

ART Annual Members' Meeting - Minutes

Date:	Wednesday, 20 November 2024
Time:	5:30 pm (Brisbane time)
Location:	Royal International Convention Centre 600 Gregory Terrace, Bowen Hills
Chair:	Andrew Fraser
Directors:	Aaron Santelises Beth Mohle AM Bruce Cowley Elizabeth Hallett Helen Rowell Kate Ruttiman Linda Apelt Mark Burgess Dr Martin Parkinson AC Michael Clifford Shayne Maxwell
Minutes:	Krystle Rae (Company Secretary – Trustee Secretariat)
In Attendance:	Angela Hartl (ART Actuary) Anne Browne (Chief People Officer) Anthony Chan (ART Actuary) David Anderson (Chief Executive Officer) Dianna Orbell (Interim Chief Risk Officer) Guy Holley (ART Actuary) Ian Patrick (Chief Investment Officer) Jacqueline Downham (ART Actuary) Jeffrey Humphreys (ART Actuary) Joanne Gorton (Deloitte & ART's External Auditor) Julie Bingham (Chief Enterprise Services Officer) Kathy Vincent (Chief Operating Officer) Kristy Huxtable (Company Secretary) Louise Campbell (ART Actuary) Luke Carroll (ART Actuary) Mark Samuels (ART Actuary) Nicolas Wilkinson (ART Actuary) Phil Fraser (Chief Financial Officer) Reg Du Preez (Head of Internal Audit) Rod Greenaway (Chief Technology Officer) Saffron Sweeney (ART Actuary) Shane Mather (Head of Product & ART Actuary) Simonne Burnett (Chief Member Experience Officer) Stephen McKay (Interim Chief Commercial Officer) Steve Davidson (Chief Service Delivery Officer) Tim Jenkins (ART Actuary) Vimbai Mhlanga (Deloitte & ART's External Auditor) 924 ART Members (in person and streaming the meeting online)
Apologies:	Nil

The meeting commenced at 5:30 pm and Ms Beth Mohle, as Master of Ceremonies, welcomed everyone to the Australian Retirement Trust (ART) Annual Members' Meeting.

1. Welcome to Country

Ms Mohle noted that ART pays respects to our First Nations people and a Welcome to Country video was played acknowledging the First Nations people as the Traditional Owners of the land on which the meeting was taking place and paying deep respects to all Elders past and present.

2. Introduction

Ms Mohle introduced ART Board Chair, Mr Andrew Fraser; ART's Chief Executive Officer (CEO), Mr David Anderson; ART's Chief Investment Officer, Mr Ian Patrick; the Chair of ART's Risk Committee, Ms Helen Rowell; as well as Ms Kristy Huxtable, ART's Company Secretary.

It was noted that the other members of the ART Board, ART's Executive Team, and the Fund's Auditors and Actuaries were also in attendance at the meeting.

It was noted that members' questions would be addressed in the Q&A session after the formal part of the presentation. It was also noted that if there was insufficient time to get through all of the questions, a complete list of questions and answers would be posted on the ART website in the coming weeks.

3. Chair's Address

Mr Fraser:

- Welcomed members to the Annual Members' Meeting and noted that the ART Board and Management understood that confidence in their financial future is of the utmost importance to all members, and that's especially so in challenging economic times. He added that ART takes seriously its responsibility to safeguard and focus on growing members' retirement savings with strong governance, sustainable growth and above all else world class investment performance.
- Noted that the ART unification is now complete and with all of the Fund's 2.4 million members now able to select from a streamlined suite of leading choice investment options across accumulation and into retirement. He commented that the Fund operations have also been streamlined to create simplicity and to position ART to focus on delivering world class performance where it matters most, in investments, retirement income solutions, member and digital experience and governance.
- Noted that the last financial year had been one of ART's largest for corporate transitions with close to 100,000 members joining us from major corporates, solidifying ART's position as a fund of choice in this country. He noted that there are more transitions in the pipeline with announced plans for Qantas Super to merge into ART in the early part of 2025.
- Introduced ART's new CEO, Mr David Anderson, and acknowledged two new appointments to the ART Board during the year, Dr Martin Parkinson and Ms Helen Rowell. He also noted that during the year, Mr Michael Traill, Ms Janine Walker and Ms Georgina Williams had stepped down from the Board and thanked them for their dedicated service to ART.

