

ACTIVE SUPER 2023 ANNUAL MEMBERS' MEETING MINUTES

Held at The Auditorium, Parramatta Square Business & Events Centre, 4 Parramatta Square – 12
Darcy Street, Parramatta and by webinar on Thursday 7 March 2024 at 5.30pm – 7.00pm

Presenters: Kyle Loades, Chair and Independent Director
Donna Heffernen, Acting Chief Executive Officer
Craig Turnbull, Chief Investment Officer
Chantal Walker, Chief Member Experience & Growth Officer
Lisa Judge, Head of Advice

Present: Karen McKeown, Deputy Chair and Employer Nominated Director
Craig Peate, Deputy Chair and Member Nominated Director
Declan Clausen, Employer Nominated Director
Greg McLean, Member Nominated Director
Gordon Brock, Member Nominated Director
Nathan Hagarty, Employer Nominated Director
Sandi Orleow, Independent Director
Donna Heffernan, Acting Chief Executive Officer & Company Secretary
Craig Turnbull, Chief Investment Officer
Chantal Walker, Chief Member Experience and Growth Officer
Andrew Gledhill, Acting Chief Products and Retirement Solutions Officer
Peter Gilmore, Chief Financial & Commercial Officer
Bart Kula, Chief Risk Officer
Natalie Kalouche, Acting Chief Governance Officer
Mark Spring, Merger Transition – Executive Sponsor
Tim Carmichael – Head of Human Resources
Rita Da Silva, Ernst & Young (External Auditor)
Richard Boyfield, Mercer Consulting (Fund Actuary)

Apologies: Claudia Bels, Independent Director

Issued by LGSS Pty Limited (ABN 68 078 003 497) (AFSL 383558), as Trustee for Local Government Super (ABN 28 901 371 321) (Active Super).

The meeting commenced at 5.37 pm Australian Eastern Standard Time.

1. Welcome

Ms Lisa Judge, Head of Advice, noted that it had been a big year and welcomed members and other attendees to the Active Super 2023 Annual Members' Meeting and made an acknowledgement of Country.

Ms Judge spoke to the following matters:

- noted that the annual members' meeting will provide an opportunity for members to hear from the Active Super Board and Executive Team and to ask questions;
- noted the agenda and format of the meeting;
- highlighted that the presentations will contain general information only and that financial advice relating to a members' specific circumstances will not be able to be provided;
- noted the attendees of the meeting;
- noted the process of asking questions; and
- noted that the presentations contained financial information and performance results to 30 June 2023 and that financial information relating to the 2023 financial year could be found in the latest annual report available on the Active Super website.

Ms Judge introduced the Chair of the Board, Mr Kyle Loades.

2. Chair Address

The Chair spoke to the following matters:

- the Chair welcomed the members to Paramatta for the second year;
- noted that the Fund had another great year, highlighting the 27-year history and the wonderful heritage;
- noted the links between the Fund's history and the local community;
- noted that despite the fund being open to members across the nation, its local government heritage continued to be the main focus;
- acknowledged the shareholders as an important part of Active Super and the focus on achieving the best possible outcome for its members;
- acknowledged his fellow Directors, noted that they were a very hands on, active and professional Board that was focussed on understanding member needs;
- reminded the members of the reasons behind the Fund's planned merger and noted that the merger was progressing well and would happen later in the year. Members will receive communications of the key milestones;
- noted that an ASIC proceeding on alleged greenwashing had commenced in August 2023, as previously disclosed in the Chair's message within the Annual Report. As the matter was *sub judice*, nothing further could be said;
- noted the importance of ESG investing, for the good of the environment and to drive investment returns for members;
- thanked the Active Super – executive, staff, the CEO and the Board for all their efforts through the year.

The Chair introduced the Acting Chief Executive Officer (ACEO), Ms. Donna Heffernen.

