

Equip  
2018 Annual Report

IMPORTANT INFORMATION

Changes in legislation allow super funds to publish their fund information online. In the interest of reducing the cost to members of producing and distributing the annual report, we publish our annual reports as a PDF for download from our website [www.equipsuper.com.au](http://www.equipsuper.com.au).

If you wish to receive a printed copy of the annual report by mail free of charge, you can call our Helpline **1800 682 626** or email [www.equipsuper.com.au/contact](http://www.equipsuper.com.au/contact) and request a copy.

This annual report is issued by Equipsuper Pty Ltd ABN 64 006 964 049 (“the trustee” or “we” or “us”), the trustee of Equipsuper ABN 33 813 823 017 (“the fund” or “Fund”). “Equip” is used interchangeably in this report to refer to both the fund and the trustee.

It has been prepared without taking into account your personal objectives, financial situation or needs. You should consider whether this information is appropriate to your personal circumstances before acting on it and, if necessary, you should also seek professional financial advice. Where tax information is included you should consider obtaining personal taxation advice. If you are considering investing in the Fund, you should read the appropriate PDS before making an investment decision.

Neither the trustee, nor any employees or directors of the trustee, guarantee the repayment of capital or the performance of the Fund. Past performance is not an indication of future performance.

**Equipsuper Financial Planning Pty Ltd**

Equipsuper Financial Planning Pty Ltd (ABN 84 124 491 078, AFSL 455010) is licensed to provide financial planning services to retail and wholesale clients. Equipsuper Financial Planning Pty Ltd is owned by Equipsuper Financial Holdings Pty Ltd (ABN 11 604 515 791).

Equip is ‘super fair and square’.

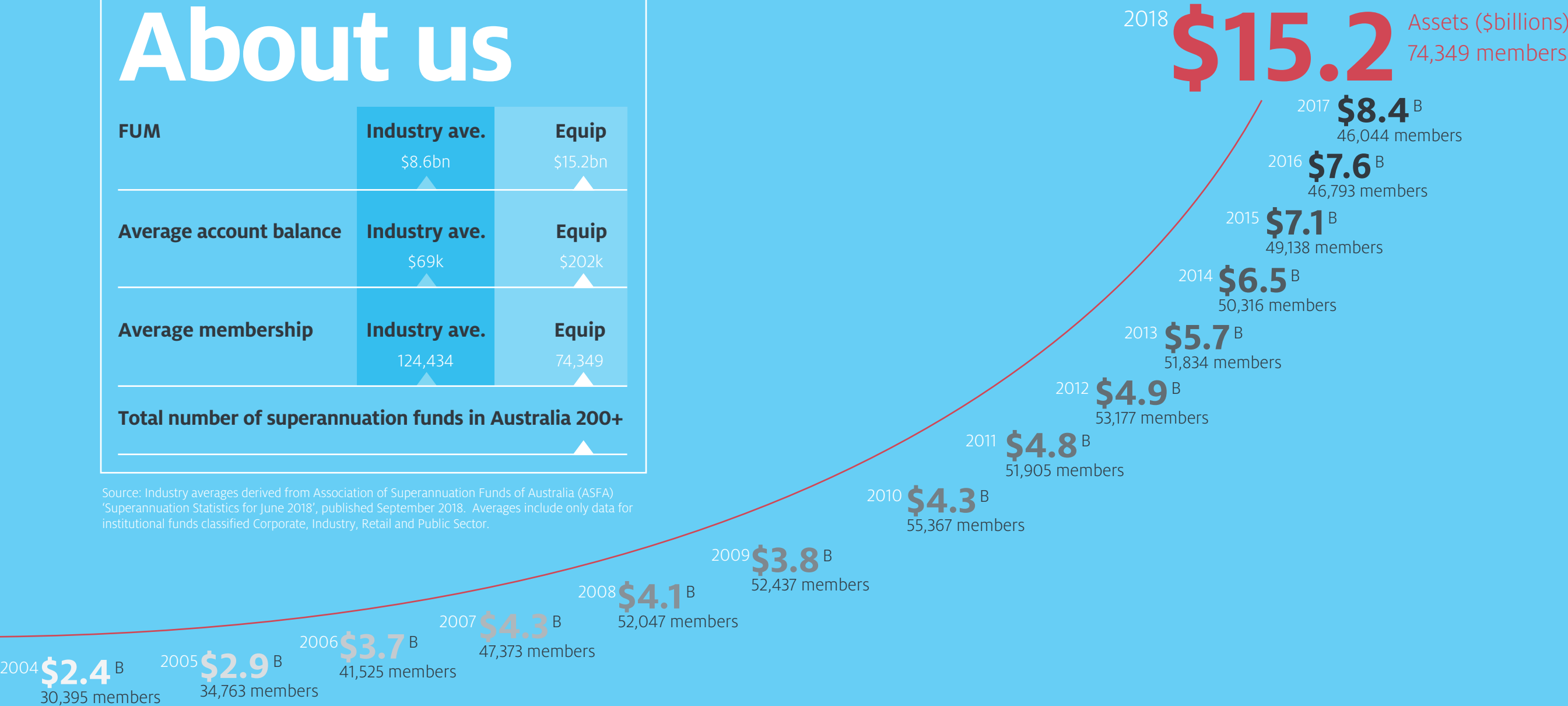
We keep super simple. We have delivered strong returns to promote greater financial security for members. We give sound advice focused on our members’ interests. We spend members’ money wisely to keep costs and fees as low as possible without compromising quality of investments or services. We work with employers to ensure Equip is valued as a contributor to the attractiveness of their offering to employees. We’re **fairly and squarely** supporting financial freedom for our members in retirement.



# About us

FUM	Industry ave. \$8.6bn	Equip \$15.2bn
Average account balance	Industry ave. \$69k	Equip \$202k
Average membership	Industry ave. 124,434	Equip 74,349
Total number of superannuation funds in Australia 200+		

Source: Industry averages derived from Association of Superannuation Funds of Australia (ASFA) 'Superannuation Statistics for June 2018', published September 2018. Averages include only data for institutional funds classified Corporate, Industry, Retail and Public Sector.



Our Board –



**Andrew Fairley AM  
Chair**

Appointed: January 2009  
Current term expires: February 2021



**John Azaris  
Employer Director**

Appointed: June 2007  
Current term expires: March 2020



**Mark Cerche  
Employer Director**

Appointed: July 2017  
Current term expires: July 2020



**Michael Clinch  
Employer Director**

Appointed: April 2016  
Current term expires: March 2020



**Penny Davy-Whyte  
Member Director**

Appointed: July 2018  
Current term expires: March 2021



**Jan Dekker  
Member Director**

Appointed: July 2017  
Current term expires: March 2019



**Justine Hickey  
Independent Director**

Appointed: July 2017  
Current term expires: July 2020



**Lisbeth Rasmussen  
Member Director**

Appointed: January 2018  
Current term expires: March 2021



**Wayne Walker  
Independent Director**

Appointed: July 2017  
Current term expires: July 2020

During the 2017/2018 Financial year the following directors also held office:  
Pippa Leary (retired 30 April 2018)  
Jane Simon (retired 30 April 2018)

Chair’s comment –

Celebrating a year of transformation

Equip emerged from the 2017-18 financial year as a substantially stronger and more robust Fund. The year was transformational for Equip, with the Fund embedding itself as one of Australia’s largest 20 profit-to-member funds, and the fund of choice for some of the nation’s leading corporations following the merger with the Rio Tinto Staff Superannuation Fund.

We believe our prospects for growth towards our target of \$35 billion and 250,000 members by 2025 have been significantly enhanced by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.^ It highlighted many fundamental conflicts between the interests of members and those of their shareholders in bank-owned wealth management and superannuation businesses.

We are already seeing evidence that some large corporate funds are considering their positions in relation to these providers. This will create new opportunities for Equip to attract more corporate funds and their members to our Fund.

With business models under examination, your Board is particularly pleased that we were an early mover in adopting a best-practice governance model.



**83.1%\***  
Overall  
satisfaction  
score

**93.6%\***  
Satisfaction  
with pension  
products

**Top 10**  
Returns  
over  
10 years

\* CoreData, 2018 Equip Annual Member Research conducted in June 2018. n=2,490. Satisfaction scores based on respondents scoring Equip at 7-10 on a scale of 0-10.

Top 10 positioning based on SuperRatings data for the Balanced Growth product as measured against funds in its ‘Balanced - All Fund Median’ index.

^ Referred to throughout this report as ‘Hayne Royal Commission’

Skills based board

In 2016, we implemented a rigorous, skills-based selection process for Equip directors that we considered essential to meeting the increased complexity and changing demands of the environment in which we operate.

Coincident with the merger with the Rio Tinto staff fund on 1 July 2017, we also transitioned to a board structure of three member, three employer and three independent directors. The increase from one to three independent directors provides us with the flexibility to ensure we can attract and select high-calibre directors with the right mix of skills to inform our deliberations and decisions.

Contemporary superannuation funds operate in an industry that is far more complex than in 1993 when Australia embraced a mandatory superannuation scheme for workers. Since then, the \$2.7 trillion superannuation sector has become a substantial investor internationally in ever-more complex asset classes.

Member and employer expectations of funds have also increased, placing much higher thresholds and accountability for service and support, regular communications and digital tools and enablement. Members benchmark their expectations through their experiences across all industry sectors, not just against Equip’s industry peers.

Scale benefits for members

We completed the merger with the Rio Tinto staff fund without compromising our strong investment performance, which made us the third-ranked fund in Australia on 10-year performance\*. Our strong investment performance can only be improved by the \$12 million to be delivered back to members in fee and insurance premium reductions in 2018-19 as a direct result of our increased scale.

With increased technical and human resources now available to us, Equip’s performance over the past year has placed us in an outstanding position to enable our members and employers continue to benefit from our growth story in the future.

\* Top 10 positioning based on SuperRatings data for the Balanced Growth product as measured against funds in its ‘Balanced - All Fund Median’ index.

Equip is uniquely positioned as a provider of corporate superannuation. It is one of the few funds in the profit-to-member sector with a proven capacity to provide tailored superannuation solutions for a diverse array of workplaces.

Participating employers include leaders in the Fund’s traditional energy and water utilities sectors, the resources sector and white collar professionals in a broad range of industries.

A more complex business

The growing complexity of superannuation and the extent of member and employer expectations for ever greater sophistication in our capacity to deliver more personalised service will be supported by the diversity of skills and experience we have put in place across Equip’s board and management.

Our adoption of an independent, skills-based assessment for board appointments was fairly and squarely focused on ensuring the Fund is able to deal with this evolving superannuation landscape.

Close partnerships with employers to promote greater financial security for their employees is one of Equip’s core strengths. This includes forging strong working relationships with employers to help employees manage the financial impacts of disruption and change on their working lives.

Change is business as usual for us all and I am confident that the strides Equip has made in virtually every area of our operations will help members and employers achieve their aspirations for the future.

On behalf of the Equip Board, I thank all members and employers for their on-going support and loyalty to our Fund.

Andrew Fairley AM

Chair



# Equipped for the future

## CEO's comment –



### Better equipped for the future

It would be difficult for any financial service provider to not reflect on the past twelve months and consider how their activities align with community standards and expectations of behaviour and business practices.

These issues have been the focus of important inquiries into the sector by both the Hayne Royal Commission and the lesser publicised Productivity Commission review of competition and member outcomes in superannuation. The insights they provided have inevitably impacted on public trust in the sector.

We were therefore pleased to confirm in our 2018 annual member survey that, for the third consecutive year, trust in Equip continues to be the number one reason that our members choose to continue with us on change of job or as they head into retirement.

We work every day to retain the trust of members and employers. It was important that in the 2017-18 financial year we kept our promise to deliver additional benefits to members as we bedded down our merger with the former Rio Tinto Staff Superannuation Fund.

We did this by cementing our position in the top tier of Australia's superannuation sector on metrics of investment performance, fee competitiveness, growth and capability, the evidence of which is provided throughout this report.



