

COMMONWEALTH SUPERANNUATION CORPORATION

ENTITY RESOURCES AND PLANNED PERFORMANCE

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COMMONWEALTH SUPERANNUATION CORPORATION

Section 1: Entity overview and resources

1.1 STRATEGIC DIRECTION STATEMENT

Commonwealth Superannuation Corporation (CSC) is responsible for the investment of funds and administration of the Public Superannuation Scheme Accumulation Plan (PSSap); the Public Sector Superannuation Scheme (PSS); the Commonwealth Superannuation Scheme (CSS); the Military Superannuation and Benefits Scheme (MSBS); and the Australian Defence Force Superannuation Scheme (ADF Super). In addition, CSC administers six 'unfunded' superannuation schemes: the Defence Forces Retirement Benefits Scheme (DFRB), the Defence Force Retirement and Death Benefits Scheme (DFRDB), the Defence Force (Superannuation) (Productivity Benefit) Scheme (DFSPB), the 1922 Scheme, the Papua New Guinea Scheme (PNG), and the Australian Defence Force Cover Scheme (ADF Cover).

CSC seeks to achieve its outcome agreed with the government by delivering consistently competitive and risk-managed investment performance, efficient scheme administration for contributors and beneficiaries, and effective interaction with its other stakeholders.

CSC aspires to maintain its leadership position as a superannuation provider of choice in the Commonwealth sector. CSC will work with the government to improve or modernise scheme design and will work to improve service to members.

As a holder of licences from both Australian Prudential Regulation Authority (APRA) and Australian Securities and Investments Commission (ASIC), CSC will continue to ensure the highest standards are maintained and will seek to meet all compliance obligations.

1.2 ENTITY RESOURCE STATEMENT

Table 1.1 shows the total funding from all sources available to CSC for its operations and to deliver programs and services on behalf of the government.

The table summarises how resources will be applied by outcome (government strategic policy objectives) and by administered (on behalf of the government or the public) and departmental (for CSC's operations) classification.

For more detailed information on special accounts and special appropriations, please refer to *Budget Paper No. 4 – Agency Resourcing*.

Information in this table is presented on a resourcing (that is, appropriations/cash available) basis, whilst the 'Budgeted expenses by Outcome 1' table in Section 2 and the financial statements in Section 3 are presented on an accrual basis.

Table 1.1: Commonwealth Superannuation Corporation resource statement — Budget estimates for 2017-18 as at Budget May 2017

	2016-17 estimated actual \$'000	2017-18 estimate \$'000
Opening balance/cash reserves at 1 July	89,216	41,677
Funds from Government		
Special accounts		
CSC Special Account Departmental	78,586	70,560
Services for Other Entities and Trust Moneys CSC Special Account Administered (a)	2,104,911	36,911
<i>Total special accounts</i>	2,183,497	107,471
Total funds from Government	2,183,497	107,471
Funds from other sources		
Interest	80	80
Sale of goods and services	27,355	28,225
Total funds from other sources	27,435	28,305
Total net resourcing for Commonwealth Superannuation Corporation	2,300,148	177,453
	2016-17	2017-18
Average staffing level (number) (b)	455	476

(a) The decrease in receipts in 2017-18 reflects a change in banking arrangements.

(b) Average staffing levels reflect all staff involved in the investment of funds and administration of the schemes. All employee expenses are paid by CSC and CSC on-charges the schemes for the portion of expenses that are referable to the investment of the scheme funds.

Note: All figures shown above are GST exclusive – these may not match figures in the cash flow statement.

Table 1.1: Commonwealth Superannuation Corporation resource statement — Budget estimates for 2017-18 as at Budget May 2017 (continued)**Third party payments from and on behalf of other entities**

