

# TelstraSuper Annual Outcomes Assessment for Members

March 2022



# Outcomes for members

TelstraSuper aims to excel at supporting members to grow and protect their super and optimise their income streams.

We have recently thoroughly assessed how successfully we've delivered on these aims for the financial year to 30 June 2021.

The overall Fund performance was assessed, together with the performance of individual products and services and their suitability to our membership. This was both in respect of the product objectives and in reference to the broader industry performance.

The many elements which go into providing a comprehensive sustainable superannuation fund were all considered including:

- scale and sustainability
- investment performance with a key focus on consistently delivering to the performance objectives
- financial performance, with a focus on net returns to members inclusive of fees and costs
- default insurance provided
- services, options and benefits to support members to achieve the best outcomes from their retirement savings.

This report highlights our findings and how TelstraSuper's Trustee determined the results.

When results are compared to those of other funds, this was done at a product level based on the similarity of products and offering and the membership they service. Comparisons in performance, particularly in relation to growth, was made with other funds which report to a 30 June year end.

TelstraSuper's members are highly satisfied with the Fund, with a ranking of 9 or 10 out of 10 by 63% of respondents to the 2021 Annual member survey.

# 01

## Scale and sustainability

TelstraSuper is a profit-to-members fund, the 15<sup>th</sup> largest in Australia in terms of the number of member accounts, and the 24<sup>th</sup> largest fund overall.

For more than 31 years our sole objective has been to help our members achieve a financially secure future. Our strategy is to provide high quality products and services at a fair cost; a strategy we are achieving.

Funds under management grew strongly to \$24.4 billion in the year to 30 June 2021, making TelstraSuper one of the largest super funds in the industry. Growth was driven predominantly by investment performance and this is expected to continue. This will enable the Fund to retain sufficient scale in assets to remain a competitive and sustainable fund.

TelstraSuper is well positioned to continue providing these outcomes for members as they are accumulating super and in the retirement phase.

The scale and sustainability of TelstraSuper provides reassurance for members that their retirement savings are professionally managed by a highly trusted fund and will continue to be into the future. Our scale enables us to design products specific to the characteristics of our members.

Different scenarios to assess the Fund's sustainability were tested and it was determined that TelstraSuper is in a good position to continue to provide benefits to members. The Fund can withstand

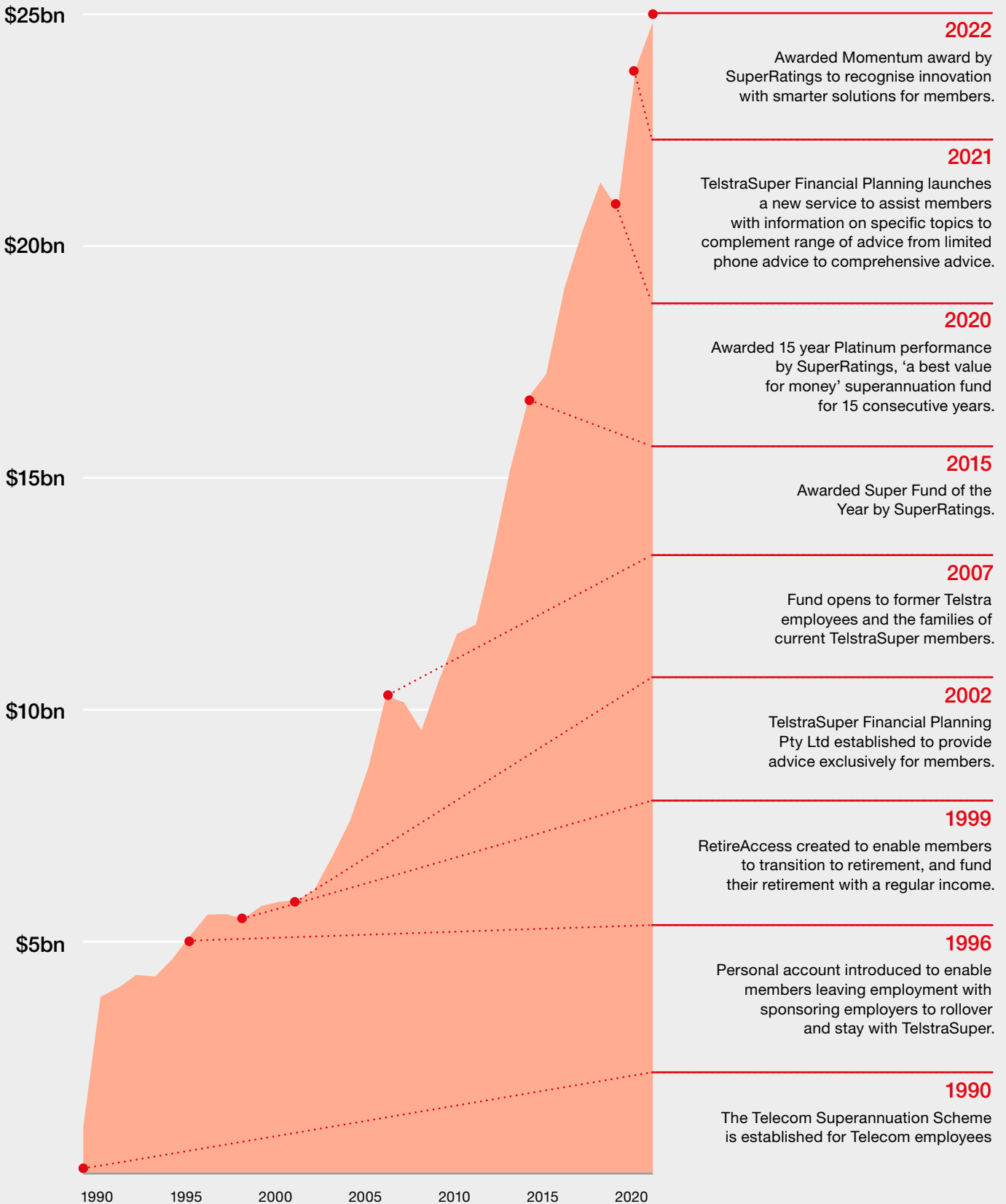
the risk of a short-term market shock event, or changes in member growth, without serious detrimental impact on operational risk reserves or our ability to continue to provide benefits to members.

