

Minutes - legalsuper Annual Members' Meeting

Held via live stream on Thursday 7 December 2023 at 1.00pm

Present:	Kirsten Mander, Chair Luke Symons, Chief Executive (CE) Norman Zhang, Chief Investment Officer (CIO)
In attendance:	Adam Awty, Andrew Boog, Richard Fleming, Richard Flitcroft, Imogen Sturni, James Peters AM KC, Kamal Farouque, Daniel Papps (Directors) Kaye Wheatley-Brown, Executive Manager, Legal, Risk & Compliance Jessica Lancashire, Executive Manager, People & Culture Carrie Norman, Chief Member Officer Michael Gogorosis, Chief Financial Officer Fiona O'Keefe, Partner, Deloitte (external auditor)

1 Meeting open & welcome

1. The Chair announced that a quorum of the legalsuper board directors was present online and declared the meeting open at 1.00pm, on behalf of the Board and legalsuper executive team, welcomed and thanked all those who joined the Annual Members' Meeting (AMM) and confirmed that notice of the AMM had been given in accordance with *Superannuation Industry (Supervision) Act 1993*;
2. The Chair formally acknowledged the traditional custodians of the land on which the meeting was being held and paid respects to their Elders past, present and emerging and noted that legalsuper's external auditor, Deloitte, represented by Fiona O'Keefe, was present at the AMM;
3. The Chair addressed the agenda and confirmed how the AMM would be conducted and invited members to submit their questions via the online platform;
4. The Chair briefly discussed the events of 2023 and noted:
 - that overall, the last financial year was an extremely challenging one, marked by the continuation of highly volatile investment markets, an environment of high inflation and increasing interest rates, coupled with significant and sustained global geopolitical disruption;
 - the ongoing influences of the COVID-19 pandemic still being felt on both the global and domestic economy through unpredictable inflation and interest rates, supply chain disruptions, and market volatility;
 - the downturn of the Chinese economy, which impacts global markets as well as Australia's mineral exports;
 - the resurgence and subsequent loss in value of the seven US mega-tech stocks;
 - the geopolitical risk and investment market volatility impacts of the ongoing war in Ukraine and the recent Israel/Gaza conflict;
 - legalsuper's relentless focus on delivering strong, responsible management and high, risk adjusted performance across the investment cycle;
 - the return of 7.92% for the year ending June 2023 of legalsuper's MySuper balanced option;

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- the continued delivery of strong long-term performance for members, with legalsuper's MySuper option delivering returns higher than the SuperRatings median over 3, 5, 7 and 10 years;
- the continued debate about (and changes to) the policy and regulatory framework which governs the superannuation industry;
- legalsuper again successfully passed the Australian Prudential Regulation Authority's annual 'Your Future Your Super' performance test;
- the changes in the Australian superannuation regime since June 2022 that may affect members including:
 - i. the superannuation guarantee (SG) rate increased from 10.5% to 11% on 1 July 2023;
 - ii. the work test for retirees aged 67 to 74 years was abolished for voluntary super contributions;
 - iii. the eligibility age for downsizer contributions was lowered from 60 to 55 years, allowing older Australians to contribute up to \$300,000 from the sale of their home into their super;
 - iv. the \$450 monthly superannuation guarantee threshold was removed, meaning that employers have to pay contributions for all employees regardless of their income level from 1 July 2022;
 - v. payday super will become effective from 01 July 2026;
 - vi. the bill on foot to increase tax on super balances over \$3 million to 30% from 2025/26;
- legalsuper will keep all members informed and supported when changes occur;
- legalsuper's active participation in relevant industry discussions to ensure members' views are represented and advocated for;
- in the last financial year, legalsuper was recognised via a number of ratings and awards relating to overall performance, specific products, member services and workplace culture, including the Rainmaker triple A Rating for "legalsuper Pension and Personal" and SuperRatings Gold for the "MySuper Balanced, Personal Super and Employer Sponsored Super";
- legalsuper now manages more than \$5.4 billion, on behalf of more than 41,300 members, working with more than 10,600 businesses across Australia and will continue to innovate and expand for the benefit of all members;
- a welcome to Luke Symons, the new Chief Executive who commenced on 11 April 2023 and provided an overview of his background, experience and qualifications as well as his leadership capabilities;
- the focus at legalsuper remains rigorously and relentlessly dedicated to empowering the legal community to build wealth for their life in retirement;
- reiterating the goal and strategies of the board and the management team, namely:
 - i. keeping members informed and actively supported as they navigate the twin impacts of volatile investment markets and ongoing reform;
 - ii. providing safe stewardship and prudent management of their superannuation savings;
 - iii. maintaining the same high standards and continuously improving.

