



# Annual Member Meeting - Minutes

The Victorian Independent Schools Superannuation Fund

(ABN 37 024 873 660, RSE Registration Number R1000436, MySuper Authorisation 37024873660599)

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## Minutes of the Annual Member Meeting for the year ended 31 January 2021

### Date and time:

Tuesday, 17 August 2021 and commenced at 4pm (AEST)

The meeting was held via live stream.

### Presenters and panel

Mr Peter Buckingham, Director and meeting moderator, VISSF

Mr Peter Sharples, Director and Chairperson, VISSF

Mr Neville John, Fund Secretary, VISSF

Mr Jonathan Ng, Director, Russell Investments (Investment Manager)

Ms Nicole Osborne, Partner, PricewaterhouseCoopers (Auditor)

Ms Esther Conway, Principal, Mercer (Actuary)

Ms Deanne Stewart, Chief Executive Officer, Aware Super

Mr Damian Graham, Chief Investment Officer, Aware Super

### Others in attendance

Ms Sue Paice, Director and Deputy Chairperson, VISSF

Mrs Anne Saunders, Director, VISSF

Ms Gwendoline Zammit, Director, VISSF

Dr Susan Johnston, Director, VISSF

Mr Ian Benskin, Director, VISSF

Mr Christopher Malkin, Director, VISSF

Mr Shane McMahon, Director, VISSF

Mr Mark Jankovskis, Risk and Compliance Consultant, VISSF

### Apologies

None

## Minutes of the meeting

The minutes comprise a summary of the key aspects of the presentations, questions and answers at the meeting.

### 1. Welcome and introduction

Mr Buckingham welcomed the members that were attending virtually to VISSF's first annual member meeting for the year ended 31 January 2021 and acknowledged the traditional owners of all the lands on which we met today and recognised their continuing connection to land, waters and culture, and also paid respects to their elders past, present and emerging.

He noted that due to the current Covid-19 pandemic, it was prudent to have this meeting online.

Mr Buckingham introduced himself as a Director of VISSF and the moderator for this online event and confirmed the following information:

- the list of directors, presenters and panel members;
- the notice of meeting had been duly given;
- there were nine VISSF directors in attendance, representing a quorum for this meeting; and
- declaring the meeting open.

Mr Buckingham also outlined that:

- guests from Aware Super, being the CEO and CIO, were invited to attend in light of VISSF's merger announcement;
- the agenda for the meeting, which was included in the Notice of Annual Member Meeting, and included the topics of an investment update, a Q&A panel session as well as an informal chat with Aware Super; and
- members were invited to submit questions throughout the meeting.

Mr Buckingham concluded the welcome and introduction:

- by informing that today's presentations contain general information only which does not take into account member's objectives, financial circumstances or needs and members should consider their personal situation and seek appropriate independent advice; and
- noting the meeting is being recorded and will be available on the website with access to the minutes of the meeting.

### 2. Fund overview

A pre-recorded audio was played of Mr Sharples providing the fund overview and the following details relate to that recording.

Mr Sharples noted that the year to 31 January 2021 proved to be extraordinary one for members due to challenges faced from bushfires, severe drought, floods as well as the global pandemic. He referred to the toll that these events have on the health and financial well-being of individuals, the economy and the environment. He extended a thanks to all education members supporting future generations and appreciated the delivery of student learning by teachers online. He then provided a fund overview, with the following areas of focus:

- delivery of online educational support via face-to-face educational seminars to more than 250 members;
- support provided to more than 470 VISSF members suffering financial hardship who were able to access close to \$5.3 million as part of the Federal Government's temporary measures to provide relief as a result of the pandemic;
- continuing to produce strong returns for members;
- trying to keep fees and costs as low as possible; and
- a commitment to pursue better outcomes for members.

Mr Sharples added that:

- ongoing regulatory reform pressures resulted in the Board deciding to explore the potential benefits of whether a merger was in the members' best interests;
- the Board wanted to ensure the Fund was in a position of strength when engaging with prospective merger partners;
- it was of absolute importance to partner with a fund that would embrace VISSF's incredible history;
- Aware Super met the criteria; and
- due diligence investigations confirmed VISSF members would be better off in the long term by being part of a larger fund that has substantial size and scale benefits with a similar cultural emphasis.