	2016-17 estimated actual \$'000	2017-18 estimate \$'000
Payments made on behalf of another entity (as disclosed in the respective entity's resource statement)		
Finance Superannuation Special Appropriations:		
<i>Superannuation Act 1922</i>	83,486	76,163
<i>Superannuation Act 1976</i>	4,377,558	4,515,582
<i>Superannuation Act 1990</i>	1,844,330	1,875,469
<i>Same-Sex Relationships (Equal Treatment in Commonwealth Laws - General Law Reform) Act 2008</i>	59	60
<i>Governance of Australian Government Superannuation Schemes Act 2011</i>	1,500	1,000
Defence Superannuation Special Appropriations:		
<i>Defence Forces Retirement Benefits Act 1948</i>	47,626	41,737
<i>Defence Force Retirement and Death Benefits Act 1973</i>	1,540,513	1,599,741
<i>Military Superannuation and Benefits Act 1991</i>	570,545	680,503
<i>Australian Defence Force Cover Act 2015</i>	771	2,743
CSC draws on the following Finance Annual Appropriations		
Appropriation Act (No.1) (a)	500	500
Appropriation Act (No.1) (b)	294	451
Appropriation Act (No.2) (b)	968	992
PNG Scheme		
Administered Appropriation Act	6,385	6,104

(a) Compensation and legal payments.

(b) Act of Grace payments.

1.3 BUDGET MEASURES

No budget measures have been announced since 2016-17 Mid-Year Economic and Fiscal Outlook (MYEFO) that impact CSC.

Section 2: Outcomes and planned performance

Government outcomes are the intended results, impacts or consequences of actions by the Government on the Australian community. Commonwealth programs are the primary vehicle by which government entities achieve the intended results of their outcome statements. Entities are required to identify the programs which contribute to government outcomes over the Budget and forward years.

Each outcome is described below together with its related programs. The following provides detailed information on expenses for each outcome and program, further broken down by funding source.

Note:

Performance reporting requirements in the Portfolio Budget Statements are part of the enhanced Commonwealth performance framework established by the *Public Governance, Performance and Accountability Act 2013*. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plans and annual performance statements - included in Annual Reports - to provide an entity's complete performance story.

The most recent corporate plan for CSC can be found at: <http://www.csc.gov.au/about-us/governance/>.

The most recent annual performance statement can be found at: <http://www.csc.gov.au/reports-and-information/annual-reports/>.

2.1 BUDGETED EXPENSES AND PERFORMANCE FOR OUTCOME 1

Outcome 1: Retirement and insurance benefits for scheme members and beneficiaries, including past, present and future employees of the Australian Government and other eligible employers and members of the Australian Defence Force, through investment and administration of their superannuation funds and schemes.

Linked programs

Department of Finance
Programs <ul style="list-style-type: none"> • Program 2.7 – Public Sector Superannuation
Department of Defence
Programs <ul style="list-style-type: none"> • Program 2.14 – Defence Force Superannuation Benefits • Program 2.15 – Defence Force Superannuation Nominal Interest
<p>Contribution to Outcome 1 made by linked programs</p> <p>The Department of Finance and Department of Defence provide funding through third party access arrangements to Commonwealth Superannuation Corporation for the propose of providing payments of retirement and insurance benefits for scheme members and beneficiaries, including past, present and future employees of the Australian Government and other eligible employers and members of the Australian Defence Force.</p>

Budgeted expenses for Outcome 1

This table shows how much CSC intends to spend (on an accrual basis) on achieving the outcome, broken down by program, as well as by Administered and Departmental funding sources.

Table 2.1.1: Budgeted expenses for Outcome 1

Outcome 1: Retirement and insurance benefits for scheme members and beneficiaries, including past, present and future employees of the Australian Government and other eligible employers and members of the Australian Defence Force, through investment and administration of their superannuation funds and schemes.

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
Program 1.1: Superannuation Scheme Governance					
Revenue from Government					
Special accounts					
CSC Special Account	114,608	106,496	100,415	100,714	101,656
Revenues from other independent sources	80	80	80	80	80
Total expenses for Program 1.1 (a)	114,688	106,576	100,495	100,794	101,736
Outcome 1 totals by resource type					
Revenue from Government					
Special accounts	114,608	106,496	100,415	100,714	101,656
Revenues from other independent sources	80	80	80	80	80
Total expenses for Outcome 1	114,688	106,576	100,495	100,794	101,736

	2016-17	2017-18
Average staffing level (number) (b)	455	476

- (a) Expenses reflect only the cost paid by CSC and do not reflect the total cost involved in the investment of funds and administration of the schemes.
- (b) Average staffing levels reflect all staff involved in the investment of funds and administration of the schemes. All employee expenses are paid by CSC and CSC on charges the schemes for the portion of expenses that are referable to the investment of the scheme funds.

