ELECTRICITY
INDUSTRY
SUPERANNUATION
SCHEME

2017 ANNUAL REPORT 2018

adding power to your financial future

Contents

click page numbers to
view sections of report

EISS in 2017/18

over 28,100 website visits

inexpensive pension option

competitive investment returns

9.6%

(balanced growth option)

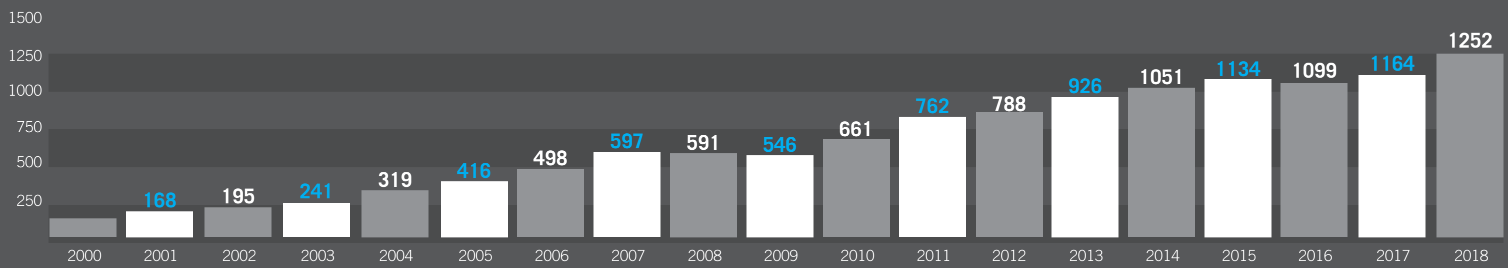
over 800 one-on-one member appointments

low administration fees

almost two worksite visits every week

2,420 calls to the Helpline

Scheme asset growth since 2000 ($m)



Welcome to the EISS 2018 Annual Report

The Electricity Industry Superannuation Scheme (EISS) is the super fund for people who supply electricity to South Australia.

Members of EISS continue to receive generous benefits such as:

- Defined Benefit members have benefits linked to their salary, and are protected against poor investment returns.
- Accumulation members have their administration fees paid by their employer, and have a choice of insurance benefits and investment options.
- All members have access to personalised service from the EISS staff, limited financial advice from the Helpline, referrals to professional financial planning advice, worksite visits, income streams in retirement and the option to voluntarily increase their super.

The EISS is overseen by a Board, who are required by law to work in the interests of members (within the rules of the EISS). The EISS office manages the Scheme on behalf of the Board, and its staff are always available to answer questions that you might have on your super. There is more information on the Board and the office staff later in the report.

There are many organisations who work with the EISS to help run the Scheme. These include your employer, the Scheme administrator, investment managers, auditors, lawyers, accountants, doctors, insurers and financial planners.

ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

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Adelaide SA 5000

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Melbourne VIC 3001

Please note that the EISS office is unattended at times. If you wish to discuss your super with us, please ring first as we may be able to answer your query over the phone. If not, we can make an appointment to meet with you at a convenient time. We can also organise workplace or home visits if needed.

MERCER
MAKE TOMORROW, TODAY

Board Members as at 30 June 2018

CHAIRMAN

PETER SIEBELS
Investment Committee
Corporate Governance Committee
Nominations Committee

BOARD CHANGES

In February 2017 the Nominations Committee proposed that the Board introduce staggered terms of appointment for Board members. This recommendation was approved by the Board later that month. Once the staggered terms are fully in place, this means that one third of the Board members will be appointed (or re-appointed) each year for a term of 3 years.

Anne Purdy resigned in September, and Darryl Anthony was appointed by SA Unions to fill the Board position. An election was held in October for the member-appointed Board positions, and both Janette Bettcher and Mark Vincent were re-elected for a further term. Patrick Makinson's term expired in November and he was re-appointed by SA Power Networks for a further term. Suzanne Renner's term on the Board expired in January and Kylie Johnson was appointed by Electranet to fill the position.

APPOINTED BY THE EMPLOYERS

PATRICK MAKINSON
Investment Committee (Chair)

DAMIEN RICE
Corporate Governance Committee

PAUL WIGHT
Corporate Governance Committee

KYLIE JOHNSON
Nominations Committee

ELECTED BY MEMBERS

MARK VINCENT
Corporate Governance Committee (Chair)

JANETTE BETTCHER
Investment Committee

APPOINTED BY UNIONS SA

JOHN ADLEY
Nominations Committee (Chair)

DARRYL ANTHONY
Investment Committee

INVESTMENT COMMITTEE

The Investment Committee oversees the Scheme's investments, including the asset allocation and individual investment managers. The Committee provides advice to the Board on any changes that it considers necessary.

CORPORATE GOVERNANCE COMMITTEE

This committee makes sure we have all the right controls and procedures in place, as well as reviewing the Scheme's compliance with all regulations.

NOMINATIONS COMMITTEE

The Nominations Committee is responsible for ensuring the Board has an effective skill set and composition to adequately discharge its responsibilities and duties.

Board member terms and conditions

Board members are appointed or elected for a term of three years, or in the case of casual vacancies, for the balance of the term of their predecessor.

Under the terms of the EISS trust deed and rules, no Board member is remunerated, other than the Independent Chairman (Chairman). All expenses associated with their work for the Scheme are reimbursed, including travel and accommodation.

Chairman's remuneration

The Chairman's remuneration is set by the Board in accordance with the Scheme's Trust Deed following appropriate advice and consultation. The Chairman receives no incentives or bonuses, but is entitled to claim for expenses incurred in the course of his work for the Scheme.

Performance Reviews

The Board undertakes a performance review every year. The process involves each Board member completing two questionnaires of open questions. The questionnaires consider the Board's performance as a whole, and the individual Board member's view of their own performance.

The CEO and Deputy CEO also fill out the same questionnaire on their view of the Chairman's performance.

The answers are reviewed by the Chairman, who then discusses the results with each Board member. In the case of the Chairman, his review is carried out by the Nominations Committee.

All EISS staff are subject to regular performance reviews.

Training

All Board members and staff undertake training to improve their knowledge and skills in areas that will be of benefit to the Scheme. The cost of this training is met by the Scheme.

Some examples of the training that has been taken are:

- Attending the national conference of the Association of Superannuation Funds of Australia (ASFA)
- ASFA workshops and events
- A one day course on the duties and responsibilities of super fund trustees
- The Company Directors' Course run by the Australian Institute of Company Directors
- One day conferences on investments, superannuation issues and Public Sector superannuation funds

Board Meeting Attendance

BOARD MEMBER	APPOINTED BY	CURRENT TERM OF APPOINTMENT	MEETINGS ATTENDED	
			BOARD	SUBCOMMITTEE
ADLEY, John	SA Unions	1 December 2014 - 31 March 2020	6 out of 6	4 out of 4
Alternate: JEWELL, Ben	SA Unions	21 December 2016 - 31 March 2020	-	-
ANTHONY, Darryl	SA Unions	30 November 2017 - 31 March 2019	4 out of 4	-
BETTCHER, Janette	Member	1 December 2005 - 31 March 2020	5 out of 6	5 out of 5
JOHNSON, Kylie	Employer	22 February 2018 - 31 March 2019	2 out of 3	-
MAKINSON, Patrick	Employer	1 December 2002 - 31 March 2020	5 out of 6	4 out of 5
PURDY, Anne	SA Unions	29 October 2016 - 1 September 2017	2 out of 2	2 out of 3
RENNER, Sue	Employer	1 December 2015 - 31 January 2018	3 out of 3	3 out of 4
RICE, Damien	Employer	22 April 2017 - 30 November 2018	5 out of 6	3 out of 5
SIEBELS, Peter	Board	21 March 2015 - 31 March 2021	6 out of 6	15 out of 15
VINCENT, Mark	Member	1 December 2011 - 31 March 2020	6 out of 6	6 out of 6
WIGHT Paul	Employer	1 July 2010 - 30 June 2019	5 out of 6	5 out of 6

Report from the Chairman and CEO

PETER SIEBELS & NIC SZUSTER

The Board and staff of the Electricity Industry Superannuation Scheme (EISS) have put in another year of hard work to keep our members superannuation safe and secure whilst enjoying healthy returns This has been achieved through the dedicated work of our staff, and through the support of key suppliers. We'd like to thank everybody involved for their efforts. Without this our members would not receive the excellent support that they experience.

