



**Your
Annual
Report**
2013/2014

**This report is about
our most important
member...**





You

Everyone's retirement dream is unique

Relaxing and slowing down is perfect for some, while others dream of excitement and exploring the world. Whatever your dream, we help you live it.

About Telstra Super

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

We are Australia's largest corporate superannuation fund with over \$15 billion* in assets invested on behalf of over 100,000 members.

We strive every day to deliver better outcomes for our 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 ASX 300 shares 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 your account via SuperOnline
- member education seminars to help our members get the most out of their super.

Telstra Super has an alliance with leading health fund HCF to give our members access to quality health cover at a lower price.

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 value diversity and openness, and treat ourselves and our members with respect.
- **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

* As at 30 June 2014

† 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.

Contents

The TelstraSuper logo is positioned in the upper right quadrant of the page. It features the word 'TelstraSuper' in a white sans-serif font, followed by a small icon of a grid of dots. The logo is set against a large, semi-transparent white circle that overlaps with a decorative dotted line that curves across the page from the top left towards the bottom right.

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About this Annual Report

This Annual Report is for the 2013/2014 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 1 October 2014.

Any general advice in this Annual 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 investment decision, 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** (AEST) Monday to Friday.

www.telstrasuper.com.au

Chief Executive Officer's Report



Welcome to Telstra Super's 2013/2014 Annual Report. It has been a busy year for us and we are proud to present you with this summary of our achievements over this period, as well as tell you more about our future focus.

Chris Davies

Chief Executive Officer



Since starting with Telstra Super last year, I have been proud to lead a united team working hard for the benefit of our members, from releasing new products, winning awards, to the everyday tasks involved in facilitating positive member outcomes. Alongside that we have been working to explicitly express our mission and shared goal of helping members of the Telstra family build a financially secure future.

Results to be proud of

We were pleased to continue to show our commitment to building your retirement savings through strong investment performance, with eight of our investment options achieving double-digit returns for the financial year. These positive short-term results are supported by strong mid- to long-term returns, with a further five investment options also returning above 10% over a five year period. You can find out more details about our investment performance on page 22.

We were also proud to take home the SuperRatings Super of the Year 2014 award, against a strong group of other finalists. The award validated our commitment to going above and beyond in our efforts to provide members with first-class benefits and services.



Investment choice and flexibility

Telstra Super is committed to meeting our members' needs through providing a range of investment options and being on the forefront of investment product development. In September 2013 we saw the delivery of Direct Access, a new option that provides greater control to our members. We have seen many members express interest in this new option, by registering for Direct Access or seeking more information via our education seminars and online resources, and look forward to continuing to educate our members on the choices available to them.

A focus on our members

Even for those who work in the industry, superannuation and investments can be complex subjects to understand. We are dedicated to providing a wide range of resources to assist members in increasing their knowledge about these very important subjects. Over the last year, 18,203 members have obtained information from Telstra Super Financial Planning over the phone, 3,641 have attended seminars in person or online and our website has been visited over 650,000 times. This is just a small sample of the ways we reach out to members; you can find out more on page 17.

Our mission and values

We recently developed a new strategic plan that sets the direction for the Fund for the next five years. A key part of this has been explicitly expressing our purpose and priorities – activities that have helped us solidify our position as a strong corporate citizen and continue to operate for the sole purpose of our members.

We exist to help our members build a financially secure future, and this is our commitment to you.

We do this by:

- putting our members first
- being respectful, and valuing diversity and teamwork
- empowering our people, and
- challenging the norm.

These values serve as a compass for our actions and show how we work every day to help our members save for the retirement they want. We are passionate about delivering on our purpose, and we hope that you see evidence of our commitment and values when you come in contact with us.

We are proud to be Telstra Super; proud to be part of the Telstra family; proud to be not-for-profit and proud to put our members first.

Chris Davies
Chief Executive Officer

Chairman's Report



It is my pleasure to look over the past financial year and share some of the highlights of the last 12 months with you.

David Leggo

Chairman



It has once again been an active year for Telstra Super, with significant changes to superannuation made by the Australian Government, the Fund welcoming Chris Davies on board as Chief Executive Officer, the development of a new strategic plan and the continued expansion of our investment range. Our team has risen to the challenge once again, and is proud to provide not only strong investment performance but a range of industry-leading benefits and services to help you in your journey towards retirement and beyond.

The people of Telstra Super

We were pleased to welcome a new Chief Executive Officer in Chris Davies in October 2013, following the retirement of Martin Crowe. Martin led Telstra Super through an important development period, and the Board and I would like to thank him for his service.

Since commencing in this role, Chris has settled in well and hit the ground running. It has been great to watch Chris inspiring our team as he quickly earned respect and admiration through his knowledge and passion for the work that we do.

I would also like to acknowledge the hard work and dedication shown again by our staff and Board of Directors over the last year. They have worked tirelessly and met all legislative and corporate deadlines, while simultaneously maintaining a keen focus on doing all they can to help members build their retirement savings.

I look forward to continuing to work with Chris, our staff, Senior Management Team and Board of Directors as the Fund heads into its next phase of evolution.



Reform and governance

Much focus has been placed on legislative and regulatory reform over the past few years, particularly with the introduction of Stronger Super, a government initiative designed to improve Australia's superannuation system by better safeguarding the retirement savings of all Australians. We were pleased to receive our MySuper licence and have offered a MySuper arrangement to our members since November 2013.

Telstra Super takes governance, disclosure and the systemic transparency of the superannuation system seriously, and so in this year's report you will also notice an increased focus on governance. We believe that strong governance is imperative to success, and we are committed to maintaining our robust governance framework. You can learn more about our governance and disclosure on page 31.

Welcomes and farewells

I would like to formally welcome Bronwyn Clere to the Telstra Super Board of Directors. Bronwyn joined the Board in December 2013, and has a strong background in the financial services industry. Bronwyn, along with the rest of the Board, has made a significant contribution to the development of our corporate strategy, and we look forward to working with her further.

On behalf of the Board, management and members of Telstra Super, I would also like to recognise Carmel Mulhern, who retired from the Board this year. We thank Carmel for her service and wish her all the best with her further endeavours.

Strategy for future success

This year has seen significant work undertaken on the development of our new strategic plan. Many people in the organisation put a lot of time and effort into creating a clear, comprehensive plan that is designed to outline the strategic pathway, objectives and priorities for Telstra Super. I'd like to congratulate them on a job well done, and the Board and I look forward to working with Chris and the team to execute the strategy and provide even more value to our members. Chris Davies' CEO Report on page 4, gives more detail on our strategic direction, goals and values.

It's all about you

The recent formalisation of our cultural values has been a rewarding process, and I am fortunate to see these values in practice every day at Telstra Super, by both the Board and the staff. We are passionate about helping you achieve your retirement dreams, and I believe that the results from this past year and the work we've done towards future success demonstrates that.

A handwritten signature in black ink that reads "David Leggo".

David Leggo
Chairman



Contribute for the future you want

Contributing a little extra to your super now could make a big difference to your retirement.

Experts say the currently legislated 9.5% Superannuation Guarantee contributions are not enough to maintain our lifestyles in retirement. Also, increasing life expectancies make it even more important to consider how you will fund your retirement.

It's easy to be intimidated by the huge totals we're told we'll need when we reach retirement, but you can make a big difference to your retirement benefit with just a few small steps – starting with additional contributions.

The sooner you start to contribute the better, because you benefit from years of compound interest* to grow your balance. Contributing a little more as early as possible could help you get the most out of your retirement savings.

Have you ever saved for something you really wanted or needed?

Saving for retirement is both – you want it to be comfortable and you need to ensure you have enough income to live the life you want in retirement.

**35
Years**

* please note interest can be negative as well as positive

Board of Directors

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 Telstra Super Trust Deed 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.

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. Telstra Super's Board of Directors for the 2013/2014 financial year is set out here.



Mark Hall

Employer Director

Mr Hall is Deputy Chief Financial Officer at Telstra Corporation Ltd and has worked in various finance, planning and performance analysis roles for the company since joining in 1992. He is also on the Board of TelstraClear, 1300 Australia and 3GIS. Prior to Telstra Corporation Ltd, he worked in chartered accounting, for the Commonwealth Government and Australian Airlines.

Mr Hall was appointed as a Director of the Trustee Board at Telstra Super in January 2012.



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.



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.

Carmel Mulhern resigned from the Board of Directors on 3 October 2013.



Ian McCarthy

Member Director

Mr McCarthy was the NSW Telecommunications and Services (T&S) Branch Secretary for the Communications Electrical Plumbing Union (CEPU), and also the chair for the NSW Communications Industry Training Advisory Board. Previously, he was a Technical Officer at Telstra Corporation Ltd and a Federal Industrial Officer for the Australian Telecommunications Employees Association.

Mr McCarthy was appointed as a Director of the Trustee Board at Telstra Super in July 2002.



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 on 4 December 2013.



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.



David Kirton

Employer Director

Mr Kirton is Executive Director and Corporate Controller at Telstra Corporation Ltd, and has worked in a range of Telstra business units at an executive level since joining Telstra in 1998.

Mr Kirton was appointed a Director of the Trustee Board at Telstra Super in September 2012.



Michael Fisher

Member Director

Mr Fisher is the Superannuation Policy Officer at the Australian Council of Trade Unions (ACTU), where he has worked closely on recent reforms to the superannuation system. Prior to this, he served as a policy officer for the Public & Commercial Services Union in the UK. Mr Fisher has also served as a trustee director on the board of the Australian Government Employees' Superannuation Trust (AGEST) since 2010 until its merger with AustralianSuper in 2013.

Mr Fisher was appointed a Director of the Trustee Board at Telstra Super in September 2012.



Gregg Rowley

Employer Director

Mr Rowley is Executive Director Retail Strategic Change at Telstra. Prior to joining Telstra in 2010, he has worked in the telecommunications industry for over 20 years in both Australia and Asia, including being VP Asia Pacific for internet security company Verisign.

Mr Rowley was appointed a Director of the Trustee Board at Telstra Super in May 2013.

Senior Management Team

The day-to-day administration and management of Telstra Super is the responsibility of the Senior Management Team.

All senior managers lead a business unit and carry responsibility for specific areas of Fund operations.



Paul Curtin

Chief Financial Officer
General Manager, Strategy and Technology

Paul is responsible for Finance, Business Intelligence, the Projects Office and Technology solutions for Telstra Super and Telstra Super Financial Planning.

Paul attends meetings for Telstra Super's Audit, Risk and Compliance Committee and is a member of the Investment Committees. He is the Fund's AML/CTF Compliance Officer.

Paul joined Telstra Super in February 2013 and was appointed to his current role in April 2014. He was previously the Chief Financial Officer for industry superannuation fund Vision Super, and has also worked in the Financial Services practice of KPMG.



Chris Davies

Chief Executive Officer

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

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.

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



Jim Christensen

Chief Investment Officer

Jim manages Telstra Super's investments, which represent over \$15 billion. Jim joined Telstra Super in January 2010 as Chief Investment Officer. He is responsible for designing and implementing investment strategies to ensure that Telstra Super's investment options meet their objectives in an efficient and cost-effective manner.

Prior to this, Jim was Managing Director of Queensland Investment Corporation's (QIC) active management division.



Steve Miller

General Counsel and Company Secretary

Steve manages all legal matters for Telstra Super Pty Ltd. He is the Board's Company Secretary. He also leads the People & Culture unit and is the Fund's Privacy Officer.

Steve manages all legal matters, and is Company Secretary, for Telstra Super Financial Planning Pty Ltd.

Steve joined Telstra Super in 2002 and was appointed to his current role in 2008. Prior to joining Telstra Super, Steve practised law in a large private practice firm in Melbourne.



Leigh Heyward

Manager, Risk and Compliance

Leigh is responsible for the planning, execution and reporting of all Internal Audit, Compliance and Risk Management accountabilities across Telstra Super, and reports to the Telstra Super Audit, Risk and Compliance Committee. Leigh is also responsible for reporting to the Telstra Super Financial Planning Board.

Leigh joined Telstra Super in May 2011 and was appointed to his current role in February 2012. Leigh is a Chartered Accountant and previously held audit and risk management roles at KPMG, National Australia Bank and ANZ Banking Group.



Gordon Williamson

General Manager Operations

Gordon manages all member service, pension and administration functions of the Fund, including the contact centre, transactional processing, employer services, insurance and benefit payments.

Gordon rejoined Telstra Super in 2000 and was appointed a General Manager in 2003. Prior to joining Telstra Super, Gordon held roles with National Mutual, Noble Lowndes and Plum Financial Services.



Jean-Luc Ambrosi

General Manager Marketing

Jean-Luc manages the Marketing, Member Education, Partnership Relations and product development teams. He provides critical input and analysis to Telstra Super's business strategy and 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.



Ivan Jones

General Manager Telstra Super Financial Planning

Ivan is responsible for Telstra Super Financial Planning, which provides members with financial planning services. He was appointed to the position in August 2011.

Ivan has over 20 years' experience in financial services across a number of organisations, in particular in superannuation, financial planning and advice.



To find out more about our Directors and Senior Management Team, visit www.telstrasuper.com.au/governance

How much is enough?

Having an adequate amount of insurance cover is almost as important as having the cover itself. See what insurance options may be available to you by visiting www.telstrasuper.com.au/insurance

45
Years



Protect yourself and your family with insurance

Having insurance cover is an important part of a financial plan and can provide a much-needed safety net for you and your family should death or disability occur.

Have you considered what happens if you were to face serious illness, death or total and permanent disablement? Would your family be able to cope financially? Insurance for accidents and illness can provide a sense of security for you and your loved ones.

We recognise the importance of adequate levels of insurance and are committed to providing our members with access to comprehensive, affordable and convenient cover through the Fund. Below are the main areas of insurance cover we offer:

- Death and Total & Permanent Disablement (TPD) cover
- Income protection cover
- Terminal illness benefit
- Top-up cover
- Life Events cover.

As a member of Telstra Super you also have access to discount health insurance with leading health fund HCF.

Having the right insurance will help ensure you or your family can manage ongoing costs such as maintaining your family's lifestyle and home, children's education and other expenses such as hospital/medical costs, rehabilitation, home repairs or upgrades as a result of permanent disablement – without unnecessary stress.

Please note that different Telstra Super membership groups have different types and levels of insurance available; see the Insurance Guide applicable to you for the eligibility criteria and options available.

Achievements in 2013/2014

as at 30 June 2014

Double-digit returns

for eight out of our investment options.*

Education

We helped our members understand superannuation by delivering 322 member education seminars across Australia and online.

Advice

7,394 members received a helping hand towards their retirement dreams by seeking advice from Telstra Super Financial Planning.

Life-stage strategy

We launched the Telstra Super MySuper arrangement; a default lifecycle investment strategy consisting of three investment stages: MySuper Growth for members aged under 45, MySuper Balanced for members aged 45 to under 65, and MySuper Conservative for members aged 65 and over.

\$15,482,674,689
in assets.

New investment choices

We launched Direct Access during the 2013/2014 year, giving members more control and freedom over their investments.

Award-winning fund

'Super of the Year 2014'
by SuperRatings†

7 year Platinum Performance 2007-2014
by SuperRatings in recognition of being rated a Platinum super fund for 7 consecutive years†.

Member snapshot

as at 30 June 2014



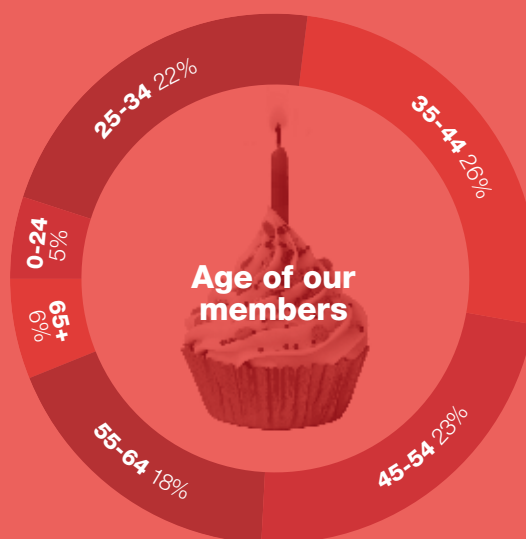
60% Male
40% Female

100,620

members building their retirement dreams with us.

