Minutes

Date:	Tuesday 17 November 2020
Time:	4.30 pm
Venue:	via online stream
Directors present:	Dick Shearman (Chair) Geoff Newcombe (Deputy Chair) David Buley Terry Burke Michelene Collopy Kathy Dickson Patrick Ponting John Quessy Margaret Sansom Glen Seidel Georgina Smith Chris Wilkinson Cathy Hickey Wendy Wills
Apology:	Kathy Dickson
Executives present:	Laura Wright (Chief Executive Officer) Melissa Adam (Head of Brand and Marketing) Ben Facer (Chief Strategy and Risk Officer) Lynn Monk (Head of People and Culture) Chris McManamon (Senior Manager, Business Operations) Ben Squires (Chief Investment Officer)
Also in attendance:	Natalie Previtera (Company Secretary) Timothy Jenkins (RSE Actuary) Craig Cummins (Fund Auditor)

Quorum

The Chair introduced himself and noted that a quorum of NGS Super Board Directors were present online and opened the meeting at 4.30pm.

The Chair also noted that all members of the Executive Team were present as were the Fund's Auditor Craig Cummins and the Fund's Actuary Tim Jenkins.

Welcome and address by Chair

The Chair welcomed members to the inaugural member meeting and advised that all speakers would be making their presentations live.

The structure for the meeting and the process for asking questions was outlined.

The Chair then addressed the meeting discussing the following items:

- The impacts of the COVID-19 pandemic and its significant disruption to day to day life.
- The measures taken by the Fund to adapt to the pandemic and the continued focus on the Fund's core goal – to manage the retirement savings of members.
- The decision to merge with Australian Catholic Superannuation and Retirement Fund (ACS), an opportunity to combine the strengths of both funds and create the largest and most inclusive superannuation fund for independent schools, catholic education and the community sector.

The Chair introduced Laura Wright, Chief Executive Officer (CEO)

Fund update

The CEO provided the Fund update, highlighting the following areas:

- Significant market volatility resulting from the COVID-19 pandemic and the consequent economic and social dislocation.
- Unprecedented level of member activity, with the Fund's service providers responding quickly to meet those needs.
- Proactive engagement of members and employers via video and phone.
- Implementation of a number of legislative reforms including:
  - Early release of super as part of the COVID stimulus package. To date the Fund has made 11,000 payments to 7,600 members totalling $90 million, with payments made from cashflow rather than the sell down of assets.
  - Reduction in minimum pension drawdown amounts for income account members.
  - Insurance reform based on legislation designed to protect young members and those with low account balanced from having their retirement savings eroded by insurance premiums.
- Recent budget announcements with proposals to 'staple' members to their first fund and greater transparency to allow members to compare funds.
- Based on the Fund's Business Plan, the majority of member outcomes targets were met.
- Most investment option fees were reduced in December 2019, including a substantial 30 bps for the Diversified MySuper option.
- Advice offerings for members continue to grow especially via the phone, the client relationship management team, financial planners and webinars.
- The Fund was awarded the Chant West Best Insurance award for the third consecutive year, and fourth time, and continues to have high member and employer satisfaction with ratings agency Superratings rating the Fund highly for administration.

- The annual return for the Diversified MySuper option was -0.60% for accumulation and transition to retirement members and -0.71% for members in the retirement phase.
- Long term returns on the portfolio remained strong with the 10 year return for the Diversified MySuper at 7.08%. The Fund also performed competitively against its peers.
- Continued work on Environment, Social and Governance (ESG) issues including:
  - mapping investments to the 17 United Nations Sustainable Development goals
  - producing the Fund's first report to the Task Force on Climate Related Financial Disclosures
  - being certified as a carbon neutral organisation.
- The Fund's history of growing via mergers with other super funds enabling it to provide products and services to meet the changing needs of members at a reasonable cost.

The CEO introduced Ben Squires Chief Investment Officer (CIO).

