

Commonwealth Superannuation Corporation

Entity Resources and Planned Performance

COMMONWEALTH SUPERANNUATION CORPORATION

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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 management 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 new accumulation plan Australian Defence Force (ADF) Super from 1 July 2016. 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 new Australian Defence Force (ADF) Cover invalidity scheme from 1 July 2016.

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.

CSC became solely responsible for all superannuation functions with the merger of ComSuper into CSC on 1 July 2015 and the assumption of its functions by CSC. This means there is a revised single outcome statement.

On 13 May 2014 the government announced its intention to close MSBS to new members from 1 July 2016. Following the passing of the relevant legislation on 10 September 2015, a new accumulation plan ADF Super and a new invalidity scheme ADF Cover will commence on 1 July 2016. Administration fees for the new ADF Super scheme will be deducted from member accounts in a similar way to the new PSSap arrangements that were introduced on 1 July 2015.

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 (i.e. appropriations/cash available) basis, whilst the 'Budgeted Expenses by Outcome 1' tables 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 2016-17 as at Budget May 2016

	2015-16 estimated actual \$'000	2016-17 estimate \$'000
Funds from Government		
Special accounts		
Opening balance Administered	6,501	6,928
Opening balance Departmental	-	26,701
Receipts Administered	1,871,921	1,871,921
Receipts Departmental	99,224	70,870
Total special accounts	1,977,646	1,976,420
Total funds from Government	1,977,646	1,976,420
Funds from other sources		
Interest	67	80
Total funds from other sources	67	80
Total net resourcing for CSC	1,977,713	1,976,500
Average staffing level (number) ^(a)	455	476

Prepared on a resourcing (i.e. appropriations available) basis.

(a) Average staffing level reflects all staff involved in the administration and management 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 management of the scheme funds.

Please 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 2016-17 as at Budget May 2016 (continued)
Third Party Payments from and on Behalf of Other Entities

	2015-16 estimated actual \$'000	2016-17 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>	90,277	83,429
<i>Superannuation Act 1976</i>	4,372,098	4,357,276
<i>Superannuation Act 1990</i>	1,634,586	1,796,559
<i>Same-Sex Relationships Act (Equal Treatment in Commonwealth Laws - Superannuation) 2008</i>	54	55
<i>Governance of Australian Government Superannuation Schemes Act 2011</i>	1,000	1,000
Defence Superannuation Special Appropriations:		
<i>Defence Forces Retirement Benefits Act 1948</i>	50,049	44,818
<i>Defence Force Retirement and Death Benefits Act 1973</i>	1,513,367	1,578,185
<i>Military Superannuation and Benefits Act 1991</i>	512,722	590,604
ADF Cover	-	771
CSC draws on the following Finance Annual Appropriations		
Appropriation Act (No.1) ^(a)	500	500
Appropriation Act (No.1) ^(b)	2,393	5,012
Appropriation Act (No.2) ^(b)	684	597
PNG Scheme		
Administered Appropriation Act	6,929	6,823

(a) Compensation and Legal Payments

(b) Act of Grace Payments

1.3 BUDGET MEASURES

No budget measures have been announced since 2015-16 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:

From 1 July 2015, performance reporting requirements in the Portfolio Budget Statements sit alongside those required under the enhanced Commonwealth performance framework. It is anticipated that the performance criteria described in Portfolio Budget Statements will be read with broader information provided in an entity's corporate plan and annual performance statements – included in Annual Reports from October 2016 – to provide an entity's complete performance story.

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
• Program 2.6 – Public Sector Superannuation
Department of Defence
Programs
• Program 1.14 – Defence Force Superannuation Benefits • Program 1.15 – Defence Force Superannuation Nominal Interest
Contribution to Outcome 1 made by linked programs 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.

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.	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
Program 1.1: Superannuation Scheme Governance					
Departmental expenses					
Special accounts					
CSC Special Account	96,403	104,676	97,072	96,926	96,762
Funded by revenues from other independent sources	67	80	80	80	80
Departmental Total	96,470	104,756	97,152	97,006	96,842
Total expenses for Program 1.1^(a)	96,470	104,756	97,152	97,006	96,842
Outcome 1 Totals by appropriation type					
Departmental expenses					
Special accounts	96,403	104,676	97,072	96,926	96,762
Funded by revenues from other independent sources	67	80	80	80	80
Departmental Total	96,470	104,756	97,152	97,006	96,842
Total expenses for Outcome 1	96,470	104,756	97,152	97,006	96,842
Average staffing level (number)^(b)					
	2015-16 455	2016-17 476			

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

(b) Average staffing level reflects all staff involved in the administration and management 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 management 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.

