



TelstraSuper  
Annual Report  
2003/2004

value



**Cover image:** Trev values the time he volunteers coaching the district under nine football team.

**Terry McCredden**  
B.Comm (Hon)

Terry is the Chief Executive Officer at Telstra Super Pty Ltd (appointed June 1990). Terry has held senior executive positions in the superannuation industry for over 17 years. Terry is also a Director of Telstra Super Financial Planning Pty Ltd.

**Clive Batrouney**  
ASIA, FAIM

Clive is the Chairman for Telstra Super Pty Ltd (appointed July 2003). Clive has held key positions at ANZ McCaughan Ltd and has been a director of the Australian Stock Exchange Limited, the Securities Exchanges Guarantee Corporation Limited, and YMCA Superannuation. Clive is currently a director of Hansen Yuncken Pty Ltd.

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## In the last year...

At Telstra Super we value the opportunity to help you build wealth for your retirement plans so you can concentrate on doing or experiencing the things that are important to you. We know that you value good investment performance to build that wealth, which is why we are so pleased to announce we've had an excellent year of investment returns.

As you can see by the table on page 13, our hard work over the past two years to rebuild strong returns during an unpredictable market has really paid off. Our investment performance has exceeded our expectations (and the results of many other comparable funds as well). But we aren't resting on our laurels - we're continuing to maximise opportunities of the market rally by reviewing our investments on an ongoing basis, monitoring the market and making adjustments.

Telstra Super is always looking at ways to enhance benefits and services to meet your needs, while keeping costs as low as possible. For example, this year we were able to introduce two new investment options for you to choose from, while also reducing the annual administration charge for many members. For more changes and highlights for the year, please refer to pages 2 and 3.

So as you read this report, think about what you value most and how Telstra Super can help you get to enjoy it more in the future.



**Terry McCredden**  
Chief Executive Officer



**Clive Batrouney**  
Chairman



03/04



#### Excellent investment returns

were achieved for most of our investment options.



Unlike other funds, we have actually **reduced our annual administration charge** on *Telstra Super Rollover Plus*, *Telstra Super Partner Privilege*<sup>®</sup> and *Telstra Super RetireAccess*<sup>™</sup> accounts from 1% **down to 0.9%**, making Telstra Super even better value.



To give members more choice, two new investment options were introduced on 1 January 2004:

**Property and Fixed Interest.**



Over 82% of people who left the Telstra Group chose to **stay with Telstra Super** by transferring into *Telstra Super Rollover Plus*.



Members continued to favour Telstra Super as their rollover fund, with over **\$90 million** rolled into Telstra Super from other funds.



Telstra Super introduced low cost **death cover insurance** for members of *Telstra Super Rollover Plus*, *Telstra Super Partner Privilege* and *Telstra Super RetireAccess*.



Through our Member Education seminars, workplace super expo's and Telstra Super Financial Planning Pty Ltd appointments, over **8,000 members were met face to face** this year.



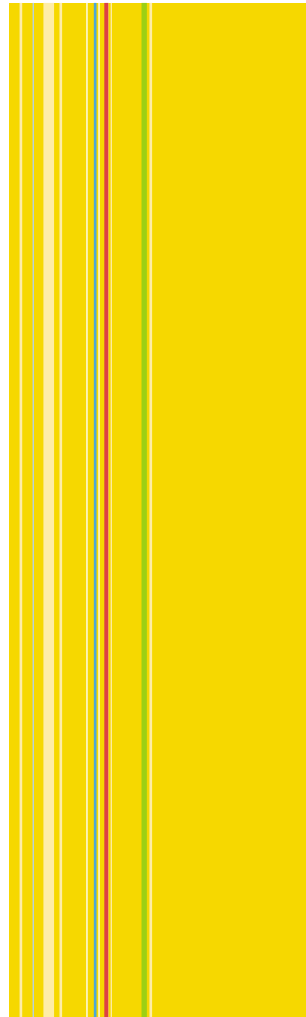
This year's **member satisfaction** research revealed that Telstra Super's overall satisfaction rating has increased, with significant increases in members happy with our fund administration and management, our communications material, our website, our member education seminars, and Telstra Super Financial Planning Pty Ltd.

## Excellent investment returns were achieved for most of our investment options



# Jan

VALUES NEW EXPERIENCES





# the value of investing

You're putting your money into Telstra Super so we can make your money work for your retirement. You're not doing it for the fun of it. How much super you end up with depends on how much you invest and how our investments perform - and this year we had an excellent year!

This year we enjoyed strong investment performance across most of our investment options, especially Australian and International Shares. This was not just compared to last financial year, but also to many other comparable funds, and to the superannuation industry as a whole.

See pages 21 to 28 for more detailed information on our investment performance over the last five years.

Everyone likes a bargain. You work hard for your money and you naturally want to get the most value from it. At Telstra Super we focus on providing the best value for you, our members, not shareholder profit. That's why we lowered our annual administration charge for many members this year.

Low fees have always been a great feature of Telstra Super and on 1 January 2004 we reduced the annual administration charge for *Telstra Super Rollover Plus*, *Telstra Super Partner Privilege* and *Telstra Super RetireAccess* accounts from 1.0% to 0.9%. This makes Telstra Super's fees even more attractive for our biggest group of members.