As CEO, I was particularly pleased with our annual member research results, which showed that the proportion of Rio Tinto respondents who were confident that Equip is the right fund to help them achieve a better retirement was line-ball with that of traditional Equip members. This spoke volumes about the effort and effectiveness of our member and employer relations teams who conducted hundreds of contact sessions and seminars around Australia over the financial year to familiarise our Rio Tinto members with Equip.

Looking to the year ahead, I would like to focus on capability, which translates directly into our capacity to better support and service our members and employers, and is one of the great benefits derived from our growth.

We now have a team with great depth and diversity at Equip. The merger and new offices in Western Australia and Queensland have resulted in an increase from around 50 to nearly 85, providing us with a greater range of perspectives and skills.

Our depth and breadth of insights have also benefited from our investment over several years in establishing what I believe is among the leading data analytics-capable funds in profit-to-member superannuation. We attended a key industry forum hosted by the regulator, which involved a presentation and discussion about the way we are setting the pace in defining clear data-driven objectives for achieving a financially sustainable retirement for as many of our members as possible.

Opening new interstate offices reflects the importance we place on making financial advice accessible to members for a reasonable cost. Equip Financial Planning is focused primarily on helping members plan for retirement and how to make the most of their super while tax-effectively managing their income, assets and government entitlements.

As we are acutely aware of how we invest members' retirement savings to promote greater confidence and financial security in retirement, we do not spend money without thoroughly understanding member and employer priorities.

We appreciate the support of the thousands of members who have participated in four significant pieces of research. These have been important in helping us with our business planning and prioritisation, which is now facilitated by a dedicated project management team.

One of the outcomes of our research and prioritisation was the launch of our NextGen website and its associated app. We are very pleased to have been able to make doing business with Equip much more accessible and easier on devices most preferred by members.

Extending our national footprint by opening more offices has been good for many of our major employers located outside of Victoria and New South Wales, who now have a locally based relationship manager. We expect all offices to expand in line with our continued growth in corporate superannuation.

Equip started 2018-19 extremely optimistic about its future and our capacity to operate fairly and squarely for the benefit of our members and their employers.



**Nicholas Vamvakas**

Chief Executive Officer



### Earning trust in a world of distrust –

The Hayne Royal Commission cast a searching spotlight on the financial services sector, including the superannuation sector.

Equip proactively responded to the Hayne Royal Commission and was one of only a few funds to provide comprehensive information to the Productivity Commission’s inquiry into competition in the superannuation sector earlier in the year.

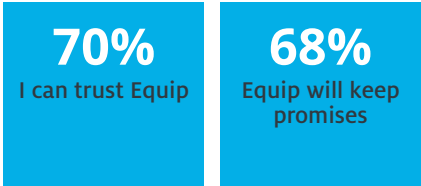
We hope these inquiries can bring about positive change in the sector, including policy and legislative change for the benefit of members.

The internationally followed Edelman Trust Barometer shows there has been a worldwide downtrend in public trust in institutions, their boards and executives over several years. The sometimes confronting narrative of the Royal Commission has done nothing to help the financial services sector. However, from an Equip perspective, there were some clear positives.

Being an early mover to a skills-based selection and appointment model for Equip’s trustee directors provides our members and employers with comfort that our board is well positioned to make decisions solely in the interests of members. We see leadership in governance as critical to enabling us to consider and make decisions and to implement our policies and practices to achieve better retirement outcomes for our members.

The Edelman Trust Barometer is produced annually by Edelman, a global communications marketing firm. It captures and analyses over 33,000 responses across 28 countries. Reference: <https://www.edelman.com/trust-barometer>

### Squarely for our members –



We are pleased that we can point to tangible evidence of our consistency in making strategic decisions that deliver outcomes that benefit members:

- Top 10 investment performance over all periods in the past decade to 30 June 2018\*;
- Delivery of \$12 million in fee and insurance premium reductions being delivered to members in the 2018-19 financial year as a direct result of the merger with the former Rio Tinto staff fund;
- Policy to deploy secure, ‘best-in-class’ technology platforms to achieve timely and relevant communications and services in the future;
- For the past three years, Equip members who have changed jobs nominate ‘trust in Equip’ as the number one reason for remaining and continuing to contribute to the fund when they join their new employer. For us, this is the ultimate measure of our effectiveness in delivering the experience and outcomes that members expect;
- The bottom line for Equip members is that our strategy and actions remain fairly and squarely in the interests of enhancing their financial outlook for retirement.

\* Top 10 positioning based on SuperRatings data for the Balanced Growth product as measured against funds in its ‘Balanced - All Fund Median’ index.



# Look forward with confidence

## Squarely ahead in confidence –

Equip members are more confident on average about their financial outlook in retirement than the average Australian fund member.

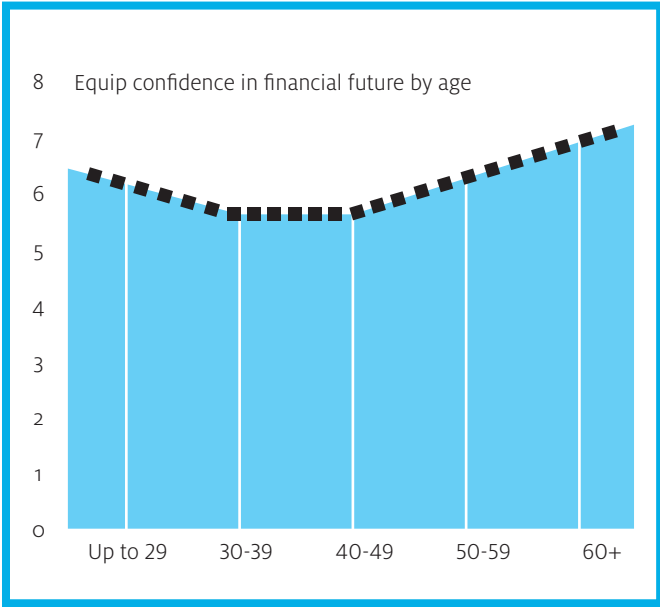
This is one of the most important measures of our performance, as it reflects the contribution of our entire suite of products and services and our contribution to better retirement outcomes.

In our annual member survey 66% of respondents scored Equip at seven or greater out of ten as the right fund to help them improve their retirement outcome.

Pleasingly, the proportion of Rio Tinto members scoring Equip was identical to the traditional Equip member base, nearly doubling their confidence score approaching the merger in 2017.



The Qantas CSBC Retirement Confidence Index (RCI) was determined from an online survey conducted by CSBA, on behalf of Qantas Super. The survey was conducted from 26 March to 9 April 2018, with 1,009 respondents, who both resided in Australia and had a superannuation account, participating.



CoreData, 2018 Equip Annual Member Survey, June 2018.

# Building wealth for the **future**

## Investment

There are many things that we do to improve the financial benefits members take into retirement, but consistently strong investment performance over many decades is what has positioned Equip as one of the nation's most reliable providers of retirement benefits.

Investment performance and low fees will always sit in the engine room of supporting the financial aspirations of members for their retirement.

The 2017-18 financial year was particularly important for Equip members, as the merger with the Rio Tinto staff fund prompted our investment team and their advisers to consider the best model for the future as we consolidated the Rio Tinto member investments with those of Equip.

Our approach was to capture the best of both the former Equip and Rio Tinto methods and philosophies on investment management. Here are a few of the less technical aspects of those changes:

- New Investment Committee, with former Rio Tinto Staff Superannuation Fund director, Justine Hickey as Chair;
- Reconsideration and articulation of core investment beliefs about how we invest;
- Consolidation of the Equip and Rio Tinto fund investment options into a single set;
- Reset of the Equip MySuper default investment option's strategic asset allocation (SAA) to 70% growth / 30% defensive assets;
- Review and rationalisation of investment managers with the list reduced from more than 70 to 40, which contributed to the recently announced fee reductions for members.



This project also resulted in our decision for the time being to outsource all investment management, a considerable departure from the days when our internal team directly managed about 35% of our total portfolio.

It was based on deep analysis that revealed that, in the current marketplace where there is downward pressure on fees charged by investment managers, we could more efficiently manage investments this way and pass on the efficiency gains in the form of reduced fees and costs to members.

It illustrates our flexibility and ability to be unconstrained by dogma when it comes to adopting the best investment model to match objectives, the operating environment and marketing conditions.

Equip’s investment team attributes Equip’s success over the 2017-18 financial year to three key portfolio factors:

- 1. The outcomes from its real assets program: Infrastructure assets, including a share of the port of Adelaide, Flinders ports, Brisbane airport, Melbourne airport, the Port of Gdansk in Poland and others, continued to deliver outstanding returns for members. They have delivered extremely strong returns over the last five years.
- 2. External manager selection for international equities: This has been very significant in the context of generally strong overseas investment markets, with international equities being significant contributors to returns in Equip’s diversified portfolios with exposure to them.
- 3. A higher-than-average allocation to foreign currency: Over the past year, Equip had its lowest possible exposure to the Australian dollar for some time. With the Australian dollar falling against the US dollar and other currencies, this has been a measurable factor in delivering higher returns to members.

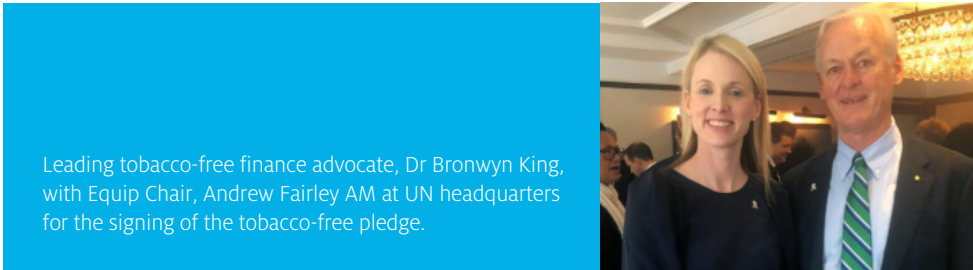
The process of consolidating the pre-merger Equip and Rio Tinto staff fund portfolios also resulted in reductions in custodial and consulting costs due to our greater scale.

## Environment Social Governance (ESG) –

We are committed to sustainably investing for the long-term. This is not new to Equip. Risk managed investing has been fundamental to looking after the retirement savings of members since the Fund was founded in 1931. We and our external managers consider the risks associated with investments we make.

In relation to Environmental, Social and Governance (ESG) Equip believes:

- a) **Stewardship** – as stewards of the assets entrusted to us, that excellence in investment governance enables us to add value to our member retirement outcomes. We aim for best practice stewardship and active ownership.
- b) **Climate change** – that climate change is a systemic issue and presents financial risks and opportunities for investors. As such, the Trustee needs to manage implications for the Fund on behalf of our members.
- c) **Engagement & Screening** – that ESG ‘engagement’ in order to change behaviour can enhance risk adjusted returns over the long term. However, ‘screening’ of investments can be an appropriate tool in particular circumstances. For example Equip excludes companies involved in tobacco production.



Leading tobacco-free finance advocate, Dr Bronwyn King, with Equip Chair, Andrew Fairley AM at UN headquarters for the signing of the tobacco-free pledge.

For more information on how we invest your money, please refer to the Equip Product Disclosure Statement (PDS) available on our website [www.equipsuper.com.au](http://www.equipsuper.com.au)

## Ready for opportunities –

Our investment team expects more challenging times ahead compared with the generally buoyant returns of the past 20 years, notwithstanding the impact of the Global Financial Crisis (GFC) within that period.

Although past performance is not a reliable indicator of future investment returns, it does speak to the integrity of the fund's long-term perspective on performance and the policies, governance and practices that underpin it. It is in more challenging times that robust and disciplined investment governance and processes that are likely to deliver the greatest benefit to members.

While the ups and downs of investment markets are not under our control, we can manage the costs of investing your super. We are always seeking ways to keep downward pressure on costs without compromising the risk-managed returns that we deliver to members. Fee reduction and insurance premium reductions will help optimise net investment returns to members in the 2018-19 financial year.

