

Super
fair and
square

2018-19 Annual Report



About us

FUM	Industry ave. \$9.9bn	Equip \$16.0bn
Average account balance	Industry ave. \$77k	Equip \$221k
Average membership	Industry ave. 128,708	Equip 72,534
Total number of superannuation funds in Australia 200+		

Source: Industry averages derived from Association of Superannuation Funds of Australia (ASFA) 'Superannuation Statistics for June 2019', published August 2019. Averages include only data for institutional funds classified Corporate, Industry, Retail and Public Sector.

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.

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 and request a copy.

This information is published by Togethr Trustees Pty Ltd ABN 64 006 964 049, AFSL 246383 ("the Trustee"), the Trustee of the Equipsuper Superannuation Fund ABN 33 813 823 017 ("Equip"). It is provided for general information only and does not take into account your personal objectives, financial situation or needs and should therefore not be taken as personal advice.

You should consider whether it is appropriate for you before acting on it and, if necessary, you should seek professional financial advice. Before making a decision to invest in the Equipsuper Superannuation Fund, you should read the appropriate Equip Product Disclosure Statement (PDS).

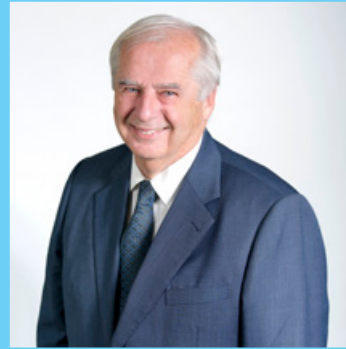
Past performance is not a reliable indicator of future performance.

Togethr Financial Planning Pty Ltd ("TFP") (ABN 84 124 491 078, AFSL 455010), trading as Equip Financial Planning, is licensed to provide financial planning services to retail and wholesale clients. TFP is owned by Togethr 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.

Our board – financial year 2018/19



Our board – financial year 2018/19

**Andrew Fairley AM
Chair**

Appointed: 1 January 2009
Current term expires:
30 June 2021

**John Azaris
Employer Director**

Appointed: 1 June 2007
Retired 20 October 2019

**Mark Cerche
Employer Director**

Appointed: 1 July 2017
Current term expires:
30 June 2021

**Michael Clinch
Employer Director**

Appointed: 1 April 2016
Current term expires:
30 June 2021

**Penny Davy-Whyte
Member Director**

Appointed: 1 July 2018
Current term expires:
30 June 2022

**Jan Dekker
Member Director**

Appointed: 1 July 2016
Current term expires:
31 June 2023

**Justine Hickey
Independent Director**

Appointed: 1 July 2017
Current term expires:
30 June 2021

**Lisbeth Rasmussen
Member Director**

Appointed: 1 July 2018
Current term expires:
30 June 2022

**Wayne Walker
Independent Director**

Appointed: 1 July 2017
Retired 20 October 2019

Chair's report

The 2019 year has been a watershed in the history of your fund. We announced a joint venture with Catholic Super, which facilitates innovatively bringing together the two funds to create a \$26 billion fund. The joint venture utilises our “extended public offer” licence, granted to Equip by the Australian Prudential Regulatory Authority (APRA) in 2015.

This licence enables the funds to come together under a single trustee to achieve operational scale and harvest the benefits of our merged businesses for our members and employers.

Equip has made a strategic commitment to its growth strategy. In 2018, we completed the integration of the Rio Tinto Staff Superannuation Fund, a project which has already delivered lower fees and insurance premiums to members. It has also enabled expansion of our key member services and enabled greater investment in and application of technology.

The regulator has made it clear that it will assess a fund's success on the basis of the outcomes it achieves for members.

The agreement to merge with Catholic Super has a clear objective of achieving operational scale, leading to further improvements in our capability, product offering, product performance and service levels to members. We believe these improvements will all contribute to delivering greater financial security and freedom in retirement for our members.

Your board is committed to reporting to you annually that we have the resources, skills and technology to ensure that members achieve and enjoy financial benefits comparable or exceeding this nation's leading superannuation funds.

Constitutional changes enhance governance

During this last year, we sought approval from our employers to support a change to our Constitution, which was required in order to facilitate the joint venture with Catholic Super. This has meant an expansion of our board from nine to twelve members, which accommodates five directors from Catholic Super, and which became operational on 21 October 2019.

The Constitutional changes will enable us to move away from the director election model, on the basis that it was not “fit for purpose” for a larger and more complex superannuation fund. The appointment of employer directors will be aligned with the process for the skills-based nomination, selection and appointment of member directors. The nomination model is designed to ensure that our directors have the right skills, knowledge and experience to meet the board's strategic objectives and to manage the Fund in the best interests of members.

The eight employer and member directors will then facilitate the appointment of four independent directors that will complete the composition of the new board.

Commitment in changing times

We are bringing Equip and Catholic Super together at a time when policy makers are focused on ensuring that the superannuation sector is delivering on its core purpose of providing Australians with a dignified retirement.

There is a clear intention at a government and regulatory level to ensure that the superannuation system is delivering the outcomes for which it was designed, which will likely mean that they continue to drive change.

As the trustee of your fund, we understand that this consistent change can create a level of uncertainty among members about what superannuation policy and benefits will look like over the long term. The escalation of technological change exacerbates the speed of change.

We are seeking to ensure that the products and services that enable you, our members, to make the most of your super benefits are available. We will do this through regular and timely information on investment and contribution strategies and by providing the best possible access to online and face-to-face financial advice.

We are committed to providing members with greater certainty about their financial future and their retirement outlook. We aspire to be a trusted financial partner to our members, which is why we are pleased, in the post-Hayne Royal Commission environment, that our research shows that “trust” is the paramount reason for our members choosing to stay with us throughout their life and career span.

The Equip board, the management, and the wider Equip team seek constantly to act in members’ best interests at every contact point and in every conversation. We see our day to day interactions, the implementation of our investment decisions and our future strategy through the prism of growing the fund’s capacity to perform across every facet of its operations for the benefit of members.



Andrew Fairley AM
Chair





CEO report

I am extremely pleased to be joining Equip while the fund is experiencing an exciting period of growth. My predecessor Nicholas Vamvakas and the team have laid excellent foundations for the fund and I will be ensuring that we are keeping our eye on the ball in delivering the performance and support for members to grow their retirement savings.

Since mandatory super contributions were introduced in 1991/92, there have been numerous shifts in policy and legislation. Notwithstanding this, the industry, fund members and employers have collaborated to build a retirement system that is one of the world's most envied. Change does not automatically mean worse retirement outcomes for members. It simply means that we need to revisit the pathways we choose individually and collectively that will keep us on course towards a comfortable retirement.

For example, reductions in the contribution caps should not of themselves impinge on our ability to save enough for retirement. They simply mean that we might have to start thinking about super and making extra contributions a few years earlier than we would have to achieve the same ends. Even if we cannot afford additional contributions, a review of our investment strategy could make a difference.

One of the recent legislative changes was the implementation of the 'Protecting your super' package, effective from 1 July 2019. These changes are designed to protect the savings of members with low balances and inactive accounts from erosion by excessive or unnecessary fees and insurance premiums.

Legislative change, from governments of all political persuasions, is never perfect. It nearly always benefits some members more than others. Keeping abreast of, and implementing, legislative and regulatory change has caused considerable adjustment to fees and premiums across the industry, with many members in most funds being advised of increases to either or both of these. Our role as Equip employees is to help all members make the most of their super within whatever rules apply to the superannuation sector.

One of the ways we can optimise member savings is delivering consistently strong investment returns. After the integration of the Rio Tinto Staff Superannuation Fund, we revisited the way we invest and which external managers could help us invest to obtain the best value for money for members and those employers funding defined benefit plans.

This process nearly halved the number of investment managers we use and made a significant contribution to reducing investment fees this year. Lower fees leave more savings in member accounts.

Thanks to our larger fund, we have been able to enjoy the benefits of increased scale, including the ability to shape the products and member experience that will empower members to make the right financial choices and decisions at the right time to grow their super.

Our Growth team has successfully identified new avenues of growth in both members and assets for Equip. We have been pleased this year to add employers and members from a variety of workplaces. These are adding \$300 million in assets and around 1,500 members to the fund. We are confident of more corporate wins in the 2019-20 financial year which will further enhance our scale.

We acknowledge the support of members in helping us to build the fund to where it is today. Literally thousands of members have participated in our annual surveys, human-centred design interviews, focus groups and other research projects to inform how we prioritise projects that matter most to members.

Equip has become one of the profit-to-member fund sector's most advanced organisations in this area and we are already starting to deliver some of the benefits of the insights derived from our research and analytics, such as our smartphone app, personalised email communications and website messaging and deployment of financial advice services. We have a rich stream of insights that will fuel even more product and service improvement in the future.

Increased regulatory reporting requirements in 2019-20 will be based on a set of measures defining 'member outcomes'. We have already done considerable work to understand the key drivers of member outcomes and the sustainability of the fund, and encourage this increased accountability.

I would also like to take this opportunity to thank all the passionate staff at Equip for all their hard work during the year. They are truly focused on members' interests and helping members reach their desired retirement outcomes.

Thank you for your support and membership of the fund. We look forward to help you prepare for the future with confidence.



Scott Cameron
CEO



Measures that matter

Investment returns are one of the obvious and most frequently published measures of how super funds perform. After all, returns after fees and tax are the power behind the retirement savings and future income for members.

They are not the only measures that are considered in the broader context of fund performance. Super funds will soon be required by the industry regulator, the Australian Prudential Regulation Authority (APRA), to report on a variety of measures known as Member Outcomes, which includes returns, fees and costs, as well as options, benefits and facilities. Equip has already locked many of these measures into its regular performance measurement and reporting.

Our members and employers have already established the parameters for success, expecting that we will govern the fund in a way that will sustainably deliver strong investment performance, support services and advice for the long term. Setting ourselves up to meet those expectations has positioned us and our members well for the future.

