



Annual Members' Meeting

Date 17 November 2020
Time 6:00pm
Venue via Videoconference

The meeting commenced at 6:01pm.

Welcome

Co-Chair M. O'Connor declared the meeting open and welcomed everyone.

The Meeting acknowledged the Traditional Owners of the many lands that the meeting is held on and paid respects to the Traditional Owners from all those lands, their Elders past and present.

Attendance & Apologies of note

M. O'Connor noted that the First Super directors were in attendance, with the exception of Co-Chair Mike Radda who was an apology with a prior engagement. They are listed below, along with the panellists including the Fund's Auditor and First Super staff of note.

First Super Directors	
Michael O'Connor	Co-Chair – Member Representative
Frank Vari	Member Representative
Scott McDine	Member Representative
Denise Campbell-Burns	Member Representative
Julie George	Employer Representative
Janet Gilbert	Employer Representative
Robyn Burns	Employer Representative
Lisa Marty	Employer Representative
Candy Broad	Independent
Tim Chatfield	Independent
First Super Staff	
Bill Watson	CEO
Maxine Jacona	Executive Manager Governance/Company Secretary
Andrew Jewell	Executive Manager Financial Advice and Education
Rebecca Stewart	Executive Officer/Minute Taker
Jason McKinnon	Compliance Officer
Melissa Hughes	Meeting Organiser
Invited	Company Represented
Craig Jenkins	BDO

He also welcomed the 50 members and staff who had attended.

Disclaimers

The general disclaimers and general advice warning was advised to the meeting.



How to ask Questions

M. O'Connor advised the meeting on how to ask questions and encouraged them to do so.

Meeting Minutes

The Annual Members' Meeting minutes will be published on the website no later than 16 December 2020. This will include any responses to questions that the panel were unable to answer or took on notice at the time.

Agenda

An outline of the agenda was provided –

- 6.00pm: Welcome
- 6.05pm: Fund update
- 6.15pm: Chief Executive Officer report including an investment update
- 6.30pm: Questions from members
- 7.00pm: Meeting concludes

Fund Update

M. O'Connor provided a Co-Chairs' report to the meeting covering several items.

2020

He noted that 2020 had been a tough year with bushfires, pandemic, an economic crisis causing investment market volatility and the Government's response to the health pandemic.

He noted that the biggest challenge for the Fund was the Government's early release of super scheme and particularly for those members that have withdrawn money out of their accounts. It will take a long time to recover and many members will now be further away from attaining a dignified retirement.

He advised in the meeting that the Fund couldn't invest as they would have liked, due to the need for liquidity to meet early release of super payments.

He said that the Member and Employer Services Coordinators, contact centre staff from our Administrator, and the Financial Advice Team provided advice and assistance to members and their families to help them cope with the impact of the bushfires and the health pandemic during this time. In particular our Administrator, SBA, kept call waiting times down, which meant that First Super members did not experience the considerable delays in having their calls answered that members of other funds experienced.

Investment returns

Apart from the accumulation and pension cash options, all other investment options had slightly negative earnings for the 2019/20 financial year. Across the board, asset values were negatively impacted by the coronavirus pandemic. As just one example, the S&P/ASX 200 index fell by more than 13% last financial year.



Board Changes

- Mike Radda was appointed Co-Chair from 1 January 2020.
- Lisa Marty has announced her resignation as of 31 December 2020.
- Alex Millar has also resigned effective November 2020.
- Directors re-appointed during the year were: Tim Chatfield, Denise Campbell-Burns and Janet Gilbert; Candy Broad's term was extended by six months to maintain continuity through the pandemic.

The Co-Chair thanked the directors for their work through a tough year. He acknowledged that the Board was well supported by our Administrator SBA, the CFMMEU's Member and Employer Services Coordinators, asset consultant Frontier Advisors and Trustee Office staff.

M. O'Connor again thanked everyone for joining the meeting and introduced the Fund's CEO, Bill Watson.

CEO and Investment Update

The CEO firstly provided an overview of the history of First Super, why the Fund was created and its pride in its industry links.

First Super is an Industry Super Fund with 46,646 members as of 30 June 2020, \$3.13 billion funds under management, industry links to the timber, pulp and paper and furniture industries and unusually, a dedicated Administrator.

The CEO introduced the executive team and thanked them for their work over the year.

He detailed three changes that had occurred over the year and the reasons behind each.

1. Government Policy Changes – Insurance

The Federal Government made two significant changes to insurance inside superannuation:

- a) New members with account balances of less than \$6,000 and inactive members under the age of 25 are no longer automatically insured. This means that there are now far fewer members who have death and total and permanent disablement cover.
- b) Fewer insured members meant that insurance premiums increased from 1 November 2019 by 21.4% for death and total and permanent disablement and by 4.3% for income protection insurance.