3. Acting Chief Executive Officer (ACEO) Address

The ACEO spoke to the following matters:

- her appreciation of the opportunity to present to members noting that she has been with the fund for 14 years and is honoured to lead the fund in putting members' interests first;
- provided a snapshot of the Fund highlighting that Active Super managed \$14 billion on behalf of approximately 82.5 thousand members;
- acknowledged that strong long-term investment performance was the Fund's key focus and that after a challenging year Active Super produced a strong set of returns for the 2023 financial year;
- noted the Fund once again passing APRA's MySuper Test, as well as achieving a SuperRatings Platinum rating for the Account-Based Pension Plan and gold ratings for the Accumulation Scheme for both Choice and MySuper Lifestage products;
- noted that the Retirement Income Covenant had increased the focus on supporting members through their retirement journey. To that end, the Fund published its Retirement Income Strategy, resumed retirement and pre-retirement seminars and introduced retirement health checks to allow members to see how they were tracking towards retirement;
- Acknowledged the staff and Board as a great team and thanked them for their attendance at the AMM; and
- introduced the talented executive leadership team and thanked them for their energy, commitment, and drive to get the best possible member outcomes.

The ACEO introduced the Chief Investment Officer (CIO), Mr Craig Turnbull.

4. Investment Update

The CIO spoke to the following matters:

- presented performance charts for three different periods (1, 5 & 10 year) to June 2023, highlighting that it had been a good year for returns with performance similar across the Accumulation, ABP and Retirement Schemes;
- noted that the year-to-date returns were good as markets picked up from October;
- presented charts highlighting Active Super's diversified investment approach and illustrating the differences in return by asset class with returns for Private Equity, International Shares being down and Australian Shares, Direct Property, Listed Property, Private Credit, Infrastructure, Bonds and Cash being positive in the last year;
- noted that the 5-year performance charts reflected some products being above and some being below the median. The fund is trying to lift all products above the median return;
- presented case studies of ECP Asset Management and Centaur Property, which had been high performing managers over the last 5 years;
- noted the ongoing challenges for the economic outlook, including higher interest rates, increased cost of living, the wars in Europe and the Middle East; and
- noted that Australia had so far avoided recession and hoped that positive returns would continue for the financial year.

The CIO introduced the Chief Member Experience & Growth Officer (CXGO), Ms Chantal Walker.

5. Our Member Focus

The Chief Member Experience & Growth Officer (CXGO) spoke to the following matters:

- thanked the members for their loyalty, with the hope that it would continue for many years to come;
- noted the Fund's aim to service members at a time, place and channel of their choice;

- Expressed pride at the responsiveness of the Fund’s contact centre, highlighted that out of the 70,000 member interactions, around 50,000 calls were answered within 28 seconds;
- noted that free general advice was offered at the contact centre from Monday to Friday (8.30-6.00);
- noted that tools & programs had been created to ensure members could be engaged with their super fund and they could easily identify where their money is invested, by country, sector or stock, with full portfolio disclosure also available on the website;
- noted the Active Super Booster program, through which members could link their cards and receive additional contributions into their super by shopping at any of the 650 participating retailers;
- noted the member discounts available through Active Super Rewards including HCF and Trippas White restaurants;
- highlighted the Digital Card, which enables members to put member number and bpay details in their digital wallet; and
- presented the advertising campaign celebrating ‘local super people’, that is currently in the market .

The CXGO handed back to Ms Judge for the Q&A.

6. Question and answer session

Ms Judge welcomed the presenters back to the stage and opened the question-and-answer session by:

- inviting members to ask questions;
- thanking the members that had pre-submitted questions, noting that those topics had been integrated in the themes of the presentations where possible;
- clarifying that some pre-submitted questions had been or will be responded to directly; and
- noting the process of asking questions for both in-person and online attendees.

Ms Judge started the session with some pre-submitted questions.

Ms Judge: Please give some information on where our investments are placed. I would like to see investments in Australian food companies i.e. farms, producers etc.

Chief Investment Officer

The Fund does have some investments in the Australian food sector, investing throughout the food supply chain, from producers like **Inghams Group** and **Elders**, through to food distributors **Metcash** and **Graincorp**, as well as retailers **Woolworths** and **Coles**.

The performance for these companies in the 2022/23 financial year was as follows:

Inghams	+3%
Elders	-44%
Metcash	-6%
Graincorp	-15%
Woolworths	+14%
Coles	+7%

The Fund also hold private market investments in the Australian food sector. For example, the **ROC Premium Food Fund**, whose investments include stone fruit, pears, almonds and wagyu beef, has returned 7.8% p.a. since investments began in 2020.