Key member outcomes



Member experience

- Focus on better retirement outcomes
- Delivering an end-to-end experience relevant to members
- Supporting members with personalised experiences
- Providing trusted financial advice and support

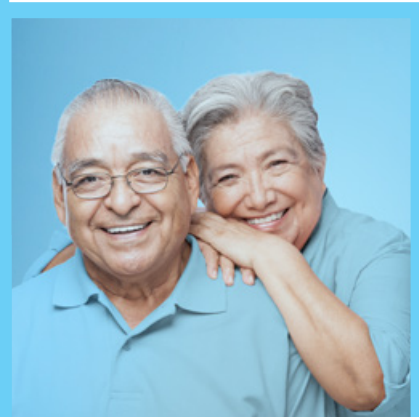
Growth

- Sustainability
- Competitiveness
- Value for money
- Cost-efficiency



Governance

- Best interests of members
- Skills-based board appointments
- Independent directors
- Compliance focus



Investments

- Strong returns
- Risk-managed portfolio
- Long-term focus
- Well-designed default options

Key measures

Our success is measured through the eyes of members and, to that end, we have evolved key indicators aligned to the results and experience we deliver for members:

- ✓ **Retirement readiness** – the proportion of members who are on track for a comfortable retirement, using the ASFA Comfortable Retirement Standard (Singles)* and 55% of current salary as benchmarks.
- ✓ **Retention** – the proportion of members who stay with Equip year-to-year and on a lifetime basis. We also track the proportion that choose to set up an Equip account based pension in retirement.
- ✓ **Member satisfaction** – tracked through our annual CoreData member survey.

The combination of these indicators links stated satisfaction scores with both member behaviour and how well we are performing to promote a better financial outlook for their retirement. These scores are measured at both the individual and collective levels.

In terms of retirement readiness, Equip members up to 49 years old were tracking better towards their retirement than their older counterparts at 30 June 2019. While it is true that younger members have more immediate concerns like housing, education and living costs, our evidence shows the positive impact that making extra contributions can have. The data also shows the additional benefit of making extra contributions earlier in life.

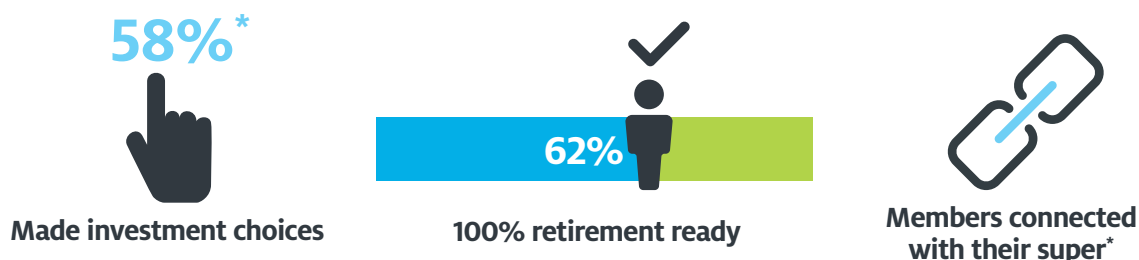
Retirement readiness at 30 June 2019 Accumulation members (>100% ASFA comfortable standard – singles)				
Member demographic	Overall	Members who salary sacrifice and contribute	Members with or without contributions	% members salary sacrificing
Overall membership	44%	82%	40%	11%
Younger than 49	48%	92%	44%	8%
Older than 49	36%	69%	28%	18%
An additional 6% of Equip members are on track to achieve greater than 85% of the ASFA standard.				

* The most recent ASFA standards against which our 30 June 2019 retirement readiness scores were benchmarked were released for the quarter ending 31 March 2019. The singles comfortable standard for those aged around 65 was a retirement income of \$43,255. For couples it was \$61,061.



Over one third
of members
choose their
investment
options

Increasing connection with super pays off



Members who cannot afford to make extra contributions can still optimise their super savings by making an investment choice appropriate to their age and financial goals.

34% of Equip members were invested in options other than the Equip MySuper default at 30 June 2019. In two of our most active and younger member segments, 58% had chosen their investments*.

For those two segments, 62% were at least 100% retirement ready compared to the ASFA Standard. While this is a correlation of factors and we have not undertaken attribution work to establish a specific link between investment choice and retirement outcomes, it supports our experience that those most connected with their super are generally more retirement ready than those who are not.

Choosing the right investments depends on personal circumstances. If you are unsure how to invest your super, seek advice from a qualified financial planner.

* Data for Equip's Savvy Aspirational and Confident Online segments, 30 June 2019

Performance of the Balanced Growth option

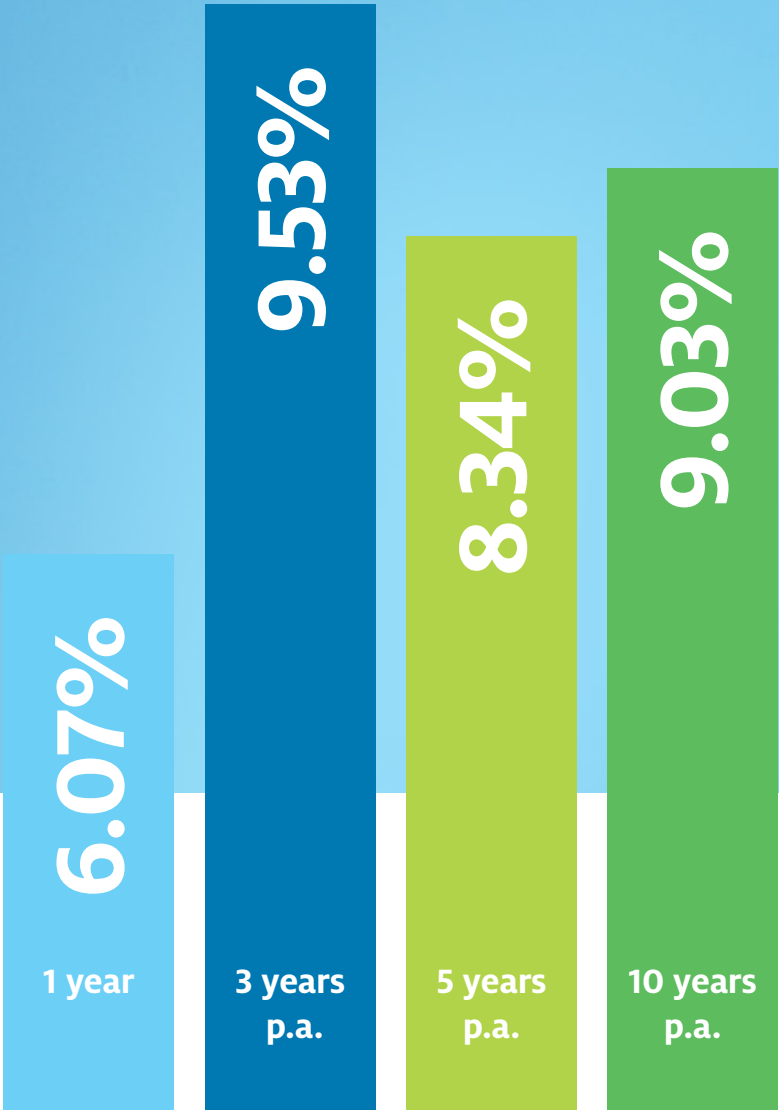


Illustration shows returns for the Equip Balanced Growth option after investment fees and tax to 30 June 2019, accumulation and transition to retirement investment option.

Investment performance

When talking measures that matter, long-term investment performance is a major component in providing members with greater financial security and freedom in retirement.

We publish investment performance targets and the associated risks in achieving those for each of our investment options. Our primary objective is, at minimum, to consistently deliver to those targets over time.

We appreciate that people compare Equip's performance to other reputable super funds. Being competitive not only gives our members confidence that they are in the right fund, but also ensures that we can attract new employers and members to the fund.

This does not mean all our options need to be among the Top 10 over every period in every year. Being in the long-term investment business means delivering consistent first and second quartile performance as the foundation for a good, reliable income in retirement for as many members as possible.

Investment returns remained solid in 2018-19, despite highly volatile investment markets. Investors around the world were unnerved by geo-political issues such as the trade stand-off between the United States and China, the uncertainty around Britain's exit from the European Community (Brexit) and the general health of the global economy as reflecting in almost universally low interest rates.

We regularly advised members to expect lower returns than the buoyant experience of recent years, when percentage returns in growth-oriented diversified investment options have often been in double figures.

We believe share markets around the world are fully valued, increasing the risk of a correction in the medium term. However, there are few other asset classes providing easy pathways to increasing returns.

Bond markets are reflecting investor concern about economic growth and inflation, while sharemarkets are still suggesting investors are confident on balance about the economic outlook and a resolution to the US-China trade tensions.

Often, we're seeing conflicting signals. For example, as iron ore prices climbed strongly, we saw oil and zinc prices decline. The first was an indication of confidence in future growth, while the others were consistent with a much weaker economic outlook.

Among all this, currency exchange rates remained quite stable, with the Australian Dollar trading in a quite narrow range against the US Dollar.

Most members invested in the Equip MySuper and Balanced Growth options rely on us to make investment decisions that manage their investments to achieve the best retirement outcomes without taking excessive risk.