4. CEO's Address

Mr Anderson:

- Noted that as in-coming CEO, he saw an incredible opportunity to help ART become the best retirement savings and income fund in this market and an opportunity to bring his global learnings and experiences to benefit ART members.

- Noted that ART's purpose is to inspire confidence and awaken futures – inspiring confidence through our conduct as a responsible institution and awakening future possibilities for our members and colleagues as a leading fund and employer.
- Noted that the ART Board and Management are disappointed about a technology system disruption at the end of October which meant that some ART members could not access our online services, and a small percentage of members received delayed income payments. He assured the meeting that this was an internal technology error and not a result of a cyber security breach, and that our teams worked around the clock to identify the cause and remedy the system disruption. It was noted that ART had fallen short of member expectations on this occasion and Mr Anderson apologised for this.
- Noted that customer satisfaction for ART is at 85% and based on the Australian Financial Complaints Authority data for the 2024 financial year, ART had one of the lowest rates of complaints per member out of comparably sized super funds. He also noted that ART will always strive to be better.
- Noted that during the year ART had realised further benefits from the 2022 merger and that growth has been a hallmark of this past financial year. The meeting was advised that growth benefits all members through greater economies of scale and lower costs over the medium to long terms, and that ART has grown to over \$310 billion with almost 2.4 million members.
- Noted that in the past year, ART launched its new brand platform, urging Australians to awaken their super, and since the campaign launch, ART has received more than 50,000 new member applications to join the Fund. It was noted that the priority for ART Management remains focused on delivering strong investment results, innovative retirement income solutions, and exceptional member experiences, all underpinned by good governance.

5. **Chief Investment Officer's Address**

Mr Patrick:

- Noted that it had been a strong year in investment performance terms for many ART investment options, continuing the Fund's track record from recent years. Also noted that ART generated additional returns over and above the market averages.
- Provided an overview of investment markets for different asset classes as well as the median fund returns over several years. Noted that looking at the average return over the five years to 30 June 2024 offers a slightly more normalised view of returns. Also noted that share returns for the 12 months to 30 June averaged 16% whereas returns from fixed income or bonds averaged a little over 3%.
- Noted that the ART Balanced option enjoyed a return of almost 9.9% for the 12 months to 30 June 2024, higher than the industry average for similar options which are highlighted at 8.9%, while the Balanced Risk-Adjusted option achieved a return of nearly 5.4%.
- Noted that there is a reasonably high degree of uncertainty in the forward outlook and that in this environment investors will likely remain cautious and be responsive to perceived changes in data supporting one thesis or another. This would mean volatility remains high in share markets and potentially other markets like long-term bonds and commodities.
- Noted that ART's unified menu of choice investment options became available to all members from 1 July 2024, and that all changes to move to this menu were based on detailed research, including with members, advisors and industry experts. Also noted that the harmonisation has allowed ART to fully integrate the best investment approaches from all our investment activities into each and every investment option.
- Noted that ART has refined its MySuper investment strategies to better align them across all members of ART, and to reflect contemporary thinking with respect to

managing member savings over their working lifetime. These strategies now include a higher growth allocation for longer while continuing to transition members from higher to lower risk investments in their lead-up to retirement.

- Noted that as a large investor with globally diversified portfolios, we recognise that ART has investments that may potentially affect environmental and social matters within the world our members live and retire in. We acknowledge the systemic risk of certain factors we currently face, like climate change, and the significant impacts these can have on the global economy and society. While climate change poses risks to the planet and the welfare of the people who live on it, the risks are also ultimately financial. For this reason, it is certainly in our members' best financial interests that we understand the reality and address the impact of climate change in our activities and seek out opportunities as our world changes around us.
- Noted that ART formally adopted the target of having a net zero greenhouse gas emissions investment portfolio by 2050 at the date of the merger. Added that ART has published the Fund's net zero 2050 roadmap which sets out for how ART currently plans to transition our investment portfolio towards that 2050 target. Also noted that ART reports on progress against the emissions and other interim targets in our Sustainable Investment Report and that the Fund will review the roadmap in the 2025 financial year given the evolving landscape and our understanding of climate change.
- Noted in closing that the ART team takes the trust you place in us stewarding your savings very seriously and he thanked members for entrusting ART with their savings.

