



MINUTES OF MEMBERS' MEETING
LOCAL GOVERNMENT SUPER

Held by webinar on 2 December 2020 at 3.30pm

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| LGS DIRECTORS | Kyle Loades, Chair and Independent Director Craig Peate, Deputy Chair and Member Nominated Director Bruce Miller, Deputy Chair and Employer Nominated Director Claudia Bels, Independent Director Gordon Brock, Member Nominated Director Domenico Figliomeni, Employer Nominated Director Karen McKeown, Employer Nominated Director Greg McLean, Member Nominated Director Sandi Orleow, Independent Director |
| IN ATTENDANCE | Phil Stockwell, Chief Executive Officer Donna Heffernan, Deputy Chief Executive Officer & Company Secretary Heather Dawson, Chief Experience Officer Craig Turnbull, Chief Investment Officer Scott Armstrong, Head of Property Lisa Judge, Manager, Member Advice and Education Rita Da Silva, Auditor, Ernst & Young Richard Boyfield, Fund Actuary, Mercer |
| AGENDA | <ol style="list-style-type: none">1. Welcome to the meeting2. Update on our super fund3. Our member focus4. Update on investments5. Sustainable property6. Panel answers your questions |

The Annual Members' Meeting (AMM) commenced at 3.30pm Australian Eastern Standard Time.

Introduction

Ms Judge welcomed Members to Local Government Super's (LGS) AMM, and:

- Acknowledged, that the webinar was being hosted from the lands of the Gadigal people of the Eora Nation.

- Acknowledged the Traditional Custodians of the various lands on which we are today and the Aboriginal and the Torres Strait Islander people participating in the webinar.
- Paid respects to Elders past, present and emerging.
- Celebrated the diversity of Aboriginal peoples and their ongoing cultures and connections to the lands and waters of Australia.

Ms Judge advised:

- The presentations in the webinar would include financial information and performance results to 30 June 2020 and to date.
- All financial information relating to the 2020 Financial Year could be found in LGS' latest annual report on its website.
- The webinar contained general advice and factual information. Personal Member objectives, situations and needs had not been taken into account, and that Members should consider personal tailored advice prior to making financial decisions.
- How to ask a question during the webinar.

Ms Judge provided an overview of the Agenda for the AMM and introduced the Chair.

Item 1 Welcome to the meeting

The Board Chair addressed the AMM, and spoke to the following matters:

- The bushfires and the impact to communities, particularly those in regional NSW.
- The remarkable impact of COVID-19 on the broader community and to LGS generally, including its investments, business operations and adapting the business to a remote working environment without compromising service delivery.
- The US election and its continuing effect on the financial markets and Members' investments.
- LGS' purpose is to create a better future for all members, and in particular, Members' financial interests.
- The great work done by LGS' Chief Executive Officer (CEO) and the LGS Team in an extraordinary year to adapt, be resilient and end the year in a positive state.
- The composition of the Board and its governance approach, including Director tenure and the requirements and process for Director selection.
- The retirement of Bruce Miller as a Director of LGS to take effect in early 2021 and congratulated Bruce on his significant contribution during his tenure.

The Chair thanked Members, Directors, CEO, LGS Staff, Employers, key stakeholders and partners for their ongoing support.

The Chair invited the CEO to address the AMM.

Item 2 Update on our super fund

The CEO addressed the AMM and provided an update on the LGS Superannuation Fund (the Fund) and its key achievements during the 2020 Financial Year. Key points included:

- Acknowledging the negative impact to health and livelihoods cause by the floods, bushfires and COVID-19, and the volatility of financial markets.
- LGS' successful navigation of extreme events by moving to a remote working environment, managing extreme volatility in the investment markets, increasing

communications to Members, partners and Employers, using new technology, whilst continuing to deliver high levels of service.

- The COVID-19 pandemic has forced change and accelerated innovation.
- The Fund is well positioned to provide long term sustainable investment returns, insurance and high levels of member service.
- LGS' purpose is to create a better future for Members, a future where good financial decisions maximise savings in retirement, and to be a fund that can support Members and their loved ones throughout their entire financial lifetime journey.
- At the end of the 2020 Financial Year, LGS had managed over 83,000 member accounts and over \$12 billion in Member assets.
- Key features of the Fund include diversification and being a pioneer of responsible investing and was highlighted by LGS winning the Super Ratings Infinity Award for the 7th time in 10 years.
- LGS aims to manage the Fund prudently to provide value for money and reduce fees and costs, an example of which took place in July 2020 where an administration fee reduction was applied to all Members.

