CareSuper

CARE SUPER PTY LTD (ACN 006 670 060)

Annual Member Meeting

MINUTES

TIME/DATE	LOCATION
6pm-7.30pm Wednesday 9 December 2020	Via Webinar

	Item	Action/Status
1	**Formalities** The meeting commenced at 6pm.	
1.1	**Attendance and Apologies** The following Directors were present: Mr Terry Wetherall – Chair, Employer Director Ms Linda Scott – Deputy Chair, Member Director Mr Tony Cavanagh – Member Director Ms Michelle Gardiner – Employer Director Mr Keith Harvey – Member Director Mr Jeremy Johnson – Employer Director Ms Merran Kelsall – Employer Director Ms Alessandra Peldova-McClelland – Member Director Mr Robert Potter – Member Director Ms Kathie Sampson – Employer Director Apologies Nil The following Executives and other official roles were present: Ms Julie Lander – Chief Executive Officer Ms Belinda Ray – Chief Risk Officer/Company Secretary Mr Peter Theodorakopoulos – Chief Marketing Officer Ms Suzanne Branton – Chief Investment Officer Mr Paul Northey – Chief Development Officer Mr Mark Lyons – Chief Capability Officer Mr George Sagonas – Partner PwC, Auditor	
2	**Welcome**	
2.1	**Welcome and Introduction of speakers – Paul Northey** Mr Northey as host of the Annual Member Meeting acknowledged the Elders past, present and emerging and recognised the various traditional lands on which we work and live. Mr Northey thanked members for joining via the webinar and reminded attendees that information provided during the meeting is general information only and not specific to personal circumstances or needs. He also advised members that this meeting is being recorded and that a copy of the meeting recording will be available to CareSuper members. Mr Northey provided an overview of the agenda for the meeting noting updates would be provided by the Fund Chair, Terry Wetherall, the Chief Executive Officer, Julie Lander and the Chief Investment Officer, Suzanne Branton. These updates would then be followed by a question and answer session.	

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	Mr Northey advised members to submit their questions online and that speakers would attempt to answer as many of them as possible in the time allocated. If questions were not answered during the session, then a written response to them will be published on the Fund's website within 30 days of the meeting along with a copy of the minutes.	
3	**Presentations**	
3.1	**Board Chair – Terry Wetherall** The Chair spoke to the following items: • Welcome • Thank you to members and CareSuper staff for their efforts during the year. • Acknowledgement and thank you to all Directors present at the meeting. • Continued strategic focus of the fund during Covid-19. • Overall performance of Industry super funds. • Early release of members' funds due to covid provisions. • Long-term Government view required on adequacy of retirement savings including inequities for lower paid people and women retiring with lower balances. • CareSuper's continued support for the legislated increase in Superannuation Guarantee contributions. • Observation on superannuation fund mergers. • Commitment to continuing focus on members' interests first.	

3.2	**Chief Executive Officer – Julie Lander**
	The Chief Executive spoke to the following items:
	• The impact of Covid-19 on members and the community, businesses, staff working from home and the responses of Governments both Federal and State including early release payments.
	• Acknowledgement of additional effort required and thanks to CareSuper staff and service providers.
	• Key statistics of the Fund for the financial year including:
	  o funds under management back to pre-covid levels of over $16 billion;
	  o member numbers – welcoming over 30,000 new members to the fund;
	  o members accessing advice- a record number in April 2020 when markets were volatile;
	  o insurance benefits - $95 million paid to members and beneficiaries
	  o website traffic– over 63,000 visits to the Covid-19 hub; and
	  o increase in calls and emails by 50% during Covid period.
	• How CareSuper has supported members during the 19/20 financial year including fast tracking of claims for members affected by bushfires, creation of the dedicated Covid-19 hub on CareSuper's website, investment updates, online seminars, early release payments (supporting nearly 48,000 members) and implementation of the reduction in the minimum pension drawdowns.
	• Federal Budget announcements including 'stapling' where it is proposed that a person's fund will follow them as they change jobs, the annual performance test, comparison tool for MySuper products and the provision of additional details on how members' money is spent.
	• CareSuper highlights including completion of the administration transition to Mercer, implementation of insurance design changes, that CareSuper was one of the first funds to be certified Carbon Neutral by the Australian Government through Climate Active and winning the Lonsec Investment Option Award for 2021 for the CareSuper Sustainable Balanced Option.
	• The importance of and availability of financial advice services to members.	

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	• CareSuper continues to be recognised as one of Australia's top performing funds and holds top ratings from all research houses.	

3.3	**Chief Investment Officer – Suzanne Branton**
	The Chief Investment Officer spoke to the following items, noting that the report focused on investment outcomes for the year ended 30 June 2020:
	• Events of the year dominated by Covid:
	  o a significant impact on the global economy noting it was worse than the global financial crisis.
	  o Government response included reduced interest rates and central banks injecting cash into financial markets. In addition, various schemes such as 'Job Keeper' around the world.
	  o Share markets were rising quite strongly and continued until February when the pandemic hit followed by a significant fall. Markets recovered but they were below the peak and lower than the beginning of the financial year. Markets have continued to recover since the end of the financial year.
	• Impact on returns and results of CareSuper's options including:
	  o Asset class returns over one and ten year timeframes.
	  o Option returns over one and ten year timeframes.
	  o Balanced option return for the year ended 30 June 2020 of 0.22% compared to median return (the average of funds in the industry) of -0.82%. Very strong track record over the long term.
	  o Resilient investment program with no issues managing the investments and no issues with liquidity.
	• Important forces for investors into the future including:
	  o The shape of economic recovery, countries at different points in Covid recovery with health systems under stress. Impact of vaccines injecting a source of optimism.
	  o A changed world has the potential for opportunity as well as plenty of scope for continued volatility at various points in time.
	  o Active investment approach is important in supporting returns in times to come to assist in choosing between investments to take advantage of opportunities and to avoid areas where risks are rising.
	• Confident our investment strategy will continue to serve members well into the future.	