The volatile first months of the 2018-19 financial year has been playing out as we anticipated and has justified our move to slightly underweight positions in equities over the past twelve months to be marginally overweight in cash.

Nonetheless, this volatility has been against a backdrop of strong economic growth and robust corporate profits. With cash at hand, we are well placed to purchase high quality assets over time as markets stabilise and new opportunities emerge that we believe will deliver solid risk-adjusted returns to members.

We anticipate that economic conditions will remain quite strong for the next twelve months. We have some concerns about the weaker growth experienced in Australia relative to the US and any downturn in the US could have a significant impact on us. Similarly, we are aware of indicators that China is slowing somewhat, which could have a detrimental impact on our balance of trade. Thinking out to 2020 and beyond, we believe these are our key risks.

The International Monetary Fund (IMF) has warned of the potential for a slowing global economy. If this happens, especially in the US and China, can Europe, the UK, Japan and the emerging markets pick up the slack and offset this?

From an investment markets and opportunities perspective, we are well positioned to deal with this outlook. We change our asset allocations in order to maximise risk-adjusted returns. If we think it in the best interests of our members to move assets from one class to another, we would do it to maximise risk-adjusted returns.

We took the opportunity after the merger to review our investment model, which resulted in us shifting our investment management to external managers rather than running a big proportion of the portfolio in-house.

We invest in alternatives because we believe they can provide important diversification benefits and have potential to deliver higher returns after fees and tax.



## Drivers of change in super –

### Policy and regulation

At the time of writing, we are still awaiting the final recommendations for the financial services sector from the Hayne Royal Commission. We do not anticipate that these will include anything that will adversely impact Equip or its members, but it may create new opportunities to grow the fund.

Equip supports the basic principles of the industry’s Insurance in Super Voluntary Code of Practice, which came into effect from 1 July 2018. As a signatory to the code, we believe the principles of transparency, fairness, respect, honesty and timeliness, align well with our commitment to deliver ‘Super fair and square’. The outcome for members and their employers will be greater clarity of communications about insurance benefits and claims procedure, as well as the appropriateness of the cover provided.

While superannuation’s Sole Purpose Test defines responsibilities during the accumulation phase, which require that members’ money must be used only to enhance their retirement income, there has been little specific regulatory guidance on consideration of retirement outcomes until now. In part, the fact that this issue has arisen reflects the changing member demographic in the superannuation system, with an increasing number entering retirement phase.

To address this, one of the lesser known legislative issues has been a proposed Retirement Covenant for super funds, which would prescribe responsibilities in relation to considering retirement outcomes for members in their fund strategy. We have a clear view of the retirement readiness of all members in the fund based on current data and we intend to review and enhance our retirement product offering by mid-2020.

The Australian Treasury has been working with the industry for quite some time on possible designs for this product referred to as CIPRs (Comprehensive Income Products for Retirement), and which was recommended in an earlier Financial System Inquiry headed by David Murray.

It essentially seeks to create a product that packages the flexibility of the existing account based pension with an annuity-like pool of funds to help protect against retirees running out of money later in life. There have been no CIPRs guidelines yet, but we plan to release a product to meet the intent of CIPRs before 2022.

Financial planning

In April 2017, the federal government established the Financial Adviser Standards and Ethics Authority (FASEA) to set the education, training and ethical standards of Australia’s financial advisers.

All people starting in financial planning will require an appropriate tertiary qualification from 1 January 2019, while existing planners will require one by 1 January 2024. Equip is working with an accredited university to finalise a course for the few planners who do not have university degrees or who we will require to pass some specific subjects to meet the FASEA guidelines, even though they are already licensed and have substantial experience in financial planning.

Equip is committed to employing planners who bring appropriate qualifications and experience to advising members on how to make the most of their super.

Single touch payroll

Super became more portable with Choice of Fund legislation which became effective in 2005. This enabled members to nominate their preferred fund to their new employer on change of job (unless there was an enterprise bargaining or similar agreement in place preventing it).

Single touch payroll will require employers to report all payroll details to the Australian Taxation Office (ATO), including superannuation contributions. In the case of super, this will give greater transparency to the tax office into non-payment of contributions and other breaches.

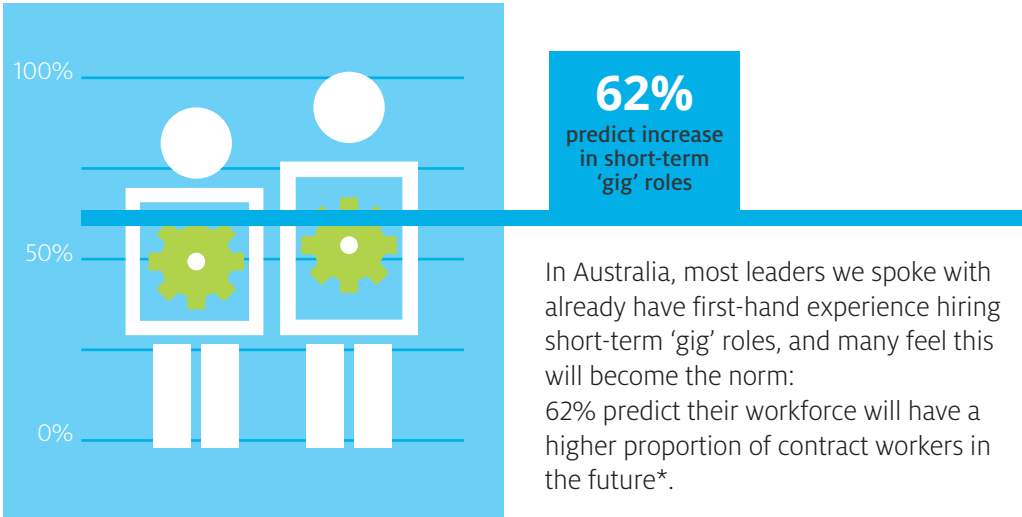
It became mandatory for larger employers from 1 July 2018 and will come into effect for employers with less than 19 employees from 1 July 2019.

The changing nature of work

Around 30% of Australians no longer work a traditional, full-time 37.5 hour week. Many are working one or more jobs on a contract or casual basis, a trend that gave rise to the terms, ‘gig economy’ and ‘portfolio career’.

This poses challenges for Australia’s retirement savings, which have primarily been funded by mandatory Superannuation Guarantee (SG) contributions paid into employees’ super accounts. It is why there is currently a debate about dropping the current minimum income threshold of \$450 per month, below which employers are presently not required to pay these contributions.

Other mechanisms to ensure people save for retirement will almost inevitably be considered if there is a significant reduction in the retirement readiness of Australians, a factor that could increase reliance on the Age Pension with associated impacts on the Federal Budget over the long term.



\* Mercer Consulting (Australia), 2018 'Fault Lines: Opportunity and risk for today's workforce leaders.'



The retirement landscape

Another big change being experienced by funds is the growing proportion of members in retirement. Rather than contributing to super, they are drawing a regular income from it, often invest more conservatively to preserve their savings and are in more regular contact with the fund for service and advice.

This will amplify the need for funds to manage cash flows and, for funds with older demographics with larger balances, keep a close eye on liquidity of investment portfolios in order to pay regular benefits.

The concept of retirement is also changing. Many people are working longer and, globally, 68% of people don't ever expect to retire, or expect to keep working in some capacity. Not all older workers are financially able to retire, while others want to remain in the workforce for different reasons. It means that, for many, the statutory retirement age belongs to a bygone era.\*

In a video produced for members in 2016, we challenged the myth of needing \$1 million in super to enjoy a comfortable retirement, arguing that retirement income for many derives from multiple sources – superannuation, part-time work, external investments and the government age pension.

For most Australians, super is just part of the equation. This makes understanding member life journeys through analytics, regular surveys and our advice and support channels an important on-going commitment and investment in order for us to help members shape their financial future.

\* Mercer Consulting (Australia), 2018 'Fault Lines: Opportunity and risk for today's workforce leaders.'

Pay parity and super's gender savings gap

Pay parity for women has also made a long overdue appearance on the political agenda. For a variety of reasons, not least women still shouldering much greater responsibility for child rearing, they have been disadvantaged in saving for retirement.

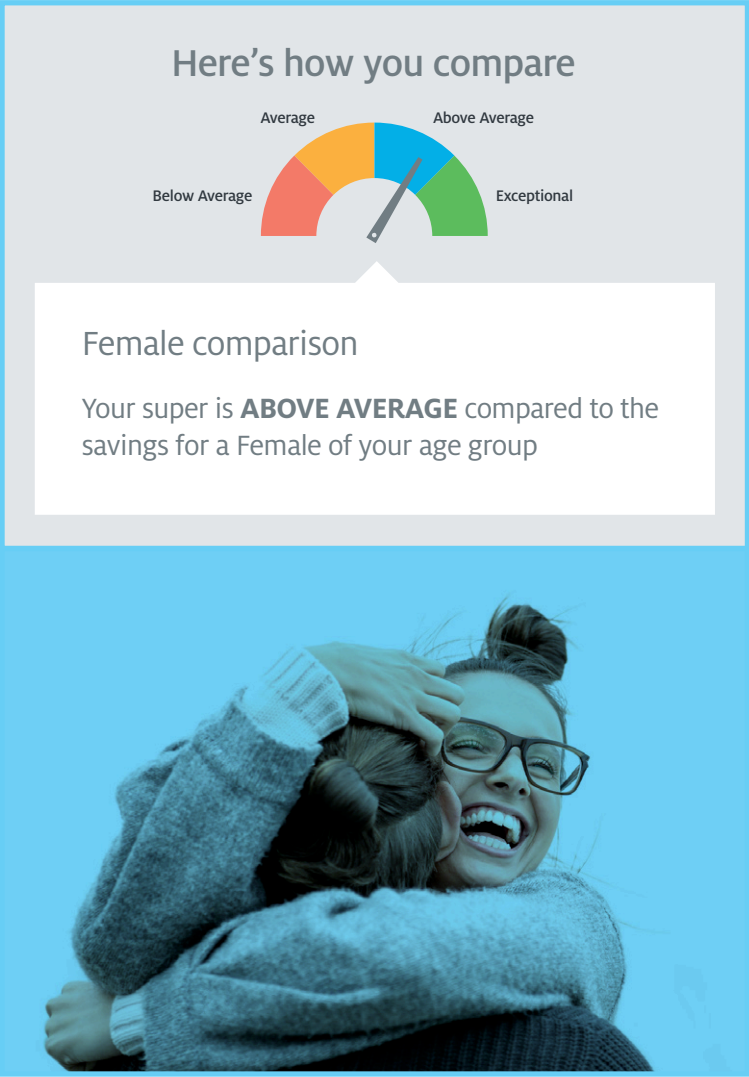
We have monitored for this for quite some time at Equip and have not seen a significant improvement since we launched our award-winning 'Move the Dial' online comparator tool in 2015. Real improvement will only be seen when income parity is achieved across workplaces and employers implement some of the ideas already in place among industry thought leaders.

Playing our role in leading fairness –

At Equip, all employees are paid according to their skills, job function and responsibilities, irrespective of gender. Naturally, as a super fund we are acutely aware of the gender savings issue in superannuation and have also included non-gender specific provisions for continuation of superannuation contributions for female or male employees on parental leave.

It is one of several different approaches being adopted at Equip and we encourage all employers to consider ways in which they can help bridge this gap.





This diagram is for illustrative purposes only and is not specific to any member of the fund. Online tools like Equip's award-winning 'Move the Dial' (pictured above) are popular with members who want to see how they're tracking against their peers and help support our education efforts.

# Connection with employers

From an Equip perspective, each workplace is a community of members. Changes occurring in workplaces, whether through internal employee programs or major organisational transformations such as mergers and acquisitions, or asset sales and closures, have substantial impacts on Equip members, their families and communities.

When viewed through this lens, it becomes clear why fostering close engagement with employers is critical to helping members secure their financial future.

