



# Annual Member Meeting – 15 February 2022: Member questions and answers

We received a number of questions from members as part of our Annual Member Meeting held on 15 February 2022, which are answered in the following sections. Where we received a range of questions of a similar nature on certain topics, we’ve grouped the questions and provided an overall response.

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## Question topics

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# 1. Investment performance

## 1.1 Your Future Your Super (YFYS) performance assessment and related questions

The YFYS performance assessment and related questions are grouped below along with Group Super's responses.

Member question(s)	Group Super response
<p><b>a) General YFYS performance assessment</b></p> <ul style="list-style-type: none"> <li>• <i>Can you explain about the government superannuation performance test. Is it measuring just one year's performance? Are they looking at average returns and fees over a number of years?</i></li> <li>• <i>Why did Group super fail its performance test? After working in finance for 40 years, I know that last year's best performer is rarely next year's best so I am worried if the performance test just looks at one year's results as every fund in Australia would most likely have a bad year every ten years and thus customers would be advised to leave that fund.</i></li> <li>• <i>What actions are being taken to ensure that the super fund meet the APRA MySuper requirements?</i></li> <li>• <i>Whilst the APRA performance test may be well intended, it feels like it is forcing a change of strategy for the fund. Reviewing the strategy is fine (and is leading to some good measured actions by the trustee) but the need to pass the test next year on a 7-year historic measure means short-term risky actions to vastly over-perform in the current 12 months could be required. How will you balance these two matters? I for one would prefer to fail the test and negotiate with APRA over consequences than go against the philosophy of the fund to pass an artificial retrospective test.</i></li> <li>• <i>Given the APRA test is based on a 7 year average, how confident are you that you can lift your return fast enough to drive up the 7 year average in just 1 year?</i></li> <li>• <i>Refer to section 9 for other similar questions relating to general YFYS performance assessment.</i></li> </ul>	<p>The Board acknowledges the disappointing results of the fund's performance in the Your Future, Your Super annual performance test as at 30 June 2021 and reassures members that the Board has always been focussed on their best financial interests and are taking actions which would expect to improve the outcome of the performance test.</p> <p>The performance test assessed the past 7 years of net returns of the MySuper products (ie the fund's Accumulate Plus Balanced (MySuper) option), as at 30 June 2021, against benchmarks determined by legislation and calculated by the Australian Prudential Regulation Authority (APRA), which notified the fund of the test outcome on 30 August 2021.</p> <p>The trustee believes the fund's MySuper option did not pass the assessment because some investments underperformed when compared to the legislated benchmarks and some of the fund's underlying investments had a different mix of assets compared to these benchmarks, eg the fund's MySuper portfolio included Multi-Asset and Alternative asset classes, which included allocations to a range of asset classes including less shares held than the comparison benchmarks.</p> <p>As at 30 June 2021 the Balanced (MySuper) option delivered an annual net return of 13% and a long term return of 7.3% pa over the 10 year period.</p> <p>The trustee has, over the past decade, been focussed on meeting and exceeding the disclosed return objectives set for each investment option and produced a smoother return experience for members compared to the average experience for other comparable MySuper products.</p> <p>The introduction of the YFYS performance test in 2021 with retrospective effect has now re-defined the measure of success for the fund.</p> <p>A number of strategic initiatives and investment portfolio changes that aim to improve future investment performance and enhance members' retirement income have been implemented and, in some cases, are being implemented. These include:</p> <ol style="list-style-type: none"> <li>introduction of the Lifecycle MySuper option that provides an investment strategy more tailored to members' life stages, ultimately providing higher growth asset allocations for younger members,</li> <li>recent and ongoing enhancements to our appointed manager line-ups and asset class portfolios (including Multi-Asset, Alternatives, Real Assets and Cash) which support all of our diversified investment options, and</li> <li>introduction of a more growth oriented and peer-focussed choice and pension investment option menu. Refer to the annual member meeting minutes for further information.</li> </ol> <p>With the changes implemented to date as at December 2021 we have seen improvement relative to the benchmarks.</p> <p>However, we note that past performance is not an indicator of future performance and while we believe these changes are in members' best interests and made to enhance the future return proposition, we cannot predict returns with complete certainty. As with all investments, the returns provided by our options are highly dependent on future market events.</p>
<p><b>b) External report</b></p> <ul style="list-style-type: none"> <li>• <i>Why did it take an external report for visibility and action to be taken on the performance of our fund?</i></li> </ul>	<p>We have been monitoring and managing the investment performance of our fund and continue to do so regardless of any external reports. We have been making changes to the portfolio over the years. Some examples referred to above include changes to Fixed Interest managers, realignment of the Real Assets portfolio, and adding new investment classes to the portfolio. These changes were all done or underway prior to the introduction of the Your Future Your Super regulations in 2021.</p>

