



Minutes

CSC Annual Members' Meeting

Tuesday, 16 March 2021 – 5.30pm AEDST

Virtual

Present:

Board Chair

Mrs Patricia Cross

Audit Committee Chair

Mr Garry Hounsell

Directors

Mrs Ariane Barker

The Hon Chris Ellison

AVM Tony Needham, AM

AVM Margaret Staib

Dr Michael Vertigan

Mrs Melissa Donnelly

Mr Alistair Waters

Auditors

Mr Amimbola (Bola) Oyetunji, Delegate of the Auditor-General

Actuaries

Mr Stuart Mules, Australian Government Actuary

Mr Michael Burt, Australian Government Actuary

Mr Guy Thorburn, Australian Government Actuary

Mr Richard Boyfield, Mercer

CSC Executive – Panel

Mr Damian Hill, Chief Executive Officer

Ms Alison Tarditi, Chief Investment Officer

Mr Peter Jamieson, Chief Customer Officer

CSC Executive

Mr Andy Young, Chief Operating Officer

Mr Robert Firth, Chief Risk Officer

Mrs Alana Scheiffers, General Counsel



Mr Philip George, Chief Transformation Officer
Mr Paul Abraham, Executive Manager, Investment Operations
Mr Andrew Matuszczak, Executive Manager, Technology
Mr Adam Nettheim, Head of Customer Operations
Mrs Catharine Armitage, Head of People

CSC Staff

Mrs Anne Maree Wallett, Executive Assistant to the CEO
Mr Joshua Ginpil, Senior Manager, Governance and Board Services
Ms Alison Tanswell, Head of Customer Strategy
Mr Edison Marshall, Member Education Consultant
Ms Briohny Conway, Senior Lawyer, Governance and Compliance

Link Staff

Mr Aaron Calder
Mr Luke Butler
Ms Tiarne Hominal

Members

See spreadsheet of registrations at [Attachment A](#)

Minute No. 1

Agenda Item 1 - Opening

Mr Jamieson, Chief Customer Officer and Chair of the Annual Members opened the meeting at 5.30pm on 17 March 2021, in person at CSC's Canberra office at 7 London Circuit, Canberra ACT, and virtually through Zoom, managed by Link Group.

Mr Jamieson gave an acknowledgement to country, and welcomed all attendees to the inaugural CSC Annual Members Meeting. Mr Jamieson introduced CSC's Chairperson, Mrs Patricia Cross, the Chief Executive Officer, Mr Damian Hill, and the Chief Investment Officer, Ms Alison Tarditi. Mrs Cross then introduced each of CSC's Directors:

- Mr Garry Hounsell
- Air Vice-Marshal Margaret Staib
- Dr Michael Vertigan
- Mrs Ariane Barker
- Air Vice-Marshal Tony Needham, AM
- Mrs Melissa Donnelly
- Mr Alistair Waters, and
- The Hon Christopher Ellison (attending virtually)

Mrs Cross further acknowledged CSC's previous Chief Executive Officer, Mr Peter Carrigy-Ryan.

There were no apologies for this meeting. The Chair of the Board of Directors, Directors, Executive Officers, Actuaries and Auditors were all in attendance, either in person or virtually, as required by s29PA of the Superannuation Industry (Supervision) Act 1993. A full list of attendees is included at [Attachment A](#).

Minute No. 2

Agenda Item 2 – Chairperson pre-recorded presentation

Mr Jamieson introduced the pre-recorded presentation delivered by CSC's Chairperson, Mrs Patricia Cross. A transcript of Mrs Cross's presentation is included at [Attachment B](#).

Minute No. 3

Agenda Item 3 – Chief Executive Officer pre-recorded presentation

Mr Jamieson introduced the pre-recorded presentation delivered by CSC's Chief Executive Officer, Mr Damian Hill. A transcript of Mr Hill's presentation is included at [Attachment C](#).

Minute No. 4

Agenda Item 4 – Chief Investment Officer pre-recorded presentation

Mr Jamieson introduced the pre-recorded presentation delivered by CSC's Chief Investment Officer, Ms Alison Tarditi. A transcript of Ms Tarditi's presentation is included at [Attachment D](#).

Minute No. 5

Agenda Item 5 – Question & Answer

Mr Jamieson introduced the Question & Answer session. Eleven questions were responded to live.

