

# Annual Report 2003-04

for contributing members



**Military**  
Super

AFSL: 238395

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This report is issued by the  
Military Superannuation and  
Benefits Board of Trustees No.1  
(the MilitarySuper Board):

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## More information is available on request

For up-to-date information about MilitarySuper and  
to estimate your benefit using the i-Estimator, visit  
[www.militarysuper.gov.au](http://www.militarysuper.gov.au)

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Canberra City 2601

### Product Disclosure Statement

This Annual Report forms part of the MilitarySuper Product Disclosure  
Statement, along with the Scheme's *MilitarySuper Book* and *Your Guide to  
Investment Choice*.

Any financial product advice in this document is general advice only and  
has been prepared without taking account of your personal objectives,  
financial situation or needs. Therefore, before acting on any such general  
advice, you should consider the appropriateness of the advice, having  
regard to your own objectives, financial situation or needs. You may wish  
to do so with or without the assistance of a licensed financial adviser.

The information contained in this document is correct at the time of  
printing in September 2004. Changes to Government legislation or  
superannuation rules made after this date may affect its accuracy.

# Chairman's Overview

Dear Member,

**In the three years to 30 June 2003, equity markets around the world performed poorly and for the average investor and superannuation fund member there was little comfort in the knowledge that their superannuation fund performed better than its peers or its benchmark simply because it lost less money than they did. For the member they still lost money.**

## **MSB Fund records strong returns for 2003-04**

The MilitarySuper Scheme was not insulated from the impacts of falling markets and like most superannuation funds, recorded negative returns in both 2001-02 and 2002-03. However, for 2003-04 the MSB Fund has performed strongly, recording a return on investments in the growth (Default) option of 15.6% for the year. This level of return places MilitarySuper in the top quartile amongst schemes in its peer universe.

This level of investment return was achieved because of the Fund's high exposure to growth assets (predominantly Domestic and International Shares). Therefore, as share markets around the world rebounded from the highly volatile and low return environment of the previous two financial years, the MSB Fund was well placed to take advantage of improved market conditions.

Although the Fund's impressive performance in 2003-04 can be directly attributed to the Fund's high exposure to equities, and therefore to market

generated returns, this level of exposure to the market was also the cause of the poor performance of the Fund in 2001-02 and 2002-03. Therefore, going forward it is the Board's strong view that it must explore investment strategies that are capable of providing sustainable levels of annual returns above the 10% nominal return target on member investments in all market conditions. This required a fundamental rethink of the way in which the assets of the Fund are invested to see whether or not there are better strategies and investment products available which will enable the Fund to benefit from improved market performance, yet provide protection during periods where markets are falling. This involved looking at strategies and investment products which provide good growth prospects not directly correlated to listed equity (share) markets or which offer long term, secure income streams. It also involved the development of investment return objectives which are not linked to a benchmark return, but rather are expressed in absolute return measures (ie: an expected average rate of return no less than 10%) and selection of managers with stronger skills to add value.

To enable it to undertake the research required, the Board established an Investment Committee in November 2003, supported by four investment advisers who are representative of the best investment minds in Australia today. The initial work of this committee was supplemented by discussions and visits during early 2004 with over 50 fund managers in the United States and UK and further consultations with some of the world's largest and most successful institutional investors.

A major finding arising from the program of manager visits was that the overwhelming majority are forecasting a low return environment for markets in the immediate future, with the vast majority of managers forecasting returns of between 7-9% pa over the next ten years. In this environment the MSB Fund's current high exposure

to equity markets represents a risk to long term, sustainable investment returns.

In addition the general consensus was that large fund managers dealing with large cap stocks were unlikely to generate higher levels of return because of the size of assets under management. The use of small boutique managers, with good processes, strong skills, outstanding performance records which are independent, and usually employee owned, are likely to provide better return opportunities because of their smaller size and nimble approach to rebalancing in response to market events.

These findings were consistent with the intelligence derived from the visits to the large endowment funds of Yale, Harvard and Columbia universities, and large USA pension funds like General Motors Pension Fund and the IBM Pension Fund. In these funds there has been an increased move in recent years away from reliance on market returns (or Beta) towards increasing Alpha (ie: excess returns above Beta). These findings acted to validate the outcomes from the Board's own research which suggested the need to move the Fund to an absolute or Alpha maximising return strategy in which greater emphasis would be placed on manager skill and alternative (ie: non-listed market) sources of sustainable return. Unlike traditional marketable securities, absolute return investments provide returns which are largely independent of listed market movements. They seek to generate high long-term real returns by exploiting market inefficiencies and also provide significant diversification benefits. They also provide a hedge against unanticipated inflation, geopolitical events and when listed markets are performing poorly.

Investments which fall into this category comprise private equity (venture capital and buy-outs), infrastructure investments, hedge funds and real assets (real estate, timber, commodities, oil and gas).

### Comparison of the Returns from US Private Equity Funds vs Public (Listed) Markets.

Top Quartile Funds	1 year	5 years	10 years
Venture	24.5%	178.9%	57.7%
Buyout	31.9%	17.2%	24.4%
Mezzanine	16.3%	13.6%	14.9%
All Private Equity	29.9%	49.7%	40.0%
Public Markets			
Dow Jones	25.3%	2.6%	10.8%
S&P 50	26.4%	-2.0%	9.1%
NASDAQ	50.0%	-1.8%	9.9%

Source: Venture Economics and Bloomberg

### Changes to investment strategy

Given the expectation of lower investment returns from traditional listed markets, and acting with the advice of its investment advisers, the Board has developed a revised strategy. This has as its core an absolute return objective of achieving sustainable long term investment returns of at least 10% pa over the long term with reduced risk of negative return. This will be achieved by reducing the Fund's exposure over time to market generated returns and seeking to add value from a diverse range of non-traditional asset classes whose return characteristics are not closely aligned to listed equity markets.

Where the Fund retains an exposure to listed equity markets it will be our intention to seek to add value by pursuing active management strategies capable of delivering above market returns. Because superior stock selection provides the most consistent and reliable opportunity for generating excess returns, the manager selection process will favour managers with exceptional bottom-up fundamental research capabilities. Therefore, recognising the difficulty of outperforming the market on a consistent basis, emphasis on manager selection will be on those with high integrity, sound investment philosophies, strong track records, superior organisations, and sustainable competitive advantages.

With the assistance of its investment advisers and drawing from the mountain of research data (obtained during the course of the overseas manager visits and discussions with major institutional investors in the US), the Board has developed the following as the Fund's long term asset allocation for the Growth (default) Option, consistent with the objective of achieving an absolute return of 10% over the long term.

**Strategic Asset allocation for the MilitarySuper Growth Option comprising:**

Sector	Existing	Proposed
International Equities	32%- (incl emerging markets)	30%
Aust'n Equities	36%	25%
Property (incl. Direct/listed)	6%	10%
Private Equity	7%	10%
Infrastructure	nil	10%
Uncorrelated Alpha	nil	10%
Bonds/cash/other	19%	5%

Given the nature of the changes the achievement of target allocation levels will take some years and therefore the process of transition to the new strategic asset allocation will be done in a measured way as investment opportunities in attractive alternative investment classes become available.

However, consistent with our new investment philosophy, the Fund is expeditiously moving to implement changes to investments in traditional asset classes such as International and Domestic Equities.