6. ART Member Question & Answer

Q *Is there a sufficient number of independent directors on the ART Board and how good is the current situation in terms of good governance and oversight?*

A Mr Fraser noted that ART Board has three independent directors, and that all directors have the same legal obligations requiring them to exercise independent judgment. He provided the backgrounds of the current independent directors and added that the ART Board has the skills, perspective and experience to provide quality oversight of the Fund.

Ms Rowell noted that from her past experience at APRA, the ART director appointment process is one of the best in the industry, and it's very much focused on having the right skills and experience around the Board.

Q *From what source does the money in the ART Reserves come from?*

A Mr Anderson noted that ART's Reserves were really established from the two predecessor funds that came together for the merger to create ART. It was noted that the regulator, APRA, requires superannuation funds to hold an Operational Risk Financial Reserve so that if anything happens untoward from an operational sense, there are reserves available to remedy the situation. He added that the Reserves are earning an investment income, so they tend to grow over time and that it is the Board's responsibility to ensure the judicial allocation of Reserves and that there is resilience built into the operation of the Fund.

Mr Fraser added that the reason it is important to have sufficient reserves is the same reason it is important to have a good balance sheet in any organisation or any business – you want the capacity to invest in technology and capability and new services. He also noted that when we run the fund efficiently, any surplus from the Fund operations goes into the Reserves – it is not paid out to shareholders because ART is a profit to member fund.

Q *With respect to China being such a big economy, does ART have any input internationally into how China should perform or should not perform on the international investment sphere?*

A Mr Patrick noted that China is a major export destination for Australian organisations, particularly mining organisations, and as a consequence, the relative health of the Chinese economy is important to ART. With regard to ability to influence policy in China, ART as a capital provider does not have an ability to influence policy in China, but certainly to the extent that we invest in Chinese equities, we would hold those companies in terms of their contribution to our financial returns to the same standard.

Q *Why are the QInsure processes not transparent and available to members on the internet? Why is there not a feedback system so that when members ring up QSuper or QInsure we get provided with the opportunity to say whether our query has been met? Why are there not details about the QInsure business in the annual report, and how do members access ART Board members to make sure that we can raise these questions with you directly?*

A Mr Anderson noted that the ART complaints mechanism is widely advertised to members and that the Fund is transparent and clear about what the complaints mechanism is on our website and in our material. He noted that we take every complaint seriously, and also the Australian Financial Complaints Authority is available for members that aren't satisfied with the resolution of that complaint.

Mr Fraser noted that complaints processes are governed by regulatory guidance and that ART's complaints processes are compliant. He noted that the Annual Member Meetings are important as accountability mechanisms for these issues to be brought to the fore. He also noted that QInsure changed its company name during the year to ART Life Insurance, and that ART Life was likely mentioned in the ART Annual Report.

Q *Does ART use external companies to handle their administration, for example Link?*

A Mr Anderson advised the meeting that ART does not use external companies to handle the Fund's administration and that all of ART's core administration and member servicing work is done by ART employees.

Q *How often are unlisted assets revalued as by ART?*

A Mr Patrick noted that ART has a range of unlisted assets, and the vast majority of our assets are valued quarterly, with some on a six-monthly basis. It was noted that ART uses a cross-section of dedicated valuation professionals that are independently appointed to provide the valuations, and we accept those valuations into our unit pricing. It was also noted that if market circumstances change, ART does out-of-cycle adjustments and uses a Valuation Review Committee that is charged with assessing out-of-cycle valuations, and a Board Committee called the Valuations Oversight Committee that oversees all valuation processes.

Q *I think the complaints process is a form of last resort, and I would just like to ask whether the company would review it?*

A Mr Anderson advised that ART has regulatory timeframes to respond to complaints and that he was disappointed to hear that the member felt that it was taking longer than expected.

