



Damian Hill Transcript

CSC Annual Members' Meeting

Tuesday, 16 March 2021 – 5.30pm AEDST

Start of Transcript

Introduction

Damian Hill: Good evening, and thank you for your attendance at our first ever Annual Members' Meeting. It's really pleasing to see so many of you joining us and taking an interest in your super fund, and thank you for all the questions you have asked. It was a pleasure to join CSC in July 2020, though a different experience with almost everyone working from home.

I found a strong and committed team who had adapted quickly to the COVID environment, both from a working remotely point of view and continuing to deliver customer services. I found an organisation with a rich heritage in dealing with the intricacies of the 11 superannuation funds we manage. Next year, for example, we celebrate the 100th anniversary of the oldest of the CSC schemes and the setup of the predecessor to CSC.

Despite that long history, it was still an organisation with huge opportunities in front of it to enhance the service to our unique customer base. Patricia has already talked about that uniqueness, but I just wanted to add one further example. I get to sign 100th birthday cards for customers and beneficiaries, and I get to do about a dozen a month. This shows the long-term nature of superannuation and how our heritage means we are the strongest, most experienced retirement income provider in Australia.

CSC's transformation strategy

Super is certainly shifting from being a topic that is only thought about when you either start a job or approach retirement, to being something that people are engaging with more frequently, because they see it as an important investment in their future. This evening, I want to focus on what CSC is doing to make ourselves better for you, our customer. CSC's guiding light is our three-year strategic plan, which was approved in August 2020. This three-year plan



is developed and put in place with a crystal-clear objective, achieving great outcomes for our customers.

And we will deliver great customer outcomes through our three core functions. The first is providing adequate retirement savings for our customers. The second is enabling our customers to make informed and engaged decisions, and the third is embedding ease, efficiency and effectiveness into our products and services. Our current three-year strategic plan is the most important and significant body of work we have ever undertaken. This strategic plan will transform CSC, and it's a transformation that our customers will notice and benefit from.

So why are we undertaking this significant transformation of CSC? Well, first, our customers' expectations are growing. We've asked many of our customers about what they want from us, and they told us they want to feel at ease, understood and empowered. And we want to be there for every single customer, seamlessly and helpfully, during those moments that matter to them. Our customers also live in a very different world to when CSC first started.

Customers don't just compare us to other superannuation funds, they compare us to the brands they engage with and the service experience they have nearly every day. To be the best super partner for you, we need to benchmark ourselves against the leading global service providers across every industry. Our business is changing. With a world-class investment function, a strong connection with our customers and expertise in the products we provide, we've built a great foundation for the future, but we need to continually look outside our business, learn from others and challenge our thinking if we are to transform into a business that is constantly improving and seeking to do better for our customers.

CSC's transformation is simply about delivering better outcomes for our customers. As part of this transformation, there are a lot of back-end changes to our technology systems, processes and operations. I'll be honest. In the past, some parts of our business have been built around what was easier for us, and not necessarily our customers. That's certainly not to say we haven't always been absolutely committed to serving our customers in the best way possible. Far from it.

Technology platforms and back-end systems that were implemented 15, 10 or even five years ago aren't going to cut it in today's quick-paced, technologically driven world. We have a multitude of back-end systems doing significantly the same thing for different schemes with a low level of integration across our service offerings, but that is all changing. So what can you, our customer, expect to see over the next three to five years? You can expect to see us make the most of our data and insights to personalise both your experience with us and your retirement outcome.

You'll be using the latest digital capabilities that will enable much simpler access to your online CSC account and greater self-service options. You'll experience much faster transactions with us, because we'll have better administration systems that will allow for greater automation. The way we work will be centred on end-to-end service, where the goal will be to resolve any issue or inquiry in a single transaction, with individual and tailored support and guidance as necessary. We will be expanding our financial assistance and advice services to ensure we can guide you on your path towards retirement, and we also want you to be happy and healthy when you reach retirement.

