BEST SUPERANNUATION PTY LTD
ABN 57 070 732 008, RSE LICENCE NO. L0001939, AFSL 530672
AS TRUSTEE FOR THE GOLDMAN SACHS & JBWERE SUPERANNUATION FUND
ABN 55 697 537 183, RSE REGISTRATION NO. R1005271
MINUTES OF MEETING OF THE FOURTH ANNUAL MEMBER MEETING
HELD VIA VIDEO CONFERENCE
ON TUESDAY 27 FEBRUARY 2024 AT 1:30PM AEDT

ATTENDANCE AND APOLOGIES

PRESENT	MS. A MANNING – CHAIR MR. B JONES – DIRECTOR MR. J DAWSON – DIRECTOR MS. M MURATORE –DEPUTY DIRECTOR MS. C RICH - DIRECTOR MR. C SMYTH – DIRECTOR MR. P SUNDBERG – DIRECTOR
APOLOGIES	MS. M MORGAN – COMPANY SECRETARY
IN ATTENDANCE	MR. J CAMILLERI – RISK AND COMPLIANCE OFFICER, MERCER MR. A CHAN – RSE ACTUARY, WILLIS TOWERS WATSON MS. N OBORNE – RSE AUDITOR, PWC MR. M SAMUELS – FUND SECRETARY, MERCER MS. C TODHUNTER – DEPUTY FUND SECRETARY, MERCER

1. WELCOME TO MEMBERS

Welcome to Members

Mr Mark Samuels, Fund Secretary, welcomed members to the fourth Annual Member Meeting (AMM) held by BEST Superannuation Pty Ltd (Trustee) as trustee of the Goldman Sachs & JBWere Superannuation Fund (Fund). Mr Samuels advised the following:

- The meeting would be recorded and made available to members on the Fund website;
- The presentations that will be given by Angela Manning and Paul Sundberg followed by the Q & A session;
- Questions not answered during the meeting would be published on the Fund website within twenty-eight days;
- Members are able to ask questions during the meeting via the online Q&A function; and
- Questions that relate to personal circumstances would not be answered live, however members are encouraged to contact the Helpline or the Fund website for further information.

Director Introductions

Ms Angela Manning, Chair of the Trustee Board, introduced each member of the Board and other service providers to the Fund present at the meeting.

2. CHAIR ADDRESS

Ms Manning provided an overview of the Fund Governance Structure, highlighting that there were no changes to the overall structure since the previous AMM, as follows:

- The Board comprised three employer-appointed and three member-elected Directors mixed between Goldman Sachs and JBWere;
- There were two new Goldman Sachs Directors, Jack Dawson and Catherine Rich, to replace Sean Tolpinrud and Georg von Wowern who ceased as directors; and
- Monique Morgan replaced Jim Vais as Company Secretary.
- The committees supporting the Trustee Board are the Remuneration Committee, Audit Risk & Compliance Committee and the Investment Committee;

- The Fund Secretary and Risk and Compliance Officer roles are outsourced to Mercer Consulting;
- The Investment Committee is comprised of a number of Directors and also Goldman Sachs and JBWere advisors who provide a broad range of input to the Committee; and
- The range of other service providers engaged to deliver expertise for non-investment operational activities.

Ms Manning thanked Sean, Georg and Jim for their service to the Board.

Ms Manning explained how the Fund is structured, highlighting the following:
- The Fund is made up of a combination of Goldman Sachs Australia and JBWere current staff and their spouses and a large number of former staff in the Retained Members section;
- The Lifetime Pension is a closed section of the Fund;
- Allocated Pension membership is slowly growing and expected to grow further in line with changes in the age demographic of Fund over time;
- Fund membership composition has remained stable over time;
- The current funds under management;
- The average member account balance in the Fund is high compared to the average in other superannuation funds in Australia, and is 3 times the APRA average account balance; and
- The size of the average member account balance was relevant when comparing fee structures as the Fund's fee structure resulted in higher than average fees for lower account balances.

Ms Manning explained the Fund's operational approach to governance highlighting:
- The approach is to be driven by members' best financial interests and high quality governance;
- The equal mix of employer and member elected directors means members have a voice at the Board table;
- All Board members are also members of the Fund meaning they are invested in achieving strong long term performance;
- Each Committee supporting the Board is made up of trustee Directors so each Director is involved in managing various aspects of the Fund;
- The non-investment operations of the Fund are outsourced to external service providers that specialise in superannuation; and
- The Board is focused on utilising its own expertise to maintain an effective governance structure and invest member funds to achieve superior returns.