Member question(s)	Group Super response
<p><b>c) Performance benchmarks</b></p> <ul style="list-style-type: none"> <li><i>An explanation of the poor performance of the Accumulate Plus Balanced plan, as the fund was required to report by APRA. Are there benchmarks that the fund's performance can be measured and benchmarked against, such as the CFA Institute GIPS? This would increase fair reporting and transparency. If there has been underperformance of the Balanced plan, what actions are the managers of the fund taking to improve performance and returns?</i></li> <li><i>If the sub-standard performance is for a limited number of Group Super funds, how has the other super funds performed against the industry averages and the ASIC benchmark?</i></li> </ul>	<p>While the trustee monitors its performance against the APRA performance test and acknowledges its findings, there are multiple lenses through which we assess our performance. A key lens we use to design our investment strategies, set members' return expectations and assess our performance is the risk and return objective.</p> <p>For our diversified options, the return objective is expressed as a (CPI +) i.e. a margin above inflation over a 10 year period, after fees and taxes. In addition to being an industry standard format, we believe this is an appropriate objective and benchmark against which to assess performance given this is what our investment strategies set out to achieve and meeting these objectives serves to grow our members' savings, whilst protecting them from the risk of inflation.</p> <p>At an asset class and investment manager level, we set specific benchmarks based on the nature of these managers to measure their performance.</p> <p>For details of the performance of other superannuation funds against the APRA benchmark, please refer to the <a href="https://www.ato.gov.au/Calculators-and-tools/YourSuper-comparison-tool/">YourSuper comparison tool</a> on the ATO's website: <a href="https://www.ato.gov.au/Calculators-and-tools/YourSuper-comparison-tool/">https://www.ato.gov.au/Calculators-and-tools/YourSuper-comparison-tool/</a>. Refer also to response to section 1.1(A) on general YFYS performance assessment.</p>
<p><b>d) CPI+ objectives</b></p> <ul style="list-style-type: none"> <li><i>In the formal response letter I received you stated the fund had "delivered to its stated objectives and produced a smoother return experience for members compared to funds with similar growth and defensive allocations. The Balanced (MySuper) option delivered an annual return of 13% and a long term return of 7.3% over the last 10 years. Is the Group Super trustee considering a review of its outdated objectives of returning 2.5% above inflation which is not in line with industry standards and does not "meet public expectations" which is confirmed by the Your Future, Your Super annual performance test? Refer to section 9 for full statement and question.</i></li> </ul>	<p>We have reviewed the overall approach to our MySuper strategy, which currently sees all members defaulted into the same investment option if they haven't made an investment choice.</p> <p>The change from a static default to a life stage style investment strategy would give younger members more investment growth assets (and corresponding risks) than current, and hence improve outcomes over their entire membership. We have been working on this in anticipation of implementation once the fund transitions administrator from CFS to Mercer.</p> <p>The introduction of this change in investment strategy and the growth allocations supporting it will include a review of the CPI+ return objectives that underpin the MySuper product.</p>
<p><b>e) Choice options</b></p> <ul style="list-style-type: none"> <li><i>The MySuper option failed the APRA performance test. How have the other investment options compared in comparison? That is, if APRA were to apply the same criteria, would they also fail? Can you reassure members that their funds are being managed in their best interests and why should they retain their funds in Group Super?</i></li> </ul>	<p>While at this time the annual performance assessment has not been conducted for other investment options offered by the fund, for some of the options, this will happen later in the year. It is possible that other options might fall below the benchmark following a test later in 2022. We have recently conducted a review of our choice investment options and will be making changes to the investments offered. These changes to the choice option offering along with enhancements to our investments are designed to improve the long term outcomes for fund members and should also reduce the likelihood of investment options falling below the APRA performance assessment test.</p> <p>Information about the Choice options is available in our <a href="#">Member Outcomes Assessment</a> published on our website. Refer also to response to section 3 on merger and best financial interests of members.</p>

Member question(s)	Group Super response
<p><b>f) Withdrawals</b></p> <ul style="list-style-type: none"> <li>• <i>Has there been significant withdrawal of members' funds as a result of the fund being named as non-performing?</i></li> <li>• <i>Is the fund's viability under threat as a consequence of it failing the APRA performance test? In particular, what are the Board &amp; Management doing to ensure that this 'once' great fund avoids a second failure; whereby the fund will be prohibited from accepting new members?</i></li> </ul>	<p>We have seen an increase in withdrawals following the APRA performance test results and are monitoring this. However we do not have any concerns with our ability to meet these requests or their effect on the scale of the fund impacting our ability to continue offering highly competitive fees. Refer also to response to section 1.1(A) on general YFYS performance assessment.</p>
<p><b>g) Trustee duties</b></p> <ul style="list-style-type: none"> <li>• <i>What is the Board doing to address the abysmal performance of the fund over the previous year and is the Board going to take responsibility and reduce the remuneration they receive for their failings in the fund's performance?</i></li> <li>• <i>On the 1st September ASIC announced the Accumulate Plus Balanced fund failed the APRA performance test, please explain why and what has been done to address future performance of this fund? Are any compensation or remediation actions required to address the under-performance? Has all compensation or remediation action been completed? If not when will it be completed? What is the total compensation or remediation cost to the fund? If the sub-standard performance is for a limited number of Group Super funds, how has the other super funds performed against the industry averages and the ASIC benchmark?</i></li> <li>• <i>Refer to section 9 for other similar questions relating to trustee duties.</i></li> </ul>	<p>The Board acknowledges the disappointing results of the fund's performance assessment. The Your Future, Your Super performance test, came into effect in the 30 June 2022 financial year, and retrospectively established a benchmark for the Balanced (MySuper) option for the June 2021 financial year, which is different to the investment performance objectives we had set out to achieve and disclosed to members, consistent with the obligations of the trustee. The trustee has complied with its duties and is focussed on the best financial interests of members.</p> <p>While the performance assessment has re-defined the measure of success for the fund, it is clearly the critical measure of performance and we must assess the fund and manage with the new test in mind.</p> <p>We have acted consistently with our disclosed intent, to deliver a smooth investment return to members, and at all times made decisions focussed on the best financial interest of members. The trustee has complied with its duties and doesn't believe refunding fees or paying compensation is appropriate. The trustee does not earn revenue, or make a profit, from its role as trustee of the fund and does not believe doing so would be in members' best financial interests. The fund operates on a profits-to-members basis, meaning fees are designed to only cover the costs of running the fund.</p> <p>Our focus continues to be on improving the outcomes we provide to members. Refer also to response to section 1.1(C) on performance benchmark and (H) on variable remuneration.</p>
<p><b>h) Variable remuneration</b></p> <ul style="list-style-type: none"> <li>• <i>Given the poor performance of the fund i.e. the letter we received, were bonuses paid? And if so on what basis and will they be paid going forward?</i></li> </ul>	<p>On the matter of executive bonuses, that is variable remuneration, a balanced scorecard is used to inform matters including the assessment of risk behaviours and outcomes (such as member outcomes).</p> <p>The executive officer bonuses relating to each financial year are subject to meeting performance objectives, risk adjustment and deferral and are assessed at the end of each relevant financial year.</p> <p>The remuneration of executive officers for the 2021 financial year is available on the fund's website at: <a href="https://www.oursuperfund.com.au/about-us/important-disclosures.html">https://www.oursuperfund.com.au/about-us/important-disclosures.html</a></p>