**Transition to new International Equity Managers**

Using sophisticated analytic tools the Board's investment advisers researched the universe of international fund managers and identified a number of small (in funds under management terms) but high quality international equity managers who have demonstrated a sustained ability to outperform the market in all economic conditions through active management. Although less well known in the Australian market each of the managers have impressive track records and are highly rated by multiple asset consultants worldwide.

As a result, during June 2004 the Board terminated a number of existing investment mandates of managers whose investment style and approach no longer suited the new investment strategy adopted by the Board and proceeded to reallocate investments held by those managers to eight new International equity managers. The process of transition commenced in early June and was effectively completed by 29 June.

The Board is currently reviewing its arrangements in the Domestic Equity sector and expects to implement changes consistent with the new strategy early in the new financial year.

**A strong commitment**

It is your Board's intention that the MilitarySuper Scheme be seen as one of the best funds in Australia, providing valuable service to its members and ensuring that members' monies entrusted to their care achieve superior and sustainable investment returns over the lifetime of the member's investment. We believe that the changes to investment strategy being undertaken will place the MSB Fund at the forefront of investment philosophy and strategy in Australia.



Charles Kiefel  
Chairman

# MilitarySuper Board of Trustees



## Chairman

**Mr Charles Kiefel BCom, FCA, FAICD**

**Trustee since 11 July 1997**

Mr Kiefel is a Director of a number of private companies and was formerly Managing Director of Corporate Finance at ANZ Investment Bank. He has a Bachelor of Commerce degree, is a Fellow of the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors.

## Employer representatives (appointed by the Minister)



**Dr Michael Sharpe AO, Hon DScEcon (Syd.), BEc, FCA, FAICD**

**Trustee since 29 April 1998**

Dr Sharpe is a Director of the Australian Stock Exchange Limited. During his career, Dr Sharpe has served as Chairman of the International Accounting Standards Committee, President of the Institute of Chartered Accountants in Australia, Senior Audit Partner of the firm now known as PricewaterhouseCoopers, a trustee of State Super (NSW), Chairman and Director of many companies and as an adviser to Government.



**Mr Phil Charley MFinMgt, GradDip Strat Studies, Tax, FCPA, FAICD**

**Trustee since 14 September 2000**

Mr Charley is the former Director - Superannuation, Department of Defence. He has Graduate Diplomas in Strategic Studies and Tax, and a Masters in Financial Management. He is also a Fellow of the Australian Society of Certified Practising Accountants and a Fellow of the Australian Institute of Company Directors.

## Employee representatives (nominated by the Chief of the Defence Force)



**Air Commodore Lee Roberts CSC, MSc, GradDip Strat Studies, BSc, GAICD**

**Trustee since 26 September 2003**

Air Commodore Lee Roberts is currently the Director General Workforce Planning, Recruitment & Retention in the Defence Personnel Executive. He has served as a pilot and flying instructor extensively within Australia and overseas during his 32 year Air Force career. He is a Graduate of the Australian Institute of Company Directors, holds a Certificate of Superannuation Trusteeship and has previous experience as an Alternate Trustee of the MilitarySuper Scheme. He currently serves as chairman of the Military Superannuation Communications Committee.



**WOFF Robert Swanwick MAICD, JP**

**Trustee since 22 September 1997**

Warrant Officer Swanwick is a Staff Officer within the Director General Personnel Airforce. He has served throughout Australia and overseas for 25 years as an Aircrewman Loadmaster, has been posted to Air Force and Army units, and attached to Navy establishments. He holds diplomas in frontline management and aviation and has extensive training in investment and superannuation administration. Over the past nine years, he has acted as the other Rank Trustee, and has also been a member of the MilitarySuper Board's Audit Committee and a member of the Board's Communications Committee.

# MilitarySuper's investment strategy

## How the MilitarySuper Board makes investment decisions

Managing MilitarySuper's assets is a prime responsibility of the MilitarySuper Board. The Board is responsible for investing both the funded employer productivity contributions and the member contributions that make up your retirement benefit.

The MilitarySuper Board, with the help of specialist investment consultants, develops a long-term investment strategy for the assets of MilitarySuper. The Board regularly reviews the investment strategy and if required, seeks further advice from professional advisers.

A number of specialist fund managers are appointed to invest the assets of MilitarySuper. Taking into account the advice of professional investment advisers, the Board provides the selected fund managers with specific instructions about how the funds are to be invested and the return objectives.

Working with its investment committee and specialist investment advisers, the MilitarySuper Board continuously monitors the performance of its fund managers to ensure that they are adhering to the strategy and to measure performance against the targets set by the Board.

Investment management is not an easy task, and the investment market volatility experienced in recent years has added further complexity. By having a long-term strategy and using specialist advisers and fund managers with a great depth of investment experience, the MilitarySuper Board is able to ensure the ongoing viability of MilitarySuper and help members achieve financial security in retirement.

For more information on the Scheme's investment strategies, refer to the booklet, *Your guide to investment choice*, which can be accessed from the MilitarySuper website at [www.militarysuper.gov.au](http://www.militarysuper.gov.au)

### Derivatives policy

The Fund's investment policy allows managers to use derivatives subject to strictly controlled limits that are designed to protect the underlying assets. Derivatives such as options, futures and forward foreign exchange contracts may be used to reduce the Fund's exposure to market fluctuations. Derivatives are not used for speculative purposes.

### No reserves

The Board does not maintain any reserves. All investment earnings are distributed to members.

### No buy/sell spread

After considering the nature of the Fund and its liabilities, the Board has determined not to apply a buy/sell spread on entry or exit from the Fund and on switch between investment choices. However, this policy may be reviewed in the future.

### Summary of new investment strategy

- Move from benchmark driven return objectives to an absolute return focus.
- Introduction of new asset classes not directly correlated to market returns.
- Retention of existing choice options providing mix between growth and defensive assets.



# Existing Investment Options

Members can currently choose one investment strategy for the member component of their superannuation or choose a combination of strategies from the following five options:

	Cash	100% Defensive
	Conservative	30% Growth 70% Defensive
	Balanced	70% Growth 30% Defensive
	Growth (Default strategy)	85% Growth 15% Defensive
	High Growth	100% Growth

## A closer look at the existing strategies

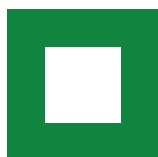


### Cash strategy

This strategy invests only in secure cash investments such as bank deposits, bills, mortgages, and short-term funds.

#### Investment objectives

- Achieve returns that exceed inflation (CPI increases) by at least 1% per year when measured over rolling two-year periods.
- Very low probability of negative returns.



### Conservative strategy

This strategy invests in a conservative mix of assets, mostly fixed interest and cash, with some investment in shares and property.

#### Investment objectives

- Achieve returns that exceed inflation (CPI increases) by at least 2% per year when measured over rolling three-year periods.
- Limit the probability of negative returns to around one year in eleven.





### Balanced strategy

This strategy invests in a diversified mix of assets, with a bias towards growth assets.

#### Investment objectives

- Achieve returns that exceed inflation (CPI increases) by at least 3% per year when measured over a rolling five-year period.
- Limit the probability of negative returns to around one year in six.



### Growth strategy (Default strategy)

**If you do not make an investment choice, your Member Benefit will automatically be invested in this strategy.** This strategy invests mainly in growth assets such as shares with some investment in defensive assets such as property, fixed interest and cash.

