



WE PUT ALL OUR **ENERGY** INTO SUPER

ANNUAL REPORT 2019–20
Fees and Financial Statements
Supplementary Report



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Since 2008 Energy Super has earned a platinum rating* for its service excellence, value for money and strong investment performance.

ABOUT THIS REPORT

We've introduced a new way to present our annual reporting this year in an effort to help our members, employers and other stakeholders find the information they need more easily. Our 2019-20 Annual Report is teamed with a suite of smaller reports, each with a specific area. The full suite of reports are available on our website.

 energysuper.com.au/annualreport2020



Annual Report



People and Remuneration



Fees and Financial Statements

*Ratings are provided by SuperRatings Pty Ltd (ABN 95 100 192 283) (AFSL 311880) and Rainmaker Information Pty Ltd (ABN 86 095 610 996). Ratings are only one factor to be considered when making investment decisions. Refer to energysuper.com.au/ratings for information about the rating and the rating scale. SuperRatings does not issue, sell, guarantee or underwrite this product. Go to www.superratings.com.au for details of its ratings criteria.

FEES AND COSTS

Our approach is to actively manage our investments and the fees charged by investment managers. This means we're always working to get the best alignment of investment fees charged and the investment returns delivered.

For example, over the past 12 months, we've renegotiated certain fee arrangements and sought to achieve economies of scale with existing managers to lower management fees, where possible. This resulted in fee reductions in the order of 0.01% to 0.04% for our Australian Shares, International Shares and Cash Enhanced investment options.

Of course, not all investment fees are within our control. In the 2019-20 financial year, total fees across our diversified investment options increased by an average of approximately 0.01%. These increases were mostly due to higher trading costs incurred, as our investment managers increased their trading and transactions to take advantage of opportunities in the market while COVID-19 was in full swing.

Looking forward, actively managing our investment fees remains a top priority for us.

The table below sets out the administration fees, investment fees (base and performance) and the indirect cost ratios that are deducted from each option's investment earnings before they're credited to members' accounts.

Investment Options	Accumulation Administration Fee [^]	Pension Administration Fee [^]	Investment fee [#]		Indirect Cost Ratio (ICR)
			Base amount	Performance based	
Cash Enhanced	0.18%	0.22%	0.09%	0.00%	0.02%
Stable	0.18%	0.22%	0.21%	0.02%	0.25%
Fixed Interest	0.18%	0.22%	0.19%	0.00%	0.17%
Capital Managed	0.18%	0.22%	0.24%	0.04%	0.27%
Balanced	0.18%	0.22%	0.27%	0.05%	0.37%
MySuper (default)	0.18%	0.22%	0.29%	0.06%	0.38%
SRI Balanced	0.18%	0.22%	0.06%	0.00%	1.02%
Growth	0.18%	0.22%	0.29%	0.07%	0.34%
Indexed Balanced	0.18%	0.22%	0.06%	0.00%	0.00%
International Shares	0.18%	0.22%	0.27%	0.18%	0.13%
Australian Shares	0.18%	0.22%	0.29%	0.00%	0.08%
Smoothed Return	0.18%	n/a	0.27%	0.05%	0.37%
Capital Guarantee	0.18%	n/a	0.27%	0.05%	0.37%
Defined Benefit	0.33%	n/a	0.28%	0.05%	0.30%

For all investment options other than Indexed Balanced, the Investment Fees and ICRs are derived from costs incurred in 2019-20 and are based on the information available to the Trustee for that financial year. They include estimates where actual costs are not available. They include performance fees, where relevant. The actual indirect costs for this and future financial years may be different. These indirect costs do not include an amount for Property Operating Costs which are estimated to be between 0.00% and 0.12%, nor Borrowing Costs which are estimated to be between 0.00% and 0.12% depending on investment for 2019-20.

[^]In addition, an administration fee of \$1 per week is deducted from a member's account regardless of balance..

[#]Past performance fees are not a reliable indicator for future performance fees that may be payable.