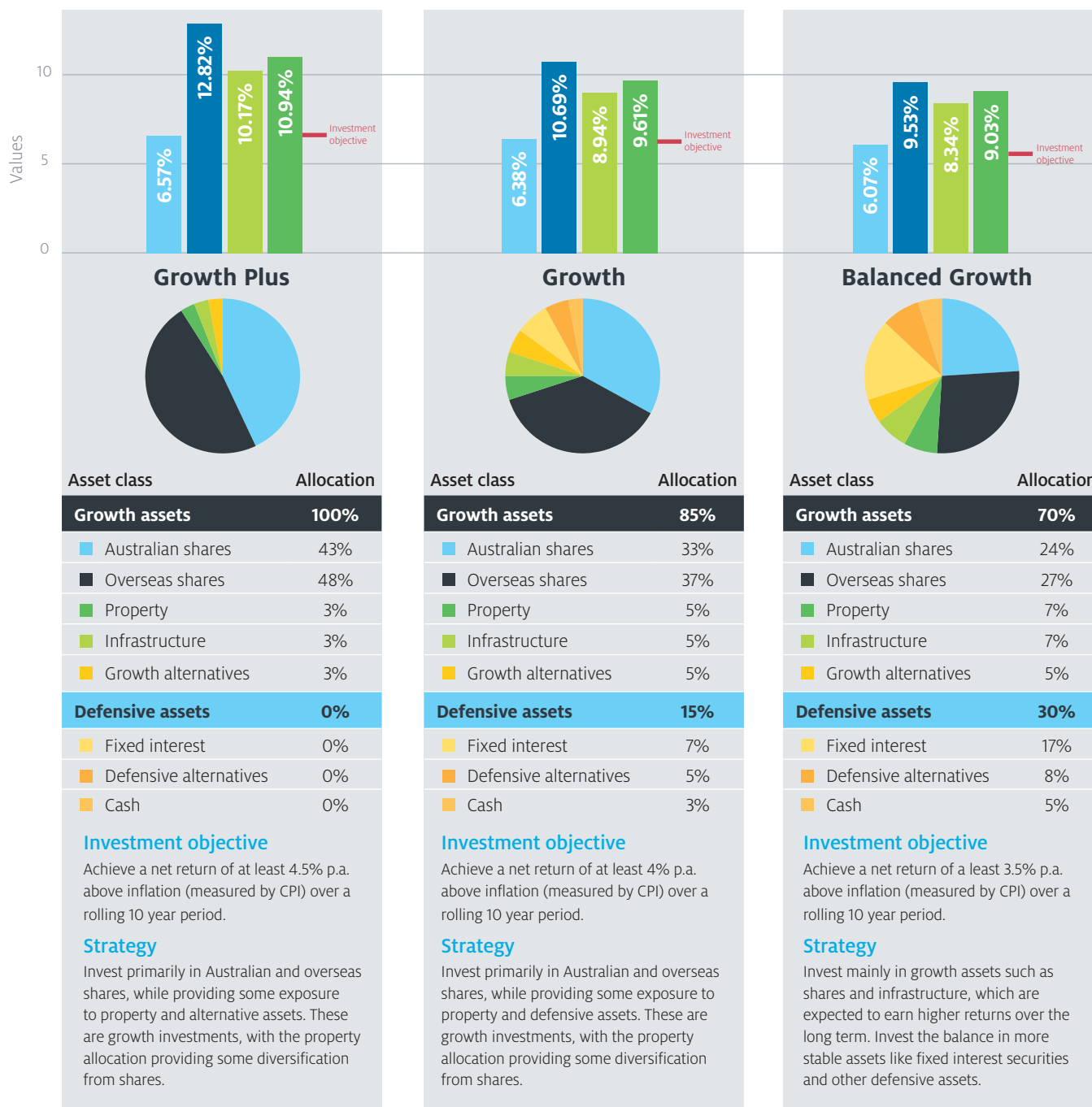
Equip's response to fully valued markets in 2018-19 was to adjust asset allocations in diversified options to reduce exposure to shares and bonds and increase exposure to foreign exchange (FX) and alternatives. We also chose to maintain a high level of liquidity to enable us to take advantage of investment opportunities likely to emerge from any future sell-off in markets.

While there are some clouds over investment markets in the medium term, there is also risk associated with moving out of growth investments into what have traditionally been regarded as safehaven assets, cash and government bonds. The historically low rates of return on these put investors at risk of falling behind the rising cost of living, meaning a potential net loss of savings in real terms.

An uncertain investment climate need not cause undue concern or prompt hasty decisions or actions by members. Those who have not reviewed their investment strategy for some time may want consider whether their investments are still right for their stage of life, changed circumstances, retirement needs and tolerance to risk. ■

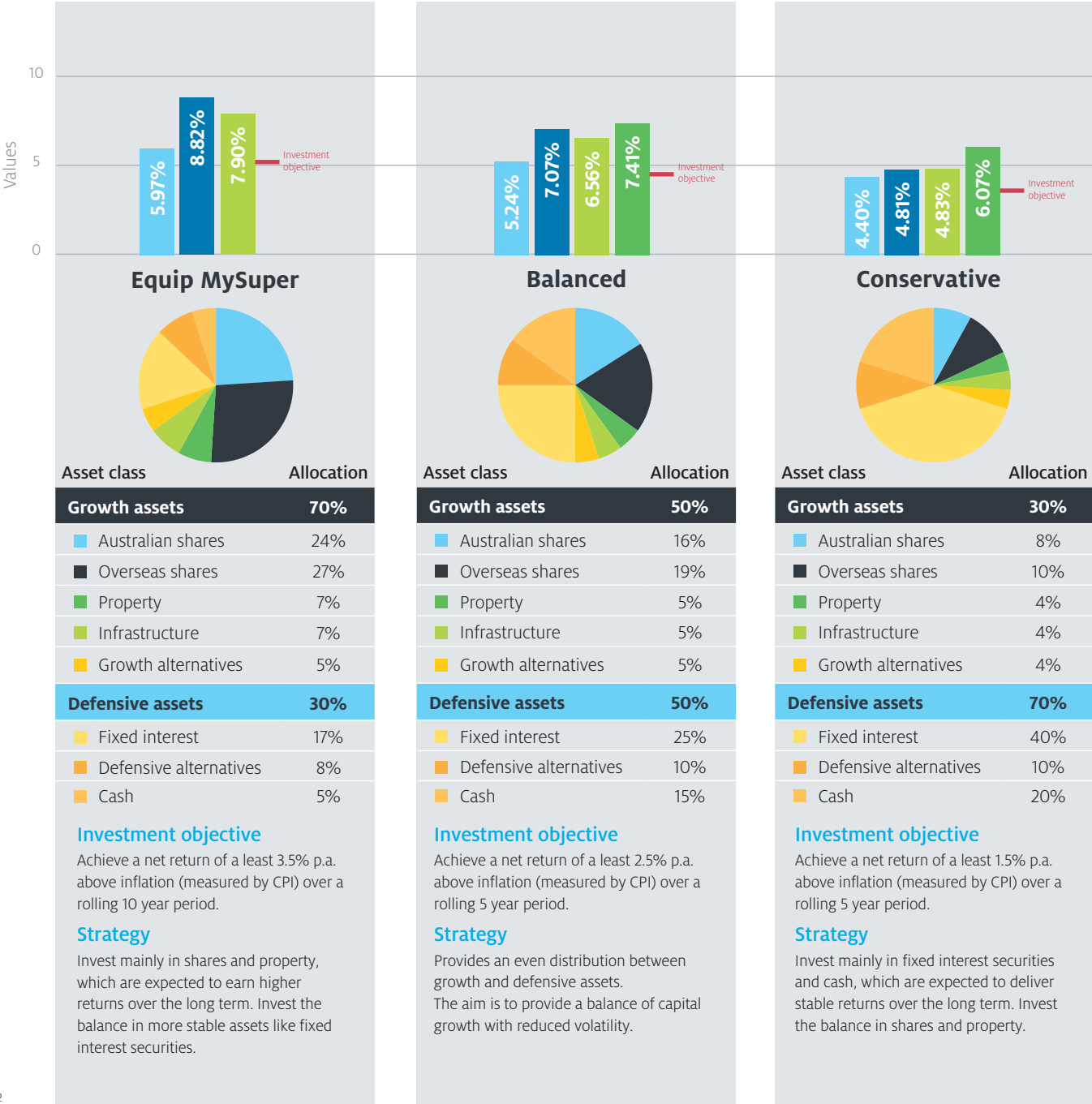
Superannuation and transition to retirement pension returns to 30 June 2019

