

TelstraSuper Annual Outcomes Assessment for Members

March 2021



TelstraSuper's outcomes for members

At TelstraSuper we've recently undertaken a thorough assessment of the outcomes delivered to members for the financial year to 30 June 2020.

TelstraSuper aims to provide our members with competitive products delivering consistent performance to help members create, grow and protect their financial wellbeing throughout their lifetime. We regularly review and assess our strategy and progress to ensure we're on track to meet these aims and the commitments to our members.

Many elements which go into providing a comprehensive sustainable superannuation service were considered, including:

- the scale and sustainability of the Fund
- investment performance with a key focus on consistently delivering to the performance objectives

- financial performance with a focus on net returns inclusive of fees
- the provision of a broad range of high quality services, options and benefits that support members in getting the best outcomes from their retirement savings
- our aim for the Fund's investment products to remain competitive compared to similar risk profile products.

These are the highlights of our findings and how the Trustee determined the results.

Independent ratings

Independent ratings agencies – SuperRatings and Chant West – regularly rate TelstraSuper highly on the products, services, options, benefits, and facilities provided to members.

SuperRatings has assigned its highest rating of Platinum for both the MySuper and Choice super and pension products.

This is recognition of 'best value for money' as a fund that is 'well balanced across all key assessment criteria including investments, fees and charges, insurance, member servicing and administration in a robust secure and proven governance/risk framework.' TelstraSuper has held a Platinum rating with SuperRatings consistently for 15 years.

Chant West also assigns its highest gold rating of '5 Apples' to both TelstraSuper's accumulation and pension products. This rating is based on extensive criteria and relates to what is regarded as industry best practice. To earn this a fund must be judged one of the 'Highest Quality Funds'.



01

Scale and sustainability

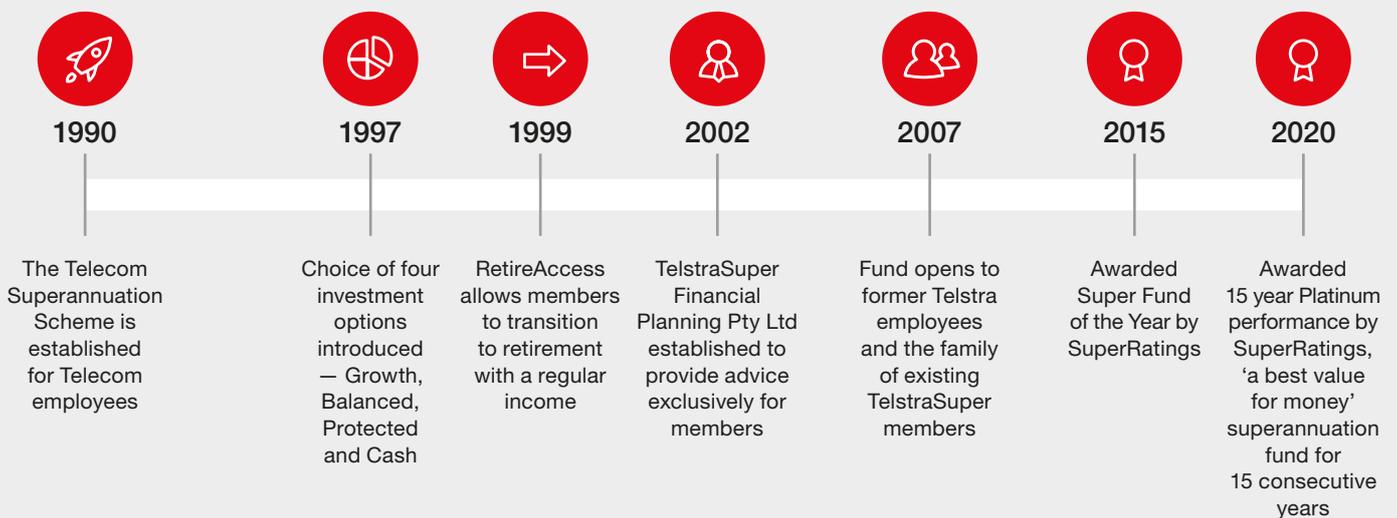
As a profit-to-member fund, our sole objective is to help our members achieve a financially secure future, an objective we've been achieving for more than 30 years. TelstraSuper is one of the largest super funds in the industry with \$20.7 billion in funds under management, as at 30 June 2020, and is well positioned to continue to provide well supported and competitive member outcomes for superannuation accumulation and retirement products.