## 1.2 Peer performance

Member question(s)	Group Super response
<ul style="list-style-type: none"> <li><i>We are told that our returns are less than other funds because we have a conservative approach. However when the market is not performing well we still seem to have the lowest return. You can't have it both ways. Is it that fees are too high compared to others, or investments like cash held with CBA and get less returns for us and better for the bank (as has happened in the past)?</i></li> </ul>	<p>There is a positive correlation between risk and return: generally, a lower risk investment has a lower potential for profit; and a higher risk investment has a higher potential for profit but also a potential for a greater loss.</p> <p>We see strong evidence of our investments performing as expected and generally outperforming other higher risk funds when markets fall.</p> <p>For example in March of 2020 where sharemarkets were rocked by the emergence of COVID-19, our Balanced option was among the best performers in that month and performed above the industry median for that financial year to 30 June 2021 (as measured by the SuperRatings SR50 MySuper Index). With the impending move to a lifecycle investment strategy for our MySuper option and investment choice product changes, the characteristics of our options are expected to change over time.</p> <p>Balancing this we acknowledge that over recent years we have seen overall strong share market performance which has meant we lagged peers with higher allocation to growth assets.</p> <p>We have competitive fees which means fees are not a relative drag on performance relative to average super fees. The fund does not have any investments managed by CBA or its wholly-owned entities and no profit or dividends are directed from the fund to the Bank. The fund operates on a profits-to-members basis (exclusively for current and former Commonwealth Bank employees and their spouses), meaning fees are designed to only cover the costs of running the fund.</p>
<ul style="list-style-type: none"> <li><i>There is much talk about the difference in the fund's investment strategy vs other funds and the impact it had on performance. The solution seems to be changing the fund's strategy to match the market vs sticking with the strategy. Was the old strategy wrong (in hindsight)? What is the fund's expertise re the new strategy (assuming the expertise re the old strategy is not the same)? Why would we continue to trust the fund if it is willing to change its strategy in this way? Would members not be better off moving to a fund that has always implemented the strategy the fund is now moving to?</i></li> </ul>	<p>It is important to note that, while we are implementing product and investment strategy changes, the fund still maintains its long standing beliefs in the value of diversification and active management. Our diversified portfolios will continue to be invested across a range of asset classes and utilise active manager strategies that seek to outperform their assigned benchmarks.</p> <p>In introducing a lifecycle MySuper, the trustee is tailoring its philosophy to the varying needs of our diverse membership. This will be done by increasing the growth asset allocations of our younger members to increase the focus towards higher long term returns in their early years, while continuing to focus on greater diversification and downside protection for members approaching retirement by broadly maintaining the existing levels of diversification and growth offered by our current Balanced option.</p>
<ul style="list-style-type: none"> <li><i>Why has the Accumulate Plus, balanced option lost so much money since the pandemic? When Australian super balance option made 20% return during the same period.</i></li> <li><i>Where do we rank in relation to other equivalent super funds regarding fees and returns over the past COVID corridor of two years &amp; what improvements can be made?</i></li> </ul>	<p>Over the 12 months to 31 December 2021, the Balanced Option had net returns of 9.94% p.a. And over the last two years to 31 December 2021, the period spanning the pandemic, the Balanced (MySuper) option outperformed its CPI+ objectives and provided net returns of approximately 5.9% p.a., which generally underperformed its MySuper peers which had net returns of approximately 8.3% p.a. mainly due to the underweight of shares versus our peers. [Data published by SuperRatings suggested the median SR50 MySuper fund returned approximately 8.3% p.a. in the two year period to 31 December 2021.]</p> <p>With respect to fees, refer to the below response to section 2 on fees, which outlines the fund's competitive fee proposition. A detailed assessment of the outcomes delivered to members across investment returns, fees, insurance and services is available in a <a href="#">'Member Outcomes Assessment'</a> on the fund's website.</p>

## 2. Fees

Member question(s)	Group Super response
<ul style="list-style-type: none"> <li>• <i>Where do we rank in relation to other equivalent super funds regarding fees and returns over the past COVID corridor of two years &amp; what improvements can be made?</i></li> <li>• <i>Are you reducing fees? How will you pass the performance test?</i></li> <li>• <i>I have two questions. I would like details of why the balanced fund option is performing badly. And I would like to know why the fees are so high for this fund as I'm considering moving my super account solely for this reason.</i></li> <li>• <i>Group Super fees are much higher than those charged by industry funds, will the fund reduce its fees in line with industry funds standard?</i></li> </ul>	<p>We monitor the fund's operating expenses against industry benchmarks as well as the total fees paid by members. Based on FY2020 and FY2021, our ratio of expenses relative to assets and our cost per member were below the industry median.</p> <p>We use industry benchmarking to ensure our continued competitiveness compared to other super funds, and our fees are consistently below the industry median, with the exception of fees charged on a \$5,000 balance in the cash option which is slightly above median. In FY2021 the annual fees for our MySuper product (calculated for \$5,000, \$50,000 and \$100,000 account balances) were all below the industry median, and within the top quartile (i.e. lowest fees) for \$50,000 and \$100,000 balances.</p> <p>Every year we publish a member outcomes assessment which compares the results we have provided vs peers on areas including fees.</p> <p>As part of a restructure in our costs and fees, some costs were recently reclassified and reallocated from administration costs to investment costs, which resulted in a reduction in the asset based administration fees for Accumulate Plus and Retirement Access from 17 bps per 12 bps, with a commensurate increase in investment fees and costs (refer to the <a href="#">Update Notice in October 2021</a> on our website for further information).</p> <p>Future cost savings are expected as a result of transitioning the custodian and investment administration providers and will be passed through to the calculation of the investment management fee.</p> <p>Further information on how our operating costs compare is available in our <a href="#">Member Outcomes Assessment</a>.</p> <p><i>Refer also to the response to section 1.1(A) on general performance assessment.</i></p>