Investment markets

Despite the geo-political uncertainty across the globe and the generally held view that investment markets remain fully priced, the Scheme has continued to deliver investment returns well above the benchmark expectations.

The EISS Balanced Growth option, which most members are in, has continued to exceed its target of inflation plus 3% over 5 years. The investment return for the year to 30 June 2018 was 9.6%, reflecting the strong performance of equity markets over the past 12 months. Our investment performance outperformed the median SuperRatings superannuation fund return of 8.8% for the year.

In this annual report, the Board's investment adviser (JANA), has provided their view of the year's financial markets. The key message continues that in these uncertain times it is imperative that we maintain a well-diversified portfolio, something your Board is very cognisant of.

Managing the funding

The Scheme underwent an actuarial review as at 30 June 2017, which is required every three years. This is especially relevant for the pre-privatisation benefits, as the amount of the benefit is determined by a formula, rather than accumulated contributions plus investment returns . Through this process an external expert (our actuary) is engaged to review whether the Scheme has sufficient assets to pay benefits now and into the future.

The current review indicated that the Scheme is very well-funded, with assets well in excess of the amount necessary to pay the benefits that members are entitled to now. This is a reflection of the good investment returns that the Scheme has earned over recent years.

As a result of this position, most of the Scheme employers were able to reduce their level of contributions, at least in the short term. This does not affect members' benefits, as ongoing increases in benefit entitlements of members, will be funded from existing excess assets.

Member Services

Our Strategic Plan is almost entirely focussed on our service to members. The EISS staff have the experience and expertise to provide our members with the information required to maximise their superannuation outcomes. This focus of the Scheme has seen nearly 1,500 members contact us during the year including 800 face-to-face member meetings. These member meetings have been primarily workplace visits and we are very appreciative of the support from our employers in allowing members to receive this service during worktime and held in their workplace. We encourage all members to make an appointment with Melanie Muston or one of our other EISS staff to discuss their individual situation.

Changes to fees and products based on member feedback

We welcome feedback from our members with ideas as to how we might continuously improve our products and services. In response to member feedback and a review of the fees charged to members, we have removed all activity based fees. The only administration fee charged to members is the allocated pension fee of 0.4% of assets with a maximum fee of $800 per annum.

On changing employer, members can now stay with EISS and continue to receive the same service, fees and insurance.

There is investment choice flexibility as members can choose any combination of our investment choice options. This allows members to tailor their asset allocation to their needs.

Other Board matters

The year has seen some change at the Board level, with the departures of Sue Renner and Anne Purdy. Their replacement appointees, Kylie Johnson and Darryl Anthony, have transitioned well to their new roles.On behalf of the Board, staff and members we would like to thank Sue and Anne for their contributions whilst in office.

SA Power Networks re appointed Patrick Makinson for a further term.

Elections were held for the 2 member-elected Board members. We were pleased to receive 6 nominations and that over 500 members voted in the election. We congratulate Janette Bettcher and Mark Vincent on their re appointment as Board members.

EISS Trustee Office

NIC SZUSTER
Chief Executive Officer

MARK ELLIOTT
Deputy Chief Executive Officer

LYNDALL CARPENTER
Operations Manager

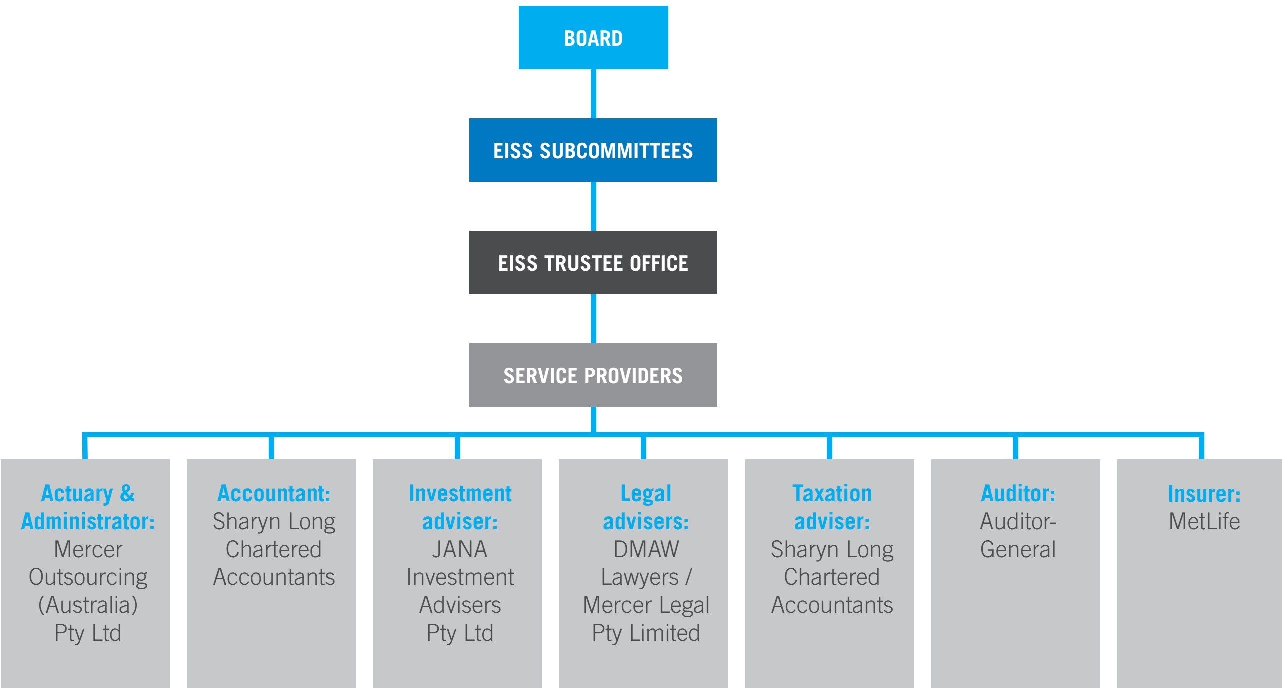
KAREN DAVEY
Project Officer

MELANIE MUSTON
Member Services Officer

Scheme staff answer queries, run site visits, manage insurance claims, provide advice to the Board, and oversee all of the work involved in day-to-day running of the scheme.

Service Providers

The Scheme outsources various operational roles to experienced external service providers. The Board monitors all service providers carefully, and regularly reviews their performance. The following companies provide help and advice to the Board.



Managing your super

Update your beneficiaries

A beneficiary is a person that you want to receive your superannuation benefits upon your death. If you are a member of Division 3 (Pension Scheme), the Scheme Rules specify how your pension will be paid upon death, however you are able to nominate a beneficiary for any additional lump sum benefits. For other Divisions, members may nominate who they wish to receive their entire benefit by completing a 'Death Benefit Nomination Form' and sending it to EISS. If you die and have not given the Board a completed Death Benefit Nomination Form (or if your nomination expires or is invalid) the Board will decide which one (or more) of your spouse, children, relatives, other dependants or your estate your benefit will be paid to.