The CEO introduced the LGS Leadership Team and outlined the breadth of experience and knowledge of both long-term and new team members.

The CEO spoke to the Your Future Your Super reforms. LGS is working through the reforms and encouraging Members to contact LGS with any concerns, or to seek advice if making any large financial decisions.

The CEO thanked Members for their ongoing support and introduced the Chief Experience Officer to address the AMM.

Item 3 Our member focus

The Chief Experience Officer addressed the AMM and outlined how LGS provided service to Members during the 2020 Financial Year. Key points included:

- In 2020 LGS' commitment to a better future for all Members, meant quickly adapting how it works and serves its Members.
- In March 2020 the Dedicated Member Services team shifted to a remote working environment with only a 1-hour disruption to service, and handled more than 7300 inbound contacts, hitting a peak of 630 in one day.
- The Member Services Team were the frontline in supporting Members experiencing genuine financial hardship due to COVID-19 and gaining access to early release super payments, with over 10,000 Members receiving payments within 5 working days.
- During 2020 LGS transitioned to new ways of connecting with Members, including the launch of monthly education webinars on a wide range of topics.
- The number of Members using LGS' mobile application increased, and the application's capabilities will continue to be improved.
- LGS' experienced Client Relationship Managers continued to provide local service to Members across NSW. LGS also has a team of Financial Planners across NSW, who specialise in providing personal financial advice to Members up to and through retirement.
- Overall, LGS continues to receive high satisfaction scores above the industry average.

The Chief Experience Officer thanked Members and introduced a video on responsible investment followed by the Chief Investment Officer to address the AMM.

A video on responsible investment was presented.

Item 4 Update on Investments

The Chief Investment Officer provided an update on the Fund's performance during the 2020 Financial Year. Key points included:

- 2020 had been an incredible year for investment markets, with the worst health crisis in a generation, government lockdowns, large scale government support programs and the worst recession the world has seen in some time.
- Australia had done well to contain COVID-19 but is still out of control in many countries, with 64 million confirmed cases.
- After a rapid share market crash earlier in the year, financial markets are steadily recovering.
- LGS has a diversified portfolio, and whilst invests in many Australian shares, LGS has other investments, including property, infrastructure and bonds. This diversification assisted in cushioning the decline during the market crash.
- In the 12 months to October 2020, Bonds provided the best return for Members.
- LGS aims to provide Members with good returns, which includes managing Environmental, Social and Governance (ESG) risk by:
 - excluding high risk industries;
 - ensuring managers are actively considering ESG risk;
 - voting at Annual General Meetings;
 - collaborating with other funds to improve corporate behaviour; and
 - engaging with other companies over issues of concern.
- LGS received recognition for its responsible investment approach during 2020 from the UNPRI (the leading global responsible investment organisation) who gave LGS high marks for its approach. LGS also received the Super Ratings Infinity Award and was certified as a carbon neutral organisation.
- In the 12 months to October 2020, managed cash was the best performing Member choice option within the Accumulation Scheme, whilst the High Growth option had the lowest return due to high exposure to growth assets. However, this all changed in the month of November with strong returns from all investment options.
- Despite the disruption to the financial markets earlier in the year, long-term returns have remained good.
- Positive results in recent trials of several COVID-19 vaccines has boosted global investor confidence, along with continued Government support packages stimulating the economy.
- Economic growth forecasts are indicating there will be a strong rebound in 2021 with emerging market economies driving global growth.

The Chief Investment Officer invited the Head of Property to address the AMM.

Item 5 Sustainable Property

The Head of Property addressed the AMM. Key points included:

- LGS has 8 high quality assets which are currently valued at around \$700 million and represents approximately 5.5% of total funds under management.
- LGS' property portfolio is diversified and includes office buildings, convenience-based retail centres and an industrial asset.
- The average lease duration of the portfolio is around 4 years. The top 10 tenants provide 30% of the portfolio's income, with an average lease duration of 8 years, providing additional income security to the portfolio.
- The Local Government Property Fund (LGPF) has consistently outperformed against the industry benchmark over 1 to 7 years. This is attributed to rental growth in the market, active internal management, repositioning and value add strategies.
- Pleasingly occupancy levels and portfolio rent collections are both strong at 95% despite COVID-19.
- Whilst adhering to the Government's Mandatory Code of Conduct, LGS worked closely with small to medium enterprise tenants who were forced to close during the year and provided rent relief where applicable.
- Retail centres are open and foot traffic is returning to pre COVID-19 levels.
- Office building are ready for reoccupation. However, current physical occupation is around 30-40%, with occupancy expected to increase during 2021.
- In 2019, LGPF was the first property portfolio in Australia to be certified as carbon neutral by Climate Active for all of the property portfolio's Nabers-Rated Buildings.
- Key initiatives undertaken to improve sustainability across the property portfolio include solar energy, water recycling, organic waste recycling and cardboard compacting.

