



Product Disclosure Statement

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Military
Superannuation &
Benefits Scheme

Contact us

If you would like us to send you a copy of this PDS or any additional information referred to, or if you have any questions about the content or MilitarySuper, call us on 1300 006 727 or contact us using the details located at the back of this publication.

1. About MilitarySuper

MilitarySuper was established under the *Military Superannuation and Benefits Act 1991*, exclusively for employees of the Australian Defence Force (ADF). Membership of MilitarySuper closed to new members from 1 July 2016.

From 1 July 2016, if you were previously a member of MilitarySuper and you still have an amount of your employer benefit preserved in MilitarySuper or are a MilitarySuper invalidity pensioner, you will be defaulted to MilitarySuper in the event that you return to the ADF through the Permanent Forces or as a continuous full-time Reservist.

As a member of MilitarySuper you are generally required to contribute at least 5% of your superannuation salary in member contributions. These contributions form part of your member benefit (as defined in section 2). You can also pay certain voluntary contributions for yourself and your spouse.

Any voluntary contributions you pay into your account plus any other additional government or employer contributions that are eligible to be paid into MilitarySuper will form part of your ancillary benefit.

Your member and ancillary benefits are both payable as a lump sum. You can choose to invest these contributions in the Cash, Income Focused, Balanced and Aggressive investment options to suit your goals and risk tolerance.

The Department of Defence (Defence) makes a generous contribution to your MilitarySuper benefit in the form of a defined employer benefit at a rate of 18–28% of your final average salary depending on your years of service.

The defined employer benefit is payable as a pension or lump sum, or combination of a pension and a lump sum. The total value of the employer benefit is determined as described in **section 3**.

In addition to your MilitarySuper retirement benefit, MilitarySuper offers death and invalidity benefits at no cost. See **sections 3 and 8** for more details.

MilitarySuper is offered by Commonwealth Superannuation Corporation (referred to as CSC, we or us) (ABN 48 882 817 243, AFSL 238069, RSEL L0001397).

With over 30 years of experience, CSC is responsible for all aspects of MilitarySuper including investment strategy, administration and member communications. CSC is licensed under the Corporations Act 2001 and the *Superannuation Industry (Supervision) Act 1993*. CSC is the trustee of five regulated superannuation schemes: MilitarySuper, Australian Defence Force Superannuation (ADF Super), the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) and the Public Sector Superannuation accumulation plan (PSSap). CSC also administers six unregulated/ exempt public sector schemes, including ADF Cover, the Defence Force Retirement and Death Benefits Scheme (DFRDB) and the Defence Forces Retirement Benefits Scheme (DFRB).



Important note about this Product Disclosure Statement (PDS)

This PDS is a summary of significant information and contains a number of references to important information. Information referred to in a coloured box marked with  forms part of the PDS. You should consider that information before making a decision about the Military Superannuation and Benefits Scheme (MilitarySuper) (ABN: 50 925 523 120, RSE: R1000306). Other information referred to does not form part of this 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/Members/Advice-and-resources/Product-Disclosure-Statement/ or contact us for a free paper copy. You can find information about director and executive officer remuneration and other mandated disclosure materials in the 'About CSC' section of the website.

The offer to which this document relates is available only to persons eligible to become a member of MilitarySuper under the *Military Superannuation and Benefits Act 1991*, receiving this document (electronically or otherwise) in Australia.

2. How super works

Superannuation (super) is a long-term way to save for your retirement which is, in part, compulsory and most people have the right to choose into which fund their employer should direct their superannuation guarantee contributions. Depending on when you retire, your retirement income may need to last for 20 years or more. Super funds pool members' contributions and invest them for the benefit of the members.

Putting money into your super

As a contributing member of MilitarySuper you generally must contribute at least 5% of your super salary (these contributions are called your member contributions) into MilitarySuper. You may increase your contributions up to a maximum of 10%, in multiples of 1%. You cannot change your rate of contributions more than once every three months. Contributions above 5% will increase your member benefit but will not have any effect on the corresponding employer defined contribution rate. Whatever rate you choose, your contributions will be deducted automatically from your pay every fortnight.