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2 Item 2 – Fund update

5. The CEO spoke to the following matters:

- his welcome and appreciation to members in attendance at the meeting at his first as Chief Executive;
- his appreciation of the welcome given by the legalsuper team, by the Board, by stakeholders and partners including all Australia's Law Societies and Institutes and by members at both the individual and employer level, across Australia's legal community;
- as regards investment performance, it was noted:
 - the fundamental principle of legalsuper's investment strategy is delivering solid investment returns during periods of market volatility and uncertainty;
 - the demonstrable track record of delivering strong long term returns;
 - in addition to legalsuper's MySuper balanced option recording a return of 7.92% for the year ending June 2023, legalsuper's MySuper option has delivered top quartile performance when measured over the past two years combined and recorded a solid return of 7.69% over the last three years, outperforming the SuperRatings median of 7.39% by 0.3% through an economic cycle which saw significant investment market volatility. This continues a longer-term trend of outperformance, with legalsuper's MySuper option delivering returns higher than the SuperRatings median over 3, 5, 7 and 10 years;
 - the strong, sustained investment performance is a testament to the strategic approach to investment covering both the conviction to active management and to the downside protection measures built into the portfolio;
- the priority on personal and engaging service which has been reinforced over the last 18 months and remains an important point of difference for legalsuper. This has been demonstrated by the member service team delivering 41% more appointments with members compared to the prior year, and the addition of a new online booking system;
- the implementation of a new webinar series catering to members with different areas of interest and at different life stages, which were 150% above their set target during the period October 2022 to June 2023;
- the upgraded MemberAccess portal offering increased security through multi-factor authentication, a simpler method for password re-setting and enhanced functionality making it easier for members to engage with their super online;
- an improved Interactive Voice Recognition (IVR) functionality streamlining the process for members connecting with a Customer Service Consultant;
- the recent introduction of a mobile phone app;
- the continuing focus and investment on enhancing and innovating the services provided to members as well as the measures in place to protect the security of members as they become an even greater area of scrutiny from regulators;
- the following additional awards received during the FY22/23, namely:

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- Money Magazine's Best Member Direct Investment Choice for its broad range of investments and flexibility;
 - SuperRatings Platinum – Allocated Pension 2018 to 2023;
 - 5 Heron Quality Stars – the highest rating for providing an outstanding product with great depth of features and flexibility;
 - Chant West – 4 apple rating – for Employer sponsored super, Personal and Pension;
 - Customer Experience award for the best use of data and insights to improve customer experience from Ashton Media;
 - SuperRatings Platinum Pension 2023 - Industry-Allocated Pension 5-year platinum performance 2018-2023; and
 - "Great Place to Work" – for the unwavering commitment to creating a positive and fulfilling workplace for the team from the Global Authority on Workplace Culture – received in this financial year.
- the departure of Chief Investment Officer, Norman Zhang effective today. On behalf of the board, staff and the wide network of investment partners and stakeholders, Mr Zhang was thanked for his strategic approach to investing on behalf of members and congratulated for building a highly skilled and professional investment team;
 - the appointment of Michael Gogorosis as Chief Financial Officer effective 27 November 2023 which will further drive excellence in strategic operations across the business with strong financial decision-making and management to support the growth agenda;
 - supporting continuing professional development (CPD) programs across Australia's Law Societies and Institutes plus the Australasian Legal Practice Management Association (ALPMA) and the Leo Cussen Centre for Law;
 - supporting wellbeing in the legal community through the Mental Health First Aid training initiative pioneered with the assistance of Mental Health First Aid Australia and other key legal sector stakeholders. This initiative has now seen more 900 legal community members become accredited 'Mental Health First Aiders';
 - partnering with university law societies and student bodies including Australian Law Students Association, the Leo Cussen Centre for Law and the College of Law to assist in ensuring tomorrow's members are well equipped for the future;
 - the rigorous policies, processes and reporting in respect of expenditure to support the financial interests of members, including the fact that no money is spent on mass media advertising or union-related promotions nor are bonuses paid to employees;
 - the ongoing operational challenge for all businesses, including legalsuper to manage and mitigate cyber risk and outlined the processes in place to do this. This includes compliance with APRA's CPS234 Information Security Standard and the robust Information Security Management framework currently in place;
 - the focus and commitment the legalsuper team have to continue to deliver strong outcomes for members and maximising the wealth members accumulate for retirement;

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- the major project undertaken this year to change a major service provider, the custodian, BNP to Northern Trust. The change is aimed at improving the efficiency of investment operations and the ability to better leverage data and analytics for investment decision-making to improve returns and risk management for members over the long term.

