Transcript

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Start of Transcript

Peter Jamieson: Good evening, everyone. I'm Peter Jamieson, Chief Customer Officer here at CSC and I'd like to welcome you to our annual member meeting. I'll start our meeting tonight by acknowledging the traditional owners of the lands around Australia from which we are all joining tonight and pay our respects to Elders past, present and emerging. Thank you for joining us tonight, our customers and guests, hundreds of you joining from around Australia online. On behalf of your Board of Directors and executive team, we really appreciate you taking the time to join us tonight.

This is our second annual member meeting, after we held our first earlier this year in March and apologies that we're unable to host a live event this year. We plan to do that as soon as we can next year, as we start to move towards a new post-COVID normal environment, whatever that is. Tonight you'll hear from our Chair, Chief Executive and Chief Investment Officer, who will provide updates on our operations. We've pre-recorded these presentations, but rest assured we're all here, live in our homes or offices around Australia, ready to answer your questions.

Also in attendance tonight are our full Board of Directors, who I will introduce to you shortly, our executive team, our auditors and our actuary. So to the agenda for tonight, you'll hear updates from our Chair, our Chief Executive and Chief Investment Officer and this will be followed by a live Q&A session where the Board and executive will respond to your questions. I'll remind everybody that you can submit your questions right now, using the button in the middle of your screen. Please note that we'll not be responding to questions about your individual circumstances this evening, those are best directed to our customer support teams, the contact details for whom are on our website.

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I'll now introduce our Board of Directors, who are joining us live from their homes this evening. CSC's Chair is Garry Hounsell. Garry was appointed Chair on 1 July this year and takes over from Patricia Cross, who was Chair at our first annual member meeting earlier this year.

Air Vice-Marshal Margaret Staib, Chair of our Risk Committee; Air Vice-Marshal Tony Needham, Chair of our Member Outcomes Committee; Chris Ellison, Chair of our Remuneration and HR Committee; Ariane Barker, member of our Board Governance, Risk and Member Outcome Committees; Melissa Donnelly, member of our Board Governance, Remuneration and HR Committees; Alistair Waters, member of our Audit, Risk and Member Outcomes Committees. We have two new Directors on our Board, Juliet Brown, who joined our Board in mid-September and Jacqueline Hey, who joined our Board in late October. Welcome to our Board of Directors.

Also joining us virtually tonight are the full CSC executive team, Damian Hill, our Chief Executive, who you'll hear from shortly; Alison Tarditi, our Chief Investment Officer, who you'll also hear from tonight; Andy Young, our Chief Operating Officer; Andrew Matuszczak, our Chief Transformation and Information Officer; Rob Firth, our Chief Risk Officer; Alana Scheiffers, our General Counsel; Paul Abraham, our Executive Manager of Investment Operations; Adam Nettheim, our Executive Manager of Customer Operations and Adam will be joining us for our live Q&A session tonight. Catharine Armitage, our Executive Manager of People; and Phil George our Executive Manager of Transformation. Welcome also to our executive team.

We'll now move into the formal presentations, starting with our Chair, Garry Hounsell's pre-recorded update. Over to you, Garry.

Garry Hounsell: Good evening and thank you for attending CSC's annual members meeting. The 2021 year was full of significant events and obviously dominated by the ongoing challenges brought about by COVID-19. The way we work and live, financial markets, travel, trade, international relations and politics have all been impacted and changed to some degree by this pandemic. On top of this, the past year also saw significant changes to the super industry, via the Your Future, Your Super package. Thankfully, it was also a year that saw more stability and less volatility in relation to financial markets.

Our investment strategy held firm in the 2021 financial year. Our investment focus is to secure adequate retirement outcomes for our customers and our downside protection approach resulted in us minimising the negative impacts on investment returns. Our investment returns for the one, three, five, seven, 10 and 15-year periods to 30 June 2021 for our default, balanced and MySuper balanced options in all schemes have exceeded their objectives. CSC's primary investment objective is to maximise long-term real returns for our customers. Our performance target is 3.5% per annum above inflation over rolling three-year periods for our default, balanced and MySuper balanced options and this is done while keeping risk to an acceptable level, which we define as the probability of a loss in no more than three or four years out of 20.