### 3. Merger and best financial interests of members

Member question(s)	Group Super response
<ul style="list-style-type: none"> <li>• <i>Is it likely, that given the size of Group Super, and the possible fund exodus, that the fund may be merging with another larger fund? Should we, as members, need to be proactive in this regard? The way the numbers are, any run on the fund will escalate the need for action, Christian Super is being forced to merge, albeit for different reasons, so we do know that APRA is quite serious about enforcing the rules.</i></li> </ul>	<p>Conceptually it is possible for Group Super to merge either with another fund into Group Super or the other way around.</p> <p>There are some very technical aspects to this question which would need to be considered, in particular with respect to the trust deed. But conceptually it is possible.</p> <p>At this stage there are no active plans to merge the fund.</p> <p>The Board has considered and continues to consider what is in the best financial interests of our members, including would members interests be better served under a different structure.</p> <p>At this stage we believe that the current strategy to transfer administration and make the changes to investment approach will deliver a very competitive and compelling member proposition.</p> <p>We are also confident that our scale is not an impediment to delivering this.</p>
<ul style="list-style-type: none"> <li>• <i>Do the rules under which Group Super was established allow for the fund to amalgamate with another super fund. If so, what are the main conditions for this? What is the Board's view of amalgamation?</i></li> </ul>	<p>With the annual performance test results it is prudent for the Board to be thinking about the implications of this, and both as good governance and consistent with regulator expectations, we are considering how this strategy might change over the coming years. But at this time we are monitoring the changes we have made and executing on our strategy.</p>
<ul style="list-style-type: none"> <li>• <i>Could you please give an overview of the main rules governing the fund as to its options for relationship with other superannuation funds, specifically can it 'take over' another fund, be 'taken over' by another fund, 'amalgamate' with another fund? There is general agreement that only larger superannuation funds will have a long term viable future, our fund is definitely not a large fund compared with others in the Australian superannuation industry. What plans has the Board for addressing this?</i></li> </ul>	
<ul style="list-style-type: none"> <li>• <i>With the new duty to act in the best financial interests of members what changes have been made to reflect this change in obligation and if none why not?</i></li> </ul>	

## 4. Investment menu

### 4.1 ESG investment menu

Member question(s)	Group Super response
<ul style="list-style-type: none"> <li>What are the Group Super funds plans to provide accumulation members with greater investment choice rather than the limited, generic investment offerings currently available, e.g. ESG, leveraged investments, single asset allocations etc?</li> <li>Why can't we have more investment options in our Group Retirement accounts?</li> </ul>	<p>We are currently reviewing our Choice menu and will be making changes to the options available over the next few months.</p> <p>In considering the choices we offer we balance the needs of the majority of members with the cost of increasing choice and complexity. It is unlikely we will expand the choices to include specialist options like leveraged investments or single asset classes beyond those currently offered.</p>
<ul style="list-style-type: none"> <li>Is there going to be a divestment of investment options to include a green/sustainable investment portfolio?</li> <li>Will there be a green investment option available within the investment space?</li> </ul>	<p>We are committed to embedding ESG considerations into our business processes and investment decision-making and climate change resilience is a key focus.</p> <p>As we have an integrated approach to ESG considerations within our decision-making across the fund, at this stage it is not envisaged that we would offer a specific ESG, green or ethical option but work is for instance being done to implement carbon emission targets across our portfolios that will flow through to the investment options.</p>
<ul style="list-style-type: none"> <li>It seems odd that the policy focuses on modern slavery when there are dozens of major social issues that must be evaluated and managed - why is this? Will you be providing regular examples of how the policy has actually played out in practice - at the manager and fund level - across all levels of ESG?</li> </ul>	<p>Modern slavery is only one of the many ESG focus areas for the fund.</p> <p>In terms of the modern slavery inclusion, in addition to the clear moral imperative to focus on this issue it has been specifically explained in our policy because of obligations the fund has under the Modern Slavery Act.</p> <p>The fund has an ESG policy and climate action plan that commits to a net zero carbon emissions across our investment portfolio and operations by 2050, and at least 45% reduction by 2030 as an interim target.</p> <p>We work closely with our service providers, especially investment managers, in managing and embedding different areas of ESG across the portfolio, with the Board monitoring this in particular with use of a sustainability scorecard dashboard.</p> <p>We have been updating and will continue to update members on our progress towards embedding ESG factors into our broader fund process. You can find some examples in our recent newsletter.</p>

### 4.2 General investment menu

Member question(s)	Group Super response
<ul style="list-style-type: none"> <li>Does the fund have any plans to provide a pension option with the aim of delivering a rate of return of 4% + CPI?</li> </ul>	<p>We are making changes to the investment choices we offer and will make a High Growth option available to both accumulation and pension members. Within accumulation, this will have a CPI+ target of CPI+ 4% and within pension this will have a CPI + 4.5% target, it being higher due to the concessional tax arrangements for pension options.</p>
<ul style="list-style-type: none"> <li>The danger of 'lifecycle' switching is that members could see quite large losses if the switch is done during a market downturn. Are you planning a gradual rebalance of portfolios?</li> </ul>	<p>We have a well-considered plan for managing the transition which includes gradual rebalance.</p>
<ul style="list-style-type: none"> <li>Is crypto part of the portfolio investment or are there plans to invest in crypto?</li> </ul>	<p>At this time we don't hold any crypto currency in the portfolios and there are no plans for its inclusion in the fund's investment strategy at the present time.</p> <p>At this stage, we believe the risks of investing in crypto outweigh the benefits.</p>
<ul style="list-style-type: none"> <li>Any thoughts that super to invest into international shares or other range.</li> </ul>	<p>We offer members the investment choice to invest into our international shares option or gain exposure to international shares through our diversified options.</p> <p>For more details on our top shareholdings and the professional investment managers who manage our share portfolios, please refer to the 'Investment' section on our website.</p> <p>You can visit the fund's website for more details on our available <a href="https://www.oursuperfund.com.au/investments/investment-options/investment-options-available-to-you.html">investment options: https://www.oursuperfund.com.au/investments/investment-options/investment-options-available-to-you.html</a></p> <p>Details of the <a href="#">fund's managers</a> can also be found on our website along with the <a href="#">top 20 holdings</a> in Australian and international shares.</p>