4	**Question and Answers**	
	Mr Northey thanked the speakers and introduced the Question and Answer session for the next half an hour. Mr Northey introduced the panel available to answer questions, in addition to the earlier presenters, being the following: • Renae Anderson, Head of Financial Advice • George Sagonas, Partner, PwC – External Auditor • Linda Scott, Director and Chair of Governance & Remuneration Committee • Keith Harvey, Director and Chair of Member and Employer Services Committee • Merran Kelsall, Director and Chair of Compliance, Audit and Risk Management Committee • Michelle Gardiner, Director and Chair of Investment Committee	

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4.1	**Question 1:** Can I pay for financial advice out of my super? **Response – Renae Anderson:** There are two main types of advice that are available to members. General advice over the phone is included as part of membership. This relates to basic topics around members' CareSuper accounts, covering investment choice, insurance, making contributions and projections. For a financial adviser to look at members' whole financial situation, this constitutes comprehensive advice and there is a fee. During the first meeting, the adviser will ask questions and decide what work needs to be done. The first meeting is cost and obligation free. The adviser will provide members with a quote and they can decide if they would like to proceed. For the portion of the advice that relates to the member's CareSuper account, the advice fee can be deducted from that CareSuper account if there is at least $3,500 in it. Up to $1,500 per year can be deducted for financial advice. Planners have returned to the office and for members who live in Melbourne, Brisbane or Sydney, they can meet face-to-face if they choose to. For those who can't make it to one of these cities, they can still meet with a planner virtually. If members are not sure where to start, they can speak to our planners over the phone first as part of their membership to determine the best course of action. Members can request a call-back from a planner through the website or via the post-event survey that will be sent out to Annual Member Meeting attendees. Members can also call the contact centre on 1300 360 149 and be transferred to a CareSuper financial planner.	
4.2	**Question 2:** How is CareSuper managing climate change in its investment portfolio? **Response – Suzanne Branton:** Climate change and all environmental, social and governance (ESG) risks and considerations are very important to CareSuper. We have been recognised by independent agencies as being a strong advocate and proponent of sustainable investing. We look at climate change in many dimensions. Climate change is a very real risk for investors and something that we pay a great deal of attention to. One of the key ways that we manage climate change risk is to explicitly require every investment manager managing every asset within the fund to take into account climate change and the risks involved. There are debates in the industry about divestment versus engagement, and we have primarily adopted the engagement model. There are some funds in the industry that have made explicit statements on targets in recent months, and we're currently exploring setting targets as well. For those members who are interested in more exclusionary approaches to climate change and to, for example, investment in fossil fuel, we offer a Sustainable Balanced option (SBO). The SBO not only excludes and limits investments in areas of fossil fuels but it also has positive themes that target a positive impact on the environment or society through investments. Our analysis shows that the SBO's global and Australian share investments have a significantly improved environmental footprint than their benchmarks.	

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4.3	**Question 3:** Will CareSuper advise retirees of underperforming funds? **Response – Julie Lander:** Recent publicity regarding potential legislation to require super funds to advise members if they are an underperforming fund, relates to the fund itself. So, if members were to have an investment with another fund (not CareSuper), and this fund was a poor performer, the proposed rules might require that fund to inform its members that it is underperforming. As CareSuper is a strong performer, we would not need to advise members of underperformance. Under the proposed rules, we cannot advise members if other funds in the superannuation industry are underperformers – it would be their obligation to advise their own members.	
4.4	**Question 4:** How does CareSuper monitor conflicts of interest? **Response – Terry Wetherall:** We meet our regulatory compliance requirements and disclose any required conflicts in the Register of relevant duties and interests. How we manage our conflicts is through our Conflicts Management Policy which is a document that we review and where necessary upgrade annually or if required more frequently. In fact, we made some adjustments to the policy on Thursday 10 December 2020, hence members can be assured that conflicts are well managed within the Fund itself. Members can access both documents in the Governance section of our website at caresuper.com.au/governance.	
4.5	**Question 5:** The Coronavirus has played a significant part in diminishing CareSuper funds during the 2020 pandemic. That said, will the Investment strategy going forward capitalise on investment in pharmaceutical companies given release of several vaccines in the world. Will this no doubt add to consideration in boosting growth/yield for member funds in the growth or balanced portfolios? **Response – Suzanne Branton:** Pharmaceutical companies are contained in the Australian Shares but also mainly the Overseas Shares part of our investment program. All options that have investments in shares have exposure to pharmaceutical companies. Some of these investments have achieved strong returns during the COVID-19 pandemic, partly due to business expansion and innovation and also government involvement. One thing that is interesting about pharmaceutical companies (and a lot of healthcare companies generally that have a higher growth profile) is that their share prices have already benefited from an expected increase in business and tend to trade somewhat more expensively. So, while these investments may boost the growth profile of Australian and Overseas Shares asset classes and our options as a whole, they may not always provide the best value. We rely on our skilled investment managers to determine the best areas to invest to achieve value for our members, and these will include pharmaceutical companies if appropriate.	
4.6	**Question 6:** Is it worth adjusting my super strategy to a riskier profile now that the markets are looking to head up with the vaccine now coming online? **Response – Renae Anderson:** For members, when deciding how they should be invested, what our advisors will do is help them understand how much risk is right for them and they do this by asking a handful of questions which determines what's called a risk profile and then they can advise which CareSuper option is right for each member. Now, this is all included as part of membership. We don't know what might happen next or the difference that a vaccine will make. Suzanne and her team are always looking at things like that. But what we do know is that	

