



# Update to ADF Super fees and costs



21 September 2020



**Australian  
Defence Force  
Superannuation**

## 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 ADF Super, call us on 1300 203 439 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 **ADF Super Product Disclosure Statement, Fourth Edition (PDS)** and the **ADF Super Fees and other costs** booklet, both of which were issued on 6 July 2020.

The indirect cost ratios, performance based fees, transactional and operational costs, property operating costs and borrowing costs for ADF Super 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 **ADF Super Fees and other costs** booklet.

This update was issued by CSC on 21 September 2020. If you have any questions about this update, please call us on 1300 725 171.

## 1. Changes to fees and costs in the ADF Super PDS

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

### Fees and costs for MySuper Balanced

The main fees and costs involved in investing in MySuper Balanced 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 (for example, by deduction from your account) or from the Fund assets as a whole (including investment returns), depending on the fee or cost.

Type of fee	Amount*	How and when paid
Investment fee <sup>†</sup>	Nil	
Administration fee <sup>^</sup>	\$7 per month (\$84 per annum)	Charged monthly in arrears and deducted from your account at the beginning of the following month. This fee will be charged on a pro-rata basis for the time that you are a member of ADF Super.
Buy-sell spread	0.150%	Deducted from your account when you buy or sell units.
Switching fee	Nil for the initial nomination of investment options if made within 30 days of joining ADF Super. Nil for the first two (2) switches in any financial year. Additional switches are \$20 each.	Deducted from your account when the switch is processed.
Advice fees relating to all members investing in a particular MySuper product or investment option	Nil	No advice fees are deducted directly from your account. Advice on contribution levels, insurance needs and investment choice is available to members with no direct charge (this is known as 'intra-fund advice' or 'simple advice'). The cost of providing intra-fund advice is paid out of the Fund and is reflected in the indirect cost ratio.  If you obtain personal financial advice, you may be charged a 'fee for service' by your financial planner. Refer to the <b>Fees and other costs</b> booklet available at <a href="http://csc.gov.au">csc.gov.au</a>
Other fees and costs	Refer to Additional explanation of fees and costs in the <b>Fees and other costs booklet</b>	
Indirect cost ratio <sup>#</sup>	Estimated at <b>1.15%</b> pa of the average net assets of <b>MySuper Balanced</b> .	Indirect costs are paid from or reduce the amount or value of the income or assets attributable to MySuper Balanced, or underlying vehicles through which it invests, and are reflected in the unit price each business day.

^ If your account balance for a product offered by the superannuation entity is less than \$6,000 at the end of the entity's income year, the total combined amount of administration fees, investment fees and indirect costs charged to you is capped at 3% of the account balance. Any amount charged in excess of that cap must be refunded.

\* ADF Super 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 MySuper Balanced (such as fees paid to investment managers, custodian costs, investment consulting costs and internal investment costs) are included as 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 **2019/20** financial year. Future costs may differ from those shown.

Changes to the example of annual fees and costs on page 6 of the **PDS** are indicated in **red** text below.

## Example of annual fees and costs

This table gives an example of how the fees and costs for the MySuper Balanced option for this superannuation product can affect your superannuation investment over a one year period. You should use this table to compare this superannuation product with other superannuation products.

Example – MySuper Balanced		Balance of \$50 000
Investment fees†	Nil	For every \$50 000 you have in the superannuation product you will be charged \$0 each year.
PLUS administration fees	\$84	And, you will be charged \$84 in administration fees regardless of your balance.
PLUS indirect costs for the superannuation product	<b>1.15%</b>	And, indirect costs of <b>\$575</b> each year will be deducted from your investment.
EQUALS Cost of the Fund		If your balance was \$50 000, then for that year you will be charged fees of <b>\$659</b> for the superannuation product.

**Note:** \* Additional fees may apply.

## 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 ADF Super **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>^</sup>	Nil Refer to <b>Additional explanation of fees and costs</b> .	
Administration fee <sup>^</sup>	\$7 per month (\$84 per annum)	Charged monthly in arrears and deducted from your account at the beginning of the following month. This fee will be charged on a pro-rata basis for the time that you are a member of ADF Super.
Buy-sell spread	<b>Cash</b> 0% <b>Income Focused</b> 0.145% <b>MySuper Balanced</b> 0.150% <b>Aggressive</b> 0.150%	Deducted from your account when you buy or sell units.
Switching fee	Nil for the initial nomination of investment option(s) if made within 30 days of joining ADF Super. Nil for the first two (2) switches in any financial year. Additional switches are \$20 each.	Deducted from your account when the switch is processed.

Advice fees relating to all members investing in a particular MySuper product or investment option	Nil	No advice fees are deducted directly from your account. Advice on contribution levels, insurance needs and investment choice is available to members with no direct charge (known as 'simple advice'). The cost of providing simple advice is paid out of the Fund and is reflected in the indirect cost ratio. If you obtain personal financial advice, you may be charged a 'fee for service' by your financial planner. Refer to <b>Additional explanation of fees and costs</b> .
Other fees and costs	Refer to <b>Additional explanation of fees and costs</b> .	
Indirect cost ratio <sup>^#</sup>	<b>Cash 0.09%</b> pa <b>Income Focused 0.96%</b> pa <b>MySuper Balanced 1.15%</b> pa <b>Aggressive 1.51%</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.

<sup>^</sup> If your account balance for a product offered by the superannuation entity is less than \$6,000 at the end of the entity's income year, the total combined amount of administration fees, investment fees and indirect costs charged to you is capped at 3% of the account balance. Any amount charged in excess of that cap must be refunded.

<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.

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

## Performance based fees

We pay performance based fees to some of our investment managers. If, and only if, the performance of an investment manager exceeds certain benchmarks, they will 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 the **2019-20** financial year the following estimated performance based fees were paid and are reflected in the indirect cost ratio estimates.

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

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>0.06%</b>
MySuper Balanced	<b>0.14%</b>
Aggressive	<b>0.20%</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>
MySuper 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%

Changes to the example of annual fees and costs on page 8 of the ADF Super **Fees and other costs** booklet are indicated in **red** text below.

## Example of annual fees and costs

This table gives an example of how the fees and costs for the MySuper Balanced option for this superannuation product can affect your superannuation investment over a 1 year period. You should use this table to compare this superannuation product with other superannuation products.

Example – MySuper Balanced		Balance of \$50 000
Investment fees	Nil	For every \$50 000 you have in the superannuation product you will be charged \$0 each year.
PLUS administration fees	\$84	And, you will be charged \$84 in administration fees regardless of your balance.
PLUS indirect costs for the superannuation product	<b>1.15%*</b>	And, indirect costs of <b>\$575</b> each year will be deducted from your investment.
EQUALS Cost of the Fund		If your balance was \$50 000, then for that year you will be charged fees of <b>\$659</b> for the superannuation product.

\* Additional fees may apply.



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