You may also choose to make other contributions, including additional personal contributions, salary sacrifice contributions and spouse contributions, into MilitarySuper. These additional contributions are known as ancillary contributions. If you wish to pay more, make other types of contributions or find out more information, you should obtain a copy of the relevant form or factsheet from csc.gov.au and advise your pay office.

From 1 July 2016, as a member of MilitarySuper you can elect to opt out of MilitarySuper and join ADF Super. If you choose to transfer to ADF Super, you will not be able to re-join MilitarySuper and your employer benefit will remain compulsorily preserved in MilitarySuper until you are at least 55 and have transitioned from the ADF. For further information please refer to the **ADF Super Product Disclosure Statement** available at csc.gov.au. You should consider the ADF Super PDS before making a decision.

Your member contributions (mandated 5-10%) and interest on these contributions from your member benefit, Additional personal contributions, salary sacrifice contributions, government co-contributions, low income superannuation contributions (LISC) or low income superannuation tax offset (LISTO), super guarantee (SG) payments and interest on these amounts form your ancillary benefit. Generally speaking, the value of your member and ancillary benefit will increase with positive investment returns and decrease if there are negative investment returns.

As part of your employer contributions Defence pays productivity contributions at a rate of 3% of your super salary. Those contributions plus investment returns form a funded part of your employer benefit. However, the majority of your employer benefit is paid by the Australian Government when it falls due for payment. As the calculation of your employer benefit when you transition is defined by a set formula, it is unaffected by investment returns.

You need to be aware that there are limitations on the amount of contributions you can make from your before and after tax income. You may, depending on your tax assessable income, also be entitled to various government contributions, if paid will form part of your ancillary benefit. If you are eligible you do not need to take any action as this will be assessed by the Australian Taxation Office when you lodge your taxation return. For eligibility requirements refer to ato.gov.au

For more information refer to our website and the various fact sheets available relating to contributions.

Withdrawing your super

There are limitations on making withdrawals from your super. Super is not accessible until you meet a condition of release; this is generally when you have reached your preservation age (in accordance with MilitarySuper scheme rules) and have permanently retired.

There are circumstances where a condition of release might occur before preservation age. These include circumstances of invalidity, hardship and on compassionate grounds.

However, in MilitarySuper your defined employer benefit can be paid as a pension on or after age 55 provided you have transitioned from the ADF – it is not subject to normal retiring conditions and it is not dependent on you reaching your preservation age.

For more information refer to csc.gov.au/Members/ and the various fact sheets available including **About to leave the ADF** and **Early access to your superannuation benefits**.

Super and tax

The government provides a range of tax savings for people to save for their retirement through superannuation. As a result, super is taxed differently from other investments and you may find that there are significant advantages to saving for your retirement by making extra contributions to your superannuation rather than through alternative investments. You should be aware of your options and the benefits of making additional contributions into MilitarySuper. Information is available from our website and in **section 7**.

3. Benefits of investing with MilitarySuper

Investing in MilitarySuper can help to maximise your retirement savings through the following features and benefits.

Competitive costs

Defence meets the cost of administering your account, which means that no administration fees are deducted. Investment costs are deducted from the assets of the fund before unit prices are declared. For more information, go to **section 6**.

A defined employer benefit

In MilitarySuper you receive an employer benefit. As explained in section 2 of this PDS, the calculation of your employer benefit is not affected by investment returns. Rather, it is calculated using the rates (described below) relating to your final average salary during your period of service.

Years of service	% of Final Average Salary (FAS) per year of service
Less than 7 years	18%
7 years to 20 years	23%
20 years onward	28%

Your defined employer benefit comprises two components:

- a funded component, which represents the 3% productivity contributions paid by Defence, plus investment returns; and
- an unfunded component paid by the Australian Government, which is the balance of your defined employer benefit.

If you transition from the ADF before you are eligible to claim your benefit, the funded and unfunded components will accrue separately. The funded amount will accrue in accordance with investment performance while the unfunded amount will accrue in line with the consumer price index.