Member question(s)	Group Super response
<ul style="list-style-type: none"> <li><i>Few month ago I responded to your survey about our super. I wrote few, I think valuable comments, but got no response. Main points: Who chooses fund managers and on what criteria? Why we don't use e.g. Platinum Asset Management locally based with excellent results over last 25 years? Most retired people have long time horizon, over 10+ years. We should have access to adequate options too e.g. have more International exposure. Is our Super directly involved in e.g. joint ventures? New start-ups? Renewables?</i></li> </ul>	<p>Comments from survey participants may be made anonymously or the member may choose to include their contact details with their particular comments. Dependent on the type of survey the member has participated in, it may be difficult to make contact with individual members. We are working with our survey partners to better identify individuals who wish to be contacted.</p> <p>The trustee's investment committee and/or the CIO under certain delegations, are responsible for the selection and appointment of professional external investment managers. Each manager is selected to manage a relevant portion of the fund's assets based on its specialist skills.</p> <p>Our investment manager selection is a two-tiered approach combining both:</p> <ol style="list-style-type: none"> <li>1) an assessment of investment management capabilities (considering matters such as investment philosophy and process including ESG considerations and people), and</li> <li>2) non-investment management capabilities and risks (such as operational, regulatory, risk and compliance).</li> </ol> <p>The Investment Team in most cases engages the assistance of its investment consultant in short-listing suitable managers as part of the thorough due diligence process.</p> <p>The fund holds a range of asset classes and underlying investment strategies including direct infrastructure assets. These include an exposure to renewable energy as highlighted in the presentation. At this stage, the fund does not have a discrete exposure to private equity such as new start-ups although some of our share managers assess and participate in IPOs (initial public offerings).</p>
<ul style="list-style-type: none"> <li><i>What software, math and algorithms do you use to select investments.</i></li> </ul>	<p>When setting and reviewing the fund's investment strategies (or asset allocations) and selecting investments, we use an asset modelling process, as opposed to algorithms. This process is based on expected risk and return profiles for each asset class and correlations between each of the asset classes. Using these assumptions, various asset allocations are modelled with differing risk and return outcomes. These asset allocations are then stress tested against multiple economic, liquidity and also climate change risks scenario analysis. All modelling results and expected outcomes are assessed against the probability of meeting investment objectives and other key considerations, in order for the trustee to select and approve each option's investment strategy. This review process is conducted at least once a year.</p>
<ul style="list-style-type: none"> <li><i>ChantWest Apple check shows Essential Super performance beat Group Super after fees. How could a staff fund underperform a retail fund that's not even open to new clients? I understand Group Super's philosophy is active investing, but at the cost of limiting members' choice in low cost passive investment? What is Group Super's plan to bring low cost investment to members to counter the effect of its underperformance in both APRA's performance test and in Chant West Apple check? E.g. CFS Wholesale Index Australian Share (which is not market leader in cost cutting) only cost circa 0.33% MER. What's Group Super's low cost option for members?</i></li> </ul>	<p>Product and investment strategy changes are being made and will be launched soon. With these changes we aim to continue to maintain our competitive fee structure including some exposure to passive management.</p> <p>We believe over time active management can contribute to member returns. As an example of this our share investments both international and Australian have outperformed the respective indices after the effect of investment fees over the long term.</p>

## 5. General investments

### 5.1 Market outlook

Member question(s)	Group Super response
<ul style="list-style-type: none"> <li><i>I would be interested in the future investment strategy for our fund and particularly where you see potential growth or otherwise for the various asset classes. Do you see investment in shares and property peaking in 2022 or do you believe there is more room to grow in these assets?</i></li> <li><i>As a retired pensioner, what is the 5-year outlook for account-based pension funds?</i></li> </ul>	<p>Our investment strategy reflects our investment beliefs including our long-term investment market outlook.</p> <p>Our investment market outlook is informed by the analysis and feedback from our relationships with our asset consultant and the fund's investment managers.</p> <p>We view the year ahead for corporate earnings to likely remain strong and as economies continue to emerge from lockdowns, it is likely that reasonable levels of economic growth will continue in the short-term. This rate of growth however looks to be interrupted by the covid variants and potential consequences of heightened inflation.</p> <p>With many asset classes trading at near historic highs and the expected 'tighter' economic policy settings coming from governments and central banks around the world, including rate rises and the removal of government support and hand-outs, this has the likelihood to impact fixed interest especially longer-dated assets and it is possible sharemarket returns over the medium term may be lower than those observed in recent years, with the potential for material volatility.</p> <p>With this outlook in mind, it underlines the continued importance of diversification within investment strategies but also maintaining appropriate levels of growth exposure, particularly over the longer term.</p>

### 5.2 Unit pricing

Member question(s)	Group Super response
<ul style="list-style-type: none"> <li><i>Why was there a drop in the unit price for the Cash option on 1 July 2021 and then it rebounded the next day. There is an aberration in the unit price for Cash at the start of July which is not what is expected for the Cash option.</i></li> </ul>	<p>During a review post 30 June, it was identified that an incorrect unit price was applied on 1 July 2021. This error was rectified subsequently and impacted members were compensated. These were members that transacted with this unit price.</p> <p>We sincerely apologise for this error and any inconvenience it may have caused to impacted members.</p>