Q *What consultation occurred to inform the ART position regarding using administrative fees to fund a financial advice service for members and how much would it cost members for that service to be introduced?*

- A** Mr Fraser noted that currently there is a level of advice that is able to be provided to all members for free and that this is embedded into the administration fee. He added that what's been proposed in potential legislation is to support members into retirement by expanding the scope of that advice that could be provided to members for free. He noted that if a member is accessing individual advice that is particular to their circumstances, then that is something that an individual fee will be charged for.
- Q** *Since the merger of Sunsuper and QSuper into Australian Retirement Trust, why do both superannuation funds still have different fees, costs and two websites in place and operational practices?*
- A** Mr Anderson advised the meeting that a lot of work had gone into the creation of our unified investment choice menu and that has brought a substantial amount of simplification to both QSuper members and also what we call Super Savings members. He added that at the moment, ART has two MySuper product authorisations from APRA, and Management is looking at how we can further simplify that. He noted that ART will continue to look for simplification opportunities and cost-saving opportunities to benefit members.
- Q** *Do you use quantitative AI investing in your index funds?*
- A** Mr Patrick advised the meeting that ART does not use AI in relation to investing in indexed funds because these investments are designed to replicate the index and it does not require any overlay of skill, which is what AI or quantitative AI would imply.
- Q** *ART has made a small investment in social housing – do you see any expansion into residential housing?*
- A** Mr Patrick noted that ART does invest in residential housing both domestically and more importantly, quite extensively offshore where it is a much more established pathway for investment for big investors like us. He noted that all investments must be in members' best financial interests. He added that we are seeing the evolution of what you may know as build to rent, or large-scale developments of residential property purely for rental purposes and we anticipate that being an investment avenue of greater interest to ART going forward.
- Q** *What is an index fund and how it's different from, say, the standard balanced fund?*
- A** Mr Patrick noted that the balanced fund typically refers to a portfolio or a fund that's made up of a variety of asset classes, so Australian shares, international shares, real estate, infrastructure, private equity and the like. Whereas, typically, an index fund is just trying to replicate the return of that index, and it is not aiming to add value over and above the index. With respect to fees, typically a balanced fund that includes exposure to unlisted assets will come at a higher fee than an index fund. An index fund doesn't require an investment manager who has resources, people, systems, however an index fund does not have the level of diversification that a balanced fund would have.
- Q** *In 2022 the cost per member was \$243. In 2023 it rose to \$275. Given its size and number of members, shouldn't the cost per member be decreasing?*
- A** Mr Fraser noted that inflation is driving costs up as all of you appreciate in your personal lives and in your working lives and in organisations. He added that there is a level of cost in implementing the merger to get the benefits in terms of the investment synergies and the capability that is required to unlock that. There is also an on-going investment in technology and cyber security. Mr Fraser said that it was important to note that while the cost to administer the fund is growing, ART has reduced its fees. He advised the meeting that ART has introduced a fee reduction both for the Super Savings members and also for the former QSuper members when we implemented the

merger. He noted that this is now a fixed fee and a basis point fee for the administration fees, and we reduced the fee cap that was paid, both in the government division and in the Super Savings division. He also noted that the ART Board is making sure that the administration fees that members are charged have downward pressure on them, and that ultimately those rising costs have been absorbed by the organisation, and that was a benefit of having strong reserves.

Q *Last year there were questions about information security, for example two-factor authentication – can we have an update on progress?*

A Ms Rowell noted that this is a very important area, and information security in particular, protecting members' money and their personal information, is something that ART takes very seriously. She noted that ART is continuing to invest and improve what we do and that the Fund has a lot of controls and strategies in place to make sure that your money and your personal information is kept secure, and that ART can respond to any issues or incidents as they arise. She advised the meeting that ART look to align with recognised international standards for security information controls and actually extend that assessment process and obligation to any service providers that ART uses. Ms Rowell noted that in relation to multi-factor authentication (MFA), it is in place on a number of ART systems, and that the Fund is looking at self-service MFA capability to be delivered later this year.

7. Meeting Close

Ms Mohle noted that the Annual Members' Meeting had come to an end and thanked members both for their attendance at the meeting and for their questions. It noted that the minutes of the meeting as well as a complete list of member's questions and corresponding answers would be posted on the ART website in the coming weeks.

Ms Mohle formally closed the meeting at 7:00 pm.