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	• 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.	
Purposes	To grow the wealth of Australian Government employees and members of the Australian Defence Force for their retirement as trustee of the Australian Government public sector and military superannuation schemes.	
Performance information: Program 1.1 – Superannuation Scheme Governance		
Year	Performance Criteria	Targets
2015-16	• Long term nominal investment performance target of a real return of 3.5% over a prospective rolling 3 year horizon, achieved within Board approved risk parameters. • Compliance with the relevant law. • Meet obligations as Registrable Superannuation Entity (RSE) licensee and Australian Financial Services (AFS) Licence holder. • Administration quality as reflected in the satisfaction level of members, beneficiaries and employers with the service provided through its scheme administrators. • Achievement of service standards. • Periodic member client satisfaction survey (Quality Service Index). • Timeliness of member statements. • Timeliness of new benefits processed.	• Over the rolling three year period to June 2016, CSC's default accumulation option is estimated to meet its annual real return target of 3.5% within Board approved risk parameters. • All compliance issues were reported and actively managed in accordance with CSC policy. • All RSE and AFS obligations were met. • See detailed targets below. • 80% of standards achieved. • Weighted score 85.1%. • 100% issued by the statutory deadline. • 85% of routine benefit payments made within 5 working days.

Table continues on next page

Table 2.1.2: Performance criteria for Outcome 1 (Continued)

Performance information: Program 1.1 – Superannuation Scheme Governance		
Year	Performance Criteria	Targets
2015-16 (continued)	• Timeliness of fortnightly pension payroll. • Compliance issues appropriately reported and actively managed (Issues reported and managed).	• 99.7% of pension payments in bank accounts on time. • 100% of issues reported and managed.
2016-17	• 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 despatch of members' statements. • Adequate satisfaction level of members, beneficiaries and employers with the service provided.	• 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 +15.
2017-18 and beyond	• As per 2016-17.	• As per 2016-17.

Section 3: Budgeted Financial Statements

Section 3 presents budgeted financial statements which provide a comprehensive snapshot of entity finances for the 2016-17 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 and MSBS regulated superannuation schemes and the new regulated accumulation plan for ADF Super (from 1 July 2016) 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 administration and management of the schemes.

CSC is projecting a surplus of \$3 million in 2016-17. This surplus is due to savings measures announced in the 2009-10 Additional Estimates related to Superannuation Administration Reform Programme (SARP) savings. It is intended that a \$3 million surplus will be returned to government in 2016-17 and in subsequent forward years.

3.2.1 BUDGETED FINANCIAL STATEMENTS TABLES

Table 3.1: Comprehensive Income Statement (Showing Net Cost of Services) for the Period Ended 30 June

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
EXPENSES ^(a)					
Employee benefits	55,821	58,118	58,591	59,270	60,160
Suppliers	33,988	40,864	33,127	32,302	31,248
Depreciation and amortisation	6,661	5,774	5,434	5,434	5,434
Total expenses	96,470	104,756	97,152	97,006	96,842
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	99,403	107,676	100,072	99,926	99,762
Interest	67	80	80	80	80
Total own-source revenue	99,470	107,756	100,152	100,006	99,842
Total own-source income	99,470	107,756	100,152	100,006	99,842
Net (cost of)/contribution by services	3,000	3,000	3,000	3,000	3,000
Surplus/(deficit) attributable to the Australian Government ^(b)	3,000	3,000	3,000	3,000	3,000
Total comprehensive income/(loss) attributable to the Australian Government	3,000	3,000	3,000	3,000	3,000

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 administration and management of the schemes.

(b) The budgeted surplus is required to meet the agreed return of capital to Government.

Table 3.2: Budgeted Departmental Balance Sheet (as at 30 June)

	2015-16 Estimated actual \$'000	2016-17 Budget \$'000	2017-18 Forward estimate \$'000	2018-19 Forward estimate \$'000	2019-20 Forward estimate \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	8,845	8,845	8,845	8,845	8,845
Trade and other receivables	30,299	24,732	24,474	24,150	24,150
Total financial assets	39,144	33,577	33,319	32,995	32,995
Non-financial assets					
Leasehold Improvements	5,678	5,678	5,678	5,678	5,678
Property, plant and equipment	2,538	2,538	2,538	2,538	2,538
Intangibles	21,446	21,446	21,446	21,446	21,446
Other non-financial assets	1,870	1,872	1,875	1,878	1,878
Total non-financial assets	31,532	31,534	31,537	31,540	31,540
Total assets	70,676	65,111	64,856	64,535	64,535
LIABILITIES					
Payables					
Suppliers	17,672	12,107	11,852	11,531	11,531
Total payables	17,672	12,107	11,852	11,531	11,531
Provisions					
Employee provisions	13,552	13,552	13,552	13,552	13,552
Other provisions	1,272	1,272	1,272	1,272	1,272
Total provisions	14,824	14,824	14,824	14,824	14,824
Total liabilities	32,496	26,931	26,676	26,355	26,355
Net assets	38,180	38,180	38,180	38,180	38,180
EQUITY ^(a)					
Contributed equity	34,074	34,074	34,074	34,074	34,074
Retained surplus (accumulated deficit)	4,106	4,106	4,106	4,106	4,106
Total equity	38,180	38,180	38,180	38,180	38,180

Prepared on Australian Accounting Standards basis.

