



# Building brighter futures



Telstra Super is an award-winning, not-for-profit superannuation fund, open to current and former employees of the Telstra Group and Telstra-approved employers and eligible members of their families.

We are Australia's largest corporate superannuation fund with over \$17 billion\* in assets invested on behalf of over 98,000 members.

### What we offer

We offer an exceptional range of benefits to help our members achieve their retirement objectives, including:

- competitive fees
- a broad range of investment options, including the ability to invest in the ASX300, Exchange Traded Funds (ETFs) and a range of term deposits
- a competitively priced retirement income stream for those already in, or close to, retirement
- a range of flexible insurance options
- access to expert financial advice through Telstra Super Financial Planning†
- 24/7 access to check and manage super accounts via *SuperOnline*
- member education seminars to help our members get the most out of their super.

### Our mission

We help our members build a financially secure future.

### Our values

- **Members first:** we see through the members' eyes as they are our reason for being
- **Mutual respect:** we treat ourselves and the Telstra family with respect and value diversity and inclusion, integrity and teamwork
- **Empowerment:** our people take personal accountability for actions and outcomes for our members
- **Challenge the norm:** we are always motivated to be progressive for our members and act with the future in mind.

### Recognition

We are honoured to have been awarded the following commendations from both independent agencies and industry peers. These rewards validate our commitment to service, innovation and to remaining at the forefront of the industry.



For more information, see [www.telstrasuper.com.au/ourawards](http://www.telstrasuper.com.au/ourawards)

\* As at 30 June 2016

† Telstra Super Financial Planning is wholly owned by Telstra Super Pty Ltd, trustee for the Telstra Superannuation Scheme (Telstra Super). Telstra Super Pty Ltd has engaged Telstra Super Financial Planning to provide financial planning services to Telstra Super members and their eligible family members.



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### About this Annual Report

This Annual Report is for the 2015/2016 financial year and has been prepared by Telstra Super Pty Ltd for the Telstra Superannuation Scheme. The details in this report are accurate based on information known as at the time of printing.

Any general advice in this report has been prepared without taking into account your objectives, financial situation or needs. Before you act on any general advice in this report, you should consider whether it is appropriate to your individual circumstances. Before making any decisions, you should obtain and read the relevant Product Disclosure Statement which is available on the website or by calling **1300 033 166** between **8.00am** and **5.30pm** (Melbourne time) Monday to Friday.

[www.telstrasuper.com.au](http://www.telstrasuper.com.au)



**Welcome to Telstra Super's 2015/2016 Annual Report. We've had a busy year implementing a number of initiatives to enhance our service offerings and ensure our members have a great experience every time they interact with us. As a not-for-profit fund, we're proud to put our members first in everything we do.**



**Chris Davies**  
Chief Executive Officer

One of the most important changes at Telstra Super during the year was the introduction of new and expanded financial planning services for members to provide guidance on a broader range of financial topics, such as building wealth or preparing for retirement.

The in-house team at Telstra Super Financial Planning don't accept or pay any commissions, which means our members' best interests are at the heart of what they do. In the four months since the expanded service was launched in February, more than 400 members have signed up to an ongoing advice service. Telstra Super Financial Advisers can now assist our members with strategically planning for their retirement and managing changes, such as the upcoming Centrelink changes that take effect on 1 January 2017.

Another critical part of the changes to our financial planning service was the introduction of a phone advice service, which has handled more than 14,500 calls from members since October 2015. Members can now speak to a qualified financial Adviser over the phone about issues affecting their membership with Telstra Super. This often leads to the member receiving a personalised statement of advice and is available at no additional charge by phoning 1300 033 166.



The May Federal Budget and changes announced since then have contained significant proposed changes to superannuation, which are due to be legislated by the re-elected Coalition Government. Broadly speaking, the changes fall into three categories: new limits on the amount of superannuation that members can contribute to their super funds; changes in various taxation thresholds; and new arrangements for Transition to Retirement strategies. While the changes are complex, members should rest assured that Telstra Super is working closely with the broader superannuation industry to ensure we will be ready to implement any changes smoothly.

As part of our digital strategy, we will be launching a new public and secure website in early 2017 that will provide members with a more user-friendly interface and navigation. The websites will be fully adapted to mobile and tablet formats and are part of our efforts to improve member experience as they increasingly shift to digital channels – our members made 1.4 million web page visits last year.

## Our people

In 2016, Telstra Super welcomed a new Chief Investment Officer, Graeme Miller, following the departure of Jim Christensen after five very successful years with the Fund. Graeme is a leading figure in the Australian investment industry and joins us after 16 years at Willis Towers Watson, where he was Director of Investment Services. Graeme leads our internal investment team, which manages Telstra Super's \$17 billion portfolio, and he works closely with the Investment Committee to set investment objectives and formulate investment strategies for the benefit of members.

We also welcomed Kathryn Forrest as the new Executive General Manager, Operations, who comes to us with a wealth of almost 30 years' experience in the superannuation industry, most recently at UniSuper. Kathryn will lead further improvements to internal processes to ensure we continue to provide timely and high quality service solutions for our members.

One of our key objectives this year has been to improve the diversity and inclusion initiatives within our organisation as part of our

commitment to equality and treating our employees and members with fairness and respect. We launched training and mentoring programs internally, hosted our first Women in Super Forum, and ran an extensive member education campaign about key super issues affecting women.

## Industry recognition

Our achievements have once again been recognised by the superannuation industry. Pleasingly, as members may know, we were named Super Fund of the Year 2015 by SuperRatings among all the retail, industry and corporate funds, and this year we notched up 12 consecutive years of Platinum rating with SuperRatings. We were finalists in Chant West's Pension Fund of the Year 2016 and Best Fund - Insurance 2016, and in SuperRatings' MySuper category for best value-for-money default offering. In addition, *Telstra Super Corporate Plus* ranked first among Australian superannuation funds' Balanced options for total returns since the Global Financial Crisis, according to SuperRatings, with a cumulative net return of 106.8% from 1 March 2009 to 31 May 2016.

## Building futures

Telstra Super is committed to meeting our members' needs and helping them build a financially secure future. Now in our 26th year, we have grown to become the largest corporate superannuation fund in Australia. We are using that size and scale to help manage costs for members and continue to lead our competitors on product and service offering. Across Telstra Super, our employees are passionate about putting members first every day, and we thank you for your continued support.

**Chris Davies**

Chief Executive Officer

**The 2015/16 financial year was another eventful year for Telstra Super and the super industry. While the Australian Government is working on defining the purpose of super in legislation, our team at Telstra Super never forget what we are here for: helping our members plan for a secure and comfortable retirement.**

**David Leggo**  
Chairman



Telstra Super has seen a number of important projects come to fruition, the Fund welcomed Graeme Miller on board as Chief Investment Officer, and the Board undertook a review of our five-year strategic plan.

After several years of strong double-digit returns as financial markets bounced back from the global financial crisis, the past year has marked an inflexion point. Investors around the world are revising their expectations for future growth against the backdrop of ultra-low interest rates and slow economic recovery. We advised members during the year that, in light of market conditions, future returns for key investments including shares and bonds are expected to be lower.

At this important time, we were pleased to welcome our new Chief Investment Officer, Graeme Miller, to the Fund. Graeme's depth of knowledge across all asset classes and his excellent strategic capability will reinforce our existing high-performing investment team. His overview of the markets appears on page 18.

In the May Budget, the Federal Government proposed some of the most far-reaching changes to superannuation rules in a decade. Among several changes, there are plans to revise taxation arrangements to pave the way for new style retirement products, and we have already commenced development of some innovative retirement solutions.

## Major projects

The Board of Directors is working closely with our Chief Executive Officer, Chris Davies, and the Executive Team on the next iteration of our long-term strategy. While the Board must ensure that shorter term issues are dealt with, the five year plan considers the range of potential disruptions to our industry and puts in place the necessary steps to deal with whatever eventuates.

Good governance and transparency play a major role in the management of the Fund and we continue to develop and refine our framework to reduce risk across the organisation. We have appointed a Chief Risk Officer to head up a dedicated risk function so that, at a time when poor conduct across the financial services industry has drawn attention, our members can trust the Fund to always put their interests and financial wellbeing first.

The most visible change for members over the coming year will be a simplified and streamlined website, making it easier for members to manage their accounts. Behind the scenes, we are also working hard to update systems and processes to improve our members' experience every time they interact with us - by phone, in person, or online.

An important project internally has been the review and selection of a new custodian to provide master custody and investment reporting services. This resulted in JPMorgan Chase Bank, N.A., Sydney branch through its Investor Services unit winning a tender process. As a not-for-profit fund, any cost savings arising from the process are always passed back to our members.

## Welcomes and farewells

The Board of Directors plays a major role in ensuring we meet legislative and regulatory obligations, and I would like to thank them for their wise counsel, enthusiasm and tireless work throughout the year. I would like to recognise the significant contributions made by Employer Director David Kirton and also by Member Directors Ian McCarthy and Michael Fisher, who all retired from the Board this year.

At the same time, I would like to formally welcome our newest Member Director, Scott Connolly, to the Board. Scott is the Assistant Secretary at the Australian Council of Trade Unions (ACTU) and commenced on the Board on 9 June 2016.

As well, I'm pleased to welcome Maria Phillips to the Board as an Employer Director. Maria is Executive Director, Corporate Controller at Telstra and commenced on 4 August 2016.

## Our mission

Our mission as a fund is to help our members and all the employees of the Telstra family build a financially secure future. Since our modest beginnings in 1990, Telstra Super has developed highly competitive products and offerings that always put our members' needs first. We're proudly not-for-profit and continue to champion for better retirement outcomes for all our members.



