

## Minutes of the FY2019/2020 Annual Member Meeting Qantas Superannuation Limited

Held at the James Strong Auditorium, Qantas Campus, 10 Bourke Road, Mascot and  
online on Friday, 4 December 2020 at 11:00am

A video recording of the meeting can be found here:

[https://webcast.openbriefing.com/6908/player/index.php?player\\_id=40424](https://webcast.openbriefing.com/6908/player/index.php?player_id=40424) Meeting (openbriefing.com)

---

<b>Presenters:</b>	John Atkin – Chair Emma Brodie – Head of Plan Operations Michael Clancy – Chief Executive Officer Andrew Spence – Chief Investment Officer Rachel Yangoyan – Director
<b>Other Directors Present:</b>	Klair Safier (via MS Teams) Lorraine Berends Luke Murray Ryan Greaves (via MS Teams) Mark Thorpe (via MS Teams) Cecilia Ho
<b>Apologies</b>	Maria Cheung
<b>Others Responsible Persons Present:</b>	Andy Moser – Chief Financial Officer Ben Tompsett – External Auditor, PwC Ian Tracey – Internal Auditor, KPMG (MS Teams) Nick Callil – Plan Actuary, Willis Towers Watson (MS Teams) Dan Healey – Head of Investment Operations Stuart Langeveldt – Chief Experience Officer
<b>Other Staff Present</b>	Tom McDonald – Senior Manager, Member Experience Celeste Green – Executive Assistant Gina Baldassarre – Manager, Marketing and Communications Josephine Tannous – Superannuation Advisor Simone D'Souza – Superannuation Associate Tim Swan – Senior Manager, Legal Jason Reid – Senior Manager, Investments Chris Grogan – Senior Manager, Investments Daniel Steltenpool – Senior Manager, Plan Operations

---

## Formal presentations

### Welcome and Chair Address

John Atkin, Chair of the QSL Board, addressed the attendees and:

- welcomed all members to the meeting;
- acknowledged the Traditional owners of the land on which the meeting is held, the Gadigal people of the Eora Nation, and paid his respects to their elders past, present and emerging, and any Aboriginal and Torres Strait Islander people who are also attending this meeting;
- outlined the agenda for the meeting;
- introduced the Directors of the Board;
- noted the impact of the COVID-19 pandemic on both Qantas Airways Limited (QAL), QAL employees, and domestic and global share markets;
- noted that the Plan withstood those external pressures extremely well as demonstrated by the following:
  - the Plan met all its stated objectives for the various investment options as disclosed in the Product Disclosure Statement;
  - the Defined Benefits portfolio remained fully funding throughout the entire period; and
  - Member Experience results were the highest that they have ever been; and
- noted that the results were a combination of efforts from the directors, and the executive management team.

### Chief Executive Officer Address

Michael Clancy, Chief Executive Officer, addressed the attendees and noted that:

- the 2019/2020 Financial Year (FY19/20) presented many challenges;
- the purpose of the Plan is to help members be confident in their financial future so that they can enjoy retirement;
- the team has been focussed on supporting members through this challenging period by providing:
  - increased Helpline support and online meetings;
  - early access to superannuation monies for those members experiencing financial hardship; and
  - information to assist members to make informed decisions about their financial future;
- FY19/20 saw significant volatility in investment performance and members should be aware that:
  - volatility in investment markets is to be expected;
  - volatility is the reason the Investment team had built well-diversified portfolios designed to deliver both capital growth and income; and
  - the Investment team uses these 'crisis' events to take advantage of market dislocations;
- the Defined Benefit (DB) portfolio has remained fully funded, and modestly over funded, over the past year; and
- the Plan is in a strong position to pay DB benefits when members leave the organisation.