3 Item 3 – Investment Strategy Update

6. The Chair noted this would be Mr Norman Zhang's final report as Chief Investment Officer and also thanked him for his considerable contribution to legalsuper's investment strategy and performance during his time at legalsuper.
7. The CIO then spoke to the following matters:
 - an update on the 2023 financial year noting it was characterised by shifting financial markets, including instability due to rising inflation, central bank actions, geopolitical tensions and continued concerns about a possible global recession, as well as significant stresses in the banking system, leading to the collapse of Signature Bank, Silicon Valley Bank and also Credit Suisse. Even with a series of government-backed bailouts, these events highlighted some of the fragility in financial markets;
 - markets in general generated mixed results over the full year, including the mixed returns in government bond markets generally (country dependent) and the office property sector experiencing losses due to rising interest rates and occupancy challenges arising from remote working;
 - an update on legalsuper returns including:
 - all investment options delivered positive returns for the year, and the default MySuper option delivered a strong absolute return of 7.9% for the year. It has delivered annually compounding returns of 7.3% p.a. over the last 10 years. In addition, it has outperformed the median balanced fund product over 3, 5, 7 and 10 year periods;
 - legalsuper's investment strategy is designed to be active, high quality and aims to deliver strong risk-adjusted returns across various market environments, with a particular emphasis on protecting on the downside which assists longer-term performance;
 - the marked increase in share market volatility since the start of the new financial year driven by:
 - inflation data in the US as well as domestically, suggesting further interest rate rises may be required;
 - a cooling of speculative activity around companies associated with Artificial Intelligence in August, September and October;
 - the Israel – Hamas conflict further adding downside risks to the market;
 - whilst the volatility has impacted legalsuper's portfolios since the new financial year, share markets have since rebounded in November 2023;
 - strategic and portfolio highlights during the financial year include:

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- legalsuper continues to invest in high quality assets such as infrastructure, as strong long-term investments for members. A new allocation was made during the year in this space, gaining additional exposure in core Australian infrastructure assets, including Transgrid;
 - an investment was made into the Community Capital Credit Fund, which provides the fund with exposure to a globally diversified portfolio of private credit. In addition, the not-for-profit nature of the fund manager contributes directly towards social purpose organisations across Australia;
 - as discussed earlier in the meeting, the transition was executed of the custodian from BNP Paribas to Northern Trust company. This will improve the long-term quality of investment operations and risk management;
 - the outlook for markets includes significant challenges continuing to present themselves economically and socially, and it remains a difficult environment for investors as a result of the two current major conflicts in the world, high interest rates and geopolitical tensions;
 - legalsuper is well positioned to navigate the challenging environments and to continue to deliver strong financial outcomes for members as a result of its well diversified portfolio, focused on high quality assets and investment managers;
 - thanked members for their continued support of the fund and legalsuper for supporting him over the years.
8. The Chair thanked Mr Zhang for his report and wished his well for the future.
9. On behalf of the Board, the Chair then expressed her appreciation to the legalsuper team for their dedication and diligence in working to support and manage the retirement savings of legalsuper members.

4 Governance and Board

10. The Chair outlined the governance processes in place at legalsuper including:
- the rigorous policies, processes and reporting in place in respect of fund expenditure being in the best financial interests of members and a reaffirmation that this is a commitment of the Board;
 - in line with the most recent requirements surrounding transparency and compliance with the *Superannuation Industry (Supervision) Regulations 1994 – Reg 2.0*, the website provides details of expenditure in the areas of promotion, marketing & sponsorship, related parties, and Industrial bodies;
 - the highest service and ethical standards continue to be maintained;
 - during the financial year, three directors retired from the Board, namely Carita Kazakoff, Nikhil Mishra and Anastasia Polites, and three directors were welcomed, namely Kamal Farouque, Daniel Papps and Mary Macken. Details of all directors, including the experience and expertise of the Directors, are provided in the annual report.

5 Item 5 – Member Questions and Answers

Questions received prior to the AMM:

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1. How does the fund show its transparency around costs and can the fund stand alone in the current environment?