We are always looking at ways to save you time and money, such as enhancing our website services and reviewing our wholesale rates from external fund managers to ensure low investment management fees are passed onto you.



valueformoney

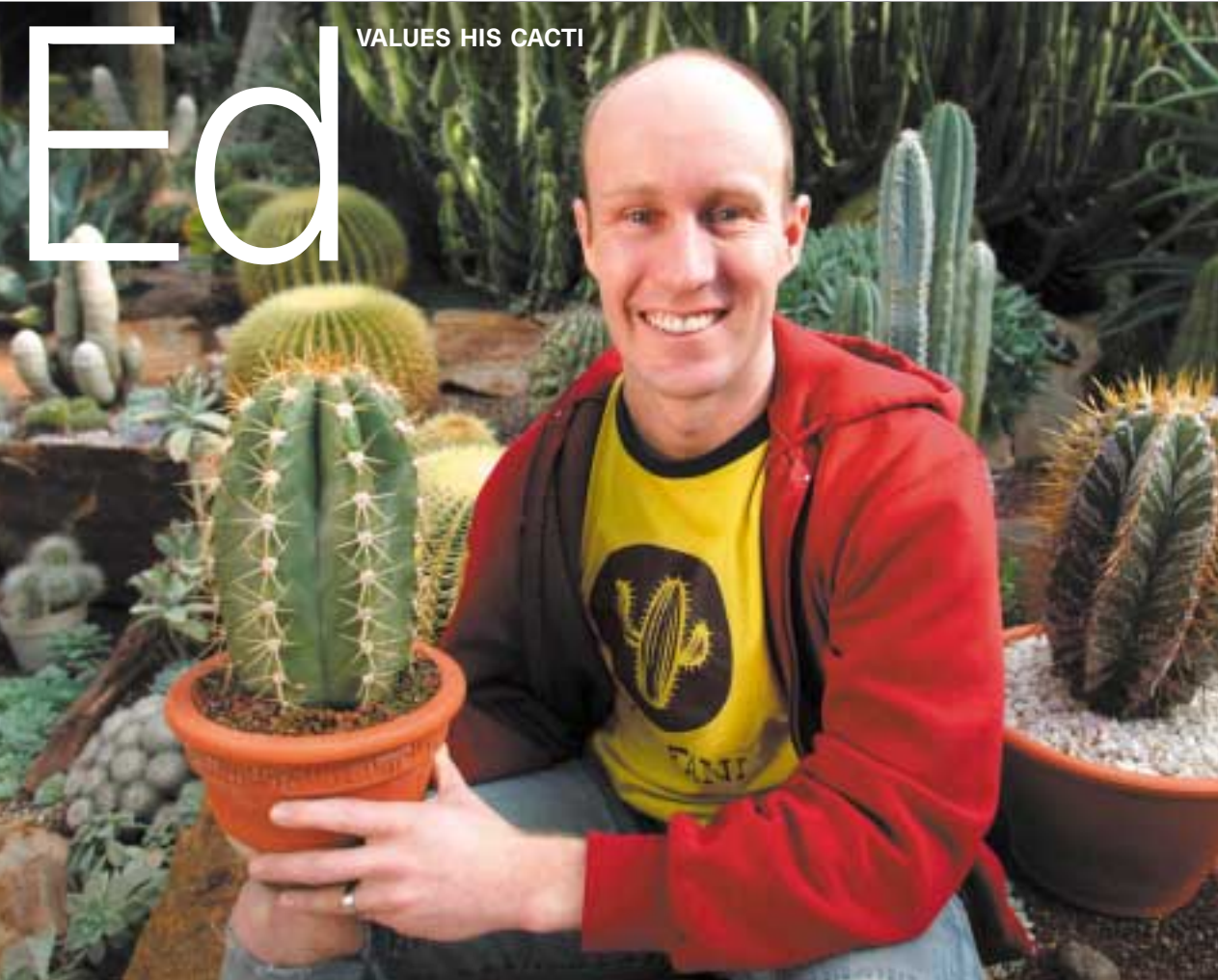
# Zak

VALUES HIS FRISBEE



# Ed

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# the value of options

We all like to have options. Telstra Super offers Member Investment Choice, where you get to choose how your super is invested. This year we introduced two new investment choices, Property and Fixed Interest, so you now have even more options to choose from.

With the introduction of the Property and Fixed Interest options, you now have eight investment options to choose from. Covering all major asset classes, it's become even easier for you to choose an investment option that suits your age, your financial plans and your attitude to risk and return.

Don't forget you can also choose a mix of options.

We also increased the number of free investment option switches you can make to four per year, so you have even more investment flexibility.

See page 13 for how all of our options have performed.

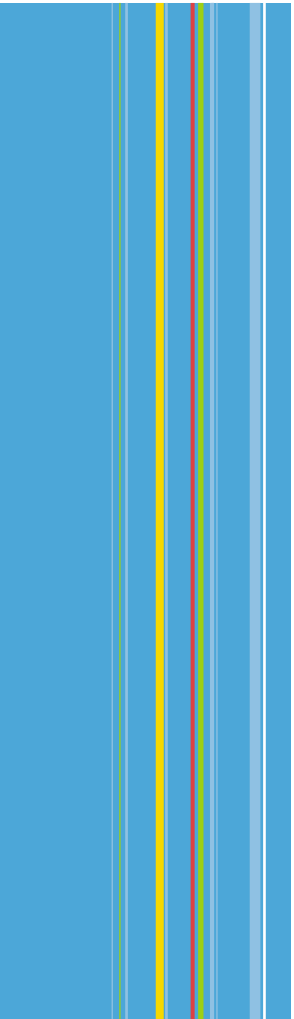
It's good to plan for your future. As a Telstra Super member you get exclusive access to financial advice from Telstra Super Financial Planning Pty Ltd at no additional cost. This year Telstra Super Financial Planning opened a new office in Adelaide and introduced a non-super product called Investment Plan for members and their families.

