



Minutes of IOOF Portfolio Service Superannuation Fund Annual Member Meeting

IOOF Investment Management Limited ABN 53 006 695 021
Trustee of the IOOF Portfolio Service Superannuation Fund ABN 70 815 369 818 (Fund)

Annual Member Meeting for the financial year ending 30 June 2020 held online via Lumi video conferencing on Thursday 18 February 2021 at 5:00 pm (Melbourne time).

Presenters:

Martin Walsh	Chair of IOOF Investment Management Limited
Renato Mota	Chief Executive Officer, IOOF
Mark Oliver	Chief Distribution Officer, IOOF
Daniel Farmer	Chief Investment Officer, IOOF
Frank Lombardo	Chief Operating Officer, IOOF

Present:

Martin Walsh, Lindsay Smartt, Karen Gibson, Andrew Bloore, Jane Harvey, Renato Mota, Mark Oliver, Daniel Farmer, Frank Lombardo, Lorna Stewart, Mark Mittelman, Adrianna Bisogni, Sharyn Cowley, Lisa Chehab, Joshua Pearce, Chris Wooden (Fund Auditor), Mark Nelson, David Lewis and John Newman (representing the Fund's Actuary).

Important Information:

The presentations, meeting minutes and answers to member questions may contain general advice that does not take into account your objectives, financial situation or needs. Before you act on any general advice, you should consider whether it is appropriate to your individual circumstances. Before making any investment decision you should obtain and read the Fund's product disclosure statement which is available at <https://www.ioof.com.au/forms> or by calling 1800 913 118. Past performance is not an indicator of future performance.

The minutes include a summary of the key aspects of the presentations and the member questions answered at the meeting.

Chair Address

The Chair spoke to the following matters:

- acknowledged the traditional custodians of the land and paid respects to their Elders past, present and emerging, and to all Aboriginal and Torres Strait Islander peoples attending the meeting.
- provided an overview of the format of the meeting which would include presentations by senior members of the IOOF Executive Team with key responsibilities for various aspects of the Fund's management and its performance.

- advised that the meeting was being recorded and that the question and answer session would commence when the presentations had concluded.
- advised how members could ask questions.
- advised that all Trustee Board Directors were present, along with the Fund's Auditor and Actuary.
- provided an overview of the role and composition of the Trustee Board and the experience of the Trustee Directors.

The Chair introduced the Chief Executive Officer, Mr Renato Mota and invited him to address the meeting.

Chief Executive Officer Address

Mr Mota spoke to the following matters:

- welcomed the members of the Fund to the IOOF Group.
- provided an overview of IOOF's history, which is centred around helping communities in their time of need and supporting people.
- discussed the challenges of 2020 due to the bushfires and global pandemic.
- advised that IOOF had released in excess of \$1.4 billion to members under the Covid-19 early release of superannuation scheme.
- highlighted IOOF's purpose, 'understand me, look after me and secure my future', and explained how it is at the forefront of all interactions with members.
- noted the three key elements that drive thinking at IOOF:
 - having the people and culture that represent member interests;
 - having the resources to continue to reinvest to find new and better ways of working; and
 - never forgetting that IOOF's success is entirely tied to members' personal success and IOOF's ability to deliver members' financial confidence.

Mr Mota introduced the Chief Distribution Officer, Mr Mark Oliver and invited him to address the meeting.

Chief Distribution Officer Address

Mr Oliver spoke to the following matters:

- provided an overview of the Fund and the Fund's products.
- discussed the product options available to members and their features, including investment choice and insurance.

- explained that there are great opportunities that come from the Fund's size which enables IOOF to continue to invest and deliver best in class solutions.
- outlined the ways in which IOOF is working to improve member outcomes and ensure the Fund's products support members in meeting their needs and realise their long-term financial goals.
- provided an overview of recent technological, product and member service initiatives to improve members experience and provide greater flexibility, including an intuitive online portal and enhanced reporting.
- highlighted the importance of obtaining financial advice to assist members to become more engaged and make better decisions about their financial future.
- discussed the challenges impacting the insurance environment and the ways in which IOOF is working with insurers to provide competitive insurance cover which provides value for members.
- reiterated that the Fund's is well-positioned to support members on their life journey.