Response:

- as noted earlier in the meeting, legalsuper publishes on its website relevant details around expenditure;
- legalsuper has a clear strategy to be the industry super fund for Australia's legal community and is committed to achieving its purpose of empowering the legal community to build wealth for their life in retirement and the benefits of the dedicated focus on providing superannuation to Australia's legal community were outlined;
- in relation to mergers, legalsuper is the product of seven successful mergers between legal sector super funds dating back to 1989 and is the industry fund for Australia's legal community which remain the Board's focus. The Board nevertheless remains open to approaches from other superannuation funds and will diligently consider whether any approach would be in the best financial interests of legalsuper members.

2. Do sponsorship activities increase membership?

Response:

- the superannuation industry is highly regulated to ensure all expenditure is in the best financial interests of members and legalsuper remains committed to this principle;
- an expenditure policy is in place which mandates the principle and guides expenditure to ensure it relates to proper operation of the fund, is reasonable and prudent and is in the best financial interest of members;
- legalsuper's sole focus on Australia's legal community enables it to be highly targeted, efficient and effective in sponsorships, partnerships and marketing activities. As noted earlier in the meeting, no money is spent on mass public advertising, outdoor billboards or sporting team sponsorships, and all expenditure is assessed to ensure it meets the 'best financial interests of members' criteria.
- partnerships with the Australian Law Societies, Bar Associations, the Australian Legal Practice Management Association and conveyancing and law student associations, facilitate brand awareness in a relatively cost-effective way, as well as supporting the important areas of continued professional development, financial literacy and wellbeing and the mental health of those working in the legal profession;
- the communication and marketing endeavours means that legalsuper is better able to support individual members and legal sector employers to understand their superannuation options and make informed decisions to help improve their financial futures.

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3. Does the recent advice to members regarding the cessation in January 2024 of the rebate of the tax on insurance premiums currently paid to members, is effectively a fee increase?

Response

- this change was made after careful consideration and on the basis that it reflected important principles of fairness and member equity. This was to ensure that given all members bear the cost of the development of our insurance products, we felt it appropriate that for any tax rebates received, all members should share the benefit.
- legalsuper has a track record of delivering value by passing on savings to members, having kept administration fees at the same level for the past four years and having passed on to members, reductions in MySuper investment fees of 14.0% in 2020 and a further 2.0% in 2021.

4. What plans are in place for the likely withdrawal of member balances above \$3million in the lead-up to 30/06/2025?

Response:

- there is a Bill currently before Parliament regarding the Government's proposed Division 296 tax. It is in the very early stages of development and there is ongoing external debate about the detail;
- legalsuper will continue to actively participate in relevant industry discussions to ensure it remains fully appraised and legalsuper's views are represented;
- legalsuper will undertake appropriate action to ensure it remains fully appraised of any developments, continue to engage with regulators and key stakeholders, assess and understand any potential implications and strategic actions required. Once changes are certain, legalsuper will fully engage with members so they are as well-informed and well prepared as possible.

5. Are there any issues relating to valuation of property holdings?

Response:

- all legalsuper's unlisted investments are in funds managed by an Investment Manager, with no unlisted assets held directly;
- each Manager is required to apply a valuation policy, and in the case of all property assets, managers engage independent valuers as part of their policy. All valuations are independently audited, and they are updated quarterly;
- valuation policies of all underlying managers are reviewed and proactively engaged on the appropriateness of valuations, and their policies concerning unlisted valuations. Through this process, reasonable assurance is received that current valuations of the property assets are generally reflective of the intrinsic value of the underlying holdings.

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6. Is the rate of overhead spending (e.g. administration, advertising, marketing, member advice) increasing?

Response:

- as noted previously in the meeting, continuing to enhance and innovate the services provided to members and the technology systems and measures in place to protect security remains a key focus and is becoming an even greater area of scrutiny from regulators;
- as a result, there is a continued focus on, and investment in, these areas and members will always be fully appraised;
- strong budgeting and review processes are in place and the Expenditure Policy mandates and guides all expenditure;
- as noted earlier in the meeting, there is no expenditure on mass media advertising or union-related promotions and bonuses are not paid to any employee;
- as also noted earlier in the meeting, the website provides details related to expenditure in key areas as required by Superannuation Industry (Supervision) Regulations 1994 – Reg 2.0.

