

Minutes of the 2024 Annual Member Meeting

Held via live stream, Wednesday 27 November 2024, commenced at 10:30AM (AEDT)

Master of Ceremony	Ms Tess O'Brien, Nous Group (MC)
Presenters and Q & A Panel	Mr Nick Johnson, Board Chair Mr John Livanas, Chief Executive Officer Mr Charles Wu, Chief Investment Officer Ms Nada Siratkov, Chief Experience Officer
Board members	Ms Catherine Bolger, Employee Representative Ms Cathy Yuncken, Employer Representative Mr Tony O'Grady, Employee Representative Apologies: Ms Carol Austin, Employer Representative Ms Lisbeth Rasmussen, Employer Representative Mr Russell Mason, Employer Representative Mr Thomas Costa, Employee Representative
Executive	Mr Allan Parapuram, General Counsel and Company Secretary Mr Jag Narayan, Chief Risk Officer and Audit Executive Mr Jason Hazell, General Manager, Defined Contribution Investments Ms Keri Pratt, General Manager, Defined Benefits, Assets & Liabilities Mr Nish Patel, Chief Financial Officer and General Manager Corporate Services
Actuary	Mr Nathan Bonarius, PwC
Auditors	-
Agenda	1. Welcome 2. Strategic Updates and Board 3. Fund Update 4. Investment Update 5. Member Update 6. Q&A Session 7. AMM Close

The Minutes comprise a summary of key aspects of presentations, and the Q&A session and will be published on the State Super website along with a video recording of the AMM and the presentation slides.

1. Welcome

Ms O'Brien, Master of Ceremony, welcomed members to State Super's third Annual Member Meeting, acknowledged the Gadigal people of the Eora Nation, the traditional custodians of the land, and paid respect to the Elders past, present and emerging, and also extended that respect to any Aboriginal and Torres Strait Islander people watching the meeting.

Ms O'Brien introduced the State Super team who will be presenting today, outlined the agenda and the purpose of the AMM, and advised the attendees that questions can be submitted online and will be answered during the Q&A session, including those questions submitted during the registration process. Questions on personal finances or circumstances will not be answered at the meeting to protect member's privacy.

2. Strategic Updates and Board

Mr Nick Johnson, the Board Chair, spoke to the following matters:

- Changes in the fund's demographics and consequential diminishing scale in State Super's business will require the investment and administration operating models to evolve to continue delivering investment performance and services for members.

Whilst the Board had not made any decisions, some variations on in-house investment management is considered for the Defined Contribution funds, similar to the investment management of the Defined Benefits funds which is currently outsourced to TCorp (the investment arm of NSW Government Treasury).

The best operating model for administration services is also being considered to allow State Super to continue to provide high-quality services to members at a low cost over the full expected life of the fund.

- Responsible Investment – based on the published metrics for net zero carbon emissions target by 2050, the metrics are working effectively and are providing data confirming that total carbon emissions and intensity in the State Super investment portfolio are declining at a rate consistent with the 2025 and 2030 target reduction in carbon emissions from companies in the investment portfolio from 2020 levels.

As a demonstration of the Board's continued proactive engagement, the Board decided to vote against the reappointment of the Chair and the Climate Transition Action Plan of Woodside Petroleum, reflecting that company's slow progress in identifying and moving towards an effective climate change strategy.

- Cyber security and other business risks – State Super had devoted much attention to ensuring that robust up-to-date cyber security is in place both at State Super itself, and at the various service providers. State Super will also be devoting significant attention to implementing the enhanced risk management processes for operational risks over the coming year, adhering to APRA directives as far as possible, as State Super is subject to oversight by the NSW Government (i.e., not directly regulated by APRA).

3. Fund Update

Mr John Livanas, the Chief Executive Officer (CEO) noted that State Super has achieved strong staff retention, high member satisfaction, and impressive investment returns, showcasing its commitment to both staff and members, with a strong culture of commitment to deliver ongoing member support.

It was further noted:

- The Annual Member Satisfaction ratings remain high, especially amongst Pension members. Telephone Service, Financial Planning services, and Investment Performance were given excellent scores.
- State Super now offers access to member accounts online through the added security of two-factor authentication, and 67 free education seminars were conducted with around 3,000 members.
- The Defined Benefit scheme and Defined Contribution options have delivered strong returns, with the Defined Benefit scheme achieving 7.5% for the year and Defined Contribution options delivering up to 9.1% and State Super's goal of providing great returns continues.
- For the Defined Benefit scheme, the aim is to achieve full funding by 2040. Government contributions are crucial, and collaboration with NSW Treasury has led to a contribution funding framework to support full funding, optimising investment strategies further.
- State Super's Corporate Plan includes objectives to delivering relevant member experiences, meeting risk/return objectives, maintaining good governance, and strengthening the operating model.