The details of your current nomination are shown on your website record, and also on your annual statement. We will send you a renewal form every three years, but please review your nomination regularly. Should your personal circumstances change, please update your beneficiary details as soon as possible.

Combine your super, pay lower fees

Consolidating your super means that you pay lower administration fees and have more control over your savings. If you have super elsewhere and would like to roll it over into EISS, you can start a rollover request online or give our Helpline a call on 1300 307 844 and they can send you a form to fill in. We then contact your previous fund and organise the transfer.

If you think you may have lost or unclaimed super, you can check online via a MyGov account at www.mygov.au.

Setting up a retirement income stream

If you are over the government's preservation age (which depends on your date of birth), you may be able to use part of your EISS benefits to set up a regular income stream (either while you are still working, or after you retire). There is a minimum investment amount, and you must withdraw a certain amount in payments each year. The investment options are similar to those for current EISS members, with very competitive administration and investment fees. As always, when dealing with financial matters, we recommend that you obtain advice from a licensed financial advisor. For further information on the EISS income stream product, please call our Helpline on 1300 307 844 or visit the website www.eiss.superfacts.com.au.

Limits on pre-tax (concessional) contributions

From 1 July 2017, the cap for pre-tax (concessional) contributions is $25,000 for all members. Concessional contributions include your own salary sacrifice contributions as well as any contributions from your employer. If you would like more details on how these limits might affect you, please call our Helpline on 1300 307 844.

Financial advice

Advice on simple matters (like contributions, investments or insurance) is available over the phone from the Helpline on 1300 307 844 at no cost to you. However, for complicated matters, we recommend you meet with a financial planner to discuss your overall financial circumstances, including planning for retirement, super, tax advice, Centrelink benefits and other investments.

We can refer you to Mercer Financial Advice who have experience with helping Scheme members and understand the Scheme's benefits.

If you already have a financial adviser, we are happy to work with you and them to make sure you get the most out of your super. You can make an appointment with any of these firms to discuss your issues, and the first appointment is normally free of charge. For more information, please call 1300 307 844.

Stay in EISS after you leave your employer

If you leave your employer, you can choose to leave your super in the retained section of the Accumulation Scheme (Division 5). Retained Division 5 of EISS still provides you with the benefits of:

- access to affordable account based pensions
- the same range of investment options
- no administration fees on your account before retirement
- making after tax contributions
- contributions from your new employer can be paid into your retained account
- unitised insurance cover for death, TPD and disability income
- transferring amounts in from other superannuation funds
- continuing your relationship with EISS, a trusted partner of the electricity supply industry in South Australia who is committed to the retirement futures of all of its members

For more information, visit the website at www.eiss.superfacts.com or contact the Helpline on 1300 307 844.

Are your contact details up to date?

So that you receive all of your super information, please check that the Scheme has your correct contact details (including your email address and mobile phone number). We can then get information to you quickly, and be as environmentally friendly as possible. Update your details online via the Scheme website or call 1300 307 844.

Your Scheme

Membership Statistics

DIVISION	2	3	4	5	RETAINED	TOTAL
Members at 30 June 2017	467	81	59	1625	705	2937
Entrants during the year				216	116	332
Exits during the year	19	12	10	108	108	257
Members at 30 June 2018	448	69	49	1733	713	3012

The EISS also paid pensions to 408 members, who have retired and are receiving a regular income from the Scheme.

Contributions

The EISS receives contributions from members (from both after tax salary and by salary sacrifice) and from employers. The total contributions received during the 2017/18 year were:

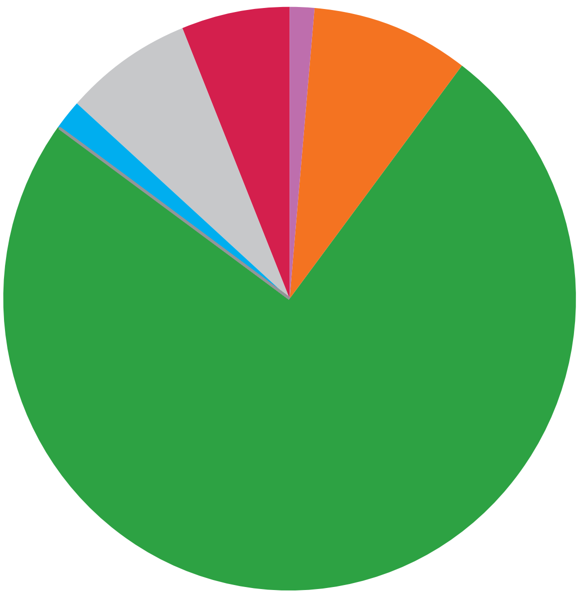
Employer	$23.7m
Salary Sacrifice Member	$9.3m
Post tax member	$4.0m
TOTAL	$37.0m

The employers are paying all the contributions that the Board asks for. The Board has to aim to have enough money in the EISS to pay all benefits. This money is invested separately to the employers, and is held by the Board to pay for your retirement.

There was also $13m rolled into the Scheme from other super funds. You can save money by combining your super, especially as you pay very little in administration fees in EISS.

Participating Employers

The participating employers and the numbers of employee members (including retained members*) in the Scheme as at 30 June 2018 are as follows:



- **AGL Energy Ltd** - 44 members
- **ElectraNet Pty Ltd** - 269 members
- **Utilities Management Pty Ltd (SA Power Networks)** - 2250 members
- **Engie Group** - 5 members
- **SA Government** - 47 members
- **Alinta Servco Pty Ltd / Flinders Power** - 215 members
- **EnergyAustralia Services Pty Ltd** - 2 members
- **AGL Torrens Island Pty Ltd** - 180 members

*Retained members have left the service of a Participating Employer, but kept their super in the Scheme.

Benefits

The Scheme also paid out a lot of benefits during the year, both as lump sums and pensions.

The amounts were:

Lump sum benefits	$24.4m
Disability pensions	$0.2m
Retirement pensions	$20.9m
TOTAL	$45.5m

By way of comparison, during the 2016/17 year, benefits totalling $85.2 m were paid.

Member Queries

Phone queries from members are handled by the Helpline (run by our administrator), and the Scheme office.

The Helpline can assist you on all matters, as well as provide financial advice on simple matters over the phone. They have access to the EISS administration data and can resolve most questions very quickly. The Helpline takes about 80% of all queries, and answers 90% of them on the spot.

They will get help from the EISS office or the administrators (who know the EISS very well) if need be. However, if you want to talk to Nic, Mark, Lyndall, Melanie or Karen please ask.

You are also welcome to send us an email at **inquiries@electricsuper.com.au.** We will try to answer it within two days, though we may need more time if it is a complicated question.

Over the year, the Helpline received over 2,400 queries.

This means that, on average, almost every EISS member (or their financial adviser) rang, or emailed, or wrote in about their super. This doesn't include:

- contribution updates
- benefit payments
- outgoing calls made and letters and emails written
- calls and emails direct to the Scheme Office

Investments

Summary

The Board aims to get the best return that it can, within its agreed risk appetite.

The Board sets investment objectives and a strategy with a long-term view in mind. This strategy involves using ‘growth’ assets like shares and property as well as ‘defensive’ assets such as fixed interest and cash. The value of investments can move up and down with investment markets. We try to reduce the movements as much as we can, but we can and do get negative returns sometimes.