Climate change has been a significant issue for decades, but the past year has seen a greater focus than ever on how governments and businesses globally are responding to it. Climate change is a core component of CSC's approach to environmental, social and governance issues, commonly referred to as ESG. At CSC we believe that there is significant embedded value in companies and organisations that operate ethically and sustainably. A variety of ESG metrics assist us in assessing a company's development in these areas. As an active owner of the businesses we buy on your behalf, CSC is focused on engaging with companies to promote genuine sustainable impact. We believe that the incremental consistent changes are more effective in supporting robust and smooth transitions to a more sustainable future.

We manage climate risk investment principally in three ways. The first of these is through renewable investments. We invest in renewable energy assets and strategies because renewable energy is the most likely future of our global energy system. Secondly, we invest in innovative companies that could produce breakthroughs that leapfrog existing climate solutions. Alongside this, we invest in producers of critical inputs into the new energy supply chain. One example is our investment in Mineral Resources, a company that produces rare earth elements, primarily lithium, needed for battery production.

The third way we manage climate investment risk is by supporting robust transitions from fossil fuels. As long-term investors, we can support a transition from fossil fuels that respects the practical demands for energy in our country and around the world but recognises the labour force impacts of the transition and that understands simply divesting is unlikely to reduce climate risk. In this regard, we focus our investments in the relatively cleaner producers and businesses that have high social community standards. In this regard, we measure our success by the returns we generate from investing in climate relevant strategies and by the impact that these initiatives have on our net portfolio climate footprint over time.

While we do not have a specific temperature target, we build our portfolio consistent with achieving the targets of the Paris Agreement. During 2021 we took a number of significant steps to reduce our climate footprint. The first of these was to divest from undiversified pure play coal companies. From March this year all of CSC's investment portfolios started to exclude undiversified companies that derive 70% or more of their revenue from thermal coal production.

The second thing we did in the past year to reduce our carbon footprint was to actively reduce the ESG risks of investing in companies that misuse scarce natural resources. To implement this, we appointed Osmosis International Investment Management as an investment manager. Osmosis has a robust, effective and objective way to reduce ESG risk and aims to optimise our investment exposure to companies that use water and energy efficiently and reduce waste.

The third big initiative we undertook to reduce our carbon footprint was the decarbonisation of our international shares index portfolio. As a result, the carbon footprint of our international shares index portfolio is 50% lower than the benchmark.

CSC is the most regulated super provider in the country, primarily because we are a government agency. While all that regulation isn't much fun for us, it is generally a good thing for our customers. I mention this because during times of crisis, volatility or uncertainty people generally seek guidance and leadership from people or institutions that they can trust and depend on. Our governance, risk and compliance processes and protocols are among the most comprehensive in the Australian public and private financial services sector, not just the super industry. Because CSC carries the government crest and the accountabilities that come with that, we are a safe set of hands for your super.

In wrapping up, I wish to quickly acknowledge CSC's previous Chair, Patricia Cross. Patricia's seven-year term as CSC's Chair ended in June this year. Patricia led CSC through an incredibly challenging period, which included significant regulatory upheaval, market volatility and social change. Throughout her term, she led CSC with great skill, wisdom and a confident calmness and I want to thank Patricia for her outstanding leadership. I also want to thank Dr Mike Vertigan, whose term as a Director on the CSC Board also concluded in June.

We've also welcomed recently two new directors to the CSC Board, Jacqueline Hey and Juliet Brown. Juliet is a highly regarded company director and has extensive experience in law and business. Juliet is currently the Chair of the South Australian Lifetime Support Authority, a Director of Medical Insurance Australia and an external member of a number of committees for the University of Adelaide, Peoples Choice Credit Union and Bank Australia. Juliet was previously the Chief Executive of Thomson Playford, now Thomson Geer and practised as a solicitor in the health and insurance sectors.

Jacqueline is currently the Chair of Bendigo and Adelaide Bank and a Director of Qantas and AGL Energy and was previously the Managing Director of Ericsson UK and Ireland, Ericsson Saudi Arabia and Ericsson Australia and New Zealand. Both Juliet and Jacqueline will bring a wealth of corporate and financial sector knowledge and experience to CSC and my fellow Directors and I look forward to what Juliet and Jaqueline will add to the Board. I'm also very proud that of our nine Board directors, five of them are female.

During the past year CSC has taken great steps towards significantly transforming our business to improve things for our customers. At the same time, we have continued to efficiently maintain our core functions, investing paid pensions and allocating super contributions and this is all done by a team of dedicated staff who are committed to continuously improving our business and have a passion to serve those who serve our country. Thanks for your attendance this evening and I look forward to taking some of your questions later.