**David Leggo**  
Chairman



# Achievements

## Contact with members



**8,981**

emails responded to by Telstra Super



**14,567**

calls taken by Telstra Super Financial Planning Advisers

**58,762**

calls to Member Services



**1,352**

meetings with Telstra Super Financial Planning



**40**

seminars attended by 2,881 people



**51**

webinars attended by 5,147 people



**2,500**

people seen at workplace visits

## Digital



**1.4 million**

visits to [telstrasuper.com.au](http://telstrasuper.com.au)

**950,644**

SuperOnline logins

## Strong performance



**106.8%**

Total returns\* in Balanced option since 2009

\*returns based on net returns from 1 March 2009 to 31 May 2016, SuperRatings. Past performance is not a reliable indicator of future performance.

## Growing members' super



**\$112  
million**

received in voluntary  
pre-tax contributions  
during 2015/16

**\$183  
million**

received in voluntary  
post-tax contributions  
during 2015/16



**\$466,175**

received in government  
co-contributions in  
2015/16





# Building a future together

**Earlier this year, Telstra Super Financial Planning introduced new and expanded advice services for members to provide assistance on a broader range of financial topics. Advisers are here to help our members achieve their financial goals, wherever they're up to in their financial journey.**

Telstra Super Financial Planning provides professional advice for all ages, from general advice to comprehensive financial planning, as well as access to new financial products such as annuities.

Importantly, the qualified and experienced Advisers do not accept or pay commissions. That means our members' best interests are at the heart of what they do and some products such as insurance may be cheaper because annual premium rates are commission-free.

Telstra Super Financial Planning has provided advice to more than 30,000 members since 2002, helping them to achieve their financial goals.

The phone based Limited Advice Team can help with simple personal advice

about super contributions, investment options and insurance within Telstra Super as well as providing general information about topics such as rollovers and transition to retirement strategies. This advice is available at no additional charge as part of Telstra Super membership.

For more complex super advice including a broader range of financial topics, the Comprehensive Advice Team can help. This team has representation across most capital cities and the initial appointment is at no charge and is obligation-free -- subsequent advice is available on a fee-for-service basis.

More information is available on our web site at [telstrasuper.com.au/advice](http://telstrasuper.com.au/advice)

Advice topics may include:

- Building long-term wealth
- Protecting your lifestyle
- Getting ready for retirement
- Managing retirement income



**Call**  
**1300 033 166**  
**8.00am to 5.30pm**  
(Melbourne time)  
Monday to Friday



**Web**  
[www.telstrasuper.com.au](http://www.telstrasuper.com.au)



**Email**  
[contact@telstrasuper.com.au](mailto:contact@telstrasuper.com.au)



**30K\***  
members have received  
financial advice



**8.6%<sup>‡</sup>** p.a  
5 years returns for Telstra  
Super Balanced option



**1 in 3<sup>†</sup>**

Australian women retire with no super at all



**65%<sup>§</sup>**

of retirees depend on a government pension



### **Telstra Super Pty Ltd has a Board of Directors that is responsible for the operation of the Fund, and for ensuring Telstra Super is being managed appropriately.**

The Board of Directors makes sure that members' interests are duly represented and that the Fund is administered according to the governing rules and applicable legislation. The Board of Directors consists of an equal number of employer and member representatives (referred to as 'Employer Directors' and 'Member Directors') and an Independent Chairman.

Telstra Super's Board of Directors for the 2015/2016 financial year is set out here.



**David Leggo**  
Chairman

Mr Leggo has been involved in the governance of superannuation for over 20 years, both as a Trustee Director and Chairman. He is a respected superannuation leader and was recognised in 2010 as 'Trustee of the Year' by the Australian Institute of Superannuation Trustees.

Mr Leggo spent 35 years of his professional career in the aviation industry, retiring in 2007 from the position of Operations Director, Air Traffic Control at Melbourne Airport.

Mr Leggo was appointed as Chairman of the Trustee Board at Telstra Super in July 2010.



**Yolande Foord**  
Employer Director

Ms Foord is Executive Director of Remuneration and Benefits, Human Resources at Telstra Corporation Ltd and is responsible for delivering and managing all aspects of remuneration, benefits and reward for almost 40,000 employees globally. She is also a Director of Telstra Growthshare Pty Ltd, Telstra's executive and employee share plans trust.

Prior to joining Telstra in 2011, Ms Foord worked at PricewaterhouseCoopers, as well as Mercer in Australia, the United Kingdom and the United States. She holds a Bachelor of Commerce (Hons) and an LLB from the University of Pretoria, South Africa.

Ms Foord was appointed as a director of the Trustee Board at Telstra Super in August 2015.



**John Jamieson**  
Member Director

Prior to retiring in 2011, Mr Jamieson was an organiser for the Community and Public Sector Union (CPSU) for over a decade, representing staff and union members working at Telstra. He represented the CPSU in regard to the Australian Industrial Relations Commission and the Human Rights Commission as well as superannuation-related matters.

Mr Jamieson has formerly held a range of positions in Telstra, ANZ and Mayne Nickless Ltd and was also self-employed for a number of years.

Mr Jamieson was appointed as a Director of the Trustee Board at Telstra Super in February 2010.



**David Burns**  
Employer Director

Mr Burn's current roles is GMD of the Division of Telstra Global Enterprise and Services responsible for designing, building and managing an integrated services capability for Telstra's business, enterprise and government customers.

Just prior to joining Telstra, Mr Burn's was General Manager, IBM Global Technology Services (GTS). Based in London, he was responsible for IBM's IT services and outsourcing sale and delivery functions for the United Kingdom and Ireland.

Mr Burns was appointed a director of the Trustee Board at Telstra Super in October 2015.



**Bronwyn Clere**  
Employer Director

Ms Clere is Executive Director of Capital Planning for Telstra Corporation Ltd. Prior to joining Telstra in 2012, she has spent over 25 years in the financial services industry in transformation, operations management, finance and change roles with organisations such as JP Morgan in Australia and New Zealand, AIA in Hong Kong and AXA in Australia, New Zealand and the United Kingdom.

Ms Clere was appointed as a Director of the Trustee Board at Telstra Super in December 2013.



**Maria Phillips**  
Employer Director

Ms Phillips current role is Executive Director, Planning, Performance and Insights for Telstra Group. Her key responsibilities include leadership of planning, management accounting and insights for the Telstra Group. Ms Phillips has over 20 years' experience at executive/director levels in both established multinational organisations and start-up companies in Australia and the UK.

Prior to joining Telstra in 2015, Ms Phillips was Commercial Director at Foxtel and held a number of roles at SingTel Optus including CFO of Virgin Mobile. Prior to moving to Australia, she spent a number of years working for Time Warner in the UK.

Ms Phillips holds a BSc (Hons) Physics with Business from the University of London and is both CPA and CIMA qualified.

Ms Phillips was appointed as an employer director of the Trustee Board at Telstra Super in August 2016.



**Carol Gee**  
Member Director

Ms Gee is the National Industrial/Research Officer for the communications division of the Communications, Electrical and Plumbing Union (CEPU). She has a long history of working with unions as an elected official and in delivering education and training courses.

Ms Gee is a qualified teacher and has taught at both primary and secondary schools.

Ms Gee was appointed as a Director of the Trustee Board at Telstra Super in November 2011.



**Scott Connolly**  
Member Director

Mr Connolly is the Assistant Secretary at the Australian Council of Trade Unions (ACTU). He is also a Director at the Union Education Foundation, Secretary / Treasurer for ACTU Education Inc. and a Director at ACTU Organising Centre. Prior to this he worked at Transport Workers Union (TWU) in various roles for 15 years. He has completed the Trade Union program at Harvard University and has a BA (Hons) Industrial Relations from the University of Sydney.

Mr Connolly was appointed a director of the Trustee Board at Telstra Super in June 2016

**Shane Murphy**  
Member Director

Mr Murphy was appointed as a Director of the Trustee Board at Telstra Super on 1 September 2016.

Mark Hall, Employer Director resigned from the Board 9 October 2015. Ian McCarthy, Member Director resigned from the Board 8 June 2016. Michael Fisher, Member Director resigned from the Board 8 June 2016. David Kirton, Employer Director resigned from the Board 22 June 2016.



**The day-to-day administration and management of Telstra Super is the responsibility of the Executive Team.**

**All executives lead a business unit and carry responsibility for specific areas of fund operations.**

## To find out more

about our Directors and Executive Team, visit [telstrasuper.com.au/governance](http://telstrasuper.com.au/governance)

Jim Christensen resigned as Chief Investment Officer on 18 December 2015. Ivan Jones resigned as General Manager Telstra Super Financial Planning on 23 May 2016.



**Chris Davies**  
Chief Executive Officer

As Chief Executive Officer of Telstra Super, Chris is responsible for the strategic direction of the fund and overseeing its operational management to meet the needs of our members. Chris attends meetings for the Investment & Claims Assessment Committee and is also a Director of Telstra Super Financial Planning.

Chris joined Telstra Super in October 2013, having previously been Executive Manager, Member and Employer Solutions at UniSuper.

Chris started his career practising law in national firms, before moving to the financial services sector. Chris's experience in the financial services industry has developed over 30 years with senior roles at BT Financial Group, Commonwealth Bank and Colonial First State.



**Graeme Miller**  
Chief Investment Officer

Graeme is responsible for leading the investment team, which manages Telstra Super's approximately \$17 billion investment portfolio. He works closely with the Investment Committee to set investment objectives, formulate investment strategies and implement investment portfolios for the benefit of Telstra Super's members.

Graeme has more than 25 years' experience in the superannuation and investment industries, and has extensive experience in all aspect of investing. He joined Telstra Super in May 2016, having previously been the Australian head of investments at global consulting firm Willis Towers Watson.