The Board selects professional fund managers to invest the assets of the Scheme. Each manager is a specialist in the relevant investment sectors, for example Australian shares, and is selected after taking into account advice received from the Scheme’s investment adviser.

For 2017/18, after fees and tax the default balanced growth option earned 9.6%, which was a strong result.

Investment Philosophy

Background

It is ultimately the Board’s responsibility to make all decisions relating to the investments of the scheme. The Scheme has a mix of defined benefit and accumulation liabilities.

For accumulation liabilities, the investment risk is carried by the member. This means that if investment returns are poor, the member’s balance is directly affected. The Scheme provides a mix of investment options to allow members to choose the risk profile that best suits their circumstances.

However, for defined benefit liabilities, the investment risk is carried by the employers. If returns are poor, then the employers have to contribute more to pay for the benefits. The Board has sought the employers’ views on the investment risk profile for the assets backing the defined benefit liabilities and will seek reaffirmation of employer views every five years.

The pre-privatisation divisions of the Scheme provide a mixture of defined and accumulation benefits, hence the investment risk is shared between the employer and the member.

Currently the majority of the liabilities are defined benefit. The sections of the Scheme providing defined benefits are closed to new members, and hence the time frame over which these benefits will be paid is shortening.

Board philosophy - Default and Defined Benefit Investment Pool

In light of its role as custodian for assets supporting benefits for members, the Board considers it appropriate to take an approach to investing the scheme’s assets aimed at lowering investment volatility while maintaining an exposure to growth assets.

The Board will diversify investments, both across asset classes and managers, within any constraints imposed by the asset size of the Scheme.

Manager Configuration

The Board has no deliberate bias towards any style of investment management, but will select managers on their perceived ability to add investment value. Manager configuration is determined within, rather than across asset classes, having regard to:

- any decision reached on active vs passive management
- the merits of using a particular manager
- the need for adequate manager diversification
- the managers’ particular skills in the asset class in question
- the ability to monitor managers effectively and efficiently

Use of derivatives

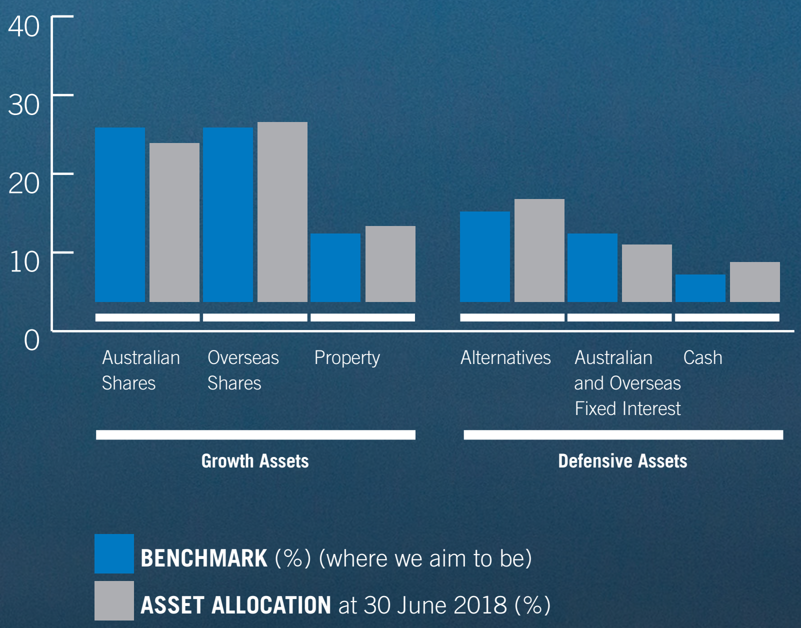
The Board uses foreign exchange instruments to manage the risk of fluctuations in the Australian dollar for the scheme’s overseas investments. In addition, investment managers employed by the scheme are permitted to use futures, options and other derivative instruments in accordance with their particular Risk Management Statements. The Board expects that over the longer term the use of these instruments will enhance the returns and/or reduce the risk of the Scheme.

Use of gearing

The Board may invest in funds that use gearing and leverage where appropriate.

Asset Allocation - Balanced Growth

The asset allocations for the Balanced Growth option (which is also where the assets supporting the defined benefits are invested) at 30 June 2018 were:



In December 2017 the Scheme adjusted the Tactical Asset Allocation by reducing the exposure to Australian equities by 1.5%, increasing Global equities by 0.5% and increasing Alternatives by 1%.

The view of the Scheme's Investment Committee and Consultant (JANA) was that Global equities provided better diversification benefits than Australian equities in the current environment. Likewise increasing the exposure to Alternative assets provides additional diversification with a low correlation to equities.

During the year the Scheme invested in one new manager in the Diversified Fixed Income asset class, Insight. The Insight Global Absolute Return Bond fund aims to deliver attractive risk adjusted returns through global exposure across global government bonds, corporate bonds and currency markets through a broad range of fixed income securities.

The Investment Committee also developed an Investment Beliefs document during the year. The Investment Beliefs document, which is available on the Scheme website, describes the key factors and considerations which drive decision making on investment matters. Factors include diversification of investments, active management, asset allocation and risk.

Investment Managers

EISS uses Australian and international investment managers. Each investment manager is responsible for a specified amount of the Scheme's assets. They are managed in accordance with a mandate as agreed between the manager and the Trustee in consultation with the Scheme's asset consultant.

The EISS has no direct investments with related parties.

The Board monitors the performance of each investment manager closely throughout the year and compares it with industry benchmarks.

Selection of fund managers is a responsibility of the Board, with assistance from the Investment Committee and the Scheme's asset consultant. The Investment Committee meets with each fund manager at least once every 2 years to review the investment and to keep updated on market conditions.

The adjacent table provides a breakdown of EISS total investments by investment manager. The amount shown is the percentage of total Scheme assets invested with each manager at 30 June.

	2018	2017
AUSTRALIAN SHARES		
Cooper Investors	8.6%	9.2%
Solaris	5.1%	4.8%
Yarra Aust Equities (ex Goldman Sachs)	4.3%	4.2%
Perpetual	3.4%	3.5%
Tribeca Investment Partners	2.6%	2.2%
OVERSEAS SHARES		
JANA	23.5%	24.1%
Cooper Investors	1.5%	1.4%
Macquarie	1.2%	1.3%
State Street	-0.1%	0.4%
DIRECT PROPERTY		
Dexus	6.9%	7.1%
AMP	3.4%	3.6%
Lend Lease	2.8%	3.0%
ALTERNATIVES		
Bentham	5.0%	5.3%
Blackrock	2.6%	2.7%
Capital Fund Management	2.0%	1.3%
Hastings	2.0%	2.2%
Partners Group	1.8%	2.1%
LGT	1.2%	1.2%
Harbourvest	1.0%	0.6%
Macquarie	1.0%	1.0%
AUSTRALIAN & OVERSEAS BONDS		
IFM	3.4%	3.7%
JANA	2.7%	3.0%
PIMCO	2.5%	2.7%
Insight	2.3%	-
CASH		
Henderson (ex Perennial)	5.4%	4.9%
Term Deposits	3.2%	3.6%
Macquarie	0.7%	0.9%

Recent Investment Returns - Balanced Growth vs Inflation

The returns from the Scheme over the longer term of 5 and 10 years are looking very good compared to inflation.

YEAR	13/14	14/15	15/16	16/17	17/18	OVER LAST 5 YRS	OVER LAST 10 YRS
EISS Balanced Growth option (after tax)	13.3%	10.6%	2.6%	10.6%	9.6%	9.4%	6.6%
Inflation	3.1%	1.2%	0.7%	1.6%	2.7%	1.9%	2.1%

The investment earnings that are allocated to your account will depend on the division of the Scheme that you are in, which account you are looking at and in some cases, when you joined the Scheme. This is because each division has different rules about what is deducted from the declared rates in terms of administration fees and tax. The declared rates that apply to you are shown on your statement.