## Impact of Stand Down

In relation to superannuation contributions, Emma Brodie, Head of Plan Operations, addressed the attendees and noted that:

- the Trust Deed, which contains the rules for the calculation of member benefits, does not cover the concept of 'Stand Down' arrangements;
- QSL and QAL, and their legal representatives, have had to agree the arrangements for Stand Down;
- the impact of Stand Down on members superannuation benefits depends on which Division they are in;
- if members are in an accumulation Division, employer contributions cease during Stand Down as superannuation guarantee (SG) contributions are based on normal hours of work;
- if members are in a DB Division, credited service continues to accrue during periods of Stand Down meaning the DB continues to grow during those periods;
- most members in DB Divisions need to make contributions, but it has been agreed that members will be able to elect to suspend those contributions, or to continue to pay those contributions in part or in full during periods of Stand Down; and
- the team will shortly issue a communication to explain the options and detail any unpaid contributions.

In relation to insurance benefits, Emma Brodie addressed the attendees and noted that:

- Death and Total and Permanent Disablement (TPD) insurance benefits are not impacted by Stand Down;
- on 1 August 2023, the Trustee decided to cease providing Income Protection (IP) insurance to members while they are on Stand Down as there are limited circumstances in which a member could make a claim while they were not earning income as a QAL employee and the Trustee did not want to impact members retirement savings by charging premiums for insurance that members may not be able to claim on;
- IP cover will automatically recommence when members return to work, subject to certain circumstances; and
- if members are unsure whether they would be eligible for a claim, they should submit a claim via the Helpline.

In relation to the increase in insurance premiums, Emma Brodie addressed the attendees and noted that:

- the increase in premiums is largely due to the COVID-19 pandemic and the increased likelihood of claims, in particular TPD;
- the team engaged with several insurance providers to ensure the premiums were as low as possible and, as a result, changed insurance providers from MLC to MetLife;
- MetLife is a global company that has been in business for 150 years, operates in 40 countries, is the third largest group insurance provider in Australia, and provides insurance arrangements for several airlines in the United States; and
- members should regularly review their insurance arrangements to ensure they meet their needs and encouraged members to seek financial advice as required.

## Investment Performance

Andrew Spence, Chief Investment Officer, addressed the attendees and noted that:

- COVID-19 created significant uncertainty which was reflected in financial markets;
- investment performance for the year to 30 June 2020 fell short of expectations;
- for the Growth investment option, the average return over 10 years is 7% p.a. with the only year where investment performance was negative being FY19/20;
- investment performance has improved significantly over the first four months of the new financial year; and
- members are encouraged to focus on long-term investment performance.

## Member Support Highlights

Rachel Yangoyan, Director and Chair of the Member Experience Committee, addressed the attendees and noted that:

- the Member Experience Committee is focused on tailoring and evolving the products, services and communications for members;
- the goal is to ensure a great experience for members when they interact with Qantas Super;
- the increased support during the COVID-19 Pandemic included:
  - the creation of a central hub for information on the Qantas Super website; and
  - additional support into the helpline;
  - facilitating the early access to superannuation for those members in financial need;
- the Qantas Super Advice team has supported over 3,000 members since it was established around 18 months ago;
- the offer of a cash bonus for members who transfer to their superannuation account to an income account has been extended; and
- the Annual member survey was completed by 1,800 members this year, with the ratings of Trust, Confidence, Ease of Doing Business, and Satisfaction scores all increasing over the last couple of years.

## Question and answer session

Michael Clancy welcomed attendees to the Question and Answer session and thanked members for their questions.

Michael Clancy noted that there are some questions of a personal nature that the team is not able to answer and therefore encouraged members looking for specific advice to:

- contact the Helpline; and/or
- go to the website and book a meeting with a Superannuation Adviser.

Michael Clancy further noted that the team had grouped all questions into 23 separate questions that will be addressed today.

**1. Question: I'd like to know when you will be including lower cost, indexed fund options specifically S&P 500 or ETFs?**

John Atkin addressed the attendees and noted that:

- providing member choice is one of the Trustee's key drivers;
- the Trustee recognises the importance of offering a low-cost investment option to members; and
- the team is looking to launch such a product in the new year.

