

Date:	Tuesday 16 November 2021
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 Kathy Dickson
Apology:	Nil
Executives present:	Laura Wright (Chief Executive Officer) Melissa Adam (Chief Experience Officer) Ben Facer (Chief Strategy Officer) Lynn Monk (Chief People & Culture Officer) Chris McManamon (Chief Service Delivery Officer) Ben Squires (Chief Investment Officer) Natalie Previtera (Chief Risk & Governance Officer)
Also in attendance:	Nitin Nagaraja (Legal Counsel, Compliance & Governance/ Minutes Secretary) Timothy Jenkins (RSE Actuary) Ben Tompsett (Fund Auditor)

Quorum

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

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

Welcome and address by the Deputy Chair

The Deputy Chair welcomed members to the second annual member meeting and advised that the Chief Executive Officer and the Chief Investments Officer would be making presentations.

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

The Deputy 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 continued focus of NGS staff on the Fund's core goal – to manage the retirement savings of members.
- The Fund's target of a Carbon neutral investment portfolio by 2030.
- The decision not to proceed with the proposed merger with Australian Catholic Superannuation and Retirement Fund (ACS), as over the course of the merger negotiations it became clear that the merger would not be in the best financial interests of NGS Super members.

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

Fund update

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

- The Fund's MySuper Diversified option passing the new APRA performance test and the return of 17.34%.
- The Fund's target of net zero emissions by 2030. The Fund's first report for the Task Force on Climate-Related Financial Disclosures.
- The Board's decision not to proceed with the merger with Australian Catholic Super, highlighting that following extensive review, it was clear that the merger was not in NGS Super members' best financial interest, as there would be little or no reduction in costs and fees.
- The Board's review of the current superannuation landscape and the Fund's position.
- Insurance continues to be highly valued by members. NGS Super's insurance product has been nominated 8 times since 2013 for Chant West: Best Insurance award, winning it in 2015, 2018, 2019 and 2020.
- The importance of financial advice, especially for members planning for or nearing retirement. More members than ever are being reached through webinars and virtual meetings.
- Administration fees that have not increased since 2006. Investment fees have risen as a result of higher transactions costs associated with trading activity, and performance fees associated with outperformance.
- The introduction of daily unit pricing in November 2020 has provided more transparency and certainty for members.
- Member and employer satisfaction is high with focus on personal service in the workplace being highly valued. Employers were transitioned to a new clearing house for the payment of contributions.
- The SG increase is back on track at 10%.

- The minimum drawdown for pension members has been extended for another year, providing an opportunity for these members to increase their accounts to compensate for any losses during the volatility experienced in 2020.
- The commencement of the stapling regime from 1 November 2021. People will be stapled to their first fund unless they make an active choice. Uncertainty around the impact on new members joining NGS Super but confident that NGS Super is an appropriate choice for people starting employment in independent and Catholic schools, the community and health sectors. Returns and fees are comparable with peer funds and the insurance default product is designed for the education sector.
- A new app is now available to members.
- The process of joining online will be quicker and easier with a new member online join.
- There will be additional ways to obtain financial advice, with the launch of a new online advice tool early next year to complement face to face and telephone advice services.
- Reviewing the investment options menu to ensure that options are fit for purpose and meet member needs.
- New investment database will make it easier for the Investments team to collate and analyse the data they need for reporting and making investment decisions.
- Commencing a review of our insurance product with our insurer TAL as part of the three-year review of insurance premiums. The focus of the review is to ensure that our insurance remains good value for money and that premiums do not unnecessarily erode super balances.
- To meet regulatory requirements, developing a retirement strategy to be in place by 1 July 2022, which will clearly state how the Fund plans to continue to assist members achieve retirement income objectives.
- The Fund continues to expand member engagement program with a combination of targeted digital communication, super education webinars and virtual and face to face meetings.

Investment update

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

- 2021 saw the second highest annual return year by the default option in the history of the Fund.
- As economies re-opened globally in the latter stage of 2020, share markets accelerated along with credit markets and property prices as investor appetite for risk was insatiable, with extreme levels of positive sentiment reached across both corporate and consumer indicators.
- The Fund added 28 new investments to the portfolio. This equates to approximately \$1 billion worth of commitments with \$600 million of this invested over the last 15 months. The efforts to decarbonise the portfolio were formalised with the first task of measuring the carbon intensity across the portfolio being completed. Additionally, scenario analysis as part of developing a transition plan is underway and these results will be reported to members in the first quarter of 2022.
- An economic update highlighting that the global economy has rebounded from record low levels and inflation rising sharply across the largest developed economies.
- COVID-19 and unprecedented fiscal and monetary stimulus caused large shift in demand for durable goods.
- The outlook leading into the second half of 2020 resulted in the portfolio maintaining a position to growth assets.
- The Fund's performance to September 2021.
- An update on the Fund's Carbon Neutral Project including an overview of climate scenarios, climate risks and the methodology employed by the Fund in assessing the climate risks of the portfolio.
- The Fund's investments in property assets, including investments in industrial and office sites across the eastern seaboard as well as high end residential property development.
- Overview of the Fund's infrastructure investments including in renewable infrastructure, toll roads, power generation, data communications and healthcare.
- The Fund's investments in venture capital and private equity.