7. Why did legalsuper raise investment fees?

Response:

- as part of legalsuper's regular review of fees and costs and taking into consideration industry changes and market inflation, members were advised in early November about an increase in investment fees effective 14 December 2023;
- specifically, the current MySuper investment fees and costs of 0.52% will increase in absolute terms by 0.10% to 0.62%.
- these increases are being implemented to continue investing in improving products and services to assist members to build their wealth and quality of life in retirement;
- legalsuper has a track record of strong investment performance and delivering value by passing on savings to members where possible and investing in high-quality, personalised member services and innovative products;
- administration fees have remained at the same level for the past four years and in the recent past, reductions have been passed on to members in MySuper investment fees of 14.0% in 2020 and a further 2.0% in 2021;
- superannuation fund investment returns and fee levels are assessed annually within APRA's *Your Future Your Super* performance testing regime and legalsuper's performance ratings will remain within these guidelines after these fee increases are applied.

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8. What is legalsuper's approach to Environmental, Social and Governance (ESG)?

Response:

- legalsuper believes that considering environmental, social and governance factors can have a positive influence on the long-term investment outcomes of members. legalsuper seeks to balance the needs of all stakeholders, with a focus on protecting investors, creating value, and maintaining good relations with communities;
- responsible investment aims to help protect the financial future of members as well as contribute to and shape the world;
- whilst continuing to act in the best financial interests of members, legalsuper's approach is to maximise the value of member superannuation balances over the long term, within acceptable risk parameters;
- In evaluating risks, and selecting investments, an ESG lens is applied across all investments as well as recognising the responsibility legalsuper has to the environment and the wider society as well as considering those factors that have the most impact on members;
- active ownership is exercised in relation to directly held Australian shares and legalsuper is guided by the recommendations made by the Australian Council of Superannuation Investors (ACSI) to facilitate the appropriate influence on the Australian companies invested in;
- some industry portfolio exclusions are applied when making investment decisions. legalsuper remains committed to providing relevant and accessible reporting and communication to members and other key stakeholders;
- legalsuper's investment managers also play an important role in managing legalsuper's ESG risks and opportunities. The ongoing assessment of the investment managers' responsible investment capabilities is a formal component of the manager selection and review process. More information is available on the legalsuper's website.

9. What is legalsuper's retirement income strategy?

Response:

- legalsuper remains committed to providing members with clear and concise guidance to enable them to be well-informed and prepared as they approach and enter retirement;
- the recently published updated Retirement Income Strategy is available on the website and outlines the approach to helping members achieve and maintain a balance between the following three key objectives:
 - Maximising retirement income;
 - Managing risk to achieve income stability and sustainability, and
 - Retaining flexible access to funds in retirement.
- a range of resources are offered to help members plan for retirement and make informed decisions about their super;

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- Client Service Managers (CSMs) provide factual information, general advice, or a Statement of Advice (SoA) on the TTR product, and conduct both virtual and in person meetings;
- Members can access AdvisorOnline through the MemberAccess portal which provides advice to help budget, set income goals and create a plan to achieve the income members require in retirement;
- the complete Retirement Income Strategy, published in July 2023, is available on the website;
- retirement income is receiving increasing attention from policy makers and the superannuation sector as a whole. and legalsuper continues to actively participate in further development of retirement resources, services and products for the benefit of members as well as keeping members fully informed of any developments.

10. What legalsuper is doing to make investment options more easily understandable for those who are not financially sophisticated?

Response:

- it is acknowledged that communicating complex matters in simple but accurate and compliant terms is a persistent challenge for the entire superannuation sector;
- legalsuper continues to evolve and improve the information resources available to inform and support members;
- the legalsuper website has information on the website about all superannuation investment and pension investment options;
- detailed information is also available in the Product Disclosure Statement;
- the subject of investment is addressed through other avenues including online webinars and infographics. New ways continue to be explored to provide interactive, informative and engaging content for members;
- qualified CSMs are available to provide highly personalised service and support resources.

11. Can you please elaborate on the investment contributions made to social purpose organisations?

Response:

- as noted earlier in the meeting, legalsuper has made an investment into the Community Capital Credit Fund. This is a not-for-profit fund manager that contributes to social purpose organisations around Australia;
- the Community Capital Credit Fund contributed to 4 organisations, namely:
 - Eat Up (which provides free lunches to underprivileged students through the school system),
 - ID. Know Yourself (an Aboriginal-led mentoring service for indigenous youth),
 - Save our supplies (collecting usable medical items that would be disposed of to developing countries),

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- o and finally, TIACs which is a mental health support service for blue collar workers in rural communities.

6 Item 6 – Close of Meeting

11. There being no further questions, on behalf of the Board and legalsuper executive team, the Chair thanked all the members for their questions and for attending the AMM.
12. The Chair reassured the members that legalsuper remains passionate in pursuing its purpose to deliver strong investment returns for member retirement savings and providing excellent service and support.
13. The Chair closed the meeting at 1:53pm.