Mr Sharples noted that Aware Super's Chief Executive Officer was attending this meeting and their Chief Investment Officer would deliver a short webinar immediately after the meeting.

Mr Sharples concluded the fund overview and extended sincere thanks on behalf of the Board and VISSF team, to all the members for their trust, loyalty and support over the past 60 years and noted that he looked forward to seeing the incredible legacy of VISSF and the founding members continue into the future as part of Aware Super.

### 3. Investment update

Mr Buckingham introduced Mr Jonathan Ng, Director, Russell Investments who presented an investment update which included the following topics:

- an overview of who is Russell Investments;
- VISSF's net performance returns over 1, 5 and 10 years to 31 January 2021;
- VISSF's net performance returns from 1 February 2021 to 30 June 2021;
- how investment options had recovered;
- the global market outlook;
- near-term and longer-term risks.

### 4. Member Q&A session

Mr Buckingham thanked Mr Sharples and Mr Ng for their presentations and noted the panel would now respond to questions that were submitted online prior to the annual member meeting and then to any questions submitted during the meeting.

A series of questions were submitted by members, with answers provided as follows.

#### Question 1

**How does the Growth option compare against other funds in terms of performance? For example, index funds and the ASX.**

*Answer from Mr Ng (Director, Russell Investments)*

Typically, we compare the performance of the VISSF All Growth Accumulation Option with other super funds that have a similar level of growth assets (i.e. shares, property, and infrastructure). To do this we compare the net of fees and tax performance of VISSF to other super funds in the Chant West Multi-Manager All Growth Survey. This survey covers all industry segments including public sector funds, master trusts, industry funds and corporate funds.

The performance of the VISSF All Growth Option has been mixed relative to other super funds and it also depends on the time period we compare. The last few years have been challenging for active management, particularly for managers that have been underweight to the expensive technology focused stocks as Russell has been.

As the COVID-19 crisis escalated, the "stay-at-home" trade drove the prices of the really expensive tech stocks, like Facebook, Amazon, Netflix and Google, to even higher levels. Being underweight to these particular stocks challenged the performance of our equity funds for most of 2019 and indeed 2020.

However, starting in November 2020 things began to change with positive vaccine announcements and their global rollout and we have since seen a positive rebound

in the performance of our equity funds in what we're calling the "re-opening" trade as they benefit from overweight positions to energy companies and financials, which did not perform well during the "stay-at-home trade".

Over the fund year ending 31 January 2021 the VISSF All Growth Option underperformed the peer median in the Chant West Multi-Manager All Growth Survey by 1.7% but performed in line with the peer median over longer time periods, such as 5 and 10 years. As noted earlier, the benchmark relative underperformance of the underlying equity asset class sector funds drove the peer relative underperformance. We note that such comparisons, particularly over short term horizons can be misleading given how quickly financial markets can move. For example, if we were to do the same analysis as at 30 June 2021, I'd make broadly similar comments, albeit slightly improved for the 5 and 10 year comparisons, but because of the "re-opening" trade continuing on past 31 January 2021, the 1 year comparison is much more favourable for the VISSF All Growth Option.

The VISSF All Growth Option outperformed its peer median by 1.7% over the year ending 30 June 2021 and was the 4th best performing option out of almost 30 options with similar levels of growth assets in the Chant West Survey. So in the space of a five month period the VISSF All Growth Option's peer relative performance has turned around by 3.4% going from underperforming by 1.7% to outperforming by 1.7%.

This comparison shows that past performance is not a guarantee of future performance and given superannuation is a long term investment for most members, it is wise to look past the volatility of short term comparisons.

#### Question 2

**How does VISSF compare against other funds in terms of fees?**

*Answer from the Fund Secretary*

During 2020, our administration fees ranked slightly below the median and our total fees were very close to the median when compared with products offered by other regulated super funds.

There are three components to our superannuation and pension fees. They are:

- an annual administration fee;
- a percentage based investment fee; and
- a percentage based fee to cover indirect operating costs.