Q1. Question from John in relation to the recent AAT decision of Douglas versus the ATO, regarding taxation of DFRDB lump sum payments resulting from a medical discharge. John noted Justice Logan was critical of CSC not providing an explanation for the income originally stated, and asked what CSC was doing to ensure that the previous amounts charged have been corrected, and how CSC will ensure this is done quickly for veterans.

A. Mr Hill responded, reiterating that the Federal Court recently ruled that military invalidity pensions should be taxed as invalidity pensions or as superannuation lump sums rather than as superannuation income, and that this applies to pensions paid after September 2007. Mr Hill explained that the result of the ruling is that invalidity pension payments will now be taxed at either a higher rate or a lower rate, and the amount of tax paid in the past will need to be adjusted. Mr Hill noted that whether the new tax rate was higher or lower than previously would depend on the individual circumstances of the individual customer. Mr Hill noted that CSC continues to work with the ATO, with the ATO reviewing historical matters in relation to tax paid, and with CSC looking to change its systems to correct forward-looking tax deducted from those income streams. Mr Hill added that CSC will continue to work closely with the ATO to determine the tax implications for individual customers, with an expectation that it will take a few more months yet to resolve.

Q2. Question from Paul regarding CSC's biannual CPI adjustment on pensions. Paul opined that CSC needs to tie the adjustment to the cost of living rather than the CPI index because the use of CPI has led to the erosion of pensions. Paul wished to know CSC's position on finally getting justice through changing this calculation method.

A. Mr Jamieson responded that the adjustment was retrospective and based on the CPI for the previous six months, noting that where CPI goes backwards, such as from January to June 2020, no adjustment is made. Mr Jamieson clarified that pensions don't go down, but if there is a negative or zero adjustment to CPI, pensions won't be increased either. In response to the query as to whether CPI was an appropriate measure, Mr Jamieson responded that CSC's position was that CPI remained appropriate, and that CSC would advocate on behalf of members if that position changed.

Q3. Question from Ben asking why Military Super members have their funds locked into the scheme, which Ben described as low-performing.

A. Mr Hill responded to the question, acknowledging that, due to the rules of some of CSC's older defined benefit funds, some customers are locked in. Mr Hill explained that the rules were applied many years ago, with CSC continuing to administer them in that regard. Mr Hill acknowledged that CSC received quite a bit of feedback from customers on this matter, noting that CSC sees its role as providing that information to the government and departments so that they know the level of dissatisfaction with those rules. Mr Hill noted however that CSC is unable to change the rules itself, so continues to engage on behalf of customers with the relevant stakeholders with a view to changing those rules over time.

Q4. Question from Peter regarding the risk and governance controls CSC had in place to check the validity of claims made under COVID early release provisions. Peter further asked about the impact those withdrawals had on CSC funds under management.

A. Mr Hill responded by providing background context to the COVID early release scheme. Mr Hill then noted CSC had about 44,000 customers take advantage of the early release scheme, taking about \$380 million out of CSC's various schemes. From an investment perspective, Mr Hill noted that CSC's investment program was very easily able to deal with this, adding that there were no liquidity issues as a result. Mr Hill noted CSC saw a skew towards former ADF members asked for those benefits, noting that CSC's main concern during the period was ensuring customers knew they weren't going to stop themselves being able to take out pensions later on in life by making those decisions.

From a fraud perspective, Mr Hill noted fraud was very low, with the latest figures from APRA and the ATO indicating fraud affected around 0.04% or 0.05% of applications over the whole system. Mr Hill noted that the ATO performed the assessment of whether people were eligible, adding that the Tax Office will go back and check the eligibility of those who self-assessed. Mr Hill advised his view to be that it was unlikely fraud would be a major issue for CSC, which had controls in place to minimise fraud and to make sure benefits could be paid to customers as quickly as possible.

Air Vice-Marshal Staib further responded, as Chair of the Risk Committee, noting that CSC has a very robust risk management framework in place that fully complies with the regulators through the prudential standard. AVM Staib added that CSC Directors, management and staff have a very strong commitment to a healthy risk culture, starting with a Board-approved risk appetite statement and Board-approved risk management strategy and policy. AVM Staib noted that CSC's Risk Committee had an externally appointed professional from industry to help Committee members assess environmental risks in the industry and more broadly around the country and the world. AVM Staib further noted CSC has a Chief Risk Officer and a very strong evaluation program, particularly with internal and external auditors. AVM Staib also noted CSC had a very strong compliance regime which was tested and reported to the regulators as required.