Table 2.1.2 Performance criteria for Outcome 1

Table 2.1.2 below details the performance criteria for each program associated with Outcome 1. It also summarises how each program is delivered and where 2017-18 Budget measures have created new programs or materially changed existing programs.

Outcome 1 – Retirement and insurance benefits for scheme members and beneficiaries, including past, present and future employees of the Australian Government and other eligible employers and members of the Australian Defence Force, through investment and administration of their superannuation funds and schemes.		
Program 1.1 – Superannuation Scheme Governance		
Delivery	<ul style="list-style-type: none"> • Risk managed investment of member's superannuation balances. • Meeting licence obligations set out by APRA and ASIC. • Development and implementation of industry standard administration services. • Provision of information for scheme members including responding to member enquiries and publications, websites and seminars. 	
Performance information: Superannuation Scheme Governance		
Year	Performance criteria	Targets
2016-17	<ul style="list-style-type: none"> • CSC's investment performance for its default accumulation option over a rolling three-year period. • CSC's investment portfolio is maintained within Board approved risk parameters, such that negative returns are expected in no more than 4 out of every 20 years for the default accumulation option. • Achievement of operational objectives for benefit payments, pension and contributions processing and the dispatch of members' statements. • Adequate satisfaction level of members, beneficiaries and employers with the service provided. 	<ul style="list-style-type: none"> • Over the rolling three-year period to June 2017, CSC's default accumulation option is estimated to meet its annual return target of 3.5% within Board approved risk parameters. • It is estimated that the target of achieving negative returns in no more than 4 out of every 20 years for the default accumulation option will be met. • It is estimated that the target of achieving 90% of each operational objective will be met. • It is estimated that the target of achieving a Net Promoter Score (industry standard satisfaction measure) survey result of +15 will not be met.

Table continues on next page

Table 2.1.2: Performance criteria for Outcome 1 (continued)

Performance information: Superannuation Scheme Governance		
Year	Performance criteria	Targets
2017-18	<ul style="list-style-type: none"> • CSC's investment performance for its default accumulation option over a rolling three-year period. • CSC's investment portfolio is maintained within Board approved risk parameters, such that negative returns are expected in no more than 4 out of every 20 years for the default accumulation option. • Achievement of operational objectives for benefit payments, pension and contributions processing and the dispatch of members' statements. • Adequate satisfaction level of members, beneficiaries and employers with the service provided. 	<ul style="list-style-type: none"> • Default accumulation option annual real return of 3.5% over a rolling three-year period. • Negative returns in no more than 4 out of every 20 years for the default accumulation option. • 90% of each operational objective achieved. • Net Promoter Score (industry standard satisfaction measure) survey result of +10.
2018-19 and beyond	<ul style="list-style-type: none"> • As per 2017-18. 	<ul style="list-style-type: none"> • As per 2017-18.
Purposes	CSC's purpose is to grow the wealth of Australian Government employees and members of the Australian Defence Force for their retirement as the trustee of the Australian Government's public sector and military superannuation schemes.	

Section 3: Budgeted financial statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2017-18 budget year, including the impact of budget measures and resourcing on financial statements.

3.1 BUDGETED FINANCIAL STATEMENTS

3.1.1 Differences between entity resourcing and financial statements

No material differences exist between entity resourcing and the financial statements.

3.1.2 Explanatory notes and analysis of budgeted financial statements

CSC is the trustee for the PSSap, PSS, CSS, MSBS and ADF Super regulated superannuation schemes and six 'unfunded' superannuation schemes. The governance arrangements of these schemes are set out in the *Governance of Australian Government Superannuation Schemes Act 2011* and various scheme specific Acts, Trust Deeds, legislation, rules and determinations. These requirements prescribe which costs are to be paid from scheme funds, and which costs are to be borne by the fees levied upon Commonwealth entities.

CSC receives revenue through fees paid by Commonwealth entities and some entities with residual membership in the schemes, such as the Northern Territory and Australian Capital Territory governments. All CSC fee revenue from Commonwealth entities is managed through a Special Account.

CSC's budgeted departmental expenses shown in this document reflect only the costs paid, and income received, by CSC into its Special Account and does not reflect the total cost involved in the investment of funds and administration of the schemes.