FINANCIAL STATEMENTS

The following summary is taken from Energy Super's audited accounts for the year ended 30 June 2020. Details of total investment expenses, administration expenses and other operating expenses can be found in the Financial Statements available online. The Annual Financial Report containing the audited accounts and the auditor's report for the 2019-20 year is available on our website or via a phone request on **1300 436 374**.

The Trustee believes all contributions received up to 30 June 2020 have been allocated to member accounts. However, members should check their Annual Statements carefully. If they believe contributions haven't been paid, we recommend Members check first with their employer. If they cannot resolve the matter with their employer, then members may contact us.

The Financial Statements present the financial position of the Fund as at 30 June 2020 and the results of its operations for the year ended 30 June 2020 in accordance with the Australian Accounting Standards and Interpretations and other mandatory professional reporting requirements in Australia. These statements should be read in conjunction with the notes to the Financial Statements.



energysuper.com.au/why-join-us/about-our-fund/fund-governance

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2020		
	2020 \$'000	2019 \$'000
REVENUE FROM SUPER ACTIVITIES		
Interest	40,287	31,635
Dividends and trust distributions received	204,270	358,272
Changes in assets measured at fair value	(412,581)	36,448
Other income	16,822	9,649
TOTAL REVENUE FROM SUPER ACTIVITIES	(151,202)	436,004
Investment expenses	(30,414)	(28,398)
Administration expenses	(16,996)	(18,645)
Other operating expenses	(10,522)	(11,316)
TOTAL EXPENSES	(57,932)	(58,359)
Net results from super activities	(209,134)	377,645
OPERATING RESULTS	(209,134)	377,645
Net benefits allocated to defined contribution member accounts	108,659	(325,877)
Net change in defined benefit member liabilities	(62,024)	(38,769)
OPERATING RESULTS BEFORE INCOME TAX	(162,499)	12,999
Income tax expense/(benefit)	(46,701)	(5,658)
OPERATING RESULTS AFTER INCOME TAX	(115,798)	18,657

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020		
	2020 \$'000	2019 \$'000
INVESTMENTS		
Cash and cash equivalents	748,119	540,611
Units in unlisted unit trusts and mandates	6,422,650	6,998,027
Shares in unlisted entities	212,435	187,429
Derivative financial assets	12,633	-
TOTAL	7,395,837	7,726,067
RECEIVABLES		
Income tax receivable	8,064	22,702
Trade and other receivables	258,230	187,747
TOTAL	266,294	210,449
OTHER ASSETS		
Other assets	1,379	1,133
Plant and equipment	8,276	786
TOTAL	9,655	1,919
TOTAL ASSETS	7,671,786	7,938,435

LIABILITIES		
Trade and other payables	10,072	11,567
Lease liabilities	8,232	-
Provisions	204	204
Deferred tax liabilities	68,827	103,778
Derivative liabilities	-	16,871
TOTAL LIABILITIES EXCLUDING MEMBER BENEFITS	87,335	132,420
NET ASSETS AVAILABLE FOR MEMBER BENEFITS	7,584,451	7,806,015
MEMBER BENEFITS		
Defined contribution member liabilities	6,428,903	6,526,084
Defined benefit member liabilities	846,617	854,198
Unallocated to members	811	1,376
TOTAL MEMBER LIABILITIES	7,276,331	7,381,658
TOTAL NET ASSETS	308,120	424,357
EQUITY		
Operational risk reserve	20,605	19,614
Administration and other reserves	14,708	41,075
DB over/(under) funded	272,807	363,668
TOTAL EQUITY	308,120	424,357

STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2020			
	DC member	DB member	Total
	\$'000	\$'000	\$'000
OPENING BALANCE AS AT 1 JULY 2019	6,527,460	854,198	7,381,658
Contributions:			
Employer	275,837	12,369	288,206
Member	75,901	1,560	77,461
Co-contributions	198	-	198
Transfer from other super funds	129,639	-	129,639
Income tax on contributions	(39,012)	(1,834)	(40,846)
NET AFTER TAX CONTRIBUTIONS	442,563	12,095	454,658
Benefits to members/beneficiaries	(408,283)	(79,768)	(488,051)
Insurance premiums charged to members' accounts	(38,266)	(1,932)	(40,198)
Death and disability benefits credited to members' accounts	15,467	-	15,467
Financial Planning fees (other) charged to members' account	(950)	-	(950)
Pension Transfer Bonus	22	-	22
Reserves transferred to/(from) members:			
Administration and other reserves	360	-	360
Net benefits allocated to members' accounts, comprising:			
Net investment income	(108,999)	(20,995)	(129,994)
Net administration fees	(2,340)	-	(2,340)
Fee rebates	2,680	-	2,680
Net change in defined benefit member benefits	-	83,019	83,019
CLOSING BALANCE AS AT 30 JUNE 2020	6,429,714	846,617	7,276,331

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 30 JUNE 2020				
	DB OVER/(UNDER) FUNDED	OPERATIONAL RISK RESERVE	OTHER RESERVES	TOTAL EQUITY
	\$'000	\$'000	\$'000	\$'000
OPENING BALANCE 1 JULY 2019	363,668	19,614	41,075	424,357
Operating result	(83,019)	322	(33,101)	(115,798)
Transfers to/(from) reserves	(7,763)	669	7,094	-
Transfers (to)/from member accounts	-	-	(360)	(360)
Repatriate surplus to DB employer	(79)	-	-	(79)
CLOSING BALANCE 30 JUNE 2020	272,807	20,605	14,708	308,120
OPENING BALANCE 1 JULY 2018	335,900	18,602	50,432	404,934
Operating result	30,207	412	(11,962)	18,657
Transfers to/(from) reserves	(2,439)	600	1,839	-
Transfers (to)/from member accounts	-	-	766	766
CLOSING BALANCE 30 JUNE 2019	363,668	19,614	41,075	424,357

STATEMENT OF CHANGES IN MEMBER BENEFITS FOR THE YEAR ENDED 30 JUNE 2019			
	DC member benefits	DB member benefits	Total
	\$'000	\$'000	\$'000
OPENING BALANCE AS AT 1 JULY 2018	6,084,523	886,944	6,971,467
Contributions:			
Employer	267,395	11,791	279,186
Member	71,210	2,040	73,250
Co-contributions	112	-	112
Transfer from other super funds	156,335	-	156,335
Income tax on contributions	(35,428)	(1,782)	(37,210)
NET AFTER TAX CONTRIBUTIONS	459,624	12,049	471,673
Benefits to members/beneficiaries	(310,795)	(83,135)	(393,930)
Insurance premiums charged to members' accounts	(44,107)	(2,202)	(46,309)
Death and disability benefits credited to members' accounts	15,768	-	15,768
Financial Planning fees (other) charged to members' account	(891)	-	(891)
Reserves transferred to/(from) members:			
Administration and other reserves	(2,539)	1,773	(766)
Net benefits allocated to members' accounts, comprising:			
Net investment income	325,889	69,340	395,229
Net administration fees	(2,281)	-	(2,281)
Fee Rebates	2,269	-	2,269
Net change in defined benefit member benefits	-	(30,571)	(30,571)
CLOSING BALANCE AS AT 30 JUNE 2019	6,527,460	854,198	7,381,658