TelstraSuper's members are, on average, older than many other super funds with the average age increasing from 41.73 to 50.08 over the past 10 years. This demonstrates that many members have chosen to stay with the Fund as they have moved into retirement and have transferred their funds into TelstraSuper RetireAccess. TelstraSuper has also seen a shift in membership away from corporate members to personal members with more than three-quarters of members not having a direct current link to a Telstra Group employer. These members have chosen to stay with the Fund after they have left employment with the Telstra Group or have joined as a family member or friend.

Member growth rates have declined across the industry due to consolidation across super funds and while TelstraSuper's growth was negative, it was better than the median and improved compared to the previous two years. Strong member satisfaction and advocacy, demonstrated in member research, is supported by the large proportion of members staying with TelstraSuper.

# TelstraSuper is in a good position to continue to provide benefits to members.

## Funds Under Management growth





# 02

## Products, fees and costs

**TelstraSuper provides products, services and benefits that are highly regarded by members and highly rated by rating agencies.**

Overall, the investment performance and net returns for the year were good, and compared competitively to the industry for most products.

The fees also compared competitively across the industry with fees below the median in some areas and on, or slightly above, in others. TelstraSuper is in the second quartile in terms of costs, while operating expenses per member have decreased from the previous year. Costs are above the industry median but not in the top quartile.

During the year the percentage-based administration fee was reduced by 10% to help members maximise their super savings. The annual cap on the administration fee was also reduced to \$1,878 (down from \$2,735) per year. This means that as balances grow, administration fees won't, once members reach this new account balance fee cap.

### MySuper product outcomes

MySuper accumulation products are offered for both employer sponsored members and personal members. Three age-based investment options are offered – Growth, Balanced and Conservative. These are designed so that members progress from a higher risk investment option – Growth, through to Balanced and on to a lower risk investment option – Conservative – as they age. Performance of these options was compared to all other MySuper products based on member age over one, three and five year time periods.

All options performed in line with their stated objectives. When compared to other MySuper products that apply at each age range, the investment performance of the MySuper Growth option is top quartile across all time periods, with My Super Balanced in the second and third quartiles.

Performance of the MySuper Conservative option was in the bottom quartile, as it is a medium to low risk option and is being compared to peer funds with an average to medium to high risk profile. However, it's important to note that it is a conservative product default for older members, aged 65 and over, providing reduced volatility and lower risk. The result is that TelstraSuper's Conservative option doesn't rank as highly when compared to all other MySuper products that include high risk growth options, but it provides a lower risk option for members as they approach or commence retirement.

Performance compared to the risk profile for the MySuper products is similar to that seen for the Choice products.