Peter Jamieson: Thank you, Garry. Our next pre-recorded update is from our Chief Executive, Damian Hill, who will provide a review of our operations for the 2020/21 financial year and an update on our strategic plan. Over to you, Damian.

Damian Hill: Good evening and thank you for your attendance at our second ever annual members meeting. It's been another year that's been significantly interrupted by COVID, but we are pleased this meeting can be held in a virtual format and that many of you are in attendance tonight. In my address tonight I want to cover four things. The first is the new government initiative called Your Future, Your Super, which was introduced earlier this year. I'll cover what it means for the super industry and for you.

The second is the key elements of our corporate strategy and how we get insights and feedback from you, our customers and what we do with that information to make us better. The third is some really important changes that were made to our PSSap and ADF Super products this year and the fourth is the work we are doing to support our veterans.

In the most recent federal budget, the Government announced a number of significant reforms to super called Your Future, Your Super. The legislation was passed in June this year and it enabled three key measures to be introduced. The first of these measures is called stapling. From the start of this month you'll be stapled to your current super fund for the remainder of your working life unless you actively choose another super fund. This measure aims to reduce duplicate super accounts and reduce excess and unnecessary fees for customers. It favours super funds that get new entrants to the workforce and means that for most funds, including CSC schemes, they will get fewer members defaulting to them.

The second measure is a super comparison tool on the ATO website that allows people to compare the fees and investment performance of all MySuper or default products in the market. The third measure is a new super fund underperformance assessment, that will be published on the ATO's website every year. The changes will undoubtedly result in few Australians having multiple superannuation accounts, which we support. But there are some things about the measures that do worry us and we think you should know about those.

Firstly, the ATO's online super comparison tool only has very basic information when it comes to comparing super products. In particular, it doesn't take into account the level of risk a super fund takes when it invests its customers' money. Nor does it take into account the demographics of the fund, all other benefits and features like investment options and insurance. In a similar way, the underperformance test only takes into account investment returns and fees and doesn't consider the risk taken to achieve those investment returns.

In simple terms, while some other super funds may be getting strong returns in the short term, they may also be taking on greater risk that would see significant losses when markets fall. CSC continues to favour providing some protection from this downside. Not only do our PSSap and ADF Super MySuper products pass the performance test, on a risk adjusted basis they performed very strongly, as did our other investment options.

The super environment continues to evolve. In addition to stapling, we are seeing other changes such as consolidation among super funds and the forthcoming focus on retirement income, an area where CSC has always had a focus and has competitive advantage. We have had to pivot our strategy to address new emerging risks, as well as take advantage of opportunities. We continue to pursue our customer-centric strategy, which is now even more important with stapling. Having a customer-centric strategy means we are actively and constantly listening to our customers and transforming our service offering and products around their needs.

Through our customer listening program, called the Compass, we actively seek feedback, comments and insights from our customers, and we use that to see how we've gone and where we should be heading. The Compass points us in the right direction, making sure we're on the right track to meeting our customers' needs. It is the catalyst to make improvements to our products and services. One such example saw us deliver our customer super statements digitally for the first time in late 2020 and again this year. Another example is our dedicated loss and hardship unit, which we set up because there was a clear need to simplify and reduce the amount of time grieving relatives and customers facing hardship spent providing information and making a claim. These initiatives were a direct result of our Compass customer listening program. These are real examples of a significant transformation we are undertaking at CSC.

We are one year through implementing a five-year strategy that will fundamentally change how we serve our customers. A significant part of this strategy is about modernising and improving in four key areas, data, technology, process and people. CSC's transformation is simply about delivering better outcomes for our customers. As part of this transformation, there are a lot of backend changes to our technology, systems, processes and operations. We are significantly boosting our data capability to provide a more personalised experience for customers. We are investing in the latest fit-for-purpose technology, that will mean we can move all our member administration functions from four platforms to just one. This will streamline and speed up backend processing, enable simpler and richer online services to your CSC account, including single sign-on for those of you with multiple accounts and provide more self-service options.

The processes behind our customer operations will include end-to-end service, with a goal of enabling our people to deliver quick, onetime contact resolution, along with individual and tailored support and guidance. I look forward to sharing further updates of our progress in this transformation.