Often, it is what we are doing behind the scenes to enable smooth transitions that adds considerable value to what we offer members and their employers. These activities are both proactive and reactive, the latter requiring a high degree of responsiveness and sensitivity, as well as the capacity to deploy skilled resources to support change.

The following are examples of how we have supported members through close connection with employers.

**Defined benefit customisation**

The days of the one-size-fits-all approach to employer engagement are over, including for those with defined benefit schemes. The reality for most employers is that legacy defined benefit schemes are slowly winding down as members enter retirement or leave employment.

Employers underwriting these schemes carry the investment risk associated with them and, as the defined benefit demographic ages, the investment horizon for these schemes shortens. This brings risk management of defined benefit investment portfolios into sharper focus.

We have been proactively engaging with defined benefit employers on this issue and have reduced exposures to higher risk growth assets to provide greater capital protection for member benefits.

**Energy sector transition**

A significant proportion of Equip members are employed in the energy sector, which is under close scrutiny and extreme pressure from multiple directions.

We are acutely aware of what this means for Equip members and the changes they are experiencing, some of which, like Engie’s closure of the Hazelwood power station in Victoria, create financial stress on individuals, families and communities.

We were very proud to have worked closely with Engie to enable rapid deployment of relationship managers and financial planners into the Latrobe Valley to provide information and advice to members affected by the closure.

Most importantly, we engaged with the employer very early to convert its fully funded defined benefit scheme to cash to protect member benefits against any unforeseen downturn in investment markets in the months leading to the closure.

Hazelwood’s closure was a dramatic example of the pressures on the sector, but we are sensitive to the fact that change will be on-going for years to come.

The upside of this is that the technical skills and general knowledge of many members are transferable into the renewables and other emerging businesses in the energy sector. It is for this reason that in 2017 we joined the Clean Energy Council to ensure we maintain a comprehensive insight into changes affecting the sector.

We encourage all our energy sector employers to stay attuned to the impact that structural change may have on Equip members and their super and involve us in helping their employees maintain control of their financial future.

To help stay in closer touch, we are also actively engaged in the activities of the National Remuneration Group, a collective of senior human resources and associated executives from the energy and mining sectors.



Supporting strategic changes

We completed the full integration of the Rio Tinto Staff Superannuation Fund with Equip on 30 June 2018, substantially increasing our profile among businesses and employees in the resources sector.

The merger established Equip as a truly national fund, with a significantly increased footprint in Western Australia and Queensland. To support members, Rio Tinto and other Equip employers in those states, we opened offices and recruited relationship management and financial planning specialists in Perth and Brisbane during the year.

The resources sector, in particular operations related to coal mining, is also undergoing change and we were actively engaged in looking after members affected by Rio Tinto’s sale of its Australian coal assets to other companies that, in the process, became Equip participating employers.

These processes are complex and often include the transfer of a number of defined benefit employees and consideration of custom insurance arrangements in place for accumulation members.

**Our adaptable service model**

Our representation in the traffic management business continues to grow through our relationship as preferred super fund for the Traffic Management Association of Australia (TMAA).

Providing employees in this sector with education and information has meant adjusting our business model and thinking towards reaching people in remote and ever-changing work locations. We have accordingly worked with TMAA and its member employers to co-ordinate seminars and online communications to align to these special needs.

187 workplace seminars in 2017–18



12	Brisbane	2	Altona	4	North Sydney	1	Mulgrave
21	Perth	1	Emerald	3	Argyle Diamond Mine	3	Darwin
5	Bundoorra	2	Weipa	5	Mackay	2	Ardeer
6	Hunter Valley	2	Altona	3	Bendigo	2	Ballarat
12	Bell Bay	2	Yallourn	2	Loy Yang	2	Mount Waverley
1	Kwinana	3	Gove	2	Market St	2	Bairnsdale
31	Gladstone	2	Pannawonica	4	Richmond	2	Mildura
8	Yarwun Gladstone	1	Darwin	1	North Ryde	1	Parkville
13	Melbourne	2	Jabiru	2	Blacktown	1	Broadmeadows
2	Cape Lambert	3	Sydney	3	Frankston	5	Traralgon
2	Bundoorra	1	Lilydale	1	Truganina	2	Sale

Equip –

# Super fair and square





Growing demand for online services

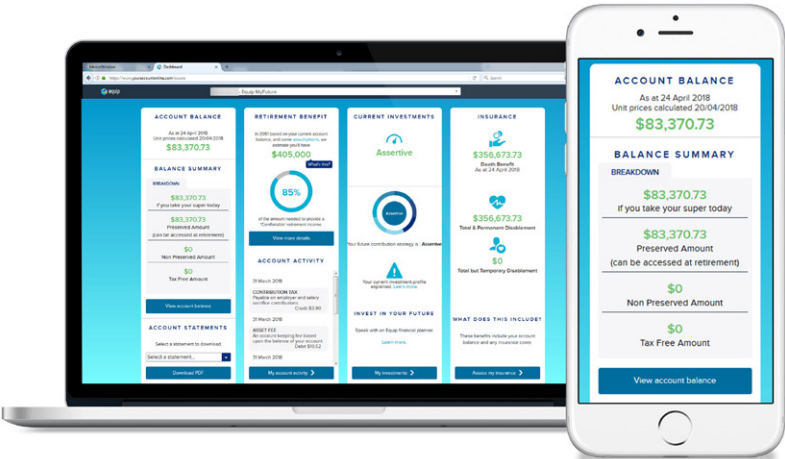
As consumers we are all experiencing a changing landscape that is in turn changing our expectations. Further, in a time poor world we are looking for solutions that are simple and easy.

We have increased our investment in video reporting and communications to complement our already comprehensive fact sheet and face-to-face educational programs to support this demand.

All online resources, including the secure member website, are also smartphone-enabled for those consuming information on the move.

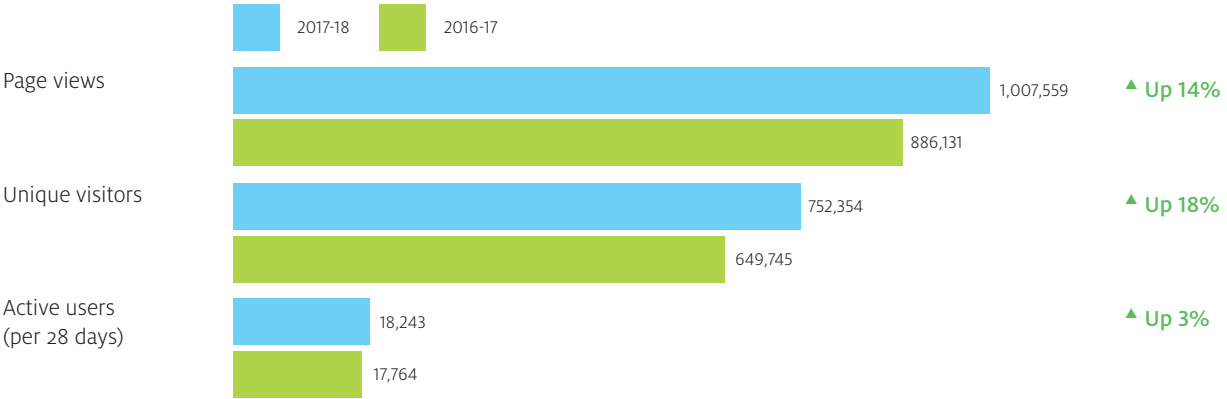
There are opportunities for employers to embed our content in intranet sites to provide members with more accessible and convenient access to information on personal finance and well-being. We will be interested to discuss with employers the greater integration of our content in workplace channels.

We intend to retain our leadership in generating online content and will continue to expand these capabilities and resources to support the greater proportion of members working portfolio careers and/or in remote locations.

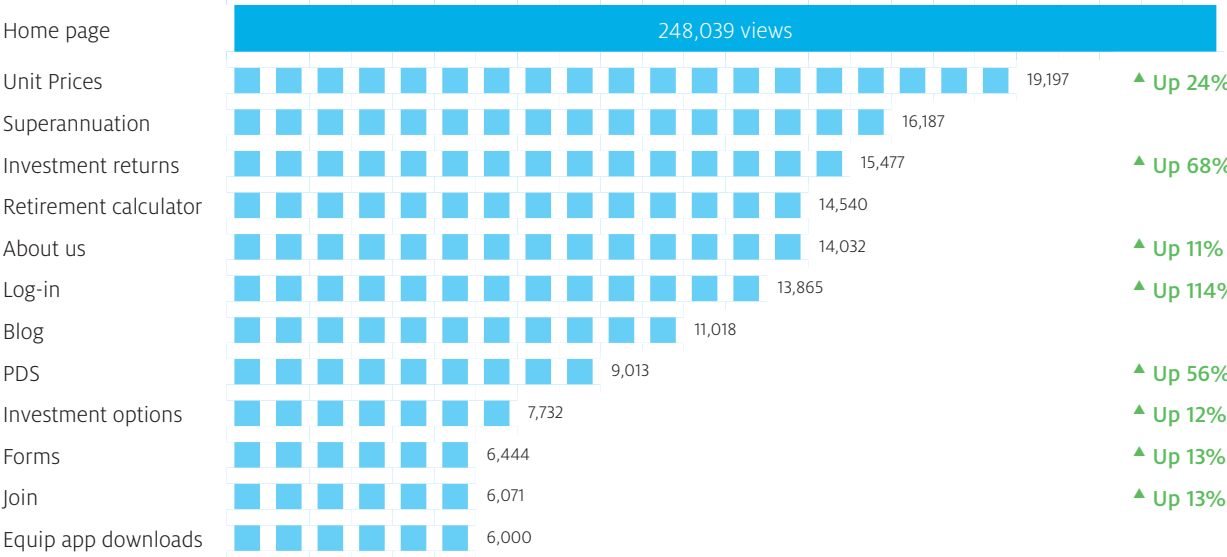




Equip website data – 1 July 2017 to 30 June 2018 compared to previous year



Most popular pages



A simplified and effective product suite –

Product rationalisation was a key focus during the 2017-18 year, as we consolidated the former Equip and Rio Tinto funds’ product offering. The key outcomes were:

- The creation of a single set of investment options for our accumulation and pension products, including the recalibration of our strategic asset allocation (SAA) for the default accumulation investment option, Equip MySuper;
- A review of death and disability insurance, with group cover consolidated with group insurer, Hannover Life;
- The establishment of a custom corporate accumulation product for those members still employed by Rio Tinto;
- The consolidation of the two account based pension products, with a reduction in fees.

Our product offering is quite clearly defined across the entire membership and reflects our capacity to provide both universal, simplified solutions across a broad range of members, while maintaining capacity and commitment to tailor products where required to meet the unique needs of certain contributing employers.

Equip MyFuture

This is our standard accumulation product when most accumulation members join the fund.

Equip Corporate

Equip is acknowledged by employers as a high quality and capable provider of defined benefit investment, risk management and administration. Defined benefits are calculated based on salary, actuarial and other factors and employers carry the investment risk associated with them. Long-term members of these plans usually have significant retirement benefits.

Some members belong to a corporate accumulation plan tailored to meet the specific requirements of their employer and occupations. The principal difference between these plans and Equip MyFuture lies in death and disability insurance cover.