We are committed to keeping fees and costs as low as possible. An unprecedented increase in regulatory change is making this objective more difficult to achieve every year.

For full details please access the relevant Product Disclosure Statements on the VISSF website.

### Question 3

**Is there a move to invest in green, ethical companies, and if so, have they performed well enough for us to invest in them, rather than in the typical Growth fund?**

#### Answer from the meeting moderator

Given our intention to move forward with this merger, we will be addressing this question later in the meeting when we hear from Aware Super.

### Question 4

**Has VISSF sought independent advice concerning the proposed merger with Aware Super?**

#### Answer from the Fund Secretary

The Trustee has sought independent expert advice in relation to the merger, which ultimately led to Aware Super. Initially from superannuation market analysts, Chant West, who were engaged to assist in providing information on some of Australia's top performing funds. Then subsequently, international consultants, PricewaterhouseCoopers were engaged to assist in further analysing potential destination funds that demonstrated alignment with areas the VISSF Trustee considered to be important to our members.

### Question 5

**VicSuper appears to have retained its identity and own investment offerings after its merger with Aware Super. Is this a possibility for VISSF?**

#### Answer from the Fund Secretary

As part of our discussions with Aware Super when considering this merger, it was agreed that following the merger, VISSF as a brand and our investment offerings will no longer exist. But one of the reasons we chose Aware Super as our merger partner was the strong cultural values and strategic alignment, and we are confident that under the stewardship of Aware Super, VISSF's legacy will be honoured and built upon. Following the merger VISSF members will also have access to a broader range of investment options that we believe will continue to deliver for our members the kind of retirement they deserve.

### Question 6

**The moderator acknowledged receipt of a member question relating to anti-detriment measures and their combined pension transfer balance caps in the context of our merger with Aware Super. Given the complexities and personal circumstances provided, we will be responding to this member directly.**

Mr Buckingham advised that as there were no additional questions during the meeting and moved on to the informal chat between Neville John and Aware Super CEO Deanne Stewart.

The following questions were received during the remainder of the meeting:

### Question 7

**Are the current VISSF investments dissolved at merger and funds reinvested?**

[Answer to be posted to website: Yes, this is correct]

### Question 8

**Given the merger, are there any details that I need to provide my employer that the fund manager has changed? So, there won't be any hiccups with my employer depositing funds?**

[Answer to be posted to website: No, you don't need to do anything. Aware Super will liaise with the Australian Tax Office to make sure employer contributions are redirected from VISSF to Aware Super starting from the merger date. They will also communicate with our participating employers, who will receive a welcome pack that includes all the new fund details.]

## 5. An informal chat with CEO, Aware Super

Mr Neville John, the Fund Secretary and Ms Deanne Stewart, CEO, Aware Super conducted an interview format presentation. The following is a transcript from that informal chat.

**Neville John:** Thank you, Peter. Firstly, Deanne, thank you for accepting our invitation to join the Annual Member Meeting. We appreciate you coming along to answer some of the questions that our members may have about Aware Super and the merger with VISSF. They've given us the challenge of doing this in 15 minutes, so we'll see what we can do.

**Deanne Stewart:** Thanks very much for having me, Neville.

**Neville John:** I thought we would start by getting to know a bit more about you, so my first question is how did you come to work in the superannuation sector?

**Deanne Stewart:** Thank you, Neville. It's a real privilege to be able to join you and Peter at the Annual Members Meeting, so thank you very much for having me.

How did I come to have a real passion for superannuation? Being the CEO of Aware Super I would literally say is my dream job. I think it began really when I was much younger. I am the daughter of two teachers. Observing them as I grew up, both really being very good at saving what money they possibly could but also putting as much as they possibly could into superannuation to ensure that they had and set themselves up for the best possible retirement - and so my mum and dad are now retired and certainly living really well and very much would say that superannuation has been one of the core reasons for that and their saving

philosophy. For me that opportunity just to help shape as many Australians' futures as possible is just an incredible privilege and something that I definitely appreciate each and every day.

**Neville John:** That segues nicely into my next question actually. What is your experience with people who work in the education industry?