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

	2020 \$'000	2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest income received	39,420	30,815
Dividends and trust distributions received	222,170	282,338
Insurance proceeds	15,321	14,944
Insurance premiums paid to insurer	(39,878)	(40,765)
Administration expenses	(16,996)	(18,913)
Investment expenses	(31,487)	(27,851)
Other operating expenses	(8,422)	(17,814)
Other income	2,938	3,951
Income tax paid/refund	26,410	(22,130)
Interest portion of lease liabilities paid	(427)	-
NET CASH INFLOWS FROM OPERATING ACTIVITIES	209,049	204,575
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,873,730	1,768,476
Purchases of investments	(2,840,771)	(2,154,655)
Payments for plant and equipment	(31)	(311)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES	32,928	(386,490)
CASH FLOWS FROM FINANCING ACTIVITIES		
Employer contributions	288,206	279,186
Member contributions	77,461	73,249
Government co-contributions received	198	111
Transfers from other superannuation plans	129,638	156,335
Transfers to other superannuation plans	(201,247)	(163,338)
Benefits paid to members	(286,804)	(234,567)
Tax paid on contributions	(40,846)	(37,210)
Repatriate surplus to DB employer	(79)	-
Principal portion of lease liabilities paid	(996)	-
NET CASH INFLOWS FROM FINANCING ACTIVITIES	(34,469)	73,766
NET INCREASE IN CASH AND CASH EQUIVALENTS	207,508	(108,149)
Cash and cash equivalents at the beginning of the financial period	540,611	648,760
Cash and cash equivalents at the end of the financial period	748,119	540,611

OPERATIONAL RESERVE

We use an operational reserve to manage the Fund's expenses. Energy Super allocates to the operational reserve:

- Earnings on contributions received before they are credited to your accounts (or returned); and
- Amounts deducted from your account such as administration fees, contributions tax and insurance costs.

The Fund uses this operational reserve account to pay tax, insurance premiums, the administrator's fees and other Fund expenses.

The investment strategy in relation to the operational reserve is to maximise returns and allow sufficient liquidity to meet the Fund's operational liabilities. Funds are invested in low-risk assets such as cash at call and term deposits.

Over the past three years, the Fund's operational reserve has been:

AS AT 30 JUNE	2020	2019	2018
Reserve (\$ mil)	13.2	13.4	23.5

UNIT PRICING ERROR RESOLUTION

Where the Trustee determines that current members have been adversely impacted, we shall seek to return the member to their corrected position. Payments to a former member and beneficiaries of less than \$20 will not normally be made. This threshold is generally consistent with regulatory practice guidelines and industry standards.

OPERATIONAL RISK FINANCIAL RESERVE (ORFR)

From 1 July 2013, the Fund has maintained an operational risk reserve to comply with APRA prudential requirements to ensure adequate financial resources are held to address losses arising from operational risks within its business operations. Potential losses arising from operational risks include incorrect benefit payments due to human or system error, unit pricing error, and loss of data.

The investment strategy in relation to the ORFR is to maximise returns and allow sufficient liquidity to meet expenses of any incurred operational risk. Funds are invested in low-risk assets such as cash at call and term deposits.

Over the past three years, the Fund's ORFR has been:

AS AT 30 JUNE	2020	2019	2018
Reserve (\$ mil)	20.6	19.6	18.6

IN-HOUSE ASSETS

The Superannuation Industry (Supervision) Act 1993 details the 'in-house' asset rules that are designed to make sure investments set aside to provide for members' retirement incomes are not dependent on the success of the business activities of an employer, or other related party. These in-house assets cannot exceed 5% of total assets. During the 2019-20 financial year, Energy Super did not have more than 5% 'in-house' assets at any time.





Disclaimer: This Annual Report - Fees and Financial Statements Supplementary Report is available in print and electronically. To receive a printed copy of this Supplementary Report, and a full copy of the Fund's Annual Report, call 1300 436 374. You can access an electronic copy of this Annual Report from our website at energysuper.com.au. Electricity Supply Industry Superannuation (Qld) Ltd (ABN 30 069 634 439) (AFSL 336567) is the Trustee and issuer of Energy Super (ABN 33 761 363 685). A Product Disclosure Statement (PDS) is available from energysuper.com.au/pds or by calling 1300 436 374. Any advice contained in this Annual Report is general in nature and not specific to your particular circumstances. You should consider your financial situation before acting on the advice. Financial advice is provided by ESI Financial Services Pty Ltd (ABN 93 101 428 782) (AFSL 224952), a wholly owned entity of Energy Super.