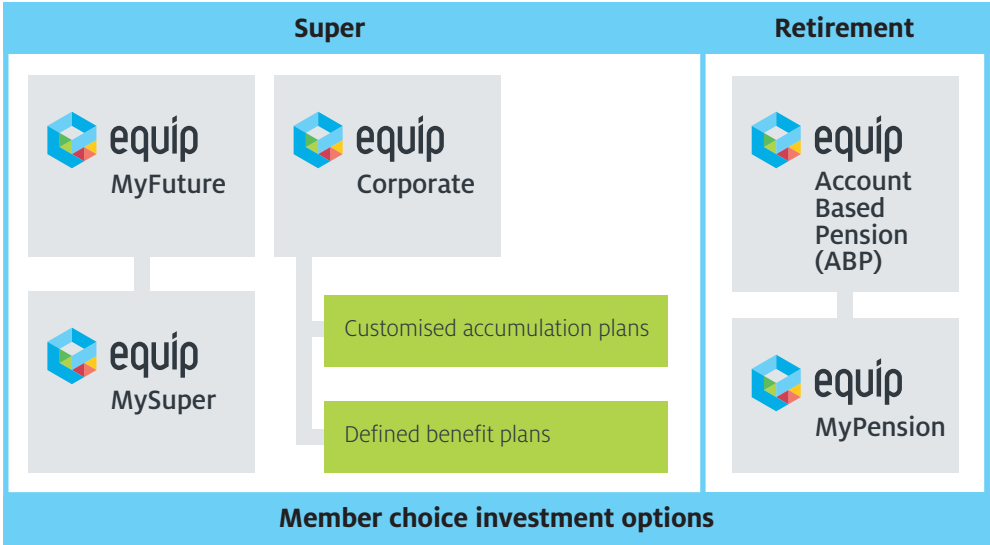
Equip Account Based Pension (ABP)

Equip’s ABP is the primary means by which members can remain with the fund and turn their superannuation benefit into a regular retirement income stream. Once aged 60 or more, members can draw their super benefits tax free, while also earning tax-free investment income within the product.

Equip MyPension is an attractive evolution of the standard account based pension, providing a simple product solution to balancing regular income with making benefits last as long as possible through retirement. It automates asset allocation and rebalancing by using the proven three-bucket strategy frequently used by financial advisors in retirement planning.

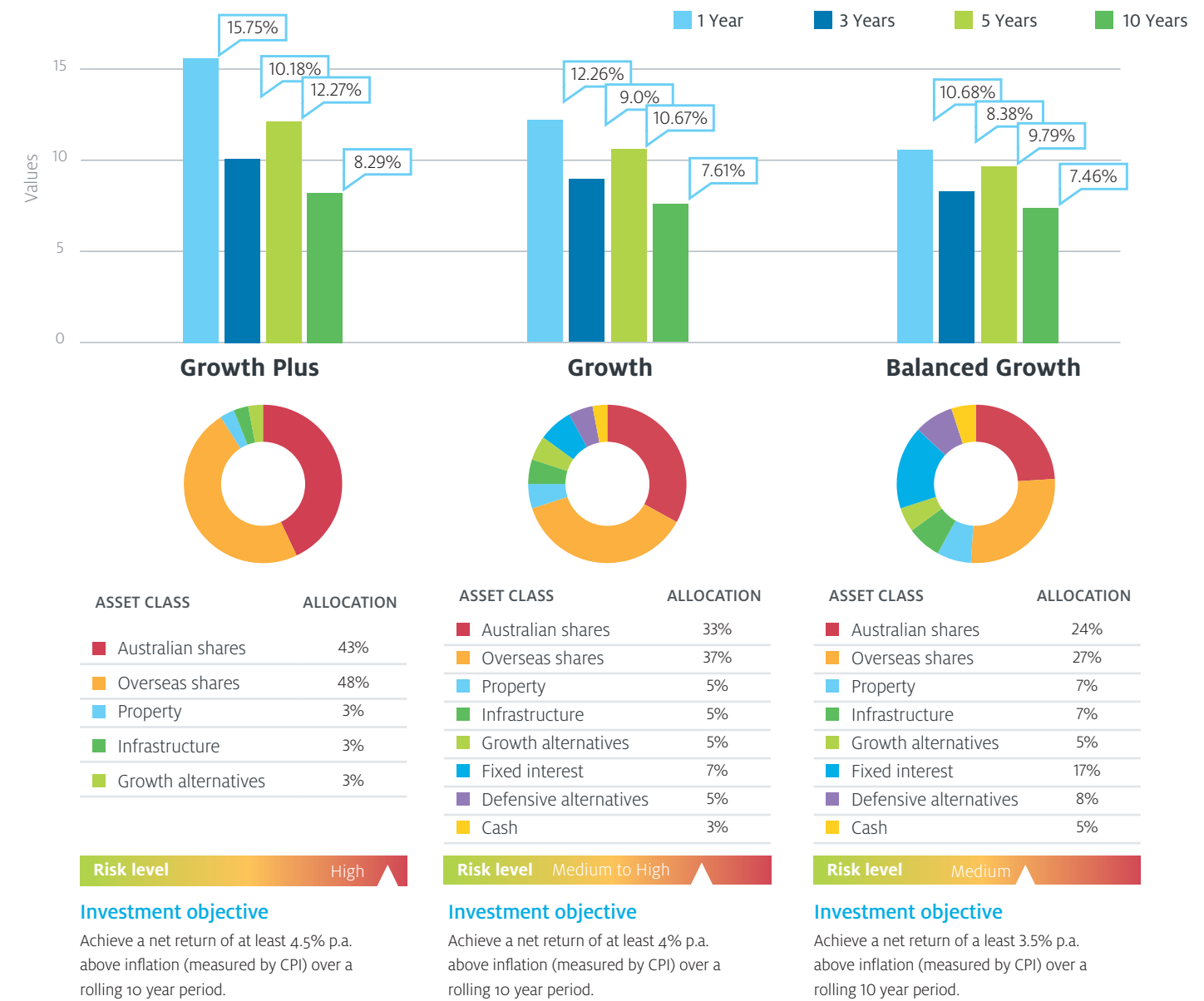
Equip MySuper

This is the default investment portfolio in which accumulation members’ savings are held if they don’t choose to invest in one of the other Equip ‘member choice’ investment options.

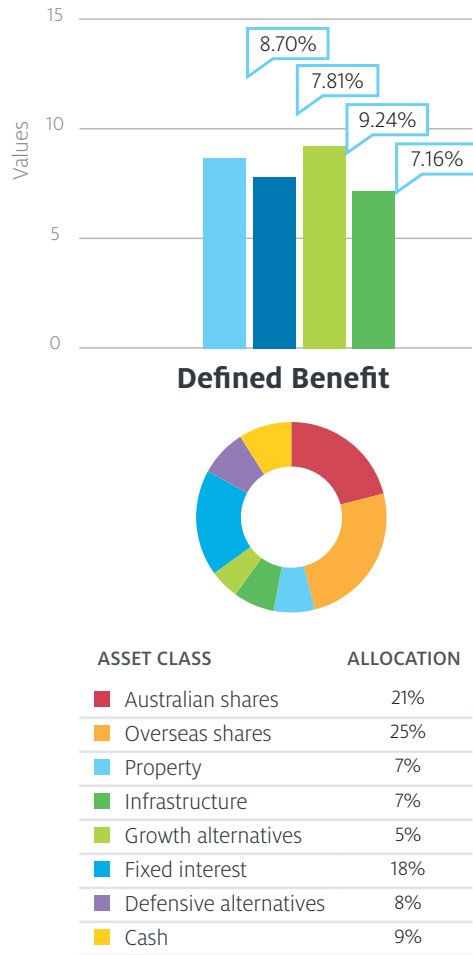
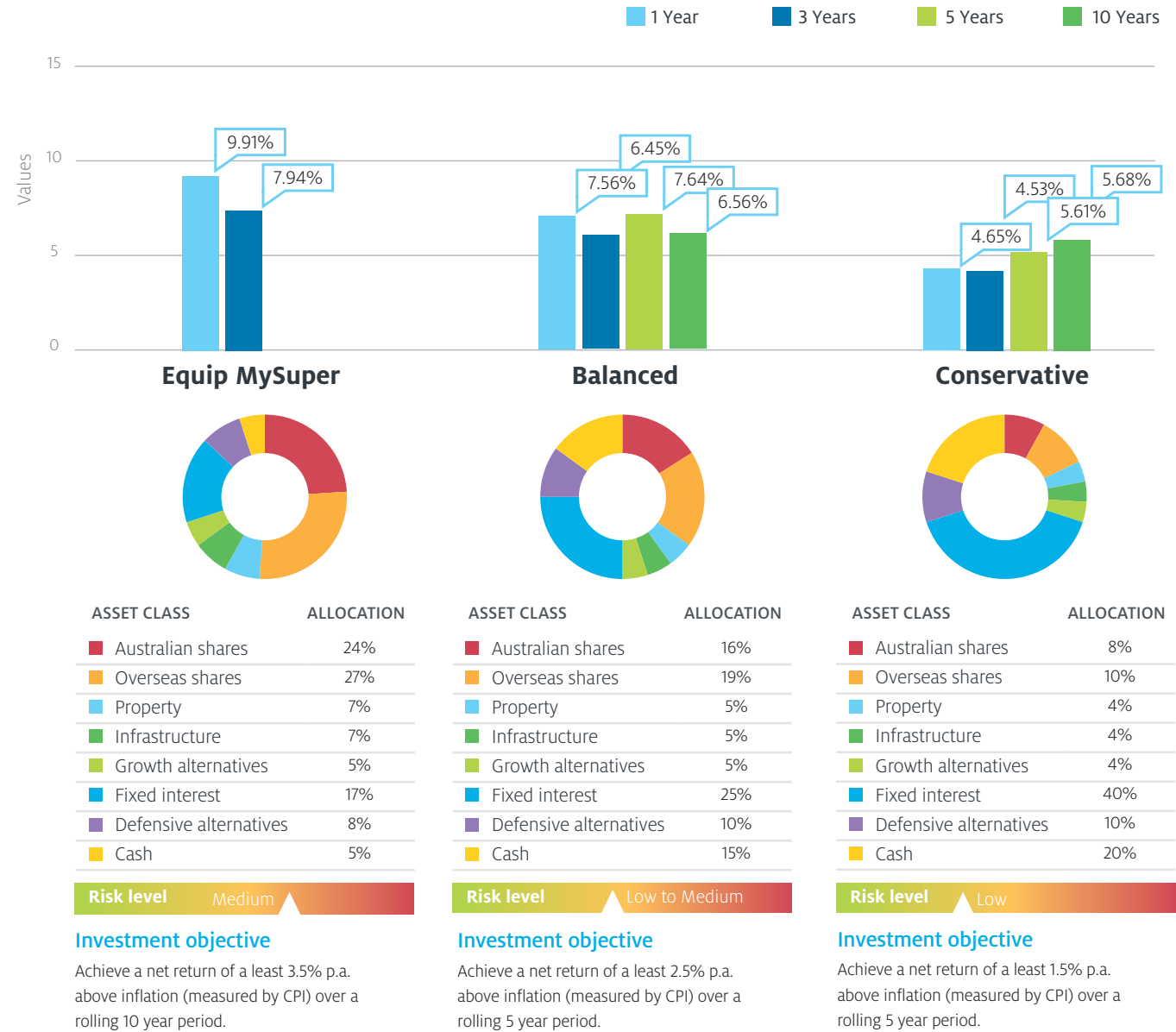


For detailed information about our investment options, please visit our website: [www.equipsuper.com.au](http://www.equipsuper.com.au)

Superannuation diversified and transition to retirement returns to June 30 2018



Note that past performance is no indication of future performance. Strategic asset allocations are effective from 1 July 2018.

