



Fees and other costs

Issued 6 December 2019

! The information in this document forms part of the Product Disclosure Statement for the Military Superannuation and Benefits Scheme (MilitarySuper), seventh edition, issued on 6 December 2019.

! 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 calculator to help you check out different fee options.***

* We are required by law to provide you with this information. MilitarySuper members should note that this is only relevant for the Member Benefit and Ancillary Benefit of your MilitarySuper membership. For DFRDB members with ancillary contributions held in MilitarySuper, this information is only relevant to your Ancillary Benefits

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

*** The calculator on the ASIC website can be used to calculate the effect of fees and costs on account balances.

This document shows fees and other costs that you may be charged. These fees and other 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, 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 Tax and your MilitarySuper booklet available on our website at csc.gov.au

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



Military
Superannuation &
Benefits Scheme

As a MilitarySuper member you do not pay any administration, switching or any other ongoing administration fees as the Department of Defence meets all administration costs. The main fees and costs involved in investing in the investment options are set out below.

Type of fee	Amount	How and when paid
Investment fee	Nil Refer to Additional explanation of fees and costs below.	
Administration fee	Nil	
Buy–sell spread	Nil	
Switching fee	Nil	
Advice fees relating to all members investing in a particular superannuation 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 below.	
Indirect cost ratio	Cash 0.08% pa Income Focused 1.05% pa Balanced 1.21% pa Aggressive 1.51% pa	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.

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 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 a 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 dollar-based fee deducted directly from a member’s account is not included in the indirect cost ratio.

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 is a fee to recover the costs of switching all or part of a member’s interest in the superannuation entity from one class of beneficial interest 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 to 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 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 forms an additional cost which has a minor impact on investment earnings. Funding and maintenance of an operational risk reserve is a requirement of the Australian Prudential Regulation Authority. For more information about the operational risk reserve, go to the **Investment options and risk** booklet available at www.csc.gov.au/Members/Advice-and-resources/Product-Disclosure-Statement/

Performance based fees

We pay performance based fees to some of the 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 financial year the following estimated performance based fees were paid and are reflected in the indirect cost ratio estimates:

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

Please note that the amount of performance based fees previously paid may not be indicative of the amount of performance based fees that may be payable in the future.

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 investment option in 2018-19 financial year:

Cash	0%
Income Focused	0.09%
Balanced	0.15%
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 financial year for each investment option are set out in the following table:

Cash	0%
Income Focused	0.35%
Balanced	0.16%
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 financial year for each investment option are set out in the following table:

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

Activity fees

Reconsideration of a decision

There is currently no fee charged when you request CSC to reconsider a decision that it has made. However, CSC reserves the right to charge a fee in the future. If a fee is charged, CSC will inform you.

Family law information request

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

Advice fees

Fee for service

Members of MilitarySuper 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 will need to pay for it. You will receive a fixed quote upfront. 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 initial advice 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/](https://csc.gov.au/Members/Advice-and-resources/Financial-planning/)

Changes to fees and costs

We may change these 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 changes take 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

Any tax deductions are reflected in the investment returns of the fund and not in the form of reduced fees and costs. For more information on tax refer to the **Tax and your MilitarySuper** booklet available on our website at csc.gov.au/Members/Advice-and-resources/Product-Disclosure-Statement/



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