Flexible contribution arrangements which accumulate separately from your employer–funded benefit

Your member and ancillary contributions are invested by CSC and the value of your benefit changes in accordance with investment performance. The value of your member benefit will depend on your rate of contributions (5–10%) and investment returns on these contributions. The value of your ancillary benefit is dependent on whether you, your employer or the government make any additional contributions and the investment return on these contributions while they are held in the fund.

Investment choice

You can choose to invest in one or more of our four investment options – **Cash, Income Focused, Balanced and Aggressive** to suit your goals and risk tolerance. For more information, go to **section 5**.

Death and invalidity benefits

Death and invalidity benefits are provided at no additional cost to members. More information is provided in **section 8**.

Understanding your employment conditions

CSC work closely with Defence for the benefit of members. CSC has extensive experience in providing superannuation services to members of the ADF, other government agencies and participating employers.

For more information about the features and benefits of MilitarySuper go to csc.gov.au/Members/

Financial advice

MilitarySuper members have access to a 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.

To arrange an initial 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/

4. Risks of super

Super, like any investment, has some level of risk. The member benefit component of your super will be invested in investment options which have exposure to a range of asset classes with different weightings and different risk levels. The likely investment return and the level of risk of losing money are different for each investment option depending on the underlying mix of assets. Those assets with potentially the highest return over the longer term (such as equities) may also have the highest risk of losing their value in the shorter term.

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, the value of investments and the level of returns will vary, and future returns may differ from past returns. Returns are not guaranteed and there is always a chance you could receive a lower member benefit than you invested. There is also a risk that the amount of your superannuation benefit (including contributions and returns) may not be enough to provide adequately for your retirement. Superannuation laws are also subject to change.

The opportunity to choose how you invest your super carries with it a responsibility to make well-informed decisions suitable to your personal objectives, financial situation and needs. The level of risk appropriate for each person will vary depending on a range of factors, including age, investment time frames, risk tolerance and other investments.

Significant risks which may affect your super are outlined in the table below.

If you require assistance to understand investment risk and to determine the investment option which is right for you, please contact an authorised financial planner.



Further information about the risks of MilitarySuper (including the investment options) is available on our website. You should read the information about risk before making a decision. Go to the Investment options and risk booklet available at csc.gov.au. The material relating to risk may change between the time when you read this Statement and the day when you acquire the product.

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 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, that fraud against CSC could occur, Board restructure and/or 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 or benefit.

*These risks also apply to the defined benefit component of MilitarySuper.

5. How we invest your money

MilitarySuper offers you four investment options – **Cash**, **Income Focused**, **Balanced** and **Aggressive**. You can choose different options for your existing member account balance and your future member and ancillary contributions. You can change your investment options online or by completing a Member Investment Choice form available on our website.



When choosing an investment option you must consider the:

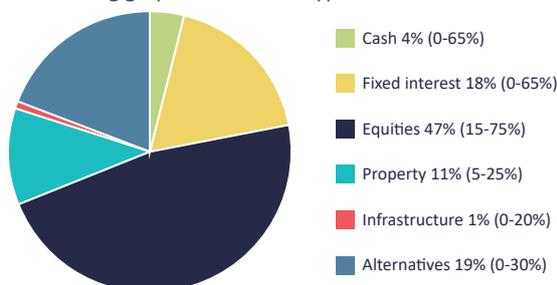
- amount of time your money will be invested before you need it for retirement
- likely investment returns
- level of risk and fluctuation in the value of your investment that you can tolerate.

Balanced – our default option

If you do not choose an investment option, we will invest your member and ancillary contributions in the default option, Balanced. This is a pre-mixed investment option, investing across a range of asset classes, and has a medium-to-high level of risk. The investment objective of the Balanced option is to outperform the Consumer Price Index (CPI) by 3.5% per annum, after fees and taxes, over 10 years.

This investment option is intended for those investors 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.

The following graph sets out the type of assets that make up the Balanced option, their target and permitted range of asset allocations.



You should read the important information about all of the MilitarySuper investment options before making a decision. Go to the Investment options and risk booklet available at csc.gov.au. The material relating to investment options may change between the time when you read this Statement and the day when you acquire the product.