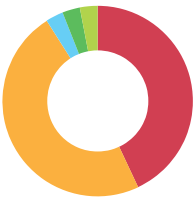
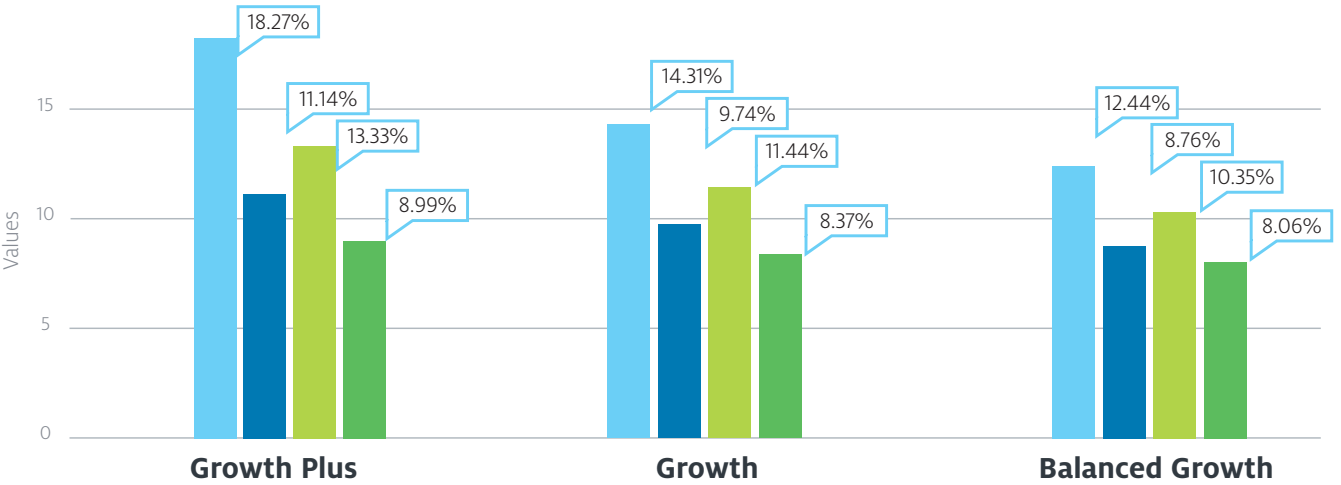


Investment objective

We aim to achieve a long-term net return of a least 3.5% p.a. above the inflation rate. Inflation is measured by the Consumer price index (CPI) published by the Australian Bureau of Statistics (ABS), which indicates the average change in prices paid for a selection of goods and services.



Account Based Pension (ABP) returns to June 30 2018

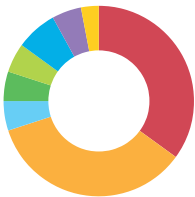


ASSET CLASS	ALLOCATION
Australian shares	43%
Overseas shares	48%
Property	3%
Infrastructure	3%
Growth alternatives	3%

Risk level High

Investment objective

Achieve a net return of at least 5% p.a. above inflation (measured by CPI) over a rolling 10 year period.



ASSET CLASS	ALLOCATION
Australian shares	35%
Overseas shares	35%
Property	5%
Infrastructure	5%
Growth alternatives	5%
Fixed interest	7%
Defensive alternatives	5%
Cash	3%

Risk level Medium to High

Investment objective

Achieve a net return of at least 4.5% p.a. above inflation (measured by CPI) over a rolling 10 year period.

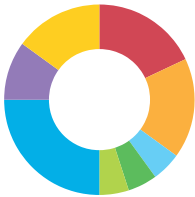
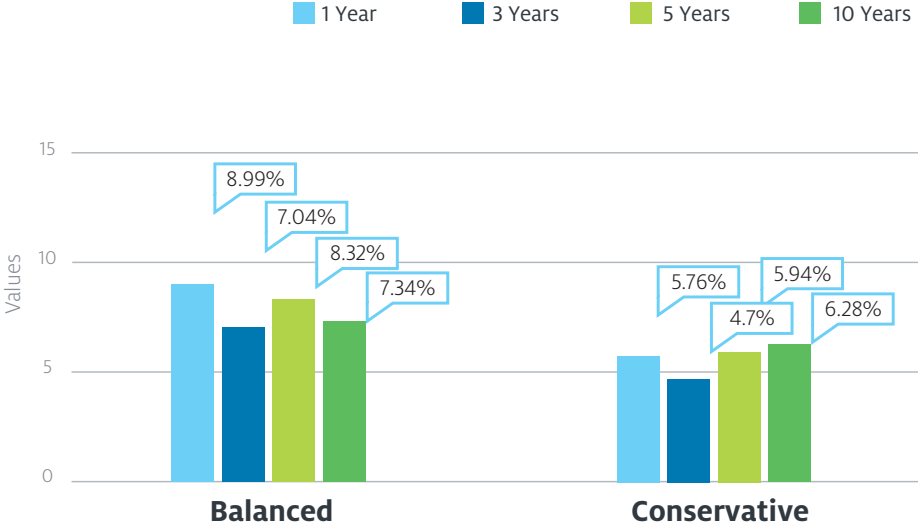


ASSET CLASS	ALLOCATION
Australian shares	26%
Overseas shares	25%
Property	7%
Infrastructure	7%
Growth alternatives	5%
Fixed interest	17%
Defensive alternatives	8%
Cash	5%

Risk level Medium

Investment objective

Achieve a net return of a least 4% p.a. above inflation (measured by CPI) over a rolling 10 year period.



ASSET CLASS	ALLOCATION
Australian shares	18%
Overseas shares	17%
Property	5%
Infrastructure	5%
Growth alternatives	5%
Fixed interest	25%
Defensive alternatives	10%
Cash	15%

Risk level Low to Medium

Investment objective

Achieve a net return of a least 3% p.a. above inflation (measured by CPI) over a rolling 5 year period.



ASSET CLASS	ALLOCATION
Australian shares	9%
Overseas shares	9%
Property	4%
Infrastructure	4%
Growth alternatives	4%
Fixed interest	40%
Defensive alternatives	10%
Cash	20%

Risk level Low

Investment objective

Achieve a net return of a least 2% p.a. above inflation (measured by CPI) over a rolling 5 year period.

Note that past performance is no indication of future performance. Strategic asset allocations are effective from 1 July 2018.

INVESTMENT MANAGERS FOR THE FINANCIAL YEAR 2017-18  
Our external investment managers:

AMP Capital Investors Limited	<i>Property, Infrastructure</i>
Antares Capital	<i>Cash</i>
Avoca Investment Management	<i>Australian equities</i>
Baillie Gifford Overseas Limited	<i>International equities</i>
Balanced Equity Management	<i>Australian equities</i>
Brandywine Global Investment Management	<i>Defensive alternatives</i>
Bridgewater Associates Incorporated	<i>Growth alternatives</i>
Campus Living Funds Management Limited	<i>Infrastructure</i>
Charter Hall Funds Management Limited	<i>Property</i>
Credit Suisse	<i>Defensive alternatives</i>
Dexus Wholesale Property Fund	<i>Property</i>
Ellerston Capital Limited	<i>Australian equities</i>
Fidelity International	<i>Australian equities</i>
Fulcrum Asset Management LLP	<i>Growth alternatives</i>
Genesis Emerging Markets	<i>International equities</i>
GPT Group	<i>Property</i>
Hastings Utilities Trust of Australia	<i>Infrastructure</i>
HayFin Capital Management LLP	<i>Growth alternatives</i>
Investa Property Group	<i>Property</i>
Lazard Asset Management	<i>Infrastructure</i>
Lend Lease Real Estate Investments Limited	<i>Property</i>
Longview	<i>International equities</i>

Loomis Sayles	<i>Defensive alternatives</i>
Macquarie Specialised Asset Management Limited	<i>Infrastructure, Property, Fixed interest</i>
Martin Currie Emerging Markets	<i>International equities</i>
MFS Emerging Market Equities	<i>International equities</i>
NAB Overlay	<i>Defensive alternatives (Currency), Growth alternatives (Currency)</i>
Orbis Global Equity LE Fund	<i>International equities</i>
Pantheon Global	<i>Growth alternatives</i>
Paradice Investment Management	<i>Australian equities, International equities</i>
Partners Group Management	<i>Growth alternatives</i>
PIMCO	<i>Fixed interest</i>
Renaissance Smaller Companies	<i>Australian equities</i>
Resolution Capital	<i>Property</i>
Ruffer LLP	<i>Growth alternatives</i>
Schroders Investment Management	<i>Australian equities, International equities</i>
Shenkman Capital	<i>Defensive alternatives</i>
Siguler Guff	<i>Growth alternatives</i>
Standish	<i>Fixed interest</i>
Super Loans Trust	<i>Defensive alternatives</i>
T Rowe Price	<i>International equities</i>

Looking  
ahead



Growth to benefit members –

Growing Equip’s funds under management to \$35 billion and 250,000 members by 2025 is at the core of our strategy. The increase in funds under management (FUM) and members over the past year has enabled us to deliver reduced fees and insurance premiums in a very short time.

Reducing costs is not the only benefit of growth. It enables us to increase the quality, depth and breadth of services we can provide to promote greater financial security for our members and to take complexity out of managing superannuation obligations for our employers.

We are confident that there are significant growth opportunities in the pipeline for Equip. In part, this is due to the Hayne Royal Commission, which is prompting some corporate super funds to review their arrangements with some of the commercial funds.

It is also due to the success of our merger with the former Rio Tinto Staff Superannuation Fund, which has demonstrated the effectiveness with which we were able to consolidate two quite complex funds and extract the benefits of our increased scale for members.

The government and superannuation industry regulators are keen to see consolidation within the sector, in which there are still over 220 institutional and corporate funds. Equip is a proactive participant in merger and consolidation talks, recognising this will benefit members and employers over the long term and that regulators will apply increasing pressure to do so on funds that no longer have the capacity to cost-effectively deliver appropriate retirement outcomes for their members.

We have also formed alliances with several employer associations, providing us with avenues for growing our brand awareness in specific sectors without having to spend excessive amounts of members’ savings on major media campaigns.

Fair and square value –

Leading independent ratings agency, SuperRatings, has a proprietary method of calculating a dollar amount for the value added by super funds to their members’ accounts over time. The most recent 2018 report was based on 2017 data and we expect that the 2019 and future reports will improve and reflect the extra value contributed by our recent fee reductions.

However, it is worth looking at what the calculation showed for Equip members based on the 2017 data. The **\$14,686** value added is the extra that we have delivered to a member with a \$50,000 account (the industry regulator’s standard account balance for these calculations) invested in Balanced Growth over the past 5, 7 and 10 years compared with the average super fund.

Net benefit from Equip

Time period	Earning benefit	Fee benefit	Excess net benefit
5 year	\$2,991	\$1,203	<b>\$4,194</b>
7 year	\$5,853	\$2,187	<b>\$8,040</b>
10 year	\$11,449	\$3,237	<b>\$14,686</b>

The SuperRatings 2017 Benchmark Report concludes:

“Over the past decade, the fund has, relative to the average fund, delivered an excess net benefit of **\$14,686** to a member’s account with a starting balance and salary of \$50,000, driven by excess earnings of **\$11,449** and fee savings of **\$3,237**”.



The ‘Excess net benefit’ referred to is the dollar value that SuperRatings attributes to the value added by Equip to the member’s super balance over the three periods relative to the balance they would have if they were a member of the average fund in the SuperRatings Balanced - All Fund Median index. This information is drawn from the SuperRatings’ ‘2018 Benchmark Report’ for Equip. We use it as an independent measure of our effectiveness in adding value to member retirement outcomes.



Innovative collaboration –

Fund mergers are notoriously difficult to negotiate in the profit-to-member sector, with some funds having valid reasons for maintaining their identity and special relationships with their members and employers.

So a few years ago, we turned our minds to **pioneering a new model**, with the approval of the regulator, to allow funds to retain these things while sharing and benefiting from the cost efficiencies of scale in trustee operations, investments and member administration.

Known as ‘Extended Public Offer’, major corporate funds or other profit-to-member funds can collaborate and bring their experience, knowledge and skills in their business or commercial sector and **deliver tangible benefits to members**.

Making super more personal –

We are acutely aware that any investment we make reflects in the quality and comfort of the retirement our members will experience. Investments in people and technology must be aligned to promoting the interests and, in particular, retirement outcomes for members.

This philosophy has motivated us to become a leader in the sector in member research and analytics, which provides the insight into member priorities for the design of products and services.

Research conducted for us by independent research company, CoreData\*, identified members’ three top priorities for services were:

- Access to information and support when and where I want it;
- Send me information that is timely and relevant to me;
- Be sensitive and protective in the use of my personal information

The accelerated evolution of our research and analytics capability has taken place since 2012, but we made very tangible strides to convert insights into action for members in the 2017-18 financial year and will make further a noticeable gains in the year ahead.

All of these point to members demanding that we make their experience as personal and as secure as possible. Personalisation of their experience with Equip is their top priority. We define this as our ‘Segment of One’ strategy.