During the past year we've made some significant improvements to our PSSap and ADF Super products. To make the process of transitioning out of the Australian Defence Force simpler, we now allow customers who have left the ADF to keep contributing to ADF Super with their new employer. We also made changes to our PSSap product that allows both APS and non-APS employer contributions to be made into a PSSap account at the same time and to make additional contributions regardless of their current employment arrangements. This change also means PSS or CSS customers can open a PSSap ancillary account to make personal and non-APS employer contributions and have their super all in one place.

Recent times have seen a number of significant events that have directly impacted the veteran community. Two events in particular have sharpened the focus on the welfare of our veterans, the announcement of the Royal Commission into Defence and Veteran Suicide and the removal of all troops from Afghanistan. We have seen and heard directly from our customers and those in the veteran community of the significant challenges many are currently facing. CSC is undertaking important and significant change internally to ensure we can support our veterans in the most compassionate, fair and timely way possible. We have redesigned our internal processes and resourcing, particularly in relation to veterans who have been medically discharged or who are claiming or receiving service-related support payments and services.

We are also working collaboratively with other government agencies to improve information sharing and to cut red tape. The most significant collaboration we are a part of is the Joint Transition Authority that the Australian Government established within the Department of Defence in October 2020. Along with the Department of Veterans' Affairs, CSC is a partner agency of the Joint Transition Authority. The purpose of the Joint Transition Authority is to better prepare and support ADF personnel as they transition from military to civilian life. The Joint Transition Authority is currently in an implementation phase and is identifying how government services can be better connected and improved during someone's transition out of the ADF.

The unique needs and the welfare of our veteran customers is a priority for us. One example of this is how we've been advocating for thousands of our veteran customers who were set to receive less in the hand each fortnightly pension as a result of a tax-related Federal Court decision late in 2020. When it came to our attention that the outcome was not a positive one for those particular veterans, we did everything within our power to try to find a better outcome for them. We worked with the ATO to exhaust all avenues within the boundaries of the law to try to prevent around 6000 veterans' fortnightly pension payments being reduced. As a result of our ongoing advocacy, the majority of impacted veterans will not receive less in the hand each fortnight.

I want to wrap up by reaffirming our commitment and admiration for our APS and ADF customers. CSC is unashamedly a niche super provider. Whilst we have significant scale that we leverage for you, we aren't the biggest and we aren't for everyone. We exist for the APS and ADF and we are proud to serve those who serve. CSC's customers in the APS and ADF are unique and so is what we offer them, whether that be our investments, our education and advice offerings, or the empathy and understanding our staff demonstrate every day. No other super funds knows our APS and ADF customers like we do and every single person at CSC is committed to doing everything we can to support and guide you towards your retirement dreams. Thank you for attending the meeting this evening and I look forward to taking part in the Q&A session a bit later on.

Peter Jamieson: Thank you, Damian. We'll now go to our Chief Investment Officer, Alison Tarditi's pre-recorded update on our 2020/21 investment performance, investment markets and how we incorporate environment, social and governance factors, or ESG, into all of our investment activities. Over to you, Alison.

Alison Tarditi: Good evening. There are so many investment topics that we could cover tonight, but really just two critical questions that anyone saving for retirement should ask. Firstly, are my savings growing sufficiently after costs to provide me with a comfortable retirement? And is this growth in my balance sustainable, or just the result of taking on more and more risky investments that could actually reduce the income I get when I do retire? Tonight's an opportunity for me to answer these questions for you.

Firstly, how do you know if your savings are growing enough? If, like my senior investment team and I, your super is invested according to our default balanced option, this strategy is specifically designed to maximise the likelihood that all of us will achieve the comfortable retirement income standard recommended by our industry association. Now, only around 25% of Australians reach that standard upon retirement today, but if you're an average full-time PSSap or ADF customer, you're actually on track to retire with an income that's 37% higher than that comfortable standard.

Secondly, how do you know if your balance is resilient and sustainable so that you actually get this level of income when you do retire? Our default or MySuper option takes less risk on average than other super funds, whose average customer has not yet achieved this level of retirement adequacy and therefore, must continue to hold a riskier portfolio. We did not appear in the ATO's top 10 returning MySuper default funds for the past seven years to June precisely because of this. Over this particular post-financial crisis period, asset values have steadily inflated, as interest rates around the world were progressively reduced to now historically low levels and policymakers stepped in to postpone potential corporate defaults, in the hope that economic growth could be broadened and sustainability restored.