Investment Objectives - Balanced Growth

The investment strategy has two objectives against which the Balanced Growth Portfolio's investment performance is measured. The objectives and the results for 2017/18 are as follows:

	OBJECTIVE	BALANCED GROWTH PORTFOLIO RETURN	OBJECTIVE RETURN	
1	Exceed the Consumer Price Index by 3% pa over rolling 10-year periods.	6.6% pa	5.1% pa	Met
2	Exceed median return in the Super ratings survey over rolling 10-year periods.	6.6% pa	6.4% pa	Met

The following table shows when the investment objectives have been met.

YEAR	OBJECTIVE 1	OBJECTIVE 2
10/11	✗	✓
11/12	✗	✗
12/13	✗	✓
13/14	✓	✓
14/15	✓	✓
15/16	✓	✓
16/17	✓	✓
17/18	✓	✓

The EISS met both of its objectives in the period to 30 June 2018.

Year in Review

Synchronised global growth

From a global perspective, economic growth continued to strengthen, and was synchronised across most developed and emerging markets. However, there was a temporary loss of momentum in equity markets in early 2018 as investors increased their expectations of US interest rate rises. This change in sentiment also negatively impacted emerging markets. Unemployment fell in major economies, some close to record levels, with 3.8% in the US in May 2018, 2.2% in Japan, and 3.4% in Germany. Despite these low unemployment rates, inflation remained subdued, generally reflecting weak wage growth. This apparent weakening link between wage growth and tight labour markets is potentially explained by structural factors including globalisation and automation, as well as the less visible underemployment and a more elastic labour supply.

Global monetary policy continued to be very accommodative, underpinning growth, although some have taken slow steps towards normalisation. This process has been led by the US Federal Reserve's three 25bps rate hike over the financial year and a reduction in its holdings of US Treasuries. Furthermore, the ECB announced that it would cease its quantitative easing programme at the end of the 2018 as scheduled. However, concerns remain surrounding financial imbalances, expanding credit and large increases in property prices due to this prolonged easy monetary policy. Additionally, the gradual normalisation process means the capacity for effective fiscal and monetary policy to address a future downturn is more limited than pre-GFC. More recently trade concerns have flared with increasing protectionist pressures across countries, primarily being driven by the US.

In Australia, GDP steadily increased, buoyed by increased bulk commodity prices. The RBA left the cash rate on hold at 1.50% over the financial year, balancing concerns of international trade policy uncertainty, low inflation and wage growth, and a recent softening in housing markets in Sydney and Melbourne. The first round of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry' began in March 2018, with second and third rounds taking place in April and May respectively.

Global equities

Global equities, as represented by the MSCI World ex-Australia Index, rose 12.1% on a hedged basis (in AUD). Unhedged returns were greater (16.0%) due to a depreciation in the Australian dollar over the year. Emerging markets underperformed developed markets, with the MSCI Emerging Markets Index rising 12.7% (unhedged) for the year.

Australian equities

The S&P/ASX300 Index rose 13.2% over the financial year, with most of the gains coming in the second quarter of 2018. Earlier in 2018 volatility increased which resulted in the S&P/ASX300 falling by 3.8% in the March quarter, with Australian equities not immune to a global equity sell-off sparked by trade tensions and a resetting of US interest rate expectations. Furthermore, the Royal Commission weighed on financials, particularly big banks, with the S&P/ASX300 Financials rising only 1.7% over the financial year.

There were pronounced differences in industry sector performance over the year. The Energy sector rose 41.9% on the back of a sharp rises in crude oil prices. In contrast, Telecommunications (-13.3%) was the worst performing sector, primarily due to Telstra's 39% yearly decline, with recent falls coming after announcing it would struggle to meet profit estimates and being silent on its future dividend policy.

Property

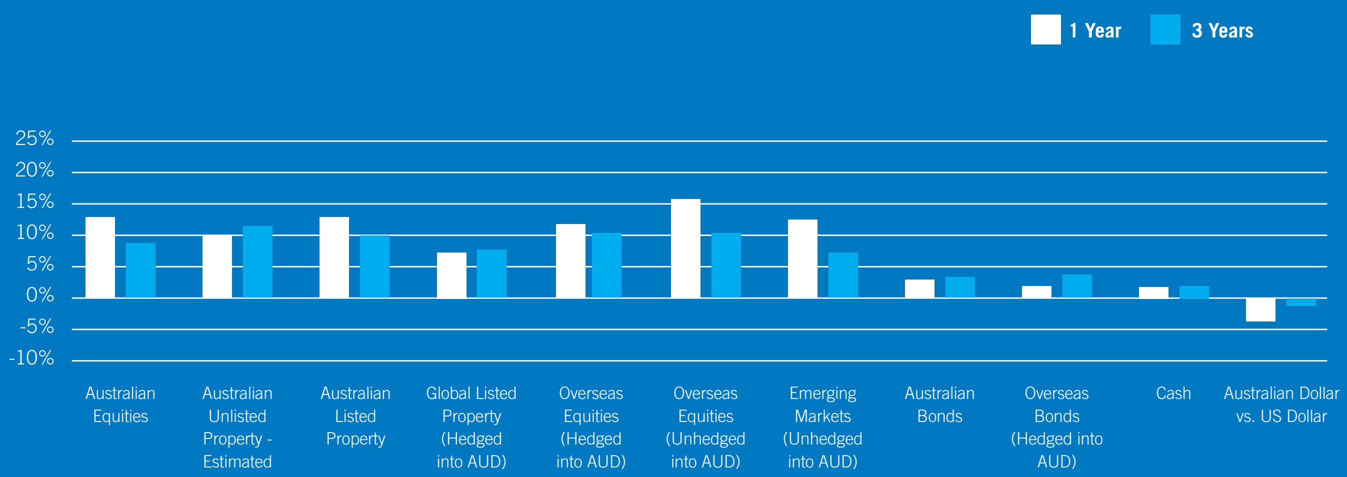
In the Property sector, Australian Real Estate Investment Trusts (AREITs) rose 13.2% over the year. Australian unlisted property underperformed their listed counterparts to generate 10.3% return over the financial year.

Fixed Interest

Bond markets again saw relatively muted returns as yields generally rose across most countries over the financial year. Australian bonds (3.1%) outperformed Global (1.9%, hedged), due to comparatively greater yield increases in the US, particularly short-term US yields, driven by monetary policy tightening. Notably in Feb 2018, the US and Australian 10-year bond spread turned negative, the first time since June 2000.

Market performance - 30 June 2018

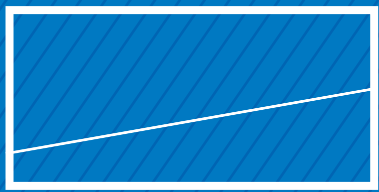
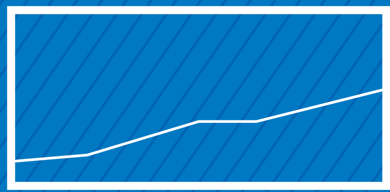
	1 YEAR	3 YEARS
Australian Equities	13.2%	9.1%
Australian Unlisted Property - Estimated	10.3%	11.7%
Australian Listed Property	13.2%	10.0%
Global Listed Property (Hedged into AUD)	7.5%	7.9%
Overseas Equities (Hedged into AUD)	12.1%	10.5%
Overseas Equities (Unhedged into AUD)	16.0%	10.6%
Emerging Markets (Unhedged into AUD)	12.7%	7.4%
Australian Bonds	3.1%	3.4%
Overseas Bonds (Hedged into AUD)	1.9%	3.8%
Cash	1.8%	1.9%
Australian Dollar vs. US Dollar	-3.7%	-1.3%



Source: JANA, FactSet, S&P, MSCI, Mercer, UBS, Barclays.

