

# NGS Super CEO update

May 2010

(incorporating Board Meeting outcomes)



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## CEO operational update as at 12 May 2010

Since the last *Update*, work has continued in the Trustee Office on a number of initiatives, but I would like to discuss this month an ongoing challenge for all Super funds:

### Better understanding our members' needs

NGS Super is a national fund with 82,000 members, concentrated in the main in NSW, Victoria and South Australia. While our members are drawn predominantly from the non-government schools (education) sector, it is becoming increasingly obvious that our membership is becoming more diverse – 27% of members now come from non-education sources. 71% of our members are female, the average age of members is 43, and the average balance is \$38,000 – comparatively high for an Industry Fund. While there is a large tranche of 'Baby Boomers' (and older) in the membership, there are also significant numbers of members below 35 years old.

Providing products and services to a diverse group of people is very challenging, as, while 'tailoring the message' according to audience is the optimum solution, this is not easily possible in a low-cost environment. We have attempted to solve this dilemma in a number of ways, and test the solutions by means of gathering feedback through:

- conducting regular research (via the web and telephone) on members' satisfaction
- member education seminars, at which feedback is sought
- website instant feedback: straw polling of users' perceptions of the usefulness (or otherwise) of website pages
- employer and member briefings
- 'Women's Forum': a new initiative being trialled in NSW whereby opinions are sought from a representative cross section of female members on a wide range of issues
- regular visits to workplaces by NGS Relationship Managers and NGS management.

In addition, investigation is currently being undertaken to establish the viability of commencing an online 'Ask the CEO a question' facility. Fundamental to this will be the capacity to ensure that all issues raised are dealt with in a timely manner, and the methodology to enable this is being investigated.

Our attempts to communicate with, and inform and educate members have resulted in a number of generic initiatives which attempt to address all members of

the NGS Super community in a cost-effective way. These include:

- constantly updated website, with a newly launched Pension members division containing all information necessary for those members either transitioning to retirement, or entering the retirement phase
- the 'NGS College' microsite, targeted in the main at the younger demographic of members, with the aim of providing member education on a range of financial literacy issues in an interactive online environment using the classroom as an idiom for learning
- half-yearly *Moneywise* magazine, replete with information on products, services and developments in superannuation
- periodic written communications delivered via Australia Post, supplemented by regular short email messages on a variety of topics
- single-issue superannuation advice delivered via the NGS Super Customer Service Team.

While each of these communication media are intended to provide valuable information, the reality is that they are generic and not as personally targeted as we would like them to be. We hope that our members appreciate the cost constraints underpinning this, and remain assured that the NGS Super Trustee and management are committed to delivering not only excellent long term investment returns, but also information and education that will enable members to make better-informed decisions about their retirement.

We appreciate your interest in and commitment to the Fund, and would like to thank those who have provided feedback over the last year, while encouraging all members to participate in opportunities in the future to shape how the Fund develops. As a member-focussed organisation, we value your involvement very highly.

## May Board meeting: outcomes

A number of significant meetings have been held since the last update:

**11 and 12 March:** Board Annual Strategy Review: this annual two day event provides the Board with an opportunity to fully review and critique management's progress against the Strategic Plan and annual Business Plan, and to review and refresh both plans against current business conditions. The conclusion from this review is that while the Fund is on target to achieve its long term objectives, significant potential exists to grow and strengthen the Fund in the context of the following considerations:

- continue the existing focus on maximising returns for members by thinking 'outside the square', looking at innovative and incremental, contributing yield differences within acceptable tolerances of risk and cost and challenging advisers to think laterally and innovatively
- within its core markets, look at ways to grow loyalty and increase 'default fund' penetration
- strengthen loyalty with members and employers, with the objective of becoming the 'fund of choice', while remembering that members' best interests must be the over-riding consideration in all decisions
- where appropriate, reflect constituency interests but always in a sensitive and respectful fashion, bearing in mind the fact that the Fund is a member-based organisation entrusted with the stewardship of members' retirement savings

- position the Fund to recognise and appropriately counteract competitor risk, always respecting the basic tenet that the member has the absolute right to determine the placement of their retirement nest egg.

**30 and 31 March:** The Investment Committee met in late March for two days to perform a full strategy review of the Fund's investments, and again on Monday 10 May for its regular periodic meeting. The Board and the following four committees of the Board:

- Claims Review and Insurance
- Marketing and Communications
- Risk, Audit, Finance and Compliance and
- Human Resources and Remuneration

also met on 10 and 11 May.