MySuper options with a constantly high level of risk naturally generated the highest returns over this particular period. They also weathered the greatest losses through the inevitable market corrections. By comparison, our MySuper option has consistently grown your savings by around 9% per annum over the past decade, which is around the MySuper product median, but importantly generated with far less embedded risk. This means that our capacity to maintain this average performance rate regardless of economic conditions ahead is relatively higher than others.

The proof of this lies in our independent ranking well within the top 10 funds across Australia over 10 years in terms of returns per unit of risk. Now, that sounds like a rather technical term but it just means that you can have a higher degree of confidence that every percentage point of return we generate for you on paper will actually convert to real wealth when you need it in retirement. This is a deliberate design feature of our MySuper option because none of us can predict the future with 100% certainty. It means that through adverse market environments, including the pandemic correction in March last year, your savings fall 40% less than those of customers in the average MySuper option. The smaller the losses, the greater the share of any future returns that can go to actually growing your savings, rather than just restoring them to their pre-event level.

But we also step back into risk when we expect the payoff for doing so to be sustained and fair. For example, with evidence of vaccine efficacy and economic stabilisation, we unwound the defensive strategies we held through February and March last year, enabling your MySuper savings to grow by a very healthy 19% when it was safe to do so over the past year to September. So the retirement income that your level of savings can support was better preserved through even the most tumultuous of market environments. This strategy means that we easily passed the annual performance test applied to MySuper options by our regulator, APRA.

Now, as well as our default MySuper investment strategy, we also provide two premixed choice options specifically designed to meet the different financial circumstances you face at the bookends of your working life cycle. Around 18% of all our PSSap and ADF customers have actively chosen one of these. Our active younger customers, typically 25 to 49 years of age, choose our aggressive option, which can take more risk because with a long time to retirement there's greater certainty that your balance can recover from an unexpected adverse market event. This option is often the best performing fund of its type and easily within the top 10 of its peer group over 10 years. Our active older customers at the other end of their working life, 50 years and above, typically choose our income focused option, which takes lower risk to protect your balance from permanent impairment, as you approach retirement. This option is also consistently a top performing fund of its type and again, comfortably within the top 10 over 10 years.

So regardless of which of our options you're in, the MySuper balanced, our aggressive or our income option, as the last column of this table shows, their ability to convert investment risk into enduring returns after costs is consistently very high. We're able to produce these outcomes because we move first into future fit industries before their value's recognised by many and we cast a wide lens to risk.

For example, apart from being a leader into renewables and data centre infrastructure in Australia, we've been investing innovation capital for over two and a half decades, quietly and consistently contributing behind the scenes to advances across technological, ecological, social and medical challenges. This venture capital share of your portfolio returns 76% after all fees over the year to August and has improved education and communications access in developing countries, made technological breakthroughs in petrochemical alternatives and in waste reduction and delivered multiple medicinal breakthroughs including, by way of example, the first treatment of peanut allergies.

Many of you have told us that ethical and sustainable investing matters to you, that you want your money to do good and not cause undue harm and we agree. Accountable business practices ultimately reflect in business value, they generate goodwill and they contribute to more sustainable growth. We support those practices, furthermore, we practice them ourselves. Now the concept of ethnical investment differs from person to person, but to us it means doing the right thing and doing what we say we will. We have held ourselves accountable for identifying and mitigating environmental, social and governance, or ESG risks in your portfolios. This was recognised by the United Nations, which gave CSC an innovation award in ethical investing and stewardship back in 2003 and we were the first Australian fund to carry out independent assessment of our carbon footprint way back in 2008, well before it became fashionable.

We are often asked why, as the first Australian fund to take positive steps to tackle issues like climate risk, we still hold some exposure to companies that derive part of their revenue from fossil fuels. Here's our answer. As you know, global carbon intensity can only be reduced by ceasing the underlying carbon emitting activity. The developed world is accelerating away from a high dependence on fossil fuels, but the pace of that transition remains constrained by the fact that our homes, our hospitals, our schools, essential services, even the electric vehicles some of us drive, still all require fossil fuel baseload until renewable energy generation, storage and transmission can achieve mass scale and the costs of that baseload energy must rise materially through transition, with obvious implications for average living standards, as Europe is experiencing today.

In developing regions where dependency on fossil fuels still remains very high, those rising energy costs become a hard constraint, because they increase social instability and the potential for the propagation of geopolitical risk. So the three activities that long-term investors such as ourselves are uniquely best placed to undertake in order to help accelerate the robust transition are firstly, obliging companies to transparently report operational risks and externalities alongside the incentive structures they use to reduce them.

