board-approved risk appetite statement
- a Board-approved risk management strategy that describes the key elements of the risk management framework that give effect to the strategy for managing risk
- the plans, relationships, accountabilities, resources, processes and activities that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout CSC.

Risk Appetite Statement

The Risk Appetite Statement articulates the degree of risk that CSC is prepared to accept in pursuit of its purpose. The Statement considers the interests of the members of CSC's schemes and the Commonwealth and is formally approved by the Board.

Risk Management Strategy

CSC's Risk Management Strategy has been constructed based on ISO 31000:2018 *Risk management – Principles and guidelines*, APRA Prudential Standard SPS220 *Risk Management* and APRA Prudential Practice Guide SPG 220 *Risk Management*.

Risk management is defined as 'co-ordinated activities to direct and control an organisation with regard to risk', with 'risk' being the 'effect of uncertainty on objectives'. Risk is measured in terms of a combination of the consequence, or impact, of an event and its likelihood. Essentially risk management is aimed at managing business risks so as to strike an appropriate balance between realising opportunities for gain, at the same time as minimising losses.

The **risk management framework** is the totality of systems, structures, policies, processes and people within CSC that identify, assess, manage, mitigate and monitor all internal and external sources of risk that could have a material impact on CSC's business operations or members. The risk management framework is underpinned by a suite of board-approved governance and operational policies.

Risk identification: A multifaceted approach is employed to consider existing risk coverage, emerging risks and new risks, with a formalised calendar for the analysis of various internal and external information channels which may indicate developments in the risk environment or within CSC's business operations. Risks are documented in a detailed risk register.

A **material risk** is a risk that, if realised, has the potential to materially affect the interests of members or beneficiaries, or have significant impact on the business operations, reputation, rate of return or net assets.

The risk management framework covers material risks in the following categories, in accordance with the requirements of SPS220:

- governance
- investment risk (encompassing investment governance and liquidity risks)
- outsourcing risk (including investment managers, custodian, administrator and other service providers)
- operational risk (including earning rates)

- insurance risk
- strategic and tactical risk that arises from business plans
- resourcing risk
- fraud and corruption risk and
- business disruption risk.

Other areas of risk may emerge from time to time. The regular review of the Risk Management Strategy and Risk Appetite Statement assists in identifying new or changing risks and the appropriate risk treatment.

In addition, the risk management framework:

- outlines the proposed risk response strategies (treatments, metrics and tolerances)
 - assesses the strength of the risk response strategies and describes the residual risk of each relevant material risk, having regard to the likely effect of the proposed treatments
- and
- sets out the proposed arrangements for oversight, implementation and reporting in relation to managing the material risks and arrangements for audit.

The CSC Board is required to make an annual risk management declaration to APRA in regards to the adequacy and effectiveness of the risk management framework and its compliance with regulatory standards.