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	most members won't draw their last dollar out of their account for many years and so we do need to think more longer-term about where that dollar should be invested as well. Now if members are not sure about whether they are in the right option or whether they're ready to take more risks, then absolutely that is something that our advisors can help with as part of the membership. Members can receive advice on which CareSuper investment option is right for them.	
4.7	**Question 7:** I may have missed what the previous speaker alluded to re mergers but what has led to this? Has CareSuper been formally approached to merge with another fund? **Response – Terry Wetherall:** Merger activity has recently increased among super funds and regulators are encouraging consolidation in the superannuation industry. Many members will have heard of mergers that are proceeding and some that aren't. We need to be prepared for a potential merger. And we need to ensure any merger opportunity is in the best interests of our members. The theory is that a merger will increase funds under management and therefore result in increased investment opportunities, introduce new members and potentially reduce fees. To prepare for potential merger opportunities we've developed a merger strategy policy and formed a merger subcommittee. This will allow us to consider and evaluate any approaches to merge with another Fund. To formalise a merger, we have statutory responsibilities. We would need to inform the regulators and of course, let our members know of our intention to merge.	
4.8	**Question 8:** Can you please explain how downside protection of CareSuper's funds works and the costs involved. What effect did it have in 2020 when funds lost significant value early in the year. Did it help minimise losses? **Response – Suzanne Branton:** Downside protection is a very important element of the way that we invest. Most other funds do not have as high a focus on downside protection as CareSuper. We explicitly structure our investments across the investment program, including the options, the asset classes and even individual portfolios, in a way that pays attention to how they're likely to behave when markets are weak or volatile. What this means is that in delivering the strong returns that we have, we've provided members with a smoother ride. So, their pattern of outcomes and returns haven't experienced the ups and downs and the bumps that have been delivered by many other funds. What does it cost? It doesn't cost more to invest using our approach. It's integrated into the way we think and the way that we invest. It is an integrated part of our active investment approach. Regarding the effect of downside protection in 2020, if you look at the months that were particularly weak such as in February, March and April in 2020, our options performed much better than most other funds in the industry. Our approach was certainly helpful in 2020 and in most markets where there has been volatility. At the same time though, we are conscious of trying to still deliver good returns and outperformance also in up markets and achieving both of those things at the same time is really the key.	

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4.9	**Question 9:** What do you see the impact will be on Property option of the new post-Covid world with a high amount of online work and shopping and possible less office space needed, less visits to shopping centres? **Response – Suzanne Branton:** There are a couple of key factors at play that may impact the Direct Property option. Firstly, coming into the COVID-19 pandemic, Australia wasn't in a situation where there was a great oversupply of property, which helps as a starting point. What also helps is the fact that property is still producing quite strong income yields of somewhere between 5–6%. Given the very low level of interest rates, this yield still appears relatively attractive. As such, we expect investors are not going to be turning away from property entirely. Rather, the changes that we're expecting to see are more likely to cause us to adjust our exposures within the property asset class. We had been moving away from retail and were already underweight retail. That said, some retail is being repurposed with other uses, so retail property investments may have more support than might be otherwise obvious. Our overweight has been to the office sector and that's now being taken back as we diversify with more global property investment and also invest in areas like industrial, which is a beneficiary of the online trend in shopping. Thus, reshaping the property exposures is key and we're looking to reduce exposure to areas that now appear to have structural overcapacity. Looking forward, with interest rates at very low levels, we expect that property will still look quite good relative to other investments, particularly given it is typically more defensive than other asset classes, such as shares.	
4.10	**Question 10:** Do CareSuper financial planners receive commissions? **Response – Renae Anderson:** CareSuper financial planners are paid a salary and do not receive commissions. We operate on a fee-for-service model. So you pay for financial planning as you need it. There are no ongoing costs.	
4.11	**Question 11:** The balanced fund invests in alternative assets – can you outline exactly what these are? **Response – Suzanne Branton:** Our four alternative asset classes are Absolute return, Credit, Private equity and Infrastructure. (Different superannuation funds have different definitions for alternatives.) We group them and describe them in various places as alternatives, but we regard them as entirely separate asset classes with different risk and return drivers and to which we allocate differently. Absolute return comprises defensive strategies that aim to achieve a higher return than the rate of cash over the long term but with less volatility than equities. It involves investing in a mix of strategies which invest predominately across fixed interest, credit and currency markets. Credit comprises fixed and floating interest types of securities. This typically includes direct loans made to companies, securitised bank loans, mortgage-backed securities and infrastructure debt. These investments can be from different parts of the world. Private equity comprises equity investments that are held in an unlisted format. That is, private holdings in individual companies that aren't traded on a stock exchange but instead, are managed by specialised Private Equity managers. Infrastructure on the other hand includes investments in unlisted assets such as transport (e.g. ports, airports, toll roads), and things like fibre optic networks. It is the infrastructure that we see around us every day. These types of investments can have both defensive and growth characteristics. For more information and detailed descriptions of each asset class, please refer to our Investment Guide.	

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4.12	**Question 12:** Are you looking to lower your fees and how are you placed compared to other super funds? **Response – Julie Lander:** You can rest assured that we're always trying to keep our fees as low as possible and are always looking for opportunities to do so. As an industry super fund, our administration fees cover our actual costs and profits go to our members. We're not in the business of making a profit for shareholders, we are in the business of maximising members' super returns. We have not raised our admin fees for many years, and we've been able to absorb many additional costs. This includes the costs of implementing legislative change, which can be significant. Although we cannot make promises about reducing fees, last financial year our investment team was able to lower costs, especially for members in our Balanced option. We are exploring further opportunities to lower costs in the investment space. Members should look at the overall net benefit – that is the investment return minus the cost – not focus on fees alone. This is particularly important for investments where it may be better to pay a little bit more to get features such as active management and downside protection, which are incorporated into our whole investment program. This differs to funds that invest passively which may be cheaper for members, however the journey would not be as smooth and returns may not be as high over the long-term. In summary, at CareSuper we look to invest over the long-term and through different economic cycles. When considering super funds, it's the net benefit outcome that members should be looking for, not just fees.	
4.13	**Question 13:** Is performance of CareSuper vs Other funds Industry funds only or including retail funds? **Response – Suzanne Branton:** In the charts shown during the presentation, CareSuper's performance is compared to what we call the median fund return, which is the return of the average superannuation fund over those different timeframes. That is the average or the median of all funds, including industry funds and retail funds. Our performance compares favourably to both categories over all of those time horizons. It is worth noting though that over all time frames, industry fund returns are typically higher than retail fund returns.	
5	**Close** Mr Northey thanked members for attending and reminded them that a copy of the minutes of the meeting and questions and answers including those asked this evening and questions we could not answer will be available on the fund's website within 30 days. There being no further business, the meeting closed at 7.30pm. Signed.....Terry Wetherall..... Chair Date.....4 January 2021.....	

Question and Answers continued.

The following are questions submitted that due to time constraints weren't addressed during the session.

Question:
How do you ensure employers adhere to their set of duties?