## 6. Products and services

### 6.1 Product offerings

Member question(s)	Group Super response
<ul style="list-style-type: none"> <li>• <i>Will there be a dedicated app created just like the CFS super app for Group Super? Is this in the pipeline for development? It's frustrating to log in via website all the time.</i></li> </ul>	<p>One of the benefits of the upcoming transition of administration service providers will be the availability of a dedicated app (IOS and Android) with all of the benefits of ease of access which come with that. We will also have an enhanced secure website capability. In early April 2022 members will receive details and registration instructions for Group Super Online and the Group Super App.</p>
<ul style="list-style-type: none"> <li>• <i>Why is it when a reversionary pension option is beneficial to members and their spouses that it has taken so long for Group Super to reach a decision on whether or not to offer this? I have been asking this question for years only to be told it is something that is under consideration. Surely it cannot be too hard to reach a position on this.</i></li> </ul>	<p>We agree that a Retirement Access reversionary pension option may be of interest to our members and consideration of this feature forms part of an initiative to review the fund's Retirement Income Strategy. This work is currently underway.</p>

### 6.2 Insurance

Member question(s)	Group Super response
<ul style="list-style-type: none"> <li>• <i>On insurance offering, as part of the tendering process please can you seek options that allow the separation/independence of sums insured for lifecover and Total &amp; Permanent Disability (TPD). As someone without financial dependents I am forced to maintain unnecessary lifecover of at least the same sum insured if I want to have TPD cover.</i></li> </ul>	<p>Our aim is to continue to provide all members with an affordable and competitive insurance offering. This matter will be given consideration during the upcoming tender process, noting that our focus will be on ensuring that any proposed changes to current insurance arrangements can be delivered at a reasonable cost, and be of benefit to the broader insured membership.</p>
<ul style="list-style-type: none"> <li>• <i>Why will TPD insurance premiums increase by 29.2%?</i></li> </ul>	<p>Death and TPD premium rates have not increased in over 10 years. In fact, we saw overall reductions in group life premium rates in 2014 and 2017. The increase effective 1 March 2022 reflects higher costs for the insurance from our insurer, due mainly to an increase in the number of insurance claims received by the fund in recent years, particularly in relation to TPD. We have had an independent actuarial assessment of the proposed increase from the insurer attest that the increase is fair and reasonable based on the fund's experience and we will also undertake a tender process in the next 12 months to ensure our insurance arrangements with our insurer remain competitive.</p>
<ul style="list-style-type: none"> <li>• <i>What are the expected results of the insurance review (death, TPD and income protection) in terms of reduced rates for members? When do you expect a decision to be made on the provider?</i></li> </ul>	<p>The purpose of the tender is to ensure that we continue to offer insurance cover to our members that is both affordable and competitive. Whilst we don't know the likelihood of a premium rate decrease at this stage, the tender process will ensure that our overall future insurance arrangements, of which premium rates are a part, will be the most appropriate to our members at the time. The tender process will commence later in 2022, with any changes to arrangements arising from the process to be implemented around October 2023.</p>

## 6.3 Service provider transition

Member question(s)	Group Super response
<ul style="list-style-type: none"> <li>What controls will be put in place with the transfer of fund manager from CFS to Mercer? What are the historic returns from Mercer? Will fees change with the move to Mercer?</li> </ul>	<p>The transfer of services from CFS to Mercer is a change in the administration of member account and not how it is invested. Members' superannuation will continue to be managed by the trustee of Group Super. The available investment options, how they are invested and historical returns will not change at transition.</p> <p>Investment returns for Mercer funds are not relevant to Group Super members as Mercer will be an administrator and not the investment manager of Group Super.</p> <p>We have a dedicated project team in place with significant controls and assurance in place to ensure the transition happens effectively. The planning and preparation has been underway for over a year to ensure a smooth transition.</p> <p>Future cost savings are expected as a result of transitioning the custodian and investment administration providers and will be passed through to the calculation of the investment management fee. <i>Refer also to the response to section 2 on fees.</i></p>
<ul style="list-style-type: none"> <li>How can I access my balance in between switching to the new platform and are additional staff going to be available?</li> </ul>	<p>Access to your Group Super account balance via FirstNet Investor, NetBank and the CommBank App will remain in place until 8:00pm on 28 February 2022.</p> <p>At the conclusion of the limited services period in early April, you will receive details of our brand new member portal, GroupSuper Online, and be able to use it and the new Group Super App to keep track of your super balance, make an investment switch or find and consolidate your superannuation.</p> <p>During the limited services period, when processing of transactions and changes are put on hold, daily unit prices will not be available and your account balance will be effectively 'frozen'. Once daily unit prices are available in early April 2022 and processing resumes, your account balance will then be updated.</p> <p>The fund's call centre arrangements will continue throughout this time. However on 1 March 2022, the new Mercer Helpline will take over this service. The Helpline will have access to some information on your account to help with enquiries until early April, when full services will be available.</p>
<ul style="list-style-type: none"> <li>With the freeze period, what happens with people planning to leave the workforce and retire during this period?</li> </ul>	<p>From 22 February until early April 2022, the processing of all transactions and changes, including withdrawals, benefit payments and superannuation to pension transfers, will stop during the limited services period.</p> <p>You can, however, still submit a withdrawal request for your Accumulate Plus benefit or an application for a Retirement Access account during this time, and it will be held for processing until early April 2022 when the limited services period ends. Our new administrator, Mercer, will then process your request. Once processing recommences, Mercer will prioritise all requests, however it may take a few weeks before processing timeframes return to normal.</p> <p>The trustee has made the decision, that following the end of the limited services period, to apply the unit price effective on the date the transaction is processed. The trustee considers this approach the most fair and equitable to all members, and overall helps to reduce material adverse impacts to all members.</p>
<ul style="list-style-type: none"> <li>I emailed two forms to make changes to my account on 26/01/2022 and nothing has happened. Will they be actioned prior to the change in administration?</li> </ul>	<p>Any valid and correctly completed forms received before 3:00pm on 22 February 2022 were actioned prior to the temporary pause in processing. Please contact us on 1800 023 928 if you believe your requests have not been actioned. Requests received after this time will be held and processed by our new administrator in early April 2022.</p>