Retirement initiatives

After all, you will have worked hard to get to retirement, and you want to be in good shape both mentally and physically, so that you can enjoy every single bit of it. That's why we do more than just invest your super. We are taking a more holistic approach to your retirement journey, and we have made partnerships and are providing services that can guide, assist and support you. For example, we have partnered with organisations like Lifeline and SuperFriend to build awareness and provide mental health support for our customers. We've partnered with Legacy to make sure those who are dealing with loss or financial hardship are supported in the best way possible - quickly and with compassion.

And our Third Act, Retirement Ready and 40 Plus programs all exist to guide and support those of our customers who are in the latter part of their working life, so they can make informed decisions that are right for them. We have also recently partnered with Mercer Australia, to undertake a trial of the Care and Living with Mercer Initiative, otherwise known as CaLM. CaLM is a service that supports Australians and their families in finding the right aged care and senior living needs for their loved ones. The current state of Australia's aged care industry can be very complex and challenging to navigate.

Today, with more people living longer, there are more families impacted by aged care needs than ever before. Aged care costs are one of the biggest draws on superannuation benefits, not only for those going into care, but also the next generation, who are the primary caregivers. Women, who do most of the caregiving, are the most impacted by this issue.

CaLM provides a guided way forward to help families plan, implement and monitor aged care and senior living services, so that your loved ones can live better, longer lives with the independence, dignity and security they desire. CaLM provides something called a Care and Living Roadmap Builder, which will support families who would prefer to take a do-it-yourself approach to finding and implementing aged care arrangements. It's a really useful and practical service, and we look forward to introducing the Care and Living program to our customers soon.

We search for and provide services like CaLM not because we, and I mean CSC, think it's a great idea. We do it because our services are driven and informed by our customers. This is all enabled through our customer listening program called The Compass. We actively seek feedback, comments and insights from our customers, the good, the bad and the ugly. The Compass points us in the right [direction] and, making sure we're on the right track to meeting our customers' needs.

At the risk of sounding like the captain of a boat, it gives us the information we need to correct our course or completely change our direction. The Compass customer listening program allows us to see how we've gone and where we should be heading. Many of you may have noticed that your most recent super statement was delivered to you digitally for the first time. This new digital statement was a direct result of our Compass customer listening program. Through the Compass listening program, you told us that we should simplify our annual statements, make them more useful and provide them in a digital format. In effect, we codesigned the statements with some of our customers. So that's what we did, and the feedback has been great.

So I encourage you to get in touch with us if there's something you're not happy about, or even that you are happy about, because we want to leverage our many strengths as well. Your feedback, comments and insights are incredibly valuable, and they will help us improve.

Legislative change

Another way we are making things better for our customers is by advocating for legislative and scheme rule changes and regularly reviewing and looking to improve the products we offer, whether that be super or insurance.

One product we made changes to recently was ADF Super. To make the process of transitioning out of the Australian Defence Force simpler for our customers, we proposed a change to ADF Super to enable those leaving the ADF to retain ADF Super as their superannuation fund of choice post-service, and we have more product changes coming that will provide more flexibility for our PSS, CSS and PSSap customers. From this month, if you're in PSSap, the changes that are being made will enable you to receive both APS and non-APS employer contributions into your PSSap account at the same time.

If you're in PSS or CSS, the new changes mean you'll be able to open a PSSap ancillary account to make personal and non-APS employer contributions.

Fees

So I've covered the huge body of work we are undertaking to improve our services and products for our customers, and now I'd like to deal directly with a few of the bigger topics or issues out there that many of you have questions about. The first topic is fees. There's been an increasing focus on fees from regulators, ratings houses, superannuation providers and customers over recent years.

To date, it's been difficult to accurately compare funds, as there have been significant variations in calculation methodologies to report both returns and fees. Put simply, when it comes to looking at fees across super funds, you re-aren't comparing apples with apples. Efforts by the regulator to standardise how investment returns and fees are calculated and reported have started. It's important to note that super funds with lower fees don't necessarily offer the best value, because the real cost to customers may not be fully captured.

Even when fees are calculated consistently across the industry, what ultimately matters is that your retirement savings are not vulnerable to the condition of markets at the time you choose to retire and that you are getting value for money. At CSC, we invest in high-quality assets and strategies that we expect will assist the achievement of your retirement goals, but this investment strategy does come at a cost. Examples of such assets include private infrastructure and property assets, where the costs of actively managing the asset are higher than holding a very small share in these assets through listed markets.