Each MySuper investment option – Growth, Balanced and Conservative – was assessed using APRA's Heatmap threshold methodology and all were judged as within the acceptable range.

### Choice product outcomes

TelstraSuper offers five diversified Choice investment options and five single sector options that members can choose in any combination. There is also a Direct Access product to allow members to invest directly into Shares, Cash or Fixed Interest options via a platform.

Most of the Choice options delivered investment performance for the one, three, five, seven and 10 year periods to 30 June 2021 that was in the first or second quartile, when compared to similar funds, with the Conservative option in the first quartile for all time periods. The Choice options are compared on a risk level basis with other investment products with a similar risk level.

In the review of Choice options, performance of the International Shares option over three, five, seven and 10 year periods fell into the fourth quartile as did Property over one and 15 years and Fixed Interest over 10 and 15 years. For the International Shares option, the fourth quartile performance also translated into fourth quartile net returns. However, for the Property and Fixed Interest options, favourable fee positions resulted in these options still attaining net returns in the second and third quartiles.

### Retirement product outcomes

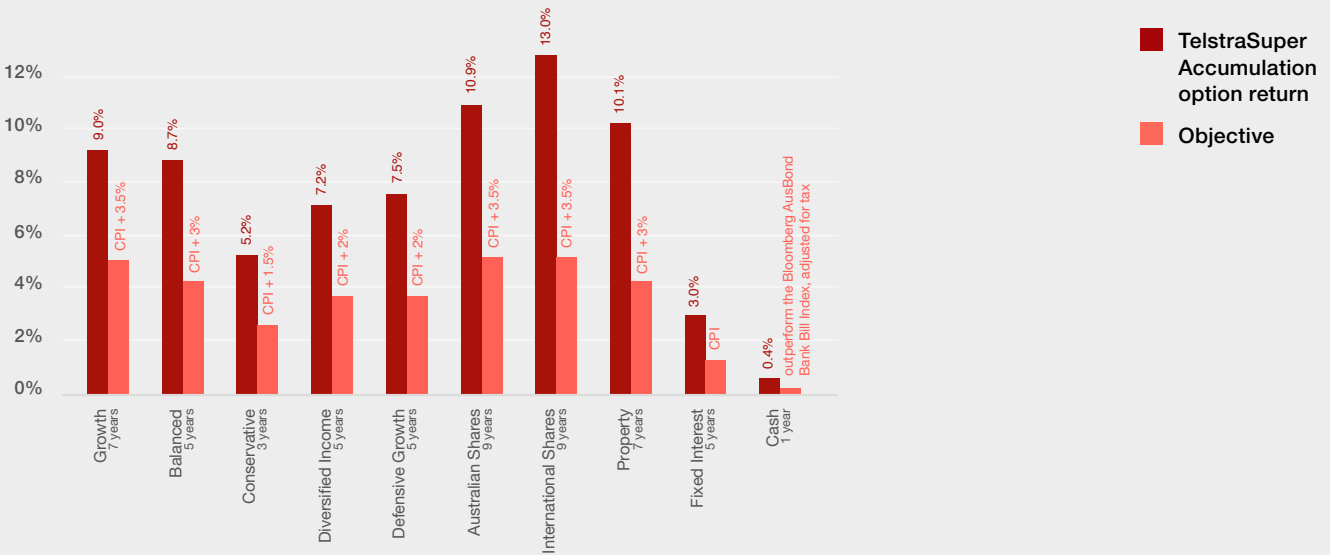
The RetireAccess product has delivered strong top quartile performance over 10 years for the Balanced, Conservative, Diversified Income, Defensive Growth and Property options. For those options which didn't perform as well, a favourable fee position resulted in no fourth quartile net return outcomes for any of the RetireAccess products. However, for one option with lower investment performance, a favourable fee position lifted the net outcome to bring it to a competitive position.