**Deanne Stewart:** Well, strong and firsthand, certainly as the daughter of two teachers. But I would also say if I reflect on my own career - and I know many of you that would be listening would see this in so many of the students or the people that you've taught over time. I would say that so much of my career has been shaped by an incredible teacher. As I remember heading into Year 11 and Year 12, it was my maths teacher that actually recognised some of my potential in maths - and therefore that's what ultimately got me into finance - and encouraged me and other students to do four-unit maths when we were actually doing secretarial studies at that point. As a cohort, we did incredibly well, growing up in Bathurst in Country New South Wales. It really was him taking me aside and saying, you've absolutely got potential here and you really should look at how you can utilise this.

That's what then got me interested in the world of finance, but certainly at my heart I wanted to make sure that whatever I did from a finance perspective, I was able to then have a more positive impact on other Australians and their retirement. That's certainly what got me into it.

**Neville John:** That's an amazing coincidence, because I recall vividly that in Year 10 in my secondary education, it was my maths teacher that encouraged me to go forward. I took that encouragement to heart. Next question is to tell us a little bit more about Aware Super. Where did it all begin?

**Deanne Stewart:** Yes, just to give you a little bit of history about Aware Super, but first I would certainly reflect we don't quite have as many years as VISSF with 60 years now with VISSF and just an incredible legacy. I would really reflect what you said earlier, Neville. It really is important that we do reflect that legacy. I'm really inspired when I learnt about the founders of VISSF that really did want to make sure that female teachers had as good a future as male teachers. Certainly I would say from an Aware Super perspective, coming up to next year, we're 30 years old. It really began back in 1992 as the public sector out of the New South Wales government really looking after the big public sector so whether it be teachers on the education side, healthcare workers, public servants and emergency workers and police officers. That's really how it began and very much therefore with an ethos of how do we actually be very community minded in the way that we invest, make sure that we're getting the best possible returns for our incredible members?

As Aware Super has evolved, it's undertaken a number of mergers with Health Super in Victoria and VicSuper as a member mentioned earlier - which is very strong in education in Victoria as well - as well as WA Super. What that's meant, with the heritage of First State Super, all of those organisations together becoming Aware Super. We now are the second largest super fund in Australia with over 150 billion in members' assets. What I would say, though, is the core sectors that we serve of education, healthcare and public servants really is at the core. From an education perspective, we now manage over 200,000 members in education both in New South Wales and in Victoria but also in WA as well. We are the largest in the education sector in Australia.

That's a little bit of the history. The other couple of things that I'd say about Aware Super because of our history is we have a very strong responsible investment philosophy. That's very much making sure that as we look to invest, we are looking to make sure we get the best possible returns for our members but also, where possible, have a really positive impact on the community where our members live and work and retire. That really is at the heart but so too is the values of the organisation. I think this very much came from the history. We see this very much in VISSF as well. Members are at the heart of everything that we do. With that, we look to really care deeply for our members, we look to deliver honourably and we look to lead bravely. They are our three core values.

**Neville John:** Well, they are the things that we found impressive about Aware Super. That's a wonderful insight into how the fund has got to where it is today. Could you also share with us why a merger with VISSF is appealing to Aware Super?

**Deanne Stewart:** Yes, thanks Neville. Mergers certainly go both ways, don't they? For us it very much started with culture and values alignment, so as we look at different merger partners, we really want to make sure that who we're looking to merge with really does have members at their heart and a real alignment from a values perspective. Certainly as we were having discussions with VISSF, that was very paramount.

The second element for why we'd look to merge, though, is to continue to build that scale, because size certainly does matter in superannuation as you mentioned earlier, both in terms of helping deliver that top performance but also over time being able to use that size and scale to reduce fees for members. From that perspective, that was also important.

But then the final thing that I'd say is that we very much were aligned from an education sector perspective. As I mentioned, managing over 200,000 members and really being able to continue to expand, particularly in Victoria where we've got more than 40% of our members, that was a really great opportunity. There was a real alignment, I think, between our organisations both from a values - a membership but also the ability to really use size and scale to benefit our members.

**Neville John:** Peter Sharples mentioned in his overview - and you've just mentioned it again - that size and scale does make a difference in this environment. Why do you think that's the case?