#### Investment objectives

- Achieve returns that exceed inflation (CPI increases) by at least 4% per year when measured over rolling five-year periods.
- Limit the probability of negative returns to around one year in five.



### High Growth strategy

This is the most aggressive strategy. It invests exclusively in growth assets, mainly in shares with some property, and has no direct investment in cash or fixed interest.

#### Investment objectives

- Achieve a higher return than the other strategies over the long term, accepting that annual returns may vary considerably and be significantly negative on occasions.
- Achieve returns that exceed inflation (CPI increases) by at least 5% per year when measured over rolling 7-year periods.
- Limit the probability of negative returns to around one year in four.



# How does the change in investment strategy **impact on existing choice options?**

## **Members will continue to be able to experience choice in relation to their individual tolerance for risk in relation to growth assets.**

Growth assets is a general term for assets such as shares and property, which provide investment returns (comprising both capital growth and income), which are generally expected to outperform inflation. Growth assets compare to Defensive assets such as fixed interest and cash.

In the current choice options the allocation to Growth assets is achieved predominantly by investments in Domestic and International Equities (shares). However, listed equity markets are extremely volatile and recent history has demonstrated the capacity for market-generated returns to swing violently from positive to negative in response to market forces and world-wide events. Our own research also confirms that, going forward, listed equity markets are unlikely to return other than single digit performance in the foreseeable future.

Accordingly, although your fund will maintain its growth focus (and will continue to have a significant exposure to listed markets in both Australia and overseas) we will increasingly seek, in line with the new investment strategy, to diversify away from reliance on market generated returns alone. This will be achieved by increasing allocations to other forms of assets with return characteristics which are not directly correlated to movements in equity markets. These will comprise:

- Property (including Direct/Listed) 10%
- Private Equity 10%
- Infrastructure 10%
- Uncorrelated Alpha 10%

Accordingly members will continue to be able to exercise choice in relation to their individual tolerance for risk in relation to growth assets. That is, the existing five options will continue to be available, although their composition may differ over time.

## **Property**

In the finance industry this usually refers to real estate including land and buildings that can be bought, sold or leased. A Property Trust is a collective investment vehicle which owns a portfolio of real property, thus providing for a wider spread of ownership. Listed Property Trusts are quoted on the stock exchange, and their prices fluctuate with supply and demand. Unlisted property trusts are transacted directly with the trust's manager, who sets prices in relation to the asset backing of the trust.

Many property investments have fixed income streams attaching to them that ensure a minimum level of return on the investment, unaffected by movements in investment markets. This type of investment therefore demonstrates defensive characteristics.

The Fund will look for increased investment opportunities in all forms of property investment up to the strategic asset allocation limit set for that asset class.



## Private Equity

This is generally described as acquiring an equity interest in an unlisted company or enterprise. This type of investment usually refers to investments in relatively small, unlisted companies, which have an established track record in their field of business, and which require new sources of funding to finance their expansion. This contrasts with venture capital, which in Australian usage tends to refer to investments in start up companies only. Your fund has not yet invested in venture capital proposals.

Private equity investments offer extremely attractive long-term risk-adjusted return characteristics consistent with the absolute return focus of the Fund's new investment strategy. This type of investment has return characteristics which are of a growth nature.

The Yale University Private Equity program, one of the first of its kind, is generally regarded as among the best in the institutional investment community. The University is frequently cited as the role model by other investors pursuing this asset class. Since the inception of its program in 1973, private equity investments have generated a 30.7 per cent annualised return for the University.

## Infrastructure

This involves investment in the development of facilities and services required by the community and for production, such as government buildings, airports, toll roads, power, telecommunications and water supply.

Investments in infrastructure may take the form of investments in start-up projects or in established facilities. Investments in the latter provide access to strong cash flows and potential for future capital growth. Therefore, this form of investment displays similar defensive characteristics to more traditional defensive assets.

## Uncorrelated Alpha

This asset class involves investment in a range of assets whose performance is not directly correlated to the performance of listed equity markets. This type of investment includes investments in real assets (roads, timberland, oil and gas) or in hedge funds which act as a powerful diversification tool and a generator of strong returns.

These types of investments also display characteristics which are of a growth nature but with returns which are not directly correlated to performance in listed markets.



# Investment Choice Options

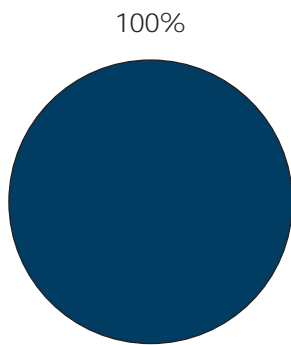
The following pie charts illustrate the existing Strategic Asset Allocation for each choice and the revised allocation which will be achieved over a period of time.

## Legend:

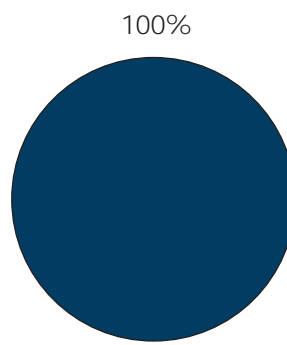
- |  |   |   |
|--|---|---|
| <span style="display:inline-block; width:15px; height:15px; background-color:darkblue; border:1px solid black;"></span> Cash                   | <span style="display:inline-block; width:15px; height:15px; background-color:orange; border:1px solid black;"></span> Australian Equity/Shares          | <span style="display:inline-block; width:15px; height:15px; background-color:lightgreen; border:1px solid black;"></span> International Equity/Shares |
| <span style="display:inline-block; width:15px; height:15px; background-color:green; border:1px solid black;"></span> Australian Fixed Interest | <span style="display:inline-block; width:15px; height:15px; background-color:lightorange; border:1px solid black;"></span> International Fixed Interest | <span style="display:inline-block; width:15px; height:15px; background-color:magenta; border:1px solid black;"></span> Property                       |
| <span style="display:inline-block; width:15px; height:15px; background-color:lightblue; border:1px solid black;"></span> Hedge Funds           | <span style="display:inline-block; width:15px; height:15px; background-color:teal; border:1px solid black;"></span> Private Equity                      | <span style="display:inline-block; width:15px; height:15px; background-color:yellow; border:1px solid black;"></span> Infrastructure                  |
| <span style="display:inline-block; width:15px; height:15px; background-color:darkred; border:1px solid black;"></span> Uncorrelated Alpha      | <span style="display:inline-block; width:15px; height:15px; background-color:lightcoral; border:1px solid black;"></span> Global Emerging Markets       | <span style="display:inline-block; width:15px; height:15px; background-color:lightblue; border:1px solid black;"></span> Other                        |

## Cash

Current

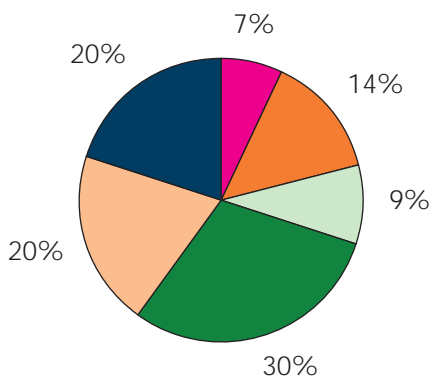


Proposed

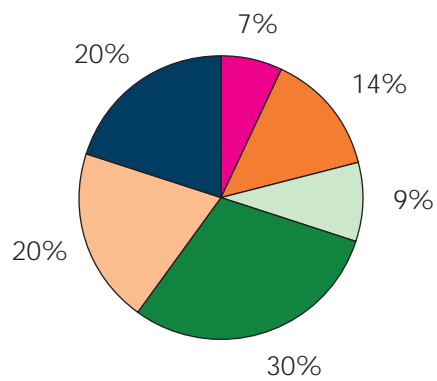


## Conservative

Current



Proposed\*

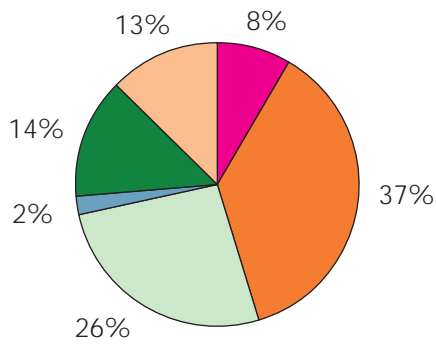


\*Infrastructure is not included as this strategy is aimed at members expecting to access their super within 2-5 years.