Another private equity fund the Fund invests in is called the **Adamantem** fund, whose investments include food processing and packaging companies. Adamantem has given a return of 10.1% p.a. since 2017.

This type of information can be found using Super View, an interactive online tool on the Active Super website.

Ms Judge: On 3 February 2024, The Sydney Morning Herald printed a list of Super Funds Retirement Phase performance for 2023 (calendar year). Active Super was not in the top 10. The overall median return was 10.1%. What was the percentage return for Active Super in the retirement phase for 2023 in the growth category for the full year? Brighter Super Optimiser Multi-Manager Growth was first with a return of 14.9%.

Chief Investment Officer

In the year to December 2023 (the period quoted in the Sydney Morning Herald article), the Growth option in the Funds Account Based Pension delivered returns of **9.98%**, which appears to be just below the median mentioned. The latest information on the Fund's investment returns is available on the Active Super [website](#) or members can contact Member Care.

Ms Judge: What has been the performance of the High Growth Accumulation fund so far, this financial year?

Chief Investment Officer

For the Financial Year to Date to February 2024, the fund has returned 8.54% on the High Growth option in the Accumulation Scheme. The latest information on the Fund's investment returns is available on the [website](#) or members can contact Member Care.

Ms Judge: Where do you invest funds and how do you manage the market risk? What is the average annual return on investment over the last five years? What was your best and worst investment over the years?

Chief Investment Officer

When running investment portfolios, it's important to have a well-constructed portfolio that is diversified in different asset classes, so that while one asset class may be down, others may be rising to help even out the returns. So, beyond shares, the Fund also invests in things like property, private equity, infrastructure and cash, which are all important for returns.

Investment returns for the 2022/23 financial year as well as the last five and ten years were presented in the [Annual Member Presentation](#), and also Financial Year to Date figures. For the latest information on investment returns, please visit the Active Super [website](#).

As for the best and worst performing investments, the asset class with the best 5-year return before tax has been Australian equities, delivering 11.1% p.a. It's important to note that there are tax advantages for super fund investors in Australian equities which adds to their attraction. Within Australian equities, the Fund's best performing Australian equities manager has been ECP Asset Management which has delivered returns of over 16% p.a. for five years to December 2023.

All asset classes have given a positive return over five years to December 2023, but Bonds have given the lowest return of 1.44% p.a. before tax. The outlook for bond returns is now better due to higher interest rates.

Ms Judge: Has Active Super had good returns from the Melbourne Airport (APAC) 30,000 solar farm investment as yet, and if so, what percentage of our investment was achieved please?

Chief Investment Officer

To clarify, Active Super invests in Australia Pacific Airports Corporation (APAC), which owns Melbourne Airport, and the solar panels are a Melbourne Airport initiative, generating power that helps run the airport.

The return from Active Super's holdings in APAC for the financial year to end of June 2023 was 7.02%, increasing to 7.9% for the 2023 calendar year.

Melbourne Airport is the first Australian capital city airport to commit to net zero by 2025. The solar panels are one of the many initiatives the airport has taken to help achieve their net zero target.

Ms Judge: How many union affiliates do you have on the Board?

Chair

Of Active Super's nine Board members, three are Member Nominated Directors (Union nominated) – Greg McLean (USU), Craig Peate (USU), and Gordon Brock (LGEA). Three members are Employer Nominated Directors – Nathan Hagarty, Karen McKeown and Declan Clausen. Three members are Independent Directors – Sandi Orleow, Claudia Bels and Kyle Loades.

Ms Judge: I recently learned about ASIC commencing greenwashing action against Active Super. Were Active Super members informed of the allegations? I don't recall any communication.

Chair

The Fund communicated to members via a statement on the website, published in August 2023, and the issue was also acknowledged at the FY22/23 Annual Meeting [in the FY22/23 Annual Report]. Members will continue to receive updates wherever possible. Active Super has co-operated with ASIC's investigation and welcomes the scrutiny on ESG disclosure standards as being good for members, the super industry and the community. As the matter is before the courts, further comments aren't possible at this stage.