Everyone can benefit from a sound financial plan, whether you just want to sort out your super, you are changing jobs, or, particularly, if you are close to retirement.

Telstra Super Financial Planning's planners will develop an individual financial strategy for you, as well as conduct ongoing reviews to make sure your plan keeps working for you. Telstra Super Financial Planning planners do not receive commissions. With offices in Sydney, Melbourne, Brisbane and now Adelaide, and planners regularly travelling to other locations, they can assist you anywhere with your super and general investment plans.



the value of planning



Zoe

VALUES HER SISTER

# How your super performed this year

We have different types of members at Telstra Super. To find out how your super performed in this report, choose the member group below that applies to you.

If you are an accumulation member of:

- *Telstra Super Personal Choice*
- *Telstra Super Rollover Plus*
- *Telstra Super Partner Privilege*
- *Telstra Super RetireAccess*
- *Telstra Super Casuals*
- *ReachSuper®*
- *Sensis Super Plus*
- *Telstra Super Productivity*
- *Telstra Enterprises Services Super*  
or
- *NDC*

Your super's performance is based on your chosen investment option so turn to **pages 21 to 28**.

If you are a *Telstra Super Division 2* or *Telstra Super Division 5* Defined Benefit member

Your Defined Benefit super is not reliant on investment returns so turn to **page 29** for more information about your super.

If you have a Voluntary Accumulation Account or Productivity Account, performance is based on your chosen investment option so turn to **pages 21 to 28**.

If you are a *Sensis Super Plus* Defined Benefit member

Your Defined Benefit Member Account, as well as any Additional Account or Bridging Account, is invested in the Growth investment option, so turn to **page 21**.

If you have a Productivity Account, Voluntary Accumulation Account or Telstra Top-up Account, performance is based on your chosen investment option, so turn to **pages 21 to 28**.

If you're not sure what type of member you are

Check your annual statement or visit **[www.telstrasuper.com.au](http://www.telstrasuper.com.au)**, select 'your member group' from the drop down list and choose 'I don't know'.

## Investment performance in 2003/2004

The charts below and overleaf show the results for each of our Member Investment Choice options for the 2003/2004 financial year. A more detailed explanation of each of Telstra Super's investment options and their audited investment returns over the last five years starts on page 21.

### 2003/2004 investment returns

The investment returns for each of our investment options for the 2003/2004 financial year are listed right.

If your super has been invested in the **Mixed option**, your investment return will depend on the combination of investment options you have chosen to make up this investment.

Investment option	Accumulation member returns	Telstra Super RetireAccess member returns
Growth	17.41%	19.87%
Balanced	14.85%	17.02%
Conservative	9.39%	10.82%
International Shares	20.10%	23.84%
Australian Shares	24.00%	26.63%
Property*	12.45%	14.33%
Fixed Interest*	2.07%	2.42%
Cash	4.52%	5.32%

\* Figures for the Property and Fixed Interest options are notional before 1 January 2004, the date these options were introduced. Notional returns are based on the actual performance of Telstra Super's investments within the asset class during the relevant period.

Past performance is not a reliable indicator of future performance.

# How your super performed this year

## Crediting investment returns for your account

Investment returns are credited to your super account according to your chosen investment option's daily unit price.

## Unit prices

The opening and closing unit prices for each of our investment options for the 2003/2004 financial year are listed below.

Investment option	Accumulation <sup>1</sup>		Telstra Super RetireAccess <sup>2</sup>		Telstra Super Rollover Plus & Telstra Super Partner Privilege <sup>3</sup>	
	1 July '03 unit price	30 June '04 unit price	1 July '03 unit price	30 June '04 unit price	1 July '03 unit price	30 June '04 unit price
Growth	1.01370	1.19015	1.01532	1.20581	1.01324	1.17917
Balanced	1.00969	1.15965	1.01071	1.17180	1.00923	1.14893
Conservative	1.00450	1.09883	1.00469	1.10306	1.00405	1.08886
International Shares	1.01998	1.22499	1.02351	1.25572	1.01952	1.21425
Australian Shares	1.02012	1.26498	1.02200	1.28228	1.01959	1.25250
Property*	1.00000*	1.10115	1.00000*	1.11130	1.00000*	1.09650
Fixed Interest*	1.00000*	1.02043	1.00000*	1.01985	1.00000*	1.01634
Cash	1.00371	1.04904	1.00384	1.04708	1.00332	1.04001

\* The opening unit prices shown for the Property and Fixed Interest options are for 1 January 2004 rather than 1 July 2003, the day these options were introduced.

<sup>1</sup> This unit price is applicable to *Telstra Super Personal Choice*, *Telstra Super Casuals*, *Telstra Super Productivity*, *ReachSuper*,

*Sensis Super Plus Accumulation*, *NDC Super Advantage*, *Telstra Enterprise Services Super* and *Voluntary Accumulation Accounts* held by Defined Benefit members. These unit prices are net of contributions tax and investment management fees, but gross of administration fees, insurance and switching costs as applicable.

<sup>2</sup> These unit prices are net of administration fees and investment management fees, but are gross of insurance and switching costs as applicable.

<sup>3</sup> These unit prices are net of tax and administration fees and investment management fees, but are gross of insurance, and switching costs as applicable.

## Comparing our performance to others

Investment markets bounced back in 2003/2004 and Telstra Super's investment options' performance was strong against most in the superannuation industry.

### DIVERSIFIED OPTIONS:

#### Growth

The Mercer Investment Consulting Pooled Fund Survey shows the performance of other growth funds\* over the 2003/2004 financial year.