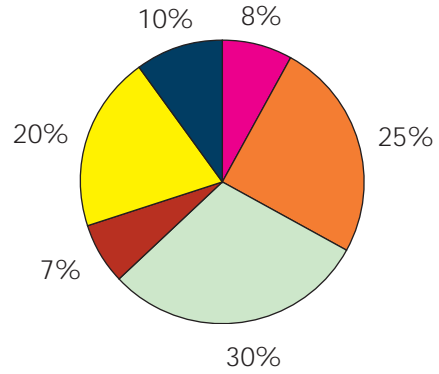


## Balanced

Current

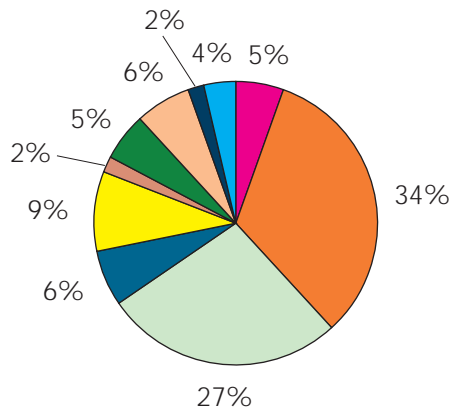


Proposed

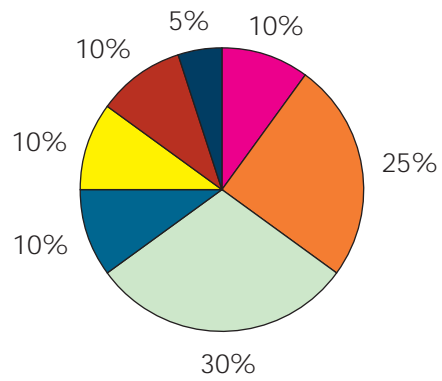


## Growth

Current

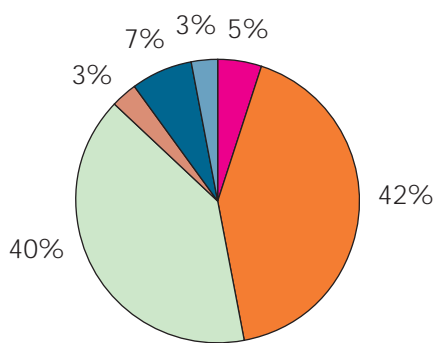


Proposed

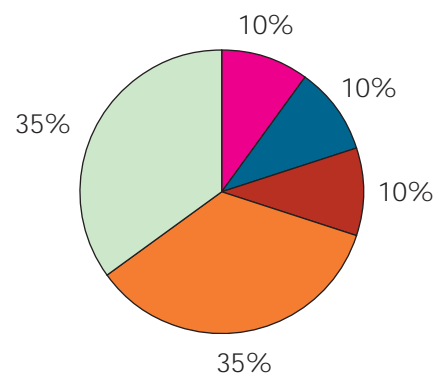


## High Growth

Current



Proposed



## Investment managers appointed by MilitarySuper to invest your super as at 30 June 2004

Asset Class	Investment Manager	How much? \$m
<b>Cash</b>	National Custodian services	3.4
	Alliance Capital Management	60.4
	Super Members Home Loan Scheme	5.0
<b>Australian fixed interest</b>	Credit Suisse Investment Management	66.2
<b>International fixed interest</b>	BlackRock Financial Business	33.1
	PIMCO Australia	33.4
<b>Australian property security</b>	Citigroup Asset Management	37.4
	S.G. Hiscock & Company	36.9
<b>International property</b>	Fiduciary International Real Estate Fund	2.2
<b>Australian shares</b>	Acorn Capital	15.1
	Alpha Investment Management	107.0
	Barclays Global Investors	117.9
	Maple-Brown Abbott	117.8
	Schroder Investment Management	63.2
	SG Hiscock Small Companies Trust	15.8
	UBS Global Asset management	97.0
<b>International shares</b>	Axiom Investors International	48.2
	Causeway Capital	77.1
	Driehaus International	29.3
	Gardner Lewis	43.1
	Gardner Lewis (long/short)	24.4
	Hotchkis & Wiley	38.5
	Sterling Johnston	29.1
	TCW Value Opportunities	43.2
	TCW Pluris	28.7
	T.Rowe Price	52.3
	Bernstein (terminated 30 June 2004)	0.1
	Dresdner (terminated 30 June 2004)	0.0
	BGI International Alpha Equity Fund	49.7
	Wellington (terminated 30 June 2004)	9.2



Asset Class	Investment Manager	How much? \$m
<b>Private equity</b>		
Global Private Equity	CSFB IV	5.8
	Pantheon US Fund IV	2.3
	Pantheon Europe III	0.7
	Sentient	3.7
	Harbourvest VII (Buy-Out)	1.7
	Harbourvest VII (Venture)	1.1
	Harbourvest VII (Mezzanine)	1.2
	Harbourvest VII (Partnership)	7.1
Domestic Private Equity	Deutsche Private Equity Fund	8.9
	Gresham Fund No.1	3.5
	Gresham Fund No.1A	1.2
	CHAMP Ventures Investment Trust 5a	0.8
	CHAMP Ventures Investment Trust 5b	0.8
	Pacific Equity Partners	1.2
	Pacific Equity Partners Supplementary Fund	1.0
Domestic Infrastructure	Macquarie GIF II	5.8
	Macquarie GIF A	9.1
	Macquarie GIF B	9.5
	Macquarie GIF C	3.2
	Macquarie GIF D	3.4
<b>Hedge funds</b>	BGI Equity Market Neutral Fund	31.4
	BGI Total Return GI Equity Mkt Neutral	23.9
<b>Global emerging markets</b>	Nicholas-Applegate Capital Management	20.4
<b>Currency</b>	Bridgewater Associates	0.3
	FX Concepts	0.4
	Pareto Partners	(5.1)
		<b>1,428</b>

## Master custodian

MilitarySuper has appointed National Custodian Services Limited as master custodian of the Fund's investments. This means that National Custodian Services is responsible for allocating money to each of the Scheme's chosen investment managers, according to the directions and guidelines developed by the MilitarySuper Board. National Custodian Services holds, but does not own, the assets that make up the Military Superannuation and Benefits Fund. It settles trades, collects dividends, settles accounts and is responsible for the physical custody and safekeeping of securities.



