NOTES TO THE FINANCIAL STATEMENTS

(Continued)

24. POST EMPLOYMENT BENEFITS

We participate in or sponsor defined benefit and defined contribution schemes. It is our policy to contribute to the schemes at rates specified in the governing rules for defined contribution schemes or at rates determined by the actuaries for defined benefit schemes.

The defined contribution divisions receive fixed contributions and our legal or constructive obligation is limited to these contributions.

The present value of our obligations for the defined benefit plans is calculated by an actuary using the projected unit credit method. This method determines each year of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to calculate the final obligation.

Details of the defined benefit plans we participate in are set out below.

Telstra Superannuation Scheme (Telstra Super)

The Telstra Entity participates in Telstra Super, a regulated fund in accordance with Superannuation Industry Supervision Act governed by the Australian Prudential Regulatory Authority.

Responsibility for governance of the plan, including investment decisions and plan rules, rests solely with the board of directors of Telstra Super. Contribution levels are determined by Telstra after obtaining the advice of the actuary and consulting with the Trustee. The board of directors comprises of an equal number of member and employer representatives and an independent chair.

Telstra Super has both defined benefit and defined contribution divisions. The defined benefit divisions of Telstra Super which are closed to new members provide benefits based on years of service and final average salary paid as a lump sum. Post employment benefits do not include payments for medical costs.

Contribution levels made to the defined benefit divisions are designed to ensure that benefits accruing to members and beneficiaries are fully funded as the benefits fall due. The benefits received by members of each defined benefit division take into account factors such as each employee's length of service, final average salary and employer and employee contributions.

An actuarial investigation of this scheme is carried out at least every three years.

Telstra Super is exposed to Australia's inflation, credit risk, liquidity risk and market risk. Market risk includes interest rate risk, equity price risk and foreign currency risk. The strategic investment policy of the fund is to build a diversified portfolio of assets across equities, alternative investments, fixed interest securities and cash to generate sufficient growth to match the projected liabilities of the defined benefit plan while providing appropriate liquidity to meet the expected timing of such liabilities, in line with the fund's actuarial reviews.

On 28 February 2014, we divested 70 per cent of our directories business via disposal of our 100 per cent shareholding in Sensis Pty Ltd and its controlled entities (Sensis Group) and acquisition of 30 per cent of Project Sunshine I Pty Ltd, the new holding company of the Sensis Group. Employees of the Sensis Group will remain within Telstra Super following the disposal of the Sensis Group. Sensis Pty Ltd will continue to contribute to the fund on behalf of its employees at the rate required under the trust deed in line with actuarial recommendations. Sensis Pty Ltd has no interest in the defined benefit asset that may exist in the future upon wind up of the plan. We have no remaining contributions or other financial obligations in regards to the Sensis Group employees who remained in Telstra Super.

Following the disposal of the Sensis Group we account for our proportionate share of assets, liabilities and costs of our defined benefit division and continue to account for our contributions to the defined contribution divisions.

CSL Limited (CSL) Retirement Scheme

On 14 May 2014, we disposed of our entire 76.4 per cent shareholding in CSL New World Mobility Limited and its controlled entities (CSL Group), including CSL Limited. Refer to note 20 for further details.

CSL Limited (CSL) participated in a superannuation scheme known as the CSL Retirement Scheme. This scheme was established under the Occupational Retirement Schemes Ordinance and is administered by an independent trustee. The scheme had three defined benefit sections and one defined contribution section. Actuarial assessments were undertaken annually for this scheme. The benefits received by members of the defined benefit schemes were based on each employee's remuneration and length of service.

Following the disposal of the CSL Group on 14 May 2014, we have no remaining contributions or other financial obligations to the CSL Retirement Scheme.

Measurement dates

For Telstra Super, actual membership data as at 30 April was used to value the defined obligations as at that date. Details of assets, benefit payments and other cash flows as at 31 May were also used in relation to Telstra Super. These April and May figures were then rolled forward to 30 June to allow for changes in the membership and actual asset return. Contributions as at 30 June were used in relation to the defined benefit and defined contribution divisions.

Asset values as at 30 April 2014 (2013: 30 June) were used to measure the defined benefit asset prior to disposal of the CSL Retirement Scheme. Details of membership data, contributions, benefit payments and other cash flows as at 30 April 2014 (2013: 30 June) were also used in the valuation.

The fair value of the defined benefit plan assets and the present value of the defined benefit obligations are determined by our actuaries. The details of the defined benefit divisions are set out in the following pages.