482,191

visits to SuperOnline.



Age of our members

3,641

attended a member education event.

650,581

visits to our website.

59,678

inbound phone calls.



Member education

Helping members navigate the super journey

Taking the time to learn about your super and investments is an important step towards living your retirement dream. At Telstra Super we provide an extensive range of general information, education and advice options to support you on your super journey; why not take a little time to get to know your super today?

Seminars

Seminars are a great way to get information face-to-face or online to learn more about a range of topics and issues related to super, the industry and the retirement savings options available.

Site visits

We also arrange for our Member Education Consultants to visit Telstra Group employees at their workplace to provide information and assistance. To find out more about site visits, call us on **1300 033 166** and ask for a Member Education consultant.

On the phone

Our Member Contact Centre team are a group dedicated to delivering quality support and care to our members; find out more on page 35.

Online at www.telstrasuper.com.au

Our website is a valuable resource with a comprehensive range of super-related information. Here, you can:

- learn about the super, investment, insurance and financial advice options available to you
- watch quick and informative Super Bites videos
- discover our Super Factsheets
- catch up with the latest news from Telstra Super
- peruse our newsletters and publications
- register for a seminar and much, much more.

Visit www.telstrasuper.com.au for more information.

Telstra Super Financial Planning

Telstra Super Financial Planning can provide personal financial advice to develop a strategy tailored to your objectives, financial situation and needs; you can find out more on page 21.

We are here to help you build a financially secure future, and give you the information you need, when you most need it, in the way you want it.

Chief Investment Officer's Report

The 2013/2014 financial year was a positive year in the investment landscape, both globally and locally, and another particularly strong year for Telstra Super's investment returns.

Jim Christensen
Chief Investment Officer



Although a stream of unsettling geopolitical events globally caused some concern among investors, the global economy remained relatively stable, and growth continued at a moderate pace over much of the year. Investment performance across the superannuation industry was aided by the very strong returns in the Australian and international equity markets.

World

While the recovery in Europe is still fragile, European stock markets performed solidly in 2013/2014, with the German Aktien Index (DAX) rising 23.5%. Global economic growth continued to improve despite several unsettling events, such as the US federal government shutdown, the tightening of credit in China, conflict in the Middle East and geopolitical tensions in Europe. In the UK the FTSE 100 index returned 8.5% over the year as the economy strengthened and the market speculated on interest rate rises before the end of 2014.

The US was a bright spot over the year, with the economy looking like it is back on the road to recovery. Although extreme winter weather in early 2014 slowed momentum somewhat, data suggests that the US economy grew at a moderate pace over the last few months of the year, aided by a strengthening labour market and the Standard & Poor's 500 index rising by 22%.

In China, indicators of economic growth generally held steady with GDP growth finishing the financial year at 7.7%, although doubts remain around the sustainability of growth of this level over the medium term.



Australia

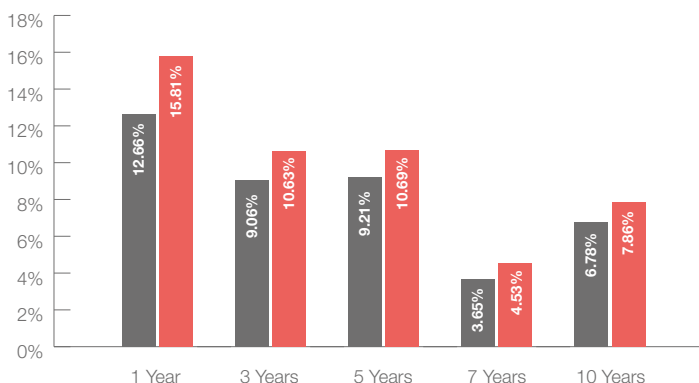
While the Australian economy grew at a solid rate over the past year, future growth prospects are challenged by a decline in both mining and non-mining investment, sluggish growth in consumer spending and a strong exchange rate. Despite the challenging growth outlook, the Australian stock market rose strongly last year, with the All Ordinaries index generating a total return of 17.6%.

Interest moved lower across 2013/2014, with both long-term interest rates and the cash rate falling by around 0.25% in the year. Commodity prices were generally firmer in 2013/2014, with gold, oil and metal prices all rising in the year. The Australian dollar also moved slightly higher over the year, rising by 0.8% on a trade weighted basis.

Super

It was another strong year for the performance of Australian superannuation funds, which helped to boost members' retirement savings. At Telstra Super we strive to deliver better outcomes for our members, and pleasingly we were named the best performing superannuation fund among funds surveyed for five out of our ten investment options by the independent ratings agency, SuperRatings*.

Our Balanced investment option was ranked first among the funds surveyed by SuperRatings for the financial year, with a return of 15.81% for the year compared to the relative median outcome of 12.66% – a satisfying result for our members.



Our performance in the last year was aided by a reasonably high exposure to alternative asset classes, with property increasing by 14%, infrastructure by 19%, hedge funds by 16.5% and private equity by 21%. While we are pleased to see such strong performance, it is important to note that these recent outcomes are high by historical standards.

In conclusion

Over the next year, the Australian economy is expected to face several key challenges. Domestically, the decline in mining investment has some way to run, and is likely to gather speed as large mining projects reach completion. However, global economic growth should continue to gradually improve, which is broadly positive for market outcomes. Geopolitical risks will remain and the global economy is yet to recover from the other effects of the global financial crisis.

Despite the continuing uncertainty, you can be assured we will continue to monitor and manage your superannuation investments in order to help you meet your long-term objectives.

Jim Christensen
Chief Investment Officer

■ SuperRatings SR50 Balanced Index median
■ Telstra Super Balanced

*SuperRatings Fund Crediting Rate Survey, June 2014. Find out more at www.superratings.com.au/ratings.



NATIONAL PARKS
AUSTRALIA THE BEAUTIFUL



Must Do's

- SA - Cooper's Range - Wilderness Trip
- NT - Johnston Hill - Coal Burna
- NT - Katherine Gorge - Gorge
- WA - Peter Valley - Bush
- Qld - Thursday Island - Beach
- SA - Kangaroo Island - Wildlife
- QLD - Mullabor Lakes - Golf
- WA - Nambung National Park - Pinnacles
- WA - Redwood National Park - Ghost
- WA - Shark Bay - Dugong
- WA - Lake Argyle - Huge
- WA - Lake Sturge National Park - No mail walking
- NSW - Chalk Hills

**55
Years**

Planning for success

You wouldn't set off on a road trip around Australia without making sure your vehicle can make the distance. Whilst you can't predict the future, you can make sure you are prepared.

When it comes to making sure your retirement is as comfortable as it can be, having a financial plan can help get you where you want to be. Telstra Super members can access personal advice through Telstra Super Financial Planning about their Telstra Super account including advice about contributions, investments, insurance and retirement planning options at no additional cost as part of their Telstra Super membership. An Advice Fee is payable for other personal advice. For further information visit www.telstrasuper.com.au/advice

Advisers from Telstra Super Financial Planning are experts in providing superannuation-related advice, have in-depth knowledge of Telstra Super's range of products, and can provide advice on areas such as:

- your current super arrangements
- your rollover options
- contributions
- investment choice
- insurance available through Telstra Super
- retrenchment
- retirement planning
- non-super investments (managed funds).

Telstra Super Financial Planning can assist you to develop a strategy tailored to your individual circumstance to help you to plan ahead to maximise your retirement lifestyle. You can find out more by visiting www.telstrasuper.com.au/advice

Make a plan

Last year, Telstra Super Financial Planning provided assistance to Telstra Super members through 18,203 phone conversations and 7,394 meetings.

To discuss your advice needs, please call Telstra Super Financial Planning on **1300 033 166**.

Investment Performance

The table below shows the results for each of Telstra Super's investment options (apart from Direct Access) for the financial year. A more detailed explanation of our investment options (apart from Direct Access) and their investment returns over the last five years (where available) starts on page 24. For information about Direct Access investment performance, go to page 29.

2013/2014 investment returns

The figures below show 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	Accumulation member returns*	Telstra Super RetireAccess member returns*
Growth	17.99%	19.82%
Balanced	15.81%	17.70%
Diversified Income[†]	10.67%	11.60%
Defensive Growth	13.00%	14.35%
Conservative	10.39%	11.50%
International Shares	19.93%	21.96%
Australian Shares	18.87%	20.33%
Property	12.95%	14.76%
Fixed Interest	5.77%	6.65%
Cash	2.61%	3.01%

* 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.

As at 30 June 2014 Telstra Super's Australian Shares investment option contains a small percentage of shares not listed on an Australian stock exchange (ASX). This has resulted from the removal of 21st Century Fox (FOX) from the ASX, effective 1 May 2014. For more information, see your relevant Product Disclosure Statement, available on our website www.telstrasuper.com.au/pds

How your super performed this year

Investment returns are allocated to your super account based on the daily 'sell' unit price of the investment option(s) you are invested in. You can check these on our website daily.

Unit prices

The opening and closing sell unit prices for units in each of the investment options for the 2013/2014 financial year are listed below.

Investment option	Accumulation*		Telstra Super RetireAccess [†]	
	1 July 2013 opening unit price	30 June 2014 closing unit price	1 July 2013 opening unit price	30 June 2014 closing unit price
Growth	2.00107	2.35583	2.21905	2.65306
Balanced	2.00490	2.31681	2.21486	2.60121
Diversified Income[‡]	1.10372	1.16505	1.11653	1.17962
Defensive Growth	1.26656	1.42804	1.29410	1.47655
Conservative	1.77830	1.95867	1.93649	2.15446
International Shares	1.82266	2.18113	2.00834	2.44388
Australian Shares	2.60134	3.08535	2.93531	3.52426
Property	1.34849	1.51971	1.41585	1.62119
Fixed Interest	1.52034	1.60444	1.63119	1.73583
Cash	1.47395	1.50914	1.57491	1.61877

* This unit price is applicable to Telstra Super Personal Plus, Telstra Super Corporate Plus, Telstra Super Casuals, Sensis Super Plus Accumulation and Voluntary Accumulation Accounts or other accumulation accounts held by defined benefit members. Percentage-based administration fees, tax and investment management fees have been deducted from these unit prices, but dollar-based administration fees, insurance and transaction costs as applicable have not.

† These unit prices include percentage-based administration fees and investment management fees, but exclude dollar-based administration fees, insurance and transaction costs as applicable. Telstra Super RetireAccess returns are not subject to tax.

‡ Unit prices include any accrued distribution amounts until they are paid into the accounts of eligible members effective the first day of each calendar month and are invested in the Cash option.

Comparing our performance to others

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. Data for funds surveyed by SuperRatings shows that for the 2013/2014 financial year, Telstra Super outperformed the survey median for all of the 10 investment options shown in the table below. Our results for the past five years are even more pleasing, with seven of these investment options performing above the survey median. We were also proud that five of these investment options ranked first among the funds surveyed by SuperRatings, and four of these investment options surpassed the relevant SuperRatings median by more than 3%.

Investment option	1 year		5 years	
	Telstra Super	Survey median	Telstra Super	Survey median
Growth	17.99%	14.01%	11.48%	9.96%
Balanced	15.81%	12.66%	10.69%	9.21%
Diversified Income*	10.67%	9.76%	N/A	N/A
Defensive Growth*	13.00%	9.76%	N/A	N/A
Conservative	10.39%	7.34%	8.25%	7.14%
International Shares	19.93%	17.63%	11.61%	10.39%
Australian Shares	18.87%	16.77%	11.80%	10.72%
Property	12.95%	9.09%	11.60%	11.13%
Fixed Interest	5.77%	5.52%	6.51%	7.03%
Cash	2.61%	2.42%	3.49%	3.40%

* The Defensive Growth option was introduced on 1 July 2010 and the Diversified Income option was introduced on 1 July 2012. 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 2014. Find out more at 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 12 month and 5 year period ending 30 June 2014 (where available). 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 from your defined benefit. However, Telstra Super invests both employer and member defined benefit contributions in line with the defined benefit investment objectives and strategies.

Our defined benefit investment objectives	Our defined benefit investment strategy	Defined benefit net earning rates
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> the defined benefit net earning rate was 10.57% on our investment portfolio for 2013/2014.*

* 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.

Investment Performance

Asset allocations as at 30 June 2013 and 2014 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 your relevant Product Disclosure Statement.

Growth option

2013/2014 returns

17.99% Accumulation member returns
19.82% *Telstra Super RetireAccess* member returns*

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+4%p.a.

Investment timeframe

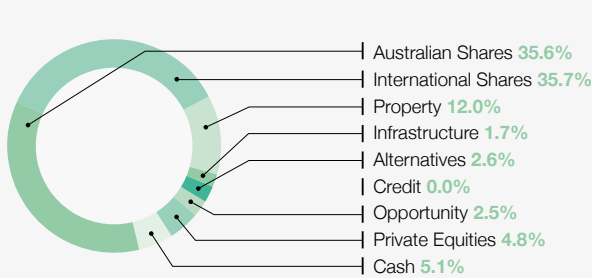
7 and 10 year periods.

Risk objective

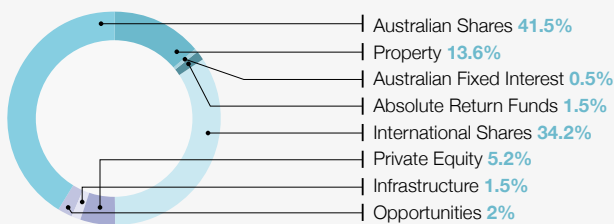
A high level of risk generating 4 to less than 6 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2013/2014	17.99%	19.82%
2012/2013	19.62%	22.31%
2011/2012	-2.23%	-2.58%
2010/2011	11.40%	13.65%
2009/2010	12.01%	15.02%
5 year returns	11.48%	13.47%

* *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

2013/2014 returns

15.81% Accumulation member returns
17.70% *Telstra Super RetireAccess* member returns*

Investment strategy

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

Return objective

Outperform CPI+3%p.a.

Investment timeframe

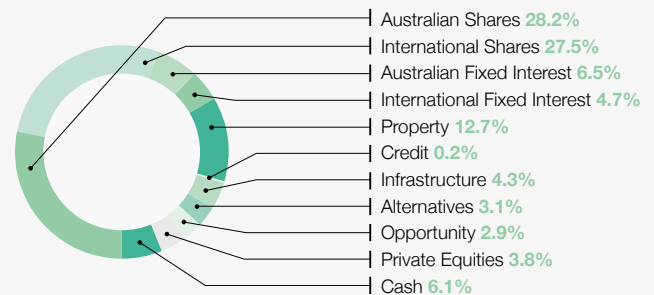
5 and 10 year periods.

Risk objective

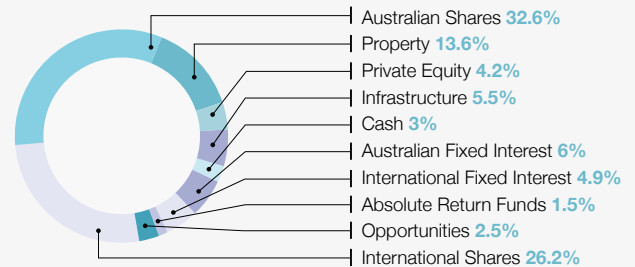
A high level of risk generating 4 to less than 6 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2013/2014	15.81%	17.70%
2012/2013	16.91%	19.94%
2011/2012	0.00%	-0.02%
2010/2011	10.64%	12.57%
2009/2010	10.94%	13.13%
5 year returns	10.69%	12.44%

* *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

2013/2014 returns

10.67% Accumulation member returns
11.60% *Telstra Super RetireAccess* member returns*

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

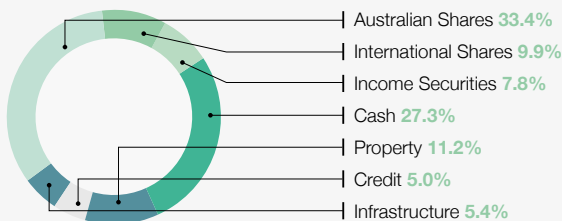
4 - 6 year period.