We believe net returns, taking into account risks incurred in investing customer savings, is the most appropriate measure of success. Nonetheless, we have an active program to align our investment partners with the investment returns generated for you and to reduce our overall investment fees, and you will likely see these reduce over the next couple of years.

Climate change and responsible investing

The other issue that is of interest to many of our customers is climate change, and investment in renewable energy and carbon emitting industries.

CSC took out the coveted Asian Investor Institutional Excellence Award late last year for ESG engagement and their summation of our efforts was this:

“CSC's on-going efforts to bolster its responsible investing engagement, both via new forms of index and adding new forms of data process made for noteworthy developments of an already impressive level of devotion to ESG.”

We acknowledge the critical importance of reducing carbon emissions and transitioning to renewable energy production and environmentally friendly manufacturing. Super funds can play an important role in driving change and progress in this space, given the influence we can leverage through the significant investments we can make.

We have made significant investments in renewable energy, and we will continue to search the world for more of those investment opportunities.

Commissioner of Taxation v Douglas – military invalidity pensions

Another issue that impacts some members of our Military Super and DFRDB schemes relates to the Federal Court decision that was handed down in December last year in the *Commissioner of Taxation versus Douglas* case. The court determined that specific invalidity benefit payments paid under pensions that commenced on or after 20 September 2007 by the DFRDB and Military Super schemes are superannuation lump sum payments, rather than superannuation income stream benefits.

In relation to this issue, and to clear up any confusion, the ATO is responsible for remediating historical invalidity benefit payments. CSC is responsible for ensuring future invalidity benefit payments are taxed in accordance with the decision made by the Federal Court. The ATO is currently working on a remediation process following the decision, and they are reviewing all impacted benefit payments and the prior taxation treatment of those payments. CSC is working hard to update its systems to apply the lump sum withholding rate to fortnightly payments for impacted customers. Because these are complex, technical changes, we expect these will take some months to implement, so in the meantime, tax will continue to be withheld at the current rate. Regardless of when CSC commences withholding at the lump sum withholding rate, we will report all payments made this year as lump sum payments, so that the ATO can apply the right tax base to those impacted customers' tax returns.

This means that affected customers will not be taxed incorrectly for the 2020/2021 tax year. As part of the tax return process, the ATO will refund to impacted customers any excess tax that was remitted to the ATO by CSC during the year. Let me assure you that the ATO and CSC are working closely together on the remediation process, and we are committed to keeping all impacted customers up to date.

Member Outcomes

Patricia mentioned in her address the member outcomes legislation that came into effect at the start of 2020. Member outcomes is fundamentally about you, our customer. For us,

member outcomes is about holding ourselves to account for our vision, our customer promise and our customer commitments. At CSC, we deliver member outcomes through three core functions. First, by providing adequate retirement savings. Second, by enabling customers to make informed and engaged decisions, and third, by embedding ease, efficiency and effectiveness into our products and services.

Our comprehensive strategic plan focusses on successfully delivering on our three core functions, both now and in the future. You should be able to see more transparent information about our member outcomes on our website.

Conclusion

I would like to finish up by reaffirming our commitment to you. CSC is a super fund that exists for those who are in the APS and ADF, and because we've been serving those who serve Australia for decades, we know you better than any other super fund. When it comes to your super, our staff know what matters to you better than anyone else. Our frontline staff that take your calls, answer your emails, process your super contributions and pay your pensions genuinely care about you.

Our investment team do what they do with you in mind, every single time. You may have seen our new marketing campaign recently. We've called this marketing campaign Be Super Appreciated. It's called that because we are honoured to serve you, and we want you to know you are appreciated, and it isn't all about us. It's about you and our over 700,000 other customers. We are very aware of the huge responsibility we have in managing your super, and I can assure you, every single person at CSC shares a common purpose. That purpose is underpinned by investing your super wisely, so you can enjoy the retirement you deserve.

But it is also to support, guide and inform you every step of the way on your path to retirement, to be there for you in the moments that matter to you. So thanks again for attending this Annual Members' Meeting, and I'll be on hand later during the Q&A session to take any questions you may have.