



Minutes of Annual Member Meeting (AMM)

7 March 2023 at 5:15pm (AEDT) held online

Commonwealth Bank Officers Superannuation Corporation Pty Limited (CBOSC/trustee) as trustee of Commonwealth Bank Group Super (fund)

1. Present, apologies and quorum

1.1. Present

- Rosemary Vilgan, Director (Independent Chair)
- Ian Ward-Ambler, Director
- Susan Allen, Director
- Janet Linklater, Director
- Chris Williams, Director
- Magda West, Director
- Jessica Pramana, Director

Also present:

- Daniel Nott, Committee Member
- Stephanie Smith, Trustee and Fund Auditor, PwC
- Louise Campbell, Fund Actuary, Willis Towers Watson
- Scott Durbin, Chief Executive Officer (CEO)
- Ruwanie Dias, Chief Investment Officer (CIO)
- Jamie Stanley, Executive Manager Member Services
- Briony Larssen, Executive Manager Finance and Risk Management
- Tuan Tran, Company Secretary

1.2. Apologies

- Cara Botha, Director
- Stephen Halmarick, Director

1.3. Quorum

It was noted that a quorum was present and the meeting was declared open.

2. Opening of meeting

2.1. Welcome and introduction

Ian Ward-Ambler, Investment Committee (IC) Chair, welcomed members and acknowledged the Traditional Custodians of country throughout Australia and paid respects to their Elders past, present and emerging and extended respects to all Aboriginal and Torres Strait Islander peoples attending the AMM. He then introduced the Directors, Committee Member, Auditor, Actuary and the Management Team present, and outlined the agenda of the meeting.

2.2. Meeting minutes and questions and answers

The IC Chair thanked members for their questions and noted that member questions received during and prior to the meeting would be answered in the meeting and/or in writing and made available on the fund's website along with meeting minutes.

The IC Chair reminded members that questions relating to personal circumstances; personal advice; certain commercial; legal and confidential matters cannot be addressed as part of this meeting.

The IC Chair reflected on the past year, which was particularly volatile for investment markets.

He noted the extremely challenging environment for investors such as superannuation funds. Notably the vast majority of default MySuper options in the industry produced negative returns over the 12 month period to 30 June 2022 and also to 31 December 2022 on which the CIO would later provide further insights.

He then introduced the Independent Chair to speak to members.



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3. Chair's address

The Chair thanked the IC Chair, welcomed members and attendees and addressed the meeting.

3.1. Past year's results

The Chair acknowledged the challenges for members and Australians; globally the continued effects of the COVID pandemic and war in Ukraine, and volatility in investment markets, interest rate rises and growing inflation.

The Chair reassured members that the Board has always been focussed on their best financial interests noting the fund (operating on a profit-to-members basis) had looked after the superannuation needs of Commonwealth Bank of Australia (CBA) Group employees and their families for over 105 years.

The Chair provided an overview of the performance for the past year, commenting on the matters set out below.

- a) The proposal to merge with Australian Retirement Trust (ART) announced to members in February 2023.
- b) The fund's Accumulate Plus Balanced (MySuper) option passed the Your Future Your Super (YFYS) annual performance assessment for the 30 June 2022 financial year (FY 2022).
- c) The pause on the implementation of a new 5-step Lifecycle investment option having considered the volume of change members experienced in the 12 months to 30 June 2022 against the backdrop of market volatility and potential for additional concern from the fund's membership. Further, should the merger proceed; members will be able to access that style of investment in the merged fund.
- d) Investment strategy changes to some of the fund's diversified investment options.
- e) The completion of the transition of the member administration services for Accumulation Plus and Retirement Access to Mercer Outsourcing (Australia) Pty Ltd (Mercer); and appointment of State Street Australia Limited (State Street) and Mercer Financial Advice (Australia) Pty Ltd as master custodian/investment administrator and financial advice provider respectively. All of which were designed to streamline administration and optimise business operations by taking advantage of new features and technology to maximise services to members.

The Chair, on behalf of the Board and Management, thanked the fund's past service providers Colonial First State and Citi; and new service providers Mercer and State Street in helping to achieve a complex transition.