**Paul Curtin**  
Chief Financial Officer and Executive General Manager Strategy, PMO and Investment Operations

Paul is responsible for all financial and taxation matters for Telstra Super and Telstra Super Financial Planning, and oversees the operation of the Finance, Strategy and Technology Unit. Paul also oversees the management of Telstra Super's Technology Solutions, Business Intelligence and Projects Office teams.

Paul attends meetings for Telstra Super's Audit, Risk & Compliance and Investment Committees, and is the fund's AML/CTF Compliance Officer.

Paul was appointed to his role with Telstra Super in February 2013. He was previously the Chief Financial Officer for industry superannuation fund, Vision Super, and has also worked in the Financial Services practice of KPMG.



**Steve Miller**  
General Counsel and Company Secretary

As General Counsel and Company Secretary, Steve is responsible for legal matters across every operational area of Telstra Super and Telstra Super Financial Planning, and for ensuring the Fund's operation within a robust legal and governance framework. He is the Company Secretary for the two companies and acts as advisor to the Board, CEO and key Committees with responsibility for all Board governance matters. Steve is also the Fund's Privacy Officer.

Steve joined Telstra Super in 2002 and was appointed to the Executive Team in 2008. He has over 20 years of superannuation legal experience across in-house and private practice environments in Australia and the UK, and has been admitted in both jurisdictions. Prior to joining Telstra Super, Steve practised in the Melbourne office of a national law firm.



**Jean-Luc Ambrosi**  
Executive General  
Manager Marketing

Jean-Luc manages the Marketing, Member Education, Partnership Relations and Product Development teams, and provides critical input and analysis to Telstra Super's business planning. Jean-Luc carries a wealth of experience in financial marketing including senior leadership roles with Vanguard, BlackRock and National Australia Bank. He is also the author of the book *Branding to Differ*, published in November 2013.

Jean-Luc commenced his role with Telstra Super in March 2014. He was previously Head of Marketing & Corporate Communication at Vanguard.



**Steve Cullen**  
Executive General Manager  
Financial Planning

Steve is responsible for leading the team that support members seeking financial advice about their superannuation, investment, insurance and retirement needs.

Steve joined Telstra Super in 2015 and was appointed to his current role in July 2016.

Steve holds a Masters Degree in Banking and Finance and a Diploma of Financial Planning. He has over 20 years' experience in senior roles across the financial services industry, including QSuper, ANZ and Commonwealth Bank.



**David Calistro**  
Executive General Manager  
Data and Technology

David is accountable for Telstra Super's strategic planning, data intelligence, information management and technology solutions, and is responsible for ensuring the business and technology capabilities and frameworks are effectively facilitating and enabling Telstra Super's strategic objectives.

David has over 10 years of experience working in the superannuation industry, having spent 6 years at one of Australia's leading superannuation and pension administration specialists as the Business Intelligence Manager. David joined Telstra Super in 2010 and was appointed to his current role in June 2014.



**Owen Brailsford**  
Chief Risk Officer

Owen manages Telstra Super's Risk and Compliance function. He is responsible for ensuring any form of risk that members, the Fund and the Trustee may be exposed to are appropriately managed across the organisation.

Owen commenced his role with Telstra Super in January 2015, and brings with him over 17 years of international experience in risk management and regulatory roles in the superannuation, pensions and insurance industries. He has previously worked for the Australian Prudential Regulation Authority (APRA), Prudential PLC and RSA Insurance (both UK) and was most recently employed in a risk management advisory role at KPMG.



**Janet Brown**  
Executive General Manager  
People and Culture

As General Manager, People & Culture, Janet is responsible for all human resources initiatives within Telstra Super. This includes creating employee-focused programs aimed at staff development and nurturing a positive and forward-thinking work environment.

Janet has expertise in managing transformational business change, and has a strategic focus on people leadership. She is motivated by empowering others to succeed and by building team culture with a strong customer focus. Previously, Janet undertook senior HR roles at National Australia Bank and Coles across national and global markets.



**Kathryn Forrest**  
Executive General Manager  
Operations

Kathryn is responsible for managing the in-house Operations for Telstra Super. This includes contribution processing, benefit payments, claims and insurance, employer relationships and member facing teams such as the Contact Centre.

Kathryn joined Telstra Super in January 2016 having previously been the National Manager for Employer Relationships at UniSuper. She has been within the superannuation industry for over 25 years and brings extensive experience in both Accumulation and Defined Benefit funds management.



# With members on their life journey

**One of the benefits of being with Telstra Super is that our members can remain in the Fund throughout their working lives and into retirement. Even if they leave Telstra (or a related employer), they can have their new employer contribute into their Telstra Super account.**

Telstra Super is not open to the general public, so it is a real benefit of membership that after joining, members can remain in the Fund regardless of where they work.

This exclusivity allows us to operate a forward thinking, high-performing, not-for-profit fund that is run only in the best interests of our members.

Some of the key improvements we are looking at include:

- Improving the digital experience for our members, making it easier for them to interact with the Fund and access their personal details.
- Reviewing our key communications and how we engage with members so they receive more timely and relevant information.
- Product enhancements to give members more flexibility to manage their super.

- Over time, we will be working towards new-style retirement products after the Government makes expected changes to the taxation of some retirement income products.

### **Family members can also enjoy the benefits of Telstra Super**

Family of Telstra Super members can also join the Fund, and to date over 11,500 have done so. The list of family members who are able to join is extensive, they are:

spouse\*/son/daughter/father/mother/  
grandson/granddaughter/brother/sister/  
grandfather/grandmother/uncle/aunt/  
nephew/niece/first cousin/mother-in-law/  
father-in-law/son-in-law/daughter-in-law/  
brother-in-law/sister-in-law/stepfather/  
stepmother/stepbrother/stepdaughter/  
stepson/stepsister.

Telstra Super has products available to cater for every stage of our members' lives, including a Direct Access option that allows members to invest directly into the Australian share market and Exchange-Traded Funds (ETFs). Direct Access is designed for members who want to take a more active role in managing their super investments.

Some of the benefits of Telstra Super membership include:

- Quality products
- Competitive fees
- A broad range of investment options
- Consistently competitive investment returns
- Access to expert financial advice
- Affordable, flexible insurance options
- Access to education seminars offered online and Australia-wide

For a membership kit for your family visit our website or call us on **1300 033 166** between **8.00am** and **5.30pm** (Melbourne time), Monday to Friday.

**We'll help you through all stages of your life.**



**Starting a new job**



**Buying a house**



Illness/injury



Career break



Wealth creation



Retiring



**It's a great privilege to have been appointed as Chief Investment Officer and to be entrusted with our members' savings here at Telstra Super. I recognise how important super is for a financially secure future and really look forward to making a positive contribution to the financial wellbeing of all Telstra Super members.**

**Graeme Miller**  
Chief Investment Officer



After three years of solid investment returns, stock markets performed poorly in the year to 30 June 2016 due to concerns about weak global growth. Despite this difficult environment, I'm pleased to report that most of Telstra Super's investment options preserved the value of our members' capital and achieved modestly positive returns over the year.

Since the end of the Global Financial Crisis, the world's major central banks have boosted economic activity and share markets with massive stimulus measures. To some extent, this stimulus has brought forward market returns that otherwise would have been earned in the future. Official interest rates are at record lows; in many parts of Europe and in Japan, interest rates are negative. Heavy government debt burdens are also acting as a drag on growth.

In this unprecedented environment, investors are re-evaluating their expectations for future rates of return. At Telstra Super we recognise the investment environment is going to be challenging and our team is working hard on strategies that are suited to the more volatile markets we anticipate in the future.



## World

Global economic growth has been weak for eight years now since the Global Financial Crisis of 2008, and interest rates have remained low as a consequence of this.

Growth has been particularly weak in Europe and Japan, and this has led to central banks pushing through unprecedented stimulus measures, cutting interest rates below zero and buying more government bonds. Despite this stimulus, stock markets in these regions delivered negative returns for the year, with the European STOXX 50 index falling by 10.8% and Japanese stocks (Nikkei 225 index) sliding 21.6% over the year to 30 June, after including dividends.

At the same time, a moderate uptick in economic growth in the United States prompted the US Federal Reserve to raise official rates in December for the first time in almost a decade. Speculation about a second rate increase added to volatility in global markets, and left the US stock market (S&P 500) up a modest 4.0% for the year, including dividends.

## Australia

The Australian economy continued its transition from the mining boom, assisted by record low interest rates and a continued decline in the Australian dollar, which supported export industries such as tourism and education. High levels of construction activity in New South Wales and Victoria helped to boost employment and support retail sales of household goods.

Despite above-trend economic growth for much of the year, household and business income growth has lagged and capital investment remains weak. Declines for the major banks and energy stocks pushed the benchmark S&P/ASX 200 share index down 4.1%. Including dividends, the index rose 0.9% over the year.

## Returns

Against this backdrop of economic uncertainty, returns across the superannuation industry, including Telstra Super, have not been as strong as in previous years. However, we're pleased to have achieved modestly positive results and to have protected our members' capital in a turbulent year for markets. Across our portfolio, solid returns for property, fixed income and some of our alternative investments helped to offset negative returns for stocks. Our Growth option returned 0.3% and our Balanced option returned 1.3% over the year to 30 June 2016, while our Conservative option returned 3.6%. Over a longer time frame, *Telstra Super Corporate Plus* ranked first among Australian superannuation funds' Balanced options surveyed by research firm SuperRatings for total returns since the Global Financial Crisis, with a cumulative net return of 106.8% from 1 March 2009 to 31 May 2016.

Financial markets tend to move in cycles, and periods of lower investment returns are both expected and inevitable over time. Through these periods of market fluctuations, our team at Telstra Super remains committed to actively managing our diversified investment strategies to exploit opportunities and avoid unrewarded risks. In this way, we expect to deliver strong outcomes for our members over the longer term.