- Continued investment in personnel within the Investments team along with the bolstering of the Fund's governance and investment operations team.
- The Fund increased the level of portfolio disclosure ahead of regulatory reform.
- Further enhancements to the Socially Responsible Investment Option by sourcing new private equity and infrastructure investments across healthcare technology, renewable energy infrastructure and other technology companies.
- Asset Allocation Preferences – the expected returns from traditional asset classes and passive based investments will be lower as a result of lower expected economic growth over the medium term. 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 shares as a result of lower returns coming from bonds and cash.
- The base case return for the Diversified MySuper option for the financial year ending 30 June 2022 is approximately 11%. Growth assets dominate with international and Australian shares making the largest contribution. 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 1:

Every year I get a yearly report and it tells me that I have undisclosed expenses that do not appear on my report. Why is this so, is it common practice throughout the industry and why can't I get the whole information added to the main costings in the report?

It adds up to about \$3000 per year. Over 10 years that is a whopping \$30,000 and seeing we are in the business of compound interest ... see where I'm heading with this over a lifetime of personal superannuation per person?

Response:

NGS has costs which are passed on to members in two forms of fees. A fixed administration fee is deducted directly from members' accounts, and hence you will see this deduction on your statement. Most fees, however, are based on the value of assets, and hence are deducted from investment returns before these are credited to your account.

These primarily cover the costs of managing the funds investment, plus a small asset-based administration fee.

This is the most common form of fee structure in superannuation funds, and all fees are fully disclosed in our Product Disclosure Statement.

Question(s) 2:

Was the planned merger with ACSRF cancelled because of ACSRF's failure of the APRA Performance Test? If not, why was it cancelled?

Why did the merger with ACS fall over?

Response:

The Board decided that the merger was not in members' best financial interests. The APRA performance test results were announced after this decision had been made.

Question 3:

As more Super Funds are put to the test, some will fail and exit and others will merge and become more competitive. Do you think that over the next 5-10 years there will be more consolidation in the superannuation industry? Does NGS have current plans to merge with a bigger super fund, for example, UniSuper, given both are in the education sector?

Response:

Yes, it's very likely there will be more consolidation in the super industry over the coming years. We do not have any current merger plans, but the Board is reviewing the Fund's position in the current superannuation landscape and assessing the various views about size and the impact that it has on costs, fees and returns.

Question 4:

Is there any condition for the person who is going to receive my death insurance or they are going to receive it normally as long as I am nominating them in my will?

Response:

It's not entirely clear from your question whether you are asking about insurance or your actual super, so let's answer it from both perspectives. In the case of stand-alone insurance, this will go to the person you have nominated when taking out that insurance — it doesn't form part of your estate, so any instructions in your will are not relevant.

Super is also not officially part of your estate. To ensure it goes to the person you want it to go to, you should complete a binding nomination, which tells your super fund who you want your beneficiary to be. If you die, your super fund will — assuming everything is in order — pay your super balance to the person/s you have nominated. You can also make a non-binding nomination, which is not legally binding on your fund. In this case, they will consider the circumstances and pay out your super accordingly.

Question 5:

Improving Member Experience - Will you please make ALL your online PDF forms interactive and accommodate electronic signatures?

Response:

Our newly formed Customer Experience team will be continuing to work with our service providers to update the online form experience and you will see ongoing improvements in this area over the next 12 months.

Question 6:

Can you pls clarify the following points as to why NGS fees and costs are increasing:

Response:

Fee data is reported to reflect the changing regulatory disclosure requirements. For example, a performance fee is now averaged over multiple years using actual fees opposed to applying an annual accrual based on estimates. Because the performance of the NGS options has been higher — performance fees have increased, so on a net return basis — members outcomes are stronger.

Question 7:

The addition of new investments and new investment manager to the portfolio. Is this an option?

Response:

The changes in manager configuration and appointment of new managers is aimed at generating superior member outcomes. For example, the Diversified option invests in unlisted opportunistic assets across private equity, private credit, Infrastructure and Property. To gain access to these opportunities — specialist managers need to be appointed and these managers cost more than a passive style such as the Indexed Growth option. For those members and financial planners seeking low cost, we cater for that by offering the Indexed Growth option, which costs 5 bps — one of the cheapest investment options in the marketplace.