Response:
Upon joining CareSuper as an employer, we provide a comprehensive Employer Guide outlining the employer's obligations. If employees' contributions are not paid, we follow up with employers to see if we can assist them.

Question:
We currently have our super in cash – where do you see the market heading and what would be the safest alternative?

Response:
In the recovery from the COVIDovid-19 downturn, we can expect fiscal and monetary stimulus to continue, especially if inflation remains at modest levels. This means that central banks around the world are likely to keep interest rates low. The official cash rate set by the Reserve Bank of Australia is only 0.10% (effectively zero).

In addition to reducing interest rates, the Reserve Bank of Australia has recently undertaken other measures such as providing cheap lending facilities to banks and buying government bonds. This has resulted in a large reduction in the returns that can be achieved in our Cash asset class and given the aforementioned backdrop, this may be extended in the future which will continue to hamper the returns that can be achieved from the Cash asset class going forward.

The right strategy for each member will depend on their personal situation, risk profile and investment goals. Members can learn more about our investment options at caresuper.com.au/investmentoptions, and we offer a range of advice services if members would like help deciding their strategy. There may be a suitable alternative as the question asks, but the right answer for each member is a personal one and more information would be required to provide a suitable response.

Members can speak to a CareSuper financial planner by requesting a call-back at caresuper.com.au/advice.

Question:
CareSuper guaranteed income, please advise 1.) whether this is similar to annuities? 2.) is your guaranteed income a CareSuper product? If not, then whose product is it? 3.) Would an annuity require an annual income tax return? 4.) Is Centrelink favourable disposed to guaranteed income/ annuities whether the annuity be a joint annuity for a fixed and whether the annuity/ guaranteed income be a lifetime annuity?

Response:
1) The CareSuper Guaranteed Income product is an annuity-style product, whereby money is invested in a life policy issued by Challenger Life Company Limited (Challenger) and supervised by the Australian Prudential Regulation Authority (APRA).

2) The CareSuper Guaranteed Income product is a CareSuper-issued product backed by Challenger. For more information about this, please refer to the latest CareSuper Guaranteed Income Product Disclosure Statement (PDS) available at caresuper.com.au/pds.

3) As superannuation monies are used to purchase the CareSuper Guaranteed Income product and only available for members who are over 60, the payments are tax-free and would not be included in a tax return. If non-superannuation money is being used to invest in an annuity, a portion of the regular payments may be subject to tax and therefore may require a tax return. Please speak to a qualified financial planner to understand if you would need to declare the annuity product on your tax return.

4) Centrelink treats annuities differently for both fixed term and lifetime annuities. It will depend on personal circumstances and how the annuity is structured as to whether either a fixed term or lifetime annuity can assist with Centrelink benefits.

Fixed term annuity: Centrelink treatment will depend on whether it is a short-term or long-term annuity.

Lifetime annuity: Centrelink treatment will depend when the annuity was created. If created after 1 July 2019 it will generally have 60 per cent of the purchase price assessed until age 84 (subject to a minimum of 5 years) under the assets test and 30 per cent of the purchase price thereafter. Under the income test, 60 per cent of the annual payment is assessed.

Annuities are complex products and there are considerations when evaluating whether one is appropriate for each person's circumstances. Members are encouraged to seek advice from a qualified financial planner. Centrelink and the Department of Veterans' Affairs office can also provide more information.

Question:
When the new Administrators took over, we were told there would be many changes for the positive. Personally, I've seen none - in fact things are worse. I would like to know when Care Super is going to change the documents that members need to fill in to PDF Writeable so that forms do not have to be printed off, hand written and then scanned back. Secondly those documents are supposed to be sent and trusted to Australia Post who are not coping at all well with Mail Deliveries. When is Care Super going to get a secure email so that Members can email documents and withdrawal forms. This would also save CareSuper Staff having to scan documents into CareSuper's computer systems.

Response:
We do offer some interactive forms on our website and we are currently extending this capability across more forms. The Investment choice form and Choice form are two commonly used forms that have recently been made interactive. To avoid posting completed and signed forms, members can upload a scan of signed forms online at caresuper.com.au/getintouch. Members can also log in or register for MemberOnline and upload completed forms to the secure 'Contact us' page.

Members can manage and update many aspects of their account online via MemberOnline, including editing personal details, changing investment options or tailoring insurance cover and for our Full Pension members, also submitting withdrawal requests.

Question:
Has CareSuper considered, in conjunction with another fund of similar size, the efficiencies of sharing back office administration and different parts of its trustee role as well as consolidating the investment fluctuation but still retaining the identity of the fund (its brand)?

Response:
We partner with administration provider Mercer — which also provides administration support to many of Australia's largest super funds — to manage our outsourced administration functions and related customer and fund support services, effectively gaining benefits of scale.

We use a combination of in-house experts and external investment managers to manage our members' super investments, and carry out comprehensive due diligence and ongoing monitoring to meet our aim to partner with the best possible providers.

Question:
What happens when a member passes away in both of the following scenarios: 1. Member with a reversionary beneficiary, differences between binding and non-binding - how does this come into play when the remaining member (the reversionary beneficiary) is left, does he/she have to submit a claim? 2) Other scenario - what happens if both parties (a couple who are members) pass away either together or even within a few months of each other? The question also is: how can beneficiaries mentioned in our will (our children in our case) secure the balance in our accounts in order to minimise tax implications? When we have asked this question we have been advised that we should speak with a solicitor but we need to know what step-by-step action needs to be taken in both scenarios.

Response:
When a member has a valid reversionary beneficiary in place and they pass away, the pension income stream reverts to their reversionary beneficiary. Conversely, where there is a valid binding nomination in place, we are legally bound to pay the death benefit to the nominated beneficiary/ies. If there is a non-binding nomination in place, we are not legally bound by this nomination but will take into consideration any nomination/s made by the member.

Should a beneficiary be eligible to receive either a lump sum or an income stream, generally we will have the discretion to pay either one, and may let the beneficiary choose which one they prefer.

To apply for a death benefit payment, the first step is to contact us and we'll send all claimants a death benefit questionnaire.