Risk objective

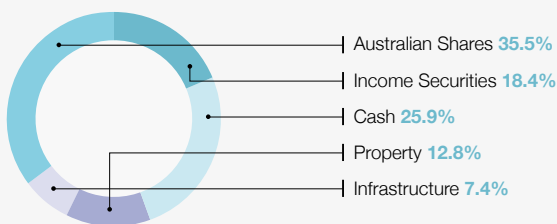
A high level of risk generating 4 to less than 6 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2013/2014	10.67%	11.60%
2012/2013	14.84%	16.29%
2011/2012†	n/a	n/a
2010/2011	n/a	n/a
2009/2010	n/a	n/a
5 year returns	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

2013/2014 returns

13.00% Accumulation member returns
14.35% *Telstra Super RetireAccess* member returns*

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

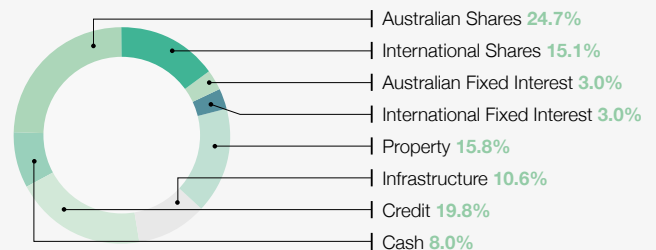
2 and 6 year periods.

Risk objective

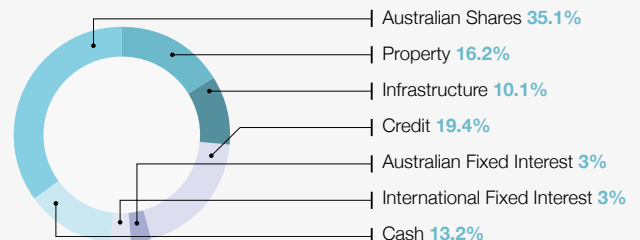
A medium to high level of risk generating 3 to less than 4 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2013/2014	13.00%	14.35%
2012/2013	11.59%	13.33%
2011/2012	5.34%	4.45%
2010/2011	10.09%	11.54%
2009/2010†	n/a	n/a
5 year average	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 2010 and as such, investment returns are not available for prior periods.

Past performance is not a reliable indicator of future performance.

Conservative option

2013/2014 returns

10.39% Accumulation member returns
11.50% *Telstra Super RetireAccess* returns*

Investment 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 the long-term growth (return).

Return objective

Outperform CPI+2%p.a.

Investment timeframe

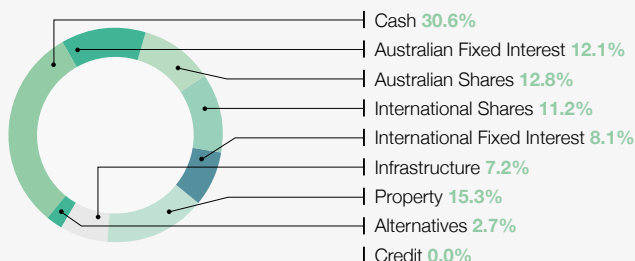
3 and 10 year periods.

Risk objective

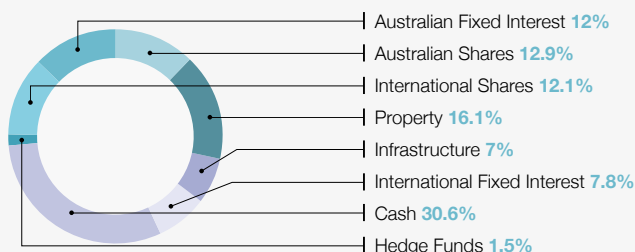
A low to medium level of risk generating 1 to less than 2 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2013/2014	10.39%	11.50%
2012/2013	10.58%	12.36%
2011/2012	3.46%	3.96%
2010/2011	8.56%	9.91%
2009/2010	8.41%	9.91%
5 year returns	8.25%	9.49%

* *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

2013/2014 returns

19.93% Accumulation member returns
21.96% *Telstra Super RetireAccess* returns*

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+5%p.a.

Investment timeframe

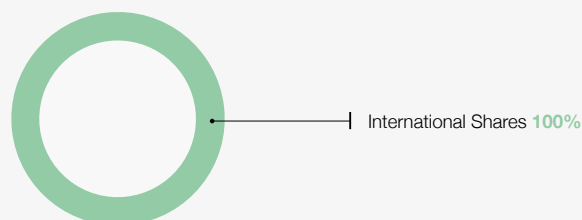
8 - 10 years.

Risk objective

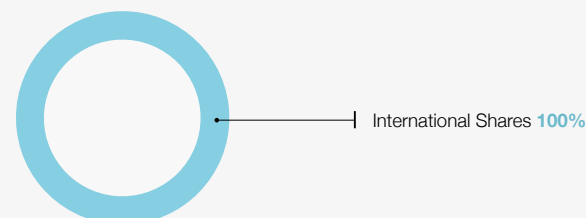
A high level of risk generating 4 to less than 6 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2013/2014	19.93%	21.96%
2012/2013	25.23%	30.54%
2011/2012	-5.29%	-5.98%
2010/2011	10.35%	12.56%
2009/2010	10.31%	12.25%
5 year returns	11.61%	13.59%

* *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

2013/2014 returns

18.87% Accumulation member returns
20.33% *Telstra Super RetireAccess* returns*

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+5%p.a.

Investment timeframe

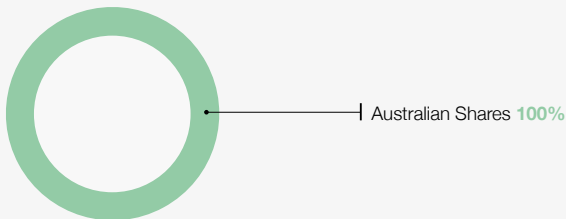
8 - 10 years.

Risk objective

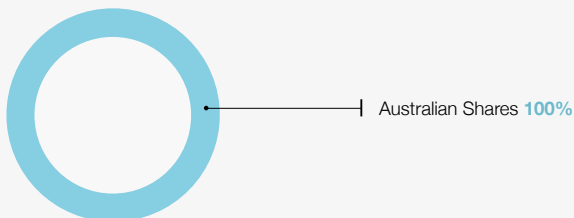
A high level of risk generating 4 to less than 6 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2013/2014	18.87%	20.33%
2012/2013	20.09%	23.58%
2011/2012	-4.22%	-5.13%
2010/2011	14.23%	16.21%
2009/2010	11.85%	15.71%
5 year returns	11.80%	13.66%

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

[^] As at 30 June 2014 *Telstra Super*'s Australian Shares investment option contains a small percentage of shares not listed on an Australian stock exchange (ASX). This has resulted from the removal of 21st Century Fox (FOX) from the ASX, effective 1 May 2014. For more information, see your relevant Product Disclosure Statement, available on our website www.telstrasuper.com.au/pds

Past performance is not a reliable indicator of future performance.

Property option

2013/2014 returns

12.95% Accumulation member returns
14.76% *Telstra Super RetireAccess* returns*

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

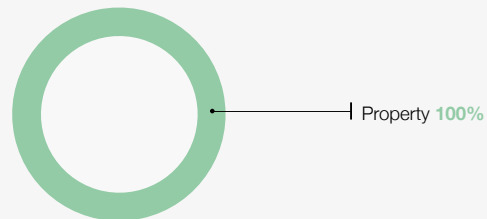
5 - 7 years.

Risk objective

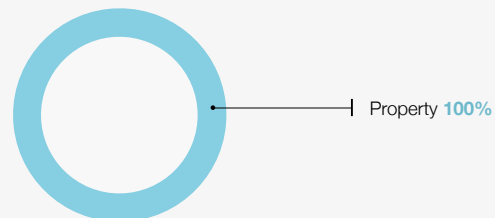
A medium to high level of risk generating 3 to less than 4 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2013/2014	12.95%	14.76%
2012/2013	8.89%	10.84%
2011/2012	5.26%	6.41%
2010/2011	10.55%	12.58%
2009/2010	20.97%	26.16%
5 year returns	11.60%	13.96%

* *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.

Fixed Interest option

2013/2014 returns

5.77% Accumulation member returns
6.65% *Telstra Super RetireAccess* member returns*

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+2%p.a.

Investment timeframe

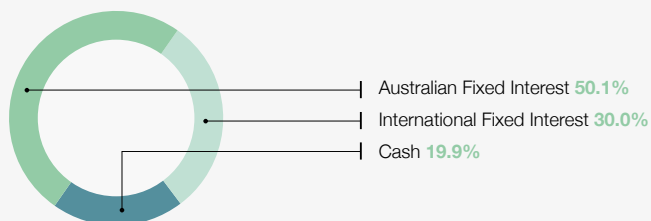
2 - 4 years.

Risk objective

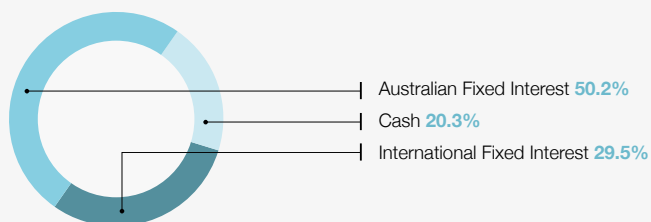
A low to medium level of risk generating 1 to less than 2 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2013/2014	5.77%	6.65%
2012/2013	4.41%	5.10%
2011/2012	7.67%	8.98%
2010/2011	6.20%	6.91%
2009/2010	8.54%	10.14%
5 year returns	6.51%	7.54%

* *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

2013/2014 returns

2.61% Accumulation member returns
3.01% *Telstra Super RetireAccess* returns*

Investment strategy

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

Return objective

Outperform CPI+1%p.a.

Investment timeframe

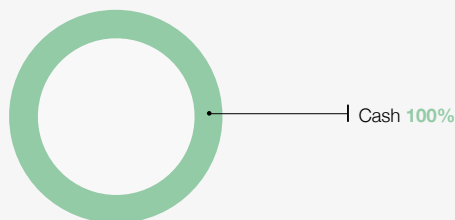
0 - 2 years.

Risk objective

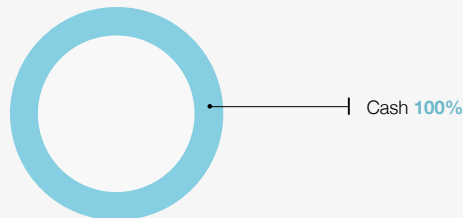
A very low level of risk generating less than 0.5 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns	<i>Telstra Super RetireAccess</i> returns*
2013/2014	2.61%	3.01%
2012/2013	3.18%	3.70%
2011/2012	4.14%	4.84%
2010/2011	4.24%	4.97%
2009/2010	3.29%	3.87%
5 year returns	3.49%	4.08%

* *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, and
- a range of approved term deposits.

Return objective

The return 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
- 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
- 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 the performance of the investments selected by individual members.

Investment performance

Investment returns depend on the investments (shares 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 term deposits and shares. 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 term deposits or shares 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: 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

MySuper Growth option

2013/2014 returns

17.99% Accumulation member returns

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+4%p.a.

Investment timeframe

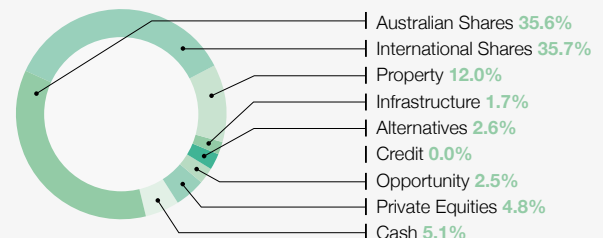
7 and 10 year periods.

Risk objective

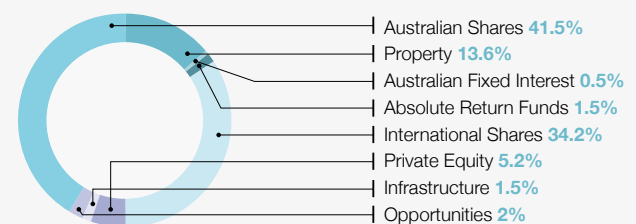
A high level of risk generating 4 to less than 6 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns
2013/2014	17.99%
2012/2013	19.62%
2011/2012	-2.23%
2010/2011	11.40%
2009/2010	12.01%
5 year returns	11.48%

Past performance is not a reliable indicator of future performance.

MySuper Balanced option

2013/2014 returns

15.81% Accumulation member returns

Investment strategy

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

Return objective

Outperform CPI+3%p.a.

Investment timeframe

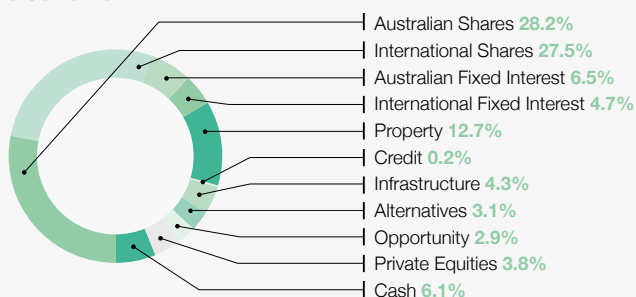
5 and 10 year periods.

Risk objective

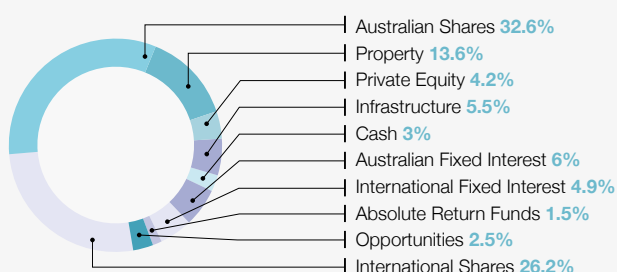
A high level of risk generating 4 to less than 6 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns
2013/2014	15.81%
2012/2013	16.91%
2011/2012	0.00%
2010/2011	10.64%
2009/2010	10.94%
5 year returns	10.69%

Past performance is not a reliable indicator of future performance.

MySuper Conservative option

2013/2014 returns

10.39% Accumulation member returns

Investment strategy

The MySuper 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 the long-term growth (return).

Return objective

Outperform CPI+2%p.a.

Investment timeframe

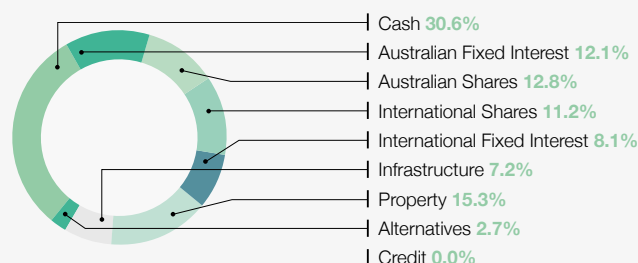
3 and 10 year periods.

Risk objective

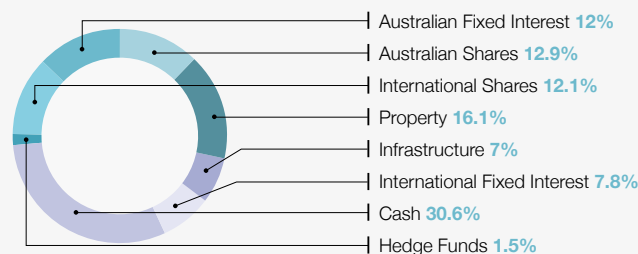
A low to medium level of risk generating 1 to less than 2 negative annual returns over any 20 year period.

Asset allocation

30 June 2014



30 June 2013



Performance

Year	Accumulation member returns
2013/2014	10.39%
2012/2013	10.58%
2011/2012	3.46%
2010/2011	8.56%
2009/2010	8.41%
5 year returns	8.25%

Past performance is not a reliable indicator of future performance.

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

Below is a description of the information you can find on our Governance page on our website.

www.telstrasuper.com.au/governance

- **Trust Deed**

The Trust Deed is a legally binding document that details how the Telstra Superannuation Scheme operates.

- **Special Determinations**

Special Determinations govern the more commonly exercised employer powers contained in the Trust Deed.