**Graeme Miller**  
Chief Investment Officer



# Our in-house expertise

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At Telstra Super, we manage our members' investments for the long term, aiming to deliver strong returns above inflation to help members plan for a financially secure retirement.



Many super funds outsource all of their investment management to external companies. However, one of the distinguishing features of Telstra Super is that we use a combination of internal and external expertise to manage our members' savings. In fact, Telstra Super has been a leader in bringing investment management in-house, with more than a decade of practical experience in the management of a variety of assets including Australian equities, fixed income, property, cash, and foreign currency.

Our internal Australian equity portfolio has grown in recent years and now accounts for 30% of the Fund's \$4.3 billion (as at 30 June 2016) Australian equity exposure. Our in-house investment team has an active investment philosophy and strongly believes that through skill and experience, market opportunities can be exploited to generate superior returns for our members.

Telstra Super's in-house investment management approach provides important benefits to our members by offering a proprietary investment process to create customised strategies as well as significantly reducing total fees paid to external investment firms. This helps keep our overall fee structure highly competitive.

In addition, Telstra Super has adopted an active approach to Environmental, Social and Governance matters. To this end, our internal team directly engages with the companies we invest in to help shape corporate governance policy on behalf of our members and Trustee Board.

Another area of active internal management is Australian property. Over the year, our property portfolio produced solid returns, with highlights including the development of the Australian Taxation Office building in Franklin Street, Adelaide. It's the largest office building in Adelaide and has provided excellent annual performance for Telstra Super's members of 37.9% (as at 31 March 2016) since the Fund first invested in it five years ago.

We have ownership shares in 15 strategically located Bunnings stores around the country and several suburban shopping centres anchored by Woolworths. We own a 6.25% stake in International Towers Two and Three in the new Barangaroo development on Sydney Harbour, with tenants including Westpac and KPMG.

Working alongside our internal team, Telstra Super engages several external fund managers across a range of asset classes. These external investment companies play a key role in looking after our members' super savings.

This combination of internal and external resources gives members the best of both worlds – a dedicated internal team that is focussed exclusively on the needs of Telstra Super members, as well as access to a broad range of investment experts across the globe. For a full list of our external managers, turn to pages 32-33.



## Investment returns as at 30 June 2016

The table below shows the investment returns for members invested in a single investment option for the full financial year. If you switched investment options throughout the year, your investment return will not equal the figures below. If your super has been invested in a number of investment options, your investment return will depend on the relative combination of investment options you have chosen.

Investment option	1 year		5 years		10 years	
	Accumulation*	RetireAccess*	Accumulation*	RetireAccess*	Accumulation*	RetireAccess*
<b>Growth</b>	0.30%	0.00%	8.99%	10.03%	5.63%	6.36%
<b>Balanced</b>	1.31%	1.29%	8.57%	9.69%	6.03%	6.83%
<b>Conservative</b>	3.61%	3.84%	6.99%	7.81%	5.83%	6.55%
<b>Defensive Growth</b>	4.75%	5.27%	8.58%	9.16%	N/A	N/A
<b>Diversified Income†</b>	3.24%	3.96%	N/A	N/A	N/A	N/A
<b>Australian Shares</b>	0.13%	0.14%	7.62%	8.25%	5.81%	6.51%
<b>International Shares</b>	-4.12%	-4.40%	9.73%	11.01%	5.24%	5.98%
<b>Property</b>	13.34%	13.82%	10.20%	11.72%	2.65%	2.97%
<b>Fixed Interest</b>	4.67%	5.31%	5.28%	6.10%	5.06%	5.87%
<b>Cash</b>	2.10%	2.40%	2.90%	3.34%	3.77%	4.39%

## Tools to help you manage your investments

Making decisions about your investments can be easier when you have the numbers in front of you. These easy-to-use tools available at [telstrasuper.com.au](http://telstrasuper.com.au) may help.



### Investment Performance Graph

An industry-leading tool that lets you see how Telstra Super's suite of investment options have performed on a monthly basis, dating back to when the options first commenced.



### Telstra Super Simulator

This interactive retirement income calculator allows you to estimate your projected super balance and whether you are likely to have an adequate retirement income. If you use the Simulator within SuperOnline, your details are populated automatically.



### Unit Price Graph

This graph allows you to track daily movements of the unit price for all our investment options. You are able to overlay these options on a colour-coded graph, with comparisons over a range of timeframes.



### SuperOnline

You can view and change your investment options in your SuperOnline account.

If you want help with your investments you can speak to an Adviser from Telstra Super Financial Planning. They can speak to you about the different investment options and what might be the most suitable option for you. This service is included in your account and is at no additional cost to you. Give them a call on 1300 033 166.

\* Investment fees (also referred to as indirect investment costs) and taxes (where applicable) have been deducted before calculating these figures, direct and indirect administration fees were not. Telstra Super RetireAccess investment returns are different to Accumulation member returns because they are not subject to tax. The investment returns shown above for the Growth, Balanced and Conservative options (which form stages of Telstra Super's MySuper arrangement) are different to those appearing in the MySuper Product Dashboard (available on our website), which are displayed net of administration fees, indirect administration costs, indirect investment costs and investment taxes. For more information on our MySuper arrangement, go to page 29. Past performance is not a reliable indicator of future performance.

† The investment return for the Diversified Income option has been calculated on the basis of daily movements in 'sell' unit prices and distributions payable to members, as if distributions are reinvested in the option's asset pool. Distributions are not actually reinvested. They are paid into the accounts of eligible members effective the first business day of each calendar month and are invested in the Cash option. Past distributions are not a reliable indicator of future distributions. Distributions are not guaranteed.

## Comparing our performance

As well as striving to meet our own return objectives, we also benchmark our investment options (apart from Direct Access) against the performance of other super funds.

With a focus on the long-term, we aim to provide members with returns that exceed others in the industry as determined by SuperRatings surveys and medians.

Most of our investment options outperformed the median over three, five and 10 years. Over three years we outperformed the median for nine out of 10 options. This long-term trend of outperformance continues with six out of eight options outperforming median over 10 years.

While each year the returns may fluctuate, the Fund continues to provide solid returns in the longer term.

Investment option	3 years		5 years		10 years	
	Telstra Super Accumulation	Survey median	Telstra Super Accumulation	Survey median	Telstra Super Accumulation	Survey median
<b>Growth</b>	9.57%	8.88%	8.99%	8.37%	5.63%	5.09%
<b>Balanced</b>	8.87%	8.16%	8.57%	7.92%	6.03%	5.35%
<b>Conservative</b>	7.00%	5.47%	6.99%	5.70%	5.83%	5.03%
<b>Defensive Growth*</b>	8.70%	6.71%	8.58%	6.71%	N/A	N/A
<b>Diversified Income*</b>	7.11%	6.71%	N/A	N/A	N/A	N/A
<b>Australian Shares</b>	7.86%	7.86%	7.62%	7.37%	5.81%	5.28%
<b>International Shares</b>	10.29%	11.48%	9.73%	11.19%	5.24%	3.67%
<b>Property</b>	12.35%	10.49%	10.20%	9.24%	2.65%	4.42%
<b>Fixed Interest</b>	4.78%	4.61%	5.28%	5.28%	5.06%	5.76%
<b>Cash</b>	2.39%	2.23%	2.90%	2.73%	3.77%	3.70%

\* The Defensive Growth option was introduced on 1 July 2010 and as such no 10 year returns are available. The Diversified Income option was introduced on 1 July 2012, and as such, no long-term historical investment returns are available. Notional returns have not been included as the structure of the option is not based on the performance of a single index. The investment return for the Diversified Income option has been calculated on the basis of daily movements in 'sell' unit prices and distributions payable to members, as if distributions are reinvested in the option's asset pool. Distributions are not actually reinvested. They are paid into the accounts of eligible members effective the first business day of each calendar month and are invested in the Cash option. Past distributions are not a reliable indicator of future distributions. Distributions are not guaranteed.

Source: SuperRatings Fund Crediting Rate Survey, June 2016. Find out more at [www.superratings.com.au/ratings](http://www.superratings.com.au/ratings). Growth: SR50 Growth Index. Balanced: SR50 Balanced Index. Diversified Income and Defensive Growth: Conservative Balanced Index. Conservative: SR50 Capital Stable Index. Australian Shares: SR50 Australian Shares Index. International Shares: SR50 International Shares Index. Property: SR25 Property Index. Fixed Interest: SR25 Diversified Fixed Interest Index. Cash: SR50 Cash Index.

Telstra Super's returns shown in this comparison relate to accumulation members or accounts and do not apply to *Telstra Super RetireAccess* members or Defined Benefits. The accumulation investment returns are net of indirect investment costs and investment taxes but before the deduction of any applicable administration fee, indirect administration costs or rebate. Returns are to the 3 year, 5 year and 10 year periods ending 30 June 2016 (where available). Past performance is not a reliable indicator of future performance.



# Investment options

Asset allocations as at 30 June 2015 and 30 June 2016 reflect asset classifications applicable at those times and may change. For further information about the investment options (including asset allocation ranges, risks and fees and costs), please refer to the relevant Product Disclosure Statement.

## Growth option

### Investment strategy

The Growth option has a strong bias towards growth assets, such as Australian and international shares, and property, with a smaller allocation towards defensive assets such as fixed interest and cash.

### Return objective

Outperform CPI + 3.5%p.a.†

### Investment timeframe

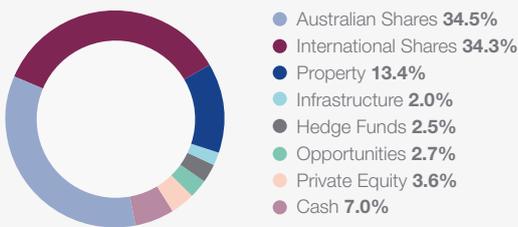
7 and 10 year periods.