Major topics discussed at these meetings included:

### 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 periods to 28 February and 31 March respectively. The Board noted that markets had eased in January, recovered in February and taken off in March. April had seen a flatter result and concerns about the debt crisis in the Eurozone had seen a return to volatility in May. On balance, the Board's advisers shared the view that the mounting evidence of global economic recovery (with the exception of Europe) gave credence to the view that the fundamentals were sound and that the worst of the Global Financial Crisis was behind the investment community, albeit recognising the fact that there would still be turbulence in the markets while debt and debt refinancing issues were worked through. After comprehensive review and debate, it was felt that the Board's current strategies and its commitment

to taking carefully assessed, judicious risk, placed the Fund in the best possible position to leverage off opportunities and consistently grow members' superannuation savings. It was noted that the Fund's current overweight position in Australian equities (versus an underweight position in international equities) best reflected the Board's assessment of where the opportunities to manage risk lay over the next year.

It was noted that that the year to date return for March for the Diversified option in the Accumulation Division was 14.56% (versus the SR50 'Balanced' median\* of 13.95%), and that the Diversified option was in the top quartile of results over three, five years and seven years, based on the SuperRatings March 2010 survey.\*

The Board also noted the extensive favourable national press coverage the Fund had received on 5 May, in which the Fund's major investment options had been reported to be in either the 'Top Twenty' or 'Top Ten' of options in the market.^

The Committee (and Board) also discussed the following:

- presentations made by economists and market commentators on the current state of economies and markets, twelve months after the worst of the Global Financial Crisis
- the Custodian's 'rolling manager returns' by asset class, and asset allocation reports for February and March 2010
- the JANA (asset consultants) quarterly asset allocation report
- the JANA quarterly report reviewing the performance of the portfolio for the quarter, and providing detailed commentary on individual managers

- reports on managing currency exposures and ‘tail risk’ by means of the use of derivatives
- papers on Australian equity portfolio weightings, opportunities in the resources sector and in Growth and Defensive alternatives, and on ‘Sharia compliant’ investments
- uncertainties in China’s economic growth outlook
- Heuristic chart analyses.

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

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

- the financial operating results for both the Fund and the Trustee for the period ended 31 March 2010 and noted that Reserve income was slightly better than planned, expenses continued to be well contained within budget and so it was likely that the Fund would close the year with better than forecast operating outcomes
- a further report from the Fund’s auditors (Ernst & Young) describing their findings arising out of the audit that they had performed on the transition of back-office functions from Precision Administration Services to Mercer
- Proposed scopes for both the annual audit and the preparation of the tax returns for both Fund and the Trustee Company
- A suite of quarterly Compliance and Risk Management reports.

\* SuperRatings survey of SR50 Balanced funds

^ For example, ‘Money’ supplement in Sydney Morning Herald, 5 May 2010, article: ‘The great super makeover’.

## Marketing Committee

The Marketing Committee and Board reviewed reports outlining marketing and communications activities undertaken since the last Board meeting. It was noted that:

- the new Pension Division section of the website had now been successfully launched, and initial feedback from users was positive
- a strategy had been developed to grow the Pension Division, in order to meet its Board approved target of \$1 Billion in funds under management by 2013
- a number of successful meetings with members, employers and the newly formed ‘Women’s Advisory Group’ had been held recently, at which very valuable feedback had been received
- the email collection campaign had proven highly successful, with 47,900 email addresses now being held (an almost 50% increase), which would significantly drive down costs in member communication
- the ‘Contributions’ campaign had also commenced with the intent of encouraging members to contribute more into super before June 30
- the NGS ‘Scholarships’ program had been launched, and applications were being received
- the member survey undertaken in February had revealed some disquiet with the delays that had occurred in processing member related transactions during the transition period, but the April sample had reflected a more positive response, as issues had been resolved and service levels were improving.

## General matters

### The Board:

- noted and endorsed the recommendations of the Insurance and Claims Review Committee
- noted that the Human Resources and Remuneration Committee had met in February and again in May to ensure (inter alia) that there was a clear connection between the Fund’s overall strategic direction and individual performance objectives, to ensure best possible member outcomes.

### Next meetings

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

#### Investment Committee meeting:

Monday 28 June

#### Board meeting:

Tuesday 29 June.

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