\* CoreData ‘Equip Member Experience Research’, February 2017.

Equip – The segment of one –



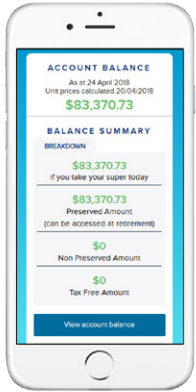
Equip is here on the path to personalisation.

- Custom products and services
- Mass personalisation
- Behavioural segments
- Demographic
- Mass market

Available wherever and whenever –

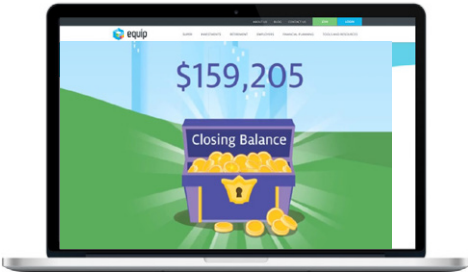
In the latter part of 2017-18 we launched our next-generation (NextGen) smartphone-enabled website and app. Over 6,000 members have downloaded the app and early indications suggest that a significant proportion are ‘swiping left’ at least once a month to check out their super balance. It is a prime example of making super more accessible and has brought monitoring and managing an Equip account literally to our fingertips.

Our public website was mobile-optimised several years earlier and visitor numbers have climbed steadily as we have published and promoted content in a more personalised way via our topical blog.



Interactive personalisation –

This year’s production of video animations to support awareness and interaction with annual member statements was a great example of the way forward in making super more personal, approachable and understandable in an interactive way.

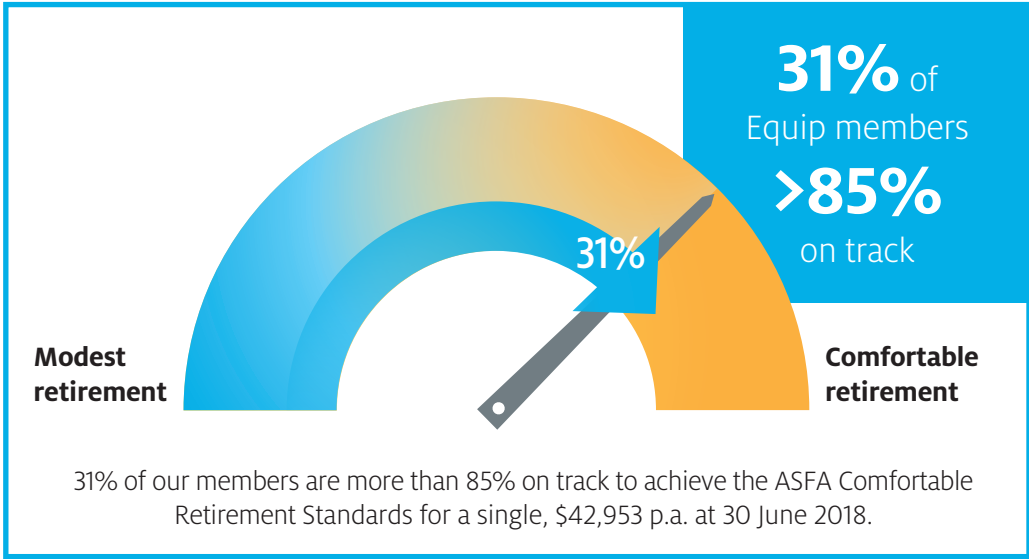


One of the biggest developments in Equip’s data analytics in 2017 was the calculation of a retirement readiness score for every member of the fund. This will enable substantial gains in making super personal in the year ahead.

The score is mapped against the widely published ASFA Comfortable Retirement Standard of around \$43,000 per annum for singles. The Equip Retirement Readiness score will inform members as to how close to achieving this target they are, or even if they are ahead of target.

No matter how each member is positioned relative to the ASFA standard, it will enable us to provide appropriate communications and advice. For example, an older member tracking well above target may be advised to lock in their savings by reducing their investment risk.

While the ASFA Retirement Standard may not match everyone’s aspirations, it at least provides a focal point for communications and services from Equip that are relevant to individual needs and can open discussions with our advisers about alternative goals and strategies.



Association of Superannuation Funds of Australia (ASFA), Comfortable Retirement Standard, June 2018. Comfortable standard for a single person was \$42,953 p.a. <https://www.superannuation.asn.au/resources/retirement-standard>

We are on a mission to ensure that every contact you have with Equip is a great experience. You might say you have heard it all before, but we are backing up this goal with a human-centred design project in which we are engaging with members to help us improve our processes and tools and make dealing with Equip easier.

Like personalisation, this is a project that involves continuous interaction, development, learning and fine tuning and essentially has no end date. In earlier days, businesses would have referred to this as ‘continuous improvement’, but human-centred design makes that philosophy far more productive by involving members or customers in every phase of the process.

Personal data security

Risk management has always been central to the way we do business. In 2017-18, our Risk team implemented a new and comprehensive data governance framework that applies to all platforms and technology infrastructure holding member information.

Our administration platform with its personal and account records has always been very secure, but we are now applying similar security due diligence processes, specifications and monitoring to other platforms used to assemble member data for analytics, servicing and communications purposes.

Equip only provides personal data to approved third parties specified in the fund’s Privacy Policy, which can be seen on our website.

Financial planning benefits more members

The expansion of our financial planning team to include offices in Western Australia and Queensland was a direct result of the merger with the Rio Tinto super fund.

In financial services, there is no better source of real value than a relationship with a trusted financial advisor. For many members, the cue for seeking advice is in pre-retirement, but members of any age can benefit from having a tailored financial plan.

With a national footprint, our financial planners are accessible to more members in more parts of Australia than ever before and, in a survey conducted for Equip in 2017, members who had received financial advice from an Equip planner said it was good value for money.

In 2018-19, we will be striving to build even higher awareness of the value of financial planning among members, particularly those who have just joined the fund through the merger. An important component of this will be narrating the success stories from existing financial planning clients.

Fair value for professional advice –

In a 2017 financial planning survey conducted for us by Paragon Research, we found that members who had received advice from Equip Financial Planning thought it was good value for money. Those who had never attended an appointment were not so sure.

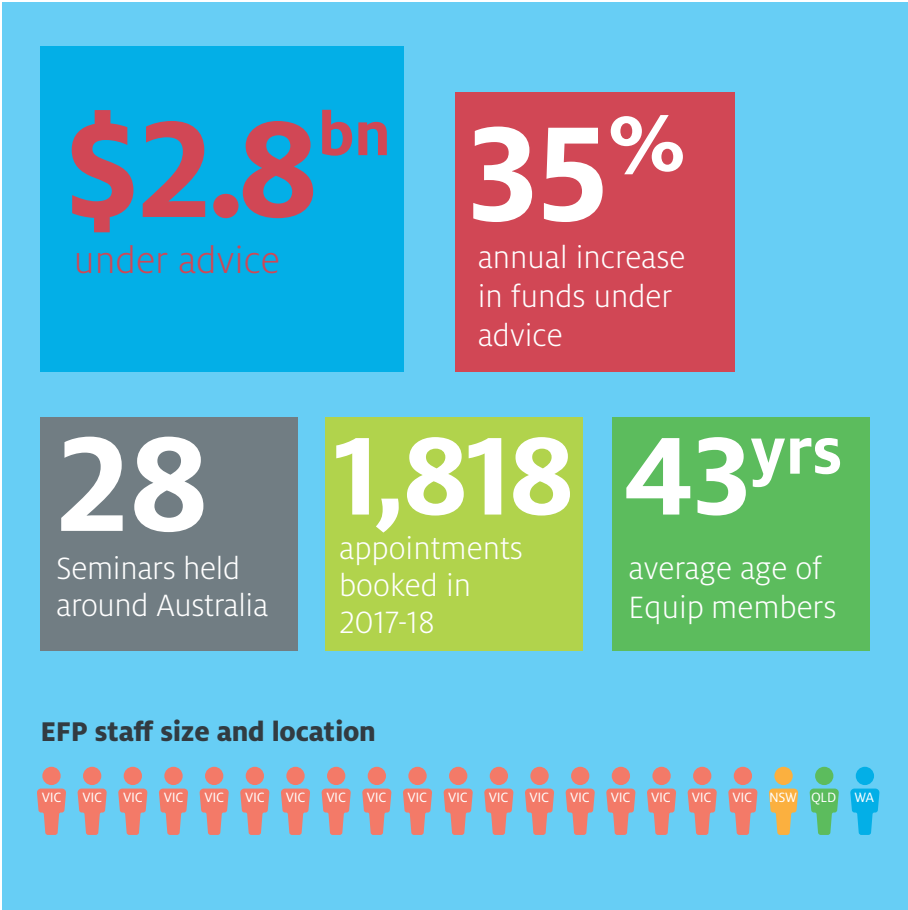


Belief about fees among members who had an Equip financial planning experience

We think getting good advice is one of the keys to achieving your aspirations for retirement and it's never too early to start.

\*Paragon Research, August 2017.

Equip Financial Planning in 2017-18





## Risk and project management –

With substantial growth comes an increased focus on risk and project management. These are two key areas of the trustee office that have become core to running the Fund over the past year.

Increased expectations in these areas is not only recognised internally, but is also expected by the industry regulator, APRA, given that Equip is now entrusted to manage nearly double the amount of member assets invested than it did in 2016.

The expanded risk and project management teams have and will continue to work with the business to develop processes to ensure appropriate stewardship of money invested with us by both members and a number of employers sponsoring defined benefit schemes.

The successful on-time and on-budget implementation of the merger with the Rio Tinto staff fund was largely attributable to the team in our Project Management Office (PMO). It helped ensure that we could pass on the cost benefits of the merger to members.

The PMO was initially established to oversee the merger project, but is now central to all our organisation's project planning and management.



Finance and  
compliance

Financial summary –

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018

	2018 \$ MILLION	2017 \$ MILLION
ASSETS		
Investments	15,045	8,320
Other assets	142	77
Deferred tax assets	1	1
<b>Total assets</b>	<b>15,188</b>	<b>8,398</b>
LIABILITIES		
Payables	(52)	(43)
Income tax payable	(32)	(5)
Deferred tax liabilities	(264)	(150)
<b>Total liabilities</b>	<b>(348)</b>	<b>(198)</b>
<b>Net assets available for member benefits</b>	<b>14,840</b>	<b>8,200</b>
Total member liabilities	(14,266)	(7,737)
<b>Total net assets</b>	<b>574</b>	<b>463</b>
EQUITY		
Operational risk reserve	(39)	(21)
Other reserves	(37)	(25)
Defined benefit plans (over)/under funded	(498)	(417)
<b>Total equity</b>	<b>(574)</b>	<b>(463)</b>

INCOME STATEMENT FOR  
YEAR ENDED 30 JUNE 2018

	2018 \$ MILLION	2017 \$ MILLION
SUPERANNUATION ACTIVITIES		
Investment Income	1,471	838
Other Income	1	1
<b>Total superannuation activities income</b>	<b>1,472</b>	<b>839</b>
EXPENSES		
Investment expenses	(58)	(31)
Administration expenses	(38)	(21)
<b>Total expenses</b>	<b>(96)</b>	<b>(52)</b>
<b>Net result from superannuation activities</b>	<b>1,376</b>	<b>787</b>
Net change in defined benefit member liabilities	(77)	(147)
Net benefits allocated to defined contribution member accounts	(1,125)	(538)
<b>Net profit/(loss) before income tax</b>	<b>174</b>	<b>102</b>
Income tax (expense)/benefit	(96)	(48)
<b>Net profit/(loss) after income tax</b>	<b>78</b>	<b>54</b>

The merger with the Rio Tinto Staff Super Fund was completed 1 July 2017. Therefore the assets of the RTSSF are not included in the 2016-17 financial position.