- **The Constitution**

The Constitution contains rules governing the operation of Telstra Super Pty Ltd as a company, and contains the rules relating to the nomination, appointment and removal of Trustee Directors.

- **About the Directors and Senior Management Team**

Here you can find information about our Directors and Senior Management Team.

- **Defined benefit actuarial reports**

Here you'll find the most recent actuarial report for each of our Defined Benefit divisions.

- **Disclosure documents**

This section holds documents such as the Telstra Super Product Disclosure Statements (PDSs), annual reports, as well as the annual financial statement for the previous financial year and Financial Services Guide (FSG).

- **Significant Event and Material Change Notices**

Here you will find a summary of significant event and material change notices issued to members in the previous two years.

- **Information about our range of specialist service providers**

This section includes the name and ABN of each outsourced service provider which provides a material business activity to Telstra Super.

- **Conflicts Management Framework**

Telstra Super has a Conflicts Management Framework in place to enable it to identify all potential and actual conflicts that may arise in the course of its business operations and to take action to ensure that conflicts are prudently managed. This section includes a summary of key policies and registers which form part of our Conflicts Management Framework.

- **Proxy voting policy**


This policy sets out the Trustee's approach to active ownership of the shareholdings held on behalf of the Telstra Superannuation Scheme.

So what does this mean for you?

By using best practice governance and disclosure practices, we are looking out for your best interests. Superannuation is serious, and we take our responsibility seriously.

You can find the above information and documents at

www.telstrasuper.com.au/governance

A hand is holding a pair of black leather shoes in a closet. The closet is filled with various clothing items, including a pink hat, a blue polka-dot dress, and a white flower. The background is a well-lit closet with shelves and hanging clothes.

A Transition to Retirement strategy could be a win—win for you.

A Transition to Retirement strategy can help you reap the rewards of a flexible, low-cost income stream through your super – even if you are still working.

**65
Years**



The best of both worlds

Retirement is changing. For many there is no longer necessarily a hard line where you stop work and start ‘being retired’ (or ditch the work wear and put on the casual clothes!). A Transition to Retirement strategy can give you the best of both worlds.

If you are over 55 but under your preservation age and still working, you can acquire a *Telstra Super RetireAccess** income stream under the Transition to Retirement rules in government legislation; many Telstra Super members are currently utilising a Transition to Retirement strategy.

The Transition to Retirement rules were introduced to help people ease into retirement by accessing some of their preserved superannuation savings, potentially cutting back on working hours and coming to terms with their lifestyle change. A Transition to Retirement strategy also enables those approaching retirement but still working to heavily salary sacrifice into super while at the same time receiving tax-effective income payments from a retirement income stream.

So, rather than setting a retirement date and stopping work altogether, you could continue to work part time, on projects or contracts, creating a lower-impact way to make the transition out of the working world. If this interests you, it is certainly worth considering a Transition to Retirement strategy; to find out if it could be right for you, make an appointment with Telstra Super Financial Planning by calling **1300 033 166** or by sending an email to appointments@telstrasuper.com.au

* *Telstra Super RetireAccess* offers income streams from the Telstra Superannuation Scheme, issued by Telstra Super Pty Ltd. Before deciding whether to acquire a *Telstra Super RetireAccess* income stream, consider the Product Disclosure Statement available from our website or on request from 1300 033 166. Eligibility criteria apply.

Investment Managers

As at 30 June 2014

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 outlined below.

Asset class specialisation

Property

- Brookfield Investment Management
- AMP Capital Investors Limited
- APN Funds Management Limited
- Fiduciary Trust International Australia Limited
- Valad Property Group Pty Ltd (Formerly Investa Properties Limited)
- Lend Lease Real Estate Investments Limited
- Warakirri Asset Management Pty Ltd
- Charter Hall Group
- Aveo Group Limited
- BlackRock Investment Management (Australia) Limited (Formerly Macquarie Global Property Advisors Limited)
- Federation Centres Limited

Australian fixed interest securities

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

Hedge funds

- Carlson Capital LP
- Och-Ziff Capital Management Group LLC
- Winton Capital Management Limited
- York Capital Management Global Advisors LLC
- MKP Capital Management LLC

Australian shares

- Schroders Investment Management Australia Limited
- AllianceBernstein Investment Management Australia Limited
- BT Funds Investment Management (Institutional) Limited
- Perpetual Investment Management Limited
- Antares Capital Partner Ltd (formally Aviva Investors Australia Limited)
- Legg Mason Asset Management Australia Limited
- Airlie Funds Management
- JCP Investment Partners Limited (Formerly JF Capital Partners Limited)
- Apostle Asset Management Ltd
- Bioscience Managers Pty Ltd
- PMF Cornerstone Limited

Infrastructure

- Hastings Funds Management Limited
- Whitehelm Capital (Formerly Access Capital Partners)
- RARE Infrastructure Limited

International shares

- Treasury Asia Asset Management Limited
- Ironbridge Capital Management
- Turner Investment Partners Pty Ltd
- Schroders Investment Management Australia Limited
- Pzena Investment Management LLC
- LSV Asset Management
- MFS Institutional Advisors (Australia) Limited

- Lazard Asset Management Pacific Co
- Morgan Stanley Investment Management (Australia) Limited
- MFS Institutional Advisors Inc
- Wingate Asset Management Pty Ltd

Opportunities

- Apollo Global Management LLC
- Babson Capital Management

International fixed interest securities

- PIMCO Australia Pty Ltd
- Franklin Templeton Investment Australia
- Brandywine Global Investment Management LLC
- Apollo Global Management LLC (Formerly Stone Tower Funds Management LLC)

Cash

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

Currency overlay

- Insight Investment Management Limited (Formerly Pareto Investment Management Limited)

Global investment grade credit

- PIMCO Australia Pty Limited
- Omega Global Investors Pty Ltd

Telstra Super stars: our Member Contact team

At Telstra Super, we have a team of people dedicated to helping you with your super on the phone, via email or in person.

Private equity

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

Our Member Contact team is made up of eight consultants who are committed to providing you with customer service excellence. They assist our members (or their representatives) in a wide range of enquiries, and are a vital part of making sure your super runs smoothly.

Our walk-in Telstra Super Member Centre, at 242 Exhibition St in Melbourne, is where you can speak to one of our Member Services Consultants face-to-face; you can make an appointment ahead of time or simply pop in on your lunch break. We caught up with Josh Coote, one of our Member Contact Consultants, for some insight into his role.



What are three words that describe your team?

Helpful, knowledgeable and supportive.

If you could tell a member one thing about super what would it be?

Maximise your contributions! That little bit contributed now can make a big difference to your super balance later.

What is the best part of your job?

I like helping people. I enjoy that satisfying feeling I get when a member leaves the Member Centre happy and with a better understanding of their super. With face-to-face contact, we have that bonus of engaging with our members and being as approachable and supportive as possible.

A final top tip for members?

If you can, just drop in – you don't have to book an appointment. If you don't work in Melbourne, give us a call! We are here to assist you where we can. I look forward to seeing you!

You can find contact details for Telstra Super and our Member Contact team on the back page. The Member Contact team can only provide general information and advice.



Make the most of your future

Your retirement is just that – yours. Whether you want to spend time soaking up other cultures, reading, volunteering, gardening or spoiling your grandchildren, make sure your super is working hard for you.

It may be tempting to take your super as a lump sum when you retire to either manage your money yourself or make a big lifestyle purchase – or both. But by keeping your money in super, you can avoid the stress and worry of managing what could be a substantial lump sum while keeping your money in an extremely tax-friendly environment.

Retirement income streams are designed to convert your superannuation savings into a flexible income stream tailored to your lifestyle needs.

Telstra Super RetireAccess offers account-based income streams that are designed to offer you a flexible, tax-effective income stream in retirement or (subject to some limitations) even while you are still working (using a Transition to Retirement strategy).

With *Telstra Super RetireAccess* you get the flexibility to choose how much income you receive above a minimum government limit (and subject to a maximum limit in the case of Transition to Retirement income streams), and the freedom to decide how often you receive your money – monthly, quarterly or annually. You can change your income or the frequency of your payments twice a year, and the amount of income you choose will depend on your retirement goals and government annual income limits.

Where will your retirement take you?

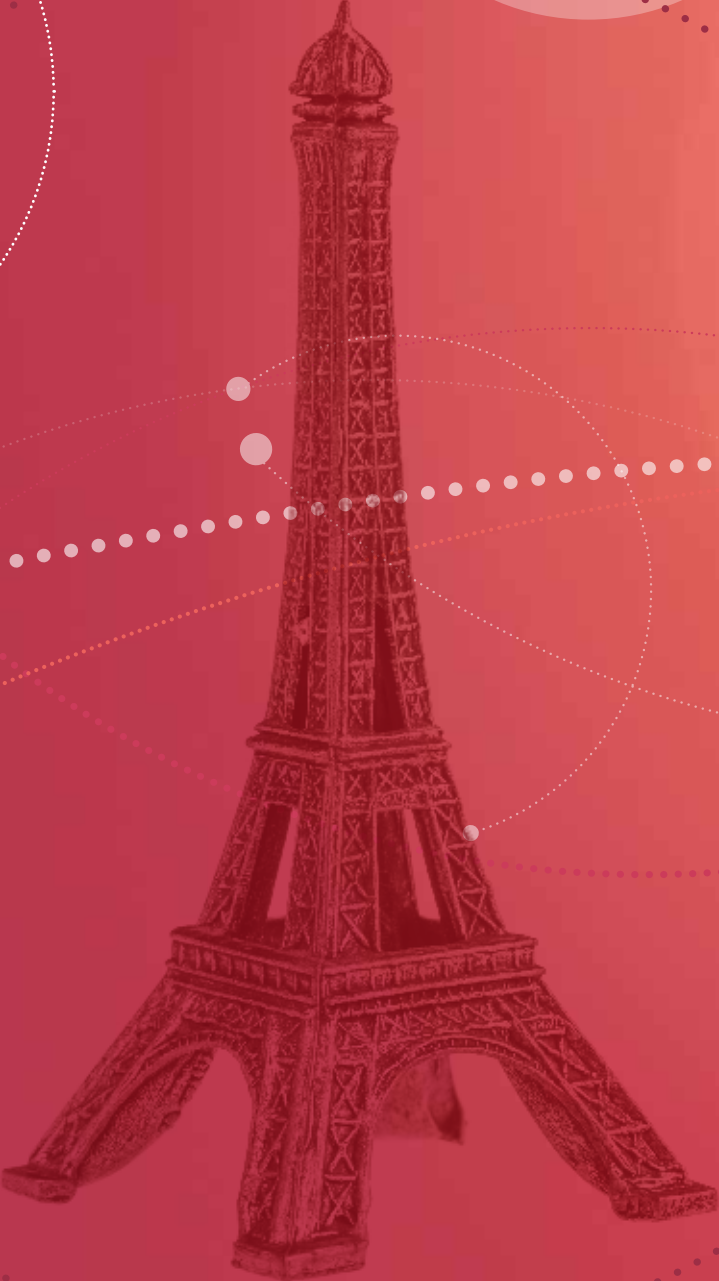
Telstra Super RetireAccess can provide you with peace of mind and help you get more out of super, giving you more time to live the retirement of your dreams.

To find out more, visit
www.telstrasuper.com.au/RetireAccess

**75
Years**

Telstra Super RetireAccess income streams are issued by Telstra Super Pty Ltd. Before deciding whether to acquire a *Telstra Super RetireAccess* income stream, consider the Product Disclosure Statement available from our website or on request by calling 1300 033 166. Eligibility criteria apply.

Financial Statements





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In the opinion of the Directors of Telstra Super Pty Ltd (ACN 007 422 522), Trustee of the Telstra Superannuation Scheme (Telstra Super):

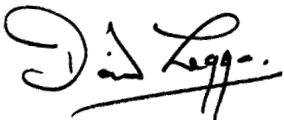
(a) the Financial Statements set out on pages 42 to 66 are properly drawn up so as to present fairly:

- (i) the Net Assets of Telstra Super as at 30 June 2014, and
- (ii) the Change in Net Assets for the year ended on that date,

in accordance with Australian Accounting Standards and other mandatory professional reporting requirements; and

(b) the operations of Telstra Super have been carried out in accordance with its Trust Deed dated 1 July 1990 (as amended) and the requirements of the *Superannuation Industry (Supervision) Act 1993* and Regulations and the *Corporations Act 2001* and Regulations and Guidelines during the year.

This statement is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



David Leggo,
Director



Ian McCarthy,
Director

Dated at Melbourne, this 6th day of August 2014.



Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 8258 8000
Fax: +61 3 8550 7777
ey.com/au

TELSTRA SUPERANNUATION SCHEME (ABN: 85 502 108 833)

REPORT BY THE INDEPENDENT APPROVED AUDITOR TO THE TRUSTEE AND MEMBERS

Financial statements

I have audited the financial statements of Telstra Superannuation Scheme for the year ended 30 June 2014 comprising the statement of net assets, statement of changes in net assets, summary of significant accounting policies, other explanatory notes and the Trustee statement.

Trustee's Responsibility for the Financial Statements

The superannuation entity's trustee is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the requirements of the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and the *Superannuation Industry (Supervision) Regulations 1994* (SIS Regulations). The trustee is also responsible for such internal control as the trustee determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted an independent audit of the financial statements in order to express an opinion on them to the trustee and members Telstra Superannuation Scheme.

My audit has been conducted in accordance with Australian Auditing Standards. These Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the trustee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the trustee's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Auditor's Opinion

In my opinion the financial statements present fairly, in all material respects, in accordance with Australian Accounting Standards, the net assets Telstra Superannuation Scheme as at 30 June 2014 and the changes in net assets for the year ended 30 June 2014.

Ernst & Young

Martin Walsh
Partner
Melbourne
6 August 2014

Statement of Changes in Net Assets

for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Investment revenue			
Interest		106,148	92,031
Dividends and distributions		421,658	357,400
Property trust income		103,908	90,461
Other investment income		887	1,073
Movement in net market value of investments	14	1,359,269	1,163,423
Net foreign exchange gains		17,236	332,363
		2,009,106	2,036,751
Contribution revenue			
	3, 8(a)		
Employer contributions		509,613	557,538
Member contributions		165,666	106,752
Government co-contributions		2,394	1,506
Transfers from other funds		243,982	196,430
		921,655	862,226
Other revenue			
Group Life Insurance proceeds		23,552	15,452
Other income		9,196	8,323
		32,748	23,775
TOTAL REVENUE		2,963,509	2,922,752
Less:			
Benefits paid		685,698	566,622
Investment expenses		77,890	60,562
Administration expenses	12	41,376	40,365
Group Life Insurance premiums		22,765	20,925
TOTAL EXPENSES		827,729	688,474
CHANGE IN NET ASSETS BEFORE INCOME TAX		2,135,780	2,234,278
INCOME TAX EXPENSE	15	(180,477)	(226,995)
CHANGE IN NET ASSETS AFTER INCOME TAX		1,955,303	2,007,283
NET ASSETS AVAILABLE AT THE BEGINNING OF THE YEAR		13,596,738	11,589,455
NET ASSETS AVAILABLE AT THE END OF THE YEAR		15,552,041	13,596,738
LESS RESERVES	3, 5	69,367	51,350
NET ASSETS AVAILABLE TO PAY BENEFITS		15,482,674	13,545,388

The accompanying notes form an integral part of the financial statements.

Statement of Net Assets

as at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Assets			
Cash and Cash Equivalents		72,498	15,226
Short Term Money Market		1,789,812	1,589,283
Australian Fixed Interest Securities		2,358,298	1,167,722
International Fixed Interest Securities		942,187	960,934
Australian Equities		4,064,204	4,014,230
International Equities		3,876,991	3,471,761
Private Equity		566,107	583,449
Property		1,498,417	1,512,050
Infrastructure		433,481	466,623
Derivative assets		335,350	99,299
Receivables			
Investment income receivable		54,153	56,426
Contributions receivable		10,399	9,457
Other receivables		1,519	960
Prepayments		704	546
Other Assets			
Property, plant and equipment	10	1,632	1,574
TOTAL ASSETS		16,005,752	13,949,540
Liabilities			
Benefits payable		160	1,568
Accounts payable	13	28,612	29,703
Derivative liabilities		231,969	250,444
Current income tax liabilities	15	13,454	30,812
Deferred income tax liabilities	15	179,516	40,275
TOTAL LIABILITIES		453,711	352,802
NET ASSETS		15,552,041	13,596,738
LESS RESERVES	3, 5	69,367	51,350
NET ASSETS AVAILABLE TO PAY BENEFITS		15,482,674	13,545,388

The accompanying notes form an integral part of the financial statements.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2014

NOTE 1

Operation of the Scheme

Telstra Super was established by a Trust Deed dated 1 July 1990 to provide benefits for the employees of Telstra Corporation Limited (Telstra) and its related companies. The Deed has been amended from time to time. Telstra Super is a hybrid fund with both Defined Benefit and Accumulation divisions. The Defined Benefit divisions are closed to new members. Telstra Super is domiciled in Australia and the address of the Scheme is 215 Spring Street, Melbourne, VIC 3000.