Telstra Super Growth option return	17.41%
Survey's median return	16.10%

Source: Mercer Investment Consulting

#### Balanced

The Mercer Investment Consulting Pooled Fund Survey shows the performance of other balanced funds\* over the 2003/2004 financial year.

Telstra Super Balanced option return	14.85%
Survey's median return	13.80%

Source: Mercer Investment Consulting

#### Conservative

The Mercer Investment Consulting Capital Stable Survey shows the performance of other conservative funds\* over the 2003/2004 financial year.

Telstra Super Conservative option return	9.39%
Survey's median return	7.30%

Source: Mercer Investment Consulting

Note - These returns are net of management fees and tax.

\* The asset allocation for each fund referred to in the surveys may vary to the asset allocation of Telstra Super's investment options. Past performance is not a reliable indicator of future performance.

# Comparing our performance to others

## SINGLE ASSET CLASS OPTIONS:

### International shares

The Mercer Overseas Shares Specialist Survey (gross) shows the performance of international shares over the 2003/2004 financial year.

Telstra Super International Shares option return	20.10%
Survey's median return	19.60%

Source: Mercer Investment Consulting

### Australian shares

The Mercer Australian Shares Specialist Survey (gross) shows the performance of Australian shares over the 2003/2004 financial year.

Telstra Super Australian Shares option return	24.00%
Survey's median return	21.70%

Source: Mercer Investment Consulting

### Cash

The UBS Warburg Bank Bill Index shows the performance of Cash over the 2003/2004 financial year.

Telstra Super Cash option return	4.52%
Market index return (net) <sup>†</sup>	4.40%

Source: Towers Perrin

### Fixed Interest

The Mercer Investment Consulting Australian Fixed Income Specialist Active Survey (gross) shows the performance of fixed interest over the 2003/2004 financial year.

Telstra Super Fixed Interest option return*	2.07%
Survey's median return	3.10%

Source: Mercer Investment Consulting

### Property

The Mercer Investment Consulting Listed Property Specialist Survey (gross) shows the performance of property over the 2003/2004 financial year.

Telstra Super Property option return*	12.45%
Survey's median return	17.40%

Source: Mercer Investment Consulting

Note - These returns are net of investment management fees and tax.

+ A net index return has been calculated based on the gross index return for comparison purposes.

\* Figures for the Property and Fixed Interest options are notional before 1 January 2004, the date these options were introduced. Notional returns are based on the actual performance of Telstra Super's investments within the asset class during the relevant period.

Past performance is not a reliable indicator of future performance.

## Investment wrap-up

Strong returns were achieved by most of our investment options in the past year, with our Australian Shares option performing particularly well.

### Market roundup

This year saw Australian shares outperform all other major asset classes, bolstered by our strong domestic economy and the improved global economy. Overseas share markets also generated strong investment returns in a welcome contrast to the poorer returns of the past two years. This was also thanks to world economic growth, improved corporate profits and low interest rates. This strong growth however started to lose pace by May and June 2004.

Australian property investments also did well this financial year, especially the retail and industrial sectors, benefiting from strong domestic spending. However, both Australian and overseas fixed interest returns

were rather lacklustre this financial year, partly due to concerns of higher short-term interest rates associated with stronger world economic growth.

### Telstra Super investment wrap-up

Telstra Super's International Shares and Australian Shares investment options enjoyed good returns as a result of the market resurgence.

Our Growth and Balanced investment options, which have exposure to shares, also benefited from the strong international and Australian share market performance. Our Conservative investment option also enjoyed very good performance thanks to its strong weighting to cash and property versus bonds.

Our Property and Fixed Interest investment options were introduced on 1 January 2004 and as such only have six months of actual returns. The slightly lower returns for these two options reflect their asset allocations being more diversified in nature than those measured by their respective market surveys.



It's been  
a great year  
for returns!



# 17.41%

Growth investment option - Member Investment Choice

# 19.87%

Growth investment option - *Telstra Super RetireAccess*

**Past performance is not a reliable indicator of future performance.**

## Investment performance over time

The following pages give a more detailed explanation of each of Telstra Super's investment options, their audited investment returns for the last five financial years, and their five-year average returns.

The asset allocations for each of our investment options are the actual allocations on the dates shown. Our investment in each asset class varies within ranges specified in Telstra Super's investment strategy.

Five-year average returns shown are compound average annual returns for the period.

# Growth option

## 2003/2004 returns

17.41% Member Investment Choice  
19.87% *Telstra Super RetireAccess*\*

## Objective

To earn high returns over the long term.

## Strategy

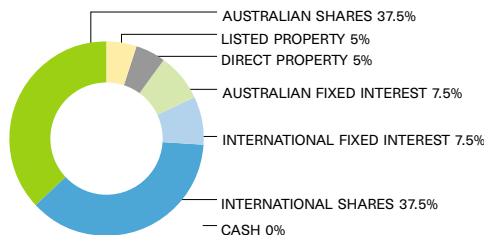
The Growth option has a strong bias towards growth assets, such as Australian and international shares and property, with a smaller allocation towards financial assets such as Australian and international fixed interest securities and cash.

## Volatility/risk

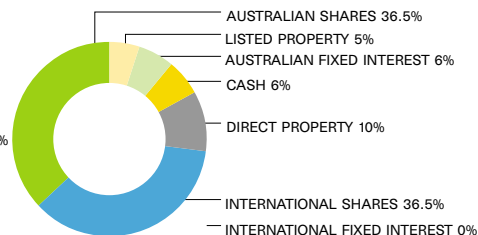
A higher level of volatility to achieve potentially higher returns in the long term. The value of your super may rise or fall in the short term.