Secondly, on the basis of that data, engaging with existing companies in an informed way to support the strategies needed to permanently replace their old energy operations and thirdly, investing in new companies that either produce fossil fuel alternatives or develop technologies with the potential to leapfrog the current storage and distribution constraints. CSC was one of the first funds anywhere in the world to execute on each of these. Divestment is the last resort for us because it does not necessarily reduce the carbon intensity of the economic activity itself; it just removes it from your portfolio. So we only use it if the risks to your savings are not able to be mitigated.

Our focus is on the capital markets pathway required to genuinely make our climate initiatives stick and we measure our progress and refine that journey as technological advance and policies enable. Your portfolio's net carbon contribution is currently reducing by around 427,000 tonnes per annum, a pace that if simply maintained is more than sufficient to meet the Paris Agreement of carbon neutrality and well ahead of schedule.

The flaws in our economic growth engines were well and truly exposed over the past 18 months and the range of plausible future paths for economies and financial markets is today unusually wide. These uncertain circumstances of our time mean that we've been preparing your portfolios by building greater geographic diversity into our defensive assets, investing in new businesses that are seeking to build the kind of sustainable futures we need, establishing new asset management businesses in return for a stake in their success through revenue sharing and prioritising assets with inflation linked cash flows, because global conditions are now conducive to creating sustained price inflation. The most recent example of this is our acquisition of Amplitel, Australia's largest mobile towers owner, which supports the networks of Telstra and other mobile phone companies. Mobile data demand is growing at more than 20% per annum and the vast majority of Amplitel's revenues come from prices linked directly to inflation.

As markets move up and inevitably down, we remain focused on the fundamental value and quality of assets, rather than their current prices. On that note, think about 50% of companies within COVID-accelerated transformation industries like consumer tech, green energy, internet retail and biotech, they're all unprofitable today despite seeing rapid stock price increases fuelled by very compelling narratives. Not all of these companies will succeed or even survive going forward. The paper returns they've generated to date are no guarantee of a better retirement outcome.

Your superannuation, like my own, is not a Monopoly boardgame, so it isn't how much money you make on paper at any point in time that matters, but how much of that real wealth you're able to keep and to realise as purchasing power in retirement and that very much depends on the risks that are embedded in your portfolio today but have yet to be crystallised in its value.

In conclusion, our investment offering looks different from other super funds, because it is and we're proud of the fact that it's not designed for the average Australian, but purposefully tailored to you, our Commonwealth Government employees and members of the Defence Forces. Your investment team comprises a select number of globally recognised and respected experts in their individual fields. Our experience together for well over a decade, the agility that our team design and stability enables, our recognised thought leadership amongst the global investing community and the specialised investment partnerships that enables us to build for you, are all hugely differentiating in the Australian super landscape.

We constantly look ahead, innovate and allocate your capital to opportunities that others follow us into, opportunities chosen because they can improve your retirement outcomes, not because we're following the latest market fads. Our focus is on building resilient portfolios, full of high-quality assets that we steward well so that their value and income supporting characteristics are underwritten and futureproofed. Our aim is to invest all of our portfolios, not just one particular slice, in ways that don't inherently harm others and go further to genuinely deliver positive but enduring change.

We're not the lowest cost super fund, our values mean that we're very transparent about the investment costs we incur. We don't hide them in structures that mean they don't have to be reported. But our costs pay off in competitive net returns that rely on less embedded risk to your future balance, so you should end up with more money in your pocket when your retire, regardless of market conditions at that particular time. Our default option strategy is designed to deliver all our customers a better than comfortable retirement standard and is well on track to do so.

Our aggressive and income-focused options, designed for our youngest and our oldest customers respectively, are consistently within the top 10 in their peer categories over all time periods. Our difference as a team and in the investment options we build reflects our commitment to do what we say we will, to provide each of our customers with a comfortable retirement. Thanks for taking the time to hear our story and I really look forward to answering your questions.

Peter Jamieson: Thank you, Alison, Garry and Damian, for those updates and we'll now move to your questions. Another reminder before we start that you can submit your questions via the question area using the button in the middle of your screen and I can see many of you have been doing that. That's still available for all of your questions. Once again, we'll not be responding to questions related to your personal circumstances during tonight's meeting.