Q5. Question from Alicia enquiring about the timeframe for implementing changes brought in by the Superannuation Amendment (PSSap Membership) Act 2020.

A. Mr Jamieson responded, confirming changes went live on 7 March 2021. Mr Jamieson explained broadly that the changes would allow, in particular, existing PSS customers to have access to PSSap, removing some of the restrictions previously in place. Mr Jamieson noted that CSC would be writing to customers who can take up the option shortly.

Q6. Question from Ian asking whether CSC will consider moving to more ethical and environmental choices for investments in the near future, noting many members of his organisation, the CSIRO, were not willing to be involved in the investment in the fossil fuel industry and were strongly considering changing schemes to align more with their ethical and environmental views.

A. Mrs Cross responded to this question, confirming it was a very important topic to all at CSC, noting CSC has a very long record of being very actively engaged in all ESG matters. Mrs Cross referred to her presentation, noting that CSC's view is that CSC is better positioned to not divest, but to continue to be actively engaged with companies, trying to encourage climate transition in all companies CSC invests in. Mrs Cross explained that this approach has an impact on \$50 billion of assets under management, rather than just a narrow divestment.

Ms Tarditi agreed, adding that CSC has been very conscious of not just climate risk but sustainability issues more broadly for over two decades. Ms Tarditi noted that energy transition is well underway, but noted that impediments to faster transition are not about renewable energy production but rather about its storage and distribution, and the social impact on communities reliant on the existing energy system for employment, income and energy. Ms Tarditi explained that CSC was the first Australian super fund to undertake climate footprint analysis of its portfolio in 2009, and an early mover or first mover, into renewables. Ms Tarditi noted CSC has \$1 billion worth of high-quality renewable energy investments in its portfolio today, adding CSC had not invested in new fossil fuel plants in its infrastructure portfolio since 2010.

Ms Tarditi advised that CSC had reduced exposure to the inefficient users of water and producers of waste, and had divested from undiversified thermal coal producers both domestically and internationally because CSC could not engage effectively to produce genuine change with single-focussed producers. However, Ms Tarditi noted that CSC did not believe in the precipitous exit from diversified resource companies who are well placed to deliver a robust transition to the new energy system.

Ms Tarditi noted that, as Harvard research also attests, voice is much more powerful than divestment where companies have the capacity to improve and execute change well, noting

this to be the reason why CSC was a signatory to the Carbon Disclosure Project in 2002. Ms Tarditi further explained that CSC was one of 108 institutional investors from 24 countries around the world to engage with more than 1,000 companies, representing about \$21 trillion in market cap and 5 billion in carbon emissions to improve their reporting of their carbon emissions. Ms Tarditi concluded that CSC prioritises those authentic steps towards outcomes, noting CSC hopes to move as quickly as it can towards carbon neutrality.

Q7. Question from Anthony regarding the inaccessibility of information about his superannuation scheme, noting the level of assumed knowledge is excessive, and offering his assistance in improving CSC's communications.

A. Mr Jamieson thanked Anthony for his offer and responded that CSC has been improving the communications in its conventional documents such as the PDSs, and also on CSC's website. Mr Jamieson noted that last year PSSap and ADF Super customers received a digital statement, adding that PSS and Military Super customers would receive a newly formatted statement this year, designed in conjunction with customers. Mr Jamieson acknowledged CSC had a way to go in improving communications, but noted CSC was committed to improving the way in which it communicates, responds to, and supports every customer.

Q8. Question from Deborah regarding the recommencement of member education sessions.

A. Mr Jamieson responded that sessions would recommence shortly, noting they have been held virtually during COVID, but in-person sessions around Australia would recommence as soon as there was more certainty around COVID restrictions.

Q9. Question from Peter regarding Board remuneration, and why this is CSC's first Annual Member Meeting.

A. Mrs Cross responded that this was CSC's first Annual Member Meeting which had come about due to a change in legislation which now requires super funds to hold such a meeting. Mrs Cross noted CSC is delighted to hold the meeting and to have the opportunity to engage with members.