Investment update

The CIO provided the Investment update, highlighting the following areas:

- 2020 saw significant volatility in share markets, currency markets and economic disruption.
- Assets typically thought of as 'fortress assets' including airports, seaports and toll roads were impacted by lockdowns whilst technology, healthcare and consumer staple assets held up or even outperformed.
- Economic conditions prior to the COVID-19 pandemic were moderate to weak with no indication of an imminent recession and based on the outlook the Fund was cautiously positioned leading into 2020.
- Dealing with market shocks is part of investing and the Fund is diversified in order to reduce the severity of those shocks and recover strongly when markets improve.
- The Fund's liquidity position was not impacted due to early release of super as part of the COVID-19 stimulus package.
- March saw the worst performance in the year, however the Diversified MySuper option was in the 10 best performers against the top 50 super funds in the country.
- The Fund's property portfolio has increased its allocation to industrial real estate assets with a high allocation to medical services. This part of the portfolio was largely unaffected by social distancing and lock-downs. Direct property holdings were not impacted by the lock-down period as a result of a resilient tenant base.
- The infrastructure portfolio has renewable energy and decentralised power as central themes and has holdings in day hospitals, which is positioned to grow over time consistent with the increasing demand for elective surgery.
- Venture capital investments by the Fund have focused on healthcare and US technology which complement other healthcare investments made across the Fund.
- ESG activities were a focus with the Fund engaging with several Australian companies either directly or through agents on topics including remuneration, disclosure, diversity and slave labour within supply chains.
- The Fund will move to full portfolio disclosure in 2021.
- The Fund's asset allocation preference is to focus on understanding complexity and uncertainty in order to build future readiness across the portfolio.
- Volatility is expected to remain high over the short to medium term as a result of the uneven economic recovery and the ability of businesses to navigate this period.
- Interest rates and inflation are expected to remain low over the medium term as economies absorb excess capacity created from the forced shutdowns of businesses and attempts by governments and central banks to stimulate growth.
- Real assets such as infrastructure and private equity remain attractive and the Fund will continue to invest in these areas, particularly in technology and health care.
- The Fund is more likely to hold more in shares as a result of lower returns coming from bonds and cash.

- Active management is expected to provide material benefit as volatility remains high.
- Based on the expectation the Fund has for returns across the asset classes it invests in the Diversified MySuper option is expected to return approximately 8% for the financial year ending 30 June 2021.
- Growth assets dominate the return drivers with international and Australian shares making the largest contribution given their respective weight in the portfolio. Excluding cash and government bonds, all other asset classes are expected to make a meaningful contribution to returns.

Question and Answers

The CEO thanked members for submitting questions both in advance of and during the meeting.

The questions were answered by the CEO with the questions submitted in advance answered first.

Please note that where questions submitted related to individual member accounts or circumstances, members were contacted directly with responses in order to maintain privacy.

Question:
Who will be the CEO of the merged fund and how has that decision been arrived at? Is it in the best interests of the members of both funds? Should it be an incumbent CEO, or do we need a fresh start?

Response:
Both Boards were keen to draw on the extensive experience of the current CEOs in undertaking such a complex merger project and setting up the merged fund for future success. Accordingly, Greg Cantor will be the CEO and I will be the deputy.

Question:
I presume there will be significant economies of scale realised as a consequence of the merger. Will these savings be passed on to members in the form of lower admin and asset-based fees?

Response:
Our previous experience with mergers confirms that a larger fund will result in savings and efficiencies that can be passed onto members via lower costs, fees and expanded services and products.

Question:
How much will it cost to merge the two funds together and where will this money come from?

Response:
We are in the planning stages of the merger, the outcome of which will determine merger costs. Like all expenditure, merger costs will be budgeted for and be met from fund income and/or reserves.

Question:
How can we be assured that the merger will be in the best interest of members? What do senior executives and directors stand to gain from the merger?

Response:
Our assessment to date confirms that this merger will be in the best interest of members. There will be an extensive due diligence assessment of the benefits of the merger prior to any final decision to merge. Everyone at NGS Super is very excited about the career opportunities that a larger fund will bring. As for Directors and staff, our only purpose is to act in members' best interests.

Question:
I am wondering if TAL will remain the main insurer, or if it is to change, what is the Insurance company, and can we have transparent access to the new PDS? If the Insurance company remains as TAL, would this merger affect the Insurance products in any way?

Response:
It is very early stages of the merger and it has not yet been decided who will be the insurer for the merged fund. A thorough assessment will be undertaken of the insurance design, premiums and service of both insurers, in order to reach a decision on the most appropriate outcome for the members of the merged fund.

Question:
As a member how can I be assured that Directors are providing value for the fees they receive?

Response:
As the CEO I work closely with all of our Directors and I know how committed they are to the Fund and how seriously they take their responsibilities. There are formal processes in place to annually assess the Board and Directors and business performance including delivering on member outcomes. The regulator for super, APRA regularly reviews all the operations of the Fund.

Question:
Do the Directors have KPIs?

Response:
Directors do not have individual Key Performance Indicators, however there is an annual assessment of the Board, Directors and business performance. The regulator has oversight of Fund performance.