Mr Oliver introduced the Chief Investment Officer, Mr Daniel Farmer and invited him to address the meeting.

Chief Investment Officer Address

Mr Farmer spoke to the following matters:

- provided an overview of the impact that 2020 had on the Australian economy, share prices and the investment returns of superannuation fund assets.
- advised that the history of share markets is peppered with this type of shock and while the share market falls in 2020 were sharp, and possibly unsettling for members it is important to keep this in perspective.
- explained that history tells us that losses are recovered as economies and share markets bounce back over the long run and 2020 was no exception.
- noted that the share market recovery in the second half of 2020 helped grow the superannuation balances of many members.
- advised that share markets delivered modest returns in 2020 with the Australian share market gaining 1.7% and global shares rising 5.7%.
- advised that a key driver of the increased confidence in share markets was the actions by policy makers around the world to provide fiscal and monetary stimulus to support the economy.

- noted that the returns from defensive assets such as cash and government bonds are expected to remain low for an extended time as central banks hold interest rates at record lows.
- discussed what this means to members and the key questions members need to consider when investing their superannuation savings.
- advised that the Fund offers a wide range of investment options that allow members to access a variety of asset classes and investment styles which enables tailoring of investment strategies to members' individual needs and risk appetites.
- noted that diversification across a range of different asset classes is central to managing risk and delivering good outcomes over the long term.
- discussed that if members require assistance with the management of their superannuation and how it is invested, they should speak to their financial adviser or contact the Member Services team.
- explained how IOOF manages members' superannuation through robust investment governance and transparency and that performance and portfolio risks are constantly monitored by an internal specialist team and independent consultants.
- advised that the investment governance of the Fund continues to be uplifted with independent oversight by the Office of the Superannuation Trustee and Office of the Responsible Entity providing impartial support to the Trustee Boards.
- provided an overview of IOOF's approach to responsible investing to ensure climate change and environmental, social and governance (**ESG**) issues continue to be fully considered.
- noted that climate change and ESG risk have an impact on investment returns and superannuation balances and that IOOF continues to evolve and develop its approach to ESG issues.
- highlighted that IOOF's approach and well diversified portfolio benefitted Fund members by delivering returns that compare well with similar super funds over a challenging year.
- advised that the investment return of the IOOF Balanced Investor Trust was better than the industry average over the past 12 months and delivered an average of 7.1% p.a. for the last 7 years.
- noted that the Fund's other investment options also delivered good returns and many of its investment options have been recognised through industry awards.

- explained how the Fund's investment team was significantly strengthened during 2020 by the joining of the IOOF and ANZ teams and that the team now comprises 24 experienced investment management professionals.
- noted that there is an average over 20 years' experience in the team making it one of the strongest performing multimanager investment teams in the market.
- highlighted that the strengthened investment team looks forward to delivering further enhancements and great results for members in 2021.
- noted that the pandemic has changed how society and business will operate and that this will present both challenges and opportunities for investors.
- advised that the themes and trends from 2020 may persist as it will take time for economies to recover and that IOOF is taking a proactive forward-looking approach to investment which takes this into consideration to manage members' superannuation for the long-term.
- reminded members of the importance of matching their financial goals with an appropriate long-term investment strategy.

Mr Farmer introduced the Chief Operating Officer, Mr Frank Lombardo and invited him to address the meeting.

Chief Operating Officer Address

Mr Lombardo spoke to the following matters:

- outlined how IOOF's ClientFirst philosophy is transforming the way IOOF thinks, which is from the member's perspective rather than being transaction focused.
- advised that the ClientFirst model means one team member deals with a member's call to ensure there are high quality conversations and end to end accountability.
- provided an overview of IOOF's strategic priorities which included improved workflow systems to track and monitor member's requests and proactively helping members engage and better understand the complexities of superannuation.
- advised that the ClientFirst model worked exceptionally well during 2020 demonstrating that IOOF is responsive to members in uncertain times.
- noted that 65% of member requests were completed within one business day and on average team members spend 7 to 10 minutes with each member which is higher than peers.
- gave an example of a member call to demonstrate how simple it is for a member's withdrawal request to be completed over the phone.