## 7. Defined benefits

Member question(s)	Group Super response
<ul style="list-style-type: none"> <li>Given that the CPI index is the benchmark for any annual pension increase but in the real world the cost of living and inflation is reducing the purchasing power each fortnight</li> <li>Is there any possibility of a "one off adjustment" to assist with day to day living costs?</li> </ul>	<p>This question relates to defined benefit pensions. The Bank has an obligation under the Trust Deed and Rules (Fund Rules) to fund benefits payable. The Fund Rules provide for indexation of the defined benefit pensions each year by the movement in the Consumer Price Index (CPI). Movements in the CPI are calculated by the Australian Government and are recognised as the official measure of inflation in Australia. Accordingly as a readily available and suitably controlled measure, indexation under the Fund Rules provides for general protection against inflation.</p> <p>There is no consideration of changes to the Fund Rules to allow for one-off-adjustment. Additional information about defined benefit pension indexation is available in factsheets available on our website at <a href="https://oursuperfund.com.au">DB Pensions (oursuperfund.com.au)</a></p>

## 8. Personal circumstances questions

Member question(s)	Group Super response
<ul style="list-style-type: none"> <li>We received a number questions relating to, among others, personal circumstances of members, such as queries on the recommended investment mix.</li> </ul>	<p>Questions relating to personal circumstances, personal advice, certain commercial, legal and confidential matters cannot be addressed as part of the meeting.</p> <p>We understand that our members have different circumstances, goals and objectives for their super and plans in retirement. Our website provides general information and fact sheets to assist members. We offer a phone-based intra-fund financial advice service, generally at no additional cost to fund members to assist them to plan for the future.</p> <p>Currently, intra-fund advice services for Accumulate Plus and Retirement Access accounts have been paused and are expected to resume in April 2022. Please do contact us for more information on 1800 023 928 or +61 3 8306 0977 (if calling from outside of Australia) from 8am to 7pm (AEST/AEDT) Monday to Friday.</p>

## 9. Questions of similar nature

The below questions are of a similar nature to section 1.1 on YFYS (A) general performance assessment, (D) CPI+ objectives and (G) trustee duties. A corresponding response to these questions can be found in subsections in 1.1 (A), (D) and (G).

### Questions relating to section 1.1 (A) general performance assessment.

#### Member question(s)

- *Given the poor performance highlighted in the recent APRA review, what new approaches are being taken to ensure members enjoy improved returns on investment?*
- *Given how group super has scored badly within the super funds on offer, what is group super planning to do to address this?*
- *What actions are you taking to meet average superfund performance of the other industry funds.*
- *Last year the Balanced fund was identified as not having met the minimum Investment returns, what actions has the Board undertaken to ensure the fund meets the Investment returns required in the coming 12 month period?*
- *What are you doing to improve the performance of the fund that did not meet requirements?*
- *Why did our super perform so badly last year? I was surprised to receive the notification about it, should I be changing super companies?*
- *How are you planning to improve the returns to satisfy APRA minimum standards? What caused the returns to be so low compared to other super funds.*
- *Last year our super was behind industry standards. What is being put into place to make sure that this does not happen again?*
- *Recommendations following notification that Group Super underperformed - what will we see in the next six months?*
- *What is Group Super doing to ensure that their products pass the Government's My Super tests in future?*
- *What plans does the fund have to address the "failure" in the APRA MySuper benchmarking process?*
- *There has been one or more of the funds that are deemed to be "Under Performing", what is the Board and Management doing to rectify this? And what are the clear measurable steps we keep track of?*
- *It's been a tough year and I believe most would know that the result against the YFYS performance test is not reflective of the longer term return (which I suspect you will cover). But how will it change the way you invest or price the fund's assets, and will this lock in these poorer than normal short term return.*
- *In the last ratings of Australian Superannuation funds Group super was in amongst the bottom rating groups. What are you doing now to demonstrate to your members that you are turning this around and are looking at getting better returns on our hard earned money?*
- *Given CBA Group Super did not meet APRA's performance test, what actions have been taken to address this please?*
- *What are you doing to address previous poor performance and ongoing poor performance of the funds?*
- *Why is the Commonwealth Bank Group Super performing so poorly? Why has it been listed as a poor performer and that I may need to look at other alternatives?*
- *How did you allow the fund to become one of the worst performing funds?*
- *What action has the fund taken in response to being named a fund of concern by APRA?*
- *What are you going to do to address this super funds under performance? I'm not an executive so every dollar counts. I joined this fund when I started working at the bank as I believed the commonwealth bank would look after its people and had a warped view that this would be a top superfund. To find out that REST is performing better and that I'm thousands of dollars worse off is a kick in the guts. I want real measurable actions that show what this superfund is doing to enhance my financial wellbeing going forward. Why shouldn't I change super funds?*
- *What's being done to uplift the fund performance?*
- *What action the Group Super will take to improve the fund performance?*
- *How do you propose to improve the members earnings going forward?*
- *What will be done differently moving forward to ensure government requirements are met?*
- *How do you intend to rectify the poor historical performance of the balance fund and ensure this does not happen again. Was it poor strategy that led to unacceptable performance of the balance fund.*
- *Why should I remain a member of the fund following its listing as one of the poorest performing funds? What active steps have been taken not just to improve the performance above the bottom end benchmarks but to outperform and how long should we expect to see this occur? What changes to investment managers have been made following the fund's performance? Have you removed the individuals responsible for the fund's poor performance? Refer also to response to section 1.1(G) on trustee duties.*
- *What is being done to address fund performance?*
- *Concern over fund's performance and lack thereof. Is there a clear approach to improve the performance of the fund?*
- *Looking for comment re Group Super, in particular the Accumulated Balanced fund, appearing on the underperforming super fund register by ASIC.*
- *Concern over fund's performance and lack thereof. Is there a clear approach to improve the performance of the fund?*

Questions relating to section 1.1 (A) general performance assessment (continued).