Benefits of members in the Defined Benefit divisions are calculated by way of formulae as defined in the Trust Deed. Benefits of members in the Accumulation divisions are equal to the member account balance which is credited or debited each year with contributions, net investment income, expenses and income taxes.

The Trustee of the Scheme is Telstra Super Pty Ltd and it is the holder of a Registrable Superannuation Entity Licence (Licence No. L0001311). Telstra Super is a Regulated Fund in accordance with the *SIS Act*, and is a Registrable Superannuation Entity (Registration No. R1004441).

NOTE 2

Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these Financial Statements are:

(a) Compliance with Australian Accounting Standards, the Trust Deed and legislative requirements

The Financial Statements are general purpose statements that have been drawn up in accordance with Australian Accounting Standards, including AAS 25 Financial Reporting by Superannuation Plans (AAS 25), the *Superannuation Industry (Supervision) Act 1993* (the *SIS Act*) and Regulations and the provisions of the Trust Deed.

The Financial Statements were approved by the Board of Directors of the Trustee on 6 August 2014. The Financial Statements are presented in Australian dollars, which is the functional currency of Telstra Super. Amounts have been rounded to the nearest thousand dollars except where otherwise noted. When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Any such changes have had no effect on the financial position or performance of the Scheme.

International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards, being Australian equivalents of International Financial Reporting Standards (AIFRS). Since AAS 25 is the principal standard that applies to the Financial Statements, other standards, including AIFRS, are also applied where necessary except to the extent that they differ from AAS 25.

A number of new standards and amendments to standards have recently been applied or proposed. Those which may be relevant for the Scheme are as follows:

- (i) AASB 10 Consolidated Financial Statements introduces a new model to determine whether an investee should be consolidated. The new model broadens the control definition.
- (ii) AASB 12 Disclosure of Interests in Other Entities requires management to determine whether control exists in arrangements with other entities.
- (iii) AASB 13 Fair Value Measurement establishes a single source of guidance for determining the fair value of assets and liabilities.
- (iv) Amendments to AASB 7, AASB 10, AASB 12, AASB 2011-4, AASB 2012-3, AASB 2012-2, AASB 2013-5, and AASB 27. These amendments remove individual KMP disclosure requirements, provide disclosure requirements regarding rights of offset for financial assets and liabilities, define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. In relation to AASB 10, the Scheme has adopted the investment entity exemption. Refer Note 19 for further information.

Application of the standards does not impact the Scheme's financial position or performance. However, the disclosure requirements are more comprehensive than existing requirements. Additional disclosure where required is included in the notes.

(b) Cash and cash equivalents

Cash comprises on-demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

(c) Significant accounting judgements, estimates and assumptions

Preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates, and their underlying assumptions are reviewed on an ongoing basis. The key assumptions regarding investment valuations and deferred tax assets are disclosed in Notes 1(d) and (j) respectively.

The amount of accrued benefits has been actuarially determined based on certain estimates and assumptions. The key assumptions are discussed in Note 4.

(d) Investments and derivatives

Investments and derivatives of Telstra Super are initially recognised at fair value plus transaction costs. After such initial recognition, investments and derivatives are measured at net market value as at balance date and movements in the net market value of these assets are recognised in the Statement of Changes in Net Assets in the period in which they occur.

Net market values of investments and derivatives have been determined as follows:

- shares in listed entities at the last sale price quoted by the Stock Exchange at close of business at balance date;
- fixed interest securities and short term money market investments at prices quoted by independent pricing sources at close of business at balance date;

- interests in pooled investment vehicles, including property, infrastructure, and private equity at the redemption price as quoted by the investment manager;
- interests in unlisted trusts and collective investment schemes at the most recent valuation obtained from the managers adjusted for subsequent calls and redemptions and any significant changes in underlying values; and
- derivative financial instruments at market values at the close of business at balance date.

Estimated costs of realisation have been deducted in determining net market value. Net market value is considered a reasonable approximation of fair value.

Investments are held for the long-term purpose of providing benefits to members on their retirement, death, or termination of employment. Due to the long-term objective of superannuation investments, the amount recoverable through sale within 12 months cannot be determined.

Derivative assets and derivative liabilities qualify for offset where there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis and to realise the assets and settle the liabilities simultaneously.

(e) Receivables and other payables

Receivables are carried at nominal amounts due which approximate net market value. Receivables are normally settled within 30 days. An allowance for uncollectable amounts is only made where there is evidence of objective impairment. Such evidence may include indicators that the debtor is experiencing significant difficulty, default, delinquency, or appointment of a liquidator.

Other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to Telstra Super and are carried at nominal amounts which approximate net market value. Payables are normally settled within 30 days.

(f) Property, plant and equipment

Items of property, plant and equipment are either owned or leased under an operating lease. Owned items are recorded at cost and depreciated over their estimated useful lives to Telstra Super.

Depreciation rates for major categories are:	2014	2013
Computer software, development and equipment	25% - 40%	25% - 40%
Office furniture and equipment	7.5% - 35%	7.5% - 35%

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The assets' residual values, useful life and amortisation methods are reviewed, and adjusted if appropriate, each financial year. An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss from derecognition is included in the Statement of Changes in Net Assets in the year the asset is derecognised.

Operating leases are not capitalised and rental payments are charged to the Statement of Changes in Net Assets in the period in which they are incurred.

(g) Functional and presentation currency

Both the functional and presentation currency of Telstra Super is Australian dollars (\$).

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, monetary assets and liabilities denominated in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting currency translation differences are brought to account in determining the change in net market value of investments for the year.

(h) Benefits payable

Benefits payable comprises the entitlements of members who ceased employment prior to the year end but had not been paid their benefit at that time. Benefits payable are normally settled within 30 days.

(i) Administration expenses

Telstra Super is a self-administered fund and all administration expenses are paid directly by Telstra Super. Administration expenses are recognised in the period in which the expenditure is incurred.

(j) Income tax

Income tax expense for the year comprises current and deferred tax and is recognised in the Statement of Changes in Net Assets. Current income tax liability is the expected tax payable on the taxable income for the year less any instalment payments that have been paid as at balance date.

Deferred tax assets and liabilities are provided for using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The Scheme is currently in a net deferred tax liability position compared to a deferred tax asset position last financial year. These assets are recognised at tax rates of 15% for revenue account gains/losses and 10% for net capital gains.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at balance date.

Deferred tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxation authority.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2014

Telstra Super is a Regulated Superannuation Scheme under the *Superannuation Industry (Supervision) Act 1993* (the SIS Act) and accordingly is entitled to the concessional income tax rate of 15%.

(k) Goods and Services Tax (GST)

Where applicable, GST incurred by Telstra Super that is not recoverable from the Australian Taxation Office (ATO) has been recognised as part of the expense to which it applies. Receivables and payables are stated with any applicable GST included in the value. The amount of any GST recoverable from, or payable to, the ATO is included as a receivable or payable in the Statement of Net Assets.

(l) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the right to receive cash flows from the asset has expired or substantially all the risks and rewards of ownership of the asset have been transferred to another party. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Changes in net market values

Calculated as the difference between the net market value at year end or consideration received (if sold during the year) and net market value as at the prior year end or cost (if the investment was acquired during the period).

Contributions and transfers in

Recognised in the period in which the control and the benefit of the revenue has been attained and are recorded gross of any tax. Contributions consist of employer contributions, member contributions, and government co-contributions.

Interest

On an effective basis as it accrues, using the interest rate of the instrument calculated at the acquisition date.

Group Life Insurance proceeds

Insurance claim amounts are recognised where the insurer has agreed to pay the claim lodged and has transferred the claim amount to Telstra Super.

Dividends, distributions, and property trust income

When the right to receive payment is established.

(n) Liability for Accrued Benefits

The liability for accrued benefits is actuarially measured on at least a triennial basis and represents the value of Telstra Super's present obligation to pay benefits to members and other beneficiaries at the date of measurement. The liability is determined as the present value of expected future benefit payments which arise from membership of Telstra Super up to the reporting date. The present value is reported in the notes and is determined in accordance with Guidance Note 454 issued by the Institute of Actuaries of Australia.

(o) Employee entitlements

Salaries, annual leave and sick leave

Liabilities for salaries (including non-monetary benefits) and annual leave are recognised in the provisions for employee entitlements and are represented by the amount that Telstra Super has a present obligation to pay at balance date. The provisions have been calculated based on remuneration rates that Telstra Super expects to pay when the employee entitlement is settled. Related on-costs are included. No liability for sick leave has been recognised as it is non-vesting and no additional cost is incurred by staff absence. Sick leave is recognised when the leave is taken and is measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee entitlements and is measured as the present value of the estimated future cash outflows to be made by Telstra Super at balance date. Liabilities for employee entitlements that are not expected to be settled within 12 months are discounted using the rates attached to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in salary rates, Telstra Super's experience with staff departures, and the probability that employees as a group will achieve an unconditional qualifying period of service. Related on-costs have also been included in the liability.

Superannuation Scheme

The employees of Telstra Super are eligible to be members of Telstra Super, and contributions are made on their behalf. The majority of staff are Accumulation members, and contributions for these staff are charged as expenses as the contributions are paid or become payable. Contributions for staff who are Defined Benefit members, are also charged as expenses when due and payable. The Trustee has no obligation or entitlement to any deficit/surplus and therefore AASB 119 has not been applied. Refer to Note 16(b) for details of the Defined Benefit surplus/(deficit).

NOTE 3

Funding arrangements

Funding requirements for the Accumulation divisions of the Fund are determined by government legislation and the Trust Deed, while funding requirements for the Defined Benefit divisions of the Fund are impacted by various financial and demographic factors including investment earnings, salary inflation and benefit claims experience.

The funding policy adopted in respect of the Defined Benefit divisions is directed at ensuring that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. An actuarial investigation is carried out every three years. As at 30 June 2012, the Actuary for the Scheme, Mr. K. O'Sullivan FIAA completed an actuarial investigation of the Defined Benefit divisions of Telstra Super and reported that Telstra Super was in an unsatisfactory funding position. Under the SIS legislation, a fund is in an 'Unsatisfactory Financial Position' when vested benefits exceed the market value of assets.

As per the recommendation contained in the Actuary's report as at 30 June 2012, Telstra Corporation Limited (Telstra) and certain associated employer sponsors have continued to make employer contributions to Telstra Super in respect of Defined Benefit and Accumulation divisions of the Scheme.

In accordance with an agreement (Funding Deed) entered into by the Trustee with Telstra, contributions to Telstra Super are made by Telstra under the Funding Deed that reflect Telstra's commitment to fund the Defined Benefit divisions assets at a specified level. The Funding Deed provides that Telstra's contributions to Telstra Super may cease when the Vested Benefit Index (VBI) – the ratio of fund assets to members' vested benefits of the Defined Benefit divisions of Telstra Super rises above 103% on monthly outcome averaged over a calendar quarter. Telstra has maintained contributions at a level above those required by the Funding Deed. Contributions were made at a rate of 9.25% for Accumulation members for the entire year and 16% for defined benefit members from 1 July to 30 September 2013 and then 15% for the balance of the financial year. The VBI for the Defined Benefits divisions at 30 June 2014 calculated as a monthly outcome averaged over a calendar quarter was 109% (2013: 103%).

Telstra Super self-insures for certain entitlements associated with certain death and disability benefits offered under the membership rules. The Trustee periodically assesses the funding needs associated with this arrangement and the Actuary makes allowance for this factor in evaluating the financial status of Telstra Super. The Trustee has a group policy in place with a third party to insure death and disability benefits in excess of vested benefits. The Trustee has established an Insurance Reserve as part of this funding arrangement. The amount of this and other reserves are disclosed in Note 5.

NOTE 4

Liability for accrued benefits

The liability for accrued benefits has been determined on the basis of the present value of expected future payments which arose from membership of the Fund as at the measurement date. The liability has been determined by reference to expected future salary levels and by the application of a market-based discount rate and relevant actuarial assumptions. The valuation of accrued benefits is undertaken by the Actuary on a triennial basis in accordance with Australian Accounting Standard AAS 25 Financial Reporting by Superannuation Plans. The last triennial valuation of \$11,577.6 million was as at 30 June 2012 and a summary of that report is attached to these statements. Updates are provided annually by the Actuary, and valuations for 30 June 2014 and 2013 are shown below.

	2014 \$'000	2013 \$'000
Liability for accrued benefits at 30 June	15,180,100	13,302,600

The main assumptions used to determine the actuarial value of accrued benefits at the last review date were:

- The future rate of net investment return on the Scheme's assets would be 5.1% (2013: 5.1%)
- The future rate of salary inflation would be 3.5% (2013: 3.5%)

The decreased gap between expected net investment returns and salary inflation compared to last financial year has, in the absence of other factors, resulted in an increase to the Accrued Benefits figure.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2014

NOTE 5

Vested Benefits and reserves

Vested Benefits are benefits that are not conditional upon continued membership of Telstra Super, and include benefits that members were entitled to receive had they terminated their membership at balance date. Refer to Note 3 for details of the funding arrangements with Telstra.

Accumulation members' vested benefits are fully funded and any surplus/(deficit) relates to the vested benefits in the Defined Benefit divisions.

	2014 \$'000	2013 \$'000
Net assets available as at 30 June	15,552,041	13,596,738
Vested Benefits as at 30 June	15,263,704	13,393,593
Insurance Reserve	25,000	25,000
Operational Risk Financial Reserve (ORFR)	24,162	–
Administration Reserve	19,955	26,100
Licensing Reserve	250	250
Surplus as at 30 June	218,970	151,795
Increase in Administration Reserve for the financial year	18,017	16,000

The reserves provide the Trustee with access to funds to protect members' interests and mitigate the impact of an adverse event regarding the operational and insurance activities of the Scheme. The Trustee has allocated the amounts of \$25m for the purpose of maintaining a self-insurance reserve and \$250,000 for a licensing reserve as required by the Trustee's RSE licence. Under APRA Prudential Standards, the Scheme is required to maintain an ORFR reserve of at least 0.25% of the Scheme's net assets. Under a transitional plan, the ORFR will be funded to the required level over a three-year period from 1 July 2013. During the financial year an amount of \$23.680m was transferred from the Administration Reserve to the ORFR. A further \$8.768m, representing 50% of this year's operating surplus is expected to be transferred from the Administration Reserve to the ORFR during the next financial year. The change in the balance of the Administration Reserve reflects the allocation of this year's operating surplus of \$17.535m less a transfer to the ORFR during the year of \$23.680m. Transfers in and out of all reserves are made only at the authorisation of the Trustee and in accordance with the Scheme's Reserves Policy.

NOTE 6

Guaranteed Benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

NOTE 7

Auditor's remuneration

	2014 \$'000	2013 \$'000
Amounts received, or due and receivable, by the auditor for:		
Auditing the Financial Statements	283	345
Other services	75	71
	358	416

NOTE 8

Related parties

(a) Employer company

Telstra Corporation is the principal employer. Reach Services Australia Ltd, Sensis Pty Ltd, 3GIS Pty Ltd, Foxtel Pty Ltd, Telstra Super Financial Planning Pty Ltd, and Telstra Super Pty Ltd (as trustee for Telstra Super) are associated employer sponsors. Of total employer contributions of \$510m as disclosed in the Statement of Changes in Net Assets, those made by Telstra and associated employers totalled \$363m (2013: \$406m). Contributions are made in accordance with recommendations of the Actuary, the Trust Deed, the Funding Deed, and relevant legislative requirements. Telstra Corporation also provides Telstra Super with telecommunication services. Such services are provided at arm's length and on normal commercial terms.

