



Australian Government

Commonwealth Superannuation Corporation

26 September 2013

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

Dear Minister

**Commonwealth Superannuation Corporation – Overview**

I am writing to congratulate you on your appointment as Minister for Finance. I and the other directors of Commonwealth Superannuation Corporation (CSC) look forward to working with you and your advisors.

I have attached a short note outlining the functions, structure and scope of CSC, and some current issues.

I would welcome an opportunity to discuss these with you and I will contact your office to arrange a suitable time.

I have sent a copy of this letter to Mr David Tune.

Yours sincerely

Tony Hyams  
Chairman

cc: Mr David Tune  
Secretary  
Department of Finance

Canberra

Level 8  
121 Marcus Clarke Street  
Canberra ACT 2601  
Australia

GPO Box 1907  
Canberra ACT 2601  
Australia

Phone +61 2 6263 6999  
Fax +61 2 6263 6900

Sydney

Suite 41A, Level 41  
2 Park Street  
Sydney NSW 2000  
Australia

Phone +61 2 9240 4888  
Fax +61 2 9240 4800

[www.csc.gov.au](http://www.csc.gov.au)

Your Government Super at Work

CSC  
ABN 25 000 000  
ESL 0000 197  
ABN 48 602 817 244

CSS  
RSE R1004047  
ABN 19 415 776 861

MSIS  
RSE R1000006  
ABN 50 925 520 120

PSS  
RSE R1004595  
ABN 74 172 177 891

PSSap  
RSE R1004401  
ABN 65 127 917 725

1922  
Scheme

DFRB  
Scheme

DFRDB  
Scheme

PNL  
Scheme

DFSPB

# **Commonwealth Superannuation Corporation**

## **9 September 2013**

### **Briefing for Incoming Minister**

---

Commonwealth Superannuation Corporation (CSC) is the statutory corporation responsible for all major Commonwealth government public service and military superannuation schemes and funds. Its primary duties are to manage and invest the funds and administer the schemes.

CSC is the trustee of four regulated (by APRA and ASIC) superannuation schemes:

- Commonwealth Superannuation Scheme (CSS)
- Public Sector Superannuation Scheme (PSS)
- Public Sector Accumulation Plan (PSSap) and
- Military Superannuation Benefits Scheme (MSB).

CSC is also responsible for the following “exempt” public sector schemes:

- The Defence Force Retirement and Death Benefits Scheme (DFRDB)
- The Defence Forces Retirement Benefits Scheme (DFRB)
- The Defence Force (Superannuation (Productivity Benefit) Determination (DFSPB)
- Superannuation Act 1922 Scheme (1922 Scheme)
- Papua New Guinea Scheme (PNG scheme)

#### **Board**

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

All directors must meet the fitness and propriety standards under the Superannuation Industry (Supervision) Act. The Chair of the Board is appointed by the Minister. The Minister must obtain the Board’s agreement to a person whom the Minister proposes to appoint as the Chair.

The CSC directors are:

- Mr Tony Hyams, Chairman (expiry of Board appointment 30 June 2014)
- Mr Tony Cole (Ministerial nominee, expiry of Board appointment 30 June 2016)
- General Peter Cosgrove (CDF nominee, expiry of Board appointment 30 June 2014)
- Mr Peter Feltham (ACTU nominee, expiry of Board appointment 30 June 2015)
- Ms Nadine Flood (ACTU nominee, expiry of Board appointment 30 June 2014)
- Ms Peggy O’Neal (Ministerial nominee, expiry of Board appointment 30 June 2014)
- Ms Winsome Hall (ACTU nominee, expiry of Board appointment 30 June 2016)
- Mr John McCullagh (CDF nominee, expiry of Board appointment 30 June 2016)
- Mr Gabriel Szondy (Ministerial nominee, expiry of Board appointment 30 June 2014)

- Dr Michael Vertigan (Ministerial nominee, expiry of board appointment 30 June 2016)
- Ms Lyn Gearing (Ministerial nominee, expiry of board appointment 12 September 2016)

## Staff

CSC is organised into six functional groups: Investments, Finance and Risk; General Counsel; Investment Operations; Member and Employer Services; and Board Services. The head of each of these groups reports directly to the CEO, Peter Carrigy-Ryan.

CSC employs over 60 staff on individual contracts at offices in Sydney and Canberra.

## Members

As at 30 June 2013, CSC is responsible for over 700,000 contributing, preserved and pensioner members of its schemes. The breakdown is as follows:

CSC Scheme Membership - totals			
Contributors	Preserved	Pensioners	Total
262,808	239,259	211,612	<b>713,679</b>

CSC Scheme Membership –by scheme				
Schemes	Contributors	Preserved	Pensioners	Total
CSS	12410	7187	110276	129873
PSS	101889	102564	30311	234764
PSSap	90146	37482	6	127634
MilitarySuper	55395	92025	9937	157357
1922 Scheme			4029	4029
DFRB			3343	3343
DFRBD	2968	1	53518	56487
The PNG			192	192
<b>Total</b>	<b>262,808</b>	<b>239,259</b>	<b>211,612</b>	<b>713,679</b>



## Investment and Performance

CSC manages over \$29b in all major domestic and international markets. The asset pool is the funds of the four regulated superannuation schemes.

