



Fees and other costs

Issued 6 July 2020

The information in this document forms part of the Product Disclosure Statement for the Australian Defence Force Superannuation Scheme (ADF Super), fourth edition, issued on 6 July 2020.

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 \$80000).

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 check out different fee options.**

* 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 or advice fees for personal advice may also be charged, but these will depend on the nature of the activity advice or insurance chosen by you. Entry and exist fees cannot be charged.

Taxes, insurance fees and other costs are set out in the **Tax and your ADF Super** and **Insurance and your ADF super** booklets, available 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.



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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.	
Administration fee [^]	\$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	Cash 0% Income Focused 0.145% MySuper Balanced 0.150% Aggressive 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 (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 adviser. Refer to Additional explanation of fees and costs.
Other fees and costs	Refer to Additional explanation of fees and costs.	
Indirect cost ratio [^]	Cash 0.08% pa Income Focused 1.05% pa MySuper Balanced 1.21% pa Aggressive 1.52% 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.

[^]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.

#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 MySuper product or an investment option offered by a superannuation entity is the ratio of the total of the indirect costs for the MySuper product or investment option to the total average net assets of the superannuation entity attributed to the MySuper 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 do 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:

- a. for a MySuper Product, from one class of beneficial interest in the entity to another; and
- b. for superannuation products other than a MySuper product, from one investment option or product in the entity to another.

Investment fees and the indirect cost ratio

We do not charge any investment fees directly to your account.

However, fees and costs that relate to the investment of assets attributable to MySuper Balanced or an investment option (such as fees paid to investment managers, custodian costs, investment consulting costs, internal investment costs and other expenses incurred in investing the assets of the Fund) are indirect costs that are reflected in the indirect cost ratio for MySuper Balanced or the investment option, respectively.

Those fees and costs are deducted from the value of the assets attributable to MySuper Balanced or 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 may form an additional cost which has a minor impact on investment earnings. Funding and maintaining 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 csc.gov.au

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 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%
MySuper Balanced	0.44%
Aggressive	0.54%

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 2018–19 financial year.

Cash	0%
Income Focused	0.09%
MySuper 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 the 2018–19 financial year for each investment option are set out in the following table.

Cash	0%
Income Focused	0.35%
MySuper 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 the 2018–19 financial year for each investment option are set out in the following table.

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

Activity fees

Family law fees

A fee of \$170 for members and \$187 (\$170 plus GST) for non-members is payable upon initial request for family law related services for the preparation of a response to a request for superannuation information made in accordance with family law legislation.

This fee covers the cost of administrative work required to respond to a request.

A fee of \$110 is charged to split a member's account due to family law arrangements.

Advice fees

Advice on contribution levels, insurance needs and investment choice is available by calling 1300 277 777. Members are not charged directly for this service. The cost of providing this service to members is paid by the Fund.

Fee for service

Members of ADF Super have access to a personalised advice service. CSC's authorised financial planners provide a personalized 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 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/

Buy–sell spread

When we buy or sell investments, ADF Super incurs costs such as brokerage and taxes. To ensure that other members do not bear the cost of these transactions, we pass this cost on to you when you contribute, withdraw or switch money between investment options. This is an additional cost to you, paid to cover the costs of ADF Super in undertaking the transactions.

The way we pass these costs on is by using a buy-sell spread. A buy price applies when acquiring units – for example, when you or your employer makes contributions or you switch into a new investment option. A sell price applies when selling units – for example, when you leave ADF Super or switch out of an investment option. There may be a difference between the buy and sell price, referred to as a buy-sell spread. Buy-sell spreads can change from time to time. No part of the buy-sell spread is paid to CSC or any underlying investment manager.

The table below shows the buy and sell spread for each investment option expressed as a percentage and shows worked examples.

Buy–sell spreads for each investment option

Investment option	Buy spread	Sell spread	Worked example buy spread
Cash	0%	0%	X \$5000 = \$0
Income Focused	0.145%	0.145%	X \$5000 = \$7.25
MySuper Balanced	0.150%	0.150%	X \$5000 = \$7.50
Aggressive	0.150%	0.150%	X \$5000 = \$7.50

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 change takes 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

The benefit of any tax deductions, available in relation to administration fees and insurance fees, will be returned to you on or about the time that the fee is deducted – reducing the amount that you ultimately pay. For more information on tax refer to the Tax and your ADF Super booklet available on our website.

Insurance

In addition to premiums, all members who have insurance cover will pay an insurance fee of \$1.50 per month (\$18 per annum). This fee is charged on a pro rata basis and relates to costs incurred by CSC in relation to the provision of insurance for members of ADF super. For information on insurance options and costs, see the **Insurance and your ADF Super** booklet available on csc.gov.au

Example of annual fees and costs for MySuper Balanced

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 fee	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	1.21%*	And, indirect costs of \$605 each year will be deducted from your investment.
EQUALS cost of product		If your balance was \$50 000, then for that year you will be charged fees of \$689 for the superannuation product.

* Additional fees may apply.



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