# Investment performance

The 2003-04 financial year saw a welcome recovery in global share markets. Within Australia the all ordinaries index, having disappointed investors with negative returns in 2002-03, gained 17.7% in the 12 months to the end of June 2004. Its best return since 1997.

Because of its high exposure to domestic and international equities the MilitarySuper Scheme was well placed to take advantage of the recovery achieving a 15.6% return for the year in the growth (default) strategy. Since the inception of the Fund in 1991 the fund has achieved an average return of 7.4% pa, in the growth (default) strategy.

The average returns over rolling 5-year periods are shown in the table titled 'Average returns (growth strategy)'.

Year	Earning rate	Crediting rate*
1991 - 1992	7.3%	5.9%
1992 - 1993	12.5%	12.1%
1993 - 1994	7.2%	5.4%
1994 - 1995	7.5%	5.8%
1995 - 1996	9.5%	9.0%
1996 - 1997	20.6%	20.0%
1997 - 1998	7.7%	8.7%
1998 - 1999	8.3%	8.3%
1999 - 2000	13.6%	13.6%
2000 - 2001	1.8%	2.7%
2001 - 2002	-8.7%	-8.9%
2002 - 2003	-2.0%	Unit price now reflects the earning rate on a daily basis

\*The crediting rate has been the same as the earning rate since 1 July 2002 when unit pricing was introduced. The crediting rates for the 3 years ended 30 June 2002 were 13.6%, 2.7%, and -8.9%. The reason for any difference between the earning rate and the crediting rate in those years resulted from non-investment expenses.

## Unit Prices at 30 June 2004

Strategy	Issue Price	Withdrawal Price	Financial YTD Rate of return
Cash	\$1.044388	\$1.044388	4.4388%
Conservative	\$1.080587	\$1.080587	8.0587%
Balanced	\$1.141509	\$1.141509	14.1509%
Growth	\$1.131927	\$1.131927	15.5564%
High Growth	\$1.188956	\$1.188956	18.8956%

## Average returns (growth strategy)

5 years ending	Average compound annual rate of return
30 June 2004	3.8%
30 June 2003	2.4%
30 June 2002	4.6%
30 June 2001	10.5%
30 June 2000	11.8%



## Performance by asset class

### 2003-04 performance

Sector	MilitarySuper <sup>1</sup> %	Benchmark <sup>2</sup> %
Cash	5.0	5.3
Australian fixed interest	3.0	2.3
International fixed interest	4.9	4.1
Australian and International Property securities	17.3	16.8
Australian shares	21.7	21.7
Private equity <sup>3</sup>	15.6	N/A
International shares <sup>4</sup>	22.4	21.9
Hedge funds	10.0	5.1
Global emerging markets	26.6	28.2

1. Figures are gross of tax and management fees.

2. The benchmark return for an asset class is the return achieved by the overall market, assuming that all dividends and interest payments are re-invested in the market. Benchmarks are gross of management fees and tax.

3. Private equity is a long-term investment and does not generally show a return in the early years of the investment because of initial set up and management costs. The investment gains usually come in the later years as the underlying portfolio of companies mature and increase in value. This timing is known as the J-curve effect.

4. Fifty per cent of the international share exposure was hedged.



# Financial statements

The Scheme's unaudited financial statements are summarised below.

A copy of the audited statements will be available on request or can be downloaded from [www.militarysuper.gov.au](http://www.militarysuper.gov.au)

	2003-04 \$m	2002-03 \$m
Opening value of the Scheme	1,120	1,034
<b>Plus income</b>		
Contributions	295	277
Gross earning of the Scheme	218	(16)
<b>Less outgoings</b>		
Benefits paid	(162)	(162)
Tax benefit/(expense)	(31)	(5)
Expenses and charges	(11)	(8)
<b>Closing value of the Scheme</b>	<b>1,429</b>	<b>1,120</b>

	2003-04 \$m	2002-03 \$m
<b>Assets under management</b>		
Cash	69	11
Australian fixed interest	66	66
International fixed interest	67	76
Australian property securities	76	55
Australian shares	534	407
Private equity	72	52
International shares	469	386
Hedge fund	55	29
Global emerging markets	20	24
<b>Total investments</b>	<b>1,428</b>	<b>1,106</b>
+/- MilitarySuper net assets / (liabilities)*	1	14
<b>Net assets of Scheme</b>	<b>1,429</b>	<b>1,120</b> **

\* MilitarySuper Net Assets/(Liabilities) represents benefits payable, tax provisions and cash at bank.

\*\* The value of the Scheme represents the investments of the Scheme. The Net Assets of the Scheme shows the amount available to members at 30 June after allowing for tax, cash at bank and benefits payable to former contributors.



## Managing your super

A Board of five Trustees is responsible for managing the MilitarySuper Scheme in the best interests of members. These five Trustees include:

- An independent chairperson (appointed by the Minister Assisting the Minister for Defence, after consultation with the Minister for Finance and Administration).
- Two employee representatives (one officer and one other-rank member) nominated by the Chief of the Defence Force and appointed by the Minister Assisting the Minister for Defence.
- Two employer representatives (appointed by the Minister Assisting the Minister for Defence) who are experienced in government policy and administration.

The chairperson and the employee representatives hold office for a period of up to three years, and can be re-appointed to these positions. The employer representatives hold office 'at the Minister's pleasure'. Trustees are removed in the same way they are appointed.

The MilitarySuper Board makes sure that the Scheme is run according to the rules specified in the Scheme's Trust Deed, and according to superannuation law. The Trust Deed is the Scheme's governing legal document. It sets out the duties of the Trustees towards all members and the responsibilities and powers of the MilitarySuper Board. These include directing the Scheme's investments, managing member communications and ensuring the smooth administration of the Scheme.

### Indemnity insurance

The MilitarySuper Board has a trustee indemnity insurance policy with American Home Assurance Company. This means that the Scheme's members are protected against losses, liabilities, actions, claims and demands that may arise from the performance by the Board of their functions. This insurance is a precautionary measure only. The Board is pleased to say that there has never been any claim against the MilitarySuper Board or a Trustee that has resulted in a loss of members' money, and no regulatory penalties have ever been applied to MilitarySuper.



# What's happening in MilitarySuper

**There were a couple of important changes to the MilitarySuper rules in 2003-04 and more changes are happening for 2004-05.**

## Extra Benefits

Last year we told you about the Board's intention to introduce ancillary benefits to MilitarySuper and now it's happening. In 2004-05 changes are being made to the scheme rules to allow you to pay:

- Additional personal contributions
- Salary sacrifice amounts
- Spouse contributions

### AND

- Transfer amounts from other schemes into MilitarySuper.

Further details of this will be advised on the MilitarySuper website.

## Financial Services Reform

Since March 2004, in common with most other superannuation funds, MilitarySuper has operated under the requirements of the Financial Services Reform (FSR) legislation. This legislation is designed to provide increased consumer protection for members of superannuation funds.

As a result of this reform the MilitarySuper Board has obtained an Australian Financial Services Licence (number 238395) for the provision of general financial product advice. This is necessary because MilitarySuper offers you a range of investment choices.

Whilst you can expect the same high standard of service from MilitarySuper as in the past please note that we are not permitted to provide you with personal financial product advice ie: recommendations such as advice on which benefit option or investment strategy would be best for you. For the same reason your Pay Office has been instructed not to provide advice on MilitarySuper matters but instead to refer all enquiries to our Contact Centre.