The Chair also thanked members for their patience during the limited service period across March and April 2022 during which member records and historical data were moved and reconciled across a number of platforms as a result of the member administration transition.

3.2. Proposed merger

The Chair remarked on the decision to explore options for a potential merger partner given:

- a) the fund, despite having delivered good outcomes for members over the years, is a relatively small fund

by comparison with the evolving superannuation landscape

- b) the importance of scale in delivering long-term outcomes for superannuation fund members
- c) the required investment to remain competitive and the likely impact of this on members' fees, and
- d) that larger funds with better buying power can expand their services and strengthen their capabilities while keeping costs down for their members.

The Chair then provided the rationale for selecting ART as a potential merger partner, including due to its:

- a) strong alignment of investment philosophy and beliefs
- b) high-performance and diversified investments, offering potential strong long-term returns
- c) value for money fees and member service offering
- d) commitment to continuing to provide insurance cover for fund members, and
- e) strong values alignment.

3.3. Next steps

The Chair also noted that:

- a) CBA, as the fund's employer sponsor, has indicated its support for the merger with ART and that CBA's obligations to the fund and beneficiaries have not changed and will not change because of the proposed merger
- b) both the trustee and CBA are committed to maintaining and funding all of the defined benefit arrangements as part of the proposed merger; defined benefits including lifetime pension members will continue with the same defined benefit formula with CBA's continued support
- c) discussions with the Government have commenced in relation to continuation of the Commonwealth Government Guarantee (that currently exists for certain members of the fund immediately before 19 July 1996 when the Commonwealth Government privatised CBA) in the event the merger proposal with ART proceeds
- d) the proposed merger is subject to completion of due diligence and final approvals from both trustee boards
- e) for the proposed merger to proceed, the trustee must be satisfied that the transfer to ART is in line with the trustee's duties to members, including the duty to act in the best financial interests of members as a whole and that the rights that members receive in ART will be equivalent to the rights members have in the fund, and
- f) members will be provided with updates on the due diligence progress, which has commenced, and details about the proposed merger throughout 2023, including information pertaining to their superannuation before any possible transfer to ART.

In her closing remarks, the Chair thanked the CEO, and all those he leads, for the commitment to supporting members.

The Chair also thanked members in anticipation, for their support through this significant change noting the privilege of looking after their savings for retirement.

4. CEO'S address

4.1. The year in review

The CEO addressed the meeting, reiterating the Chair's comments on the delivery of the fund's administration transition to Mercer and State Street, realising cost savings with improved digital and advice capabilities.

The CEO acknowledged the inconvenience faced by a number of members due to the inability to transact throughout the limited services period prior to the transition in March 2022 and the initial challenges that impacted the service levels when embedding the new member administration processes. The CEO reassured members that actions are being taken to improve service experiences going forward.

The CEO referred members to the annual member outcomes statement on the fund's website for a holistic overview of how the fund is performing, including details of the competitiveness of fees, quality and affordability of insurance and opportunities and services arising from the administration transition.

4.2. Proposed merger

The CEO expanded on the Chair's remarks on the proposed merger, commenting on the below.

- a) A merger is likely to be a more beneficial way forward for delivering long-term, market competitive outcomes for members into the future.
- b) The reassurance that the merger will not proceed unless the trustee is satisfied that it is in members' best financial interests to do so.
- c) There are still a number of steps to be undertaken before the merger is approved and proceeds.
- d) Members will be kept informed with regular updates of key milestones relating to the proposed merger.
- e) The calculation of defined benefit entitlements will remain unchanged.
- f) The plan to continue the Commonwealth Government Guarantee that applies to certain members of the fund immediately before 19 July 1996 when the Commonwealth Government privatised CBA.

In closing, the CEO reassured members that the Board and the management team remain committed to delivering to the highest attainable standards while progressing the merger planning and execution.

5. CIO'S address

5.1. Key focus areas

The CIO outlined that her address would cover investment markets over the last year; performance of the fund; and expectations for the year ahead. The CIO noted that her presentation covered mainly the Accumulate Plus super and Retirement Access pension products, in particular the default Balanced (MySuper) option.