Question 8:

What is the NGS game plan following the COVID-19 lockdown? For example, e-commerce, store rollouts and consumer services, incl. recovery plays that are not so obvious, dental appointments, pathology, BIG Pharma, etc.

Response:

We continue to find attractive investment opportunities that exceed the target return of the portfolio across the majority of areas in which we invest, including infrastructure, property, technology, healthcare and debt instruments. The recovery phase out of COVID-19 is not dissimilar to other business cycles we have witnessed, and the Fund has a variety of tools to position the portfolio to take advantages of the prevailing conditions.

As a long-term investor, we aim to invest in companies that are participating in secular trends and therefore are expected to provide excess returns over a meaningful period – for example, we have actively invested in healthcare technology, clean technology, transitional energy infrastructure, day hospitals, agricultural technology, rocket companies, autonomous vehicle technology and quantum computing to name a few.

Question 9:

Has NGS made a bid as part of the consortium through Morgan Stanley to modernise and operate Victoria's \$1.8 billion motor registry and licensing regime? If not, is there a NSW equivalent?

Response:

These large investments are generally made by consortiums some of which NGS may have exposure through via an infrastructure manager in which we invest. As it relates to this specific asset – the Victorian motor registry the Fund is not participating nor is it aware of a similar process to privatise the NSW motor registry at this time. Where we participate in direct deals, we seek out opportunities that provide the potential for superior returns relative to a core infrastructure asset such as a motor registry service. We have participated in many such deals over the last several years.

Question(s) 10:

While NGS Super Diversified (My Super) was comparable on a 1-year return rate why has it not been as competitive over 10 years as other top performing super funds such as UniSuper, Australian Super, Hostplus Balance, and CareSuper Balance?

I need to ask about the investment you are doing with our super and why it is too low compared to other super companies?

Response:

In relation to performance, the NGS portfolio has been designed to generate returns in excess of its objective, without taking excess risk – which it has achieved. The NGS portfolio is one of the lowest risk portfolio in the market.

Investments are tailored to suit the risk appetite of members and some of the comparable funds have a much higher level of risk in their default option as they are designed for young members, therefore these options are not directly comparable to the NGS Super Diversified Option, rather the NGS Super High Growth option.

I commenced in the role of CIO in 2018 and the current investment strategy reflects a new investment approach that has been designed to enhance returns and outperformance both the objective and peers. We have extremely attractive investments within the portfolio that are unique in the market and position the Fund for superior returns going forward.

Question 11:

I am wondering if it is possible, within the diversified portfolio, to redirect shares in any fossil fuel based companies or other environmentally unfriendly companies to more ethical/sustainable companies.

Response:

The Fund is transitioning away from fossil fuel-based companies across all investment options which we offer members. Please follow us on social media to receive updates on our progress or check our website to hear more about these initiatives in the new year as we provide details of our transition plan to net zero by 2030.

Alternatively, you can choose our Socially Responsible Diversified option, which is designed for members who view social and environmental issues as particularly important.

Question(s) 12:

Will there be a category of investment for cryptocurrencies?

Is NGS investing in any cryptocurrencies in any of their funds?

Response:

The Fund has been actively researching the merits of crypto currency and blockchain more generally. We recognise the immense value that these new technologies may present as a medium of exchange that's anti fiat in nature and somewhat scarce in quantity.

We haven't made an investment to date however in the event we do, exposure will be gained through our multi-asset class options. There is no intention of offering a standalone Crypto strategy at this time.

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

Question 13:

I don't see any attempt at advertising for new members. Should we be looking for new members outside the core group (i.e. Independent Schools) to grow the fund before we get swallowed up by one of the mammoth funds?

Response:

NGS has always advertised but mostly within the core market. NGS has recently commenced a test and learn initiative to advertise outside the core market with the aim of increasing acquisition of new members. This will be initially through social media and other digital channels.

Question 14:

How big is NGS?

Response:

As at, September 2021, we have: \$13.5 billion funds under management, 110,000 members, 11,000 employers.

More detail can be found in the NGS Super Annual Report, which can be found on the NGS Super website.

Question 15:

What is a retirement covenant?

Response:

The whole purpose of super is retirement. The Treasury has released draft legislation to introduce a retirement income covenant for superannuation trustees. The original proposal was for a mandated product and was introduced by the Government in the 2018-2019 Federal Budget. The draft legislation proposes to codify the obligation for superannuation trustees to have a retirement income strategy that outlines in particular how funds plan to assist their members in the retirement. NGS Super will provide more information on this on the website and will have a strategy in place by 1 July 2022.

Question 16:

Do you anticipate sustainable investment to be a growth industry or does Australia's COP26 performance affect it's potential?

Response: (The CIO Answered this question)

There is no doubt that the economics of decarbonisation is underway, this is seen across industries, portfolios and companies in which NGS Super invests. Despite Australia's policy position on this topic, the investment in clean technology, in sustainable investments will continue to grow over time as capital for high carbon business increases.