Telstra Super held the following investments in Telstra Corporation at market value as at 30 June.

	2014 \$	2013 \$
Shares	202,014,593	191,527,249
Fixed Interest Securities	16,380,833	5,916,957
Dividends received for the year	11,337,624	10,291,959
Interest received for the year	495,132	476,118

(b) Trustee and key management personnel

Telstra Super Pty Ltd (TSPL) is the Trustee of Telstra Super and is the holder of a Registrable Superannuation Entity Licence (Public offer – Licence No. L0001311).

The following people were Directors of TSPL during the financial year:

David Kirton	David Leggo (Chairman)
Michael Fisher	Ian McCarthy
Carol Gee	Carmel Mulhern (Resigned 25 September 2013)
Mark Hall	Bronwyn Clere (Appointed 4 December 2013)
John Jamieson	Gregg Rowley

Each Director attended the following meetings during the year as a member of the Board or relevant Committee.

Name	Board		Committees					
	Held	Attended	Claims Review		Audit, Risk and Compliance		Remuneration	
			Held	Attended	Held	Attended	Held	Attended
D Leggo	14	14					4	4
M Fisher	14	10						
C Gee	14	10						
M Hall	14	14			6	6		
J Jamieson	14	13			6	6	4	4
D Kirton	14	12	6	6	3	3	4	4
I McCarthy	14	12	6	6	6	6		
C Mulhern	3	3			2	2		
G Rowley	14	14						
B Clere	9	9						

Other key management personnel who have had authority for planning, directing and controlling the activities of Telstra Super during the financial year were as follows:

Jim Christensen (Chief Investment Officer)

Paul Curtin (Chief Financial Officer)*

Martin Crowe (Chief Executive to 30/08/2013)

Chris Davies (Chief Executive Officer – from 28/10/13)

* Paul Curtin was the acting CEO from 31/08/2013 to 27/10/2013

(c) Compensation of the Trustee and key management personnel

	2014 \$'000	2013 \$'000
Short-term - salaries, fees, bonuses and non monetary benefits	2,491	1,930
Superannuation contributions	157	112
Other long-term benefits	120	-
Termination benefits	-	133
	2,768	2,175

Where instructed, a Director's income is paid direct to their employer. Directors' remuneration excludes insurance premiums of \$249,800 (2013: \$206,911) paid by Telstra Super in respect of Directors' and Officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual Directors and Officers.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2014

(c) Compensation of the Trustee and key management personnel (continued)

The table shown below lists the number of Directors and key management personnel whose income falls within the following bands for financial years ending 30 June.

Amounts falling between	2014	2013
\$0 and \$9,999	-	3
\$10,000 and \$19,999	1	-
\$30,000 and \$39,999	1	-
\$40,000 and \$49,999	-	3
\$50,000 and \$59,999	7	5
\$80,000 and \$89,999	-	1
\$200,000 and \$209,999	-	1
\$210,000 and \$219,999	1	-
\$290,000 and \$299,999	-	1
\$320,000 and \$329,999	1	-
\$390,000 and \$399,999	1	-
\$530,000 and \$539,999	1	-
\$580,000 and \$589,999	-	1
\$600,000 and \$609,999	-	1
\$870,000 and \$879,999	1	-

(d) Fees and reimbursements

A fee is paid to the trustee company, Telstra Super Pty Ltd (TSPL) for providing trustee services. The fee charged to Telstra Super for providing trustee services totalled \$856,341. In the previous financial year no fee was paid to TSPL as Directors' fees and costs were paid directly by the Scheme.

(e) Membership of Telstra Super

Certain Directors and key management personnel are members of Telstra Super. Their membership terms and conditions are identical to other members of Telstra Super.

(f) Related investments

(i) Telstra Super Financial Planning Pty Ltd (TSFP)

is an investment wholly owned by Telstra Super Pty Ltd as Trustee for Telstra Super. The principal activity of the company during the course of the financial year was to provide financial planning advice to members of Telstra Super. Telstra Super held the following investment in TSFP at net asset value as at 30 June.

	2014 \$	2013 \$
Shares	4,396,301	4,140,486

No dividends have been declared or paid. Consolidated accounts have not been prepared as Telstra Super's investment in TSFP is not material.

The following Directors or Officers of TSPL were also Directors of TSFP during the financial year:

David Leggo
 Chris Davies (appointed 3/12/2013)
 Bronwyn Clere (appointed 4/02/2014)
 Cliff Davis (resigned 4/02/2014)
 Martin Crowe (resigned 31/07/2013)
 Ian McCarthy
 Paul Curtin (appointed 31/07/2013, resigned 3/12/2013)

(ii) Fees and reimbursements

TSFP is responsible for direct expenditure incurred. Shared costs with Telstra Super are allocated on a fair and equitable basis. Transactions between the parties comprised of fees charged by TSFP to Telstra Super for providing financial advice to members \$13,199,406 (2013: \$12,916,356) and fees charged by Telstra Super to TSFP for in-house administration support and services provided in regard to TSFP Investment Products \$1,329,000 (2013: \$1,008,461). The TSFP fee for providing financial advice to members is a flat fee for service as agreed to by the Board of Telstra Super. Previously the fee was based on funds under advice. At 30 June 2014 both TSFP and Telstra Super had nil receivables (TSFP 2013: \$1,228,597; Telstra Super 2013: \$nil).

(iii) Telstra Super Sub Trusts

Several Investments are wholly owned by Telstra Super Pty Ltd as Trustee for Telstra Super. Details of these entities have been disclosed within Note 19.

NOTE 9**Segment information**

Telstra Super operates solely to provide superannuation benefits to members and beneficiaries and operates in Australia only. Revenue is derived from investments and contributions.

NOTE 10**Property, plant and equipment** (refer Note 2(f))

	2014 \$'000	2013 \$'000
Office equipment, furniture and fittings at cost	3,661	3,234
Less accumulated depreciation	2,029	1,660
Total Property, plant and equipment	1,632	1,574

NOTE 11**Lease commitments** (refer Note 2(f))

Operating leases of plant, property and equipment, not provided for in the accounts, and payable:	2014 \$'000	2013 \$'000
Not later than one year	2,086	1,997
Later than one year and not later than five years	1,650	3,183
Later than five years	-	-
	3,736	5,180
Operating lease expenses recognised for the year	1,613	1,782

There are no restrictions imposed on Telstra Super in regard to finance and operating leases. There are also no renewal, purchase or escalation option clauses in the leasing arrangements.

NOTE 12**Administration expenses**

	2014 \$'000	2013 \$'000
Salaries and related employment costs	16,290	15,076
Trustee expenses	924	894
Professional and audit fees	1,902	1,697
Member communication expenses	1,965	1,985
Office rental and expenses	4,457	4,593
Financial planning service fees	13,207	12,917
APRA levy	2,414	3,066
Other expenses	217	137
Total administration expenses	41,376	40,365

Notes to and forming part of the Financial Statements

for the year ended 30 June 2014

NOTE 13

Accounts payable

	2014 \$'000	2013 \$'000
Investment expenses payable	13,784	14,424
Administration expenses payable	2,279	5,609
Employee entitlements	2,784	2,833
Unallocated funds	9,765	6,837
Total accounts payable	28,612	29,703

SuperOnline: it's all about you

SuperOnline, Telstra Super's secure member portal, is all about you; providing a quick and easy way to review and update your super. Login at www.telstrasuper.com.au/superonline

NOTE 14**Changes in Net Market Value of investments**

	2014 \$'000	2013 \$'000
(i) Investments held at balance date		
Australian Fixed Interest Securities	25,857	5,868
International Fixed Interest Securities	30,915	20,683
Australian Equities	351,598	450,121
International Equities	493,908	412,699
Private Equity	19,648	(30,714)
Property	85,132	39,038
Infrastructure	33,065	35,972
Derivatives	1,943	1,483
	1,042,066	935,150
(ii) Investment realised during the year		
Australian Fixed Interest Securities	14,333	18,848
International Fixed Interest Securities	9,684	7,048
Australian Equities	154,336	120,239
International Equities	187,779	57,931
Private Equity	(1,512)	(3,010)
Property	5,935	22,566
Infrastructure	17,088	13,681
Derivatives	(70,440)	(9,030)
	317,203	228,273
Total Changes in Net Market Value	1,359,269	1,163,423

Notes to and forming part of the Financial Statements

for the year ended 30 June 2014

NOTE 15

Income tax

The major components of income tax expense for the years ended 30 June 2014 and 2013 are:

	2014 \$'000	2013 \$'000
Current income tax expense		
Income tax payable current year	49,942	83,821
Adjustments in respect of prior years	(8,705)	(4,766)
	41,237	79,055
Deferred income tax expense		
Relating to origination and reversal of temporary differences	136,657	147,614
Adjustments in respect of deferred income tax of previous years	2,583	326
	139,240	147,940
Income tax expense reported in Statement of Changes in Net Assets	180,477	226,995

A reconciliation between prima facie income tax expense and income tax expense as reported in the Changes in Net Assets before Income Tax is as follows:

	2014 \$'000	2013 \$'000
Changes in Net Assets before income tax	2,135,780	2,234,278
Prima facie income tax expense at the tax rate of 15%	320,367	335,142
Increase in income tax expense due to:		
Benefits paid	102,856	84,994
No TFN contributions tax	202	18
Imputation & foreign tax offsets gross up	12,023	9,799
Non-deductible expenses	11	12
Decrease in income tax expense due to:		
Non-assessable contributions and transfers from other funds	(61,526)	(45,432)
Differences between tax and accounting investment income	(93,139)	(75,170)
Group Life proceeds, notional insurance and anti-detriment	(6,133)	(3,914)
Adjustments in respect of current income tax of previous years	(6,122)	(4,440)
Allocated pension exempt income	(10,900)	(11,250)
Imputation and foreign tax offsets	(77,162)	(62,764)
Income tax expense reported in Statement of Changes in Net Assets	180,477	226,995
Current income tax liability at 30 June relates to the following:		
Income tax payable current year	49,942	83,821
Less payments made during the year	(36,488)	(53,009)
	13,454	30,812
Deferred income tax assets and liabilities at 30 June relates to the following:		
Contributions receivable	1,534	1,393
Investment income receivable	4,453	4,892
Realised and unrealised gains/(losses) on investments	206,278	40,733
Expense provisions	(448)	(515)
Less allocated pension exempt income share of gains/losses	(32,301)	(6,228)
Net deferred income tax liabilities	179,516	40,275

NOTE 16**Employee entitlements** (refer Note 2(o))**(a) Aggregate employee leave entitlements, including on-costs**

	2014 \$'000	2013 \$'000
Current	2,295	2,417
Non-current	478	381
	2,773	2,798

Employees of Telstra Super are entitled to long service leave after 10 years of service, and pro rata payment on termination after seven years of service. The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:

	2014	2013
Assumed rate of increase in wage and salary rates	4.49%	4.70%
Discount rate	5.29%	5.38%

(b) Superannuation Scheme

There are seven employees of Telstra Super who are defined benefit members of Telstra Super. Their share, on a pro rata basis, of the assets (at net market value), the accrued benefits, and the vested benefits are as follows:

	2014 \$'000	2013 \$'000
Proportionate share of Telstra Super assets at 30 June	1,897	2,296
Accrued benefits at 30 June	1,682	2,095
Excess of fund assets over accrued benefits	215	201
Vested benefits	1,733	2,169

An actuarially determined surplus or deficit in relation to these employees has not been recognised in the Financial Statements, as the Trustee has elected not to adopt AASB 119.

During the year, employer contributions of \$1,352,691 were paid/payable to the Scheme in respect of employees (2013: \$1,355,225).

NOTE 17**Commitments and contingent liabilities**

Telstra Super has outstanding commitments and contingent liabilities as part of its business operations. These represent uncalled elements in respect of investments, death and TPD claims received and unpaid, as well as contractual arrangements entered into with third parties. Telstra Super also has bank guarantees in place covering rental and office fitouts. Amounts as at 30 June were as follows:

	2014 \$'000	2013 \$'000
Investment commitments	167,772	187,818
Death and TPD claims	23,632	6,374
Expenditure commitments	2,754	5,052
Bank guarantees	781	781
Total	194,939	200,025

Notes to and forming part of the Financial Statements

for the year ended 30 June 2014

NOTE 18

Significant events after balance date

Telstra Corporation Limited has made an offer to their employees in the Defined Benefit division of the Scheme to consider a transfer to the Accumulation division. The offer is completely voluntary and members can remain in the Defined Benefit division without any change to their existing arrangements. Around 6,100 Telstra employees are currently Defined Benefit members, and these members will have from 1 August 2014 to 31 October 2014 to consider the offer. The outcome of the offer is not expected to have a significant effect on the total membership or assets of the Scheme.

NOTE 19

Related party investments

The accounting standard AASB 10: Consolidated Financial Statements (superseded AASB 127), deals with the issue of whether entities owned and/or controlled by another entity should be consolidated into the financial statements of the holding entity. However, Telstra Super meets the definition of an investment entity and therefore is not required to consolidate its investees, and instead must recognise and measure the investees at fair value through its operating result.

The table below lists details of related party investments held. The maximum exposure or loss is limited to the net market value. The net market value of the exposure will change throughout the period and in subsequent periods, and will cease once the investments are disposed.

	Ownership interest 2014	
	\$'000	%
Telstra Super Financial Planning Pty Ltd	4,396	100.00
TSPL Brisbane Sub Trust	156,700	100.00
Quadrant Telstra Super Trust	55,595	100.00
TSPL Lifestyle Trust	25,895	100.00
TSPL Woollies Sub Trust	145,246	100.00
TSPL BTF Trust	54,049	100.00
TSPL FSPT Trust	49,389	100.00
TSPL CLP Trust	165,288	100.00
TSPL BP Trust	88,522	100.00
FDC Co Investment Trust	42,006	100.00
Omega Global Corporate Bond Fund	77,752	53.33
Australian Commercial International Towers Sydney Investment Trust	34,152	50.00
	898,990	

	Ownership interest 2013	
	\$'000	%
Telstra Super Financial Planning Pty Ltd	4,140	100.00
TSPL Brisbane Sub Trust	147,600	100.00
Quadrant Telstra Super Trust	109,148	100.00
TSPL Lifestyle Trust	25,912	100.00
TSPL Woollies Sub Trust	132,740	100.00
TSPL BTF Trust	44,019	100.00
TSPL FSPT Trust	24,723	100.00
TSPL FSPT Finance Trust	31,402	100.00
TSPL CLP Trust	102,013	100.00
TSPL BP Trust	100,396	100.00
Omega Global Corporate Bond Fund	102,876	54.52
Australian Commercial International Towers Sydney Investment Trust	22,628	50.00
	847,597	

The Scheme has a controlling interest in the related party investments. As at 30 June 2014 there are no significant restrictions on the ability of an unconsolidated subsidiary to pay income or repay loans to the Scheme. In addition, the Scheme does not have any current commitments or intentions to provide financial or other support to the related party investments.

NOTE 20

Financial instruments and risk management

(a) Financial risk management objectives, policies and processes

The investments of Telstra Super are managed on behalf of the Trustee by appointed managers and the internal investment team. All investments of Telstra Super are held on behalf of the Trustee by National Australia Bank Limited acting as the global custodian. Each investment manager is required to invest the assets managed by it in accordance with the terms of a written mandate. The Trustee has determined that appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's Investment Strategy. Telstra Super's principal financial instruments, other than derivatives, comprise equity securities, fixed interest securities, interests in pooled investment vehicles (including private equity, property trusts and infrastructure), cash and Short-Term Money Market (STMM) investments. The main purpose of these financial instruments is to generate a return on investment. Telstra Super also has various other financial instruments such as receivables and payables, which arise directly from its operations.

Telstra Super uses derivative financial instruments to reduce foreign exchange and interest rate risks in the share, bond and currency markets and to increase or decrease Telstra Super's exposure to particular investment classes or markets in line with the re-balancing strategy and other investment strategies. Derivative financial instruments are included in the Statement of Net Assets, and the accounting policies in relation to derivatives are set out in Note 2(d).