**Deanne Stewart:** Look, there's a couple of reasons why size and scale matter in superannuation. The first, which is probably the most obvious, is really with that size and scale you are ultimately able to use that size and scale when you have certain costs - whether it be new regulatory costs or technology costs, et cetera - over a broader member base. Then ultimately with those costs, you're able to drive the fees down. Certainly we find that size and scale have enabled us over time to reduce fees to our members. Just over the last year, for example, we were able to reduce fees to our retirees in our retirement portfolios because of that size and scale. That's certainly the first.

But the second thing that size and scale does enable you to do is actually to invest in a lot of things that really help enable members into the future, so lots of services and the money that we're spending, for example, on our digital platform and our digital offering. We've got a fantastic mobile app, for example, that's won several awards that enables members to instantaneously see where they're at, see the unit pricing every single day, book an appointment with an advisor if they'd like to, actually be able to get digital advice and help. That takes investment and so certainly that size and scale helps from that perspective.

Then the final thing that I'd say is certainly that size and scales helps from an investment perspective in terms of looking at investment opportunities globally and having that scale to be able to invest globally, not just in a listed form but in an unlisted form as well, which often can provide a really strong diversification benefit for members but also often better returns.

**Neville John:** Yes, very important things. I must say that you mentioned a few things that we found very impressive throughout our due diligence. Just turning to investment performance, how has Aware Super performed? If you can, how does that compare to VISSF?

**Deanne Stewart:** Thank you, Neville. Well, certainly from a performance perspective, I would say the good news I think for members is that both funds have performed really well both in the short, medium and long term. I would say over the short term, as you heard from Jonathan, VISSF has performed incredibly well and huge congratulations for that. Aware Super over the short term didn't perform quite as well. Our return over the last year was 18% which was just above the median, but VISSF was certainly one of the top performing funds.

Over the medium and long term and that's ultimately what our investment team - and when you hear from Damian, you'll certainly hear this message loud and clear - is really measured against and really where they put their mind to, we are one of the top performing funds in Australia. To give you a sense, over five years,

we're 9.8% per annum return over the last five years. Over the last 10 years, we've been at 9% return per annum for our members. This is one of the top performing funds. While I think certainly VISSF has performed well over the five and 10 years, I think you'd see the Aware Super returns, net of fees, are slightly higher. I think good sustainable returns from both funds is the way I'd describe it.

**Neville John:** Yes, thank you for that answer. There was a question carried over from our Q&A. Moderator, Peter Buckingham, has given us the challenge to answer this one. It's from one of our members. Is there a move to invest in green, ethical companies? If so, have they performed well enough to invest in rather than the typical investments in a growth option?

**Deanne Stewart:** Yes, this is a great question and certainly a question we get asked a lot of times from members. The reality is certainly I would say at the core of the way that we invest and our investment philosophy it is about investing for the long term and making sure that our returns are strong and sustainable and so we do tend to have therefore a very responsible investment philosophy. In many ways, when we look to invest, particularly when we invest directly, we're almost looking for that ideal - if you can imagine a Venn diagram of investment opportunities that provide really good return and investment opportunities that are green and good for the planet and all things good. Ultimately we're looking for where that intersection lies for many of our investments.

While I'd say we look to invest responsibly, I don't think we look for all investments to be green. Certainly we do have several options for members that do want it to be completely socially responsible. We've got several options that, for example, do not invest in any fossil fuels or anything like that. Members can select that. But for our default fund, what we look to do is invest responsibly. We integrate what's called ESG - environment, social and governance - into every investment we look to make to make sure that we feel that it stacks up and that it will be sustainable and have a positive impact in the long run. But certainly we don't look to invest just in green assets. That ultimately is obviously an option for members to select if they would like.

**Neville John:** Thank you, Deanne. This was also another area that I was greatly impressed with that I noted during our due diligence. Just turning on to fees, what should members expect to pay after the merger?