Question 17:

What have been the primary ESG activities which NGS have undertaken in the past year?

And how have past ESG activities been progressing?

Response: (The CIO Answered this question)

There has been a significant amount of work by the NGS Super Investments team over the last 12 months, including modelling the carbon intensity of the portfolio, running scenario analysis across the companies that NGS Super invests in. This allows for validation of key decisions around divestments and future investments which will be presented to members in the first quarter of 2022.

The following questions submitted during the meeting were taken on notice and addressed after the meeting concluded.

Question 18:

Please give return rate for NGS pension fund and super fund over 10 years.

Response:

The High Growth, Balanced, and Defensive options (the other major multi-asset class options) have all outperformed their investment objectives similar to those of the Diversified (Mysuper) option. On each option's page on the website (for example, our [Balanced option](#)) you can find the annual returns compared against the return target.

Question 19:

Apart from the good performance of the default diversified fund, how have other fund options performed compared to their trends in recent years?

Response:

The High Growth, Balanced, and Defensive options (the other major multi-asset class options) have all outperformed their investment objectives similar to those of the Diversified (Mysuper) option. On each option's page on the website (for example, our [Balanced option](#)) you can find the annual returns compared against the return target.

Question 20:

Can someone please speak more specifically to 1) the financial performance and 2) the specific values of the socially responsible investment option? (how are the policies underpinning this option different to the general NGS portfolio?)

Response:

You can find details about the performance of the Socially Responsible Diversified option in our [annual report](#) and more details in the [Investment guide](#).

Question 21:

"Climate change is one of the biggest risks to humanity"; "Climate catastrophe"; "catastrophic impacts" "extreme weather events" – these statements are alarmist talk considering carbon dioxide accounts for 0.04% of the atmosphere, and we (humans) only contribute 3% to that total. There is

much debate in the scientific community about this. Let's not forget that carbon dioxide is the source of all plant life. I say again – 0.04%!

Are you wasting member's money in trying to be carbon neutral for 2030?

Have you asked your members what they think about this goal?

Response:

Thank you for sharing your opinion.

The role of the NGS Super Investments team is to consider the various risks relative to the possible return available from allocating members' money. Given the Fund's long-term investment horizon, considering possible stranded asset and physical asset risk is an essential factor in determining how the Fund deploys members' capital, as this is one of the largest risks faced by long-term investors. There is no longer a debate amongst leading scientific bodies and climate scientists on the impacts of human-induced climate change, with economic costs mounting in various countries around the world, forecast to increase exponentially over time.

There are also trillions of dollars being invested in sustainable and renewable technologies and these provide significant opportunities for the Fund to grow members' wealth. The Fund conducts detailed scenario analysis to ensure we consider the various possible paths of decarbonisation and the associated economic loss or benefit those companies we invest with may face.

The Fund has invested with groups associated with the CSIRO to identify emerging technologies which, if successful, will disrupt many inefficient, high-polluting industries and companies. Between the scenario analysis and innovative solutions that are emerging, the Investments team gain valuable insights into both the risks and opportunities within the various industries in which we invest. We therefore believe that our approach materially reduces risk and increases the probability for generating superior returns to a passive, high-carbon portfolio approach.

Question 22: I would like to see a simpler and more straightforward login process for the web site. NGS is the only site where I have problems. Maybe two factor authentication could be used?

Response:

We're sorry that you have had difficulty logging in. Our current system does include multi factor authentication and it occurs at different stages of the login journey and can require various information for processing. To improve this experience, we are currently looking into a new login system which will require only your email address and password to log in, rather than your member number.

Question 23: One time withdrawals are currently not included in the calculation of the minimum annual withdrawal amount for Income Stream Accounts. I have been told that this is a NGS system problem and I have asked several times when it may be addressed and corrected. Responses received were passive and somewhat dismissive. I would like to table it here as an action item.

Response:

Minimum pension drawdown rates apply to pension payments only – that is, the regular income stream payments that you set up through your NGS Income account. Any one-off lump sum withdrawal (less than a full balance withdrawal) that is not rolled over to another super fund is characterised in superannuation law as a partial commutation of capital, and will result in an adjustment to your transfer balance cap. A partial commutation is not a regular income stream payment and the minimum pension drawdown rates do not apply to these payments.

Meeting close

The CEO thanked the Deputy Chair and the CIO for their presentations, NGS Super and Corrivium staff involved in the organisation of the meeting, the Board for their support and guidance and Fund staff for their commitment to members.

The CEO thanked members for their attendance and the interest shown in the Fund.

There being no further business the meeting concluded at 5.25pm.

Signed as a true and correct record

Signed:

Name: Geoff Newcombe

Title: Deputy Chair

Date: 15 December 2021