Ms Judge: Who will be the CEO of the merged entity?

Chair

The Chief Executive of Vision Super, Stephen Rowe, was selected to be the CEO of the combined fund in June 2023. As a result, Active Super's former CEO Phil Stockwell left the Fund and Active Super Deputy CEO, Donna Heffernan, is now Acting CEO.

Both Stephen and Donna will continue to serve as CEOs of their respective funds up until the merger.

Stephen brings decades of experience in the industry and has also worked with merging funds together. The Fund is excited about working with the Vision team.

Ms Judge: Are you working to achieve Net Zero well before 2050 and what is your strategy to achieve it?

Chief Investment Officer

Yes, the strategy has been in place for some time. The Fund has an Emissions Policy, and it uses its own internal modelling as well as external modelling to understand the emissions that are coming from the portfolio. Considerable work has already been done and the Fund is projecting forward to see how that's tracking to 2050 by asset class. This allows focus on the sectors and securities where the Fund needs to improve and to have engagement with its managers and in some cases even directly with the companies.

The Fund also has a range of investment restrictions that have been in place for certain activities for some time. Most of them have threshold levels. These include coal production, coal-fired utilities, oil sands production and other high carbon intensity sectors. They're intended to limit the potential risk to the Fund's portfolio and they also keep the carbon footprint generally lower than benchmark.

Furthermore, the Fund continues to work with its managers to meet the aspirations of the Paris Agreement. This is done throughout the year via its Environmental, Social and Governance (ESG) risk assessment process for all asset classes and for all the managers that manage the Fund's money.

Ms Judge: What security measures has Active Super implemented?

Chief Member Experience & Growth Officer

Active Super has introduced multi-factor authentication (MFA) to help protect members when they're accessing their account through the portal and app.

The Fund also has policies and procedures in place to protect its IT infrastructure and to safeguard members' account information.

Ms Judge reminded online participants that questions can be submitted via the ask a question function and continued to take online questions.

Ms Judge: Will one of the benefits of the merger be lower fees for members?

Chair

That is the goal. When you bring two funds together, this can create synergies and opportunities to make more 'profit'. But at a profit-to-member organisation like Active Super, that profit is to be given back to the member in every form possible. So, the objective is to be an ongoing fund that delivers the highest level of returns and the lowest possible fees.

Ms Judge: When the merger is finalised, what will the super fund be called?

Chair

This decision has not yet been made. The merged company may end up running the two brands in parallel for a period before eventually moving to one brand, but this is a decision for the future Board.

Ms Judge commenced taking questions from the in-person attendees.

Q. Given that your objective is to maximise your return to the members, can you explain why the performance of Active Super was below the peer median for most of the investment options?

Chief Investment Officer

Certainly, the Fund's objective is to be above the median. The Fund has a philosophy of diversified lower risk portfolios. That tends to mean that it doesn't get to the very top where people have concentrated portfolios. But it also keeps away from the bottom when things go wrong.

In the last five-year period, Active Super returns have been average and steps are being taken to improve in certain areas. The shorter term returns for the financial year to date are encouraging and it is expected that this will flow through to get the Fund back up above the average for all products over the longer term.

Q. In relation to the federal court case, are there any legal fees accrued in these accounts that have been presented? I imagine that any Federal court action will be very expensive.

Chair

If there's a negative outcome from the court case – which, keep in mind they're allegations, so at this point it's an allegation – if the Fund goes to court, they've got to be proven. If they are proven, then that's where the question of insurance comes into it.

Q. On page 16 of your Annual Report you've pointed out the four award-winning office buildings in the portfolio. On page 19, it looks like the fair value of that property has decreased substantially because we're all working from home. Could you explain, was there a disposal or was there a diminution in value? It went down around 10% in one year. What happened there?

Chief Investment Officer

Slide 23 of the AMM presentation showed the 5-year asset class performance to January 2024. Over five years, property has performed well. But last year there were downturns in the value of property and that was experienced across the sector.