Question:
What is the remuneration of Directors? Is it the same for all Directors?

Response:
The remuneration paid is public information, which has been published on the Fund website for a number of years. The fees are around the median for similar superannuation funds. All Directors are paid a base amount and then an additional sum is paid to the Chair, and to Directors if they are members and or Chairs of Board Committees.

Question:
Do Directors have expenses reimbursed and if so, who checks this for accuracy and validity and against what?

Response:
Most Director expenses relate to travel to meetings and training. This year there has been very little activity. In normal circumstances, these are paid directly by the Fund in accordance with documented policies and procedures. Incidental expenses incurred in relation to their role as a Director are reimbursed on the provision of a receipt. This process is overseen by the Chief Risk Officer and CEO.

Question:
What percentage of members' annual contributions go to Director's fees and expenses and staffing costs?

Response:
In relation to annual contributions and the funds under management, Director fees and expenses and staffing costs are low. As a percentage of the contributions received in 2020 Directors fees are 0.1%, Directors expenses are 0.02% and staffing costs are 1.1%. As a percentage of funds under

management, the measure used by the regulators and in most comparisons, the total of these three areas are 0.1%.

Question:
Are there bonuses for staff and how is this determined?

Response:
No.

Question:
What transparency is there on all these issues to avoid the 'bad press' that the above examples have highlighted.

Response:
The Fund has a high degree of transparency around its policies and procedures. Remuneration for Directors and Executives is publicly disclosed on the Fund's website. Directors and Executives are bound by the Fund's Code of Conduct which is on the website and expenses must be incurred in accordance with documented policies and procedures. The Fund is audited every year and the Fund's Interests and duties register is also available on the website.

Question:
Have Director fees changed this year?

Response:
There has been no change to Directors fees in 2020 in response to the COVID-19 pandemic. It was not thought appropriate for any increases in fees or salaries during this difficult time.

Question:
How are fees determined?

Response:
The base fee rate is determined every three years via a comprehensive market review of fees paid in similar organisations and funds. The base rate is approved by the shareholders of the Fund, not the Directors. In the interim years, fees can be increased by the average increase in the Consumer Price Index and Average Weekly Ordinary Time Earning (this year being an exception). Again, this year there has been no fee increase.

Question:
The Cooper Review recommended superannuation funds make full disclosure of portfolio holdings on 6 monthly basis. Whilst NGS does publish some basic information on its website about underlying assets for some pre-mix investment options (e.g. limited to top 10 holdings in equities asset classes) is the trustee planning to increase transparency so members fully understand where their funds are being invested?

Response:
The Fund will be moving to disclosing our full portfolio holdings in the first quarter in 2021.

Question:
I would like to know when you will reintroduce the dividend reinvestment plan on the Self-Managed super option. You had it until you moved to OneVue, when it was removed. It is so helpful and cost efficient for us, so I am hoping you will bring it back soon.

Response:
This was a feature offered by the Fund's previous platform provider, however the platform on which the self-managed option is now offered does not provide it. It is important that we spend members' money carefully and because of the cost of implementing this feature on the new platform it was not

included. We regularly review our products and services and will include consideration of this feature in our next review.

Question:
Has the Task Force on Climate Related Disclosures report been released yet and when can we expect NGS to make a determined move away from financially risky and environmentally irresponsible investments in companies responsible for climate change?

Response:
The Task Force report will be released in mid-December this year.

Question:
When will the combined NGS and ACSRF be able to tell members of the long term continuation of NGS's "self-managed" fund?

Response:
It is too early in the process to confirm what the investment option mix will be for the merged fund. Members will be informed via updates on the website.

Question:
Please can you tell me the number of litigations matters in train by members against the fund. What is the year on year amount of the claims sought?

Response:
For the size of the Fund, there is a relatively small number of complaints each year. Most are dealt with internally and a minority of which are dealt with by Australian Financial Complaints Authority. Occasionally a member may take a matter to court. Currently we have two litigation matters in train. The quantum of claims varies from case to case and year to year.

Questions submitted during the meeting via the livestream were then addressed. The questions were answered by the CEO (unless otherwise specified).

Question:
When will the Fund's back end systems be updated to make them current? For example, real time unit pricing updates, investment transfers and payments.

Response:
As of this weekend (21-22 November 2020) we will be moving to daily unit pricing. That is something that members have been asking us about for some time and obviously we've had to scope that to make sure we are spending members' money wisely, but it is something that I think members are looking forward to having. As far as investment transfers and payments, the timeframe for these payments has reduced over time, and we will continue to look at our administration processes to make these payments more efficient.