**2. Question: Why can't ex-employees have Qantas Super as their main super rather than having to do lump sum contributions?**

Michael Clancy addressed the attendees and noted that:

- members that are currently employed by QAL, even if they are currently Stood Down, are able to direct their other employers to make Superannuation Guarantee (SG) contributions to their Qantas Super accounts;
- members that are former employees of QAL (Retained members) are unfortunately unable to direct other employers to make SG contributions to their Qantas Super accounts; and
- Retained members can however rollover money from other superannuation funds and/or make voluntary contributions to their Qantas Super accounts.

**3. Question: Why can't Division 6 members reduce their insured amount for Death and Total and Permanent Disablement (TPD)? With insurance premiums increasing, I have no other option other than cancelling all of my insurance.**

Emma Brodie addressed the attendees and noted that:

- the death and TPD cover for members in Division 6 based on a set formula and therefore difficult to alter the insurance cover;
- other options are available to address this issue including:
  - the Plan offers voluntary cover on a dollar basis and pay premiums on the chosen level of cover; or
  - members can transfer to the open Gateway Division where the level of cover can be selected; and
- the team recommends that members seek financial advice before making any decisions about their insurance arrangements.

**4. Question: Why are we still being charged insurance premiums while Stood Down?**

Emma Brodie addressed the attendees and noted that:

- IP cover has been cancelled for members that are Stood Down from 1 August 2020 onwards;
- QSL is reliant on receiving information from QAL on which members are Stood Down so that QSL can cancel the insurance for the appropriate members;
- in October 2020, QSL received information from QAL on all those members that had been Stood Down;
- at the beginning of November 2020, QSL was able cancel insurance for those people that are Stood Down and backdated the refund of insurance premiums back to 1 August 2020;
- Qantas Link has provided similar information and QSL is now only waiting on the information from JetStar; and

- there is one additional group of members that have been Stood Up and Stood Down several times over the year which requires monthly reconciliation of insurance premiums and/or refunds which will take some time to process.

**5. Question: Why are there no plans to transition the 12% of our super that is invested in the fossil fuel industry into sustainable options?**

Andrew Spence addressed the attendees and noted that:

- investing in a sustainable way is one of Qantas Super's highest priorities;
- the team acknowledges the contribution fossil fuels make to Climate Risk;
- as at today, approximately 12% of our investments are in various parts of the fossil fuel supply chain;
- Qantas Super has invested in the renewable energy sector both in Australia and Asia since 2012, including wind and solar farms;
- the team is genuinely excited about the role it can play in helping drive a more sustainable environment, however, recognise that the transition plan will take time;
- Qantas Super is an associate member of the Australian Council of Superannuation Investors (ACSI), which has 39 institutional investors with a combined asset base of \$2.2 trillion;
- ACSI's scale gives it the opportunity engage with companies on environmental, social and governance (ESG) issues including climate change and carbon emissions; and
- the team expect to do more over the next 6 to 12 months to accelerate Qantas Super's transition plan.

**6. Question: I'm still waiting to hear about Division 2 and the impact of being Stood Down. Should we be contributing ourselves? Why is it taking so long to resolve?**

Emma Brodie addressed the attendees and noted that:

- QSL can now confirm that members will have the option to elect not to make contributions while they are Stood Down;
- QAL has been working hard to finalise the complex calculation of the unpaid contributions for around 7,000 members;
- QSL has now received those calculations for around a third of the impacted members; and
- a letter will shortly be sent to that group of members with further information.

**7. Question: I am currently Stood Down one day per week. Are my contributions from my employer the same as if I was working my usual five days? What if I use leave to cover the Stand Down day?**

Rachel Yangoyan addressed the attendees and noted that:

- for members with accumulation accounts, employer contributions are based on the salary earned in a given period and are calculated in line with either the legislated minimum superannuation guaranteed contribution or a greater amount depending on the relevant EBA arrangements; and
- for members with DB accounts, employer contributions continue as credited service years continue to accrue.