2. Administration Fees

Administration fees increased on 1 April 2020 for the first time since December 2013 – this affected accumulation members only.

Effective 1 April 2020, the Fund increased administration fees for accumulation members from \$1.50 per week to \$2.25 per week and an increase in the asset fee from 0.05% to 0.18% per year.

The reason for the increase in fees was the rising cost of operations including cost increases by suppliers and government policy changes limiting the fee charged to members who have account balances of less than \$6,000 at the end of each financial year.

3. Temporary Early Access To Super Scheme

Just as the Fund was ready to invest in the share market in March following falls in share prices, the early release of super scheme was announced. We did not anticipate that the Government would allow members to access their superannuation prior to reaching retirement.

The Fund had to create additional liquidity to meet members' early release requests. Creating cash reserves meant that members missed out on the opportunity to invest at the bottom of the market.

The Fund's administrator, SBA, consistently ensured that members received their early release benefits within the mandated five-day timeframe. The majority of members received their payments within three days. Some members experienced delays due to the need to validate their request or their personal details.

He apologised for those delays, but preferred prudence over speed.

He also advised that like many other businesses, from late March onwards, the Trustee Office and service provider staff commenced working from home. He thanked the Trustee Office and those of our service providers for the way that they have adapted to their new working arrangements and have continued to service members and employers.

Coronavirus Support Communications

The CEO detailed an increase in the frequency of communications to members and employers and a website page created to provide information and resources on how to best cope with the many and varied challenges we all face in these challenging times.

Our Member and Employer Services Coordinators also undertook a program to phone all of our pension members to make sure that they were OK, which was well received.



Early Release of Super Payments

In the first round of the early release of super scheme, 7,116 members received a total of \$60.5 million with an average payment of \$8,498.

The challenge now is working with members to rebuild their superannuation account balances and to prosecute the public policy case for the Federal Government to top up accounts which were depleted through early release.

In policy terms, we do not want to see the intergenerational wealth gap exacerbated. It is a fact that housing affordability is a significant issue for younger members.

Younger people are disproportionately represented in early release applications. It is not a great outcome, younger people having substantially less super in retirement that they had expected to have and fewer owning homes.

2019/20 Investment Returns – Accumulation

Despite a disappointing negative return, First Super delivered a result that placed us in the top 25% of all superannuation funds nationally.

Our Balanced option for accumulation members, the default option in which most members are invested, returned minus 0.95% for the financial year.

How Does First Super Compare?

The independent ratings agency, SuperRatings, assessed our performance relative to the default options of other super funds as “satisfactory”.

The best 25% (top quarter) of super funds returned an average of minus 1.76%, while the bottom 25% returned an average of minus 5.02%.

Looking Forward

The CEO advised the meeting that over the next 12 months, First Super will focus on:

- helping members build their balances after conclusion of the early access scheme;
- continuing the ESG program of work to lead super funds on the application of social factors to super fund investments;
- the NZRelo partnership to support member acquisition targets; and
- the reintroduction of staff to the office and the resumption of field staff appointments, meeting members and employers at worksites as pandemic restrictions ease.



Questions

The CEO encouraged questions via the Q&A icon located at the bottom of their screen.

The following questions and responses were noted:

Q - What is the impact on the Fund following the Government's COVID-19 early release of superannuation scheme?

Response from Executive Manager Governance, Maxine Jacona

She noted that the impact on Fund had been covered throughout the presentation but added that the most difficult part had been the speed with which there was a need to get administration and liquidity resources ready.

The Fund also had concerns about the investment returns and members' balances not meeting retirement savings expectations.

She noted that approximately 7,300 members had withdrawn money under the early scheme and that the second round was trending similarly.

Q - What is First Super's investment in shares?

Response from CEO, Bill Watson

As at September 2020, 40% of the Fund's assets were held in listed Australian and international shares. Australian shares represented 21% of the Fund's assets and international shares 19% of the Fund's assets.

Of the share portfolio the proportion of Australian shares was 52% and international 48%.

Of the remaining 60% of assets, only 3% are in unlisted shares with the balance of assets being investments in unit trusts and cash.

Q - I'm nearing retirement and would like to know my options.

Response from Executive Manager Financial Advice and Education

He noted that the answer depends on your age. For instance if you are 60 and retiring, you are able to withdraw your super as a lump sum or as a pension. However, if you are younger than 60, you must meet preservation age.

Q – Wouldn't the increase in management fees and other fees and charges like the investment fee simply make me switch to a cheaper super fund with lower overhead costs?

Response from CEO, Bill Watson

The CEO noted that the Fund has active fund management which has previously returned significant outperformance. The Fund also provides intrafund advice at no direct cost to members and encouraged members to use the ASIC Money Smart comparative website.