### Risk objective

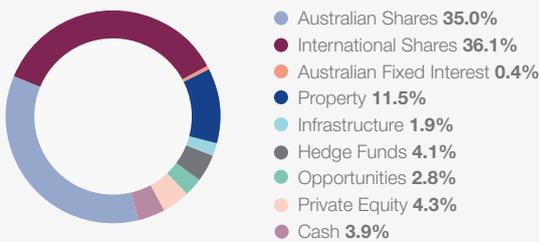
A high level of risk generating 4 to less than 6 negative annual returns over any 20-year period.

### Asset allocation

30 June 2016



30 June 2015



### Performance

Year	Accumulation member returns	Telstra Super RetireAccess returns*
2015/2016	0.30%	0.00%
2014/2015	11.14%	12.04%
2013/2014	17.99%	19.82%
2012/2013	19.62%	23.31%
2011/2012	-2.23%	-2.58%

† The return objective was changed in August 2015 and was previously CPI + 4%p.a.

\* Telstra Super RetireAccess investment returns are different to Accumulation member returns because Telstra Super RetireAccess returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

## Balanced option

### Investment strategy

The Balanced option has a moderate bias towards growth assets, such as Australian and International Shares, Property, balanced by an allocation towards defensive assets such as Fixed Interest and Cash.

### Return objective

Outperform CPI + 3%p.a.

### Investment timeframe

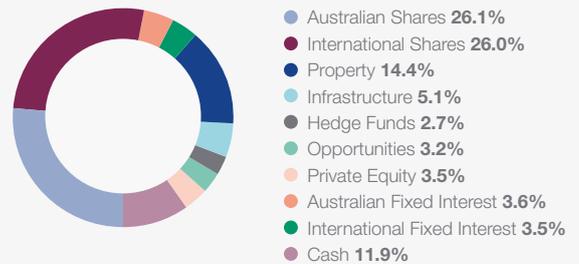
5 and 10 year periods.

### Risk objective

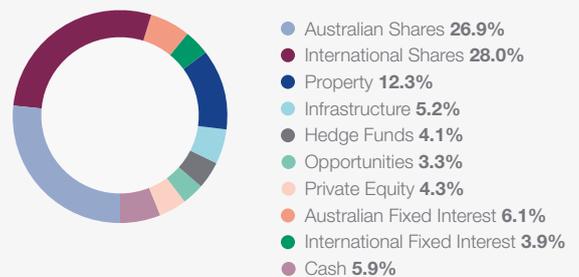
A high level of risk generating 4 to less than 6 negative annual returns over any 20-year period.

### Asset allocation

30 June 2016



30 June 2015



### Performance

Year	Accumulation member returns	Telstra Super RetireAccess returns*
2015/2016	1.31%	1.29%
2014/2015	9.98%	11.07%
2013/2014	15.81%	17.70%
2012/2013	16.91%	19.94%
2011/2012	0.00%	-0.02%

\* Telstra Super RetireAccess investment returns are different to Accumulation member returns because Telstra Super RetireAccess returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

## Our investment objective

To build an investment portfolio to achieve the stated return within the stated risk parameters over the specified timeframe.

### Diversified Income option

#### Investment strategy

The Diversified Income option is uniquely structured to distribute income it receives from investments, allowing members to fund part of their retirement needs without the need to sell capital assets. When selecting investments, preference is made for expected returns predominantly driven by income rather than capital growth. Income is accrued as underlying investments pay income distributions during the month. Due to the varying income distributions of the underlying investments, the income payment to members will vary from month to month.

#### Return objective

Outperform CPI + 2%p.a.

#### Investment timeframe

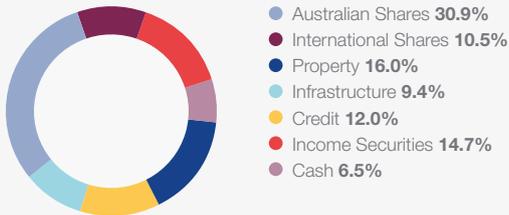
4 – 6 year period.

#### Risk objective

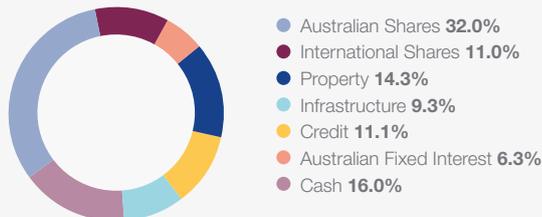
A high level of risk generating 4 to less than 6 negative annual returns over any 20-year period.

#### Asset allocation

30 June 2016



30 June 2015



#### Performance

Year	Accumulation member returns	Telstra Super RetireAccess returns*
2015/2016	3.24%	3.96%
2014/2015	7.55%	8.12%
2013/2014	10.67%	11.60%
2012/2013	14.84%	16.29%
2011/2012†	N/A	N/A

\* Telstra Super RetireAccess investment returns are different to Accumulation member returns because Telstra Super RetireAccess returns are not subject to tax.

† This option was introduced on 1 July 2012 and as such, investment returns are not available for prior periods.

The investment return for the Diversified Income option has been calculated on the basis of daily movements in 'sell' unit prices and distributions payable to members, as if distributions are reinvested in the option's asset pool. Distributions are not actually reinvested, they are paid into the accounts of eligible members effective the first business day of each calendar month and are invested in the Cash option. Past distributions are not a reliable indicator of future distributions. Distributions are not guaranteed.

Past performance is not a reliable indicator of future performance.

### Defensive Growth option

#### Investment strategy

The Defensive Growth option is uniquely structured to adjust its exposure to a range of growth and defensive assets, based on the performance and confidence of investment markets at any point in time.

#### Return objective

Outperform CPI + 2%p.a.

#### Investment timeframe

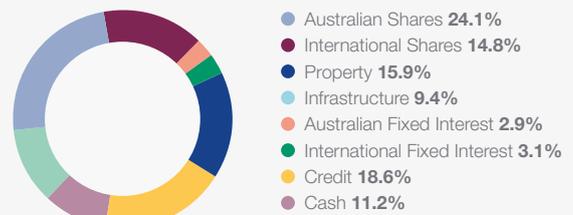
2 and 6 year periods.

#### Risk objective

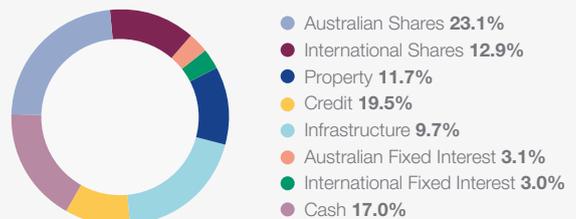
A medium to high level of risk generating 3 to less than 4 negative annual returns over any 20-year period.

#### Asset allocation

30 June 2016



30 June 2015



#### Performance

Year	Accumulation member returns	Telstra Super RetireAccess returns*
2015/2016	4.75%	5.27%
2014/2015	8.50%	8.78%
2013/2014	13.00%	14.35%
2012/2013	11.59%	13.33%
2011/2012	5.34%	4.45%

\* Telstra Super RetireAccess investment returns are different to Accumulation member returns because Telstra Super RetireAccess returns are not subject to tax.

Past performance is not a reliable indicator of future performance.



# Investment options

## Conservative option

### Investment strategy

The Conservative option has a bias towards defensive assets, in particular a high weighting towards cash to minimise short-term fluctuations (risk) but some exposure to growth assets for long-term growth (return).

### Return objective

Outperform CPI + 1.5%p.a.<sup>†</sup>

### Investment timeframe

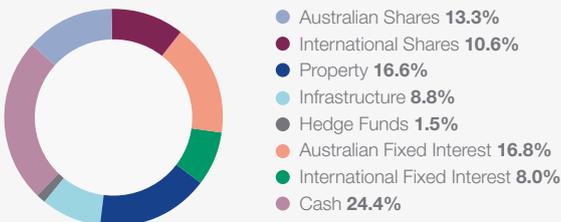
3 and 10 year periods.

### Risk objective

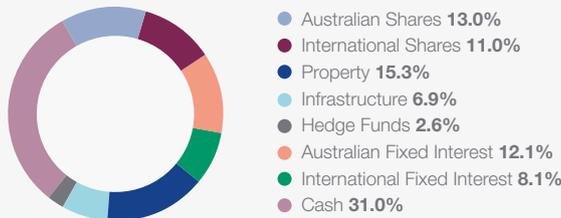
A medium level of risk generating 2 to less than 3 negative annual returns over any 20-year period.

### Asset allocation

30 June 2016



30 June 2015



### Performance

Year	Accumulation member returns	Telstra Super RetireAccess returns*
2015/2016	3.61%	3.84%
2014/2015	7.12%	7.71%
2013/2014	10.39%	11.50%
2012/2013	10.58%	12.36%
2011/2012	3.46%	3.96%

<sup>†</sup> The return objective was changed August 2015 and was previously CPI + 2%p.a.

\* Telstra Super RetireAccess investment returns are different to Accumulation member returns because Telstra Super RetireAccess returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

## International Shares option

### Investment strategy

The International Shares option has 100% exposure to International Shares, and is invested through several investment managers. It aims to achieve exposure to industries and companies that are not part of the Australian market.

### Return objective

Outperform CPI + 4%p.a.<sup>†</sup>

### Investment timeframe

8 – 10 years.

### Risk objective

A high level of risk generating 4 to less than 6 negative annual returns over any 20-year period.

### Asset allocation

30 June 2016



30 June 2015



### Performance

Year	Accumulation member returns	Telstra Super RetireAccess returns*
2015/2016	-4.12%	-4.40%
2014/2015	16.65%	17.81%
2013/2014	19.93%	21.96%
2012/2013	25.23%	30.54%
2011/2012	-5.29%	-5.98%

<sup>†</sup> The return objective was changed August 2015 and was previously CPI + 5%p.a.