# 03

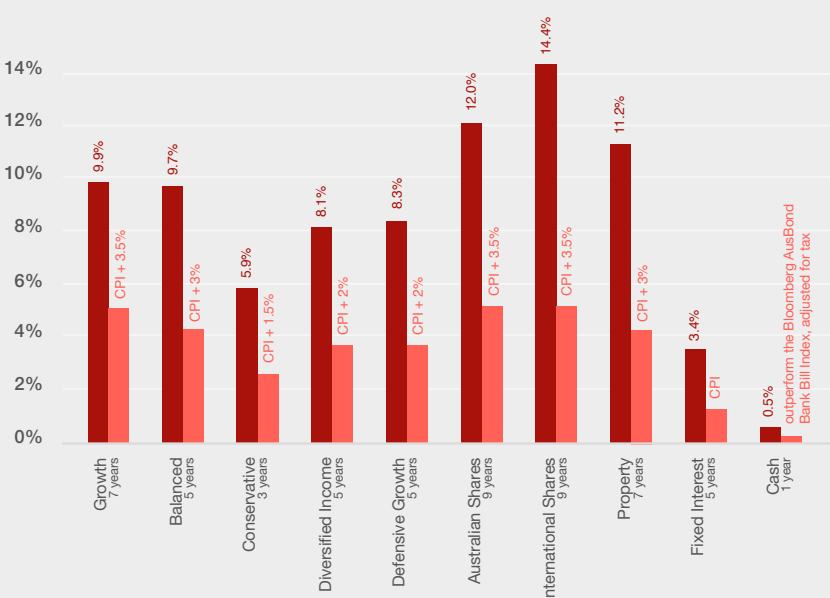
## Investment performance

All MySuper and Choice Accumulation investment options and all RetireAccess options performed above their stated objectives for the year for each product. This is an excellent result for our members and confirms that our investment performance has delivered on the objectives set.

### Accumulation options – Performance vs. Objectives



### Retirement income options – Performance vs. Objectives



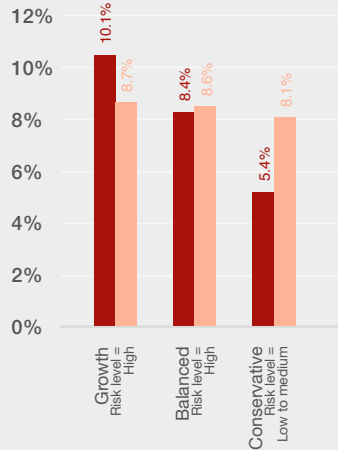
### 03 Investment performance

Performance relative to peer super funds has also generally been favourable (better than median) for most of our investment options over multiple time horizons.

Overall, TelstraSuper has generally delivered strong investment outcomes relative to our objectives and our peers over multiple time periods. The Trustee has determined that the investment strategy, including the level of investment risk and return targets across each option, is appropriate for members.

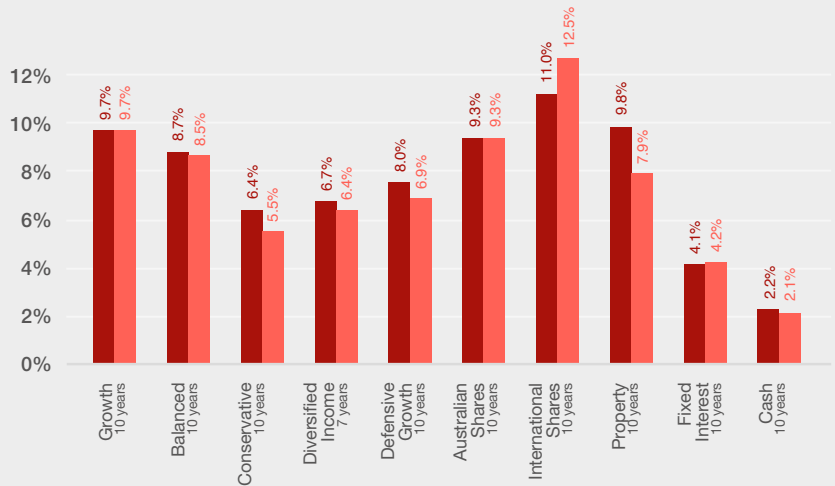
#### TelstraSuper MySuper – performance vs. MySuper median

5 year net returns. Compared to all funds based on age, including all risk levels.



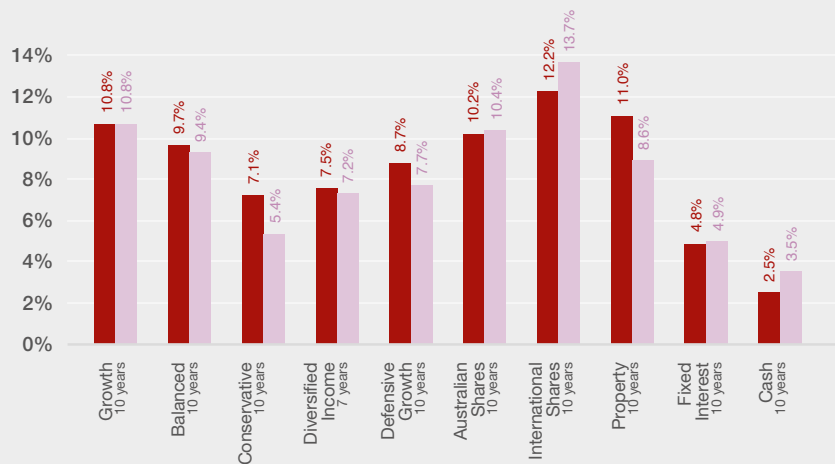
#### Choice product outcomes, 10 year net returns

(Except Diversified Income which is 7 years). Compared on risk profile basis.