- The research program is re-developed with a new research partner, and member feedback further refined the member engagement program aligning State Super's services to meet member's evolving needs.
- State Super successfully transitioned to a new platform, Acurity, despite some initial teething issues.
- State Super continues to operate within a robust governance framework, supported by the Board, to deliver compliance with the Heads of Government Agreement requirements and adopting the latest and best prudential practices.
- Strong progress in responsible investing, evidenced by the receipt of the 2024 Australian Export Award for 'Sustainability and Green Economy', by one of State Super's investments - Noja Power, a Queensland-based electricity distributor.
- State Super values member feedback and recently held a Member Advisory Forum focusing on financial well-being in retirement, with plans to publish a white paper on the feedback received.

4. Investment Update

Mr Charles Wu, the Chief Investment Officer (CIO) noted that State Super navigated a challenging 2024 with significant market volatility and political twists, delivering strong investment results by focusing on strategic risk management and ESG considerations.

State Super's Growth and Balanced options met or exceeded return objectives, while Conservative and Trustee Selection options fell slightly short but still performed well on a risk-adjusted basis.

State Super's success is attributed to managing risk through tools like downside risk overlays and options, protecting capital from market volatility. For a portfolio with negative cashflows, it is not just about chasing returns, the protection of capital from unnecessary volatility and avoiding permanent losses of capital are of equal importance.

ESG factors are integrated into the investment strategy, engaging with companies to address environmental, social, and governance issues, promoting resilience and sustainability, and this will remain a fundamental building block for creating resilient, forward-looking portfolios.

Looking ahead, State Super remains committed to disciplined, data-driven decision-making and scenario planning to navigate geopolitical risks and ensure portfolio resilience.

5. Member Update

Ms Nada Siratkov, the Chief Experience Officer (CXO), thanked the members for attending State Super's 3rd Annual Member Meeting.

A short video that highlights State Super's history was played.

Ms Siratkov advised members to contact the Customer Service team on 1300 130 096, or by email via enquiries@stc.nsw.gov.au, for questions relating to any personal information and circumstances.

- State Super's Member Beliefs are tested annually through independent research and the series of questions are centered around:
 - a) Whether the Member Beliefs still stand today
 - b) Whether State Super's members believe that State Super delivers on the Member Beliefs
- Annual member satisfaction research shows high satisfaction scores, especially among pension members. This year's satisfaction survey is being conducted by a new independent research provider, and highlights from the research will be included in the SuperViews or PensionViews newsletters expected in 2025.
- State Super's overall membership has declined by about 4% since last year, with significant movements in the PSS and SSS members moving into pension phase, and the SASS members moving into an external fund. Members in the Education and Health sector are the largest proportion of State Super's active membership.
- Active membership is expected to halve (based on actuarial assessment) by 2029, with the total membership predicted to be around 67,000, mostly in the pension phase. State Super manages pensions for nearly 65,000 members, including 132 who are over 100 years old, with the oldest member being 111 years old.
- Legislation was introduced in the 1970's to index the State Super pension to the Consumer Price Index (CPI). For 2024 the adjustment rate was 3.8% (based on the CPI Sydney Index) which was the same as the national CPI.

Ms Siratkov extended her condolences, and on behalf of State Super, to the family of Mr Guy Warren, who passed away in June this year.

Mr Warren was interviewed by State Super last year and was the oldest working artist in Australia. He won the Archibald Prize in 1985, received the member of the Order of Australia in 2014 and was a contributing member in the Education sector before becoming a pension member for 38 years.

6. Q&A Session

Question 1

How is our super keeping up with inflation?

Charles Wu answered:

Inflation isn't just an economic buzzword; it plays a big role in how we manage your capital and protect its value over time.

Our return objective for DC Growth is CPI (Consumer Price Index) +3%. In simple terms, that means we aim to grow your investments at a rate that outpaces inflation by 3%. So when inflation changes, your portfolio adjusts, generating higher returns to maintain its value in real terms.

How do we do this? By investing in assets that can thrive in an inflationary environment. Take office real estate, for example. Many office leases have rents that are contractually linked to inflation. So, when inflation rises, those rents follow suit, providing a natural hedge or protection. Of course, supply and demand matter too, but this built-in feature helps protect returns.

We also invest in equities—shares of companies—that can adapt to inflation. Businesses with strong pricing power can pass higher costs onto customers while maintaining their profitability. When you own a piece of these companies, their ability to navigate inflation helps protect and grow your capital too.

What does this mean for you? It means your portfolio is built to handle inflation, so you don't have to worry about its eroding effects. Whether inflation is high or low, our goal is to deliver real returns that preserve and grow your wealth over time.

In the end, managing inflation isn't about reacting to the headlines — it's about staying focused on the long term. By investing in the right assets, we're ensuring your portfolio remains resilient, adaptive, and positioned for a secure financial future.

Question 2

Can our superannuation pensions be sustained if there was to be a depression/recession?

John Livanas answered:

We saw one of the most significant falls in markets during Covid-19. In March 2020, it took the US S&P 500 only 22 trading days to fall 30% from its record high, making it the fastest drop of this magnitude in history. During the financial year 2021/22, State Super's portfolio did not go negative on a year-to-date basis, as our protective measures kicked in. We don't predict depressions, but we prepare as best as we can.

Question 3

Can you explain the relationship between State Super and Aware Super?