The projected reduction in the surplus from 2016-17 to 2017-18 reflects a Government decision to change the mechanism by which savings from the 2010-11 Budget Measure 'Superannuation Governance and Administration Reform' are delivered. In 2016-17 and prior years, savings of \$3 million per annum were returned to the budget by CSC from fees charged to employer agencies. From 2017-18 onwards, these savings will be recovered directly from the relevant entities by adjusting their appropriations, and CSC's agency fees will be reduced accordingly.

The projected loss in 2016-17 reflects the estimated accounting loss associated with the co-location of CSC's Canberra offices. The loss represents the upfront recognition of future cash outflows associated with the existing leases at the time of the anticipated signing of the new lease, and the associated downwards revaluation of fixed assets.

3.2. BUDGETED FINANCIAL STATEMENTS TABLES

Table 3.1: Comprehensive income statement (showing net cost of services) for the period ended 30 June

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
EXPENSES (a)					
Employee benefits	58,118	58,591	59,270	60,160	61,063
Suppliers	46,157	34,340	35,221	34,630	35,090
Depreciation and amortisation	8,055	13,433	5,792	5,792	5,371
Finance costs	12	12	12	12	12
Write-down and impairment of assets	2,146	-	-	-	-
Other expenses	200	200	200	200	200
Total expenses	114,688	106,576	100,495	100,794	101,736
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	105,608	106,496	100,415	100,714	101,656
Interest	80	80	80	80	80
Total own-source revenue	105,688	106,576	100,495	100,794	101,736
Total own-source income	105,688	106,576	100,495	100,794	101,736
Net (cost of)/contribution by services	(9,000)	-	-	-	-
Surplus/(deficit) attributable to the Australian Government	(9,000)	-	-	-	-
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation surplus	(1,172)	-	-	-	-
Total other comprehensive income	(1,172)	-	-	-	-
Total comprehensive income/(loss)	(10,172)	-	-	-	-
Total comprehensive income/(loss) attributable to the Australian Government	(10,172)	-	-	-	-

Prepared on Australian Accounting Standards basis.

(a) Expenses reflect only the cost paid by CSC and do not reflect the total cost involved in the investment of funds and administration of the schemes.

Table 3.2: Budgeted departmental balance sheet (as at 30 June)

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	43,768	34,237	31,088	28,035	25,160
Trade and other receivables	3,442	3,442	3,442	3,442	3,442
Total financial assets	47,210	37,679	34,530	31,477	28,602
Non-financial assets					
Leasehold Improvements	4,734	17,162	17,162	17,162	17,162
Property, plant and equipment	2,997	2,997	2,997	2,997	2,997
Intangibles	20,129	20,129	20,129	20,129	20,129
Other non-financial assets	2,020	2,023	2,026	2,026	2,026
Total non-financial assets	29,880	42,311	42,314	42,314	42,314
Total assets	77,090	79,990	76,844	73,791	70,916
LIABILITIES					
Payables					
Suppliers	16,265	20,126	19,506	18,767	17,908
Other payables	276	276	276	276	276
Total payables	16,541	20,402	19,782	19,043	18,184
Provisions					
Employee provisions	11,779	11,779	11,779	11,779	11,779
Other provisions	14,327	13,208	10,524	8,052	5,878
Total provisions	26,106	24,987	22,303	19,831	17,657
Total liabilities	42,647	45,389	42,085	38,874	35,841
Net assets	34,443	34,601	34,759	34,917	35,075
EQUITY*					
Parent entity interest					
Contributed equity	35,475	35,475	35,475	35,475	35,475
Reserves	100	258	416	574	732
Retained surplus (accumulated deficit)	(1,132)	(1,132)	(1,132)	(1,132)	(1,132)
Total parent entity interest	34,443	34,601	34,759	34,917	35,075
Total equity	34,443	34,601	34,759	34,917	35,075

Prepared on Australian Accounting Standards basis.

*‘Equity’ is the residual interest in assets after deduction of liabilities.