#### Retirement income product outcomes, 10 year net returns

(Except Diversified income which is 7 years). Compared on risk profile basis.



- TelstraSuper
- Median of all funds that would apply at this age and includes funds across all risk levels.
- Median for all choice products with a similar risk profile.
- Median for all retirement income products with a similar risk profile.

Data source: Chant West Member Outcomes Dashboard.

# 04

## Defined Benefit outcomes

TelstraSuper's Defined Benefit division, which has been closed to new members since 1999, uses a set formula that references the member's salary, period of membership, contribution rate and any additional multiples of contributions as applies to each division. The calculation of each member's defined benefit is independent of the Fund's investment performance.

The Vested Benefit Index of 112.96% on 30 June 2021 confirms that all defined benefits are fully funded. The average benefit for defined benefit members is well above the industry average with generous insurance arrangements in place based on a formula taking their benefit through to retirement age in the case of death or permanent disability. These benefits are externally insured, except for claims arising in respect of the period prior to 2005.

The defined benefit arrangement is reviewed by the Fund's Actuary at least every three years with the employer contribution adjusted as required with the aim of ensuring that all benefits remain fully funded.

# 05

## Insurance

TelstraSuper aims to provide members with a sustainable, high quality and competitively priced insurance product. The objective is to protect members against the risk of not being able to accumulate sufficient retirement savings, for themselves or their dependents, due to having to cease work due to injury, illness or death.

The Fund provides Death, Total & Permanent Disability (TPD) and Income Protection (IP) insurance cover to TelstraSuper Corporate Plus, TelstraSuper Personal Plus and TelstraSuper RetireAccess (Death only cover) members, and to Defined Benefit (DB) members where applicable.

The Trustee has determined that the insurance coverage compares favourably with other providers across most metrics, that the insurance strategy is appropriate for members and that the fees for default insurance do not inappropriately erode the retirement incomes of members.

Ratings agency Chant West has rated TelstraSuper's insurance as being the Highest Quality with a '5 Apples' rating. A 15% rebate on insurance premiums was introduced during the year.

A three-year premium rate from 1 July 2020 to 30 June 2023 was recently negotiated with the Fund's insurer MLC Life Insurance. Insurance premium rates are not expected to change during this timeframe, except in limited circumstances as outlined in the applicable policy.

The default insurance cover has been set over time taking into consideration the Fund demographics, the affordability of insurance cover to not erode member accounts, the legislative requirement for members to make an active choice to opt into default paid insurance cover, claims experience, market competitiveness and price.

The range of insurance cover and features provided by TelstraSuper compares well to other MySuper products across the industry.

Cover is based on both age and salary and the default cover is above the industry comparison benchmark for the TelstraSuper Corporate Plus members up to age 54 with top quartile outcomes for premiums both as a percentage of salary and the peer comparison indices, and is marginally lower for older members.

For TelstraSuper Personal Plus members the level of default insurance cover is considerably lower than the industry benchmark for all ages but, accordingly, the premiums are all at the lower end for premium as a percentage of salary and peer comparison indices. These members have the option to top-up their insurance and, therefore, this lower level of default cover is considered appropriate.



# 06

## Options, benefits and facilities for members

TelstraSuper provides a broad range of high-quality services to support members in all aspects of their super and help them achieve the best retirement outcomes for their needs.

The services offered are appreciated by members, as demonstrated by the strong satisfaction and their willingness to promote the Fund. In May 2021 TelstraSuper was ranked fifth in the industry in an extensive Member Engagement study conducted by Investment Trends.

The Net Promoter Score (NPS) for TelstraSuper was +30, compared to an average of -1 across the survey.

This member satisfaction was also reinforced in the annual member satisfaction survey when 62% of members surveyed rated their likelihood to recommend TelstraSuper to family or friends at 9 or 10 out of 10. This increased to 75% for those members who had interacted with TelstraSuper Financial Planning in the past two years.