- advised that the ClientFirst model is a significant investment and IOOF is confident that it will meet members' needs and encourage greater levels of engagement and understanding particularly for those members who do not have a financial adviser.
- noted that where members have a financial adviser, IOOF will work with them to ensure that their needs are met.

Mr Lombardo handed over to the Chair and Ms Chehab for the member question and answer session.

**Member
Question and
Answer
Session**

The Chair advised that:

- as many questions would be answered as possible during the meeting.
- the minutes of the meeting and responses to member questions not answered during the meeting would be made available on the Fund's website within one month of the meeting.
- any questions about a member's Fund account or of a personal nature would not be answered. However, members are able to contact the Member Services team if they have questions about their Fund account or their personal circumstances.

Member Questions and Answers

1. ***I understand that the mix of investment types affects the performance of a Fund. It's difficult to compare apples with apples, and different fund managers organise Balanced and Growth Funds differently. However, we clients need some type of impartial comparison of our fund in relation to other funds. In general, Industry Funds outperform Retail Funds. IOOF as a retail fund surely should take on the challenge of outperforming Industry Funds. Why doesn't it? Secondly – when 'impartial' bodies such as Canstar, rate super funds and display a 'table' of top performing super funds, IOOF Pursuit never appears as one of the 'top performing' funds. How committed is IOOF Pursuit to maximise funds for client's accounts, or is mediocre performance sufficient?***

IOOF is committed to achieving strong investment outcomes with the aim of delivering a comfortable retirement for all members. The Fund offers a wide range investment options that allows members to access a variety of asset classes, investment styles and strategies which enables tailoring of investment strategies to members' specific needs and risk appetites. IOOF believes that the Fund is competitive as compared with industry funds and that long-term performance is of most importance. The Fund's performance in SuperRatings surveys has been strong with 7 out of 10 of its Multimix options ranked in the 1st quartile over 1-year period. The Fund's investment options have won Money Magazine and Money Management awards in 2020 and the MySuper option has outperformed the majority of its peers over a 7-year period.

2. **How will the IOOF purchase of MLC Wealth Management impact on the scale, performance and investment strategies of IOOF? And how will members benefit from the synergies?**

IOOF believes that scale is fundamental to achieving improved outcomes for members. The MLC acquisition will lead to a stepped change in IOOF's scale and enable IOOF to generate efficiencies to deliver lower operating costs. For example, this can be achieved through the application of technology, removal of duplicate functions, and obtaining more favourable terms from third party suppliers (including insurers).

3. **Can you transfer your money from your balanced portfolio into another portfolio, including a share trading portfolio within IOOF Personal super Fund, without triggering your income and CGT liability?**

As a choice member you can change your investment choice at any time, a process that IOOF has worked hard to make simpler and more efficient. However, this may result in the realisation of capital gains or losses where previous positions are sold or reduced to purchase a new or top up a different investment option. Members can access a report of their current unrealised CGT positions for each investment option through the IOOF Online Portal. Members should discuss this matter further with their financial adviser.

4. **What are the forecast returns on invested funds for next 12 months to 5 years? IOOF does not forecast returns over periods of less than 5 years and uses a period of 10 years for its long-term investment strategy.**

As noted in the presentation, the themes and trends from 2020 may persist. Share prices are increasing but returns from defensive assets such as cash and government bonds are expected to remain low for an extended period of time. It is important for members to manage risks and actively position their investment portfolio as economic conditions change.

