

**Minutes of the FY2022/2023 Annual Member Meeting**  
**Qantas Superannuation Limited (QSL or Trustee)**  
As Trustee for the Qantas Superannuation Plan (Qantas Super or Plan)

Holiday Inn Hotel, Corner of O'Riordan Street, Mascot, NSW 2020 Australia  
on Thursday, 15 February 2024 at 11:00am

A video recording of the meeting can be found here:

<https://www.qantassuper.com.au/news/catch-up-on-qantas-supers-202223-annual-member-meeting>

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<b>Presenters:</b>	John Atkin – Independent Director and Board Chair Klair Safier – Member-elected Director Lorraine Berends A.M. – Independent Director Michael Clancy – Chief Executive Officer, QSL Andrew Spence – Chief Investment Officer, QSL
<b>Other Directors Present:</b>	Cecilia Ho – Company-appointed Director Denis Evison – Member-elected Director Luke Murray – Member-elected Director Lyle Brownscombe – Member-elected Director (in part) Reed Tanger – Company-appointed Director Richard Garner – Member-elected Director
<b>Apologies</b>	Rachel Yangoyan – Company-appointed Director
<b>Others Responsible Persons (RPs) Present:</b>	Andrew Maudsley – Internal Auditor, KPMG Andy Moser – Chief Financial Officer, QSL Ben Tompsett – External Auditor, PwC Bronwyn Houghton – Company Secretary, QSL Emma Brodie – Head of Plan Operations, QSL Nick Callil – Plan Actuary, Willis Towers Watson (MS Teams) Stuart Langeveldt – Chief Experience Officer, QSL Suzette Thurman – Chief Risk Officer, QSL
<b>RP Apologies</b>	Dan Healey – Head of Investment Operations, QSL
<b>Other Staff Present</b>	Gina Baldassarre – Manager, Marketing and Communications, QSL

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## Formal presentations

### Chair's Welcome and Overview

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

- welcomed all members and noted the attendance of directors of QSL (Directors);
- acknowledged the Traditional owners of the land on which the meeting was 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 in attendance at the meeting;
- provided an outline of the agenda for the meeting; and
- introduced the Directors and noted the diverse range of skills and experiences on the Board.

John Atkin noted that:

- the Board is committed to exemplary governance and ensuring that QSL meets or exceeds the expectations of regulators;
- when making decisions, the Board always gives priority to the best financial interests of members; and
- there had been some committee changes in FY22/23 to increase efficiency and improve focus in key areas.

John Atkin then:

- introduced the Plan Actuary, Nick Callil; the lead internal auditor, Andrew Maudsley; and the lead external auditor, Ben Tompsett; and
- noted the key service providers including Guideway, Mercer, MetLife, J.P. Morgan and Parametric.

John Atkin then noted that:

- Qantas Super has achieved a Gold rating for the MySuper product and a Platinum rating for the income account for 2024 from leading superannuation ratings agency SuperRatings;
- the APRA CPS 234 Tripartite Review, an extensive one-off independent audit of QSL's cyber security readiness, was completed and determined that QSL compared favourably to peer organisations; and
- the triennial review of the defined benefit funding position was conducted in FY22/23 and the defined benefit divisions of Qantas Super continue to be well funded.

### CEO's Update

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

- investment markets steadied over the 2022-2023 Financial Year (FY22/23);
- prior to FY22/23, investment markets had been volatile which served as a good reminder that past performance is not a reliable indicator of future performance;
- QSL has been working with its insurer, MetLife, to reduce insurance premiums following the impact that the COVID-19 pandemic had on the Plan's membership. Premiums for total and permanent disablement (TPD) and income protection (IP) were reduced on both 1 July 2023 and 1 January 2024 resulting in insurance premiums reductions of approximately 24% for TPD cover and over 33% for IP cover in that six month period;
- the Member Engagement team spoke to over 6,000 members around the country over FY22/23 through one-on-one meetings, seminars, webinars and induction sessions;
- the Voice of the Member survey showed that, in June 2023, the scores for 'Overall Member Satisfaction', 'Ease of doing business' and 'Trust' were all over eight out of ten; and
- the feedback from the Voice of the Member survey is taken very seriously and is used to continuously improve the services QSL provides to members.