He recommended reviewing the totality of management, investment and administration fees together with returns.

Q – I would like to know where the money is invested, what company does my money go into, what shares you put my money into. I think every share and real estate investment should be itemised on our super statement - every dollar. As I have a super fund with you from 1992 it's a long time.



Response from CEO, Bill Watson

The CEO referred the member to the website and the details contained in the annual report on where the money is invested. If this is not sufficient, please contact us for further information.

Response from Co-Chair, M. O' Connor

The Co-Chair advised the meeting that the Fund does not pick individual companies. The Board choose fund Managers who choose stocks based on history and processes. He detailed the Investment Committee's disciplined approach and maintaining the Strategic Asset Allocation which is set for the medium to long term. He noted that if Managers do not perform, they are reviewed, monitored and terminated in the case of poor long-term performance.

Q - Can I withdraw my super?

Response from Executive Manager Financial Advice and Education

He noted that the answer depends on your age. For instance if you are 60 and retiring, you are able to withdraw your super as a lump sum or pension. However, if you are younger than 60, you must meet your preservation age. He also noted that there are special circumstances of financial hardship, where if you qualify, you can withdraw up to \$10,000 in any 12-month period.

Q – Why's the comparison only made for the default option and no other investment options are included?

Response from CEO, Bill Watson

The CEO noted that in the interest of time in the meeting, only the Balanced option was mentioned, however we will contact you to arrange a time to go through details of the other options.

Q – How is First Super placed to respond to this?

<https://www.google.com/amp/s/amp.smh.com.au/politics/federal/underperforming-super-funds-to-be-named-and-shamed-with-new-comparison-tool-20201006-p562k3.html>

Response from CEO, Bill Watson

The CEO noted that the Fund was proud of its returns, its history of connection with industry associations, and its predecessor funds and above all working with members to retire with dignity. He advised that if the Board did not believe that First Super could support members in all situations the Board would consider merger. He reiterated that the Board is committed to the Fund and its goals.

Q – Does our super fund not have an insurance policy on it?

Response from Executive Manager Governance, Maxine Jacona

She noted that the fund had Death/TPD and Income protection insurance options with over 27,000 members covered for death and TPD. This is a decrease of 35% due to recent government legislation changes.

Q – The fund should invest in some gold, in the fund.

Response from Co-Chair, M. O' Connor

The Co-Chair advised that the Fund does not invest directly in commodities.



Q – What is the Fund doing about sustainable investment strategies? / With our fund manager selection, do we consider those with investment in environmentally friendly opportunities here in Australia?

Response from CEO, Bill Watson

The CEO advised that the Fund selects Managers based on sustainability and ESG principles including modern slavery practices.

He advised that the Investment Committee undertakes periodic reviews of Managers and Managers are pushed to provide continuous improvement in all areas including Board governance.

Q – Does the negative investment returns make the Board question in which markets First super is investing or invested in?

Response from CEO, Bill Watson

The CEO advised that Managers have limitations within which they can invest and some of the Fund's Managers did not perform as expected. Combined with the liquidity requirements due to early release, the Fund did not meet expectations.

He reiterated, however, that the Board believes that the set Strategic Asset Allocation is right, and the Board has conviction in it.

Q – I was just looking at the comparison chart you presented and jumped on Hostplus' website, as an example. But I can't see -2.70% return on default option. On the contrary they posted a return of +3.21% in FYTD 2019-2020. Just wondering if the comparison drawn is 100% accurate?

Response from CEO, Bill Watson

HostPlus MySuper dashboard reports that HostPlus' default option returned -2.01% for 2019/20.

Q – After 16 months without a contribution of money into superannuation, will the personal life insurance be cancelled automatically or not yet?

Response from Executive Manager Governance, Maxine Jacona

The Executive Manager Governance advised that if a member has not opted in, insurance will be cancelled, however the Fund goes to strenuous efforts to contact members to advise them that this may happen unless they advise us otherwise.

Q – Why is it so difficult to get through to the claims team? Where is the priority of those physically struggling members?

Response from CEO, Bill Watson

The CEO asked the member to contact the Trustee Office directly and they would investigate this apparent difficulty and assist in resolving the complaint.

Finally, the CEO asked the Auditor, Craig Jenkins, BDO if the audited accounts had been signed off for the financial year, to which he confirmed.



Conclusion

The Co-Chair thanked everyone for attending and committed to improving outcomes for members.

He also thanked the meeting organiser, the Trustee Office, staff and directors for attending.

Finally, he encouraged everyone to contact the Financial Planning Team to receive personalised super advice.

The meeting was closed at 7:02pm.

A handwritten signature in blue ink, appearing to be 'L. L. L.', is written above a horizontal line.

Signed

Friday 11 December 2020

Date