The main risks arising from Telstra Super's financial instruments are credit risk, liquidity risk and market risk. Market risk includes interest rate risk, equity price risk and foreign currency risk. The Trustee reviews and agrees policies for managing each of these risks. These policies are summarised below. The Trustee also monitors market price risk for all financial instruments.

The Trustee acknowledges that an integral part of its good governance practice is a sound and prudent risk management framework. This framework is documented in the Trustee's Risk Management Framework and Risk Management Strategy which has been updated for SPS 220. This framework and strategy are subject to regular review by management, the Trustee, and annual audits of the Scheme's Risk and Compliance program. The Trustee manages this investment risk as part of its overall Risk Management Framework.

The Trustee determines the asset allocation of the Scheme. The Trustee receives advice from its investment adviser in making its determination. The asset allocation is reviewed throughout the year in accordance with the Scheme's Risk Management and Investment Policies. The Trustee has established an Investment Committee, which is responsible for approving and monitoring the Scheme's investments subject to the limits outlined in the Committee charter. The Committee comprises of the Chair of the Trustee, management, two external consultants and the external investment adviser JANA. The Committee minutes record all decisions made and are presented to the Trustee for ratification or noting as appropriate.

The internal investment management unit, through its investment mandates, is delegated responsibility for all day-to-day investment decisions for the Internally Managed Funds.

Telstra Super also undertakes due diligence to ensure fund managers have the appropriate skills and expertise to manage the Scheme's investments. In addition investment performance is tracked through appropriate monitoring of market conditions and benchmark analysis.

(b) Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss. Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents and amounts due from brokers. The Scheme invests in debt securities that carry credit risks. The Scheme requires investment managers to manage the securities within approved credit limits as set out in their mandates. Compliance of managers with their mandates is monitored by the Scheme's custodian, as well as the Trustee.

Telstra Super's maximum exposure to credit risk is as indicated by the carrying amounts of its assets including derivatives. Telstra Super minimises credit risk by the diversity of investments, ensuring its assets are custodially held, and dealing through recognised exchanges and clearing houses. The Trustee also has a Credit Risk Policy in place. Compliance with this policy is monitored on an ongoing basis.

There are no significant concentrations of credit risk within Telstra Super.

Credit quality per class of debt instruments

The credit quality of financial assets is managed by Telstra Super using Standard & Poor's rating categories, in accordance with the investment mandate of the Scheme, and is monitored on a regular basis in accordance with the Credit Risk Policy. This review process allows the Trustee to assess the potential loss as a result of risks and take corrective action.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2014

The table below shows the credit quality by class of asset.

2014

Credit quality	AAA to AA-	A+ to A-	BBB+ to B-	CCC+ to CC	Non-rated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equities	-	-	-	-	7,941,195	7,941,195
Investment Vehicles	-	-	-	-	2,498,005	2,498,005
Derivatives Assets	-	-	-	-	335,350	335,350
Cash and STMM	1,916,564	-	-	-	-	1,916,564
Perpetual Securities	-	870	-	-	-	870
Fixed Interest Bonds	241,622	531,705	177,519	-	499,415	1,450,261
Indexed Bonds	210,119	348,902	116,202	-	75,407	750,630
Asset Backed Securities	11,073	56,522	103,499	1,359	48,223	220,676
Discount Securities	856,162	742	-	-	21,144	878,048
Other Receivables	-	-	-	-	12,521	12,521
	3,235,540	938,741	397,220	1,359	11,431,260	16,004,120

2013

Credit quality	AAA to AA-	A+ to A-	BBB+ to B-	CCC+ to CC	Non-rated	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equities	-	-	-	-	7,485,991	7,485,991
Investment Vehicles	-	-	-	-	2,562,122	2,562,122
Derivatives Assets	-	-	-	-	99,299	99,299
Cash and STMM	1,661,066	-	-	-	-	1,661,066
Perpetual Securities	902	-	-	-	-	902
Fixed Interest Bonds	302,565	147,934	83,589	644	506,739	1,041,471
Indexed Bonds	71,357	98,354	36,200	-	19,725	225,636
Asset Backed Securities	62,840	20,312	114,574	2,293	95,147	295,166
Discount Securities	475	565,006	-	-	-	565,481
Other Receivables	-	-	-	-	10,832	10,832
	2,099,205	831,606	234,363	2,937	10,779,855	13,947,966

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date. Collateral is held in regard to all securities lending activities. No collateral is held as security or other credit enhancements exist for all other financial assets held. No financial assets are considered past due as all payments are considered recoverable when contractually due. The Scheme's financial assets exposed to credit risk amounted to the following:

	30 June 2014	30 June 2013
	\$'000	\$'000
Cash and Cash equivalents	72,498	15,226
Short Term Money Market	1,789,812	1,589,283
Fixed Interest securities	3,300,485	2,128,656
Listed Australian equities	4,064,204	4,014,230
Listed International Equities	3,876,991	3,471,761
Private Equity	566,107	583,449
Property	1,498,417	1,512,050
Infrastructure	433,481	466,623
Derivatives assets	335,350	99,299
Interest, dividends and other receivables	54,153	56,426
Contributions receivable	10,399	9,457
Other receivables and prepayments	2,223	1,506
Total	16,004,120	13,947,966

Substantially all of the Scheme's cash is managed by BT Australia and the Internal Investment Management team. The custodian, National Australia Bank Limited, custodially holds assets and cash in the name of the Scheme. Bankruptcy or insolvency by these financial institutions may cause the Scheme's rights with respect to the cash held to be delayed or limited. The Scheme monitors its credit risk by monitoring the credit quality and financial position of relevant institutions through regular analysis of their financial reports.

(c) Liquidity Risk

Liquidity risk is the risk that Telstra Super will encounter difficulty in raising funds to meet commitments associated with financial instruments and benefit payments. To control these risks, Telstra Super invests in financial instruments, which under normal market conditions are readily convertible to cash. In addition, Telstra Super maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Scheme's most significant financial liability is in relation to members' vested benefits. Telstra Super manages its obligation to pay such benefits based on management's estimates and actuarial assumptions of when such benefits will be drawn down by members. The Trustee considers it is highly unlikely that a substantial number of members will request to draw down their benefit at the same time. We have considered the proposed Defined Benefit to Accumulation offer in this analysis.

The Scheme's liquidity risk is managed on a daily basis by the internal investment management and the finance functions in accordance with the liquidity policy and the Scheme's Risk Management Framework. Compliance with these policies is reported to the Trustee on a regular basis. The Scheme limits the allocation of illiquid assets and ensures that the allocation is consistent with the intended term of investment. The Scheme's membership profile, coupled with the bulk of its assets being invested in highly liquid asset classes, allows the Fund to tolerate a lower liquidity in regard to its alternative investments (e.g. property and infrastructure investments) in an expectation of higher investment returns in the longer term.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2014

The following table summarises the maturity of Telstra Super's financial liabilities based on undiscounted cash flows.

2014	Less than 1 month	1 month to 3 months	3 months to 1 year	Greater than 1 year	Total
Liability	\$'000	\$'000	\$'000	\$'000	\$'000
Benefits payable	160	-	-	-	160
Accounts payable	28,612	-	-	-	28,612
Derivative liabilities	709	2,592	55,039	173,629	231,969
Current tax liability	-	13,454	-	-	13,454
Deferred tax liability	-	-	-	179,516	179,516
	29,481	16,046	55,039	353,145	453,711

2013	Less than 1 month	1 month to 3 months	3 months to 1 year	Greater than 1 year	Total
Liability	\$'000	\$'000	\$'000	\$'000	\$'000
Benefits payable	1,568	-	-	-	1,568
Accounts payable	29,703	-	-	-	29,703
Derivative liabilities	71	166,504	95	83,775	250,445
Current tax liability	-	14,603	16,209	-	30,812
Deferred tax liability	-	-	-	40,275	40,275
	31,342	181,107	16,304	124,050	352,803

The above table does not include the Scheme's 'Liability for Accrued Benefits' as it is not practicable to determine the timing of when such liabilities will be paid.

Make sure your investments are right for you

Like any investment, there are risks associated with investing your super; different investment options carry different levels of risk depending on the assets that make up those options.

(d) Market risk

Market risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments in the market.

Market risk comprises three types of risk: market interest rates (interest rate risk), foreign exchange (currency risk), and market prices (price risk). The Scheme's policies and procedures put in place to mitigate the Scheme's exposure to market risk are detailed in the Trustee's Investment Policy and the Risk Management Framework. This includes the risk review processes and compliance testing undertaken by management and regularly reported to the Audit, Risk and Compliance Committee.

Market risk is also minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. The market risk disclosures are prepared on the basis of Telstra Super's direct investments and not on a look through basis.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The majority of Telstra Super's financial instruments are non-interest bearing with only cash, cash equivalents and fixed interest securities being directly subject to interest rate risk. However, movements in market interest rates can indirectly impact on the valuation of non-interest bearing investments. The Scheme may use derivatives to hedge against unexpected increases in interest rates.

Telstra Super's exposures to interest rate movements on its financial instruments, by maturity, at balance date are as follows:

2014	Floating interest rate	1 Year or less	1 to 5 years	More than 5 years	Non-interest bearing	Total
Financial assets and liabilities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investments	1,219,455	2,356,857	661,841	408,849	10,985,977	15,632,979
Cash and receivables	72,498	-	-	-	66,674	139,172
	1,291,953	2,356,857	661,841	408,849	11,052,651	15,772,151

2013	Floating interest rate	1 Year or less	1 to 5 years	More than 5 years	Non-interest bearing	Total
Financial assets and liabilities	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investments	750,886	1,910,132	311,715	260,390	10,381,914	13,615,038
Cash and receivables	15,226	-	-	-	67,258	82,484
	766,112	1,910,132	311,715	260,390	10,449,172	13,697,522

Interest on financial instruments classified as floating rate change at intervals of less than one year. Interest on financial instruments classified as fixed rate are fixed until the maturity of the instrument. Although non-interest bearing financial instruments do not pay an interest rate, their value is subject to movement in market interest rates. Investments in managed trust vehicles are included under non-interest bearing and their risks are covered in the price risk section.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the reporting dates. The analysis assumes that all other variables are held constant. Based on expected movements in the yields of 10 year Australian and US Government bonds, a reasonably possible change of 75 base points was an appropriate movement for 30 June 2014 and 30 June 2013. A change of 0.75% in interest rates with all other variables remaining constant would have decreased the net assets available to pay benefits by \$32.526m (2013: \$37.758m). A change of -0.75% in interest rates with all other variables remaining constant would have increased the net assets available to pay benefits by \$41.396m (2013: \$40.430m). The analysis is performed on the same basis for 2013 and is based on estimates only. The impact on net assets available to pay benefits mainly arises from the effect that the reasonably possible change in interest rates will have on the net market value of fixed interest securities.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2014

Foreign Exchange Risk

Foreign Exchange Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign Exchange Risk is a component of price risk. Telstra Super has exposure to Foreign Exchange Risk in the value of securities denominated in a foreign currency. Foreign exchange contracts are used by our investment managers and by Telstra Super as an overlay control to reduce the exposure to such risk in the value of our underlying international investments by the use of forward currency contracts. The Scheme uses both passive and active managers to manage the risk of foreign exchange fluctuations in line with the Scheme's Risk Management Framework and the Scheme's Investment Policy. On this basis, the Scheme's overall exposure to Foreign Exchange Risk is considered minimal after taking into account the forward currency contracts.

In accordance with the Scheme's Investment Policy, the Chief Investment Officer monitors the Scheme's currency position on a regular basis. This information and the compliance with the Scheme's overall exposure are reported to relevant parties on a regular basis as deemed appropriate such as the Manager Internal Audit, Risk and Compliance, other key management personnel, the Audit Risk and Compliance Committee, and ultimately the Board.

Sensitivity Analysis

The tables below indicate Telstra Super's exposures at balance date to foreign exchange rate movements on its international investments. The analysis calculates the effects of a reasonably possible movement of currency rates against the Australian dollar based on forecasts at balance date. Based on an assessment of historical ranges of currency and one standard deviation expectation an assumption of +/- 11% has been determined by the investment adviser as an appropriate assumption for this scenario analysis. An 11% strengthening/weakening of the Australian dollar against the following currencies at 30 June 2014 would have (decreased) increased the net assets available to pay benefits and the Change in Net Assets by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis was performed on the same basis for 2013 where the volatility factor was expected to be 12%. The impact mainly arises from the reasonably possible change in foreign currency rates.

The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, having regard to a number of factors including the average absolute divergence between the unhedged and hedged MSCI World Index ex Australian annual returns over a 10 year period.

2014	Effect on net assets of a change in currency rate		
Currency	Amount	+ 11%	-11%
Gross investment amounts denominated in:	A\$'000	A\$'000	A\$'000
United States dollars (USD)	3,329,796	(42,876)	42,876
Euro (EUR)	746,538	7,078	(7,078)
Yen (JPY)	224,891	(1,353)	1,353
Great Britain pounds (GBP)	323,310	(3,820)	3,820
Other currencies	1,006,441	(79,723)	79,723
	5,630,976	(120,694)	120,694

2013	Effect on net assets of a change in currency rate			
	Currency	Amount	+ 12%	-12%
	Gross investment amounts denominated in:	A\$'000	A\$'000	A\$'000
	United States dollars (USD)	3,008,317	(170,238)	170,238
	Euro (EUR)	626,653	(12,920)	12,920
	Yen (JPY)	214,005	(13,383)	13,383
	Great Britain pounds (GBP)	347,925	(25,131)	25,131
	Other currencies	951,787	(102,848)	102,848
		5,148,687	(324,520)	324,520

Other Market Price Risk

Other Market Price Risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument, or factors affecting all similar instruments traded in the market. All securities investments present a risk of loss of capital. The maximum risk is determined by the net market value of the financial instruments.

As all of Telstra Super's financial instruments are carried at net market value with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect net investment income. Price risk is mitigated by investing in a diversified portfolio of financial instruments that are traded on various markets.

All investment managers are subject to extensive due diligence prior to being appointed, with the recommendation for their appointment and removal made by the Investment Committee to the Board for final approval where required. All investment activities are undertaken in accordance with established mandate limits. Monthly reports are received from investment managers and the Master Custodian and these reports are reviewed in detail and assessed against relevant benchmarks. Investment manager performance is reported to the Investment Committee on a monthly basis, and the Board. The Trustee has determined that these investments are appropriate for the Scheme and are in accordance with the Scheme's investment strategy.

Sensitivity Analysis

The analysis below indicates the effect on the Statement of Changes in Net Assets due to a reasonably possible change in market factors, as represented by the equity indices, with all other variables held constant. Based on analysis of historical data in respect of asset class returns over 10 years and using this analysis to formulate expected future ranges of returns, the investment adviser has determined that the following assumptions are appropriate for this scenario analysis. These assumptions are based on an orderly market and as such the assumptions below are based on an expected range of outcomes within +/- 1 standard deviation.

2014			2013		
Asset class	Change in market price	Effect on Net Assets/Returns \$'000	Asset class	Change in market price	Effect on Net Assets/Returns \$'000
Australian Equities	20%	812,840/ (812,840)	Australian Equities	21%	842,988/(842,988)
International Equities	19%	736,628/ (736,628)	International Equities	21%	729,070/(729,070)
Private Equity	14%	79,255/ (79,255)	Private Equity	14%	81,682/(81,682)
Property	11%	164,825/ (164,825)	Property	11%	166,325/(166,325)
Infrastructure	9%	39,013/ (39,013)	Infrastructure	10%	46,662/(46,662)

A process for the valuation of unlisted, infrequently valued assets is used to ensure valid valuations are reported. This involved seeking assurances from managers, ensuring latest accurate information available has been included and where necessary reviewing the latest audited financials of the relevant entity. All available valuation information has been incorporated in these financials.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2014

(e) Securities Lending

Telstra Super has entered into securities lending arrangements with National Australia Bank Limited under which legal title to certain of the Scheme's assets has been transferred to another entity, notwithstanding the fact that the risks and benefits of ownership of the assets remain with Telstra Super.

