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NGS Super CEO update

March 2011

(incorporating Board Meeting outcomes)



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Chief Executive Officer, NGS Super

CEO update as at 31 March 2011

This report will cover a number of topical issues as well as providing an update on Board and Board Committee meetings held in February.

Consistently good investment returns

NGS Super finished the 2010 calendar year with returns for the Diversified Option in the top quartile over all meaningful time frames (1 year, 3 year, 5 year, 7 year and 10 year)*, and this pleasing performance continued into January, with February showing some return to greater volatility.

NGS Super in Ratings Agencies' spotlights

It is pleasing to report that NGS Super has achieved the SuperRatings 'Platinum' rating for the fifth successive year and, in further confirmation of NGS Super's leading market position, the agency Chant West recently released its 2011 Top 10 funds. Only three funds

(AustralianSuper, Sunsuper and NGS Super) were in the top ten or top five of the five categories by which they assess funds: Personal Super, Pension Funds, Investments, Member Communications and Member Education, proving that you do not have to be huge to strive for excellence. It is interesting also that the 'Top 10' list contains no other fund that NGS Super would consider its competitor in the education and aligned sectors.

New insurance offering from 1 April 2011

Members are reminded to watch out for new insurance offerings from 1 April. The main features of this are:

- This means that a member on default cover earning \$80,000 pa can now receive a benefit of up to \$68,000 a year (including up to \$8,000 a year as a contribution to their super account) for a maximum of two years. This represents an additional potential superannuation benefit of \$16,000 over two years compared to the previous income protection cover, to help ensure that members' long term savings are not compromised during a period of temporary disability;
- The existing 180 day waiting period has been reduced to 90 days for Income Protection (IP) so that members can access their insurance payments earlier;
- Guaranteed insurability: life events such as birth of a child, mortgage, divorce or death of a spouse will trigger an automatic eligibility for higher levels of IP and Death/Total Permanent Disablement (TPD) cover. The member must apply within a certain time frame and provide

proof of the event but no medical information is required;

- The cost of Death/TPD cover has reduced in price, while IP cover has increased due to the improved benefits (described above). The weekly default rate for both insurances will be \$3.96;
- There is a "one-off" opportunity to increase cover from late April for all members. There will be several simple questions included with the offer for members to apply for higher levels of IP. The offer for higher levels of Death/TPD cover will be made later this year using the same questions and a simple form for the upgrade. There will be a finite period for applying for this, and information will be provided to members in the form of a letter and pamphlet containing the application form.

February and March Board and Committee Meetings: outcomes

The Investment Committee met on Monday, 20 December, and again on Wednesday, 9 February, with the first 2011 Board and the various other Committees meeting on Monday, 7 February and Tuesday, 8 February respectively. The Board conducted a full strategic review in March, with the Investment Committee meeting for this purpose on Wednesday, 23 March and the Board on Thursday, 24 March and Friday, 25 March. The latter meetings will be summarised at the end of this report.

* Per the SuperRatings survey of SR50 Balanced funds at 31 December 2010

Investment Committee: Investment environment and results

The Investment Committee and Board comprehensively reviewed investment returns by investment option, asset sector and investment manager for the discrete periods ending December 2010 and January and February 2011.

As reported above, the Board noted that NGS Super had achieved outstanding returns in the Diversified Option and across all investment options (excepting Fixed Interest) so far in 2010/2011. It was noted that while short term volatility and uncertainty had crept back into the markets after disastrous natural events in 2011, the fundamentals for sustained global economic recovery appeared sound, notwithstanding patchy economic data in the United States and Europe. This optimism was being reflected in global share markets generally.

As part of its suite of meetings, the Investment Committee considered and discussed a number of other reports, including comparisons between actual and model asset allocations, the asset consultant's quarterly report, reports on individual portfolio mandates, as well as a quantitative review of the strategic asset allocation, a report on effective tax rates, and reports on the current status of the review of various Investment related policies. The Investment Strategy review meeting conducted in March received presentations and updates from a number of economists and product specialists, and agreed a programme of work for internal investment staff and the Committee for the ensuing twelve months.

Risk, Audit, Finance and Compliance Committee (RAFC Committee)

The RAFC Committee, and subsequently the Board, reviewed, discussed, and where appropriate, approved:

- Trustee operating statements to 31 December, noting that as income was ahead of budget, and expenses were being well contained, the bottom line result was better than budget
- The quarterly suite of Compliance and Risk Management reports
- An update of progress being made against implementing APRA's recommendations, following the review by the regulator in October
- Reports on the status of the Cuesuper merger project, noting that all was on track to achieve successful integration by 31 March.

Marketing Committee

The Marketing Committee and Board reviewed reports outlining marketing and communications activities undertaken since the last Board meeting. The following were noted:

- Reports updating the Committee and Board on other current marketing and communications activities, including the 2011 launch of the NGS Super Scholarship programme, the results of recent member email campaigns and the status of the mail-out of December member statements
- Ongoing improvements to the NGS Super website, including a new home page banner and online news ticker
- The status of the development of a financial literacy school-based resource, to be launched by mid-year.

General matters

The Board:

- Noted and endorsed the recommendations of the Insurance and Claims Review Committee for both February and March meetings
- Noted that a new Manager, Advice and Education, as well as a new Financial Planner, had commenced work in the Sydney office, the Manager being tasked to lead the financial planning practice to the next level of member service and satisfaction
- Reviewed, and where appropriate, updated the fund's strategy statement, strategy map, balanced scorecard and 2011 - 2012 Action Plan, and expressed satisfaction that the strategy was on course.

Next meetings

It was noted that the next meetings of the Board and Committees would be as follows:

Investment Committee meeting:

Monday, 16 May 2011

Board meeting:

Tuesday, 17 May 2011

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