■ 1 year ■ 3 years ■ 5 years ■ 10 years

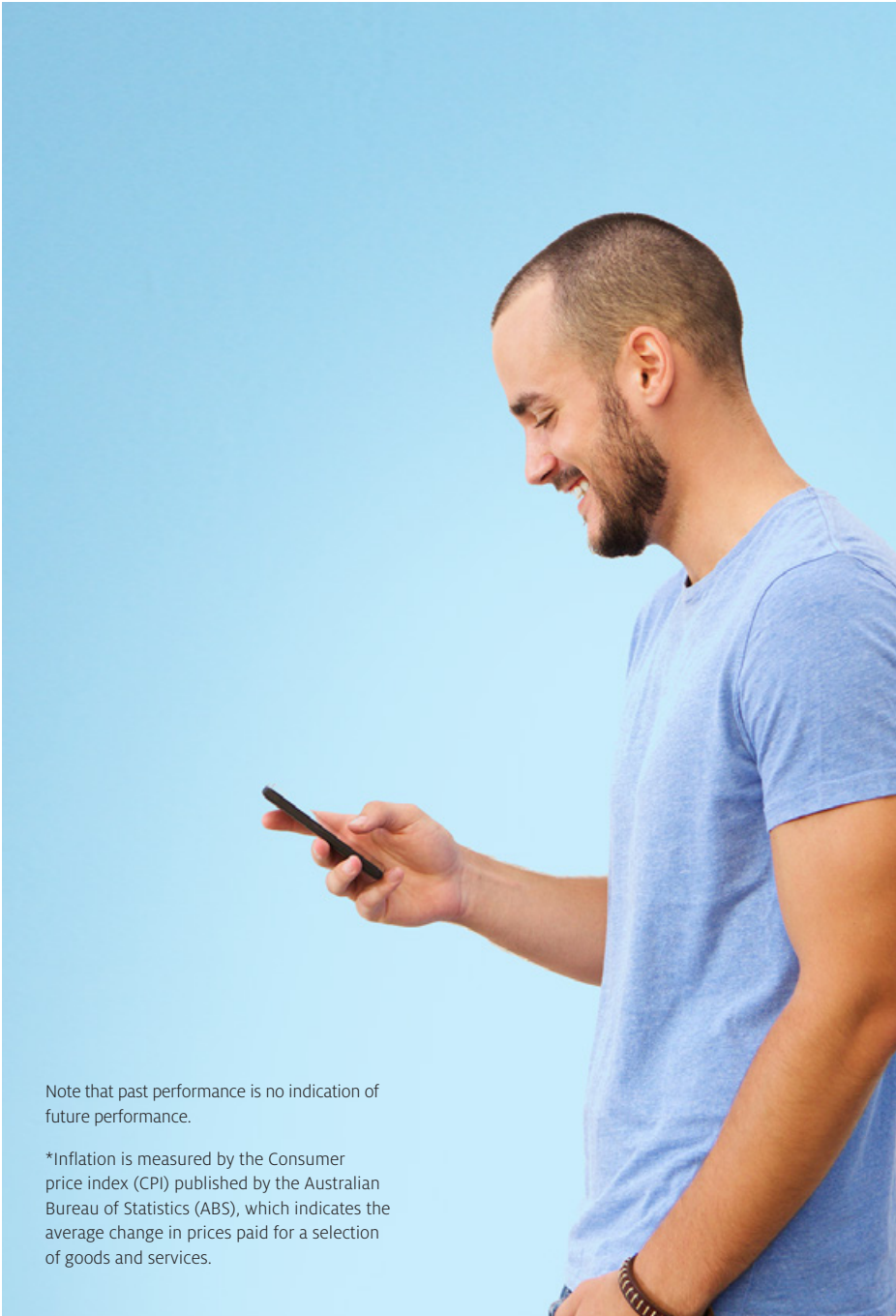
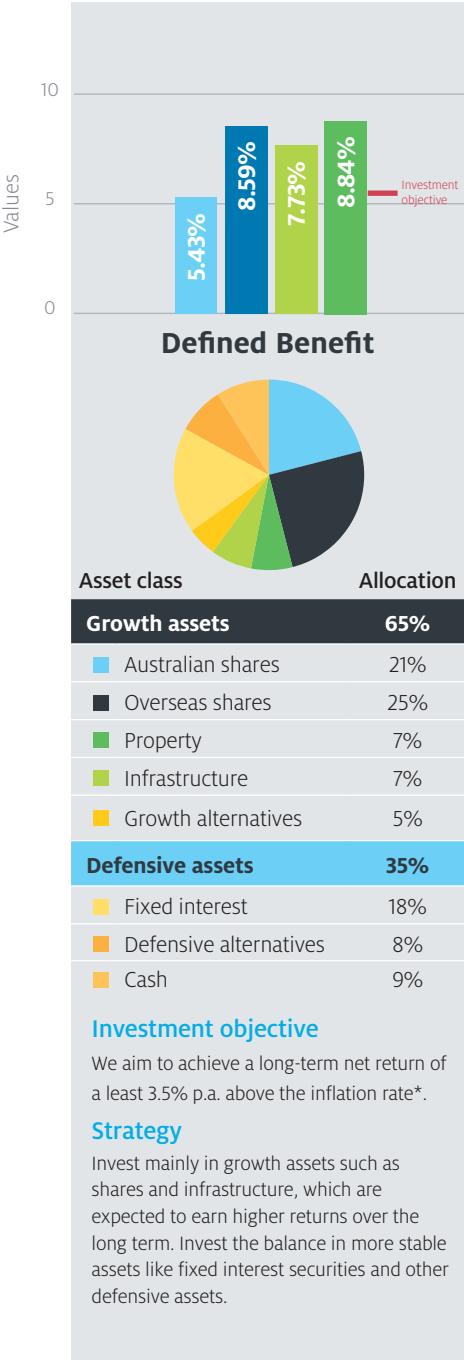


Superannuation and transition to retirement
pension returns to 30 June 2019

1 year 3 years 5 years 10 years

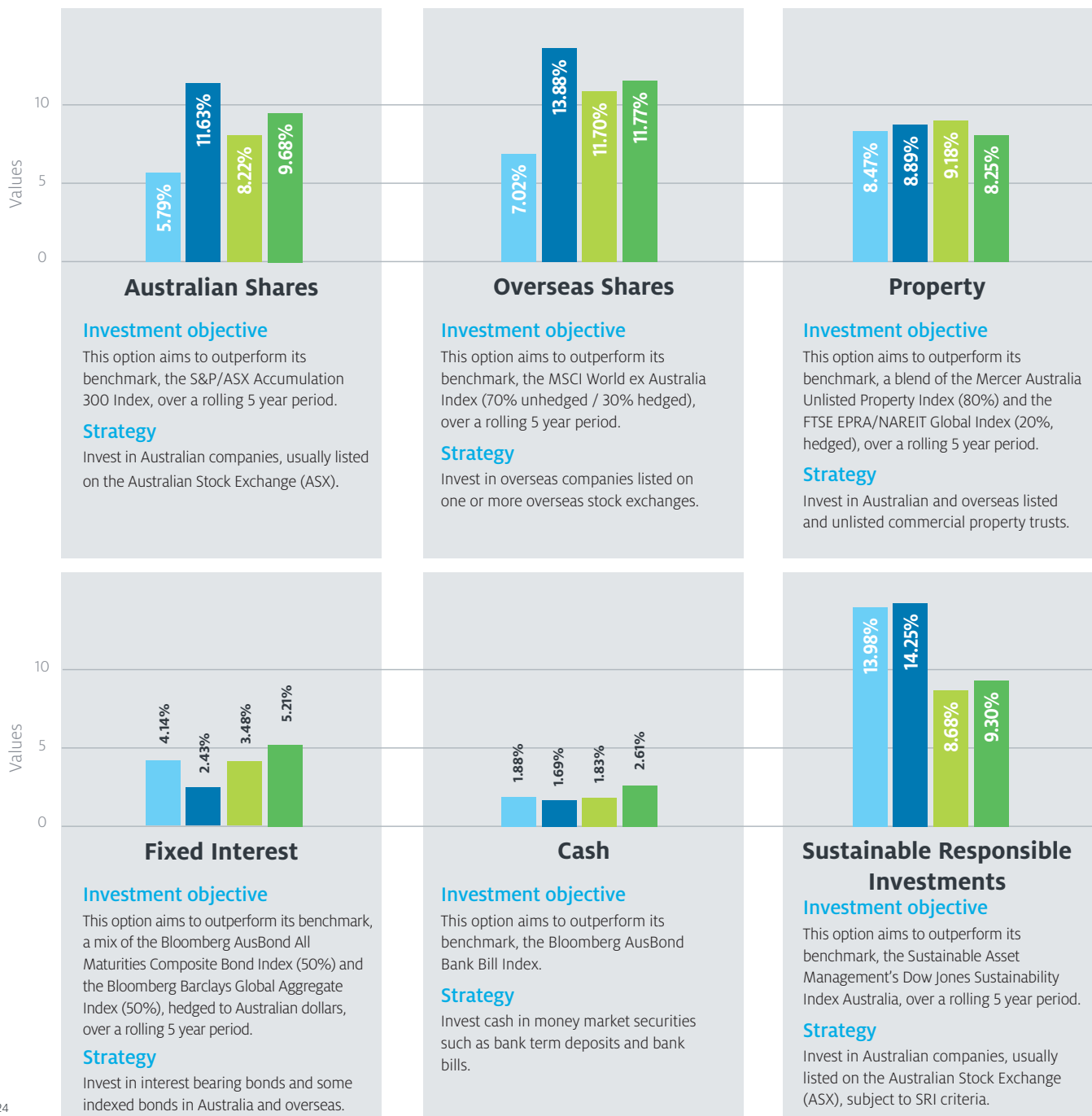


1 year 3 years 5 years 10 years



Superannuation and transition to retirement pension returns to 30 June 2019

1 year 3 years 5 years 10 years



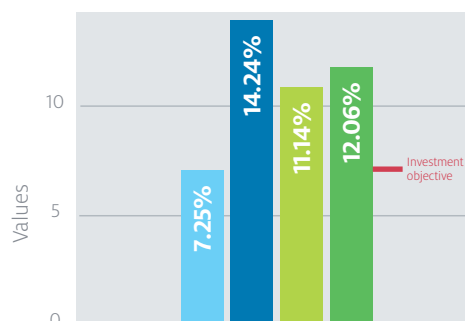
Account Based Pension (ABP) returns to 30 June 2019

1 year

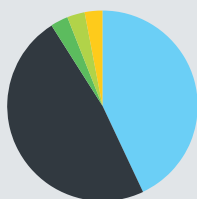
3 years

5 years

10 years



Growth Plus



Asset class

Allocation

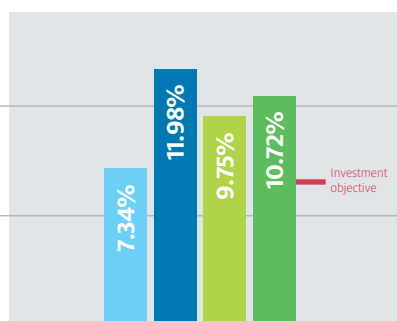
Growth assets		100%
Australian shares	43%	
Overseas shares	48%	
Property	3%	
Infrastructure	3%	
Growth alternatives	3%	
Defensive assets		0%
Fixed interest	0%	
Defensive alternatives	0%	
Cash	0%	

Investment objective

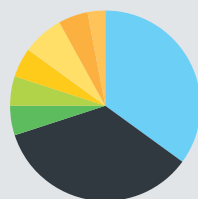
Achieve a net return of at least 4.5% p.a. above inflation (measured by CPI) over a rolling 10 year period.