To understand the appropriate nomination to make, read the Nominating your beneficiaries fact sheet at caresuper.com.au/beneficiaries or speak to a qualified financial planner.

In circumstances where a death benefit nomination is no longer valid (for example, if a beneficiary passes away before the member), we will use information we have available as a guide as well as the rules governing superannuation to determine to whom we will pay the benefit.

Superannuation does not automatically form part of your estate. Members can nominate their Legal Personal Representative as a binding beneficiary if they would like their super death benefits distributed in accordance with their will.

Regarding tax treatment on superannuation death benefits, superannuation is made up of a tax-free component and a taxable component. The tax-free component of any lump sum death benefit payment is tax-free. The tax applicable on the taxable component will depend on whether the recipient is a financial dependent for tax purposes under taxation law. A financial dependent for tax purposes could include a spouse and a child under 18 years old. For non-tax death benefit dependents, there could up to 15 per cent for the taxable component (taxed element). The Medicare Levy may also apply.

To understand what happens in the scenarios you've described and what potential actions could be taken to reduce tax on the final benefit, you should consider having a detailed discussion about your personal circumstances with a qualified financial planner and an estate planning professional. If you would like to speak to a CareSuper financial planner, you can request a call-back at caresuper.com.au/advice.

Question:

Why was there a material increase in fixed benefit life and death insurance under Care Super over the last year as part of the change in the insurance underwriter? Why were these material increases not flagged to members with adequate notice?

Response:

MetLife has been our insurer since January 2017.

The changes to the cost of insurance cover were due to our insurance product redesign. With our insurance design from 1 August 2019, standard cover levels are more closely aligned with what members typically need at different ages. The cost was also influenced by factors like recent claims experience and the Federal Government's Protecting Your Super (PYS) and Putting Members' Interests First (PMIF) pieces of legislation. These legislative changes put pressure on the cost of insurance due to changing demographics of insured members. Insurance fees increased for some members and reduced for others, as the new design removed cross subsidies between genders and age groups.

We wrote to all affected members in mid-June 2019 prior to the change in accordance with legislative requirements. This significant event notice (SEN) outlined the changes to our insurance design and the costs of cover from 1 August 2019.

Question:

What is the actual satisfaction score (all 'satisfied') and what is the actual NPS?

Response:

The net promoter score (NPS) for our contact centre for the 2019/20 financial year was +52.34 across 35,342 post-call surveys.

Our most recent Member and Employer Satisfaction report (December 2019), which measures members' overall satisfaction with CareSuper, showed that 87% of surveyed accumulation members were satisfied (rating us 6-10/10) with an NPS of +20.3. Of the surveyed pension and TTR members, 95% reported being satisfied (rating us 6-10/10) and provided an NPS of +34.7.

Question:
What is the fund doing to reduce carbon emissions?

Response:
To reduce carbon emissions and combat climate change, CareSuper:

- Invests in companies that prove resilient to the impact of climate change and/or benefit from the transition to a low-carbon economy
- Supports reasonable proposals requesting companies to disclose their approaches to managing climate change and reducing greenhouse gas emissions
- Engages with companies, regulators and other rule making bodies on climate change issues via Australian Council of Superannuation Investors (ACSI) – in which we are a founding member; as well as via collaborative initiatives such as Climate Action 100+ and CDP (formerly known as Carbon Disclosure Project)
- Works with peak industry bodies to share knowledge and increase awareness of climate change, as it applies to investment decision making.

Beyond our investment program, we are cognisant of our own operational carbon footprint and were one of the first superannuation funds to be certified Carbon Neutral by the Australian Government through Climate Active.

Question:
Regarding Climate Action: Can you comment on the green ratings by Market Forces for the CareSuper Sustainable Balanced fund - see https://www.marketforces.org.au/superfunds/?

Response:
The Market Forces information on CareSuper's Sustainable Balanced Option (SBO) appears to be out of date. Our SBO was enhanced in recent years to avoid investments that do harm and seek out those that have positive outcomes.

For example, our SBO does not invest in companies that derive any revenue from controversial weapons, tobacco products or child labor. We also have restrictions on companies that derive a portion of their revenue from a range of activities including thermal coal production, intensive animal farming and animal testing.

However, unlike some other super funds, our approach is more than just avoiding the bad. We actively seek out investments that have a real positive impact on the environment and society.
These include investments in renewable energy systems, innovations that save water, and programs that address access to healthcare for instance. We also support UN SDGs such as Climate Action, Responsible Consumption, Good Health and Clean Water and Sanitation.

Having these positive themes has an important place in a sustainable investment portfolio because it provides a more direct and tangible result than negative screening in terms of impact on our lives and the planet.
Our Sustainable Balanced option has delivered super members 8.2% per year on average, over the past 10 years – This compares favorably with the industry median of 7.3% according to SuperRatings*.

To find out more about our Sustainable Balanced option please visit our website at caresuper.com.au/sustainablesuper.

*SuperRatings Fund Crediting Rate survey SR50 Balanced (60-76) Index – June 2020. Past performance is not an indication of future performance.

Question:
Was not aware the fund provided advice over the phone is a start but how do you arrange face to face if only virtual what are the costs involved?

Response:
We offer a range of advice options so you can access the type of advice you need.

General Advice
If you want to understand your super in more detail, General advice is available to members over the phone at no extra cost as part of your membership. This type of advice is general in nature and won't be customised to your personal circumstances.

Limited Advice
Our limited financial planners can provide personal advice about investments, insurance and ways to contribute more into super at no extra cost. This type of advice is provided over the phone and is also covered by your membership.

Comprehensive advice
If you want to explore your entire financial situation including assets outside super, your debts or your financial goals, our comprehensive financial planners can meet with you in-person or virtually. If you have a partner (even if they're with a different super fund) or other family members, comprehensive financial planners will consider your whole household when creating your advice plan. The fee for this service will depend on the complexity of the advice required and you will be provided a quote in your initial meeting. Initial consultations with a comprehensive financial planner are at no extra cost.

If you would like to speak to a planner, you can book a call-back at caresuper.com.au/advice.

Question:
How CareSuper funds the advertising costs on media such as TV and seminars? Were these expenses drawn from fees paid by members?