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

We've tested different scenarios to assess the Fund's sustainability and have determined that TelstraSuper is in a good position to continue to provide benefits to members. We can withstand the risk of low investment performance, or changes in member growth, without having any impact on maintaining operational risk reserves or our ability to continue to provide benefits to members.

TelstraSuper's strategy is to provide high quality products and services at a fair cost; a strategy that we have determined we are achieving.

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



02

Products, fees and costs

TelstraSuper offers:

- employer sponsored accumulation superannuation
- employer sponsored defined benefit superannuation
- MySuper default personal superannuation
- choice personal superannuation
- retirement allocated pension products.

Within each accumulation product there are a number of investment options and these have been assessed individually.

The products are competitive in terms of investments, insurance, and fees against other comparable products. The outcomes delivered generally demonstrate that our members are satisfied that TelstraSuper's offer meets their needs, and they have a positive experience when interacting with the Fund. As a profit-to-members fund, TelstraSuper regularly reviews costs and, wherever possible, will pass on fee reductions to members.

TelstraSuper members tend to be engaged with their super and expect high quality services. We're always seeking efficiencies but are comfortable that the fees and charges are reasonable for the quality of the services provided and the basis of setting fees is appropriate for the members.

Significantly, all of the services offered to members are provided by internal experts – no services are outsourced. This includes internal administration which enables us to have complete control of each element of the Fund's operations. As a result, we pride ourselves on providing high quality services for all members.

Operating costs have trended upwards for all funds and as a profit-to-members fund TelstraSuper continually looks to provide high value for money to all members. Increased regulatory requirements have contributed to this increase in operating costs for all funds. On a cost per member basis TelstraSuper's operating expenses are just above the industry median. However, on a total operating cost expense to asset ratio, TelstraSuper is below the industry median.

The Trustee has determined that the operating costs are not inappropriately affecting the financial interests of members.

02 Products, fees and costs

MySuper product outcomes

– these are the products for members who are in the default investment option.

Our MySuper products have a life stage approach with different risk levels as the member ages. Members move from Growth, through to Balanced, and on to the Conservative option.

When comparing our MySuper products to other MySuper products with similar investment risk profiles, TelstraSuper's total fees (inclusive of administration and investment fees) are equal to median for the Conservative option and slightly higher than median for the Balanced and Growth options.

Choice product outcomes

– these are the products for members who have selected specific investment options.

For Choice products the fees fall mostly into the second quartile (better than median) with some third and fourth quartile outcomes for total fees. However, the bigger picture is demonstrated by the Net Returns which take into account both the fees and investment performance, demonstrating that higher fees can be justified when they result in top quartile net returns for members such as is the case of the Property, Conservative and Defensive Growth options.

Retirement product outcomes

– these are the products for members drawing regular payments from their super.

Fees fall mostly into the second quartile (better than median) with some third and fourth quartile outcomes for total fees. However, the bigger picture is demonstrated by the Net Returns which take into account both the fees and investment performance, demonstrating that higher fees can be justified when they result in top quartile net returns for members such as is the case for the Property, Conservative and Defensive Growth options.



03

Defined Benefit outcomes

The defined benefit divisions, which have been closed to new members since 1999, are each based on 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. Each of the defined benefit calculations are independent of investment performance.

The Vested Benefit Index of 109.87% on 30 June 2020 confirms that all defined benefits are fully funded.

The average benefit for members of the defined benefit 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 Total & Permanent Disability (TPD). These benefits are externally insured.

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.

04

Insurance

TelstraSuper aims to provide members with a sustainable, high quality and competitively priced insurance cover. The objective of providing insured benefits 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 as a result of injury, illness or death.

The Trustee has recently negotiated a three-year premium rate from 1 July 2020 to 30 June 2023 with its 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.

TelstraSuper is a signatory to the Insurance in Super Voluntary Code of Practice, of which we currently have a 95% compliance.