Investment Options

The Scheme has four investment options that are available to members. Accumulation Scheme members can invest all of their balance in any one of these options (or a combination of the 4 options). Members in the defined benefit divisions can invest their additional voluntary contributions and roll-overs in any one of these options (or a combination of these options).

	Cash	Conservative Growth
VOLATILITY / RETURN	Very low volatility, lowest rate of growth in long term	Low volatility, expected stable but low returns
RETURN PROFILE		
VOLATILITY SCALE	$\boxed{1}$ 2 3 4 5 6 7	1 2 $\boxed{3}$ 4 5 6 7
MOST SUITED TO	Members seeking to minimise their investment risk over the short term	Members who prefer stable but moderate returns over the short to medium term
INVESTMENT TIME FRAME	No minimum	10 years
LIKELIHOOD OF NEGATIVE RETURN	Not likely to have a negative return	1 year in 20, returns not expected to show large swings
OBJECTIVE	Exceed the RBA Cash rate over rolling annual periods	Exceed the consumer price index by 1.5% pa over 10 years
MANAGEMENT FEES (AS AT 30 JUNE 2018)	0.04% (deducted from the returns credited to your account)	0.49% (deducted from the returns credited to your account)
STRATEGY	Fully invested in short term fixed interest investments, and has a very conservative investment risk profile	Around 30% invested in growth investments, and hence has a moderately conservative investment risk profile

ASSET ALLOCATION (AS AT 30 JUNE 2018)

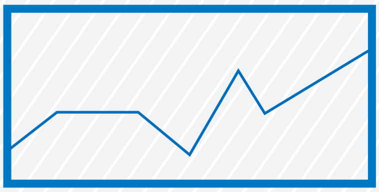
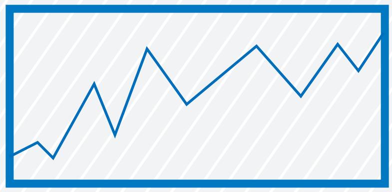
Cash

	Actual Allocation	Strategic Allocation
Cash	100%	100%

Conservative Growth

	Actual Allocation	Strategic Allocation
Australian Shares	10%	10%
Overseas Shares	10%	10%
Property	10%	10%
Alternatives	10%	15%
Fixed Interest	30%	25%
Cash	30%	30%

Investment Options, continued

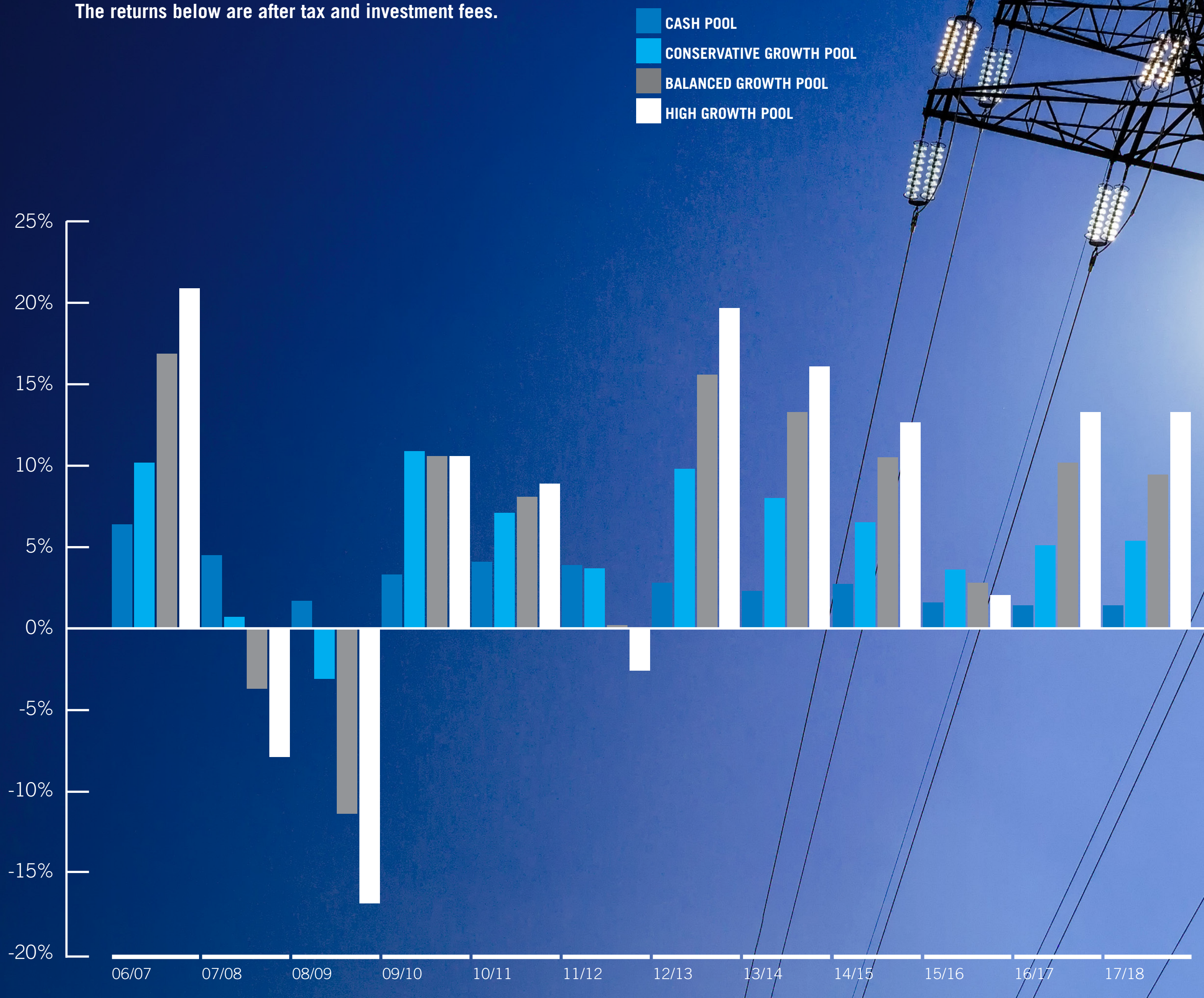
	Balanced Growth (default option)	**High Growth**
VOLATILITY / RETURN	High volatility, medium growth	Highest volatility, expected higher long term returns
RETURN PROFILE		
VOLATILITY SCALE	1 2 3 4 $\boxed{5}$ 6 7	1 2 3 4 5 $\boxed{6}$ 7
MOST SUITED TO	Members who want reasonable medium term returns and can put up with large variations in the short term	Members who want higher returns in the long term and can put up with large variations in the short term.
INVESTMENT TIME FRAME	10 years minimum	10 years (or more)
LIKELIHOOD OF NEGATIVE RETURN	3-4 years in 20, returns may show large swings in the short term	4-5 years in 20, returns may show large swings in the short term
OBJECTIVE	Exceed the consumer price index by 3% pa over 5 years, and to exceed the median rating in the Super Ratings Survey of Balanced Options over 10 years	Exceed the consumer price index by 4% pa over 10 years
MANAGEMENT FEES (AS AT 30 JUNE 2018)	0.67% (deducted from the returns credited to your account)	0.68% (deducted from the returns credited to your account)
STRATEGY	Around 70% invested in growth assets and hence has a moderately aggressive investment risk profile	Fully invested in growth investments, and has a very aggressive investment risk profile

ASSET ALLOCATION (AS AT 30 JUNE 2018)

Balanced Growth	Actual Allocation	Strategic Allocation	High Growth	Actual Allocation	Strategic Allocation
Australian Shares	24.5%	25.5%	Australian Shares	37.5%	37.5%
Overseas Shares	25.1%	25.5%	Overseas Shares	37.5%	37.5%
Property	15.1%	13%	Property	15%	15%
Alternatives	10.9%	16%	Alternatives	10%	10%
Fixed Interest	18.4%	13%	Fixed Interest	-	-
Cash	6%	7%	Cash	-	-

Investment Option Performance

The returns below are after tax and investment fees.