Indeed, property was the Fund's weakest performing area last year, but property is only 5% of the portfolio. That's the advantage of a diversified portfolio. While property went down, the rest of the portfolio did fine and overall, the returns have been good.

Also, the office portion is about half of the property portfolio. The other areas are retail and industrial, and all values fell to different levels, but they all went down.

Chair: Could you please comment on the long term returns of the Active Super property portfolio?

Chief Investment Officer

Over the 5-year period to end of January 2024, even with the dip in performance last year, the returns for property have been good. It delivered just under 4% returns which is better than the benchmark.

Furthermore, property is a long-term proposition because the transaction costs for short-term trading would be very detrimental to members.

Ms Judge closed the Q&A Session.

Meeting close

Ms Judge reminded members that any questions not addressed during the meeting would be responded to in the AMM minutes, which will be published on the Active Super website within one

month. She also highlighted that any questions relating to a personal situation would be addressed by the Member Care team.

Ms Judge handed over to the Chair for his closing comments.

The Chair then closed the meeting by:

- thanking the members for their questions, for being members and for their loyalty;
- recognising the value of transparency, and confirming that questions that have not been answered would be followed up;
- expressing Active Super's pride in being a member-based organization and delivering best possible member outcomes; and
- noting that the Board and ELT looked forward to meeting and chatting with the members one on one after the meeting.

The meeting closed at 6.42pm.

Additional questions received before and during the meeting that were unable to be answered at the meeting.

Q. In relation to the financial statements, I notice that the amount of 'Transfers in from other funds' was about \$264 million. Can you advise the amount of 'Transfers out'. I don't understand why it's not disclosed.

Chair of the Audit & Compliance Committee and the Chief Financial & Commercial Officer

For the year to 30 June 2023, Transfers from other superannuation plans totalled \$264.7 million. For the same period, Transfers to other superannuation plans totalled \$381.6 million.

This latter figure is contained within the line Benefits to members / beneficiaries (\$1,051.3 million). This disclosure is consistent with AASB 1056.

Q. The information on page 53 of the Annual Report, has a header that says Ins and Outs for 2023, but the table says for the year ended '22. Can you explain why that's the case?

Chair of the Audit & Compliance Committee and the Chief Financial & Commercial Officer.

For clarity, according to the page numbers shown on the Annual Report, the information you refer to actually appears on page 54 and is a continuation of the table which begins on page 53. The figures are the prior year comparative, which is still part of the Statement of Changes in Member Benefits for the year ended 30 June 2023. In the hard copy of the report, these two pages appear adjacent to each other as a double-page spread.

The information is therefore technically correct, but it is possible that that the layout may make it confusing. The same information is shown in the published financial statements with the full table under the same heading (first block is FY23, second block is FY22, the prior year comparative) as follows:

ACTIVE SUPER**Statement of Changes in Member Benefits
For the year ended 30 June 2023**

	Defined Contribution Members ("DC") \$'000	Defined Benefit Members ("DB") \$'000	Total \$'000
Opening balance as at 1 July 2022	9,676,159	3,369,170	13,045,329
Contributions:			
Employer	439,678	66,159	505,837
Member	172,378	7,195	179,573
Transfer from other superannuation plans	258,850	5,884	264,734
Government co-contributions	393	25	418
Income tax on contributions	(64,778)	(9,490)	(74,268)
Net after tax contributions	806,521	69,773	876,294
Benefits to members/beneficiaries	(729,056)	(322,241)	(1,051,297)
Transfer from defined benefit to defined contribution	10,364	(10,364)	-
Insurance premiums charged to members' accounts	(12,048)	-	(12,048)
Death and disability insurance benefits credited to members' accounts	8,171	-	8,171
Benefits allocated to members' accounts, comprising:			
Net investment income	670,162	198,225	868,387
Administration fees	(29,789)	(4,665)	(34,454)
Actuarial Deficiency *	-	(4,732)	(4,732)
Closing balance as at 30 June 2023	10,400,484	3,295,166	13,695,650
	Defined Contribution Members ("DC") \$'000	Defined Benefit Members ("DB") \$'000	Total \$'000
Opening balance as at 1 July 2021	9,774,430	3,574,001	13,348,431
Contributions:			
Employer	396,797	84,146	480,943
Member	185,393	11,054	196,447
Transfer from other superannuation plans	330,565	8,341	338,906
Government co-contributions	356	19	375
Income tax on contributions	(60,108)	(12,849)	(72,957)
Net after tax contributions	853,003	90,711	943,714
Benefits to members/beneficiaries	(647,671)	(340,971)	(988,642)
Transfer from defined benefit to defined contribution	8,244	(8,244)	-
Insurance premiums charged to members' accounts	(11,810)	-	(11,810)
Death and disability insurance benefits credited to member's accounts	8,961	-	8,961
Benefits allocated to members' accounts, comprising:			
Net investment (loss)	(303,672)	(69,668)	(373,340)
Administration fees	(5,326)	(957)	(6,283)
Actuarial Surplus *	-	124,298	124,298
Closing balance as at 30 June 2022	9,676,159	3,369,170	13,045,329