## Asset allocation

30 June 2003



30 June 2004



## Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2003/2004	17.41%	19.87%
2002/2003	- 1.86%	- 2.38%
2001/2002	- 4.98%	- 5.96%
2000/2001	5.33%	6.17%
1999/2000	12.05%	14.19%
Five-year average return	5.26%	5.93%

\* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax. Past performance is not a reliable indicator of future performance.

# Balanced option

## 2003/2004 returns

14.85% Member Investment Choice  
17.02% *Telstra Super RetireAccess*\*

## Objective

To earn moderately high and consistent returns over the medium to long term.

## Strategy

The Balanced option has a moderate bias towards growth assets, such as Australian and international shares and property, balanced by an allocation towards financial assets such as Australian and international fixed interest securities and cash.

## Volatility/risk

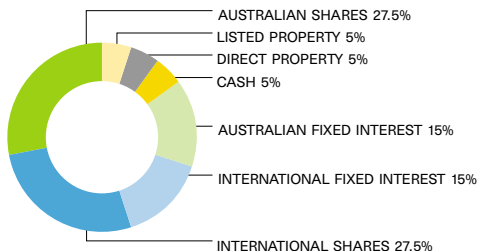
A medium level of volatility to achieve potentially good returns with less risk of fluctuations in value over the short term.

## Default option

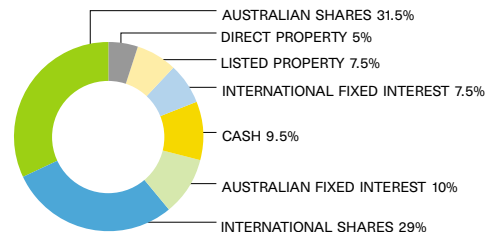
The Balanced option is the default option for all Telstra Super Member Investment Choice members aged up to 59 years who do not choose an investment option.

## Asset allocation

30 June 2003



30 June 2004



## Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2003/2004	14.85%	17.02%
2002/2003	0.59%	0.56%
2001/2002	- 2.29%	- 2.77%
2000/2001	5.50%	6.40%
1999/2000	10.64%	12.52%
Five-year average return	5.67%	6.50%

\* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax. Past performance is not a reliable indicator of future performance.

# Conservative option

## 2003/2004 returns

9.39% Member Investment Choice  
10.82% *Telstra Super RetireAccess*\*

## Objective

To earn returns above cash over the medium term through moderate exposure to growth assets.

## Strategy

The Conservative option has a bias towards financial 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).

## Volatility/risk

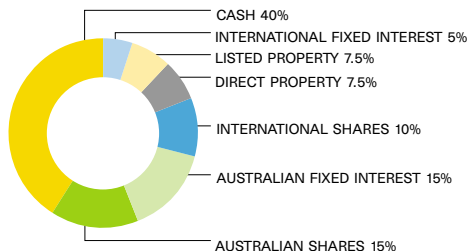
A moderate level of volatility for more consistent returns.

## Default option

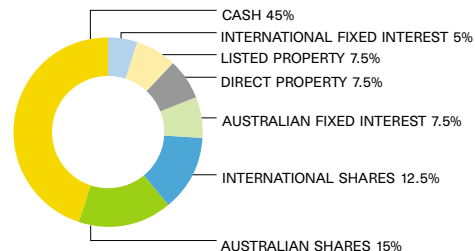
The Conservative option is the default option for Telstra Super Member Investment Choice members aged 60 years and over who do not choose an investment option.

## Asset allocation

30 June 2003



30 June 2004



## Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2003/2004	9.39%	10.82%
2002/2003	3.05%	3.54%
2001/2002	1.82%	2.12%
2000/2001	5.63%	6.61%
1999/2000	7.93%	9.35%
Five-year average return	5.53%	6.43%

\* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

# International Shares option

## 2003/2004 returns

20.10% Member Investment Choice  
23.84% *Telstra Super RetireAccess\**

## Objective

To earn higher returns over the longer term through a diversified portfolio of international shares.

## Strategy

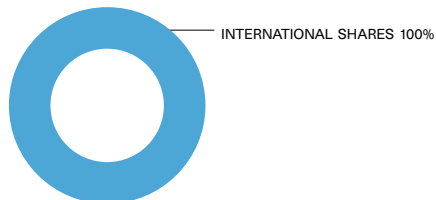
The International Shares option has 100% exposure to an international shares portfolio and is invested through several investment managers. It aims to achieve exposure to companies that are not part of the Australian share market.

## Volatility/risk

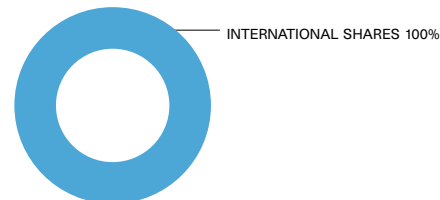
High volatility, reflecting exposure to a single asset class with higher growth/higher risk characteristics, as well as exposure to currency risk.

## Asset allocation

30 June 2003



30 June 2004



## Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess*</i>
2003/2004	20.10%	23.84%
2002/2003	- 9.09%	- 10.84%
2001/2002	- 14.96%	- 17.54%
2000/2001	- 6.80%	- 8.08%
1999/2000	15.83%	18.71%
Five-year average return	0.05%	- 0.13%

Figures for the International Shares option are notional before 1 July 2001, the date the International Shares option was introduced. Notional returns are based on the actual performance of Telstra Super's investments within this asset class during the relevant period.

\* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

# Australian Shares option

## 2003/2004 returns

24.00% Member Investment Choice  
26.63% *Telstra Super RetireAccess*\*

## Objective

To earn high returns over the long term through a diversified portfolio of Australian shares.

## Strategy

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

## Volatility/risk

Higher volatility, reflecting exposure to a single asset class with high growth/high risk characteristics.

## Asset allocation

30 June 2003



30 June 2004



## Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2003/2004	24.00%	26.63%
2002/2003	- 0.61%	- 1.13%
2001/2002	- 1.75%	- 2.30%
2000/2001	11.14%	12.92%
1999/2000	14.05%	16.40%
Five-year average return	8.95%	9.96%

Figures for the Australian Shares option are notional before 1 July 2001, the date the Australian Shares option was introduced. Notional returns are based on the actual performance of *Telstra Super*'s investments within this asset class during the relevant period.

\* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

# Property option

## 2003/2004 returns

12.45% Member Investment Choice  
14.33% *Telstra Super RetireAccess\**

## Objective

To earn moderately high and consistent returns via income and capital growth over the medium to long term.

## Strategy

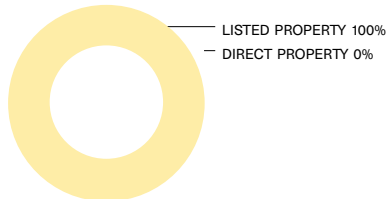
The Property option invests exclusively in property assets with a strong bias to Australian listed property trusts. A maximum of 50% may be invested in direct property depending on market conditions. Up to 30% may be invested in international property for diversification reasons.

## Volatility/risk

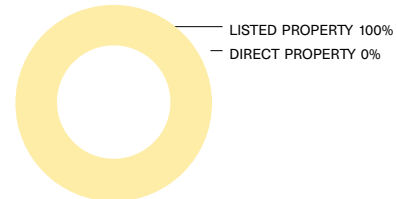
Moderate risk to achieve income returns and capital growth over the longer term.

## Asset allocation

1 January 2004



30 June 2004



## Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess*</i>
2003/2004	12.45%	14.33%
2002/2003	10.80%	12.75%
2001/2002	13.31%	15.79%
2000/2001	10.83%	12.79%
1999/2000	10.40%	12.24%
Five-year average return	11.55%	13.58%

Figures for the Property option are notional before 1 January 2004, the date the Property option was introduced. Notional returns are based on the actual performance of Telstra Super's investments within the asset class during the relevant period.

\* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

# Fixed Interest option

## 2003/2004 returns

2.07% Member Investment Choice  
2.42% *Telstra Super RetireAccess*\*

## Objective

To earn moderate returns over the medium term mainly through income returns. In the short term, returns can be negative from time to time.

## Strategy

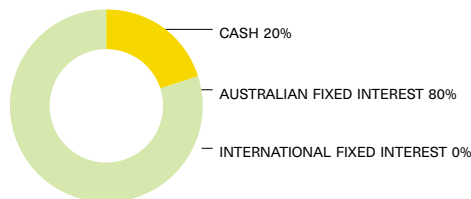
The Fixed Interest option invests primarily in Australian fixed interest securities and may have exposure to cash. A maximum of 30% may be invested in international fixed interest and a maximum of 50% may be invested in Australian cash, depending on market conditions.

## Volatility / risk

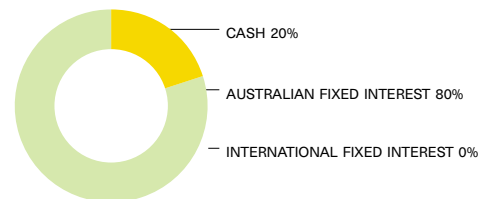
Lower risk option for generating income returns that generally provides lower risk returns than equity but returns can be negative.

## Asset allocation

1 January 2004



30 June 2004



## Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2003/2004	2.07%	2.42%
2002/2003	8.15%	9.64%
2001/2002	4.93%	5.81%
2000/2001	5.67%	6.70%
1999/2000	5.02%	5.93%
Five-year average return	5.15%	6.07%

Figures for the Fixed Interest option are notional before 1 January 2004, the date the Fixed Interest option was introduced. Notional returns are based on the actual performance of *Telstra Super*'s investments within this asset class during the relevant period.

\* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.

Past performance is not a reliable indicator of future performance.

# Cash option

## 2003/2004 returns

4.52% Member Investment Choice  
5.32% *Telstra Super RetireAccess*\*

## Objective

To provide security of capital. Returns will reflect short-term money market interest rates.

## Strategy

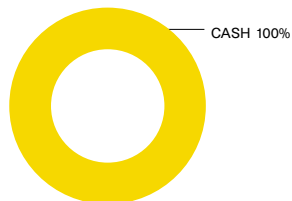
100% is invested in cash and short-term money market securities.

## Volatility/risk

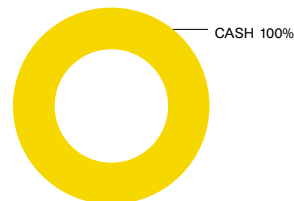
A low level of volatility, but generally lower returns in most years than the other Telstra Super investment options.

## Asset allocation

30 June 2003



30 June 2004



## Performance

Year	Member Investment Choice	<i>Telstra Super RetireAccess</i> *
2003/2004	4.52%	5.32%
2002/2003	4.19%	4.95%
2001/2002	3.81%	4.50%
2000/2001	4.96%	5.86%
1999/2000	4.53%	5.35%
Five-year average return	4.40%	5.19%

\* *Telstra Super RetireAccess* investment returns are different to Member Investment Choice returns because *Telstra Super RetireAccess* returns are not subject to tax.