Response:
Our advertising and seminar-related expenditure is derived from our annual operational budget, which makes up a portion of the admin fee paid by members. Through advertising, we actively promote the benefits of CareSuper to existing and potential members for the purposes of retention and growth. We operate in a competitive environment and scale is important to keep costs down and ensure we have access to a wide range of investment opportunities.

We're transparent about what it costs to run the Fund successfully for members and a detailed breakdown can be found on the financial statement section of our 2020 Annual Report.

Question:
When are CareSuper going to be one of the top 5 not continue to just be in the top 10 (and this depends on what rating service you choose to make you look your best)?

Response:
While we aim to achieve the best possible returns each year, our priority is achieving strong results for members over the long term as super is a long-term investment for most members. It is worth noting that according to SuperRatings, our Balanced option has achieved returns in the top five of all surveyed funds over rolling 10, 15 and 20-year periods to October 2020.*

We use independent ratings agency SuperRatings to compare our performance against peers for several reasons, including the quantity and quality of information it allows us to provide members. Using the same ratings service over the long-term also means we can provide members with the most reliable and comparative information over those same periods.

It should be noted, that other independent ratings agencies rank us in a similar way. The results do not vary by ratings agency and we have the highest status with all major agencies. We do not "cherry-pick" ratings agencies to appear a certain way.

*SuperRatings Fund Crediting Rate survey SR50 Balanced (60-76) Index – June 2020. Past performance is not an indication of future performance.

Question:
So please tell me why staff continually make mistakes and cause members a very stressful time. In my case I've had the same mistake repeated 6 times over the last 15 months where all of my funds have been locked and I only find out when I make a withdrawal. Every time I am told it has been fixed and yet the error has been repeated and repeated.

Response:
We apologise for this situation and would like to assure members that our management is familiar with this case.

In some circumstances where CareSuper and our administrator are aware that a member may be entitled to more favourable tax treatment on withdrawal of a benefit, a process is followed to flag the account so that no withdrawals are processed until they are first assessed by a specialist to review whether the member may be entitled to further tax concessions. This flag should be removed when this action is no longer required. We acknowledge that the process allowed for the flag to be replaced after it was removed which we understand creates concern for the member.

Question:
700 odd insurance claims were settled in the past financial year. What is the number of declined Insurance claims, for the same period?

Response:
There were 41 claims declined in the financial year ending June 2020. This included two death claims, 36 total and permanent disablement (TPD) claims and 3 income protection claims.

Unfortunately, we made a mistake during the annual member meeting (AMM) when referring to the number of claims accepted during the 2019/20 financial year. The correct figure was 527 claims accepted, not 701.

Question:
Is the market heading for a cyclical crash separate to the covid situation?

Response:
Markets have staged a significant recovery since the COVID-19 virus took hold globally in February and March. While it is difficult to predict short-term market direction, some of the factors that support ongoing strength in markets include:

- Ongoing global fiscal and monetary stimulus
- The US election result
- A COVID-19 vaccine becoming available
- Global economic recovery, and
- The relative attractiveness of equities for yield-focussed investors (given interest rates globally are extremely low).

There are also reasons to be cautious on valuation, including (but not limited to):

- The fact that stocks look expensive on a Price Earnings (P/E) basis relative to history, and
- COVID-19 cases increasing in Europe and in the US and the effect of shutdowns on these economies.

The question asks about a cyclical crash and we interpret this as referring to the potential for a market correction even though there is a cyclical upswing. The points above highlight that we consider the cyclical recovery or upswing (expected in time as the global economy recovers from COVID-19) is likely to be a source of support to markets. It is true that a strengthening recovery could lead to a share market correction – this is most likely to result if either interest rates or inflation rise unexpectedly. While this is a risk and one that we will be watching for closely, higher interest rates and inflation do not appear likely in the near term. We are well placed to navigate changing conditions such as these.

Question:
What is Care doing to provide me with information on how Care is managing the risks of climate change? Such as fossil fuel companies plummeting in value or infrastructure being damaged by extreme weather. As I am sure you are aware law requires Trustees of Superfunds to act with care, skill and diligence and to act in the best interest of members. Does Care Super plan to stop investing in fossil fuel as many other Super Funds have already committed to do?

Response:
In addition to answers provided to Question 5, we would like to add the following details about our active approach to addressing climate change.

- We require our investment managers across all asset classes to comply with our Responsible Investing Policy. In addition, we regularly engage with all investment managers on climate change and a range of other ESG issues.

- In accordance with our Proxy Voting Policy, we support reasonable shareholder proposals that request companies to disclose their approaches to manage climate change and reduce greenhouse gas emissions.
- We work with peak industry bodies to share knowledge and increase awareness of climate change as it applies to investment decision-making. We're a founding member of the Australian Council of Superannuation Investors (ACSI). On behalf of CareSuper, ACSI engages with companies, regulators and other rule making bodies on climate change issues.
- We engage with investee companies on climate change related matters and encourage companies to disclose climate change risk in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, via ACSI and our investment managers, as well as via collaborative initiatives such as Climate Action 100+.
- We're also a signatory to a number of other organisations that aim to address climate change as well as other ESG issues. These include:
    - The CDP (formerly known as the Carbon Disclosure Project)
    - The 2018 Global Investor Statement to Governments on Climate Change
    - The United Nations Principles for Responsible Investment (PRI)
    - Responsible Investment Association Australasia

Issues such as extreme weather events and a range of other changes in climate are acknowledged as potential material risks in our Responsible Investing Policy. As part of our ongoing review of our portfolio, we take these issues into consideration when engaging with our investment managers in order to mitigate the potential risks associated with climate change, including reviewing infrastructure investments. We are also in the process of exploring carbon neutral goals for our investment portfolio and potential pathways to get there.

Question:
What effect if any will there be on our member funds if the continued relationship with China in terms of trade, investment and opportunity for growth deteriorates further.

Response:
The recent tensions between China and Australia have primarily affected members' funds through the Australian Shares asset class, to which each of our managed investment options have exposure.

So far, measures taken by China have been targeted towards specific industries, such as wine, meat and barley, while other key export markets, such as tourism and education, have been relatively unscathed. These sectors have been impacted by the COVID-19 pandemic, rather than the trade tensions specifically. As such the effect on markets has been limited so far.