Question:
When will you introduce daily unit prices instead of weekly unit price?

Response:
This weekend (21-22 November 2020).

Question:
How have investments in airports as part of the Infrastructure option been affected by the COVID travel restrictions?

Response: (The CIO answered this question)

Traffic through airports is next to zero and airports have been affected. The benefit the Fund has is that as a long term asset airports are not priced based on six monthly valuations, but rather long term cash flows. Within the portfolio, these assets have been impacted by 10-15%. They are part of a diversified portfolio, and the impact of this reduction has been offset by the performance of other assets within the infrastructure portfolio

Question:
What are seen as the strengths of Australian Catholic Super and NGS?

Response:
The Funds have a lot in common which will be a combined strength. Both Funds have a very clear understanding and commitment to the sector that we provide superannuation services for, that is the independent and catholic school sector and the community sector. For over 30 years both funds have operated in this area and know their members extremely well. The Funds have spent 30 years tailoring products and services to the sector. Another area in common is commitment to member servicing, including servicing in the workplace. These are services which members have valued over the years.

When the funds merge, there will be a larger pool of money available to invest which will result in more investment opportunities.

The funds have a lot in common and coming together will make both funds stronger as a result.

Question:
How long is medium term?

Response: (The CIO answered this question)
The medium term is 5-7 years.

Question:
I understand there has been some merger activity with other funds recently. Have there been any unforeseen impacts from these?

Response:
I can only speak about our recent experience with QIEC Super. That merger went extremely well. Impacts were positive for members and it went smoothly from an administrative perspective. Each fund is different and when you enter merger discussions you will be dealing with different things. The secret to making mergers work is very detailed planning. Often longer is spent in the planning over implementation, and that's the approach we'll be taking with ACS. Extensive due diligence, very detailed planning should mean the implementation of this merger goes very well. I can't comment on other mergers.

Question:
What will be the name of the new fund?

Response:
We don't know what the name of the new fund will be. We will be looking at a range of options and doing appropriate market testing and market research.

Question:
Can you explain what you mean by "career opportunities" mentioned earlier? Is this a benefit for staff, members or both?

Response:
NGS Super has 70 staff and over 100,000 members. The merger with Australian Catholic Super will create a much larger organisation which will be more complex. That means staff will have more opportunities particularly at supervisory and junior and senior management levels. As a smaller Fund, NGS Super has a flat structure. The merger will provide more opportunities for staff to stay with the organisation and move through various layers. It also provides opportunities for more specialised positions including in the investment team.

Question:
When two funds merge all staff are normally guaranteed their jobs. Will that happen with this merger? How do you reconcile that with members best interest?

Response:
We are looking at job security for staff. We have two great funds with some very talented staff and we want to be in a position to retain that. Retaining talented staff is in members' best interests and we don't want to lose people through the uncertainty of whether or not they will have a job. After the merger the fund will be larger and more complex with a wider reach and therefore it is important that we retain staff.

Question:
Are Directors on a 3 or 5 year contract?

Response:
Directors are appointed for a period of three years. At the end of each three year period there is a thorough review of that Director's performance and Directors can be reappointed for up to a period of 12 years.

Question:
Is there a timeline for the merger?

Response:
Detailed due diligence and planning is underway. We want to do this properly, so we aren't rushing. We are looking at late 2021, but more realistically it will be early 2022.

Question:
How have the US election results impacted on NGS investment options?

Response:
(The CIO answered this question)

The US election results have been well received by markets. In terms of the positioning of the portfolio, we didn't take a bet one way or the other in terms of the outcome. Markets have risen as a result of the election and the announcement of the COVID-19 vaccine by Pfizer and Moderna. The portfolio is performing well – we had an overweight position in equities as there were a number of indicators supporting strength and breath across the markets. The results are really strong across most areas including emerging markets, developed markets and Australian Equities.

Question:
Has APRA approved the merger?

Response:
APRA hasn't had to approve the merger, however they are very supportive of it. We are meeting with APRA on a regular basis to update them on the progress of the merger.

Noting there were no further questions, the CEO thanked members for the time taken and the thoughtful questions asked.

Meeting close

The Chair thanked the CEO and CIO for their presentations as well as staff involved in the production of the meeting. The Chair thanked members for their attendance and participation.

There being no further business the meeting concluded at 6.00pm.

Signed as a true and correct record

Signed: Dick Shearman

Name: Dick Shearman

Title: Chair

Date: 25 November 2020