Nada Siratkov answered:

As we saw in the video, State Super originally set up State Super Financial Services to offer financial planning advice for our members. This service then became StatePlus, which was purchased by First State Super in 2016. First State Super then had a brand name change to Aware in 2020.

Aware Super financial planners have knowledge and expertise in financial planning and have been providing advice to our members for over 30 years. Their financial planners provide a wide range of personal financial planning and investment advisory services to current and former public sector employees and their families. They have knowledge of each of the State Super defined benefit schemes and can help you with your State Super benefit in the lead up to retirement and beyond.

As a State Super member, your first appointment with an Aware Super financial planner is free of cost or obligation and you can meet either in person or talk to them on the phone. This first meeting is to find out what's important to you and what you want to achieve, and they'll explain any next steps, fees and charges before progressing.

State Super doesn't pay fees or receive commissions from Aware for financial planning and member seminar services provided to our members.

Question 4

As State Super is not a public offer fund, are funds under management declining as members exit? If so, is there a point at which the performance of the SANCS and deferred components would be adversely affected?

John Livanas answered:

Some of our funds under management are indeed declining and will continue to do so over the next 50 years. We have anticipated this and our investment strategies are designed to work well under exactly this environment. In fact most Super funds will experience this as well, and I am confident that State Super's investment strategies are already leading the way.

Question 5

Can you provide an update on the governance and financial outlook of the fund?

John Livanas answered:

We operate the fund largely on principles set out by APRA, following the policies, as best as we can, of other regulated Super funds in Australia. This provides the best governance framework within which to operate. In addition, we have a strong relationship with the NSW and Federal governments, on whom we rely for additional contributions. Each year the Board considers the Balance Sheet of the funds before signing off on the accounts.

Question 6

Can you tell us about the renewable technologies that State Super is investing in?

Charles Wu answered:

As we navigate the global energy transition, investing in power grid infrastructure is critical. Reliable, efficient grids are the backbone of integrating renewable energy and ensuring a stable, sustainable future.

Let's start with some examples from our investment portfolio - Trane Technologies, a U.S.-based leader in HVAC (heating, ventilation, and air conditioning) systems and transportation refrigeration. Older air conditioning systems, especially those built

before the 2000s, are energy guzzlers - consuming 30–50% more energy than modern, high-efficiency units. Upgrading can save households or businesses 1,000 - 1,400 kWh annually, cutting costs by \$150–\$400 per year while significantly reducing carbon emissions.

Finally, closer to home, we have NOJA Power, a Queensland-based company transforming electricity distribution. As John mentioned, they have just last week won the 2024 Australian Export Award for “Sustainability and Green Economy”. Their auto-reclosing circuit breakers can restore power automatically after temporary faults, like a tree branch touching a powerline. This technology eliminates 80% of outages, reducing disruptions, lowering maintenance costs, and creating a more reliable grid. As Australia moves toward electrification, NOJA’s innovations are critical for building a resilient, cost-effective energy network.

What unites these companies is their innovative approach to decarbonisation. From transforming HVAC systems to strengthening grids and rethinking energy distribution, they’re proving that sustainable solutions are not only achievable but commercially viable.

These pioneers remind us that addressing climate change isn’t just about reducing emissions - it’s about reimagining industries and driving progress. Let’s continue to support and learn from them as we work toward a greener, brighter future together.

Question 7

Why does State Super only have once-a-year adjustments to the Pension payments, rather than 6-monthly like the age pension?

Nada Siratkov answered:

The legislation to index pensions to the Sydney CPI was only introduced to the State Super schemes in the 1970s, following a period of significant inflation. The adjustment timeframe was also legislated as an annual change in percentage movement of the CPI from one June quarter to the next. The Trustee has no discretion in overriding the result of the CPI whether it be positive or negative. And it’s important to note that pensions paid from State Super schemes are not comparable to Centrelink pensions.

Question 8

For members who have recently retired they may still need to receive their pensions for 40 more years. What is in place to ensure there is adequate funds and services provided to these members as the fund membership declines in the future?

John Livanas answered:

As one of the oldest funds in the world, as well as one of the larger funds, we have learned how to manage over a very long timeframe. Our financial discipline, our investment strategies and the relationship with the NSW and Australian governments give me confidence to plan to pay pensions until 2084 or beyond - when we think the last member will be still receiving pensions.

Question 9

What happens to the Scheme and any funds remaining once all members have passed on? That is, once all contributing members and all deferred members have moved to pension phase and passed on.

John Livanas answered:

Sometime around 2084, we will cease paying the very last member. At that time, the fund may be wound up and surplus funds may be distributed according to the laws and practices at that time.

7 AMM Close and Closing Remarks

Ms O'Brien thanked the panelists and members for attending the AMM and advised that the questions and answers, and a video of the meeting will be published on the State Super website in the new year.

Members with specific questions on personal circumstances were asked to get in touch with the State Super customer service team on **1300 130 096**.

Attendees will receive an email requesting feedback on the AMM.

The Chair shared his reflections, noting that the team in State Super will consistently be re-imagining the operations, listening to the members and to the State Super staff, and will evaluate opportunities on how the long term low cost investment should look like.

Meeting closed at 11.29am.