Member question(s)

- Looking for comment re Group Super, in particular the Accumulated Balanced fund, appearing on the underperforming super fund register by ASIC.
- It was disturbing that I received a letter from Group Super about the poor performance of the fund. What is being done to address this given the fees we pay need to be justified by good performance.
- What action has been taken by Group Super to address the aspect of the fund being named as non-performing across the Industry? Why should members continue to support the fund by continuing contributions? Some members I suspect have now taken action to look at what else is available in the market? Has there been significant withdrawal of members' funds as a result of the fund being named as non-performing? Refer also to response to section 1.1(F) on withdrawals.
- Could you please explain what Group Super will be doing relating to non-complaint super fund and ensuring the account holders don't lose out due to poor performance/management.
- What is the reasoning behind the poor returns & public reporting of those returns? Our retirements are dependent on capable administrators managing & investing our monies for respectable market returns.
- Can you explain why the super fund did not pass the APRA test please?
- What action is the Group taking to avoid failing the prudential regulators performance test for a further time?
- What are the benefits and disadvantages to members of a takeover of the Group Super Fund? Refer also to response to section 3 on mergers and best financial interest of members.
- Apart from those changes already mentioned have there been further changes to both investment style etc as a result of the APRA rating? Have the changes been assessed as to whether or not they have achieved the expected outcome and if not what further steps will be taken? How comfortable is the trustee that it will not again be considered a non performing fund? What contingencies have been put in place should the fund again be rated as a non performing fund? A number of investments have been underperforming - what steps have been taken to address this and if not how do you see them impacting on the return and for how long. With the new duty to act in the best financial interests of members what changes have been made to reflect this change in obligation and if none why not? Refer also to response to section 3 on mergers and best financial interest of members.
- Please explain how the Staff super performance will be improved and pass the APRA test next time.
- After being rated as one of the 13 worst-performing super funds in the country, should we really be splitting hairs about 'retrospective benchmarks' being established? The only measure of performance for a fund is return on investment, and how much you can retire on. Is the APRA performance rating really being taken seriously?
- 93% of super funds passed the performance test in 2021 (APRA website source); some of these with low risk investment strategies I would assume, could you explain how you have applied a new investment strategy in FY22 by limiting risk but achieving the investment returns in comparison to our competitors, (and likely passing the performance test).
- Given the long term poor performance, how can any fund members have confidence in a turnaround?
- In the absence of any possible guarantee or timeframe to get to top quartile industry performance, and the now large trust deficit what arguments could the trustee provide for members to retain their funds with Group Super.
- Why was the poor performance not self-identified many years ago and action taken back then. This reflects poorly on the management of the super fund. Why when you read past annual reports over the past 7 years there was no indication that the performance was poor. In fact on reading these reports you would come to the conclusion all was good which is misleading.

Full statement and question relating to section 1.1 (D) CPI+ objectives.

Member question(s)

- As you would be aware the CBA Group Super's Balanced (MySuper) option investment performance failed the 'Your Future, Your Super (YFYS) annual performance test which is conducted by assessing the net returns of superannuation products against the relevant benchmarks determined by Federal Government legislation and calculated by the Australian Prudential Regulation Authority (APRA). The Federal Government legislation (YFYS) also includes actions for superannuation funds that fail the test which now includes the CBA Group Super's Balanced (MySuper) option.
- The Federal Government legislation (YFYS) clearly outlines that following such a failure the superannuation fund must: (a) identify the causes of underperformance, and develop and implement a plan to rectify this underperformance; (b) assess the potential implications of failing the test on the fund and the sustainability of business operations; (c) develop a contingency plan to, if it becomes necessary in the best financial interests of members, close the product, transfer members to another fund/product and/or exit the industry.
- Group Super Trustee Review of Objectives: In the formal response letter I received you stated the fund had "delivered to its stated objectives and produced a smoother return experience for members compared to funds with similar growth and defensive allocations. The Balanced (MySuper) option delivered an annual return of 13% and a long term return of 7.3% over the last 10 years. This long-term return has exceeded its objective, which is 2.5% p.a. above inflation (CPI) over a 10-year period.
- Based on my investigation the Australian inflation rate for 4 recent years up to 2020 averages 1.58%. So based on the funds stated objectives of returning 2.5% above inflation then the fund needs to return 5.08% to achieve its objectives. During the 2019 Royal Commission into Misconduct in Banking, Superannuation and Financial Services where the consistent questioning from the commissioner was does the financial service providers actions "meet public expectations".
- Is the Group Super trustee considering a review of its outdated objectives of returning 2.5% above inflation which is not in line with industry standards and does not "meet public expectations" which is confirmed by the Your Future, Your Super annual performance test?

Questions relating to section 1.1 (G) on trustee duties.

Member question(s)

- *The Group Accumulate Plus Balance product performed poorly. What are you going to do about this, besides writing to the members suggesting they move the money to another super product? How will you compensate the members?*
- *What are you doing to improve your returns to your members and what compensation do you have planned for your members who have potentially lost thousands due to your poor investment choices?*
- *Don't you think it is just incomprehensible that the super meant to look after the largest Australian banks employees retirement performs so pathetically that the government has to call it out. And when this happens the employees get an email with Mumbo jumbo about how internal performance guidelines have been met! I am held accountable for my job role with repercussions if that does not happen. Is this happening here?*
- *Given the recent performance of the funds, surely the Chair and the entire Board should offer their resignations. If not, why not?*
- *Notice was sent by The Australian Government advising Group Super Accumulate Plus is not performing as per the standard set up by the government. We trusted Group Super with our superannuation fund for our future retirement and all those years it was not performing as expected, my questions: Is there any remediation for the affected member for the lost opportunities for our money to earn during those years that it is not performing? It is so disappointing that it is the Bank Group Super thinking that it will look after its member. What are the changes implemented to ensure that the members super are invested with the members benefit in mind?*
- *What is being done in regard to recouping members for the historical under performance of Group Super's Balanced (MySuper)? Also what changes are being made in regard to approach to investing and actions to improve outcomes to ensure fund doesn't underperform again and meets future annual performance tests.*
- *How is CBA Super going to compensate members for the loss of income due to CBA Super under performance? Why was this not picked up earlier by the CBA Super Board? What has CBA Super Board put in place so this does not happen again?*
- *Given that CBA Super were cited as 'underperforming' what is CBA doing about that in the future and is CBA looking to reassess this and provide compensation in the form of an adjusted and remuneration to members' superannuation accounts?*



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