Ms Manning provided members with an update on the 2022/23 financial year in review highlighting:
- The Fund continues to deliver on its commitment to deliver strong long term returns over and above benchmark of CPI plus 4%;
- As at 30 June 2023 the Fund has outperformed its benchmark across all time periods, including the one year performance figure regardless of the higher than normal CPI figure;
- 2023 saw significant achievements for the Fund, including:
    - Continued #1 ranking for investment performance over 15 years (amongst Growth options); and
    - Passed the APRA annual performance test by a considerable margin;
- The SuperRatings ranking compares the Funds with similar strategic asset allocations such as the growth options in large industry funds, whereas the APRA test looks at what the strategic asset allocation (SAA) benchmark is, and allocates benchmark returns to those allocations and then compares the actual achievement to determine a pass or fail outcome.
- As at 31 January 2024 the Fund remained #1 over 15 years and the rolling 15 year return has increased to just over 10% p.a., or approximately 3.17% p.a. above the benchmark target of 6.9% p.a.

Ms Manning thanked the Investment Committee for their efforts in achieving continued strong long term performance.

Ms Manning discussed the highlights for 2023, including the following:

- Regulatory reform in 2023 was mainly aimed at improving outcomes for members and requiring greater accountability from super funds;
- The Trustee supports continuous improvement noting that this comes with additional time and cost commitments;
- There are challenges associated with managing the ongoing governance for a smaller fund;
- Quality governance and a high performing board is critical to our ongoing success;
- Acknowledging the skills and experience that each board member brings and the collegiate approach to working to achieve the sound governance and strong investment results for members;
- The last Board review confirmed the Directors operated as a high functioning successful board; and
- The Trustee focus is on continuing to deliver top performance in the context of ongoing regulatory changes.

Ms Manning provided a high level overview of the regulator changes over the prior year including:

- *Your Future, Your Super (YFYS Act);*

  The YFYS test now applies to both MySuper and Choice product members, so it applies to all members of the Fund.

- *Retirement Income Covenant (SIS Act);*

  We implemented the Retirement Income Strategy (RIS) during the year which builds on our existing pension options with access to one-on-one financial advice and the retirement income simulator. Our RIS reflects our bespoke approach based on our understanding of our membership profile. We're aiming to provide retirement assistance which is relevant to our members and we continue to refine the strategy and enhance the education offering in particular.

- *APRA Superannuation Data Transformation;*

  Ensuring all the data reported to APRA is consistent between funds to enable transparent comparison. It required changes to reporting structures and re-reporting of historical data. The transformation work is nearing completion.

- *CPS 234 Information Security;*

  In response to recent cyber security incidents in the community APRA requested super funds conduct a one off tripartite cyber security assessment of their compliance with CPS 234.

  The independent report the Trustee received determined that the Fund's information security system was designed and operating effectively.

- *CPS 511 Remuneration;*

  Requires the Trustee to ensure the remuneration framework aligns with the strategic objectives and risk management framework and long term viability of the fund. This standard will have limited impact for the Fund given the vast majority of Directors volunteer their time.

- *SPS 515 Member Outcomes;*

  We conduct an annual review of all aspects of our product offering including investment performance, fees, insurance, and member benefits and services to ensure our offering is in members' best financial interests, which they are.

We are finalising our most recent assessment and a summary will be placed on the website shortly for members to view.

- *Non-Arms' Length Income Rules (NALI) (ITAA 295-550);*

  NALI was designed to ensure that super funds are paying for expenses on an arm's length basis. The costs associated with some of the services the Fund receives are not provided on an arms' length basis. For example, directors volunteer their time, research is provided free, and custodian services are provided free. The effect of these arrangements mean the Fund would be subject to penalty tax. There is currently a Bill before parliament awaiting royal assent to exempt funds such as ours from the NALI provisions.

- *Government's 'objective for super';*

  The objective is to preserve savings to deliver income for a dignified retirement, with government support, in an equitable and sustainable way. The Treasurer has confirmed the ongoing focus will be on retirement phase.

- *SPS 530 Investment Governance Framework; and*

  Last year APRA revised its prudential guidance on investment governance in the areas of liquidity management, stress testing and valuation practices. As such the Trustee reviewed and refined its Framework to further enhance existing robust practices.