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 worked out 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. However, Telstra Super Pty Ltd invests both employer and member Defined Benefit contributions in line with the following Defined Benefit objectives and strategies outlined.

### 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 and property.
- To ensure there are sufficient funds to meet the required payment of benefits.

### Defined Benefit net earning rates

We achieved an excellent Defined Benefit earning rate of **17.25%** on our investment portfolio for 2003/2004.

On 17 June 2004, the Federal Government repaid in full a sum of \$3.125 billion to Telstra Super, representing money owed to Telstra Super Pty Ltd in relation to the transfer of staff from the Commonwealth Superannuation Scheme to Telstra Super when the scheme commenced. These funds comprised the bulk of Defined Benefit assets invested and their earnings equated to 4.18%, due to the timing and conditions attached to the payment.

The result of this was an overall weighted average net earning rate\* of **8.91%** for all our Defined Benefit assets.

\* Investment management fees and investment taxes are deducted from the gross earnings before setting the net earning rate.

## Abridged financial information

	2004	2003
Change in net assets available to pay members' benefits	\$'000	\$'000
Net assets available to pay members' benefits at beginning of the year	6,517,428	6,897,807
<b>Plus</b>		
<b>Contributions</b>		
Employer contributions	7,544	4,701
Member contributions	77,713	69,813
Amounts rolled in from other super funds	91,899	65,978
	<b>177,156</b>	<b>140,492</b>
<b>Revenues</b>		
Investment earnings	673,349	(69,423)
Deferred Transfer Values adjustment <sup>1</sup>	58,312	(41,785)
Residual Notional Fund Surplus adjustment <sup>2</sup>	71,000	(28,620)
Other income	1,599	1,720
	<b>804,260</b>	<b>(138,108)</b>
<b>Total inflows</b>	<b>981,416</b>	<b>2,384</b>
<b>Less</b>		
Benefits paid	309,152	391,682
Administration costs	16,594	14,583
Group life insurance premiums	366	76
Surcharge contributions tax	7,126	7,266
Income tax expense/(benefit)	72,061	(30,844)
<b>Total outgoings</b>	<b>405,299</b>	<b>382,763</b>
<b>Net movement for year</b>	<b>576,117</b>	<b>(380,379)</b>
<b>Net assets available to pay members' benefits at end of the year</b>	<b>7,093,545</b>	<b>6,517,428</b>

1 Deferred Transfer Values represent the actuarially determined amount of employer financed accrued benefits in the Commonwealth Superannuation Scheme (CSS) remaining to be paid to Telstra Super by the Federal Government in respect of former CSS members who transferred to Telstra Super. Payment of the entire amount outstanding was received from the Federal Government on 17 June 2004.

2 The Residual Notional Fund Surplus (RNFS) represents the actuarially determined amount which is to be paid to Telstra Super by the Federal Government in respect of surplus Telstra contributions in the CSS. Payment of the entire amount outstanding was received from the Federal Government on 17 June 2004.

	<b>2004</b>	<b>2003</b>
<b>Statement of net assets</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Investments</b>		
Short-term money market	409,188	109,101
Australian fixed interest securities	1,946,291	725,899
International fixed interest securities	306,967	278,305
Australian shares	2,013,229	1,061,934
International shares	2,024,653	1,094,406
Property	926,204	657,881
<b>Total investments</b>	<b>7,626,532</b>	<b>3,927,526</b>
<b>Other assets</b>		
Cash and receivables	22,912	18,948
Operating plant and equipment	954	1,246
Deferred Transfer Values <sup>1</sup>	-	1,890,191
Residual Notional Fund Surplus <sup>2</sup>	-	1,235,252
<b>Total other assets</b>	<b>23,866</b>	<b>3,145,637</b>
<b>Total assets</b>	<b>7,650,398</b>	<b>7,073,163</b>
<b>Less liabilities</b>		
Benefits payable	31,150	62,241
Provision for taxation	518,854	485,904
Other liabilities	6,849	7,590
<b>Total liabilities</b>	<b>556,853</b>	<b>555,735</b>
<b>Net assets available to pay benefits</b>	<b>7,093,545</b>	<b>6,517,428</b>

A full copy of our audited accounts can be obtained by writing to the Company Secretary at Telstra Super Pty Ltd, PO Box 14309, MELBOURNE, VICTORIA 8001

# About us

## What does Telstra Super Pty Ltd do?

Telstra Super Pty Ltd is the trustee of Telstra Super. The purpose of Telstra Super Pty Ltd is to make sure Telstra Super provides appropriate superannuation benefits to members and their dependants. Telstra Super Pty Ltd has a Board of Directors responsible for its management.

## Telstra Super Pty Ltd's Board of Directors

The Board of Directors has the responsibility of ensuring that Telstra Super is administered in accordance with the rules of the fund and all legal requirements.

The Board of Directors has an equal number of member and employer representatives. The Board has chosen to appoint an Independent Chairman. Telstra Super's Board of Directors as at 30 June 2004 is set out at right.