Resource exports are a key driver of the Australian economy, especially iron ore, and it would cause a significant impact if China intervened more notably in these markets. Our fund managers are continuing to monitor this situation and our active approach ensures that we will be well prepared if things change. We are also monitoring and assessing the impact on the Australian dollar.

Question:
Is this being recorded?

Response:
We advised members in our invitations and during the introduction that the event would be recorded, and that by participating, members were giving their consent to it being recorded. Our recording will be available at caresuper.com.au/amm2020 by 8 January 2021.

Question:
What has the CIO / team learnt in investment strategy in a world pandemic. Will this equip you further should something similar occur. What would you do again, what would you do differently? Are you better placed to act in terms of Investment strategy?

Response:
Our investment team has significant experience managing disruptive economic events (such as the GFC and dot com crash). This collective experience meant that we were well-placed to manage the market disruption caused by the COVID-19 pandemic, including ensuring the fund had ample liquidity, diversification, and exposure to

foreign currency through overseas investments, which allowed us to take advantage of opportunities and offset losses.

Notwithstanding this depth of experience, every market crisis is different, and a pandemic has resulted in market dynamics and fundamentals that need to be critically assessed, at the time and for years to come.

In terms of lessons, the speed of the recovery in asset prices, and the ability of the market to look through the depth of the economic contraction, surprised many market participants. It was also noted that governments and central banks appeared to no longer see borrowing and deficit as needing to be avoided in managing an economic crisis. The actions of policy makers combined had a profound impact on the pace of recovery seen in markets, and asset allocators need to be cognisant of this change in psyche.

Overall, maintaining our investment strategy in a manner that is true to the fund's active management approach and investment philosophy has been key to delivering downside protection and strong returns in the subsequent recovery.

Crisis market conditions do necessarily assist in the building of experience and expertise; however, the primary conclusion is that our investment strategy is flexible and resilient.

Question:
Ever since the migration of the new web portal to the new platform in May 2019, I have found the new portal to be clunky and lack the useability features of the old portal and even compared to AusSuper, lack the tools and communication on investment updates, fund performance. Can't even find simple transaction details such as interest earnings, as of last year, 2019 statement wasn't released until early 2020. used to receive email informing me that annual statements are ready, haven't received it the last 2 years, received paper statement, not very eco-friendly. Given my feedback, please provide an indication if there are any plans to improve the portal and what areas?

Response:
Thanks for your feedback, please rest assured we are continually working to improve MemberOnline and the features available to members.

Members have the option to receive an e-statement (with notification by email), if we have their email address, they haven't opted out of receiving e-statements and we haven't received email bounce backs. To check this, go to the 'Personal details' section in MemberOnline or call us on 1300 360 149. There are some cases where additional validation of a benefit statement is required before issue, which can result in the statement being issued via post for a small percentage of members who would otherwise receive their statement via email. If your details and preferences are up to date and you're still receiving your statement via post, please get in touch with us.

Investment earnings are allocated to accounts each day, with the change in unit price. The value of an account changes as the updated unit prices are applied. Members will not see an annual 'investment earnings' transaction in MemberOnline, but this is included in statements. It's on the front page (under 'Net investment earnings') and in the transactions section too.
We also send a quarterly e-newsletter to members, which usually includes an investment update.
A lot of information can be accessed on the website, including the latest market update articles and videos, investment returns and daily unit pricing.

We are currently working on improvements to MemberOnline including:

- Reviewing ways to incorporate personal earnings breakdowns at more regular intervals
- Updating the insurance section to give members more information about their cover and their options
- Introducing a new section for Pension members where they can view, request and change payments, drawdown preferences and bank details

We expect these enhancements to continue in the future.

Question:
What is the difference between TTR and Pension? I'm still working (I'm 70) and want to transfer my Super to a Pension/TTR option while still keeping my Super open for employee super.

Response:
A transition to retirement (TTR) strategy involves commencing a pension account while a member is still working. There are two types of pension accounts.

1. A TTR account is an income stream that can be set up when a member has reached preservation age but has not met a condition of release yet (such as retirement). A TTR account lets members draw out a limited regular income payment but not lump sum withdrawals. Earnings in TTR accounts are taxable, as for accumulation accounts.

2. An account-based pension (ABP) is an income stream that can be set up when a superannuation member has met a condition of release (such as being over 65 and having retired from work). An ABP allows members to draw regular income payments and make lump sum withdrawals. There is no tax on investment earnings in an account- based pension.

Superannuation contributions cannot be made into a pension account. To learn more about pension accounts and understand how they may operate while a member is still working, see the Pension PDS at caresuper.com.au/pds or speak to a qualified financial planner.

Question:
How is the fund managing risks to investments that may result from ongoing geopolitical tensions (e.g. ongoing trade issues with China)?

Response:
Each CareSuper investment option has a well-diversified asset allocation mix including exposures to domestic and global shares, property, infrastructure, private equity, credit and fixed income investments.

In addition, we use a range of high-quality investment managers who are responsible for managing different asset classes in line with the Fund's active management philosophy.

This approach aims to ensure that no one risk should dominate performance over the longer term.

Question:
Can you confirm whether the additional non concessional contribution allowance is being increased from 65 to 67? Accountant advice has indicated that this is before government.

Response:
From 1 July 2020, if members are aged 65 or 66, they no longer need to meet the work test. If they are aged 67-74, they must work 40 hours in 30 consecutive days in a financial year to make voluntary contributions to super.

The rules relating to 'bring-forward' arrangements have still not been passed and therefore the current rules apply.

Question:
The interest income this year was significantly low, because of the pandemic. What is the assurance that the interest income will recover?

Response:
Policy makers globally have reacted with an unprecedented scale in response to the significant economic impacts of the COVID-19 pandemic. This has resulted in a large reduction of interest rates that has impacted the interest income that can be achieved with fixed interest and cash assets. That said, these policy actions have supported the capital return of fixed interest and other riskier assets. Falling market interest rates resulted in a FY20 return to our Fixed Interest (Accumulation) option of 2.4%. This is a strong outcome, especially when compared to diversified options and riskier investments. Meanwhile, our Cash (Accumulation) option delivered a small positive return of 1.1% for FY20.