- *Financial Accountability Regime (FAR);*

  Extended to superannuation environment to drive executive behaviour in relation to remuneration structures. The vast majority of the Fund's directors are not paid therefore the Trustee is considering the most practicable approach to implementation to reflect our governance structure.

Ms Manning then provided a summary of ongoing changes to the superannuation industry affecting the Fund over the coming year:

- 2024 will see continued Government reform in the superannuation landscape and the Trustee has developed a roadmap to successfully implement the regulatory reform.
- The Trustee will focus on implementing the ongoing reform agenda including:
  - Retirement Income Covenant (SIS Act);
  - *SPS 515 Member Outcomes;*
  - *Financial Accountability Regime (FAR);*
  - *New Financial Reporting Requirement (S29QB SIS Act);*

    The relevant disclosure provisions have been moved from SIS Act to Corps Act.
  - *CPS 190 Recovery and Exit Planning;*

    A new prudential standard applying from January 2025 with an objective to ensure Trustees are adequately prepared for scenarios that may impact the financial viability of the Fund and its ability to act in the best financial interests of beneficiaries. For example, the Trustee is required to prepare a high level plan for situations such as failing the annual performance test.
  - *CPS 230 Operational Risk management;*

    A new standard to ensure Funds are resilient and can cope in periods of disruption. The Trustee will review its existing risk management framework documents to identify any uplift required.
  - *SPS 114 Operational Risk Financial Requirement; and*

Proposed revisions to the standard aimed at supporting the requirements of CPS 190 and CPS 230.

  - *CPS 511 Remuneration*.

Ms Manning noted that APRA and ASIC continue to closely monitor the industry.

Ms Manning highlighted that in addition to regulatory reform, 2024 will see continued challenges in the wider macro landscape including:

- Market volatility;
- Industry consolidation (mergers);
- Cyber risk; and
- Climate risk.

Ms Manning reiterated that the Trustee focus remains on achieving competitive long-term investment returns for members and quality corporate governance. The Fund will continue to review its tactical asset allocation in light of recent market volatility with a focus on the long term.

Ms Manning expressed her gratitude to her fellow Directors for their ongoing support and commitment to the Fund.

3. INVESTMENT UPDATE

Mr Paul Sundberg, Chair of the Investment Committee, provided members with an update on investments and Fund performance, highlighting in particular:

- The Fund's overall investment objective is to generate a total net return of at least 4% above inflation over a rolling 10-year period;
- In the ten years to 31 January 2024, the fund returned 8.58% p.a., exceeding the objective of 6.9% p.a. (CPI +4%);
- It is expected that the marginal return above inflation will improve as CPI eases;
- In the ten-years to 31 January 2024 the Fund also outperformed the median return from the Mercer Employer Super Balanced Growth Universe Survey;
- Investment decisions are made within appropriate risk parameters including the aim to have no more than 6 negative annual returns in 20 years, equating to 1 negative return every 3 ½ years. Historical returns demonstrate the Fund has experienced one negative return in the previous 6 ½ years, well within the limits;
- The year-to-date performance to 31 January 2024 is in line with the market;
- The Fund regularly reviews its performance and rankings to assess how it compares and how it may improve in line with its investment philosophy;
- In line with the Fund's focus on long term returns it is currently placed 15th over the ten-year and 1st over the 15-year period in the SuperRatings peer comparison rankings for growth options to 31 January 2024;
- The Fund's peer group would typically have an allocation to private assets of 25% to 30% which can distort comparisons due to the timing of private asset valuations; and
- Conversely, due to the highly liquid nature of the Fund's investments its performance will be responsive to market rallies.

Mr Sundberg provided an overview of the Fund's investment strategy, highlighting the following:

- The Fund's aim is to have an appropriately diverse portfolio with a quality growth bias;
- The objectives and strategy are to provide a net return of at least 4% above inflation over a rolling 10-year period:
  - Level of risk appropriate to the investment of these assets is likely to remain within the range of 10% to 16% annualised volatility over a rolling 10-year period;

- Objective to limit negative rolling 12-month periods to no more than 6 in every 20 years;
    - Primary driver of performance is the asset allocation; and
    - Focus on quality growth and a long-term investment timeframe.
- The Fund's current strategic asset allocation to growth is slightly below the neutral position with a higher allocation to cash and an increased exposure to government bonds;
- The Fund is slowly building the private assets subject to a limit of 15% of assets;
- The current slight tilt towards a more defensive allocation is in response to interest rates remaining higher for a longer period than originally anticipated, and corresponding economic data;
- If economic conditions change materially the Fund has the flexibility to respond quickly;
- The long term view remains constant in line with the investment strategy and beliefs subject to tactical tilts from time to time where appropriate. Tactical tilts may include changes to currency hedging, or exposure to treasury bonds;
- All directors are invested in the Fund; and
- The Fund received the benefits of subject matter experts from all aspects of the investment world from Goldman Sachs and JBWere.