Scheme Governance

Background

The EISS is a superannuation scheme covering members employed in the electricity supply industry in South Australia. The EISS was created in 2000 following the privatisation of ETSA.

The EISS is established under the Electricity Corporations Act 1994, and is overseen by a Board made up of employer and union appointees, and member elected representatives. The Board is served by a Trustee office.

Both defined and accumulation benefits are provided. The defined benefit sections are closed, with the accumulation section open to new members.

Main Drivers

What are the main factors that affect the work of the Board?

Legal: The Board is required to comply with the Act and the Rules of the EISS. This requires that the Board seeks employer consent for any rule change that increases employer liabilities, and seeks member consent before winding up the EISS.

Fiduciary: The Board has a fiduciary duty to members. This requires that any exercise of Board discretion be in the best interests of members. The Board is also required to act prudently when managing the Scheme.

Demographics: The majority of liabilities are defined benefit, and the average age of defined benefit members is over 50. Therefore a significant proportion of the EISS's liabilities is in respect of members who are approaching retirement over the next 5-10 years.

Expectations of members: The EISS operates within the Australian superannuation industry, and complies with industry norms as much as practicable. Pre-privatisation members were given a government promise that their superannuation would not be adversely affected by privatisation.

Compliance with Legislation

Since 1994 private sector superannuation schemes have been governed by the Superannuation Industry Supervision (SIS) legislation and are regulated by the Australian Prudential Regulation Authority (APRA). They also have come under the Superannuation (Resolution of Complaints) Act which gives their members' access to the Superannuation Complaints Tribunal.

The South Australian and Commonwealth Governments have a Heads of Government Agreement which enables certain public sector schemes to be exempt from the Commonwealth's Superannuation Industry (Supervision) Act 1993.

As a result of the Agreement, schemes established under the Electricity Corporations Act 1994 are, in terms of the Commonwealth legislation, exempt public sector schemes. Accordingly, the EISS is not regulated by APRA nor is it required to operate under SIS legislation.

In terms of the Agreement, the South Australian Government has made a commitment to ensure that the exempt public sector schemes conform to the principles of the Commonwealth's retirement income policy objectives.

The Electricity Industry Superannuation Board believes, to the best of its knowledge, that in respect of the year ended 30 June 2018 the EISS has conformed to these principles.

Compliance with the Scheme Rules

During the year ended 30 June 2018, the EISS Board has, to the best of its knowledge, met all of its commitments as required by the Rules governing the Scheme.

Strategic Action Plan 2018

VISION

Excel as the trusted Super Scheme for our members

MISSION

Supporting our members to achieve their desired retirement outcomes

AREAS OF FOCUS	WHAT IT MEANS FOR YOU	KPIs

Members are well informed	You'll have lots of opportunity to find out about your super, and have your questions answered.
	You'll understand what's needed to obtain your desired financial outcomes.
		• All members will have an opportunity for a face to face meeting with Scheme staff at least once every three years
		• All members will be contacted:
		  • Four months after joining the Scheme
		  • When they turn 50
		  • When a financial authority is received on their behalf
		• All member queries will be responded to within 2 working days

Investment returns	Returns on your super will be competitive.	The Balanced Growth option will return above the median balanced fund over rolling three year periods
Competitive products and services	The EISS will be a good option for your super, both before and after retirement.	• Superratings benchmark report will return a Gold rating or higher • Retiring members will choose to keep 75% of funds in the Scheme
Maintaining scale	Your super won't be affected by the fund having to sell assets. Administration and investment costs on your super will remain competitive.	• The Scheme will retain 75% by assets of DB members on retirement • Funds under management will be maintained at $1bn or higher • Management Expense Ratio will remain below the industry average
Governance	Your super will be in a fund that is well run. Risks will be well managed.	• Internal audit will return 'Substantially Effective' findings • External audit will issue an unqualified audit report • The Board will average 16 hours of relevant training per Board member per year

Further Information

What are the benefits?

Scheme members belong to one of four sub-Schemes.

Open to new members

The Accumulation Scheme (Division 5)

Provides benefits based on contributions plus investment earnings. Members can choose the level of their insurance cover.

Closed sub-Schemes

The Lump Sum Scheme (Division 2)

Provides lump sum benefits based on both investment earnings and salary levels.

The Pension Scheme (Division 3)

Provides lifetime pensions based on final salary and indexed with CPI. A lump sum may be paid on voluntary separation or retrenchment. Provident Account A (also part of Division 3) provides lump sum benefits based on investment earnings.

The RG Scheme (Division 4)

Provides lump sum benefits based on both investment earnings and salary levels.

Account-based Pensions

Lump sum benefits can be transferred to an account-based pension on retirement.

Insurance Benefits

All members (including retained members) are eligible for benefits on death or disability, that can help members or their dependants.

The Scheme office can help if you have any questions. More information can be found in your member booklet.

How are the benefits paid for?

The money to pay for benefits comes from member contributions, employer contributions and investment earnings. Member contributions are set by the member according to their wishes.

Employer contributions are set by the Board after receiving advice on the amounts required to pay for the benefits. Employers are required to pay contributions under the Rules of the EISS. These contributions are monitored by an independent actuary who projects the likely benefit payments, salary growth and investment returns to estimate employer contributions, and reviews this annually or as required.

What do members contribute?

The level of member contributions is flexible. Generally, members can choose any multiple of 1.5% of salary.

Full benefits from Divisions 2, 3 and 4 are achieved by contributing, on average, the standard contribution rate. This is, generally, 6% of salary, but can be between 5% and 6% in Division 3. Any voluntary contributions (AVCs) are returned to you with interest in addition to the other benefits.

Division 5 members are not required to contribute, but may make contributions if they wish. Contributions are deducted from members' salaries each pay day.

The Scheme is also able to accept salary-sacrifice member contributions. These contributions are made from members' salaries before income tax is paid. However, not all employment arrangements allow salary-sacrifice - members need to check with their employer.

Contributions can also be made for a member's spouse, which may have tax advantages.

Employer Funding

Employers must fund their liabilities in advance. In particular, each employer must contribute:

- amounts sufficient to keep the part of the Scheme related to the employer fully funded;
- in respect of each Voluntary Separation Package (VSP) benefit paid to a Pension Scheme member, an amount equal to the difference between the level of that benefit and the actuarial reserve for that member.

The actuary has specified the levels of employer contributions and these have been duly paid by the private-sector employers. The total employer contributions paid in respect of 2017/18 was $23.7m.

Separate accounts are operated for each of the employers.

What insurance does the Scheme have?

The Board takes out insurance against the death and invalidity of Scheme members to protect the Scheme against those risks. Also the Scheme pays for insurance to protect the Board and the Scheme against the financial effects of any "honest mistakes" that might occur in the running of the Scheme.

How is personal information handled?