Chant West has rated TelstraSuper's insurance as being the Highest Quality with a '5 Apples' rating.

The default insurance cover has been set over time taking into consideration the demographics of the Fund, the affordability of insurance cover so as 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 Trustee has determined that the insurance strategy is appropriate for members and that the fees for default insurance do not inappropriately erode the retirement incomes of members.

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 is above benchmark for the TelstraSuper Corporate Plus members under 53 with top quartile outcomes for premiums both as a percentage of salary and the peer comparison indices. For older members, the cover falls slightly below benchmark with the premiums also falling into the third (males) and fourth (females) quartiles as a percentage of salary.

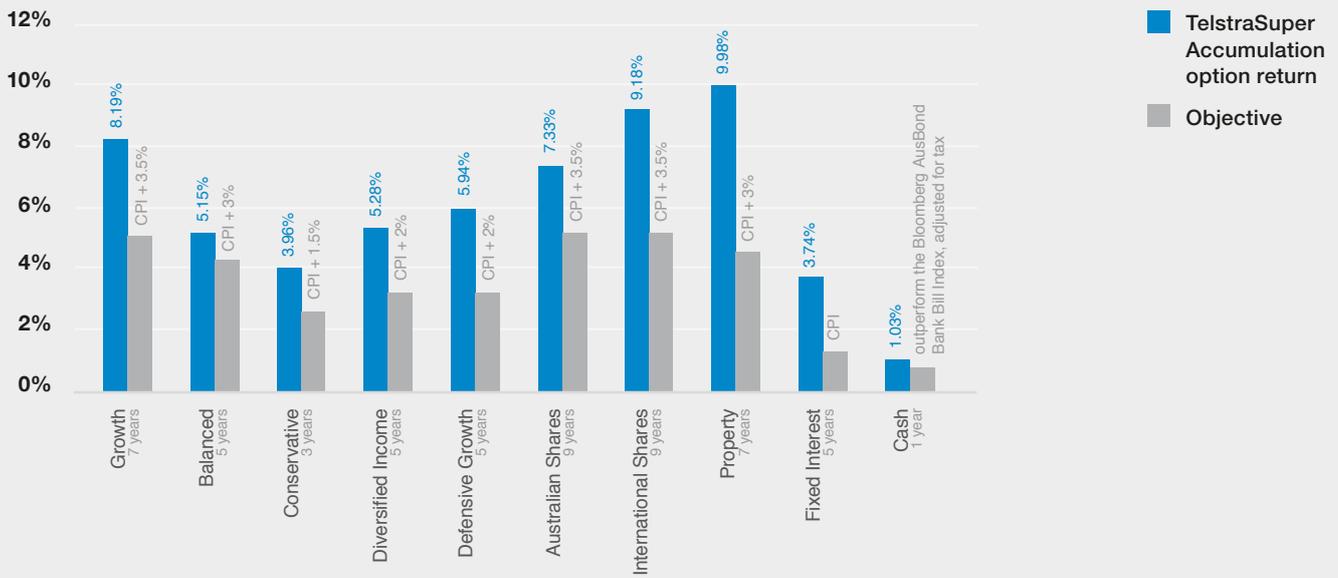
For TelstraSuper Personal Plus members the lower age-based coverage provided is below benchmark for all ages but, accordingly, the premiums are all at the lower end for premium as a percentage of salary and peer comparison indices. With this cohort of members having the option to top-up their insurance, this lower level of default cover is considered appropriate.

05

Investment performance

All MySuper and Choice Accumulation options and all TelstraSuper RetireAccess options performed above their stated objectives over the relevant time periods for each product. This is a good result for our members and confirms that our investment performance has delivered on the objectives set.