Strategy

Invest primarily in Australian and overseas shares, while providing some exposure to property and alternative assets. These are growth investments, with the property allocation providing some diversification from shares.



Growth



Asset class

Allocation

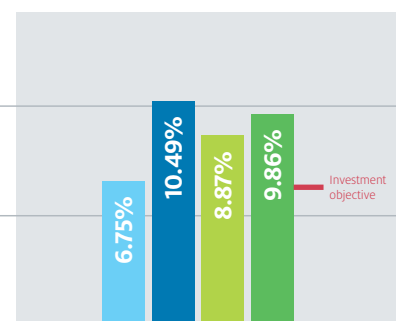
Growth assets		85%
Australian shares	33%	
Overseas shares	37%	
Property	5%	
Infrastructure	5%	
Growth alternatives	5%	
Defensive assets		15%
Fixed interest	7%	
Defensive alternatives	5%	
Cash	3%	

Investment objective

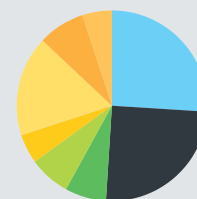
Achieve a net return of at least 4% p.a. above inflation (measured by CPI) over a rolling 10 year period.

Strategy

Invest primarily in Australian and overseas shares, while providing some exposure to property and defensive assets. These are growth investments, with the property allocation providing some diversification from shares.



Balanced Growth



Asset class

Allocation

Growth assets		70%
Australian shares	24%	
Overseas shares	27%	
Property	7%	
Infrastructure	7%	
Growth alternatives	5%	
Defensive assets		30%
Fixed interest	17%	
Defensive alternatives	8%	
Cash	5%	

Investment objective

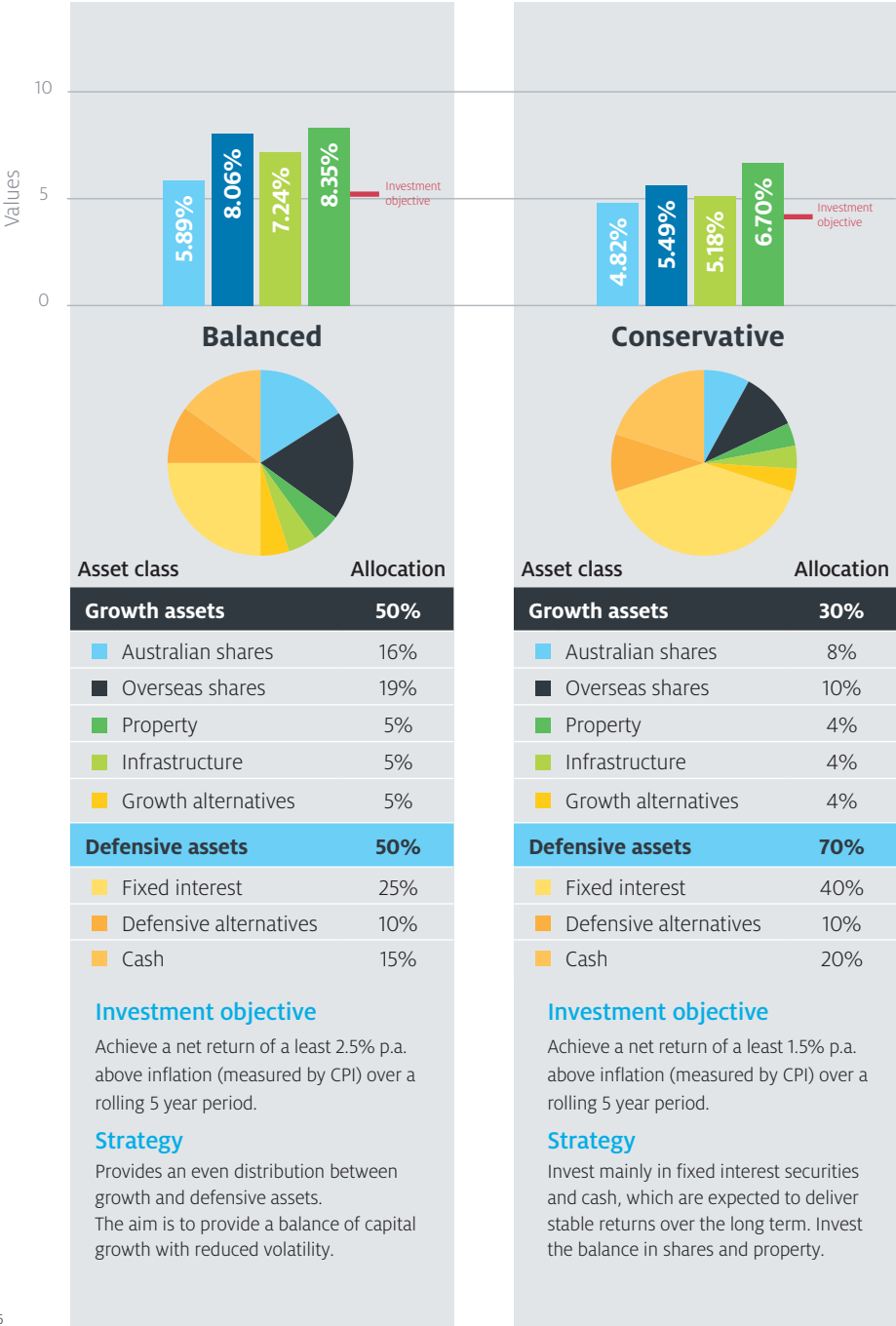
Achieve a net return of at least 3.5% p.a. above inflation (measured by CPI) over a rolling 10 year period.

Strategy

Invest mainly in growth assets such as shares and infrastructure, which are expected to earn higher returns over the long term. Invest the balance in more stable assets like fixed interest securities and other defensive assets.

Account Based Pension (ABP) returns to 30 June 2019

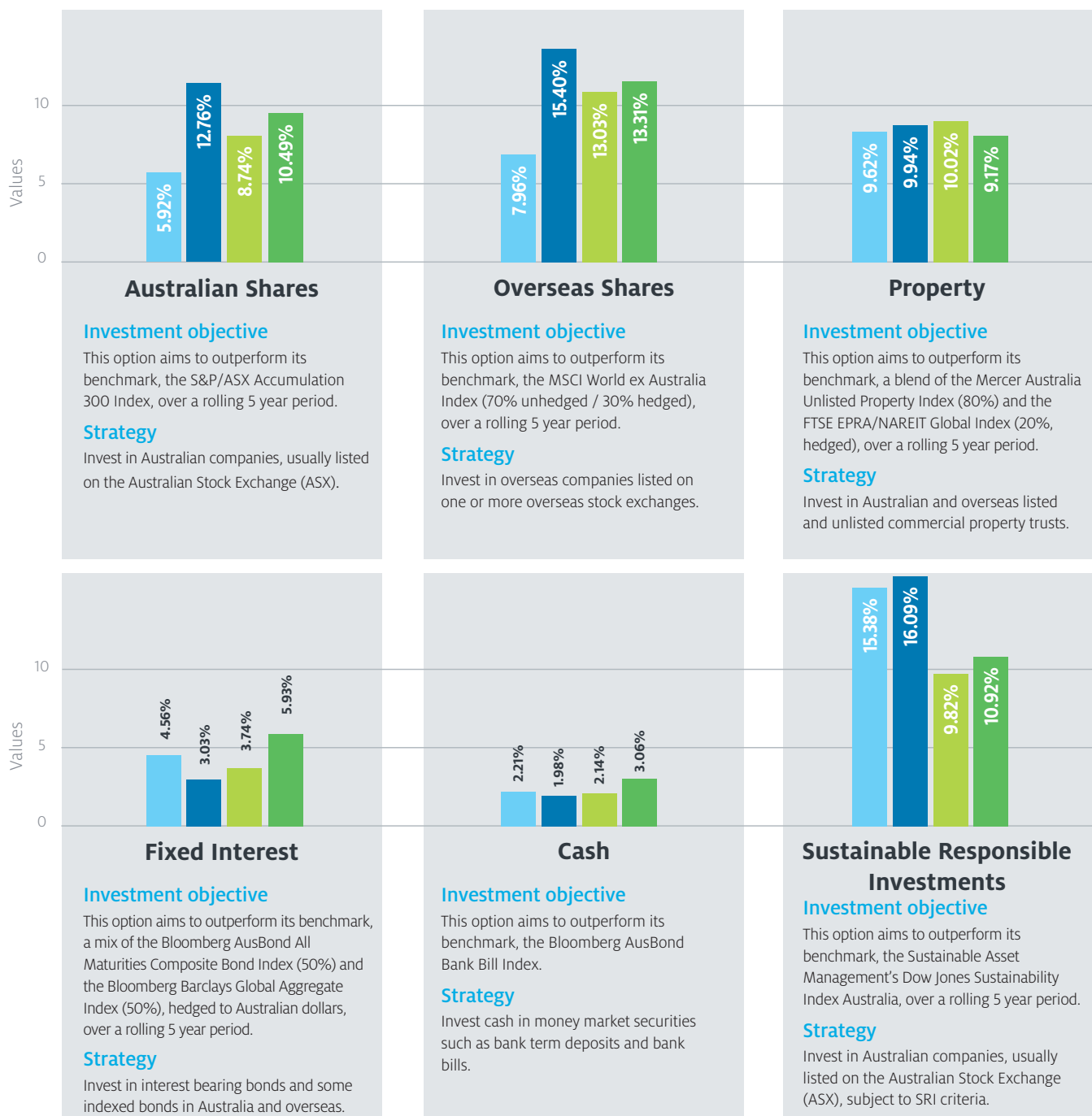
1 year 3 years 5 years 10 years



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

Account Based Pension (ABP) returns to 30 June 2019

■ 1 year ■ 3 years ■ 5 years ■ 10 years



Investment managers for the financial year 2018-19

Our external investment managers:

AMP Capital Investors Limited	<i>Property, infrastructure</i>	Loomis, Sayles & Company	<i>Defensive alternatives</i>
Antares Capital	<i>Cash</i>	Macquarie Investment Management Global Ltd	<i>Australian fixed income</i>
Ardea Investment Management	<i>Defensive alternatives</i>	Macquarie Specialised Asset Management Ltd	<i>Infrastructure</i>
Avoca Investment Management Pty Ltd	<i>Australian equities</i>	Man Investments	<i>Growth alternatives</i>
Baillie Gifford Overseas Limited	<i>Overseas equities</i>	Martin Currie Investment Management Ltd	<i>Overseas equities</i>
Balanced Equity Management Pty Ltd	<i>Australian equities</i>	ME Portfolio Management	<i>Defensive alternatives</i>
Bentham Asset Management	<i>Defensive alternatives</i>	National Australia Bank Ltd	<i>Currency overlay</i>
Brandywine Global Investment Management LLC	<i>Defensive alternatives</i>	Northcape Capital	<i>Overseas equities</i>
Bridgewater Associates Inc	<i>Growth alternatives</i>	Orbis Investment Management Limited	<i>Overseas equities</i>
Campus Living Funds Management Limited	<i>Infrastructure</i>	Pantheon Ventures Ltd	<i>Growth alternatives</i>
Charter Hall Funds Management	<i>Property</i>	Paradice Investment Management Pty Ltd	<i>Australian equities</i>
Colonial First State Managed Infrastructure Limited	<i>Infrastructure</i>	Partners Group AG	<i>Growth alternatives</i>
Dexus Funds Management Limited	<i>Property</i>	PIMCO Australia Management Limited	<i>International fixed income</i>
Ellerston Capital Ltd	<i>Australian equities</i>	Renaissance Smaller Companies Pty Ltd	<i>Australian equities</i>
Fulcrum Asset Management LLP	<i>Growth alternatives</i>	Resolution Capital Pty Ltd	<i>Property</i>
Goodman Funds Mgt Ltd	<i>Property</i>	Ruffer Investment Company	<i>Growth alternatives</i>
GPT Funds Management Ltd	<i>Property</i>	Schroders Investment Management Australia Ltd	<i>Australian equities, overseas equities</i>
Hayfin Capital Management LLP	<i>Growth alternatives / Defensive alternatives</i>	Shenkman Capital Management, Inc	<i>Defensive alternatives</i>
Investa Asset Management Pty Ltd	<i>Property</i>	Siguler Guff & Company, LLC	<i>Growth alternatives</i>
Lazard Asset Management	<i>Infrastructure</i>	Standish Mellon Asset Management Company LLC	<i>International fixed income</i>
Lend Lease Real Estate Investments Ltd	<i>Property</i>	T. Rowe Price International Ltd	<i>Overseas equities</i>
Longview Partners Ltd	<i>Overseas equities</i>	Utilities Trust of Australia	<i>Infrastructure</i>

Looking ahead



The year's significant investment milestones

- ✓ Equip outsources 100% of investment management to external providers which means we can choose the best managers and strategies.
- ✓ Finalisation of a single suite of investment options for all members as the Rio Tinto Staff Superannuation Fund is integrated into Equip.
- ✓ A substantially reduced list of external investment managers results from review of combined Equip and Rio Tinto staff fund mandates, with better fees negotiated.
- ✓ The fund has increasingly considered Environment Social and Governance (ESG) implications in its investments.

Where our members invest

Mid- to long-term performance

We have substantially outperformed the investment objectives over the mid and long term.

10-year (% p.a.)		5-year (% p.a.)	
Equip Balanced Growth* return (net of tax and investment fees)	9.03 Investment target (CPI+3.5% p.a.) Outperformance relative to target +3.4% p.a.	Equip MySuper* return (net of tax and investment fees)	7.90 Investment target (CPI+3.5% p.a.) Outperformance relative to target +2.8% p.a.
SuperRatings median (all funds)	8.52	SuperRatings median (all funds)	7.56
SuperRatings top quartile threshold	8.99	SuperRatings top quartile threshold	8.29

* The Equip MySuper default option was not established until 2013, so there is no 10-year data available. We show performance for the Equip Balanced Growth option, which was the previous default investment option. From 1 July 2018, the asset allocation of MySuper has been similar to Balanced Growth.

This is a view of the proportion of members invested in our accumulation and retirement options.

A majority of accumulation members (78%) are in the default Equip MySuper option, but we encourage members to consider whether this is right for their life stage and goals.

Choosing the right investment strategy can contribute substantially to improving retirement income over a lifetime in the fund.

78%

◀ Equip MySuper

▶ All other options

22%



Member experience

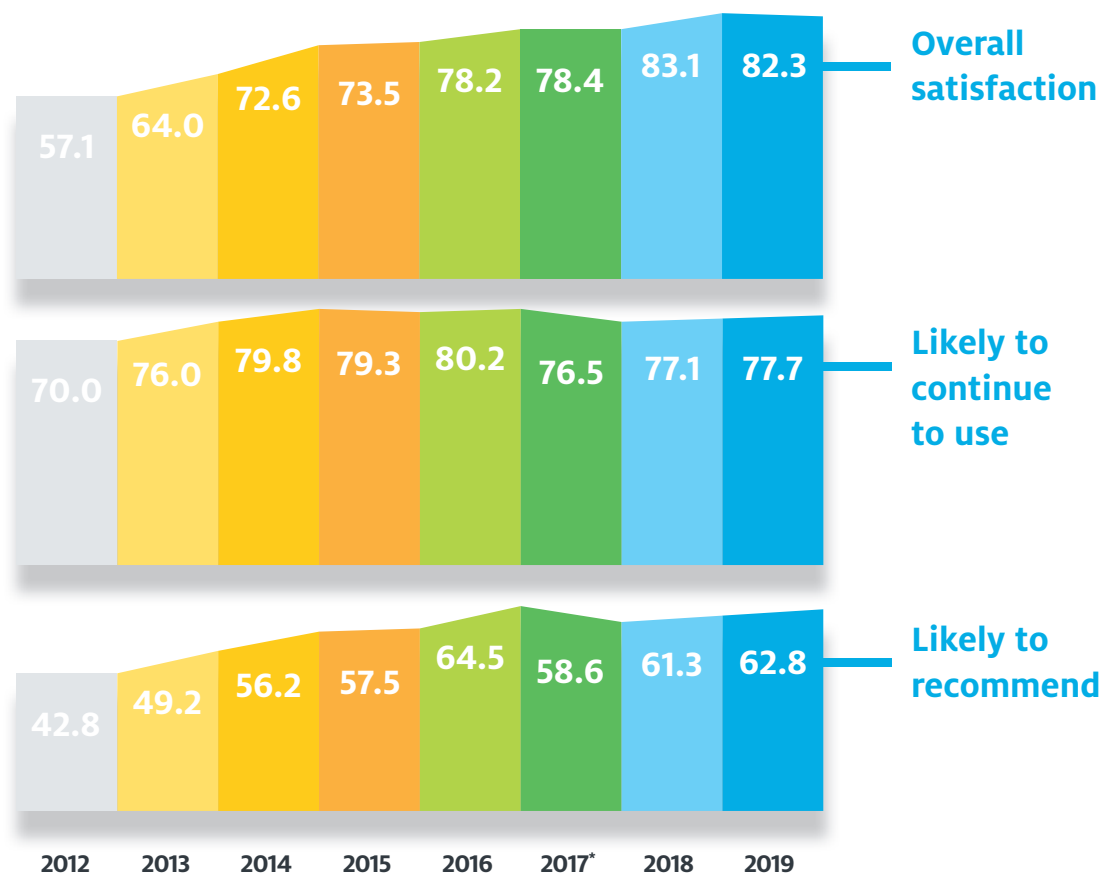
Greater financial security and confidence in retirement is the result of many things beyond investment performance. These include having the right information at the right time to make better decisions and being provided with tools and access that make managing super easier.

Equip has invested substantially in understanding our members, our people and technology in order to help members make the most of their super. We can and do measure the effectiveness of these investments and how they translate into constant improvement in members' experience of the fund.

Our goal is to continue the upward trend[^] recorded over the past seven years in member satisfaction with the products and services we are delivering to improve their retirement.

[^] CoreData annual member survey results measuring the proportion of members rating satisfaction at ≥ 7 on a 0-10 scale.

Key member satisfaction measures



Source: CoreData annual member satisfaction survey, June 2019. * First year of inclusion of Rio Tinto members.



**Delivering
personalised
services**

Member guided

Equip has always been among the industry leaders in connecting with members to understand their needs and to identify hurdles to engaging effectively with super.

In 2018-19, we took this to a new level, with members attending interviews and group discussions to guide us on the things that matter most.

The process is known as human-centred design (HCD), which enables organisations to align improvements in the way they do things as closely as possible with the preferences of customers, or members.

Redesign based on member input embraces every facet of our business – how we can communicate more effectively, how easy our online tools and websites are to navigate on any device and how to enable people to join the fund, manage their super account when they change jobs and make the best possible transition to retirement.

It's a process that encourages members to see us as a valued financial partner over their lifetime – a trusted provider of investments, advice and their future financial well-being.

Since 2016 the Equip board and management have been focused on delivering personalised experiences for members. It proposed a framework for a technological evolution that would enable us to communicate to members by using their latest interaction with the fund to inform our next communication.

Three years later, we are pleased to report the realisation of this ambition, with our web, customer services and communications platforms integrated to make member interactions more visible to our services, communications and advisory teams so the next service we provide can be better tailored to members' individual needs.



Financial advice

Solid financial advice is more accessible to Equip members than ever. Over the past year, we have established our extended financial planning operations in Western Australia and Queensland to create a national network of planners.

The financial planning profession has been under close public scrutiny over recent years, with regulations now requiring advisors to act in the best interest of their members. This aligns with our practice since 2009, when we first established Equip Financial Planning.