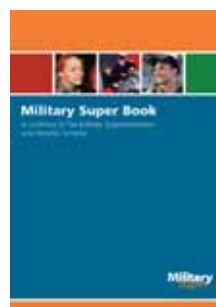
## Product Disclosure Statement

One of the key requirements of the Financial Services Reform legislation is for MilitarySuper to issue a Financial Services Guide (FSG) and a Product Disclosure Statement (PDS).

The Financial Services Guide is included with this report and can also be obtained from the website. It explains what financial services the Board provides for MilitarySuper and who delivers them.

The Product Disclosure Statement (PDS) for MilitarySuper consists of three documents. These are:

- The *Annual Report to Members* ie: this document;
- *Your Guide to Investment Choice*; and
- The *MilitarySuper Book*.



Together these documents describe all the main features of MilitarySuper. You can get electronic copies (or order paper copies) from the website.



## Divorce and MilitarySuper

Last year we told you about new Family Law legislation that allows married couples to split superannuation interests as part of their property settlement upon divorce or separation.

From 18 May 2004, a further change to MilitarySuper allows a separate superannuation interest to be created in the scheme for a member's former spouse once a valid Court Order or Superannuation Agreement has been made.

When superannuation is split in this way:

- the former spouse of the member becomes an associate of the MilitarySuper Scheme; and
- after the split, member and associate interests accrue and are paid separately.

Further information about this is available from the *Family Law and Your Super* fact sheet on the MilitarySuper website but we advise you to ring ComSuper if you are in this situation.

## Recognising Environmental Allowance

From 12th August 2004 the qualification and skill elements of Flying Allowance, Submarine Service Allowance, Specialist Operations Allowance and Special Action Forces Allowance have been recognised for superannuation purposes.

This means that:

- a) whilst you are in receipt of such an allowance it will be included in the calculation of final average salary for benefit purposes; and
- b) you will be required to pay contributions to MilitarySuper on the basis of a salary that includes that allowance.

Further information about this, including what happens should you lose your entitlement to one of these allowances, is available from the MilitarySuper website.

## Super Surcharge

For those who are not familiar with the subject, the surcharge is a tax on employer superannuation contributions for higher income earners. It was introduced in 1996.

Legislation has now been passed to reduce the maximum surcharge rate from 15%, as shown in the following table.

Financial years	Maximum Surcharge Rate
1996-97 to 2002-03	15%
2003-04	14.5%
2004-05	12.5%
2005-06 onwards	10%

For financial year 2004-05 the surcharge applies to members who were contributing during the year and have an adjusted taxable income\* over \$99 710. The maximum surcharge rate of 12.5% for 2004-05 applies where adjusted taxable income exceeds \$121 075.

\* Adjusted taxable income includes the contributions your employer would have paid to finance your MilitarySuper benefit during the year if the scheme was fully funded in that way.

## Co-contributions

The Government's Super Co-Contribution started on 1 July 2003 and replaced the tax offset for personal contributions. MilitarySuper members who qualify for co-contributions will have those co-contribution amounts remitted to the MSB fund by the Australian Taxation Office (ATO).

The ATO has indicated that these amounts will commence being remitted from December 2004 onwards in respect of the 2003-04 financial year and when received they will be credited to member accounts as an additional accumulation amount. For more information about co-contributions visit the ATO website at [www.ato.gov.au/super](http://www.ato.gov.au/super) where you can view a fact sheet *NAT 11589* which provides information on how it works and eligibility criteria.



# MilitarySuper - How Does It Compare?

You know that MilitarySuper is a scheme designed especially for members of the ADF but how well does it compare to other superannuation schemes?

**MilitarySuper offers you five good reasons to be a member:**

**1. The employer benefit is calculated on your salary in the last three years of service, complemented by an excellent employer benefit accrual rate.**

In most superannuation schemes the employer contribution is about 9 per cent of your salary at any given point in time. In MilitarySuper the employer contribution ranges between 18 per cent and 28 per cent of your salary averaged over your last three years of service.

Years of service	% of Final Average Salary per year
Enlistment to 7 years	18%
7 years 1 day to 20 years	23%
20 years 1 day onwards	28%

**2. Excellent insurance cover (death and invalidity).**

MilitarySuper provides insurance cover for death and invalidity. See page 25 of this annual report for more information on the invalidity and death benefits available.

**3. No administration fees, transaction costs, or charges payable by you - all are met by your employer.**

All fees payable are met by your employer. Other schemes may apply annual administration charges, entry charges and exit fees. Investment management charges are deducted before unit prices are declared.

The Management Expense Ratio (MER) reflects the ratio of direct and indirect management expenses as a proportion of total assets. The MER is updated regularly on the MilitarySuper website. Further information about charges associated with the management and investment of the fund can be obtained from MilitarySuper.

**4. Attractive lump sum/pension conversion rates. Pensions are subject to full Consumer Price Index (CPI) updating.**

MilitarySuper provides very attractive lump sum to pension conversion rates.

Upon retirement you can elect to receive a lump sum, a full pension, or you may elect to take part lump sum and part pension. If you choose the latter, you must take 50 per cent or more as a pension, and the remainder as a lump sum.

Pensions are subject to full CPI updating every six months (ensuring that \$1 in 2004 will be equivalent to \$1 in 2024).

**5. The member benefit accumulates separately from your employer benefit.**

The member benefit is 'funded', which means that your contributions are paid into an investment fund where they earn interest. Therefore the value of



your member benefit lump sum depends on the rate of contributions you pay (5-10%) and the investment strategies of your MilitarySuper Fund.

On the other hand, your employer benefit is a guaranteed amount and is unaffected by investment conditions. So you have the best of both worlds.

**AND**

The employer benefit accrual rate means that if you continue to contribute to MilitarySuper through to retirement age you can accrue a substantial benefit towards funding your retirement lifestyle.

For example, if you choose to take your employer benefit entirely as a CPI indexed pension for life it could be as high as the rates shown in the following table.

Maximum MilitarySuper pension benefits* as a percentage of final average salary**			
Age at retirement	Years of service with MilitarySuper		
	20 years	25 years	30 years
55	35.4%	47.1%	58.8%
60	38.6%	51.4%	64.1%
65	42.5%	56.5%	70.5%

\* Your member benefit is payable as a lump sum, in addition to the employer benefit.

\*\* Final average salary is the average of your superannuation salary over the last three years of your service.

## MilitarySuper: a Scheme especially for you

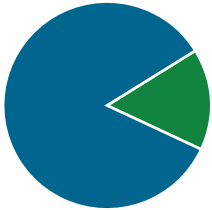
The MilitarySuper Scheme provides an excellent standard of benefits for its members. As a member, you enjoy:

- A significant Employer Benefit that is fully paid for by the Australian Government. When you retire, you receive between 18% and 28% of your final average salary for every year you have served. Your Employer Benefit is guaranteed by the Government and is not affected by investment returns while you are a contributing member.
- Generous cover for death and invalidity that provides you and your family with financial protection if you are injured or die while you are a member of the Scheme.
- An attractive pension option that is fully indexed to the Consumer Price Index.
- No administrative fees or charges – these are currently all paid for by your employer.
- A Member Benefit that accumulates separately from the Employer Benefit – you can choose from five investment strategies to invest your Member Benefit.