### Investment Performance

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

- investment performance for all investment portfolios over the 12 months to 30 June 2023 was strong;
- the performance of the Thrifty option saw a significant turnaround in FY22/23 from the prior financial year;
- markets had seen a lot of volatility over the last few years during the COVID-19 pandemic but FY22/23 saw a return to what could be considered more 'normal' markets;
- the past few years are a good reminder of the importance of staying focussed on the long term; and
- five of the investment options (Aggressive, Growth, Balanced, Conservative, Cash) were ranked in the first quartile in their respective SuperRatings categories over 3, 5 and 7-year periods as at 30 June 2023.

Andrew Spence then noted the mix of assets in the investment portfolio and that the Investment team:

- continues to explore opportunities to generate strong returns for Members across various asset classes, such as US real estate debt and venture capital; and

- has recently made investments in the areas of social impact and environmental sustainability.

## Member Experience Highlights

Klair Safier, Member-elected Director, addressed the attendees and noted that:

- QSL is always looking to improve the experience for members, both in-person and online;
- the Qantas Super Hub at Mascot Campus was recently opened to help expand advice services;
- the Member Engagement team continued to travel to meet members in bases around Australia;
- QSL launched a number of online tools including the voluntary cover premium calculator and the Learning Hub;
- insurance premium rates have been significantly reduced;
- the team implemented MetLife's 360Health Virtual Care program which gives members, and their immediate family, confidential access to expert medical support and guidance;
- QSL has implemented a Retirement Strategy based on three key pillars:
  - member education and communication;
  - help and advice; and
  - products – the Platinum-rated income account for retirement, and transition to retirement, members; and
- 62% of eligible members opened an income account over FY22/23.

## Overview of Decision to Explore Merger Options

Lorraine Berends AM, Independent Director, addressed the attendees and noted that:

- the QSL Board made the decision in September 2023 to explore opportunities to merge Qantas Super with another superannuation fund;
- given that Qantas Super is Gold and Platinum-rated, with top investment performance, the Board understands that the decision may be confusing for some members;
- the Board has the responsibility of making decisions in the best financial interests of members, both now and into the future;
- the three key reasons that led the Board to make that decision:
  - scale;
  - the legislative and regulatory environment; and
  - the sustainability of the Plan;
- the membership changes as a result of COVID-19, the legislative and regulatory changes (such as fund 'stapling') and the relatively older demographics of the Plan are important inputs to forward projections around the sustainability of the Qantas Super;
- projections show that member numbers will continue to decrease and net cash outflows will significantly worsen in the future;
- the QSL Board strongly believes that members would be better served by being part of a more sustainable superannuation fund with a broader membership and a healthier cash flow profile;
- taking all of these factors and others into consideration, the Board concluded that it would be best to explore merger options now, whilst Qantas Super is well positioned to do so;
- QSL's Merger Adviser is in the process of gathering information to help the Board assess merger options;
- the identified options will be compared to the current Qantas Super offer and model; and
- the Board is aiming for the best possible outcome for members and is committed to keeping members informed at each stage of this necessarily long project.

## Question and Answer session

### Previously Submitted Questions

Michael Clancy opened the session by addressing the eight questions received from members prior to the meeting.

#### **Q1. Qantas Superannuation Fund is recognised as being one of the most successful, reliable and secure funds on the market, so why the need for mergers with other super funds?**

As mentioned in the update, the three key reasons are:

- the scale of Qantas Super relative to leading superannuation funds;
- the legislative and regulatory environment that is not conducive to corporate superannuation funds; and
- the longer-term sustainability of Qantas Super (such as member numbers and cash flow profiles).