5. **Why does it take until October for IOOF to send out the annual statements from the previous financial year? Your systems are computerised and (should be) up to date with transactions carried out by 30 days after the transactions have occurred, so why the 100 or more day wait for our statements?**

The annual statements contain prescribed information for the period to 30 June each year. It takes some time for the information required to be included the annual statement to be obtained. For example, tax information must be obtained from underlying fund managers. IOOF is working to its data transfer processes to this information is received earlier. Members are always able to find current account balance information by logging into their online account or calling the Member Services Team on 13 12 87.

6. **How does Personal Super protect the accumulated individual funds and revenues against a future currency reform with potential devaluation (For example from Aussie-Dollar to Aussie-E-Dollar)?**

Although the use of crypto currencies continues to rise, the shift away from traditional currencies like the AUD and USD is a long way off. Generally, there is greater confidence in the sovereign monetary system which determines a country's standard currency. There has been a broad adoption of online payments systems, inventory management and blockchain data technology and these investments are captured in the Fund's well diversified portfolios. However, the case for direct holdings in crypto currencies has not yet been made.

- 7. Will members fees be reduced due to Covid-19, as savings would have been made not having members attend meetings at head office etc?**

We continue to ensure our fees remain competitive and that we continue to support employers and their staff in other ways in light of the Covid-19 pandemic.

- 8. Is it possible to request a reduction to the 1% cash holding rate (IOOF Employer Super) given that it can far exceed the actual needed amount to fund fees and charges?**

While 1% is the default cash account holding for Choice members, members have the ability to nominate a dollar-based cap on the amount held, subject to a \$5,000 minimum.

- 9. If a member in IOOF Employer Super leaves their employer and becomes a personal super member, do they retain previous lower fees, such as waivers to members fees and/or % based asset fees, or do they simply revert to non-discounted rates?**

After an employer-sponsored arrangement comes to an end as a result of a member leaving the employer, the former employee can generally no longer benefit from that employer's scale discount-arrangement and the member is advised of any changes to their fees as a result.

- 10. How can a client be guaranteed that they remain in the most cost-effective product? When new products are released, typically they have lower fees than the existing fees. The higher fee older products, cross subsidise the new products.**

We encourage members to consider their current needs and products and talk to IOOF or their financial adviser about other options that may be appropriate. We are committed to simplifying and innovating our products and expect to continue to do so in 2021 to ensure great outcomes for our members.

- 11. With \$5 Online Trades now available, why are we still charged much more?**

We continue to monitor the various fees that apply to our products to ensure they are competitive within the market. We would acknowledge that usually heavily discounted brokerage excludes the benefits of a superannuation fund and taxation structure, such as that offered by the Fund and such low-cost commercial models are associated with heavier trading strategies.

- 12. *It would be good if employees had fee free super. Will this comeback? It would also maybe encourage more employees to participate in IOOF super products.***

Whilst we aim to be highly competitive, we do not offer any fee-free superannuation products although we continue to ensure the benefits of scale and efficiencies and strong investment performance flow through to benefit our members.

- 13. *How is IOOF SUPER promoting, and focusing on ethical and sustainable investment instruments, to ensure positive climate change outcomes?***

IOOF is active in promoting ethical and sustainable investments and recognises that climate change and ESG risks play a role in long term investment performance. IOOF's approach to ESG and climate change is set out in the Statement of Responsible Investment Principles for its internally managed investment options. IOOF incorporates ESG and climate change risk in a number of ways:

- the ESG credentials of investment managers;*
- instructing investment managers to incorporate ESG risks into their decision-making;*
- measuring and reviewing ESG risks in portfolio tracking;*
- assessing the carbon footprint of portfolios to drive engagement and change with investment managers;*
- encouraging proxy voting to drive improvement on ESG issues; and*
- screening out certain industries from the portfolio i.e. tobacco stocks.*

IOOF is committed to ensuring climate change and ESG issues continue to be fully considered to strengthen long-term returns.

- 14. *Where did IOOF personal super fund rate amongst comparable funds in the 2020 year, for performance?***

The IOOF Balanced Investor Trust delivered 3.5 % for the financial year which is a good result in the difficult year and better than the average balanced fund in the SuperRatings survey. The Fund's performance in SuperRatings surveys has been strong with 7 out of 10 of its Multimix options ranked in the 1st quartile over a 1-year period. The Fund's investment options have won Money Magazine and Money Management awards in 2020 and the MySuper option has outperformed the majority of its peers over a 7-year period. We are working to continue to deliver competitive returns for members.