Q. In relation to number of members, I notice there was a figure of 82,000 members. Was that at balance date, does that correspond to the accounts that are being presented to members? Did it go up or did it go down.

Chief Member Experience & Growth Officer

The number of members and accounts shown on slide 13 of the Annual Member Meeting presentation were based on data from 29 February 2024. (82,532 unique members and 87,661 accounts.)

As of 30 June 2023, Active Super had 83,695 unique members and 88,821 member accounts. In the previous financial year, Active Super had 81,818 unique members and 86,910 member accounts.

Q. In relation to the financial statements, I notice that EY is the auditor, the tax consultant and consultant for the proposed merger. I'm wondering how you managed those conflicts of interests, how you arrived at EY as providing the consulting services of \$385,000 already, what was the process and how much more is going to be spent on this merger?

Chair of the Audit & Compliance Committee and the Chief Financial & Commercial Officer.

Active Super has robust policy requirements to ensure that due process is applied to all external consulting engagements. This may include, where appropriate, a competitive process such as a 'requests for proposal' (RFP).

The consulting services provided by EY during the year to 30 June 2023 related to the following:

External Auditor – EY are the current external auditor of Active Super. The appointment of the external auditor is made after a competitive RFP and the engagement is subject to review and approval by the Board each year.

Merger Consulting – EY were one of several firms that responded to a competitive RFP for merger consulting services issued jointly by Active Super and Vision Super. At the time of writing, EY are no longer engaged in relation to consulting on the merger.

Tax Consulting – These were services for a historical tax matter which related to prior year periods when EY was then the Fund's appointed Tax Advisor. That original engagement as tax advisor was the outcome of a competitive RFP.

At the time of writing, of the three engagements above, only the External Auditor engagement is still ongoing. The Fund's current tax advisor is KPMG and merger consulting services are being provided by the IQ Group.

Q. Your exposure to 'Magnificent Seven' is low. How will that change? Could you give me some idea of what you're looking at in terms of increased exposure to these stocks? (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, Tesla)

Chief Investment Officer

The Fund's exposure to the large US growth companies is underweighted. The Fund has less than the benchmark. These companies have performed well so this has negatively affected the Fund's relative performance. Some changes that would bring the Fund closer to the benchmark weight are being planned.

Q. What are you doing to reduce fees?

Chief Financial & Commercial Officer

Active Super has made reductions in administration fees over recent years. The Fund is always on the lookout for ways to further reduce fees for members, including removing completely some service fees. An announcement regarding further fee reductions as part of communications regarding the forthcoming merger is expected.

Q. Why doesn't Active Super pay a return on employer contributions paid into a members account, until after a member retires? (Retirement Scheme)

Head of Advice

As the particular account this question is referring to is not known, it isn't possible to answer this question in detail.

However, it is confirmed that accumulation-style benefits (such as those in the Accumulation and Account-Based Pension Schemes) are subject to returns based on the investment performance of applicable investment strategy or strategies, while defined benefits within the Retirement Scheme and Defined Benefit Scheme are determined by way of prescribed formulas. Members should refer to the relevant PDS for further information.

Important note: Questions involving particular member accounts or personal information are not able to be answered in the Annual Member Meeting Minutes. Active Super will contact these members directly to address these questions.