6. Fees and 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 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 and ancillary benefit of your MilitarySuper benefit. For DFRDB members with ancillary benefits held in MilitarySuper, this information is only relevant to your ancillary benefit.

** 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.

Fees and costs for the Balanced investment option

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 Balanced investment option are set out below. The information in this table can be used to compare costs between different superannuation products. Fees and costs are paid by you or from the fund assets as a whole (including investment returns), depending on the fee charged.

Type of fee	Amount*	How and when paid
Investment fee [†]	Nil	
Administration fee	Nil	
Buy-sell spread	Nil	
Switching fee	Nil	
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 the Fees and other costs booklet available at csc.gov.au/Members/Advice-and-resources/Product-Disclosure-Statement/
Other fees and costs	Refer to the Fees and other costs booklet available at csc.gov.au/Members/Advice-and-resources/Product-Disclosure-Statement/	
Indirect cost ratio [#]	Estimated at 1.21% pa of the average net assets of the Balanced investment option.	Indirect costs are paid from or reduce the amount or value of the income or assets attributable to the Balanced investment option, or underlying vehicles through which it invests, and are reflected in the unit price each business day.

* MilitarySuper fees cannot be negotiated.

† We do not charge any investment fees directly to your account. Rather, fees and costs relating to the investment of the assets attributable to the Balanced investment option (such as fees paid to investment managers, custodian costs, investment consulting costs and internal investment costs) are included in indirect costs, for the purpose of calculating the indirect cost ratio, and are reflected in the unit price. They are not directly deducted from your account as a separate transaction.

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.

Changes to fees and costs

We may change these fees and costs from time to time without your consent. 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.



We do not pay commissions or adviser service fees to financial planners. However you may pay 'fee for service' fees to a financial planner if you consult one. Refer to the Statement of Advice from your financial planner for more details.



You should read the important information about all fees and other costs before making a decision. Go to the Fees and other costs booklet (which includes the definitions of fees referred to in this Statement) available at csc.gov.au/Members/Advice-and-resources/Product-Disclosure-Statement/. The material relating to fees and other costs may change between the time when you read this Statement and the day when you acquire the product.

7. How super is taxed

Super can be taxed in three ways:

- contributions going into a fund can be taxed
- investment earnings of a fund can be taxed, and
- tax may be payable on the benefits you receive from a fund.

Tax on contributions

Contributions made from your after-tax salary are not taxed on entry into the fund. These include personal member and spouse contributions. Co-contributions and any taxed amount transferred into the fund are similarly not taxed on entry.

Contributions that are made from income before tax, i.e. salary sacrifice contributions, are taxed at 15% on entry into the fund. Productivity contributions paid to your account by Defence are also taxed at 15% on entry.

Tax on fund earnings

Investment earnings of the Fund are generally taxed at concessional rates as MilitarySuper is a complying fund for the purposes of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and Regulations.

Earnings are taxed at a concessional tax rate of 15%. The effective rate of tax incurred may actually be less than this because superannuation funds receive a capital gains tax discount on some capital gains as well as franking credits.

Tax on benefits

When your benefit is paid, different rates of taxation will apply depending on your age at the time of withdrawal, whether or not the contribution on entry to the fund has been taxed and whether or not you take a pension or lump sum.

Importantly, no tax has already been paid on the unfunded component of your employer benefit and tax will be deducted from that part of your benefit irrespective of your age. At age 60 or more if you claim your unfunded employer benefit as a lump sum any amount up to the lump sum threshold is taxed at 15% with the balance taxed at the top marginal rate. If you claim your unfunded employer benefit as a pension on or after age 60 it will be taxed at marginal tax rates less a 10% tax offset. Higher tax rates apply on the unfunded employer component regardless of how you take the benefit (pension or lump sum) if you are aged under 60.

Transfers from other funds into MilitarySuper are not taxed at the time of the rollover, except where the rollover contains an untaxed component, which will be taxed at 15%. Go to **Tax and your MilitarySuper** booklet available at csc.gov.au for more information on the rate of tax payable, as the rate of tax payable depends on many factors.