**Q2. If these proposed mergers do in fact go ahead can you reassure members they will not be worse off in any way shape or form than if they remained solely with Qantas Super?**

The QSL Board has a legislative duty to act in the best financial interests of members. Please be assured that the Board will only move forward with a merger if the Board determines that it is in the best financial interests of Qantas Super's members.

Any potential merger partner would need to demonstrate its ability to administer defined benefit entitlements and provide members with equivalent rights to benefits they currently have in Qantas Super. The Board will be seeking to:

- improve the range and nature of member services; and
- lower fees and costs.

**Q3. Will members have the opportunity to choose whether they remain as they are within Qantas Super and not be part of the proposed merger?**

No. If QSL decides to proceed with a merger, that means that the whole of Qantas Super would become part of the new superannuation fund.

**Q4. Which companies are the mergers proposed with and what have their return averages been for the past 10 years?**

QSL's Merger Adviser is in the process of gathering information to help the Board assess merger options. These options will be compared to the current Qantas Super offer and model. Investment returns are a critical element in this assessment.

**Q5. What are the ongoing/annual fees and charges associated with any such mergers?**

The ongoing fees and charges have not been fully determined at this stage, but the Board is not anticipating any ongoing or annual fees as a result of any merger process.

**Q6. Does Qantas stand to gain financially or otherwise from any of these proposed mergers?**

The decision to explore merger options was made by the QSL Board, which oversees and governs Qantas Super, on the basis that it is in the best financial interests of members to do so.

The Qantas Group and its management did not make or force this decision.

As the Plan Sponsor, Qantas Airways Limited (QAL) pays administration fees for all defined benefit members and select defined contribution members. If the merger proceeds, QAL will continue to pay for these fees. Any reduction in these fees as a result of a merger would be negligible for the Qantas Group.

**Q7. We have had several questions asking how is it not a conflict of interest for Rachael Yangoyan to be responsible for EBA11 with an increase of working hours and no super to be calculated on that increase and at the same time sit on the Qantas [Super] board?**

As this question concerned governance, Michael Clancy asked John Atkin to respond as Chair. John reiterated that the Board takes its governance responsibilities very seriously. Directors did discuss the management of any potential conflicts of interest in relation to this matter.

The key point in this case is that the QSL Board is not involved in making decisions about EBA's or in defining 'Superannuation Salary' under the trust deed. The Qantas Group is committed to meeting its superannuation obligations and determines the definition of Superannuation Salary and provides that information to Qantas Super each pay cycle to administer members accounts.

Given the limited role the Board plays, no conflict has arisen and there is no prospect of a conflict arising.

John Atkin also assured the attendees that Klair Safier, the director elected by cabin crew, made sure that the QSL Board and Management team were alerted to this matter.

Before passing back to Michael Clancy, John Atkin concluded by noting that a summary of QSL's Conflicts Management Framework and Policy is available on the Qantas Super website, as well as the Register of Relevant Duties and Interests which is updated quarterly.

**Q8. Why can't former Qantas employees get their new employer to make contributions to their QS account?**

Qantas Super is a corporate super fund designed for Qantas Group employees.

Under the Plan rules, former employees cannot have their new employer make Superannuation Guarantee contributions to their Qantas Super account.

However, former employees can make personal contributions to their account via BPAY or roll over money from another fund they may have.

**Live Question and Answer Session**

Michael Clancy welcomed attendees to the live Question and Answer session and noted that:

- while the team cannot answer questions of a personal nature, the Superannuation Advisers will be available to speak to members after the meeting; and
- as it is the early stages of exploring merger options, there may be some questions for which the team is unable to provide a definitive answer.

**Q9. Is there a tipping point in the sustainability of Qantas Super? What is the timeframe for the potential merger process?**

There is not a tipping point for the sustainability of Qantas Super, rather a slow and steady decline in member numbers and cash flow projections. The Plan is in great shape today. The Board and Management will conduct a thorough process and believe that Qantas Super will be attractive to other superannuation funds.