Performance vs objective – Accumulation options



05 Investment performance

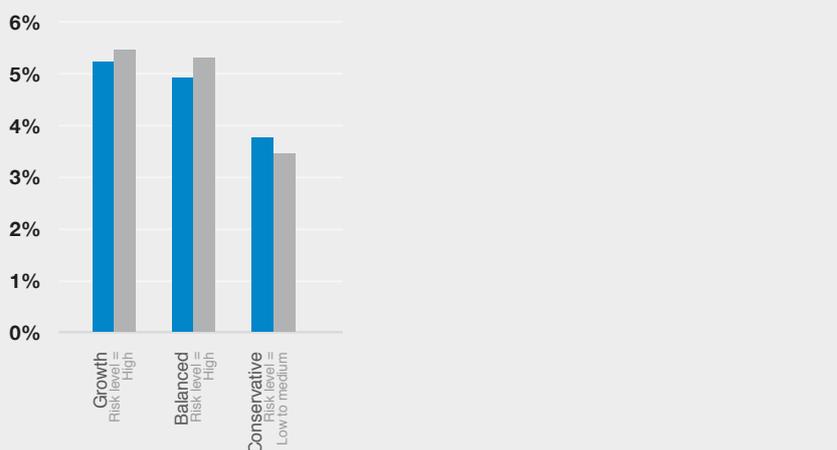
However, in some cases, recent performance relative to peer super funds has been lower than we would like. Our objective to deliver competitive returns means that we engage professional investment managers to actively manage our investment portfolios. While we expect these managers to add substantial value most of the time, they can detract value if the market performs differently to expectations. Overall, our international equities portfolio managers delivered results in the year to 30 June 2020 that were below our expectations, and this led to some disappointing returns, relative to peers in certain investment options.

We've implemented different portfolio construction processes and appointed new equity investment specialists to manage the process. We anticipate the changes will result in a marked and sustained improvement in peer relative performance over the longer term.

Overall, the Trustee has determined that the investment strategy, including the level of investment risk and return targets across each option, is appropriate for members.

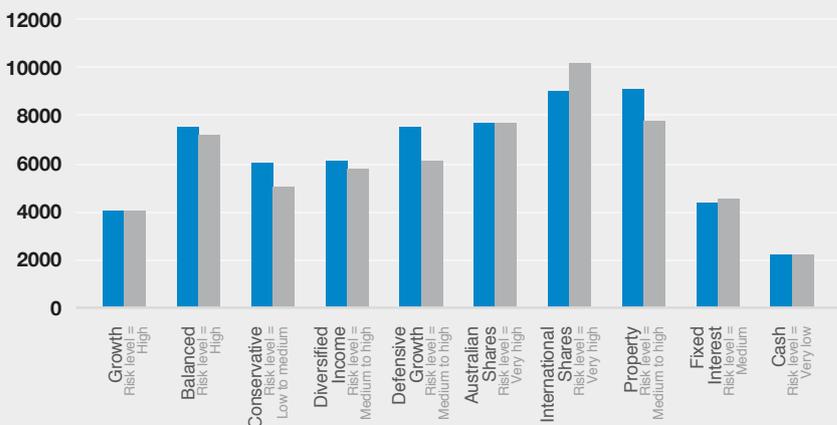
MySuper product outcomes

5 yr net returns vs. peer median



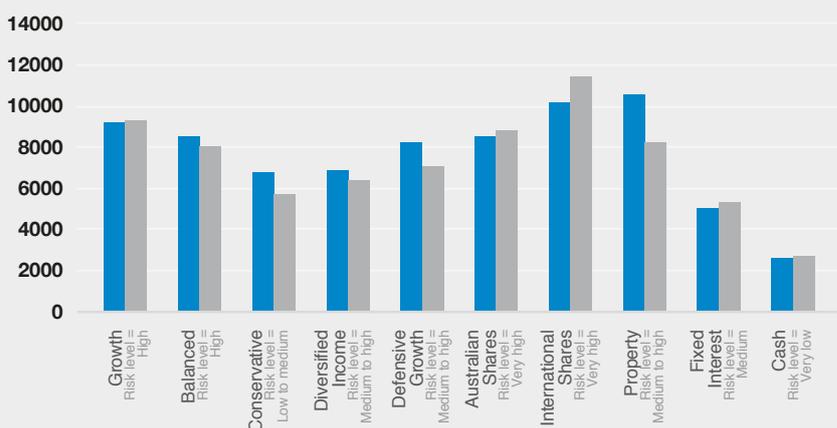
Choice product outcomes

10 yr net returns based on a \$50,000 balance



RetireAccess pension product outcomes

10 yr net returns based on a \$100,000 balance



06

Options, benefits and facilities for members

TelstraSuper provides a broad range of high quality services and benefits to support and assist members to realise the best possible outcomes from their retirement savings. Surveys indicate a high level of member satisfaction with the services provided as well as a high level of member engagement. Our members frequently transact with their accounts and take action to make sure their super is working for them. The active member ratio is a positive 89.3%, higher than the average for other funds.