# General information for members

## Your super benefit is made up of two parts:



A **Member Benefit** made up of your own contributions. This smaller amount is affected by investment returns. You can choose to invest your Member Benefit in the investment strategy that suits you best from the five strategies offered by MilitarySuper.

An **Employer Benefit** forms the bulk of your benefit. It is guaranteed by the Government and is based on your salary and length of service. This part of your super (other than that part represented by the employer three per cent productivity contribution) is not affected by investment returns.

## Your Super Online

ComSuper is committed to providing you with secure online access to information about your super. Members can visit [www.militarysuper.gov.au](http://www.militarysuper.gov.au) and view general information about the Scheme as well as their personal benefit details. Members can also access the i-Estimator to project the potential value of their retirement benefits.

If you would like an access number, complete the form enclosed with this annual report. ComSuper cannot issue access numbers via email, fax or over the phone.

Once you have received your new access number you are encouraged to visit [www.militarysuper.gov.au](http://www.militarysuper.gov.au) and click on the link to Member Services Online to activate your access number.

When you complete and send us the enclosed form ComSuper will send your future annual member statements and other correspondence from MilitarySuper to the address you give us on that form. Please note that you will be able to use Member Services Online to keep your contact details up to date when you move.

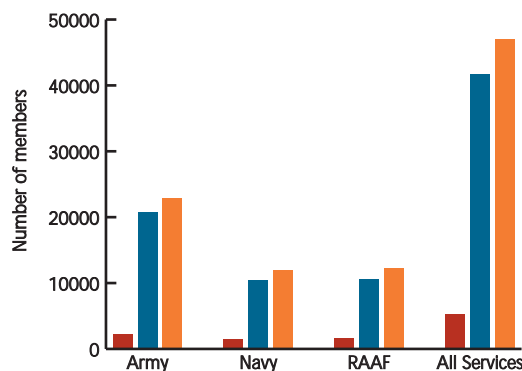


# Management & business overview

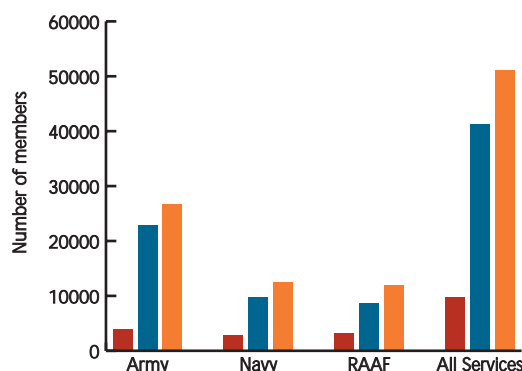
## Membership of MilitarySuper

Female Male Total

### Contributors at 30 June 2004



### Preserved members at 30 June 2004



## Fees and charges

The net income of the Fund, after allowing for tax and other expenses directly related to its operation, is available for distribution to members, and is reflected in daily unit prices.

Charges against the Fund include the fees paid to investment managers. The fees charged by

individual managers vary according to the asset class, the investment style of the manager and the amount under management. These fees have already been deducted from the rate of return reported on page 14.

**Members do not pay administrative fees or any transaction costs in relation to their membership. The cost of MilitarySuper's administration is met by the Department of Defence. These fees are not charged against the Fund and do not affect the Fund's earning rate.**

A fee of \$150 is currently payable for the preparation of a response for superannuation information made in accordance with the Family Law legislation. This may increase in the future and the Fund may introduce administration fees to cover the cost of Family Law valuations and for changes to your investment choice. These fees will only apply if you request these services. You will be advised of the introduction of any fees or charges before they commence.

More information can be found in the *Family Law and Your Super* fact sheet that is available on the MilitarySuper website at [www.militarysuper.gov.au](http://www.militarysuper.gov.au), or by calling the Contact Centre on 13 23 66.

## Day-to-day administration

MilitarySuper is administered by Commonwealth Superannuation Administration (ComSuper) on behalf of the MilitarySuper Board. ComSuper maintains all member records, makes payment of Member Benefits and is the key source of superannuation information for MilitarySuper members.



# Answers to your questions

## MilitarySuper's Contact Centre

The Contact Centre helps members understand their super. Along with the Scheme's website, it is a one-stop source of super information. The Contact Centre's information officers have instant access to up-to-date information about each member's MilitarySuper arrangements. They can also tell you where you can go for further information or advice.

The Contact Centre's MilitarySuper staff take over 45,000 calls each year from members around the world. Between them, the staff have over 50 years of service with MilitarySuper, and 147 years of experience in customer service.

The Centre uses a range of performance benchmarks to ensure they deliver a high standard of service to members. For example, calls are answered on average within 23 seconds and around 85% of enquiries are answered on the spot. Enquiries that can't be dealt with immediately are usually answered within 24 hours.

If you have any questions about your super, call the Contact Centre on 13 23 66. They are available to help you from 9am until 5pm (Canberra local time), Monday to Friday.

### Three frequently asked questions received by the Contact Centre are:

- Preserved Benefit members asking how do I change my personal details?
- How can I find out how much my superannuation benefit is worth?
- What happens to my super if I die?

You can find answers to these questions and others on the MilitarySuper website [www.militarysuper.gov.au](http://www.militarysuper.gov.au) – click on 'Got a question about your super?'

## How can I find out how much my superannuation benefit is worth?

If you are intending to leave the ADF within the next three months you can request a written benefit estimate by calling the Contact Centre on 13 23 66 or by sending an email request to ComSuper through the MilitarySuper website by following these steps:

1. Click on 'Got a question about your super?' on the MilitarySuper homepage
2. Then select 'How can I get an estimate of my superannuation benefit?'
3. Choose the type of benefit estimate you want (retirement, invalidity, resignation) and
4. Click on 'Email Request' for a 'retirement/invalidity/resignation estimate'.

In all cases, to get an estimate you will need to provide your:

- Name
- Service number
- Service
- Date of birth
- Eligible service period
- Proposed date of resignation/retirement/discharge
- Return address.

**If you wish to project the future value of your retirement benefits you can also use the i-Estimator on the MilitarySuper website. With the i-Estimator you can estimate what your benefits may be worth in the future, even if you are not retiring or leaving the ADF within the next 12 months. Simply visit [www.militarysuper.gov.au](http://www.militarysuper.gov.au) and click on the link to Member Services Online. You will require your access number to view your personal benefit information. See page 22 for more on accessing Member Services Online.**



## What happens to my super if I die?

Benefits are payable to your eligible spouse and/or children should you die in service. They are also payable on death after retirement if you were in receipt of a MilitarySuper Pension at the time of death.

### Eligible spouse of a contributor

If you die whilst a contributor, your eligible spouse will receive a lump sum of your member benefit and your employer benefit, less an adjustment to recover any surcharge debt, as:

- A CPI indexed pension based on 67% of the potential Class A invalidity benefit, at the time of death. The percentage of the pension is increased if you have one or more eligible children; or
- A part pension and part lump sum (this option allows your eligible spouse to convert at least half of the spouse's lump sum to a pension.) The percentage of the pension is increased if you have one or more eligible children; or
- A full lump sum based on the potential Class A invalidity benefit at the time of death.

### Eligible spouse of a pensioner

If you die following retirement, your eligible spouse is entitled to receive a pension of 67% of the pension actually being paid to you at the time of your death. The percentage of the pension is increased if you have one or more eligible children – by 11 per cent for one child, 22 per cent for two children, and 33 per cent for three or more children.