\* Telstra Super RetireAccess investment returns are different to Accumulation member returns because Telstra Super RetireAccess returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

## Australian Shares option

### Investment strategy

100% of the option is invested in Australian companies. Diversification is achieved through exposure to a number of investment managers with different styles of investing.

### Return objective

Outperform CPI + 4%p.a.†

### Investment timeframe

8 – 10 years.

### Risk objective

A very high level of risk generating 6 or more negative annual returns over any 20-year period.

### Asset allocation

30 June 2016



30 June 2015



### Performance

Year	Accumulation member returns	Telstra Super RetireAccess returns*
2015/2016	0.13%	0.14%
2014/2015	5.43%	5.24%
2013/2014	18.87%	20.33%
2012/2013	20.09%	23.58%
2011/2012	-4.22%	-5.13%

† The return objective was changed August 2015 and was previously CPI + 5%p.a.

\* Telstra Super RetireAccess investment returns are different to Accumulation member returns because Telstra Super RetireAccess returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

## Property option

### Investment strategy

The Property option invests exclusively in property-based assets, including both listed property and direct property. For diversification reasons, this may include investment in international property and mortgages or loans secured by property assets.

### Return objective

Outperform CPI + 3%p.a.

### Investment timeframe

5 – 7 years.

### Risk objective

A medium to high level of risk generating 3 to less than 4 negative annual returns over any 20-year period.

### Asset allocation

30 June 2016



30 June 2015



### Performance

Year	Accumulation member returns	Telstra Super RetireAccess returns*
2015/2016	13.34%	13.82%
2014/2015	10.78%	12.99%
2013/2014	12.95%	14.76%
2012/2013	8.89%	10.84%
2011/2012	5.26%	6.41%

\* Telstra Super RetireAccess investment returns are different to Accumulation member returns because Telstra Super RetireAccess returns are not subject to tax.

Past performance is not a reliable indicator of future performance.



# Investment options

## Fixed Interest option

### Investment strategy

The Fixed Interest option invests primarily in Australian and international fixed interest securities, including fixed, variable and floating interest rate securities issued by government bodies and companies, as well as asset and mortgage backed securities and mortgages or loans secured by property assets. It may also have exposure to cash, up to a maximum of 50%.

### Return objective

Outperform CPI†

### Investment timeframe

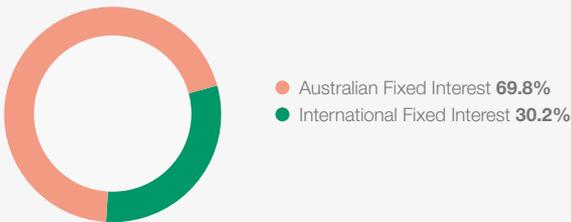
2 – 4 years.

### Risk objective

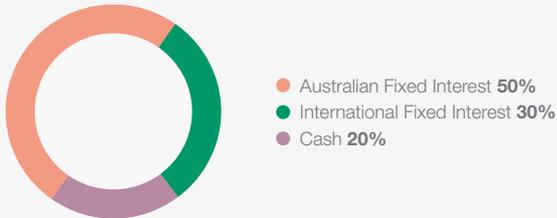
A low to medium level of risk generating 1 to less than 2 negative annual returns over any 20-year period.

### Asset allocation

30 June 2016



30 June 2015



### Performance

Year	Accumulation member returns	Telstra Super RetireAccess returns*
2015/2016	4.67%	5.13%
2014/2015	3.90%	4.52%
2013/2014	5.77%	6.65%
2012/2013	4.41%	5.10%
2011/2012	7.67%	8.98%

† The return objective was changed August 2015 and was previously CPI + 2%p.a.

\* Telstra Super RetireAccess investment returns are different to Accumulation member returns because Telstra Super RetireAccess returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

## Cash option

### Investment strategy

100% invested in cash and short-term money market securities.

### Return objective

Outperform CPI†

### Investment timeframe

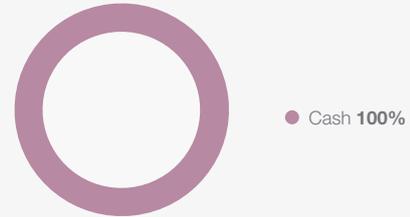
0 – 2 years.

### Risk objective

A very low level of risk generating less than 0.5 negative annual returns over any 20-year period.

### Asset allocation

30 June 2016



30 June 2015



### Performance

Year	Accumulation member returns	Telstra Super RetireAccess returns*
2015/2016	2.10%	2.40%
2014/2015	2.47%	2.79%
2013/2014	2.61%	3.01%
2012/2013	3.18%	3.70%
2011/2012	4.14%	4.84%

† The return objective was changed August 2015 and was previously CPI + 1%p.a.

\* Telstra Super RetireAccess investment returns are different to Accumulation member returns because Telstra Super RetireAccess returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

## Direct Access option

### Investment strategy

Allows members to invest a proportion of their super in their choice of:

- Australian shares that form part of the S&P/ASX 300 Index
- other listed securities such as Exchange Traded Funds (ETFs), approved by the Trustee
- a range of approved term deposits.

### Return objective

The return objective will depend on the mix of investments selected by individual members.

### Investment timeframe

The minimum suggested timeframe will depend on the investments selected by individual members. The minimum suggested timeframes that generally apply to the investments in the Direct Access option are:

- term deposits: 2 years or less
- listed securities such as ETFs and Australian shares that form part of the S&P/ASX 300 Index: 8-10 years.

### Risk objective

The risk level will depend on the mix of investments selected by individual members. The risk levels that generally apply to the investments in the Direct Access option are:

- term deposits: very low risk
- listed securities such as ETFs, and Australian Shares that form part of the S&P/ASX 300 Index: very high risk.

The likelihood of a negative return will vary depending on each member's allocation to shares and term deposits and other listed securities, and the performance of the investments selected by individual members.

### Investment performance

Investment returns depend on the investments (Australian shares, ETFs and term deposits) selected and are shown at an individual member level in member statements.

Direct Access is made available via an investment platform and facilitates investment in Australian shares, ETFs and term deposits. When you first register for Direct Access, you must transfer money from your Telstra Super account balance to the platform (note that a sell spread may apply to this transaction). A 'Cash Transaction Account' is designed to hold your money for short periods of time, until you transact. It will also be the account into which any net earnings from shares, ETFs or term deposits are credited, so you can either invest them in Direct Access, or transfer them into one of our diversified or single asset class investment options.

Funds held within your Cash Transaction Account are deposited with ANZ and attract interest at a rate of 0.80% above the ANZ Official Cash Rate.

### Asset allocation

The mix of growth and defensive assets will depend on the mix of investments selected by individual members. The growth/defensive characteristics that generally apply to the investments in the Direct Access option are:

- term deposits: defensive assets
- Australian shares that form part of the S&P/ASX 300 Index; ETFs and other listed securities approved by us: growth assets.

## Telstra Super MySuper

MySuper is a default superannuation product introduced as part of the Government's Stronger Super Reforms. Telstra Super's MySuper arrangement is offered with a lifecycle investment strategy within *Telstra Super Corporate Plus* and *Telstra Super Personal Plus*. You can find out more at [www.telstrasuper.com.au/mysuper](http://www.telstrasuper.com.au/mysuper)

## MySuper Growth option

### Investment strategy

The MySuper Growth option has a strong bias towards growth assets, such as Australian and international shares, and property, with a smaller allocation towards defensive assets such as fixed interest and cash.

### Return objective

Outperform CPI + 3.5%p.a.<sup>†</sup>

### Investment timeframe

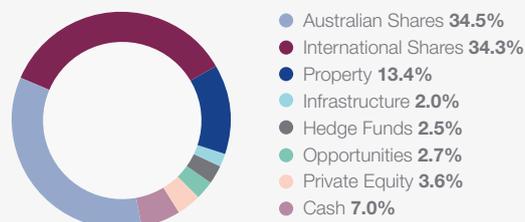
7 and 10 year periods.

### Risk objective

A high level of risk generating 4 to less than 6 negative annual returns over any 20-year period.

### Asset allocation

30 June 2016



30 June 2015



### Performance

Year	Accumulation member returns
2015/2016	0.30%
2014/2015	11.14%
2013/2014	17.99%
2012/2013	19.62%
2011/2012	-2.23%

<sup>†</sup> The return objective was changed in August 2015 and was previously CPI + 4%p.a. Past performance is not a reliable indicator of future performance.



# Investment options

## MySuper Balanced option

### Investment strategy

The MySuper Balanced option has a moderate bias towards growth assets, such as Australian and International Shares, Property, balanced by an allocation towards defensive assets such as Fixed Interest and Cash.

### Return objective

Outperform CPI + 3%p.a.

### Investment timeframe

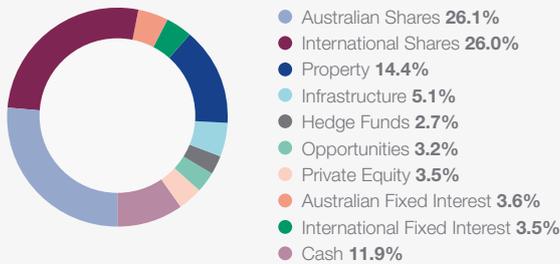
5 and 10 year periods.

### Risk objective

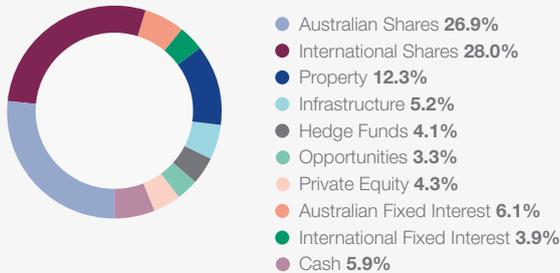
A high level of risk generating 4 to less than 6 negative annual returns over any 20-year period.