We provide a wide range of services to support members during both the accumulation phase of their superannuation and the retirement phase.

These services include:

- extensive digital services including website and app
- online tools and calculators
- member education – both online and in person
- member contact centre
- financial advice services
- regular tailored communication and information.

Member surveys indicate a high level of member satisfaction with the services provided as well as a high level of member engagement. More than half of the respondents are extremely satisfied (9/10 or 10/10 rating) with TelstraSuper. The appreciation of services and benefits has also been demonstrated by the trust our members have in the Fund.

This satisfaction is also evidenced in the willingness of members to stay with TelstraSuper long term. More than 75% of the membership has decided to stay with TelstraSuper by choice – either when they are no longer employed by the Telstra Group or a Telstra approved employer or into retirement. The retention of so many members speaks to the high advocacy and satisfaction of TelstraSuper 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. Financial advice services are provided by TelstraSuper Financial Planning who are committed to providing professional advice services for TelstraSuper members. The quality of the services provided by our contact centre and advice services are rated highly by our members.

Member services



Extensive digital services



Online tools and calculators



Member education



Member Contact Centre



Financial advice services



Tailored information

06 Options, benefits and facilities for members

We recognise that superannuation is a complex, low engagement product, yet it is also one of the most significant investments most members will make over their lifetime. To ensure that members can make the most of their membership with TelstraSuper, the ongoing education and support of members is essential. This is provided in a several ways – through the internally operated Member Contact Centre, together with extensive communication, broad member education and a strong financial planning service.

A variety of online tools, calculators and information is offered together with well attended member seminars. There is strong evidence of members acting after attending the seminars, which is at a higher rate than the industry median. Respondents to a member survey, who indicated that they had attended an education seminar, had a high satisfaction rating of 8.3/10.

TelstraSuper Financial Planning has a higher than median number of in-house advisers, compared to other funds, and a higher than median number of members receiving a Statement of Advice for Intra Fund Advice. The provision of financial advice to members is a service valued by members as demonstrated by higher satisfaction and Net Promoter Score (NPS) from members who have used these services.

Communicating successfully to members in a way which suits their needs is crucial in helping them engage with their super.

Member satisfaction with our communications is high with annual research reporting a rating between 8.2/10 and 8.8/10. On average, we communicate more regularly than most other funds with member statements, targeted emails, education seminar invitations and newsletters. In the year to 30 June 2020 the communications had an open rate of 42.3% which is significantly higher than the industry average of 22.8%. There is also a growing trend by members to download their statements online, with an increase of 16% of members subscribing to digital statements in the 2020 financial year.

Overall, digital has become the preferred method of communication by our members. Most members - currently 83% - are registered to receive information via our digital portal SuperOnline. A new website was launched in 2017 and since then the average unique monthly logins increased by 69%.

In June 2020 member satisfaction with SuperOnline and the website was high at 8.7/10 and 8.5/10 respectively.

Ratings agency SuperRatings 2019 report lists TelstraSuper's member experience as one of the Fund's Top 10 attributes: "TelstraSuper continues on its digital journey, with key technology projects putting the foundations in place through its Digital Eco-System to support and enhance end-to-end member journeys and digital capabilities".

07

Determinations for the financial year ending 30 June 2020

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 RetireAccess members are being promoted by the Trustee.

The Annual Outcomes Assessment for Members addresses TelstraSuper's obligations in accordance with the Superannuation Industry (Supervision) Act 1993 and APRA Prudential Standard SPS 515 – Strategic Planning and Member Outcomes.

Telstra Super Pty Ltd, ABN 86 007 422 522, AFSL 236709, is the trustee of the Telstra Superannuation Scheme ABN 85 502 108 833 (TelstraSuper). Telephone 1300 033 166 Website telstrasuper.com.au
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