We strive to make it easy for members to engage with the Fund, which they do at a high rate. TelstraSuper's members are more active than members of other funds, at 89.3%, which puts the active member ratio at the top of the second quartile for the industry. Our members frequently transact with their accounts and take action to make sure their super is working for them. Active member accounts are those which have received contributions, rollovers or transfers or have made benefit payments over the past two years.

### Member services



#### Digital services: website, mobile app, online portal, tools, calculators

86% of members registered for SuperOnline, compared to an industry average of 52%, with an average of 150,000 logins each month and 8.7 out of 10 member satisfaction rating. Mobile app usage increased 20%. Website satisfaction rated 8.5 out of 10.



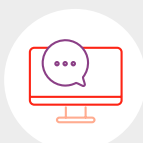
#### Contact centre

Internally hosted contact centre with a satisfaction rating of 8.2 out of 10. Outbound calls team proactively contacts members at key life stages with 9.1 out of 10 satisfaction.



#### Financial advice

Full advice service ranging from simple phone based to comprehensive advice.



#### Member education

Offered both online and in-person for member convenience and flexibility. High satisfaction of 8.2 out of 10 for education seminars.



#### Tailored communication and information

Regular emails and newsletter, tailored to members' lifestages, plus twice-yearly statements.

## 06 Options, benefits and facilities for members

Importantly, none of the services offered to members are outsourced. All services, including the member contact centre and administration, are provided by dedicated teams at TelstraSuper.

TelstraSuper is one of the few super funds which offers members a dedicated professional financial advice service through TelstraSuper Financial Planning. This includes limited and general advice with the cost covered by the Fund, a new 'Step It Up' service for members seeking further information on specific topics such as transitioning to retirement, reviewing investments and savings goals, through to a comprehensive service offered at competitive costs.

Members who've used the advice services have a very high level of satisfaction rating with 8.8 out of 10 for both phone based and comprehensive advice services.

Compared to the superannuation fund industry, TelstraSuper members are older than average with above average balances. To meet their needs we provide services to support these members during both the accumulation phase of their superannuation and the decumulation, or retirement, phase. The strongest growth has been in TelstraSuper RetireAccess, and the Fund has increased its focus on enhancing services for retired members.

While we continue to actively provide benefits and services to the valued employees of the Telstra Group, a growing membership group are former employees who have chosen to stay with the Fund, together with family members and friends, who are consistently joining the Fund each month.

# 07

## Determinations for the financial year ending 30 June 2021

Taking into account all aspects of the Member Outcomes Assessment, the metrics and outcomes reviewed indicate that, as at 30 June 2021, TelstraSuper is delivering on the intended outcomes for members. The long-term scale and sustainability of the Fund, directed by the current fund strategy, is expected to remain competitive.

### **At a Fund level, the Trustee has determined:**

- Because of the scale of the Trustee's business operations, members are not being disadvantaged
- Operating costs are not inappropriately affecting the financial interests of members
- The basis of setting fees is appropriate for members
- The options, benefits and facilities offered are appropriate for members
- The investment strategy, including the level of investment risk and return targets across each option, is appropriate for members
- The insurance strategy is appropriate for members.

### **MySuper product determination**

The Trustee has determined that the financial interests of TelstraSuper Corporate Plus and TelstraSuper Personal Plus MySuper members are being promoted by the Trustee.

### **Choice product determination**

The Trustee has determined that the financial interests of TelstraSuper Corporate Plus and TelstraSuper Personal Plus Choice members are being promoted by the Trustee.

### **Defined Benefit determination**

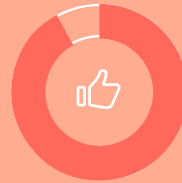
The Trustee has determined that the financial interests of Defined Benefit members are being promoted by the Trustee.

### **RetireAccess Allocated Pension determination**

The Trustee has determined that the financial interests of TelstraSuper RetireAccess members are being promoted by the Trustee.



91,288  
member accounts



9 out of 10  
satisfaction rating by 63%  
of members surveyed



ranked 5th highest by members  
in Net Promoter Score



more than 80% of current  
TelstraSuper members have chosen  
to stay with TelstraSuper (after leaving  
Telstra Group employment) or chosen to  
join as a member's family/friend

89%

of members are actively  
engaged with their super  
(by contributing, rolling  
over or transferring funds  
into their account)



range of financial planning options  
from simple, general advice at no  
additional cost to competitively  
priced comprehensive advice



\$24.4 billion  
funds under management

↑ 15% growth on  
previous year



8 out of 10  
average satisfaction  
score with contact centre