### Asset allocation

30 June 2016



30 June 2015



### Performance

Year	Accumulation member returns
2015/2016	1.31%
2014/2015	9.98%
2013/2014	15.81%
2012/2013	16.91%
2011/2012	0.00%

Past performance is not a reliable indicator of future performance.

## MySuper Conservative option

### Investment strategy

The MySuper Conservative option has a bias towards defensive assets, in particular a high weighting towards cash to minimise short-term fluctuations (risk) but some exposure to growth assets for long-term growth (return).

### Return objective

Outperform CPI + 1.5%p.a.<sup>†</sup>

### Investment timeframe

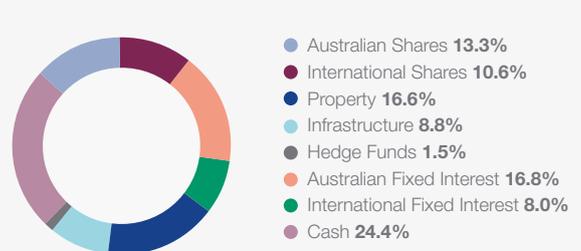
3 and 10 year periods.

### Risk objective

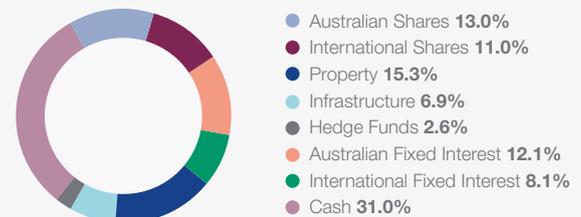
A medium level of risk generating 2 to less than 3 negative annual returns over any 20-year period.

### Asset allocation

30 June 2016



30 June 2015



### Performance

Year	Accumulation member returns
2015/2016	3.61%
2014/2015	7.12%
2013/2014	10.39%
2012/2013	10.58%
2011/2012	3.46%

<sup>†</sup> The return objective was changed August 2015 and was previously CPI + 2%p.a.  
Past performance is not a reliable indicator of future performance.



## Defined Benefit members

If you are a member of *Telstra Super Division 2*, *Telstra Super Division 5* or *Sensis Super Plus Defined Benefit*, all or most of your super is a Defined Benefit. Unlike an accumulation account, a Defined Benefit does not rely on investment returns to grow. Instead, your super is calculated using a formula that is generally based on your salary, your length of service with your employer and the rates at which you have been contributing to your super.

This means that investment returns do not impact the amount of super you get in retirement from your Defined Benefit. However, Telstra Super invests both employer and member Defined Benefit contributions in accordance with the Defined Benefit investment objectives and strategies.

### Our Defined Benefit investment objectives

- to earn the best possible returns within an appropriate level of risk
- to maintain Telstra Super's financial viability within the current benefit design and employer contribution rate.

### Our Defined Benefit investment strategy

- to control the level of risk by investing in a broad range of quality investments
- to reduce risk by using a range of Australian and international investment managers who specialise in cash, fixed interest, shares, alternative asset classes and property
- to ensure there are sufficient funds to meet the required payment of benefits.

### Defined Benefit net earning rate

The Defined Benefit net earning rate was 2.08% on our investment portfolio for 2015/2016.\*

\* Investment management fees and tax are deducted from the gross earnings before setting the net earning rate. Past performance is not a reliable indicator of future performance.

## Governance

Telstra Super takes governance, disclosure and transparency seriously. We have strict governance policies and are required by law to disclose information and documents relating to the Telstra Superannuation Scheme, and Telstra Super Pty Ltd as Trustee for the Scheme, along with the remuneration details of its Directors and Executive Team.

Below is a description of the information you can find on our Governance page on [telstrasuper.com.au/governance](http://telstrasuper.com.au/governance).

- Trust Deed
- Special Determinations
- The Constitution
- About the Directors and Executive Team
- Defined Benefit actuarial reports
- Disclosure documents
- Significant Event Notices (SENs) and Material Change Notices
- Information about our range of specialist service providers
- Conflicts Management Framework
- Proxy voting policy



Telstra Super invests with a range of external specialist investment portfolio managers. We also utilise internal investment managers for Property, Australian Fixed Interest Securities, Infrastructure, Cash, Currency Overlay, Asset Allocation Overlays and Private Equity.

**Our external investment managers are listed below.**

## Asset class specialisation

### Australian Equities

- Airlie Funds Management Pty Ltd
- Alliance Bernstein Investment Management Australia
- Antares Capital Management Limited
- BT Funds Investment Management (Institutional) Limited
- JCP Investment Partners Limited
- Legg Mason Asset Management Australia
- Perpetual Investment Management Limited
- Schroder Investment Management Australia Limited

### International Equities

- Artisan Partners Limited Partnership
- Copper Rock Capital Partners LLC
- Ironbridge Global Focus LLC
- Lazard Asset Management Australia Limited
- LSV Asset Management
- MFS Institutional Advisors (Australia) Limited
- MFS Institutional Advisors Inc
- Morgan Stanley Investment Management (Australia) Pty Ltd
- Nikko AM Limited
- Paradise Investment Management Pty Ltd
- Pzena Investment Management LLC
- Wingate Asset Management Pty Ltd
- Schroder Investment Management Australia Limited

### Private Equity

- Adam Street Partners LLC
- Advent Private Capital Pty Ltd
- Angeleno Group LLC
- Archer Capital Pty Ltd
- Arclight Capital Partners LLC
- Blackstone Management Associates LLC
- Catalyst Investment Managers Pty Ltd
- CHAMP III Management Pty Ltd
- CHAMP Ventures Pty Limited
- Doughty Hanson & Co Managers Limited
- EMP Europe (CI) Ltd
- GBS Venture Partners Limited
- Goldman Sachs Asset Management
- HarbourVest Partners LLC
- HayFin Management Limited
- Industry Funds Management Pty Ltd
- Ironbridge Capital Management Pty Ltd
- Knightsbridge Advisers LLC
- Macquarie Investment Management Australia Limited
- Mid Europa Funds Management Limited
- Montagu Private Equity LLP
- Northgate Capital Partners LLC
- Oaktree Capital Management LP
- Quadrant Private Equity Pty Ltd
- ROC Partners Pty Ltd
- Siguler Guff & Company LP
- Stafford Private Equity Pty Limited
- Sun Capital Partners Inc.
- Technology Venture Partners Pty Ltd
- Wilshire Australia Pty Ltd

### Hedge Funds

- Carlson Capital LP
- Davidson Kempner International Advisors, LLC
- MKP Capital Management, LLC
- Pine River Capital Management LP
- Winton Capital Management Limited

### Property

- AMP Capital Investors Limited
- APN Funds Management Limited
- BlackRock Investment Management (Australia) Limited
- Brookfield Investment Management Inc.
- Charter Hall Group
- Federation Centres Limited
- Fiduciary Trust International Australia Limited
- Invesco Ltd
- Lend Lease Real Estate Investments Limited
- Valad Property Group Pty Limited
- Warakirri Asset Management Pty Ltd

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### Infrastructure

- Global Infrastructure Partners
- Hastings Funds Management Limited
- JP Morgan Investment Management Inc.
- RARE Infrastructure Limited
- Whitehelm Capital Pty Ltd

### International Fixed Interest

- Brandywine Global Investment Management LLC
- Franklin Templeton Investments Australia Limited
- Pimco Australia Pty Limited

### Global Investment Grade Credit

- Omega Global Investors Pty Ltd
- Pimco Australia Pty Limited

### Opportunities

- Apollo Global Management LLC
- Babson Capital Management LLC

### Currency Overlay

- Insight Investment Management Pty Ltd

### Australian Fixed Interest Securities

- Kapstream Capital Pty Ltd
- ME Portfolio Management Limited
- Western Asset Management Company Pty Ltd

### Cash

- BT Funds Investment Management (Institutional) Limited
- Kapstream Capital Pty Ltd

As at 30 June 2016, investments under the Telstra Super Domestic Cash Mandate exceeded 5% of the total Fund assets.



# Budget changes to super

**The re-elected Coalition Government plans to make substantial reforms to the superannuation system, as supporting Australia's ageing population is putting increased pressure on the Federal Budget. The Government has said the proposed changes aim to improve the sustainability of the superannuation system by targeting super tax concessions.**

The proposals were outlined in the May 2016 Budget and have not yet passed into law. They may still be subject to change as the Government drafts the legislation and negotiates details of the reforms with the independent Senators, Labor and the Greens.\*

Broadly speaking, the changes fall into three categories: new limits on the amount of superannuation that members can contribute to their super funds both in a single year and over a lifetime; changes in various taxation thresholds; and new arrangements for Transition to Retirement strategies.

While the changes are complex, Telstra Super is working closely with the broader superannuation industry to ensure we will be ready to implement any changes smoothly.

Most of the changes are due to come into effect on 1 July 2017. We will keep our members up to date as more information becomes available.

The proposals include:

## Superannuation

- **Post-tax contributions.** An annual post-tax contribution cap will continue, however the cap will reduce from the existing amount of \$180,000 per year to \$100,000 per year from 1 July 2017. Individuals under age 65 will continue to be able to bring forward three years' worth of post-tax contributions (\$300,000 over three years for those under age 65).
- **Pre-tax contributions.** The annual cap on pre-tax (concessional) contributions such as salary sacrifice and the Superannuation Guarantee from an employer will be reduced to \$25,000. However, from 1 July 2018 most people will be able to carry over unused amounts for five years as long as their super balance is below \$500,000.
- **Support for low-income earners.** People who earn less than \$37,000 will receive up to \$500 to offset the tax paid on their super contributions. This will replace an existing scheme.
- **Spouse contributions.** The existing low-income spouse tax offset threshold will be increased to \$37,000 (currently \$10,800).
- **High income earners.** The 30% tax rate on pre-tax (concessional contributions) will be extended to those earning more than \$250,000 (currently \$300,000).