In terms of timing, it will be several months before a suitable merger partner will be identified and, despite no guarantees, all going well the process is expected to complete in the first half of calendar year 2025.

**Q10. Are there any governing rules that mean there can be no changes to Division 1 of Qantas Super?**

The Trust Deed can be amended if both QSL and QAL agree. This includes changes for all divisions. However, changes to the Trust Deed are made very infrequently.

*Further information as advised would be provided post the meeting:*

The Trust Deed of the Qantas Superannuation Plan sets out limitations that apply to any amendments to the rules of the Plan (see Rule 2.11 Variation of Rules). The Trust Deed provides that there can be no amendment or addition to the Trust Deed where it would "reduce any benefits that have accrued to any Member, or affect the basis for calculating the amount of retirement benefits of any Member in a way that reduces that amount with respect to the period of membership before the date of the amendment" unless the Member has provided written approval. With regard to Division 1, sub-clause (a)(i) provides that any amendment or addition to the Trust Deed cannot adversely affect or vary "the benefit already secured to any Member of Division 1 and any Transferring Officer" without the Member's written consent.

This Rule reflects superannuation legislation which applies to all superannuation funds in Australia. The legislation provides that any change to a superannuation fund's trust deed cannot adversely change a member's accrued benefit entitlements, unless a member has provided written consent or where other very specific legislative requirements have been met (Superannuation Industry (Supervision) Regulations 1994, Regulation 13.16).

**Q11. Do the reported investment returns include all fees and taxes?**

Yes, investment returns are reported net of fees and taxes.

**Q12. What will happen to QSL employees as a result of the merger process?**

There are a number of avenues for the executive team including:

- roles within the new superannuation fund;
- roles within the broader Qantas Group; and
- roles and careers in other companies.

The good news is that employees have some time to think about, and prepare for, their futures.

Maintaining a strong and experience team throughout any merger process is extremely important. The Board takes the support of the executive team very seriously and the team will be provided with both career transition support and training.

### **Q13 Would it be smart to let previous employees and others join Qantas Super?**

This option was considered by both QSL and QAL in addition to a merger process.

Qantas Super was established over 85 years ago as a corporate super fund designed for Qantas Group employees.

The superannuation industry has evolved considerably since that time and there are a number of funds specifically set up to receive superannuation guarantee contributions from lots of different employers.

### **Q14 If we merge, will the uniqueness of the Qantas Super Plan be diluted?**

As it is early in the process, it is not exactly clear what the final structure will be. While some of the uniqueness is likely to be maintained, it is important to note that around 40% of current members are no longer employed by the Qantas Group.

### **Q15 What makes Qantas Super attractive to other superannuation funds?**

There are a range of factors that may make the Plan attractive to other superannuation funds including:

- investment performance;
- member services; and
- member sentiment.

### **Q16 What will be better in the new fund (for example investment opportunities)?**

It is still too early in the process to answer this question fully. However, a potential merger will create an opportunity for greater scale, cost efficiencies and improved sustainability, which are expected to result in enhanced products, services and outcomes over time. The Trustee is exploring merger options now because it thinks this is in members best financial interests to do so. For example, merging into another super fund can pass on the benefits of greater scale via lower fees and costs.

## **Conclusion**

Michael Clancy thanked the members for attending the meeting and noted that members could speak with one of QSL's Superannuation Advisers after the meeting.

Michael Clancy thanked the Directors and the external service providers for their ongoing commitment to Qantas Super and its members.

Lastly, Michael Clancy thanked:

- the executive team for their efforts; and
- Stuart Langeveldt and Gina Baldassarre for their work in organising the FY22/23 Annual Member Meeting.

Michael then invited all attendees to join the team for lunch.

There being no further business or questions, the meeting closed at 11:55am.