Telstra Super may call for the re-delivery of all or any borrowed securities at any time in the ordinary course of business upon notice of not less than the standard settlement time for such securities on the market through which they were originally delivered. Such calls for re-delivery have taken place from time to time, and there have been no instances of failed delivery.

Telstra Super restricts its involvement in the domestic equity lending program to lending only those securities contained in the S&P/ASX 200 Index.

The total value of assets subject to securities lending amount to \$584.4m (2013: \$357.9m), and income received was \$0.878m (2013: \$1.069m). Telstra Super has obtained collateral equal to at least 105% of the value of the assets subject to securities lending arrangements.

(f) Classification of financial instruments under the fair value hierarchy

Fair value measurements

Telstra Super is required to classify financial instruments using a fair value hierarchy that reflects the subjectivity of inputs used in making the measurements. The table below shows financial instruments recorded at net market value, analysed between the following levels:

Level 1 – Those whose net market value is based on quoted market prices in active markets. An active market is a market in which transactions take place with sufficient frequency and volume to provide pricing on an ongoing basis;

Level 2 – Those involving valuation techniques where all the model inputs are observable in the market. Inputs can be directly or indirectly derived from prices in the marketplace; and

Level 3 – Those where the valuation technique involves the use of non-market observable inputs that are significant to the determination of net market value. Inputs are entity-specific and subjective.

2014

Financial assets and liabilities	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Equities	7,397,022	541,380	2,793	7,941,195
Investment vehicles	-	662,896	1,835,109	2,498,005
Derivative assets	236,175	99,176	-	335,351
Derivative liabilities	(231,969)	-	-	(231,969)
Cash and STMM	1,916,564	-	-	1,916,564
Perpetual securities	-	870	-	870
Fixed Interest bonds	642	1,449,619	-	1,450,261
Indexed bonds	140,083	610,001	546	750,630
Asset Backed securities	-	220,676	-	220,676
Discount securities	-	878,048	-	878,048
	9,458,517	4,462,666	1,838,448	15,759,631

2013

Financial assets and liabilities	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Equities	6,906,007	577,167	2,817	7,485,991
Investment vehicles	-	741,174	1,820,948	2,562,122
Derivative assets	99,299	-	-	99,299
Derivative liabilities	(91,057)	(159,387)	-	(250,444)
Cash and STMM	1,661,066	-	-	1,661,066
Perpetual securities	-	902	-	902
Fixed Interest bonds	630	1,040,842	-	1,041,472
Indexed bonds	43,192	181,876	569	225,637
Asset Backed securities	-	295,165	-	295,165
Discount securities	-	565,481	-	565,481
	8,619,137	3,243,220	1,824,334	13,686,691

The level in which financial instruments are classified in the hierarchy is based on the lowest level of input that is significant to the net market value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the investment.

Disclosure of the methods and assumptions applied in determining the net market value for each class of financial assets is included in Note 2(d).

Level 3 financial instruments transactions

The following table shows a reconciliation of the movement in fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

2014

Financial assets	Equities	Investment Vehicles	Fixed/Indexed Bonds	Asset Backed Securities	Net Market Value
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Opening Balance	2,817	1,820,948	569	-	1,824,334
Total gains/(losses)	(24)	(56,265)	(23)	-	(56,312)
Purchases/applications	-	72,666	-	-	72,666
Sales/redemptions	-	(2,240)	-	-	(2,240)
Transfers into Level 3	-	-	-	-	-
Transfers out Level 3	-	-	-	-	-
Closing balance	2,793	1,835,109	546	-	1,838,448

Notes to and forming part of the Financial Statements

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2013

Financial assets	Equities	Investment Vehicles	Fixed/Indexd Bonds	Asset Backed Securities	Net Market Value
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Opening balance	447,077	798,687	287	581	1,246,632
Total gains/(losses)	1	14,805	(121)	-	14,685
Purchases/applications	-	5,472	-	-	5,472
Sales/redemptions	(113)	(7,443)	-	-	(7,556)
Transfers into Level 3	1,012	1,335,483	569	-	1,337,064
Transfers out Level 3	(445,160)	(326,056)	(166)	(581)	(771,963)
Closing balance	2,817	1,820,948	569	-	1,824,334

Total gains/(losses) comprises realised and unrealised gains and losses.

Transfers between the Level 2 and Level 3 fair value hierarchies during the financial year are due to a more detailed analysis of the investments involved rather than a significant change in the observable measurements of their net market values.

For financial instruments classified in Level 3 in the fair value hierarchy, some of the inputs to the valuation models are unobservable and therefore subjective in nature. Therefore the use of reasonably possible alternative assumptions could produce a different net market value measurement. If the impact of using those alternative assumptions would cause the fair value of Level 3 assets to be higher or lower by 5% the net assets of the Fund and the benefits accrued as a result of operation for the year would have been higher or lower by \$37.82m (2013: \$36.84m)

Transfers Between Hierarchy Levels

There have been no significant transfers between the Level 1 and Level 2 fair value hierarchies during the financial year.

Description of significant unobservable inputs to valuation

Investment type	Valuation Technique	Unobservable Input	Range
Investment vehicles	Net Asset Value	Net Asset Value	10% increase/ (decrease) in the net asset value would result in an equivalent increase/ (decrease) in the investment value as the investment vehicles mainly relate to private equity investments and are held at a stale price



Telstra Superannuation Scheme

Summary of actuarial report on 30 June 2012 investigation

Kevin O'Sullivan, FIAA conducted the latest actuarial investigation of the Telstra Superannuation Scheme (the Scheme) at 30 June 2012, and presented the results in a report dated 20 February 2013. This following provides a summary of that report and the Actuary's opinion as to the financial condition of the Scheme.

Purpose of Report

Legislation covering the operation of superannuation funds in Australia requires actuarial investigations of defined benefit funds to be made at intervals of not more than three years. The last actuarial investigation of the Scheme was as at 30 June 2012 by M K O'Sullivan, FIAA.

The main aims of an actuarial investigation are to assess the Scheme's financial position, and to recommend the rate at which Telstra should contribute to the Scheme.

Membership and Salaries

As at 30 June 2012 there were 7,298 members of Division 2, 58 members of Division 5 and 34 members of Division 8 receiving defined benefits with salaries totalling \$604.4 million, \$7.3 million and \$3.9 million respectively. The numbers of Division 2, 5 and 8 members had decreased by 23%, 26% and 31% respectively from the previous investigation as at 30 June 2009.

In addition to these defined benefit members, there were approximately 26,400 members of Division 3, 6 and 8 and approximately 69,500 members in Division 4 with retained benefits (including spouse accounts and account-based pensioners). These members receive accumulation style benefits. The balance of accumulation members accounts, together with the voluntary account balances of defined benefit members, totalled \$9,161.4 million (including an adjustment to allow for increases in the account balances resulting from final valuations of assets at 30 June 2012).

The average annual increase in members' salaries since the previous investigation for defined benefit members who were in the Scheme at both the current and the previous investigation dates (i.e. 30 June 2009 and 30 June 2012) was 3.4% p.a.

Assets

For the purpose of the actuarial investigation, the total net market value of assets used was as provided in the audited financial statements, \$11,589.5 million. The assets available to fund the defined benefit liabilities are then determined as the total assets less reserves and the sum of the account balances of accumulation style benefits (including the accumulation style benefits of defined benefit members), as follows:

	\$
Total Net Market Value of Assets	\$11,589.5m
Less, Assets supporting accumulation balances	\$9,161.4m
Less, Reserves	\$35.4m
Assets supporting defined benefit liabilities	\$2,392.7m

The average return on the defined benefit assets between 1 July 2009 and 30 June 2012 was 4.78% p.a.

Assumptions

The actuarial investigation reviewed the assumptions used and changes were made to the assumed financial assumptions and rates of death and disablement.

In summary, the key financial assumptions used were:

- Investment Return, net of tax: **6.5% p.a.**
- Salary Growth: **4.0% p.a.**
- Expense allowance: **0.35% of assets**

A promotional salary scale is also applied.

The discount rate used is a current market determined, risk adjusted discount rate, and is based on the expected future return on the Scheme's assets as at 30 June 2012.

All assumptions used are best estimate assumptions.

Funding Method

The main purposes of the actuarial investigation and report are to assess the financial position of the Scheme, identify the long term funding rate of the Scheme's benefits and to confirm the continuing adequacy of the contribution rates in the Funding Deed between Telstra and Telstra Super. To do this the actuary has adopted a method of funding benefits known as the Aggregate Funding method. Under this method, the long term Telstra contribution rate is calculated based on the difference between the net market value of assets and the total Scheme liabilities.

Fund Indices

Vested Benefits

The Vested Benefits Index (VBI) is the ratio of the net market value of assets to the members' current vested benefit entitlements should all members voluntarily resign at the investigation date.

Considering defined benefit assets and liabilities only, the Scheme's VBI at 30 June 2012 was 90%.

Discounted Accrued Benefits

The Discounted Accrued Benefits Index (DABI) is a longer term measure of solvency. The discounted accrued benefits are the total of the present value of the benefits that have accrued in respect of membership prior to the investigation date.

Considering defined benefit assets and liabilities only, the Scheme's DABI at 30 June 2012 was 98%.

Minimum Requisite Benefits

The minimum Requisite Benefit Index (MRBI) is a short term measure of solvency. The Minimum Requisite Benefits (MRBs) are the minimum benefits payable out of the Scheme to ensure Telstra satisfies its Superannuation Guarantee (SG) obligations.

Considering defined benefit assets and liabilities only, the Scheme's MRBI at 30 June 2012 was 120%.

Insurance

The cost of providing future death and disablement benefit payments is taken into account in determining the long-term employer cost.

As at 30 June 2012, the Scheme holds a self insurance reserve of \$25 million. In the report, the Actuary believes that this is adequate to meet incurred but not reported claims, protect against short term adverse claim experience and cover worsening claim experience for a short period.

It was considered that self insurance remained suitable for the Scheme's defined benefit divisions.

Material Risks

Material risks for the Scheme include:

- Ongoing funding to maintain the Scheme's financial position - the required contributions could increase materially if investment or salary inflation experience is worse than expected;
- Risk of higher than expected death and disability benefits, either due to catastrophe or worsening claims experience;
- Re-balancing and crediting rate approximations within the Accumulation section, which may adversely impact on assets supporting the defined benefit liabilities - though this is not considered a material risk if Telstra is willing to accept the implicit risk via its funding obligations; and
- While the VBI is under 100%, there is a risk that a retrenchment program or downsizing of the membership could materially reduce the VBI. To the extent the VBI is reduced, it is expected that Telstra's contributions would increase to restore the VBI to 100% over a reasonable time.

Recommended Contribution and Financial Condition

As at 30 June 2012, the long term employer contribution rate required to fund the defined benefits was 15.5% of salaries based on the Aggregate Funding Method, and the long term cost of future service benefits was estimated 15.7%.

While from 1 July 2013, Prudential Standard SPS 160 requires funding arrangements that return the VBI to 100% within three years, in many situations this is not expected to be achieved under the current Funding Deed.

As a result, The Actuary has recommended that Telstra continue to make contributions to the Scheme in line with the May 2004 Funding Deed until 30 June 2013. From 1 July 2013, Telstra should make contributions to the Scheme at the rate of 16% of defined benefit members' salaries until another recommendation is made.

The Actuary has also made the following recommendations:

- That the Funding Deed be revised to meet the requirements of SPS 160;
- That self-insurance reserve be reviewed annually; and
- The next full actuarial investigation be made with an effective date no later than 30 June 2015.

Solvency Position as at 30 June 2012

The Scheme has received funding and solvency certificates covering the three years to 30 June 2012. We expect that the solvency of the Scheme is likely to be able to be certified in any Funding and Solvency Certificate required under the Superannuation Industry (Supervision) Regulations during the three-year period to 30 June 2015.

Statement of Financial Position (SIS Regulation 9.31(3))

In opinion of the Actuary, as at 30 June 2012, the financial position of the Scheme was unsatisfactory.

Significant Events since 30 June 2012

Favourable experience subsequent to 30 June 2012 has meant that the Scheme's defined VBI has improved to 104% and the DABI to 108% as at 30 June 2013, based on data provided by the Scheme. At the date this summary was prepared the MRBI had not been recalculated but would have been significantly over 100%.

In addition, following a review of the investment strategy for the defined benefit assets, in June 2013 we were advised that Telstra Super Pty Ltd had adopted a revised strategy that would have an overall lower risk profile than the previous strategy, with a higher allocation to defensive assets. In addition, illiquid assets would be placed in 'run off' mode.

While the proposed strategy would have a lower level of volatility, it would also have a lower expected level of return. In its letter dated 8 July 2013, JANA has advised that the expected long term investment return (net of tax) of the proposed strategy would be 5.1% p.a.

This revision of the asset allocation and improved funding position may have a material impact on the contributions required from Telstra. As a result, we are in the process of preparing an updated contribution recommendation.



Matthew Burgess

Matthew Burgess

Fellow of the Institute of Actuaries of Australia
25 July 2013

Russell Employee Benefits,
ABN 70 099 865 013
GPO Box 5141
Melbourne VIC 3011

Important Information

Telstra Super Trust Deed changes

The Telstra Super Trust Deed sets out the rules by which Telstra Super is managed. Amendments were made to the Trust Deed during the 2013/2014 financial year to incorporate:

- the consolidation of *Sensis Super Plus* and *Telstra Super Casuals* into *Telstra Super Corporate Plus*, and
- the introduction of Telstra Super MySuper.

You can obtain a copy of the Telstra Super Trust Deed online at www.telstrasuper.com.au/governance

Surcharge

The government abolished the superannuation surcharge from 1 July 2005. However, surcharge assessments may still be issued for the 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 2013/2014 was 3.75%, reducing to 3.5% for 2014/2015.

* 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 2014 are listed below.

Actuarial advisers	Russell Investment Group
Asset consultant	JANA Investment Advisers Pty Ltd
External auditors	Ernst & Young
Principal legal advisers	Lander & Rogers
Master Custodian	National Australia Bank Limited

Reserves

The Trustee maintains a number of reserves: an Insurance Reserve, an Administration Reserve, a Licensing Reserve and an Operational Risk Financial Reserve ('ORFR'). The ORFR will be built up over three years from 1 July 2013 with the aim of reaching an ORFR target of 0.25% of funds under management.

All reserves are managed in accordance with Telstra Super Pty Ltd's Reserves Policy. The ORFR is invested in a term deposit. The Insurance and Administration Reserves form part of the defined benefit investment strategy of the Fund. The Licensing Reserve is an amount held in cash deposit. The total value of all reserves in the Fund in each of the last three years was as follows: 30 June 2014 \$69,367,000; 30 June 2013 \$51,350,000 and 30 June 2012 \$35,350,000. For further information about the reserves in the years ending 30 June 2013 and 2014, refer to the Financial Statements at page 48 of this report.

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 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, senior managers and employees while administering Telstra Super.

Part of the Telstra Super Family



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 visa has 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 must pay it to the Australian Taxation Office (ATO).
- if your benefit is transferred to the ATO, you are able to 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 is committed to helping you build a financially secure future.

WWW.RETIREMENTDREAMS.COM.AU

Your retirement dream may be soon, or not for a long while yet, or you may even be living it now! Whatever your circumstances may be, planning is the key. Take some time to think about what you want and how you plan to get there. Don't forget; we're here to help – our contact details are on the back page, and we'd love for you to get in touch.

Live your dream

Retirement Dreams is our way of helping you paint the retirement picture of your dreams, by compiling an online picture board of everything you'd like to experience, buy or achieve once you leave work behind. You can also see how close you may be to financially achieving your dream retirement and, if you think you need it, access some simple tips, tools and information that might help you get there faster.

Start building your retirement dream by visiting www.retirementdreams.com.au today.

RETIREMENT
DREAMS

Contacting us

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



Call 1300 033 166

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



Visit www.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

Telstra Super
PO Box 14309
Melbourne VIC 8001



Visit

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Brisbane Level 10, 116 Adelaide Street, Brisbane
Sydney Suite 2, Level 3, 66-74 Clarence Street, Sydney
Adelaide Level 13, 99 Gawler Place, Adelaide
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