There will be tax consequences if you make superannuation contributions in excess of the applicable caps. You should supply your Tax File Number (TFN) as part of investing in MilitarySuper. It is important that you provide your TFN to Defence who will forward it to us.

If we have not received your TFN within 30 days of your entry into the ADF, your contributions must be returned.

Tax in super is very complex and subject to change from time to time. This section of the PDS is only intended to provide a summary about the tax implications of super. We recommend that you seek advice from a licensed professional and refer to the Australian Taxation Office ('ATO') website ato.gov.au. You should also seek advice specific to your circumstances if you were previously a member of the DFRDB who transferred into MilitarySuper.

You should read the information about tax and your super before making a decision. Go to the Tax and your MilitarySuper booklet available at csc.gov.au. The material relating to tax may change between the time when you read this Statement and the day when you acquire the product.

In the event that you become eligible for a benefit and we do not have a record of your TFN, we will be required to deduct tax at a higher rate.

Tax file number (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 provider 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 than 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.

8. Insurance in your super

When you join the ADF and become a member of MilitarySuper, you receive death and invalidity benefits at no cost. These benefits are a feature of your MilitarySuper membership – you do not need to apply and you cannot cancel your benefit entitlement.

Invalidity benefits

Invalidity benefits are designed to help you resettle into civilian employment if you are medically transitioned due to physical injury or mental illness and are unable to continue to serve in the ADF. The amount you will be eligible to receive is dependent upon the extent of your incapacity in relation to civilian employment.

There are also certain circumstances when invalidity benefits are not payable. These include being transitioned or retired within two years of becoming a member due to a condition which existed on entry and which was not materially aggravated by service, or where the injury occurred in particular circumstances of absence without leave (AWOL) or where CSC is of the opinion that your injury was sustained due to an intentional act.

Death benefits

Similarly, payments to dependants can be affected if death occurs while a member is AWOL. You should note that MilitarySuper does not provide for binding death nominations. Upon death, benefits are payable to persons who are eligible dependants as defined in the scheme rules. This includes same sex spouses and children under the age of 18 years or full-time students up to the age of 25. If there are no eligible dependants, any member, ancillary and employer benefits due to you, may be paid to someone you have noted in your will and notified CSC of this, otherwise your benefits will be paid to your estate. You should not assume that because you regard a person as a dependant they will qualify for a benefit in the event of your death. You should familiarise yourself with the eligibility criteria available on our website, csc.gov.au.



You should read the important information about death and invalidity benefits before making a decision. The **Death and invalidity benefits** booklet provides important information on your death and invalidity benefits including eligibility requirements (in particular your available options if you are assessed as less than Class A invalidity), the payment of benefits to dependants in the event of your death and relevant scheme rules. You should consider whether the benefits offered under the rules are adequate for your personal circumstances. Go to csc.gov.au. The material relating to death and invalidity benefits may change between the time when you read this Statement and the day when you acquire the product.

9. How to open an account

MilitarySuper closed to new members on 1 July 2016. Eligibility to join MilitarySuper is determined by the Military Superannuation and Benefits Act 1991 and the rules governing MilitarySuper. However, if you are a MilitarySuper member with preserved employer benefit or an invalidity pensioner and you return to an eligible period of continuous service, you are required to rejoin MilitarySuper as a contributing member. To ensure you are placed in the correct fund, you will need to contact Defence.

If you are a DFRDB contributing member wishing to make additional contributions into MilitarySuper, you will automatically be set up with a MilitarySuper ancillary account.

Making a complaint about your super

Call us on **1300 006 727**. If you are not satisfied with the response, ask to speak to a supervisor. If you still feel the issue has not been explained or resolved to your satisfaction, ask to be transferred to the MilitarySuper Customer Care Officer or call **1300 033 732**. You can also write to the MilitarySuper Customer Care Officer at the address provided below or by email at customercare@csc.gov.au

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 through MilitarySuper Member Services Online (MSO) or by contacting us on **1300 006 727** or by email at members@enq.militarysuper.gov.au

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 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/



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