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

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

Investment options in each fund gain exposure to various asset classes, and professional external investment managers are responsible for the management of the investments. A target asset allocation and asset allocation ranges are set for each option. Approximately 90% of members invest in the "default" option. Fund performance (after fees and tax) for the period to 30 June 2013 is set out below (this is for the PSSap):

Options	1 year (%)	3 years (% p.a.)	5 years (% p.a.)
Trustee Choice (default option)	14.5	7.6	3.2
Conservative	8.3	6.7	4.7
Balanced	12.3	7.7	4.5
Aggressive	17.3	8.2	3.2

## Current Issues

Some of the current major issues are:



- Cash flow management. The CSC regulated schemes are at various stages of maturity. The CSS (closed 1990) has been “contribution negative” (where benefit payments exceed contributions) for many years, and we expect the PSS (closed 2005) to be the same in the next three to four years (possibly sooner). CSC has been able to manage this situation because of the cash flow from the funds of the open schemes (MSB and PSSap) utilized through the single investment pool.
- Competitiveness. CSC remaining competitive and having adequate funding to perform its functions is critical. There is a constraint in that CSC is only able to use “non-investment” funds (\$6m per annum sourced from an employer levy) for much of its member service functions. Adequate funding remains at the forefront, particularly given the ongoing increase in regulatory and member demands.
- APRA levies. CSC has made strong representations to APRA and has written to the Treasury about the excessive levies imposed on its members. The levies increased from \$2 to \$10m in the last year. CSC members are required to pay twice, because the single investment pool and each of the funds both pay. This creates a significant equity issue.



Australian Government

Commonwealth Superannuation Corporation

10 October 2013

Sen. the Hon. Mathias Cormann  
Minister for Finance  
Parliament House  
Canberra ACT 2600  
Australia

Dear Minister

**Commonwealth Superannuation Corporation (CSC)**

I wrote to you on 26 September 2013 and have now contacted your office about a possible meeting with you, when convenient for you.

For your information, I met with the Assistant Minister for Defence in Melbourne on Tuesday and we discussed a range of issues in relation to Commonwealth Superannuation Corporation. I have written to the Assistant Minister inviting him to a more detailed briefing when convenient for him.

I look forward to meeting with you in the near future.

Yours sincerely

Tony Hyams  
Chairman

Chairman's Office  
Level 41  
101 Collins Street  
Melbourne VIC 3000  
Australia

Phone +61 3 9280 1881  
Mobile +61 402 455 255

Email [Tony.Hyams@credit-suisse.co](mailto:Tony.Hyams@credit-suisse.co)

Canberra  
Level 8  
121 Marcus Clarke Street  
Canberra ACT 2601  
Australia

GPO Box 1907  
Canberra ACT 2601  
Australia

Phone +61 2 6263 6999  
Fax +61 2 6263 6900

Sydney  
Suite 41A, Level 41  
2 Park Street  
Sydney NSW 2000  
Australia

Phone +61 2 9240 4888  
Fax +61 2 9240 4800

[www.csc.gov.au](http://www.csc.gov.au)

Your Government Super at Work

CSC  
ABN 20 000 000 000  
BSN 100000000  
AFN 485825124

CSS  
BSN 100000000  
AFN 101137600

MSBS  
BSN 100000000  
AFN 50023520124

PSS  
BSN 100000000  
AFN 74172377000

PSSap  
BSN 100000000  
AFN 000000000000

1922  
Scheme

DFRB  
Scheme

DFRDB  
Scheme

DFG  
Scheme

DFSPB





**Australian Government**  
**Commonwealth Superannuation Corporation**

10 December 2013

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

Dear Minister

**CSS/PSS Pty Ltd – voluntary deregistration of company within CSC group**

I am writing to advise of the voluntary de-registration of a 100% owned subsidiary company within the CSC group.

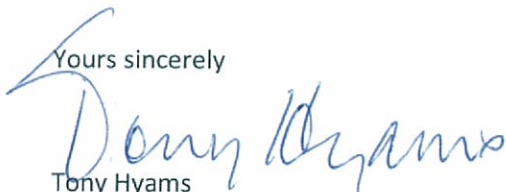
CSS/PSS Pty Ltd was a 100% wholly-owned subsidiary of CSC. It was the trustee of 2 trusts which have been used to manage deferred tax assets for the benefit of the members of CSC's superannuation schemes.

CSS/PSS Pty Ltd was licensed by APRA, and both of the trusts were registrable superannuation entities. Its directors were CSC directors and it was managed internally by CSC staff. As the deferred tax assets have been utilised the trusts have been wound up. The most recent of these was wound up effective 28 June 2013.

As both of the trusts have now been wound up, CSS/PSS Pty Ltd is no longer required and its directors have resolved to apply for voluntary de-registration of the company.

Please don't hesitate to contact me if you would like any further information.

Yours sincerely

  
Tony Hyams  
Chairman

Chairman's Office  
Level 41  
101 Collins Street  
Melbourne VIC 3000  
Australia

Phone +61 3 9280 1881  
Mobile +61 402 455 255

Email [Tony.Hyams@credit-suisse.com](mailto:Tony.Hyams@credit-suisse.com)

Canberra  
Level 8  
121 Marcus Clarke Street  
Canberra ACT 2601  
Australia

GPO Box 1907  
Canberra ACT 2601  
Australia  
Phone +61 2 6263 6999  
Fax +61 2 6263 6900

Sydney  
Suite 41A, Level 41  
2 Park Street  
Sydney NSW 2000  
Australia  
Phone +61 2 9240 4888  
Fax +61 2 9240 4800  
[www.csc.gov.au](http://www.csc.gov.au)

Your Government Super at Work

CSC  
ATSE 238069  
RSE L0001397  
ABN 48 862 817 243

CSS  
RSE R1004649  
ABN 19 413 776 361

MSIS  
RSE R1000306  
ABN 50 925 523 120

PSS  
RSE R1004595  
ABN 74 172 177 693

PSSap  
RSE R1004601  
ABN 65 127 917 725

1922  
Scheme

DFRB  
Scheme

DFDRB  
Scheme

PNG  
Scheme

DMPB