4. QUESTION & ANSWER SESSION

1. Any potential changes in 2024 to maximize returns? (ANSWERED BY PAUL SUNDBERG)

   Yes, but at the margin. We have a long-term focus and we are not going to make significant changes to our neutral position. We will have tactical tilts from time to time, but no material changes. We are slowly increasing our exposure to private markets from 11% up to a 15% limit.

   In terms of tactical tilts we have increased our government bonds, and our FX hedging is currently at 60%.

2. Just to understand the current positioning of the investment portfolio and the current top-down view influencing it (or not)? (ANSWERED BY PAUL SUNDBERG)

   We are slightly defensive compared to our neutral position because the anticipated interest rate cuts have been deferred until later in the year. The Fund's view is that the longer the interest rate cuts take there is an increased risk of a market pull back and the Fund is positioned to take advantage of that.

3. Best asset allocation for next five years? (ANSWERED BY PAUL SUNDBERG)

   Continue with quality growth bias but individual components cannot be predicted.

   The GFC in 2008 was a 1 in 100 year event and this was followed by COVID 15 years later, another 1 in 100 year event. We don't know when another event may cause disruption but the Fund is well positioned to weather these events, and has the flexibility to respond.

4. (A)At last years AMM there was a question about Directors exceeding the normal maximum terms. From memory the answer was that the situation would be corrected via an APRA approved transition to new directors. Has that happened, and if not, can the trustees advise the members of the timeframe for the transition?

   (B)Why not increase the NAB/JBW directors to 2 plus 2 NAB/JBW member rep directors, giving a total 8 directors. That would share the trustee load across more directors as well as providing more new members to gain the experience necessary to fill the void when the long-serving directors retire. Importantly for Goldman Sachs, they would continue to “control” the Board because of the quorum and voting requirements. (ANSWERED BY MARK SAMUELS)

(A) The Fund’s transition plan is part of the ongoing corporate governance focus and was produced in consultation with APRA. The Board is continuing the transition journey, including the addition of two new directors in 2023. The plan aims to have the transition completed by 30 June 2025. However, if suitable replacement Directors cannot be found then the completion date may be pushed back to ensure the Fund does not adversely affect member outcomes by losing the significant skill, expertise and Fund-specific knowledge of the long tenured Directors.

(B) The Trustee group regularly turn their mind to the corporate governance structure and carry out external board reviews, noting the most recent review feedback confirmed we have a high functioning and successful Board on all fronts.

The Trustee completes a skills matrix assessment annually, with the most recent completed in July 2023 to ensure the Board as a whole has the required skills and knowledge. The assessment confirmed that there weren’t any gaps in skills or knowledge for the Board as a whole.

5. Utilising the managers globally have they added value over the passive alternative (ANSWERED BY PAUL SUNDBERG)

   Yes, absolutely. The Investment Committee regularly reviews the selection of managers in consultation with JBWere advisers and is comfortable with the long term performance of the selected fund managers.

   It was noted that the recent benchmark has been skewed by the performance of a handful of US tech stocks, whereas the Fund is focused on the long term performance.

6. Given the continued struggles to contain inflation, rising interest rates and the unrest in Ukraine and the Middle East, have there been any significant changes to the Fund’s asset portfolio over the past 12 months in response to these events? (ANSWERED BY PAUL SUNDBERG)

   While we are mindful of the events there have been no material changes to the core investments or the quality growth mantra. Geopolitical events and other issues such as inflation post the pandemic, and the conflict in Ukraine, do flow on to some of the tactical tilts such as increasing exposure to infrastructure, or our recent increased holding of treasury bonds related to interest rates being higher for longer.