Table 3.3: Departmental statement of changes in equity — summary of movement (Budget year 2017-18)

	Retained earnings	Other reserves	Contributed equity/ capital	Total equity
	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2017				
Balance carried forward from previous period	(1,132)	100	35,475	34,443
Adjusted opening balance	(1,132)	100	35,475	34,443
Total comprehensive income/(loss)	-	-	-	-
Transfers to/(from) reserves	-	158	-	-
Estimated closing balance as at 30 June 2018	(1,132)	258	35,475	34,601
Closing balance attributable to the Australian Government	(1,132)	258	35,475	34,601

Prepared on Australian Accounting Standards basis.

Table 3.4: Budgeted departmental statement of cash flows (for the period ended 30 June)

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Transfers from OPA	71,979	70,560	70,766	73,864	76,008
Sale of goods and rendering of services	105,208	101,654	100,573	100,872	101,814
Interest	80	80	80	80	80
Total cash received	177,267	172,294	171,419	174,816	177,902
Cash used					
Employees	58,118	58,591	59,270	60,160	61,063
Suppliers	34,569	34,613	38,740	38,053	38,335
Transferred to OPA	70,870	70,560	70,766	73,864	76,008
Total cash used	163,557	163,764	168,776	172,077	175,406
Net cash from/(used by) operating activities	13,710	8,530	2,643	2,739	2,496
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	8,055	18,061	5,792	5,792	5,371
Total cash used	8,055	18,061	5,792	5,792	5,371
Net cash from/(used by) investing activities	(8,055)	(18,061)	(5,792)	(5,792)	(5,371)
Cash used					
Dividends paid	3,000	-	-	-	-
Total cash used	3,000	-	-	-	-
Net cash from/(used by) financing activities	(3,000)	-	-	-	-
Net increase/(decrease) in cash held	2,655	(9,531)	(3,149)	(3,053)	(2,875)
Cash and cash equivalents at the beginning of the reporting period	41,113	43,768	34,237	31,088	28,035
Cash and cash equivalents at the end of the reporting period	43,768	34,237	31,088	28,035	25,160

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental capital budget statement (for the period ended 30 June)

	2016-17 Estimated actual \$'000	2017-18 Budget \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000	2020-21 Forward estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources	8,055	18,061	5,792	5,792	5,371
TOTAL	8,055	18,061	5,792	5,792	5,371
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	8,055	18,061	5,792	5,792	5,371
Total cash used to acquire assets	8,055	18,061	5,792	5,792	5,371

Prepared on Australian Accounting Standards basis.

Table 3.6: Statement of asset movements (Budget year 2017-18)

	Leasehold Improvements	Other property, plant and equipment	Computer software and intangibles	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2017				
Gross book value	6,160	4,558	28,441	39,159
Accumulated depreciation/ amortisation and impairment	(1,426)	(1,561)	(8,312)	(11,299)
Opening net book balance	4,734	2,997	20,129	27,860
Capital asset additions				
Estimated expenditure on new or replacement assets				
By purchase - donated funds				
By purchase - other	17,709	3,268	4,884	25,861
Total additions	17,709	3,268	4,884	25,861
Other movements				
Depreciation/amortisation expense	(5,281)	(3,268)	(4,884)	(13,433)
Total other movements	(5,281)	(3,268)	(4,884)	(13,433)
As at 30 June 2018				
Gross book value	23,869	7,826	33,325	65,020
Accumulated depreciation/ amortisation and impairment	(6,707)	(4,829)	(13,196)	(24,732)
Closing net book balance	17,162	2,997	20,129	40,288

Prepared on Australian Accounting Standards basis.

Table 3.7: Schedule of budgeted income and expenses administered on behalf of Government (for the period ended 30 June)

The CSC has no budgeted income and expenses administered on behalf of the Government.

Table 3.8: Schedule of budgeted assets and liabilities administered on behalf of Government (as at 30 June)

The CSC has no budgeted assets and liabilities administered on behalf of the Government.

Table 3.9: Schedule of budgeted administered cash flows (for the period ended 30 June)

The CSC has no budgeted cash flows administered on behalf of the Government.

Table 3.10: Administered capital budget statement (for the period ended 30 June)

The CSC has no budgeted capital administered on behalf of the Government.

Table 3.11: Statement of administered asset movements (Budget year 2017-18)

The CSC has no budgeted non-financial assets administered on behalf of the Government.