Equip's planners have played an integral part in helping many members make a successful and well-managed transition to retirement. While our planners are qualified to help members with all aspects of their financial lives, retirement planning is the service they provide most often.

Members are also benefiting from the integration of our phone-based member adviser services with financial planning into a single Member Experience operation. This has facilitated a more seamless experience for members seeking advice and support, as well as facilitating better planning and efficient deployment of people and technology.

During 2018-19, we undertook research to gain insights into what members would expect of an online planning tool in the future. We are evaluating various options available to identify which would most closely deliver the insights and support members want or have the flexibility to be tailored to these needs.

Financial planning

Number of
pre-retirement
(financial planning)
seminars 2018-19

24

number of
attendees

1,417

Workplace activities

Number of
workplace
seminars 2018-19

156

number of
attendees

2,219

Members reached

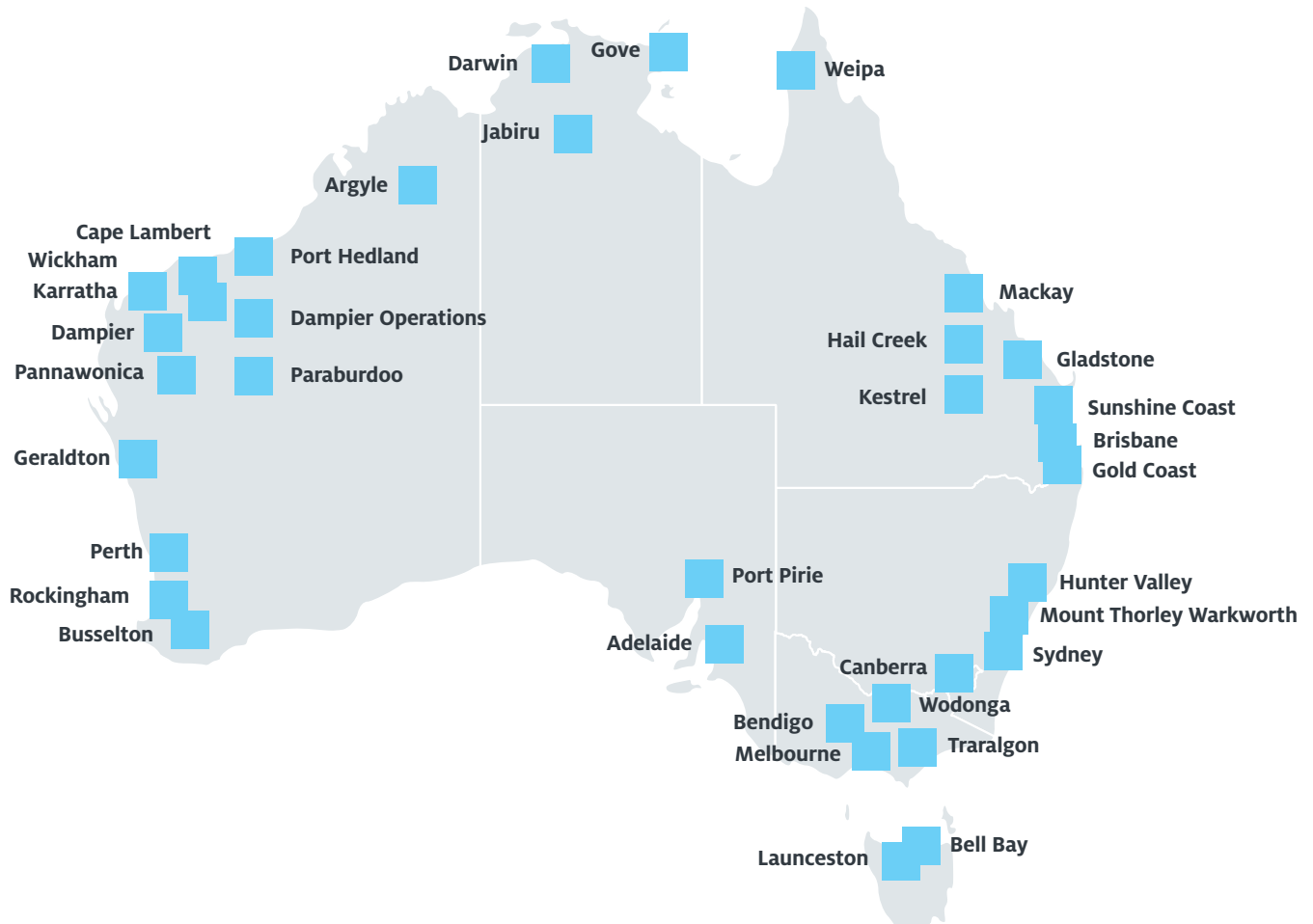
One-on-one
meetings
2018-19

939

total members
reached

3,158

Seminar locations



Regulation

We support strong regulation in superannuation and the broad goals of government and regulators to ensure funds are focused and capable of delivering the products, support and advice to help members make the most of their super and retirement.

Our pursuit of growth to enable us to deliver these results for members into the future is aligned with these aspirations and expectations.

However, we also hear concerns from members about the frequency of change in superannuation rules and add our voice to industry calls for greater certainty and consistency to promote community confidence in the superannuation system, which is acknowledged as among the leading retirement savings schemes in the world*.

During 2018-19, we expended considerable effort and resources to ensure compliance with, or preparation for, some significant changes:

- The *Protecting Your Superannuation Package*, effective from 1 July 2019, which aimed to protect smaller member account balances from erosion by fees and unnecessary insurance premiums;
- The voluntary industry *Insurance Code*, to which we committed and which aims to provide members with greater clarity about insurance cover and fair dealings on claims processing;
- The development of a fund *Retirement Income Covenant*, a document which describes Equip's strategy for the provision of retirement income products;
- Evolution of prescribed member outcomes-focused reporting required by the Australian Prudential Regulation Authority (APRA).

Growth

Success with corporate tenders was a feature of the 2018-19 financial year, with wins including dnata, a Dubai-based airport services business, which bought Qantas' catering division, and Dow Australia, an industrial chemical business.

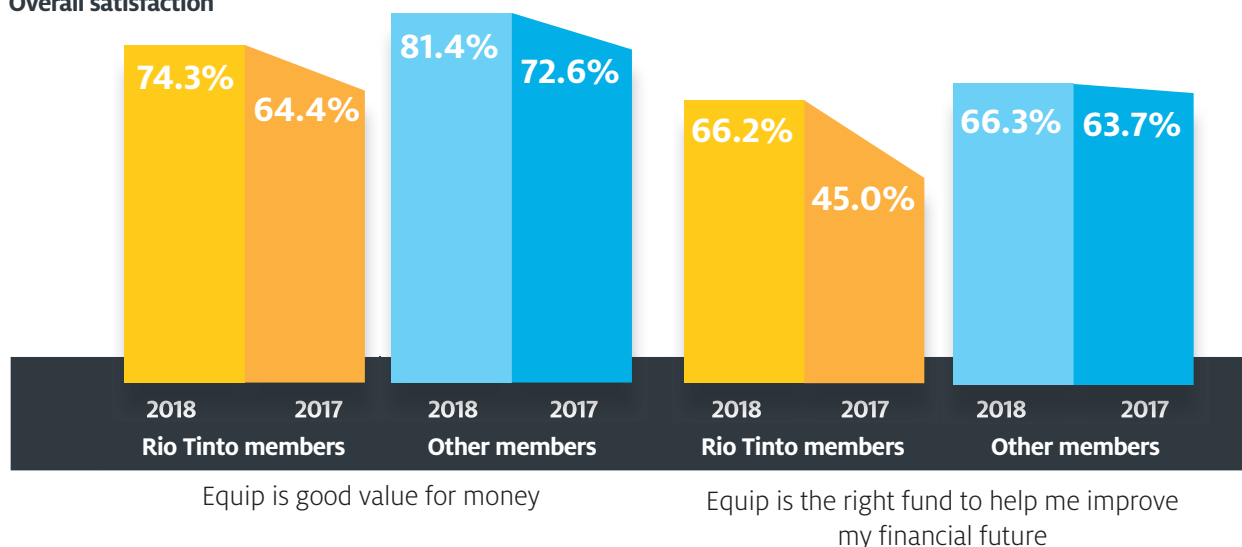
Over 1,500 new members and more than \$300 million in assets are transferring to Equip with these employers.

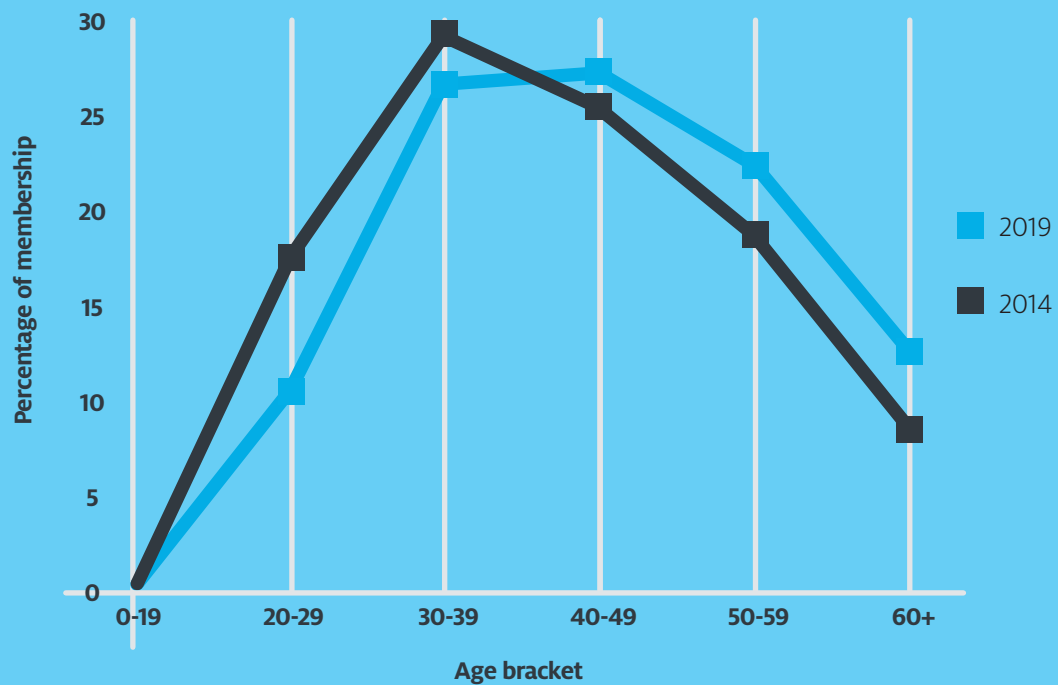
The effectiveness with which we transition corporate superannuation plans into Equip is an important determinant of members' long-term consideration of the fund as the right one for them. Two key steps ensure that this is positive for members and their employers:

- A robust transition process, executed in partnership with our administrator under the leadership and direction of our project management team;
- High-profile engagement and communication with members, including workplace presentations on the fund, its products and services.

