



Australian Government

Commonwealth Superannuation Corporation

# Update to MilitarySuper fees and costs



18 May 2021



Military  
Superannuation &  
Benefits Scheme

## 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 MilitarySuper in general, call us on **1300 006 727** or contact us using the details located at the back of this publication.

# About this update

This is a product disclosure statement update to the **MilitarySuper Product Disclosure Statement, Seventh Edition (PDS)** and the MilitarySuper **Fees and other costs** booklet, both of which were issued on 6 December 2019.

The indirect cost ratios, performance based fees, transactional and operational costs, property operating costs and borrowing costs for MilitarySuper have been updated for the 2019-20 financial year. As a consequence, the changes set out in this update are made to the **PDS** and the MilitarySuper **Fees and other costs** booklet.

This update was issued by CSC on 18 May 2021. If you have any questions about this update, please call us on **1300 006 727**.

## 1. Changes to fees and costs in the MilitarySuper PDS

Changes to the indirect cost ratio for the Balanced investment option shown on page 5 and 6 of the **PDS**, are indicated in **red** text below.

### 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 <sup>†</sup>  | 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 <a href="https://csc.gov.au/Members/Advice-and-resources/Product-Disclosure-Statement/">csc.gov.au/Members/Advice-and-resources/Product-Disclosure-Statement/</a> |
| Other fees and costs   | Refer to the Fees and other costs booklet available at <a href="https://csc.gov.au/Members/Advice-and-resources/Product-Disclosure-Statement/">csc.gov.au/Members/Advice-and-resources/Product-Disclosure-Statement/</a> |  |
| Indirect cost ratio <sup>#</sup>   | Estimated at <b>1.18%</b> 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.

<sup>†</sup> 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.

<sup>#</sup> The indirect cost ratio is based on actual and estimated indirect costs incurred in the **2019-20** financial year. Future costs may differ from those shown.

## 2. Changes to fees and costs in the Fees and Other Costs booklet

Changes to the indirect cost ratios and their accompanying footnote shown on page 2 of the MilitarySuper **Fees and other costs** booklet are indicated in **red** text below.

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 <sup>1</sup>   | Nil<br>Refer to <b>Additional explanation of fees and costs</b> .   |  |
| Administration fee <sup>1</sup>   | 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 <b>Additional explanation of fees and costs</b> below.   |  |
| Indirect cost ratio   | Cash 0.08% pa<br>Income Focused <b>0.97%</b> pa<br>Balanced <b>1.18%</b> pa<br>Aggressive <b>1.56%</b> 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 **2019-20** financial year. Future costs may differ from those shown.

### Additional explanation of fees and costs

Changes to the performance based fees, transactional and operating costs, property operating costs and borrowing costs on pages 4 and 5 of the **Fees and other costs** booklet are indicated in **red** text below.

#### 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 **2019-20** financial year the following estimated performance based fees were paid and are reflected in the indirect cost ratio estimates:

|                |              |
|----------------|--------------|
| Cash           | 0%           |
| Income Focused | <b>0.49%</b> |
| Balanced       | <b>0.37%</b> |
| Aggressive     | <b>0.51%</b> |

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 the **2019-20** financial year.

|                |              |
|----------------|--------------|
| Cash           | 0%           |
| Income Focused | <b>0.08%</b> |
| Balanced*      | <b>0.18%</b> |
| Aggressive     | <b>0.27%</b> |

## 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 the **2019-20** financial year for each investment option are set out in the following table.

|                |              |
|----------------|--------------|
| Cash           | 0%           |
| Income Focused | <b>0.29%</b> |
| Balanced       | <b>0.14%</b> |
| Aggressive     | <b>0.20%</b> |

## 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 the **2019-20** financial year for each investment option are set out in the following table.

|                  |              |
|------------------|--------------|
| Cash             | 0%           |
| Income Focused   | <b>0.06%</b> |
| MySuper Balanced | <b>0.06%</b> |
| Aggressive       | 0.06%        |



**Email**  
members@enq.militarysuper.gov.au



**Phone**  
1300 006 727



**Fax**  
(02) 6275 7010



**Post**  
MilitarySuper  
GPO Box 2252  
Canberra ACT 2601



**Web**  
[csc.gov.au](http://csc.gov.au)



**Overseas Callers**  
+61 2 6275 0000