Item 6 Panel answers your questions

Ms Judge invited questions from Members participating online and outlined how to submit questions.

Ms Judge advised that several questions had been received relating to Members' personal situations, and that LGS would be in touch with each of those Members. Ms Judge reminded Members that the AMM relates to the Fund and encouraged Members to contact the LGS Member Services Team for questions relating to personal circumstances.

Ms Judge commenced the Q&A session by addressing pre-submitted questions.

Question 1

Why do we need to update binding nominations every 3 years?

Response from Manager, Member Advice and Education

Members can make binding nominations to a super dependant and/or their estate, and those nominations will remain in place for 3 years but can be changed within the 3-year timeframe.

To make a nomination, a form must be completed, signed and witnessed by two people who are not a beneficiary and are over the age of 18. LGS will contact a Member approximately 2 months prior to a binding nomination expiring. If a Member wishes to keep the same nomination, this can be done provided that the relevant form is completed prior to the binding nomination's expiration date. This process is designed to ensure that a Members' binding-nomination remains in line with their wishes.

Question 2

Can digital signatures be used for binding nominations?

Response from Manager, Member Advice and Education

Whilst LGS is looking at ways to streamline processes, processes must remain secure. LGS has reviewed the ways in which Member instructions are received and have made moves towards increasing the type and nature of instructions that can securely be received via email. LGS will continue to review its processes and consider whether binding nomination instructions can be received via this medium in the future.

Ms Judge proceeded to address questions received online during the AMM.

Question 3

Are there any plans to increase solar within LGS' buildings?

Response from Head of Property

Currently, there is around 600 kilo watts of solar within LGS' property portfolio. Due to a lack of roof space, additional solar is not possible. However, LGS is investigating how solar can be expanded for those buildings with a larger roof space.

Question 4

Did you expect better returns in the Retirement Scheme especially as bank rates are paying 1.35% per annum?

Response from Chief Investment Officer

Better returns were expected at the start of the year but were heavily impacted by COVID-19 and the recession. Short term returns were weak during 2020, but long-term returns remained good and were expected to improve into the new year.

Questions 5

Can you provide a comparison of LGS' performance against other funds and advise why LGS is not focused in the media?

Response from Chief Investment Officer

A comparison of LGS' performance against other funds was provided in today's presentation. The Fund is designed to give Members a portfolio that is resilient to down turns as well as providing good returns. A range of products with varying risk and return outlooks are available to Members.

Question 6

How is the Chief Investment Officer involved in shareholder advocacy at LGS, and is there a timeline for net zero emissions for the portfolio and across the organisation?

Response from Chief Investment Officer

LGS votes on all investments that we hold on behalf of Members. LGS reviews and takes advice from experts as to what is in the best interests of Members and voting decisions are made available on LGS' website.

LGS is currently looking at the investment portfolio to understand how the emission levels of each investment will track over future years to get a clear understanding of what a good target would be and is in the best interests of Members.

Question 7

Can you explain how unrealised returns are realised each financial year?

Response from Chief Investment Officer

Some investments will generate income during the year, for example, in the property portfolio, rental income becomes available as income for Members, but the value of the properties remain unrealised until sold.

Question 8

When will Members be able to elect Directors of the Board rather than being appointed through the unions?

Response from the Chair

The current selection process is determined by LGS' company constitution. A constitutional change would be required to enable Members to elect a Director.

Question 9

What is the focus for Member Services going forward and will Member Services stay with Australian call centres or move offshore?

Response from the CEO

Member Services is considered a strong asset and is comprised of LGS staff. During the height of COVID-19, LGS was able to assist Members within such short time frames due to receiving daily feedback from contact centre staff. LGS' contact centre is viewed as foundational and something we would like to continue.

There being no further questions, Ms Judge advised that Members' would receive a feedback form on the AMM and thanked Members, panellists and speakers for their attendance.

The AMM concluded at 4:40 pm Australian Eastern Standard Time.

NOTE: Questions received not related to Members' personal situations were addressed during the AMM. Members with questions relating to personal situations have been contacted directly.

Chair Signature



Name:

Kyle Loades