## In retirement

- **Transition to retirement.** The earnings on Transition to Retirement income streams will no longer be tax-free.
- **New \$1.6 million lifetime cap.** The total amount of superannuation that can be held in the tax-free retirement phase is capped at \$1.6 million. It is proposed that this will apply to both current and future retirees.





# Abridged financial statements

for the year ended 30 June 2016

## Change in net assets available to pay members' benefits

as at 30 June 2016

	2016 \$'000	2015 \$'000
Net assets available at the beginning of the year	17,150,107	15,552,041
<b>Plus contributions</b>		
Employer contributions	577,571	546,286
Member contributions	175,783	209,814
Amounts rolled in from other super funds	292,636	323,577
<b>Total contributions</b>	<b>1,045,990</b>	<b>1,079,677</b>
<b>Revenues</b>		
Investment earnings	345,055	1,482,659
Other income	38,556	32,921
<b>Total revenues</b>	<b>383,611</b>	<b>1,515,580</b>
<b>Total inflows</b>	<b>1,429,601</b>	<b>2,595,257</b>
<b>Less:</b>		
Benefits paid	831,396	726,788
Investment expenses	79,531	62,432
Administration costs	47,154	43,826
Group Life Insurance premiums	34,631	45,066
Income tax expense	18,090	119,079
<b>Total outflows</b>	<b>1,010,802</b>	<b>997,191</b>
<b>Net movement for year</b>	<b>418,799</b>	<b>1,598,066</b>
<b>Net assets available at the end of the year</b>	<b>17,568,906</b>	<b>17,150,107</b>
Less reserves	87,413	67,604
<b>Net assets available to pay members' benefits</b>	<b>17,481,493</b>	<b>17,082,503</b>

A full copy of the audited financial statements including the audit report can be downloaded at [telstrasuper.com.au/governance](http://telstrasuper.com.au/governance) under Disclosure Documents.

## Statement of net assets

as at 30 June 2016

	2016 \$'000	2015 \$'000
<b>Investments</b>		
Short Term Money Market	1,494,401	1,711,093
Australian Fixed Interest Securities	3,304,021	2,750,215
International Fixed Interest Securities	851,433	752,870
Australian Shares	4,337,909	4,464,002
International Shares	3,791,111	3,896,409
Hedge Funds	699,651	909,078
Private Equity	538,236	602,619
Property	2,182,528	1,673,935
Infrastructure	638,604	593,326
<b>Total Investments</b>	<b>17,837,894</b>	<b>17,353,547</b>
<b>Other assets</b>		
Cash and receivables	132,001	224,115
Operating Plant and Equipment	1,800	1,572
<b>Total other assets</b>	<b>133,801</b>	<b>225,687</b>
<b>Total assets</b>	<b>17,971,695</b>	<b>17,579,234</b>
<b>Less liabilities</b>		
Benefits payable	50	521
Tax liabilities	232,557	263,233
Other liabilities	170,182	165,373
<b>Total liabilities</b>	<b>402,789</b>	<b>429,127</b>
<b>Net assets</b>	<b>17,568,906</b>	<b>17,150,107</b>
Less reserves	87,413	67,604
<b>Net assets available to pay members' benefits</b>	<b>17,481,493</b>	<b>17,082,503</b>



# Important Information

## Telstra Super Trust Deed changes

The Telstra Super Trust Deed sets out the rules by which Telstra Super is managed. There were no amendments made to the Trust Deed during the 2015/2016 financial year.

You can obtain a copy of the Telstra Super Trust Deed online at [telstrasuper.com.au/governance](http://telstrasuper.com.au/governance)

## Surcharge

The Government abolished the superannuation surcharge from 1 July 2005. However, surcharge assessments may still be issued for 2004/2005 and previous financial years.

If you have an Accumulation account and we received a surcharge assessment for you, the amount of your surcharge assessment was deducted from your accumulation account.

If you are a Defined Benefit member, any surcharge applicable to your Defined Benefit was recorded in your Surcharge Account. You may have chosen to pay an amount equal to the amount of the surcharge, which Telstra Super Pty Ltd then applied against your Surcharge Account. If you did not pay the amount in your Surcharge Account by the date nominated on your assessment, interest will be charged to this account. The balance of this account will be deducted from your final benefit when you cease to be a Defined Benefit member. The surcharge interest rate\* for 2015/2016 was 3%, reducing to 2% for 2016/2017.

\* This rate is based on the Commonwealth Government 10-year bond yield as at the previous 30 June, rounded to the nearest 0.25%.

## Telstra Super's advisers

We use external professional advisers to ensure that Telstra Super continues to operate correctly and efficiently. Telstra Super's key advisers for the year to 30 June 2016 are listed below.

<b>Actuarial advisers</b>	Russell Investments Group
<b>Asset consultant</b>	JANA Investment Advisers Pty Ltd
<b>External auditors</b>	Ernst & Young
<b>Internal auditors</b>	KPMG
<b>Principal legal advisers</b>	Lander & Rogers
<b>Master custodian</b>	JPMorgan Chase Bank, N.A., Sydney branch

\* The custodian changed from NAB Asset Servicing to JPMorgan Chase Bank, N.A., Sydney branch on 1 April 2016.

## Reserves

The Trustee maintains a number of reserves: an Insurance Reserve, an Administration Reserve, a Licensing Reserve and an Operational Risk Financial Reserve (ORFR).

All reserves are managed in accordance with Telstra Super Pty Ltd's Reserves Policy. The ORFR is invested in a term deposit. The Insurance Reserve forms part of the Defined Benefit investment strategy of the Fund. The Licensing Reserve and Administration Reserve are held in cash deposits. The total value of all reserves in the Fund in each of the last three years was as follows:

- 30 June 2016: \$87,413,000
- 30 June 2015: \$67,604,000
- 30 June 2014: \$69,367,000

For further information about the reserves in the years ending 30 June 2016, 2015 and 2014, refer to the Financial Statements found at [telstrasuper.com.au/financialstatements](http://telstrasuper.com.au/financialstatements).

## Derivatives

A derivative is a financial contract, the value of which depends on or is derived from assets, liabilities or indices (the underlying asset). Derivative transactions include a wide assortment of instruments such as forwards, futures, options, share ratios, warrants, swaps and other composites. The use of derivatives in external and internal investment mandates is authorised under Telstra Super's Trust Deed. Use of derivatives for gearing or speculative purposes is prohibited. The responsible and properly managed use of derivatives assists Telstra Super Pty Ltd to achieve its investment objectives for the Fund. Derivatives are used principally to:

- reduce volatility
- reduce transaction costs, and
- change asset allocation in a timely and cost-effective manner.

Telstra Super Pty Ltd monitors the use of derivatives by:

- internal controls
- internal audit
- external auditors, and
- an external custodian.

## Indemnity and fidelity insurance

Telstra Super Pty Ltd has taken out indemnity and fidelity insurance to cover Telstra Super against the financial effects of any wrongful acts that may be made by Telstra Super Pty Ltd's Directors, Executive Managers and employees while administering Telstra Super.

## Temporary residents

A temporary resident is defined as someone who entered Australia on an eligible temporary resident visa (e.g. a subclass 457 visa) and who is not:

- an Australian or New Zealand citizen
- a permanent resident of Australia, or
- the holder of a Subclass 405 visa or a Subclass 410 visa.

For temporary residents, conditions of release to access your super changed on 1 April 2009. In summary, superannuation lump sums can now be paid to temporary residents whose visas have expired and who have permanently departed Australia. Tax will be withheld from the payment before it is made.

- If you have not claimed your benefit within six months of departing Australia, it becomes 'unclaimed money' and Telstra Super Pty Ltd must pay it to the Australian Taxation Office (ATO).
- If your benefit is transferred to the ATO, you can apply to the ATO for your benefit.

Under the relief provided by ASIC Class Order 09/437, no exit statement will be provided to you at the time of, or after, the transfer of your benefit. Please contact us on **1300 033 166** if you would like further information.

## Disclaimers

The intent of this report is to provide useful information, not investment or financial advice, and the information should not be construed as investment or financial advice. Each member is ultimately responsible for making his or her own investment decisions and obtaining whatever assistance he or she deems necessary.

The information in this report is of a general nature only, and should not be construed as investment or financial advice. It is not intended to be, and is not, a complete or definitive statement of all matters outlined in it. Telstra Super Pty Ltd does not recommend that any member make decisions concerning superannuation arrangements based solely on this report.

Formal legal documents, called the governing rules, and relevant legislation ultimately govern the operation of the Telstra Superannuation Scheme (Telstra Super). The central document is the Telstra Super Trust Deed. Should there be any discrepancies between the information in this report and the governing rules, the governing rules will prevail.

Telstra Super Pty Ltd, ABN 86 007 422 522, AFSL 236709, is the Trustee of the Telstra Superannuation Scheme (Telstra Super), ABN 85 502 108 833.

References to Telstra Super Financial Planning in this report are to Telstra Super Financial Planning Pty Ltd (ABN 74 097 777 725), AFSL 218705.

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## Contacting us

If you have any questions about anything you read in this Annual Report, your membership, or Telstra Super, please let us know.



**Call 1300 033 166**

**8.00am to 5.30pm** (Melbourne time),

**Monday to Friday.**



**Visit [telstrasuper.com.au](https://telstrasuper.com.au)**

Send us an enquiry or use *SuperOnline* to access or update your super details.



**Fax 03 9653 6060**

This fax line is dedicated to member enquiries.



**Write**

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