The Scheme holds personal information about members, such as name, address, date of birth, salary and tax file number in order to provide member super benefits. Members should realise that this personal information may be disclosed, when necessary, to the Scheme Administrator and professional advisers, insurers, Government bodies, employers and other parties.

The Board has adopted a Privacy Policy that sets out in more detail the way members' personal information is handled. For a copy of the Privacy Policy please contact the Scheme's Privacy Officer on 1300 307 844 or fax (08) 8224 6499 or email inquiries@electricsuper.com.au.

Minimum Benefits

All benefits paid from the Scheme are checked to make sure that they are at least equal to the minimum required under the Superannuation Guarantee legislation. Members received their mandatory 9.5% in 2017/18. However, this is a minimum, not in addition to other benefits. Generally the benefits in Division 2, 3 and 4 are worth a lot more than the minimum.

What information is available to members?

The first stop for information on the Scheme should be the website at www.eiss.superfacts.com. Current information available to members includes:

- Annual Member Statements
- Annual Reports to Members
- Member's Booklets.

Members are also entitled to access the Scheme Rules, financial statements, the auditor's reports, the actuary's reports and the investment policy statement. Information sheets and brochures are available on a number of subjects.

The Board also issues newsletters to keep members up-to-date. If members would like to receive any of these documents, or need more information about the Scheme or benefits, please refer to the Scheme's website. If you can't find what you need there, please contact the Scheme Office.

How do you make a complaint?

Most queries and problems can be resolved over the phone. We aim to get back to you within 2 working days (though it may be to ask for more time). We are happy to provide a written response if required via email or letter.

If you are not satisfied with the response to a query you have made to the Scheme, you may send a complaint (in writing) to:

The Complaints Officer
Electricity Industry Superannuation Scheme
PO Box 192
RUNDLE MALL SA 5000

The Board will examine all written complaints and make a decision within 90 days. Please be assured that all written complaints will be passed to the Board.

Complaints not dealt with to your satisfaction can be referred to the Superannuation Complaints Tribunal (SCT). The SCT is the government body created to resolve disputes in the superannuation industry, and can be contacted on 1300 884 114.

Financial Details

Simplified Financial Report

The table below shows a summary of the draft accounts for EISS which shows how the finances of the EISS have changed over the last two years. For more detailed information, please refer to the full financial statements for the Scheme which appear on the Scheme website.

	2017/18 (this year) $m	**2016/17** (last year) $m
DURING THE YEAR, WHAT AMOUNTS DID WE RECEIVE?		
What investment return did we earn?	115.3	125.6
What contributions were received?		
- From employers	23.7	18.0
- From members by salary sacrifice	9.3	10.5
- From members after tax	4.0	4.6
What benefits were rolled in from other funds?	13.0	6.3
What other income did we receive?	1.0	0.6
TOTAL INCOME INTO THE SCHEME	**166.3**	**165.6**

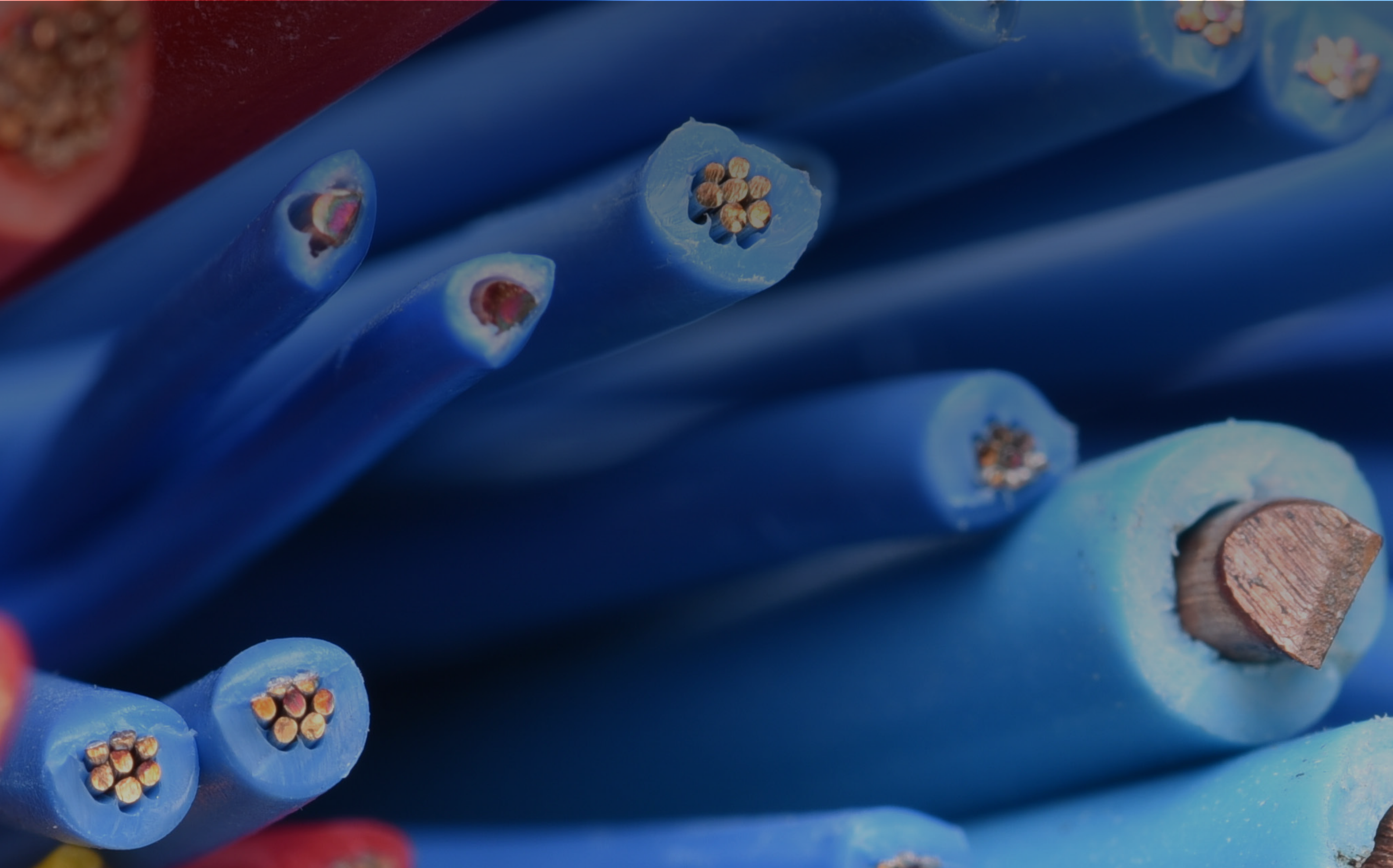
DURING THE YEAR, WHAT AMOUNTS WERE PAID OUT?		
What benefits were paid to members?	45.6	85.2
What did it cost to run the Scheme?	2.7	2.8
What were the insurance premiums for death and disability benefits?	1.0	0.9
What tax was paid on contributions and investment returns?	10.5	11.0
TOTAL AMOUNTS PAID FROM THE SCHEME	**59.8**	**99.9**

AT THE END OF THE YEAR		
How much money did the Scheme have?	1,270	1,164
What benefits did the Scheme owe to members if they had all left?	1,104	1,007

What were the major changes compared to last year?

- Investment income was slightly down in line with lower investment returns.
- Amounts rolled in to the Scheme from members' other super funds have doubled.
- Benefits paid out of the Scheme have slowed as more members decide to leave their benefits with EISS at retirement.

The Scheme continues to hold more than enough assets to pay every member's benefit.



ELECTRICITY INDUSTRY SUPERANNUATION SCHEME

Contacting the Scheme

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