In terms of Directors' remuneration, Mrs Cross referred Peter to the Annual Report on CSC's website, specifically to pages 53 and 54. Mrs Cross commented that remuneration of Directors was about balancing the need to hire and motivate the best talent while addressing the concerns of stakeholders in government, the ACTU and in military and Defence. Mrs Cross noted CSC has strong oversight from the Board on remuneration, and input into remuneration policy and practice. Mrs Cross added that the policy approved at the Remuneration & HR Committee; chaired by the Honourable Christopher Ellison and composed of AVM Tony Needham, the former Head of People Capability at the Department of Defence, and Mrs Melissa Donnelly, Secretary of the CPSU; placed a structure around how all pay is determined,

giving considerable discretion to the Committee. Mrs Cross noted that an example of the Committee using that discretion was during COVID when the Committee froze all pay rises and took a tiered approach to decreasing variable pay, with larger cuts taken on total executive remuneration than on frontline staff.

Q10. Question from Indran and some others asking whether their defined benefit pensions were 100% backed by the Commonwealth Government, and if not, what are the main risks of a financial crisis impacting the pension.

A. Mr Hill responded to the question, confirming that defined benefit pensions are supported completely by the Australian Government and that, from an investment perspective, CSC's pensioners are protected from the financial market risks that other pensioners usually have. Mr Hill noted that in the event of a financial crisis, the Australian Government would continue to support the pensions being paid to members.

Mr Hill added that pensioners were also protected against inflation because the pension is adjusted every six months. Mr Hill noted that governments of all persuasions in Australia have supported the Future Fund, adding that the large majority of its assets are there to support defined benefit pensions and pensioners. Mr Hill concluded that the type of benefit Indran had meant they were protected from most of the risks that many other Australian retirees faced.

Q11. Question from Trent about whether CSC's active management strategy got it wrong during COVID, and how bonuses could be paid for such incorrect actions.

A. Ms Tarditi responded that CSC's investment strategy had worked as expected over the past 12 months. Ms Tarditi noted that in February, prior to the global pandemic becoming common knowledge, CSC had noticed the outbreak in China and were concerned about the fact that the world's manufacturing sector in China was effectively being shut down. Ms Tarditi observed that that had implications for supply chains everywhere, so CSC reduced the risk in its portfolios ahead of what then turned out to be the global pandemic. Ms Tarditi added that, as a result, if a member was retiring, they were retiring with 160 basis points, or 1.6%, of performance ahead of the average peer group in Australian. Ms Tarditi noted that this put CSC close to number one, if not number one, through that period with a preservation of 40% more of investment returns than if the member had been at any other super fund.

Ms Tarditi noted that CSC didn't just stay invested as occurred in passive portfolios, and therefore didn't see the big return back up in risk assets through June and August as a result of the policy responses. Ms Tarditi stated that instead of taking a punt and hoping things would recover, CSC had been very cautious and looked at not just the extent of policy responses, but the efficacy of those, along with the capacity of central banks to commit to keeping interest rates low. Ms Tarditi explained that with the level of fiscal expenditure and debt levels so high, the servicing burden to governments of an increase in interest rates would certainly curtail

their capacity for further expenditure. Ms Tarditi noted the Australian Central Bank had been buying double the rate of bond purchases that it had been doing prior to the crisis.

Ms Tarditi further noted that CSC had looked at the outcome of the US election and realised that the \$1.9 trillion of expenditure in the US would be constructive for recovery, noting that CSC has been building back into risk as a result. Ms Tarditi noted that CSC has been adding consistently over the last 10 years 0.7% per annum above fees and costs relative to a passive implementation strategy to its balanced fund, with 12% less volatility in returns, and adding 1.8% per annum in its aggressive option and 1.5% per annum after fees and costs versus a passive strategy.

A further 255 questions were asked during or prior to the meeting. For the purpose of responding to all questions in accordance with sub-section 29PB(2) of the Superannuation Industry (Supervision) Act 1993, questions and responses were grouped. For all grouped questions and responses, see [Attachment E](#), however it is noted that all personal or irrelevant (under the legislation) questions have been removed.

Minute No. 6

Agenda Item 6 – Meeting Close

The Chair thanked all attendees for their contribution, and advised that all questions asked during the meeting would be responded to in writing, with answers to be made available online within 30 days. The Chair noted the full video of the meeting would be made available on CSC's website within the next few days.

Finally the Chair, on behalf of the Board and executive team, thanked customers for joining CSC's first annual member meeting, reiterating CSC was committed to listening to customers, understanding their needs and improving everything CSC does. The Chair noted a survey would be distributed to attendees inviting them to provide feedback and suggestions on how to improve CSC's annual member meeting in future.

The Chair closed the meeting at 7.00pm.

A transcript of the entire meeting is included at [Attachment F](#).

Mr Peter Jamieson
AMM Chair and Chief Customer Officer
Date: 15 April 2021