8. **Question: On 15<sup>th</sup> and 16<sup>th</sup> of October 2020 the fund showed a significant positive change. What determined that change and can changes be made more incrementally? For example, if someone withdrew their funds and the change occurred negatively the could be adversely affected?**

John Atkin addressed the attendees and noted that:

- the change was due to a rise in equity markets and the receipt of updated valuations for some of the private equity investments that occurred that week;
- the regulatory guidelines are for the valuation changes to be made at the time of receipt of the information; and
- volatility in investment markets is to be expected and therefore taking a long-term approach to investing is important.

9. **Question: What assumptions are you using for someone to be invested in a balanced fund these days? What are the typical projection figures for inflation, earnings etc.? In other words, if I wanted to re-work my projected circumstances what are you realistically using today?**

Andrew Spence addressed the attendees and noted that:

- there is a great calculator on our website called a Retirement Income Simulator that shows all the underlying assumptions such as earnings rates, inflation, and fees etc.; and
- members can adjust these assumptions to see the impact on retirement savings.

10. **Question: QAL executives took a pay cut this year to help QAL survive. Is it true that Qantas Super executives received bonuses this year? This doesn't seem right.**

John Atkin addressed the attendees, acknowledged the importance of the question and noted that:

- the Plan is managed quite independently from QAL;
- the senior executive remuneration is structure such that there is a base salary and a performance-based incentive in relation to the performance of the fund;
- a few years ago when QAL executives received large bonuses, Qantas Super executives did not;
- the Remuneration Committee of the Board reviewed the assessment of the performance of the fund provided by management and received external assurance on the underlying criteria for measuring the performance of the fund from KPMG;
- it was clear that the fund and the team had performed well, and that the team had worked very hard to maintain the performance of the fund;
- the Board then considered the recommendation from the Remuneration Committee and debated the how to manage the issue;
- the Board, consisting of five member-elected Directors and five company-appointed Directors, agreed to respect the independence of the fund and administer the remuneration framework using the objective criteria that had been established and decided to award the bonus payments based on the results achieved by the fund; and
- after he communicated the outcome to the Chief Executive Officer, the senior executives subsequently elected to sacrifice as significant proportion of those incentive payments in recognition of the impact COVID-19 has had on members.

- 11. Question: Division 2 during Stand Down. Why hasn't QAL paid their contribution during this period when there is a guaranteed return? Can they change the arrangement when it suits them?**

Emma Brodie addressed the attendees and noted that:

- for all DB Divisions, including Division 2, credited service continues to accrue while members are Stood Down; and
- QAL has been paying company contributions to date and will continue to make those contributions in the future so you should see those coming into your account.

- 12. Question: Please elaborate on the Qantas Super fee structure. Also, what criteria are you using to selecting any outside fund managers?**

Andrew Spence addressed the attendees and noted that:

- the fees a member pays will depend on the Division they are in;
- information on fees is available on the Qantas Super website; and
- while the team does not take a formulaic approach to selecting investment managers, some of the criteria include investment skill and insight in specialist areas, integrity and a demonstrated track record of success.

- 13. Question: Is it true that members are unable to claim income through the insurance component in superannuation? Why is MLC only paying top-up on Income Protection claims for pre-existing claims if employees are receiving job keeper?**

Emma Brodie addressed the attendees and noted that:

- different insurers have different treatment for Job Keeper payments:
  - MLC is treating Job Keeper as income and therefore any payment received for an IP claim will be reduced by the value of the Job Keeper payment; and
  - MetLife, the new insurer is not offsetting Job Keeper payments.