### Independent Chairman

Clive Batrouney – appointed 1 July 2003

### Employer Directors

Douglas Gratton  
David Pitt  
John Stanhope  
Laurence Wood

### Member Directors

Eric Alford  
Robert Belzer  
Gerry Kandelaars  
Ian McCarthy

## Telstra Super Board Attendance Record 2003/2004

Name	Board		Committees	
	Held	Attended	Held	Attended
Clive Batrouney	11	11	21	21
Eric Alford	11	11	26	26
Robert Belzer	11	11	10	10
Douglas Gratton	11	9	3	3
Gerry Kandelaars	11	10	3	2
Ian McCarthy	11	11	3	3
David Pitt	11	9	10	9
John Stanhope	11	7	13	7
Laurence Wood	11	10	16	15
Jan Price <sup>1</sup>	11	4	13	6
Carmel Mulhern <sup>2</sup>	11	2	0	0
Anthony Cherubin <sup>3</sup>	11	1	8	1
Cliff Davis <sup>4</sup>	11	1	10	1

<sup>1</sup> Alternate Director for John Stanhope

<sup>2</sup> Alternate Director for Douglas Gratton

<sup>3</sup> Alternate Director for Laurence Wood

<sup>4</sup> Alternate Director for David Pitt

The Trustee has determined that a Member Director can only be appointed following their nomination in writing by the Australian Council of Trade Unions. All Employer Directors are appointed after being nominated in writing by Telstra. The Independent Chairman can only be chosen, removed or have the terms of his/her appointment changed by resolution of the Directors.

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, senior managers and employees while administering Telstra Super.

## Important information

### Telstra Super Trust Deed changes

The Telstra Super Trust Deed sets out the rules by which Telstra Super is managed. There were several amendments made to the Trust Deed in the 2003/2004 year.

Amendments were made to:

- retrospectively reflect the introduction of unitised returns
- update provisions relating to Telstra Corporation Ltd as our 'principal employer' in terms of appointing investment managers
- rectify an anomaly in division 8 provisions
- extend death and total and permanent invalidity cover of members of divisions 2, 6, 7 and 9 for 30 days after these members cease employment
- provide an automatic transfer of members to division 4 when they cease employment

- enable all members with accumulation accounts to receive eligible spouse contributions, and
- formally reflect the Trustee's ability to open an accumulation account for division 2 members should they receive refunds of surcharge and co-contributions.

You can read the Telstra Super Trust Deed online at [www.telstrasuper.com.au](http://www.telstrasuper.com.au) or request a copy by writing to the Company Secretary at Telstra Super Pty Ltd, PO Box 14309, MELBOURNE VICTORIA 8001.

### Surcharge

Surcharge is a tax on deductible contributions for high-income earners. The maximum surcharge tax rate decreased from 15% to 12.5% on 1 July 2004, with a further reduction to 10% planned for 2005/2006 and subsequent years.

If you have an accumulation account (including a Voluntary Accumulation Account) and we receive a surcharge assessment for you, the amount of your surcharge assessment is 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 will then apply against your Surcharge Account. If you did not pay the amount in your Surcharge Account by the date nominated on your assessment, interest was charged to this account and 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 2003/2004 was 5%, increasing to 6% for the 2004/2005 year.

\*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 2004 are listed below.

#### Towers Perrin

Actuarial advisers/asset consultants

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#### Ernst & Young

External auditors

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#### Freehills

Legal advisers

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#### National Australia Bank Limited

Master Custodian

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### 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
- to change asset allocation in a timely and cost effective manner.

Telstra Super Pty Ltd monitors the use of derivatives by:

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

## Our investment managers

The following table lists Telstra Super Pty Ltd's investment managers as at 30 June 2004.

### Cash

BT Funds Management Ltd

Macquarie Investment Management Ltd

### Australian fixed interest

Alliance Capital Management Australia Ltd

### International fixed interest

Black Rock Financial Management Inc

PIMCO Australia Pty Ltd

### Australian equities

Barclays Global Investors Australia Ltd

Jenkins Investment Management Pty Ltd

Merrill Lynch Investment Managers Ltd

Perpetual Investment Management Ltd

Portfolio Partners Ltd

Schroders Investment Management Australia Ltd

State Street Global Advisers, Australia Limited

Telstra Super Pty Ltd

### International equities

BIAM Australia Pty Ltd

BNP Paribas Asset Management

Clay Finlay Inc

Colonial First State Investments Ltd Inc

MFS Institutional Advisors (Australia) Ltd

Turner Investment Partners, Inc

Wellington Management Company, Pte Ltd

### Property

AMP Capital Investors Limited

Telstra Super Pty Ltd

### Private equities

Adam Street Partners LLC

Harbour Vest Partners LLC

Wilshire Australia Pty Ltd

### Currency overlay

Pareto Partners Australia Pty Ltd

### Asset allocation overlay

Telstra Super Pty Ltd

### Collective investments

#### Property trusts

AMP Capital Investors Limited

Fiduciary International Real Estate

Lend Lease Global Property SICAF

(Ochtar Capital Partners (UK) Limited)

Lend Lease Real Estate Investments Ltd

Colonial First State Property Limited

#### Infrastructure

Hastings Funds Management Limited

#### Fixed interest

ME Portfolio Management Limited

#### International equities

National Corporate Investment Services Limited

#### Private equities

Quay Partners Pty Ltd

#### Hedge funds

Colonial First State

BT Financial Group Pty Limited

UBS Global Asset Management (Australia) Ltd

## Contacting us

If you have any questions about Telstra Super or your membership you can...



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

available 24 hours a day,  
7 days a week



**Call 1800 033 166**

Our Member Services  
Consultants are available from  
8.00am to 5.30pm (Melbourne  
time), Monday to Friday



**Fax 03 9653 6060**

This fax line is dedicated  
to member enquiries



**Write**

Telstra Super Pty Ltd  
PO Box 14309  
MELBOURNE VIC 8001