**Deanne Stewart:** Thanks, Neville. Certainly this is one of the things that I think is really important for members. You mentioned a little earlier, certainly where our industry is going is there's a lot of cost pressures with certainly a lot of regulatory change coming our way and so what we've endeavoured to do is really use our size and scale to both not ensure any fee increases go through but also over time reduce them. As I mentioned earlier, since we've done a couple of the recent mergers, we've actually reduced the fees. As it comes to VISSF members, right immediately when you look at total fees for the great majority of VISSF members, we're looking that the total fee would immediately

reduce by around on average 15%. That's not the case for every single member depending on the circumstances, but that is it on average.

Over time, certainly in terms of our strategy over the next three to five years, we envisage on using that size and scale, as we continue to grow, to once again continue to reduce our fees both for accumulation members and for our retirees. In fact next year we've got slated a further reduction for our retirees in terms of our fees, so there's an early heads up.

**Neville John:** You mentioned before about the award-winning app. What are some of the other tools and services Aware Super can bring to members?

**Deanne Stewart:** Yes, there's a number of things. I know you'll be accustomed to really good service at VISSF and also the seminars that you mentioned earlier. I think what we've looked to do is really try and create as many good services that can really help our members think about their retirement and into retirement and what they need to do, so there's several things that I'd say straight away. Certainly one is the app and our digital platform which is very, very strong and can really - whether you're looking to consolidate, top up, change your insurance, see the unit price, all of that is available on the app.

But beyond that, we often find that members really need help, particularly when they're nearing retirement and into retirement and they want to see an advisor. We have a really strong advisor force that really helps many of our members every year sit down, work through the budgeting and work through what really makes sense for their own family's personal circumstances and so those advice services are also there. Within the advice though, I'd also say there are a couple of special services that we provide our members so, for example, advice around insurance or protection for your family, estate planning advice or aged care financial advice. We often have many members coming to us needing support as they're looking to either put their loved ones or themselves starting to think about aged care. They're some of the services that we provide, really there to try and help members have the best possible retirement and the best possible future.

**Neville John:** Deanne, finally another member question. This is the last question. VISSF has always prided itself on delivering excellent personalised service. We mentioned that before. Can our members expect this to continue? Are there any office locations where members can speak to a person face to face, subject to COVID restrictions?

**Deanne Stewart:** Fantastic. Yes. I absolutely understand, because really member service is at the heart of what we offer together with really good returns. Certainly in many locations we are able to provide face-to-face services. In Victoria that might be locations such as Melbourne, Blackburn, Geelong. They certainly are there and available for members to be able to do face to face. We also provide, whether it be over video now, appointments over the phone.

As I said, we've also got digital advice. We're looking to expand what members can do digitally as well, because often what we find is members actually do want to go on and explore and - whether they're wanting to look at videos or provide digital advice, then they're wanting a little bit more help, so they'll often call in to our specialist advice team. Then for some, particularly those nearing retirement, they might want to come in face to face and have a face-to-face appointment. What we look to do is provide a service depending on what type of service our members want, because we do get that it may be wanted by different members in different ways.

**Neville John:** Deanne, you've been very generous with your time today with us. You share our values. You share and love the story that saw the beginning of the Victorian Girls' Schools Association Superannuation Fund, now VISSF. We really do look forward to working together with you and your team to ensure our members experience a smooth transition to Aware Super. Once again thank you for joining our meeting today, sharing a bit about yourself as well as Aware Super and why our two funds are such a good match. Thank you.

**Deanne Stewart:** Many thanks, Neville. I really appreciate the opportunity.

**Neville John:** Back to you, Peter.

## 6. Official close

Mr Buckingham thanked the Fund Secretary and CEO, Aware Super for their session today and confirmed that completed the official business of the Annual Member Meeting.

Mr Buckingham concluded by:

- thanking on behalf of the Board and management team, everyone who attended VISSF's virtual Annual Member Meeting;
- reminding everyone that today's meeting was recorded and the recording and meeting minutes would be available to view on the VISSF website in the next few days;
- informing that all questions and answers will be uploaded within one month of this meeting.

Mr Buckingham declared the meeting closed at 4:50pm.

Mr Buckingham then invited attendees to remain online noting that Mr Damian Graham, Chief Investment Officer, Aware Super, would present a short webinar about Aware Super and how they invest, with questions able to be submitted throughout that presentation for addressing after that session.