The investment strategies for the fund's defined benefit divisions are different and, importantly, remain fully funded and in surplus. Further information on defined benefits is in the fund's [Annual Report](#) available on the fund's website.

5.2. Investment markets over the last year

The CIO reiterated the recent challenging investment environment with many asset classes experienced significant volatility and negative returns in 2022 resulting from the war in Ukraine, continued COVID impacts, global central bank tightening of monetary policy by raising interest rate and persistently high inflation shocks.

She remarked on the rare occurrence of global share and fixed interest markets simultaneously experiencing large falls. She explained that traditionally, bond markets cushion share market downturns with investors typically allocating some of their portfolio to bonds with the aim of smoothing overall returns during share market downturns.

The CIO provided an overview of various asset class performance for the 12 months to 31 December 2022.

5.3. Performance of the fund¹

The CIO provided an overview of the performance of the fund, highlighting:

- a) the year to 31 December 2022 was the first instance of negative annual return of -4.3% over the last 10-calendar-year period
- b) the negative return experience was shared by almost all superannuation peers with the majority of MySuper options returning negative figures over the 1-year period, and
- c) while not desirable, negative returns are expected from time to time; in this environment, the fund's philosophy of allocating to diversifying assets like alternatives and infrastructure helped the fund's MySuper option outperform the peer median over the 1-year period to 30 June and 31 December 2022.

The CIO discussed the fund's broader investment performance against other metrics, including that:

- a) the fund's MySuper option passed the YFYS annual performance assessment for FY 2022
- b) on the performance of the MySuper product against APRA's 'Heatmap' assessment, a majority of the investment metrics were assessed as performing better than APRA's performance reference points as at the end of FY 2022
- c) all the fund's Accumulate Plus options and Retirement Access options met or exceeded their investment objectives measured over a 10-year period to 31 December 2022, apart from the Pension Conservative option
- d) relative to peers, the fund's MySuper option outperformed the industry median through the challenging conditions of the last calendar year

¹ Past performance is not a reliable indicator of future performance.

- e) over longer term periods however the fund's MySuper option and most diversified options lagged the industry median as a result of the fund's conservative asset allocation in strongly performing share markets, and
- f) a majority of the fund's choice options outperformed their SuperRatings peer groups medians over the 12 months to December 2022.

5.4 Climate change action plan

The CIO spoke to the fund's climate change action plan and the continued transition to a net zero carbon emissions investment strategy including:

- a) the fund's infrastructure portfolio investing in solar farms with current construction of several small solar farms in regional South Australia and New South Wales, and
- b) at least 10 of the fund's investment managers committing to achieving net zero alignment within their portfolio by 2050 or sooner.

5.5 The year ahead

The CIO remarked on the expectations for the year ahead, including comments on the:

- a) likelihood of continued market volatility with a heightened risk of a global slowdown and recessions in various economies which has the potential to negatively impact asset values
- b) importance of maintaining a diversified portfolio against the uncertain economic backdrop
- c) environment providing some areas for potential interest looking forward, such as yields payable on fixed interest assets broadly at levels not seen for a number of years, potentially providing long term investors with a viable source of returns and meaningful sources of diversification when constructing portfolios
- d) deferral of some key product and investment initiatives including the introduction of a Lifecycle MySuper product as a result of the proposed merger noting that the investment offering of ART strongly aligns with these deferred initiatives, and
- e) investment strategy changes to some of the fund's diversified options.

The CIO concluded her remarks by thanking members and reiterating the commitment to continue to monitor and manage the fund's investments in members' best financial interests and, where appropriate, implement incremental improvements.

6. QUESTIONS AND ANSWERS (Q&A)

The IC Chair opened the Q&A session and reminded members that questions would be answered in the meeting and/or in writing and made available on the fund's website along with meeting minutes (refer to Member Q&A).

The IC Chair thanked members for their questions and invited members to contact the fund should they have any questions on their superannuation accounts.

7. Closing remarks

In closing, the IC Chair, on behalf of the Board, thanked all those present for their attendance and ongoing support for the fund noting that the Board remains as committed as ever to acting in their best financial interests.

8. Meeting close

The meeting was declared closed at 6:30pm.

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