- 15. *Is there a way we can negotiate lower insurance fees through the Employee Super Plan for IOOF?***

Insurance premiums reflect a combination of a member's personal circumstances, the member's employer's chosen insurance benefit design (where applicable) and prevailing insurance rates from insurers with whom the Fund partners. The insurance industry is undergoing considerable change which has seen premiums rise across the industry as claim increase. The Fund currently works with TAL Life Limited to provide Group insurance for members. We are currently undertaking a competitive tender process for this service, which we hope will ensure greater value for our members. We encourage members to also consider the level and types of insurance required for their personal circumstances.

16. When will IOOF become more competitive with other super funds for income protection fees?

We are currently reviewing our group insurance rates and benefits and expect to conclude this process and communicate the outcome and revised premiums to members in the June 2021 Quarter.

17. Group insurance premiums have increased by over 140% over the past year. As a member, this is no longer sustainable and certainly not in the members best interest. As a trustee, what is IOOF doing to correct this situation?

We acknowledge that, in line with the industry and the broader insurance market challenges, premiums have increased for most members over the last few years. Whilst this has been the case across almost all super funds, the Fund is currently undertaking a competitive tender process to ensure our members receive great value from the Fund.

18. Are fund admin costs and insurance costs going to come down for members as IOOF gains economies of scale via these mergers?

See the answer to Question 2 above.

19. What is IOOF's opinion of prioritising investments in stocks that are committed to carbon-reduction and 'renewable energy'?

IOOF recognises that climate change risks from rising carbon levels are likely to impact the objective of a comfortable retirement and long-term investment performance for members. IOOF supports the goal of governments around the world seeking to limit the average global temperature rise to no more than 2°C above pre-industrial levels and aims to apply similar principles to its investment portfolios. IOOF deals with climate change risk in a range of ways, including taking into account:

- the direct risk of volatile changing weather patterns and rising sea levels;*
- industries impacted by changing climate such as agriculture and tourism; and*
- regulatory change impacting industries.*

The Statement of Responsible Investment Principles set out the ways in which IOOF manages ESG issues including climate change for its internally managed investment options. IOOF is working to ensure climate change risk is recognised and managed in investment portfolio and supports initiatives to drive improvement. Areas IOOF is looking to enhance and develop include:

- assessing the carbon footprint of investment portfolios;*
- engaging with underlying investment managers to assess their ability to incorporate and appropriately value the long-term implications of climate change on investment portfolios;*
- require fund managers to demonstrate and report on their approach to evaluating carbon risk within their portfolios; and*
- encouraging asset managers to improve the disclosure of material climate change impacts, consistent with the recommendations of the Task Force on Climate Change Financial Disclosure.*

20. Where do you see the Australian share market and property markets heading in 2021?

We remain constructive on the Australian outlook. Australia will continue to be supported by substantial policy stimulus. The roll out of vaccines that will reduce the intensity of social distancing and lock downs. As Australia has done well in controlling virus, the economy is at an advantage. There will be greater recovery across the global economy over the latter part of this year. Historically low rates and a solid recovery will support the household sector and the housing market.

21. How will IOOF work to reduce fees and overheads for members given it's massively increased size & scale from the MLC transaction?

See the answer to question 2 above.

**Chair
Closing
Address**

The Chair:

- thanked members for their attendance at the inaugural Annual Member Meeting.
- encouraged members to contact the Member Services team if they had questions about their superannuation account or personal circumstances.
- reiterated that within one month of the meeting:
 - the minutes of the meeting;
 - answers to all Fund-related questions not answered during the meeting; and
 - a recording of the meeting,would be published on the Fund's website.

There being no further business the meeting closed at 6.28 pm.



Signed: *Martin Walsh*
Chair

Dated: 18 March 2021