Independent research tracked the effectiveness of this by comparing the confidence in the fund of newly transferred Rio Tinto employees with long-term Equip members over the first 12 months of their membership.

Overall satisfaction





This graph shows the changed distribution of age demographics in Equip in 2019 vs 2014.

External influences on what matters

Superannuation funds operate in a dynamic environment, with outcomes for members influenced by politics, regulations, investment markets and social trends. There are several that figured most prominently in our strategic planning for the 2019-25 period.

Member disengagement

Many Australians are disengaged from superannuation. They may consider it too complex and some are unsettled by frequent adjustments to the rules. While Equip members are more engaged than the general population,

we believe that closer connection with their super would enable many to improve their retirement outlook. Combatting consumer apathy and cynicism is a primary challenge.

Demographics

Like most western democracies, Australian policy makers are grappling with an aging population and the associated shifts required in budget and social priorities. Equip's demographic shift reflects this trend, with the fund's membership being older on average than it was five years ago. This has prompted us to place a high priority on evolving our retirement product and advice offering in the short to medium term.

Investment markets

Superannuation fund members have reaped the benefits of strong economic growth and rising share markets in the decade since the Global Financial Crisis (GFC). However, we expect that investor unease about geo-political tensions and an uncertain economic outlook will temper returns for the medium term. We have accordingly adjusted our diversified portfolios to provide members with more protection against a market downturn. While Equip will be unlikely to deliver the rates of return seen in recent years, our challenge will be to deliver on the long-term investment targets for each of our options and remain competitive and attractive relative to competitor funds.

Employment trends

The largest proportion of Equip's membership is drawn from the energy and resources sectors. The former is undergoing significant change, while the latter is cyclical in nature through exposure to international commodities and production demands. Both sectors are also experiencing substantial technological change, increasing demand for new skills while reducing it for others.

These sector-specific changes are taking place against a backdrop of broader employment trends, where around 30% of Australians are employed on a part-time or contract basis, often employed in more than one workplace, or self-employed.

These trends also influence demand and pricing for housing, personal finances and the need for some people and communities to consider relocation or entry into new industries.

Equip sees both opportunity and threat in these changes and has moved, for example, to build relationships with the growing renewable energy sector, as well as diversify its sector exposures by attracting new employers.

Trust

It may seem unusual to nominate an emotional response as an external influencer, but community confidence in the financial sector is affected by events like the 2018 Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and other inquiries, as well as constant legislative change.

The Edelman Trust Barometer, a well-regarded global survey, has identified a crisis of trust in government and institutions for the past several years, including in Australia.

Equip has worked hard on building trust with members and we are pleased to report that for the past three years it has been nominated as the leading reason for members remaining with the fund. However, the fund is not immune from any decline in trust of the superannuation sector and we strongly support any change that promotes and maintains the integrity of the superannuation system and its effectiveness in providing members with greater financial security in retirement.

Supporting the strategy

Superannuation has emerged as one of Australia's most substantial economic powerhouses. Total funds under management in 2019 were more than \$2.7 trillion, nearly double Australia's Gross Domestic Product (GDP) in 2018.

Funds deploy member investments into a wide diversity of assets, listed and direct investments, around the world. A large proportion of these investments are priced and reported to members daily in unit prices. Additionally, funds need to support and service

members in a wide variety of legal jurisdictions. For example, communicating with Equip members based in Europe means our processes and technology must comply with its General Data Protection Regulation (GDPR) regime.

It means we work in a far more complex sector than when mandatory superannuation began nearly 30 years ago. As a result, the challenge of securing and retaining the talent and capability to keep performing for members is escalating.

It is why we have been at the industry forefront in transitioning to skills-based board selection and appointment for directors and the mix of skills across our workplace is now richer and more diverse than even a few years ago.

New and growing skills areas to which we have recruited and invested in technology include:

- **Data analytics** – Equip is among the leaders in profit-to-member superannuation
- **Human centred design (HCD)** – A centrepiece for designing and improving member experience
- **Technology** – Expanded relationship management, marketing and in-house systems, as well as technical support and advice on protecting member data;
- **Governance, risk and compliance** – Expanded to ensure proper assessment and mitigation planning for data management, greater oversight of investment processes and regulatory compliance;
- **Product** – Establishment of a dedicated and experienced team with the Strategy and Markets group;
- **Investments** – ESG strategy and implementation;
- **Project management** – Greater diversity of specialist skills, particularly to support technology and merger transition projects.

Equip's growth trajectory in 2019-25 will extend the depth and breadth of its operational capability.

Financial summary

Statement of financial position as at 30 June 2019

	2019 \$ MILLION	2018 \$ MILLION
ASSETS		
Investments	15,837	15,045
Other assets	176	142
Deferred tax assets	1	1
Total assets	16,014	15,188
LIABILITIES		
Payables	(74)	(52)
Income tax payable	34	(32)
Deferred tax liabilities	(248)	(264)
Total liabilities	(288)	(348)
Net assets available for member benefits	15,726	14,840
Total member liabilities	(15,070)	(14,266)
Total net assets	656	574
EQUITY		
Operational risk reserve	41	39
Other reserves	122	37
Defined benefit plans (over)/under funded	493	498
Total equity	656	574

Income statement for year ended 30 June 2019

	2019 \$ MILLION	2018 \$ MILLION
SUPERANNUATION ACTIVITIES		
Investment Income	985	1,471
Other Income	1	1
Total superannuation activities income	986	1,472
EXPENSES		
Investment expenses	(47)	(58)
Administration expenses	(43)	(38)
Total expenses	(90)	(96)
Net result from superannuation activities	896	1,376
Net change in defined benefit member liabilities	(101)	(77)
Net benefits allocated to defined contribution member accounts	(718)	(1,125)
Net profit/(loss) before income tax	77	174
Income tax (expense)/benefit	5	(96)
Net profit/(loss) after income tax	82	78

Statement of changes in member benefits for the year ended 30 June 2019

	2019 \$ MILLION	2018 \$ MILLION
Opening balance of member benefits	14,266	7,737
Contributions received	629	636
Transfers to/from other superannuation plans	(172)	5,382
Income tax on contributions	(73)	(73)
Net after tax contributions	384	5,945
Benefits paid to members/beneficiaries	(398)	(607)
Insurance premiums charged to members	(32)	(32)
Death and disability benefits credited to member accounts	27	20
Reserve transfer to /(from) members	5	0
Net benefits and investment income allocated to accounts	818	1,203
Closing balance of member benefits	15,070	14,266

**Equip asset allocation
Investments at fair value**

	2019 \$ MILLION	2018 \$ MILLION
Cash and deposits	869	1,063
Derivatives	39	(17)
Listed equities	5,768	5,798
Listed property trusts, Listed unit trusts	315	412
Other interest bearing securities	3,990	3,243
Unlisted equities	529	228
Unlisted unit trusts	4,140	4,178
Unlisted partnerships	186	139
Annuity	1	1
	15,837	15,045

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
- liabilities arising from gaining a personal financial profit to which they are not entitled; or
- pecuniary penalties, for which indemnification is not legally permitted.

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 and 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 2019

	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	38,809	36,642	2,022	6,457	(8,032)	497,870	573,768
Transfer between reserves	0	0	0	0	0	0	0
Transfer from SFT	0	(5,440)	0	0	0	5,440	0
Operating result	2,474	(2,666)	345	(457)	93,227	(10,598)	82,325
Closing balance	41,283	28,536	2,367	6,000	85,195	492,712	656,093

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
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

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
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

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, but is not limited to, 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 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 former 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, we have not been able to contact you for five years, and 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.

We will also be required to transfer your super to the ATO if you have an “inactive low-balance account” and do not make any election to revoke this status. An account will be considered an inactive low-balance account if:

- the fund has not received an amount in respect of that account for at least 16 months;
- it is less than \$6,000;
- you have not met a condition of release to gain access to your benefit;
- it is not a defined benefit account;

- you do not have any insurance through your account; and
- during that 16 months:
 - you have not changed your investment option(s),
 - you have not made changes to your insurance cover,
 - you have not made or amended a binding death benefit nomination,
 - you have not declared in writing that your account is inactive, and
 - the fund is not owed an amount for you.

Temporary residents permanently departing Australia

If you entered Australia on any temporary visa which has expired or been cancelled, you are eligible to access your super benefit, and can apply for a Departing Australia Superannuation Payment (DASP) from the ATO website, ato.gov.au/super.

If you aren't an Australian permanent resident or a New Zealand citizen and don't lodge a DASP request within six months of leaving Australia, we are required to transfer your benefit to the ATO. We will not provide an exit statement to you when your benefit is transferred to the ATO (we rely on regulatory relief from the Australian Securities and Investments Commission (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%.

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.

Equisuper Superannuation Fund

ABN 33 813 823 017
USI 33 813 823 017 000
SPIN EPL0100AU
MySuper authorisation 33 813 823 017 672

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