The path to recovery from the COVID-19 downturn is expected to be protracted and filled with much uncertainty. As such, we can expect fiscal and monetary stimulus to continue, especially if inflation remains at modest levels. This would mean interest rates are likely to continue to remain at very low levels that would hamper the returns of the fixed interest and cash asset classes.

That said, it is worth noting that if economic conditions return to normal earlier than expected, interest rates would correspondingly rise to more normal levels. This would leave investors in fixed interest with a higher return profile into the future, however, as interest rates are rising, this can produce capital losses on fixed interest assets. This is a difficult set of circumstances investors in fixed interest and cash around the world are all facing. While our investment strategies can enhance returns and mitigate losses, there is no assurance of a return to higher income levels in these types of investments in the short term. You may wish to seek further advice. If you would like to speak to a CareSuper financial planner you can book a call-back at caresuper.com.au/advice.

Question:
Are you aware of any adjustments to super occurring in the transition to retirement phase?

Response:
We are not aware of any upcoming amendments to legislation regarding transition to retirement pensions. We note however that the Federal Government has just released the Retirement Income Review report and this may result in policy changes to the retirement system.

Question:
Dichotomy between share market on the up (Dow Jones Index over 30,000) and economies in the doldrums? Any offer?

Response:
There are a few factors that have driven the sharp rebound in share markets despite the negative economic impacts of the COVID-19 crisis.

- A large part of the share market recovery has been led by the U.S. share markets, and large U.S. technology companies specifically, which have proven resilient during 2020. More economically sensitive sectors such energy have however been materially impacted from the global slowdown.
- Unprecedented levels of monetary and fiscal support from countries around the world have resulted in massive amounts of liquidity being pumped into markets supporting prices.
- Despite unemployment rates generally increasing, some countries have seen disposable incomes relatively protected by government support measures. Share markets have tended to be more forward looking, with some market participants potentially 'looking through' the short-term impacts of CCOVID-19 lockdowns and focussing on the likelihood of a strong recovery once countries are reopened and people can spend this money more freely.

Your question very appropriately 'calls out' this apparent disconnect between financial markets and the state of the real world. That share markets could recover so quickly has been surprising. We expect that this means further volatility is more likely in times to come. For example, share prices are high and 'assume' a recovered world. Accordingly, share prices could be vulnerable to disappointment.

Question:
Am I right in saying that any personal contributions I make via Bpay, CareSuper would buy in units on my behalf at a unit price of the day the units are bought? And this normally happens the next day after the personal contributions are made?

Response:
The unit price used for contributions is the unit price effective on the date of processing, which is when we apply the contribution to the account. So yes, a member receives the unit price for the day the units are bought. BPAY can take around two business days to process transfers and deliver the funds. However, from the point the funds are received by CareSuper, contributions are typically processed by the next business day. There may be exceptions where additional validation is required prior to allocation of the contribution and purchase of units.

Question:
The charts show that overseas investments are doing best, Australian investments are doing poorly. Currently CareSuper is investing more in Australia than overseas. Why can't all the current Australian investment be put into overseas? It seems logical to me, that this will give us the best returns.

Response:
Our Overseas Shares option returned 6.28% for one year to 31 October 2020 while our Australian Shares option returned -7.90%. Overseas equity markets have been led by the strong performance of a narrow list of US technology names during the past 12 months such as Apple, Microsoft, Netflix and Google. Our Australian Shares option has a higher proportion of investments in financial and mining companies which did not perform as well during the same period. The Australian share market is made up of different types of companies than the US market and this made a difference.

This does not mean that the underperformance of the Australian market will continue. Each year brings a different economic setting to the one before and we remain positioned towards the long term by being diversified across all asset classes. In some periods Australian shares do better than global shares and it is possible that this could occur in the near term. This might happen if the Australian economy weathers the COVID-19 pandemic better, or if the Australian dollar were to rise.

Regarding investing more in Australian markets, our opinion is that Australian shares are now more attractive than overseas shares. This is due to the current low-rate environment, links to the China recovery and positive vaccine news being more supportive of equities in general. Further, relative valuations in Australian shares are more attractive than overseas markets and our future allocations will reflect this. Please refer to our website for the allocation to overseas and Australian shares in each of the diversified options as this varies. For example, in our Balanced option the amount invested in overseas shares is actually higher than Australian shares.

Question:
If retirees are not advised by CARE of underperforming funds, then how and where do we look for this information? We don't know who and where our money is invested with, so wouldn't know where to start looking.

Response:
Our performance returns for all options versus their respective benchmarks are listed on our website at caresuper.com.au/performance.

In addition, there are several pages on our website designed to assist our members by detailing how and where members' super is invested. The link below explains our investment philosophy, the key features of how we invest and where members' super is invested:
caresuper.com.au/investments/how-we-invest

Recent publicity regarding potential legislation to require super funds to advise members if they are an underperforming fund, relates to the fund itself. So, if you were to have an investment with another fund (not CareSuper), and this fund was a poor performer, the proposed rules might require that fund to inform you that it is underperforming. As CareSuper is a strong performer, we would not need to advise members of underperformance. Under the proposed rules, we cannot advise members if other funds in the superannuation industry are underperformers – it would be their obligation to advise their own members.

Question:
How is property performing compared to balanced?

Response:
For the year ended June 2020, our Balanced (MySuper) option returned 0.22% and our Direct Property option returned 1.69%. Over 10 years as at June 2020 our Balanced option returned 8.43% p.a. and our Direct Property option returned 8.86% p.a.

From the financial year to date as at November 2020, our Balanced (MySuper) option returned 7.40% and our Direct Property option returned 0.82%.

It is important to note that superannuation is a long-term investment. Historically, property investments have produced moderate to high returns over the long term (relative to other asset classes). Because property values can rise and fall over time, our Direct Property option has a medium to high risk level. Our Balanced option has a medium risk level.

Question:
Why wouldn't Terry answer the question which was 'have you been approached re a merger'

Response:
We cannot comment on whether we've been approached about a merger as this is commercially sensitive and confidential information. Regarding any merger, we will inform all members if and when we're in a position to do so.