- 14. Question: What effect has COVID-19 had on the fund? How disruptive has redundancy and retirement created for the fund, how many members have we lost? What effect does loss of employees have on the performance of the fund?**

Michael Clancy addressed the attendees and noted that:

- to date there has been relatively little change to the fund in terms of size and scale largely because members are able to remain members of the fund even if they are no longer QAL employees;
- it is possible that member numbers may reduce as more employees are made redundant; and
- the team is keeping a close watch on those metrics and will adapt as required to ensure the Trustee always acts in members best interests.

- 15. Question: Why did members continue to pay Income Protection fees given that QAL argued that Stood Down employees are not eligible to use sick leave? Why have you only refunded the premiums from 1 August 2022 rather from when we were Stood Down from the end of March 2020?**



Emma Brodie addressed the attendees and noted that:

- IP benefits are separate from sick leave from the employer;
- IP only commences after a 90-day period, irrespective of whether the member received sick leave during that period;
- the Trustee made the decision to cancel IP cover from 1 August 2020 while members are Stood Down, which is why the premiums have been refunded to that date and not earlier; and
- the Trustee made the decision to cancel IP insurance as it was aware that there were limited circumstances in which a member could make a claim while they were not earning income as a QAL employee and the Trustee did not want to adversely impact members retirement savings by charging premiums for insurance that members may not be able to claim.

**16. Question: In March 2020, the ATO declared OTE annual leave should be paid from 2013? When will you correct this mistake and pay missing money plus lost interest? Why, out of a period of seven years, does only three of those years have a payment when annual leave was taken every year, sometimes twice, plus long service leave?**

Rachel Yangoyan addressed the attendees and noted that:

- this question relates to the members Qantas Group employer, not Qantas Super;
- the employer determines the payments for superannuation contributions;
- the Qantas Group has written to all impacted members and members should refer to this correspondence in the first instance;
- remediation has commenced in the last couple of weeks; and
- if there are further questions, members should contact their manager of the Qantas Group People Services which should be able to help.

**17. Question: Many people leaving Qantas are of an age or situation where purchasing life insurance is prohibitive. Will Qantas Super commit to changing their constitution to allow individuals who are made redundant or on extended leave to maintain their basic insurance as long as their superannuation account remains active?**

Emma Brodie addressed the attendees and noted that:

- members can choose to maintain their death and TPD cover if they are made redundant, provided they remain a member of Qantas Super;
- death and TPD insurance automatically continue;
- cover converts to a dollar amount and premiums are charged on that dollar amount; and
- members can vary the dollar amount of cover.

**18. Question: Do you have to leave Qantas Super if you are made redundant?**

Michael Clancy noted that members do not need to leave Qantas Super if they are made redundant and are very welcome to stay.

**19. Question: Will the question of unpaid member contributions while Stood Down hinder the ability to be made redundant and leave the company?**

Michael Clancy noted that there will be no impact on the ability to take a redundancy.

**20. Question: Can you confirm that QAL have paid their portion of employer contributions and the fund is fully funded and is capable of meeting high current and future payout requirements?**

Michael Clancy noted that the Qantas Group is continuing to make company contributions, that the DB portion of the fund is fully funded, and therefore the fund is capable of meeting payout requirements.

**21. Question: Do you anticipate another incentive to switch to an income account for those over retirement age?**

Michael Clancy noted that the offer is still available and directed members to the website for more information.

**22. Question: Can my partner join Qantas Super even if not working for the company?**

Michael Clancy noted that, if a member is a current employee of QAL their partner can join Qantas Super and that applications can be found on the website.

**23. Question: I am living in Perth and have been unable to get Qantas Super to talk about my personal account. Advice received to date has only been general with one-on-one meetings available in the east coast only. How do I receive advice about my personal Qantas Super account?**

Michael Clancy noted that:

- for the last six months, everyone has been receiving phone-based advice; and
- it is possible to go to the website and book a meeting with a financial adviser which will be conducted over the phone.

## **Conclusion and thanks**

John Atkin thanked the members for attending the meeting and those members that provided questions.

There being no further business or questions, the meeting closed at 12.00pm.