7. Climate change and ESG considerations seem to be an ongoing focus for policy makers. Can you explain how the Fund factors in these considerations to its investments decision-making process? (ANSWERED BY PAUL SUNDBERG)

   The Fund leverages the research and insights provided by the JBWere Managed Research and Alternatives team. ESG views are considered at several organisational levels for both direct equities and managed funds, including governance, culture, and transition risk planning. The Fund has also recently run the direct equity portion of the portfolio through the MSCI ESG filter with the direct equity holdings scoring very highly overall at 8/10.

Overall, ESG considerations are embedded within each aspect of the Fund's portfolio construction.

8. Why would I stay with the Fund in retirement compared to one of the larger funds like AustralianSuper or Australian Retirement Trust? (ANSWERED BY ANGELA MANNING)

   Without providing advice, a few areas our members may consider are:

   - Comparing returns over the longer term. The Fund is ranked 1st over 15 years, and has outperformed those larger funds over the longer term;
   - All directors are invested in the Fund so they are very much focused on continuing to deliver strong investment performance;
   - Be aware that changes in valuations of illiquid assets can take time to flow through to investment returns, and larger funds can have a higher proportion of illiquid assets which may mean their short term performance compares more favourably; and
   - The Fund's insurance is designed to support the unique needs of our members. It is unlikely that an industry fund could provide the same level of cover.

9. At last year's meeting you mentioned that BEST Super is not on the regulator's watchlist in terms of the Fund's scale or issues with performance, given our returns have been solid for a number of years. Has this position changed in the last year, as I've seen so many super funds merge lately – just trying to understand what the Fund's long-term outlook is? (ANSWERED BY ANGELA MANNING)

   Good question and it's pleasing that members are taking an active interest in the Fund. Many smaller super funds have decided to merge which has been partly driven by operating costs and scale. We are in the fortunate position that although we are small we've managed to keep our operating costs under control and our relative performance exceeds our peers. So, there is no change to the position that was discussed last year.

   We will continue to compare our Fund to make sure the current structure remains appropriate and is in members' best financial interests. Regardless of any prudential standards, we constantly review our situation and if circumstances change we would take appropriate action at that time.

10. Are there any regulatory changes coming in this year that will impact BEST Super? (ANSWERED BY ANGELA MANNING)

    Ms Manning noted that she had already covered this information during her presentation and highlighted the main regulatory changes to be mindful of going forward are:
    - Strategic planning and member outcomes;
    - Operational risk requirements;
    - Exit planning strategy;
    - Financial Accountability Regime (FAR); and
    - Operational Risk Financial Reserve.

Two questions were not answered live during the meeting. These questions and answers can be found in the annexure to these minutes.

5. CLOSING REMARKS

Mr Samuels thanked members and presenters for attending and reminded members that a recording of the meeting will be available on the Fund's website within 28 days, along with minutes and answers to all questions received for the session today.

MEETING CLOSED

The meeting closed at 2:24pm.

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ANNEXURE – QUESTIONS AND ANSWERS NOT ANSWERED DURING THE MEETING

1. One for the Actuary. We know actuarial calculations are based on theoretical positions for the Fund. Theoretically, if all the lifetime pensioners died, would their vested benefits be equal to their accrued benefits immediately prior to that happening? To me the answer is an obvious no because of the rules applying to lifetime pensions. Why then are the vested benefits always reported as the same as the accrued benefits?

   For a lifetime pensioner, Vested Benefits are equal to the Present Value of Accrued Benefits. With respect to defined benefits, because the Fund only contains lifetime pensioners, these measures are reported as the same value.

   Actuarial Professional Standards require Vested Benefits for Pensioners to be reported as the value of that pension or deferred benefit, determined by projecting forward expected future payments based on assumptions around pensioner mortality and future pension increases. These future payments are discounted back to the valuation date based on an assumed return on assets and aggregated to give the value of the pension at the valuation date. This is the same method used to determine the Present Value of Accrued Benefits for a pension in payment and so the two amounts have the same value.

   To determine the value of pensions for inclusion in the Fund's financial statements, the Trustee uses 'best estimate' assumptions of future experience. In the theoretical case that all pensioners (and their beneficiaries) were to die, the value of both the Vested Benefits and the Present Value of Accrued Benefits would reduce from the value based on assumed mortality immediately prior, to zero immediately after.

2. The Annual Report is confusing about Conor Smyth. Page 4 says he is a director while page 11 says there is only one GS Employer Appointed director, Paul Sundberg. Page 12 says he resigned from the ARC Committee 26 June 2023. Is Conor Smyth still a director?

   Conor Smyth is a director of BEST Superannuation Pty Ltd.