### Orphans

If you die and are not survived by an eligible spouse but you have an eligible child or children, an orphan's pension is payable. Orphans receive the member benefit lump sum, plus an employer-financed pension. The rate of pension is 45 per cent of the member's notional Class A invalidity pension for one orphan, 80 per cent for two, 90 per cent for three and 100 per cent for four or more.

## Benefit options where there are no dependants

If you die before retirement, leaving no eligible spouse or children, a benefit comprising the total of your member and employer components is payable to your estate or the Board has discretion to pay to a nominated beneficiary in certain circumstances.

### What does "eligible spouse" mean?

Eligibility requirements must first be met before a death benefit is payable. Broadly speaking, your eligible spouse will receive a benefit from the Scheme if he/she is a person of the opposite sex with whom you had what is referred to as a "marital relationship" at the time of death. This can include a de facto relationship.

If you have an eligible surviving spouse or children they should call the MilitarySuper Contact Centre on 13 22 36 for information and to obtain an appropriate claim form. Information is also available on the MilitarySuper website at [www.militarysuper.gov.au](http://www.militarysuper.gov.au)

## What happens if I am injured?

Members retired from the ADF on invalidity grounds may be eligible to receive a benefit in one of three classifications that reflect the member's loss of capacity to obtain appropriate civilian employment. Invalidation classifications are Class A (incapacity of 60 per cent or more), Class B (incapacity 30 per cent – 59 per cent), and Class C (incapacity less than 30 per cent). Further information on invalidity benefits is available on the MilitarySuper website at [www.militarysuper.gov.au](http://www.militarysuper.gov.au) or by calling the MilitarySuper Contact Centre on 13 23 66.



## Enquiries and complaints

If you are unhappy with the service you receive from MilitarySuper or ComSuper, or you wish to raise a comment or concern, we would like to know. Initial enquiries and complaints should be directed to:

**The Complaints Officer**  
**ComSuper**  
**PO Box 22**  
**BELCONNEN ACT 2616**

ComSuper will act to resolve your enquiry within 90 days of receiving it.

If you are not happy with the handling of your complaint including a request for reconsideration, you may then contact the Superannuation Complaints Tribunal (except in relation to privacy related matters). The Tribunal is an independent arbitrator set up by the Australian Government to deal with enquiries or complaints that the Trustee has not dealt with to your satisfaction. You can phone the Tribunal on 1300 884 114.

You should note that if you are dissatisfied with a decision of the Board or one of its delegates you are entitled to request reconsideration. You must do so within 30 days of advice of the decision. If you are dissatisfied with a decision of the Board you must support your request with new evidence.

For privacy-related matters, the Federal Privacy Commissioner may review your complaint. You can contact the Privacy Commissioner on 1300 363 992.



# important information about your member statement

Check your personal details carefully and call 13 23 66 if they are incorrect.

Quote your reference number when contacting ComSuper.

This is the date your most recent period of DFRDB Scheme membership commenced. This is only applicable to members who elected to transfer from the DFRDB Scheme.

This is the date you first joined MilitarySuper.

This is the total period you have been a contributing member—includes previous service and DFRDB membership.\*

This is any additional service that is recognised for MilitarySuper Benefit calculations.

This is your average superannuation salary over the last three years of your current period of service in the ADF (or your current period of membership if less than three years).

The screenshot shows a 'Military Super' member statement. It is divided into several sections: 'your details', 'your share in the fund', and 'Military Super Contacts'. The 'your details' section includes fields for Name, Birth, Military Super Reference Number, Date of Birth, Last period of DFRDB membership, MBS membership, and Total period of eligible service. The 'your share in the fund' section contains three tables: 'MEMBER BENEFIT', 'EMPLOYER BENEFIT', and 'PRODUCTIVITY BENEFIT'. Each table shows 'Total at 30/06/04', 'Contributions', and 'Net Investment Earnings'. The 'EMPLOYER BENEFIT' table also includes 'Final Average Salary', 'Employer Benefit Multiple', and 'Total Employer Benefit'. The 'Military Super Contacts' section provides contact information for the Canberra Office, including address, phone, fax, email, and website.

This includes normal salary, service allowance, higher duties allowance and non-reduction allowance. No other allowances are included.

This multiple is used to calculate your maximum allowable retirement benefit and is determined by your Final Average Salary.

This includes your contributions and net investment earnings. See page 6 for more on Investment Choice.

This is based on your total period of eligible service and is used to calculate your benefits.

Your Employer Benefit is the larger part of your benefit and is fully paid for by the Australian Government.

This is the unfunded component of your Employer Benefit which will be paid by the Government when you retire. It is not impacted by investment earnings.

This is the funded component of your Employer Benefit. It is the three per cent productivity contribution made by the Department of Defence (after tax and including investment earnings).

\* If you have reached your Maximum Benefit Limit (MBL) your eligible service will not increase. Refer to the *Maximum Benefit Limits* fact sheet which can be found on the MilitarySuper website at [www.militarysuper.gov.au](http://www.militarysuper.gov.au)

If you leave the ADF prior to retirement, this is your Member Benefit that you can access as an immediate lump sum.

This is your Member Benefit that must be preserved in either the Scheme or a complying superannuation fund until you reach your preservation age<sup>#</sup> and retire from the workforce.

This is your Employer Benefit that must be preserved in the Scheme until minimum retiring age.★

If you leave the ADF prior to retirement you can choose to preserve your total benefit in the Scheme until minimum retiring age.★

If you choose to preserve all your benefits in the Scheme, your Member Benefit will be invested according to your investment choice and your productivity benefit will be invested in the Growth strategy.

The unfunded portion of your employer benefit will increase in line with movements in the Consumer Price Index (CPI).

This amount can be paid as a lump sum if you are permanently retiring from the workforce and have reached your preservation age<sup>#</sup>. If you leave the ADF after age 55, but before your preservation age, you can leave your retirement benefits in the Scheme or roll them into any complying superannuation fund.

If you are leaving the ADF and have reached age 55 you may choose to convert a minimum of 50% of your Employer Benefit to a pension that is increased bi-annually by the Consumer Price Index.

If you have reached age 55 or have been made redundant, you can choose to convert all of your Employer Benefit to a pension.

If you are leaving the ADF and have reached age 55 you can choose to preserve both your Member and Employer Benefit in the Scheme until you permanently retire from the workforce or until age 65.

Surchargeable contributions includes the notional contributions paid by your employer. The Australian Taxation Office uses this information to determine whether you have incurred a surcharge debt for the year.

This is your total surcharge debt, as reported to ComSuper by the Australian Taxation Office to 30 June 2004. Any surcharge debt can be paid in part or full progressively during your period of membership. Any surcharge debt amount remaining at the end of a financial year will be charged interest at the 10-year Treasury bond rate. See the *Superannuation Contributions Surcharge* leaflet for more information at [www.militarysuper.gov.au](http://www.militarysuper.gov.au)

<sup>#</sup> Preservation ages

Date of birth	Preservation age
Before July 1960	55
July 1960 - June 1961	56
July 1961 - June 1962	57
July 1962 - June 1963	58
July 1963 - June 1964	59
After June 1964	60

★ For further information on the benefit options available and when the benefit can be claimed refer to the *MilitarySuper Book* at [www.militarysuper.gov.au](http://www.militarysuper.gov.au)