STATEMENT OF CHANGES IN MEMBER  
BENEFITS FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$ MILLION	2017 \$ MILLION
<b>Opening balance of member benefits</b>	<b>7,737</b>	<b>7,073</b>
Contributions received	636	456
Transfers to/from other superannuation plans	5,382	(175)
Income tax on contributions	(73)	(46)
<b>Net after tax contributions</b>	<b>5,945</b>	<b>235</b>
Benefits paid to members/beneficiaries	(607)	(250)
Insurance premiums charged to members	(32)	(18)
Death and disability benefits credited to member accounts	20	11
Reserve transfer to /(from) members	-	-
Net benefits and investment income allocated to accounts	1,203	686
<b>Closing balance of member benefits</b>	<b>14,266</b>	<b>7,737</b>

INVESTMENT HOLDINGS IN EXCESS OF 5%  
DURING FINANCIAL YEAR 2017-18

RANK	ISSUER NAME	FUM	
		FUM \$ MILLION	% of total FUM
1	National Australia Bank	759.4	5%

EQUIP ASSET ALLOCATION  
Investments at fair value

	2018 \$ MILLION	2017 \$ MILLION
Cash and deposits	1,064	1,025
Derivatives	(17)	17
Listed equities	5,797	3,324
Listed property trusts, Listed unit trusts	412	284
Other interest bearing securities	3,243	1,977
Unlisted equities	228	113
Unlisted unit trusts	4,178	1,490
Unlisted partnerships	139	89
Annuity	1	1
	<b>15,045</b>	<b>8,320</b>



The Fund’s audited accounts and the Auditors Report are available to members on request. The complete Financial report is available on the website or via the Helpline 1800 682 626.

Trustee expenses and liabilities

As a trustee, Equip is entitled to be reimbursed from the fund for the costs and expenses incurred in operating the Fund. This includes reimbursement for fees paid to directors.

Equip also has trustee indemnity insurance to cover the directors, other officers and the Fund in the event of claims.

However, this does not include:

- liabilities arising from fraud or dishonesty; or
- amounts, such as penalties, for which indemnification is not permitted under legislation.

How we pay surcharge assessments from the ATO

Even though the surcharge on superannuation contributions for high income earners was abolished from 1 July 2005, we may still receive a surcharge assessment from the ATO for surcharge liabilities a member accrued before that date. How we pay the surcharge depends on whether a member is an accumulation or defined benefit member:

- if the member is an accumulation member we deduct the value of the surcharge assessment from their account; or
- if the member is a defined benefit member we charge the value of the surcharge assessment to their employer’s employer benefit account. The surcharge will then build up with interest and the final amount will be deducted from the member’s account when they leave their employer; or
- for a defined benefit member with an additional accumulation account, any surcharge assessment can be applied to the member’s accumulation account.

The Trustee has created five categories of reserves as follows:

**Operational risk reserve:**

Established to meet the requirements of Superannuation Prudential Standard 114 “Operational Risk Financial Requirement”, this reserve is intended to provide financial resources to address losses that may arise from operational risks. The target funding level for this reserve is 25 basis points (or 0.25%) of total member entitlements, and is managed within a range of 23 to 27 basis points. The reserve is monitored on an on-going basis and replenished with additional funds in the event the balance falls below the lower tolerance limit.

**Administration and general purpose reserve:**

Established to facilitate the finance of current and future operational requirements of the Fund, this reserve is available to meet both day-to-day operational costs as well as one-off approved expenditures considered to be in the long-term interests of members. The amount held is set at nominally 20 basis points (or 0.20%) of total member entitlements and managed within a range of 10 to 30 basis points. The appropriate target level is established annually through the business planning process.

**Other reserve:**

Established for capital expenditure purposes such as plant and equipment purchased to facilitate the operation of the Fund.

**Investment tax timing reserve:**

Reflects investment tax yet to be attributed to members due to timing differences between the reporting date of financial statements and payment dates of tax commitments & refund entitlements. The 30 June balance of this reserve always reverts to zero in the following financial year with members obtaining the value of the reserve via investment option unit prices.

**Self-insurance reserve:**

Established to fund the future service component of the death and disability benefits of certain defined benefit members, this reserve is funded by relevant defined benefit employers. The amount held is determined by the Fund’s actuary and reviewed on an on-going basis.

STATEMENT OF CHANGES IN RESERVES 30 JUNE 2016

	OPERATIONAL RISK RESERVE	ADMIN & GENERAL PURPOSE RESERVE	OTHER RESERVE	SELF- INSURANCE RESERVE	INVESTMENT TAX TIMING RESERVE	DEFINED BENEFIT PLANS OVER / (UNDER) FUNDED	TOTAL
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	11,305	17,690	1,389	5,206	12,721	299,797	348,108
Transfer between reserves	4,786	-4,786	0	0	0	0	0
Transfers from DC member accounts	1,746	582	0	0	0	0	2,328
Transfers from DB member accounts	721	240	0	0	0	0	961
Operating result	359	4,614	75	133	4,824	48,011	58,016
Closing balance	18,917	18,340	1,464	5,339	17,545	347,808	409,413

STATEMENT OF CHANGES IN RESERVES 30 JUNE 2017

	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	18,917	18,340	1,464	5,339	17,545	347,808	409,413
Transfer between reserves	1,382	-1,382	0	0	0	0	0
Transfers from DC member accounts	0	0	0	0	0	0	0
Transfers from DB member accounts	0	0	0	0	0	0	0
Operating result	431	7,925	-62	609	-25,152	69,448	53,199
Closing balance	20,730	24,883	1,402	5,948	-7,607	417,256	462,612

STATEMENT OF CHANGES IN RESERVES 30 JUNE 2018

	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	20,730	24,883	1,402	5,948	-7,607	417,256	462,612
Transfer between reserves	0	0	0	0	0	0	0
Transfer from SFT	16,076	0	0	0	17,222	0	33,298
Transfers from DC member accounts	0	0	0	0	0	0	0
Transfers from DB member accounts	0	0	0	0	0	0	0
Operating result	2,003	11,759	620	509	-17,647	80,614	77,858
Closing balance	38,809	36,642	2,022	6,457	-8,032	497,870	573,768
Closing balance	38,809	36,642	2,022	6,457	-8,032	497,870	573,768

Investment of reserves

Equip policy regarding the investment of reserves is as follows:

**ORR / AGPR** – As directed by the Investment Committee under advice from management;

**OR** – Invested in plant and equipment to support the operations of the Fund and Trustee Company;

**SIR** – Invested in units of the defined benefit investment option;

**ITTR** – Invested to reflect tax payables/receivables at a given point in time and does not require a specific investment strategy.

Risk and compliance –

Equip has established a robust risk management framework to appropriately manage the risks associated with its business operations. The framework includes the systems, structures, policies processes and people that manage the internal and external sources of material risk and compliance with all applicable legislative and regulatory requirements.

The framework covers:

- Governance risk
- Liquidity risk
- Operational risk
- Investment governance risk
- Insurance risk; and
- Strategic and tactical risks arising from the strategic and business plans

Equip aims to protect the assets entrusted to it including:

- the assets managed on behalf of members
- the wellbeing of staff, their jobs and entitlements owing to them; and
- intangible assets such as the fund’s brand and reputation.

The fund’s framework is designed to ensure compliance with all applicable legislative and regulatory requirements that arise from either the business operations or applicable licences.

Equip’s insurance program

Equip maintains a suite of insurance policies that includes professional indemnity, directors’ and officers’ insurance and crime insurance cover.

Complaints

Equip has mechanisms in place to address members’ concerns, which we believe are extremely important in helping to determine whether we are meeting the needs of members and providing the high level of service that members expect. The complaints process is one method for capturing member feedback and assists in the development and revision of existing processes and services. Equip aims to provide a fair and transparent complaints process that is easily accessible to members.

Members who are not satisfied with the outcome from a complaint are able to contact the Australian Financial Complaints Authority (AFCA) which is an independent dispute resolution body that can deal with most superannuation complaints.

The AFCA can be contacted by phoning 1800 931 678 or by mail at:

Australian Financial Complaints Authority Limited  
GPO Box 3  
Melbourne, VIC 3001

Equip’s risk management framework –

Incorporates governance, investment, liquidity, operational, insurance, and strategic risks and compliance



Policies

Policies to manage and monitor the above risks and compliance obligations



Procedures

Procedures to ensure that actions are in line with the policies

General information –

When we may automatically transfer your account out of Equip

If you become lost and your account becomes unclaimed money

If mail sent to your last known address is returned at least twice, or if we have never had an address for you, we must notify the ATO that you are a lost member. The ATO will add your name to the Lost Members Register, where you can obtain information about any super accounts in funds that have lost contact with you.

If your benefit becomes ‘unclaimed money’ (as defined in superannuation legislation), your benefit may be transferred to the ATO, where it is held on your behalf until you claim it.

In general, your benefit becomes unclaimed money if:

- you are a temporary resident and have not claimed your benefit within six months of leaving Australia; or
- you have reached age 65 and not instructed us about your benefit and we have not been able to contact you for five years; or
- we have not received any amounts into the fund for you for at least two years; or
- you meet the definition of being a lost member who is uncontactable or has had an inactive account for more than 12 months and;
  - your account does not support a defined benefit interest;
  - is less than \$6,000; or
  - we don’t believe it will be possible to pay your benefit to you in the future;or
- you have died and your account has been inactive for at least two years and we are unable to ensure that your benefit is received by the persons entitled to receive it.

Since 1 July 2013, when a member claims their ‘unclaimed money’ from the ATO, interest will be added to the payment.

**If you become lost or inactive and have a low account balance**

We may transfer your account to an Eligible Rollover Fund (ERF) if your benefit:

- is less than \$1,000; and
- no member or employer contribution transactions have occurred on your account in the previous 12 months; or
- we have lost contact with you.

An ERF is a fund approved by APRA, designed to hold lost members’ money. An ERF generally has more conservative investments than other superannuation funds, which may result in lower investment returns.

If possible, we will write to you before we transfer your benefit to an ERF, giving you 30 days to increase your balance above \$1,000 if you choose to.

If your benefit is paid to an ERF, it will no longer be with Equip and can only be claimed by contacting the ERF it was paid to. Any insurance cover you had with Equip will cease. You will not have any claim against Equip once your benefit has been transferred to an ERF because your membership will have ceased.

The ERF Equip has selected is AUSfund:

AUSFund – Administration Manager  
Locked Bag 5132  
Parramatta, NSW 2124  
Phone: 1300 361 798  
Email: admin@ausfund.com.au  
Website: ausfund.com.au

**Temporary residents permanently departing Australia**

If you entered Australia on any temporary visa which has expired or cancelled, you are eligible to access your benefit from your super fund under the Departing Australia Superannuation Payment (DASP) condition of release within six months of leaving Australia. You will receive an exit statement providing details about your payment.

Generally, any benefits not claimed within six months of departure will be transferred to the ATO as unclaimed monies. The Trustee is not required to provide an exit statement to you when your benefit is transferred to the ATO (and it relies on regulatory relief from ASIC for this purpose).

We will, however, provide information about your benefit if you enquire about it in the future. You can then apply to the ATO for your benefit, less DASP tax of up to 65%.

Your benefit will not be sent to the ATO if you have not claimed it after six months if you are:

- a current or previous holder of a retirement visa subclass 405 or 410;
- a permanent Australian resident;
- an Australian and New Zealand citizen; or
- a holder of a permanent visa.

**How unit prices work**

Net earnings are allocated to members’ accounts by way of unitisation. Unitisation works as follows.

You are assigned a number of units, according to your account balance in one or more of the fund’s investment options. The value of your units can go up and down on any given day depending on the performance of the applicable investment option, reflecting financial market movements.

**Derivatives**

Derivatives are investments where investment values are based on those of an underlying physical security. For instance, the value of a share option is based on the price of the underlying share. Equip permits the selective use of derivatives as part of its investment strategy in any of its investment options. Derivatives enable us to hedge against risk by increasing or decreasing exposure to individual securities and markets without having to buy or sell underlying physical securities.

**Equipsuper**

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SPIN EPL0100AU

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