(a) 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 2016-17)

	Retained earnings \$'000	Contributed equity/capital \$'000	Total equity \$'000
Opening balance as at 1 July 2016			
Balance carried forward from previous period	4,106	34,074	38,180
Adjusted opening balance	4,106	34,074	38,180
Comprehensive income			
Surplus/(deficit) for the period	3,000	-	3,000
Total comprehensive income	3,000	-	3,000
Transactions with owners			
Dividends	(3,000)	-	(3,000)
Sub-total transactions with owners	(3,000)	-	(3,000)
Estimated closing balance as at 30 June 2017	4,106	34,074	38,180
Closing balance attributable to the Australian Government	4,106	34,074	38,180

Prepared on Australian Accounting Standards basis.

Table 3.4: Budgeted Departmental Statement of Cash Flows (for the Period Ended 30 June)

	2015-16	2016-17	2017-18	2018-19	2019-20
	Estimated actual \$'000	Budget \$'000	Forward estimate \$'000	Forward estimate \$'000	Forward estimate \$'000
OPERATING ACTIVITIES					
Cash received					
Transfers from OPA	72,523	76,437	70,818	71,090	73,864
Sale of goods and rendering of services	104,534	101,366	100,072	99,926	99,762
Interest	67	80	80	80	80
Other	23,075	-	-	-	-
Total cash received	200,199	177,883	170,970	171,096	173,706
Cash used					
Employees	55,821	58,118	58,591	59,270	60,160
Suppliers	33,119	40,121	33,385	32,626	31,248
Transferred to OPA	99,224	70,870	70,560	70,766	73,864
Total cash used	188,164	169,109	162,536	162,662	165,272
Net cash from/(used by) operating activities	12,035	8,774	8,434	8,434	8,434
INVESTING ACTIVITIES					
Cash used					
Purchase of property, plant and equipment and intangibles	9,035	5,774	5,434	5,434	5,434
Total cash used	9,035	5,774	5,434	5,434	5,434
Net cash from/(used by) investing activities	(9,035)	(5,774)	(5,434)	(5,434)	(5,434)
FINANCING ACTIVITIES					
Cash used					
Other	3,000	3,000	3,000	3,000	3,000
Total cash used	3,000	3,000	3,000	3,000	3,000
Net cash from/(used by) financing activities	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Net increase/(decrease) in cash held	-	-	-	-	-
Cash and cash equivalents at the beginning of the reporting period	8,845	8,845	8,845	8,845	8,845
Cash and cash equivalents at the end of the reporting period	8,845	8,845	8,845	8,845	8,845

Prepared on Australian Accounting Standards basis.

Table 3.5: Departmental Capital Budget Statement (for the Period Ended 30 June)

	2015-16	2016-17	2017-18	2018-19	2019-20
	Estimated actual \$'000	Budget \$'000	Forward estimate \$'000	Forward estimate \$'000	Forward estimate \$'000
PURCHASE OF NON-FINANCIAL ASSETS					
Funded internally from departmental resources	9,035	5,774	5,434	5,434	5,434
TOTAL	9,035	5,774	5,434	5,434	5,434
RECONCILIATION OF CASH USED TO ACQUIRE ASSETS TO ASSET MOVEMENT TABLE					
Total purchases	9,035	5,774	5,434	5,434	5,434
Total cash used to acquire assets	9,035	5,774	5,434	5,434	5,434

Table 3.6: Statement of Asset Movements (Budget Year 2016-17)

	Leasehold Improvements \$'000	Other property, plant and equipment \$'000	Computer Software and Intangibles \$'000	Total \$'000
As at 1 July 2016				
Gross book value	6,602	4,014	25,707	36,323
Accumulated depreciation/ amortisation and impairment	(924)	(1,476)	(4,261)	(6,661)
Opening net book balance	5,678	2,538	21,446	29,662
Capital asset additions				
Estimated expenditure on new or replacement assets				
By purchase - other	1,027	1,401	3,346	5,774
Total additions	1,027	1,401	3,346	5,774
Other movements				
Depreciation/amortisation expense	(1,027)	(1,401)	(3,346)	(5,774)
Total other movements	(1,027)	(1,401)	(3,346)	(5,774)
As at 30 June 2017				
Gross book value	7,629	5,415	29,053	42,097
Accumulated depreciation/ amortisation and impairment	(1,951)	(2,877)	(7,607)	(12,435)
Closing net book balance	5,678	2,538	21,446	29,662

Prepared on Australian Accounting Standards basis.