So to the questions and I think this first question might be right up our CEO, Damian's alley. So this is a question from Benjamin, thanks Benjamin. CSC is always encouraging young members to engage in their super and also suggesting all members to go digital. A phone application would go a long way to achieving success in both these elements. Is CSC working on a CSC application or app so members can access all of their vital super information direct on their smartphones? Good question to start us off with, Damian, over to you.

Damian Hill: Thanks, Benjamin, for that question. In my remarks I talked about our strategy and the transformation that we were undertaking and that's relevant to your particular question. CSC runs 11 schemes over four different admin systems and so we're very aware in launching our member app that we want to make sure all the integrations, et cetera, are in place in that complex environment. So that's why we're actually spending the time and prioritising at the moment about simplifying that structure and getting all of our schemes on the one admin platform. Then we're moving on to strengthening our digital platforms. This will enable greater self-service and for us to add extra services such as, for example, chat and a member app. We're not resting on our laurels and whilst we're doing that complex work, we're also trying to deliver other innovations for our customers, which you will have seen very recently with our digital statements.

Also I remember receiving a letter from a customer not that long ago, in the last couple of months, who said can't we just have one login, as they have multiple memberships and my first response to that letter is I couldn't agree with you more. So our transformation is going to help those almost 50,000 of our customers who have multiple memberships across the schemes. So whilst I don't have a date for you today to tell you when the member app will be launched, it is high on our list of priorities and I look forward to updating all of our customers and providing that service in the coming period.

Peter Jamieson: Thanks very much, Damian. We'll go to our next question, which is on a topic that Alison talked extensively about and lots of interest from customers. We have a question here from Janice that I'll read out, but also acknowledge that we've had similar questions from Jamie, Colin and other customers, so thank you. I might start this question off going to Garry, our Chair, for a Board perspective on this topic of climate risk and what we're doing in this space and then I'll ask Alison to follow up with some further comments.

So the question from Janice is, CSC's climate risk fact sheet says divestment is a last resort and by staying invested and influencing towards improved behaviours and processes, we can make a more positive and genuine impact on the longer term. You use divestment only when engagement with companies cannot reduce the risks to long-term viability of the business. A number of companies are expanding oil and gas production and have no credible plans to transition to 1.5 degrees Celsius. What's the evidence that staying invested in such firm has positively influenced them? So as I said, I'll just ask Garry to perhaps make a couple of comments from a Board perspective and then we'll go to Alison to provide a bit more colour. Garry.

Garry Hounsell: Thanks, Peter. Active engagement is our preferred approach instead of simple divestment, but we acknowledge that in some cases active engagement will not be enough to bring about the change that we think is required. Divesting only changes the ownership of a company, as Alison mentioned and doesn't necessarily reduce the climate impact on the organisation.

However, we have divested from pure play coal companies, which we identify as companies who generate 70% or more of their income from coal. This threshold for divestment exists because we consider diversified companies more capable and likely to transition away from coal. Alison, I might now just pass onto you for some further comment.

Alison Tarditi: Thanks, Garry and thanks for the questions from each of the customers who've asked them. Just to put some colour around the divestments that we have made, as Garry mentioned, we've divested from undiversified companies which generate 70% or more of their revenue from thermal coal production and generation, because the financial risks to these companies are rising and engagement is unviable.

So we want to protect your savings from that risk, this means that you personally have no companies in your portfolio like offshore Coal India or Peabody Energy Corporation and no exposure to companies in Australia like Washington Soul Pattinson or New Hope and Whitehaven, where the final residual divestment of less than about 0.5% of our fund will be completed within the next quarter, because we did give our external managers the discretion to manage that divestment in a way that would be accretive to your savings. But we do remain invested in well run Australian gas producers, for example, because gas emits around 50% less emissions than coal and plays and important and necessary role as an interim fuel, to ensure countries around the world continue to have reliable and affordable energy until technology limits are overcome.

We use exclusion lists as provisional screens, not definitive judgements, because while in principle divestment appears to provide a clean and simple solution, in practice it's not. I'd ask you to consider, for example, that with an objective to decarbonise a portfolio we could try to automatically exclude any utility company based on the ESG scores on carbon that's currently available. But the data driving these scores may not take account of the fact that many companies are moving towards clean energy production and decommissioning their coal burning electricity generation plants.

As long-term investors, we can stay committed to these companies, encouraging them in this journey, supporting their financial value to your savings and having real world impact, not just paper impact. Many ESG options, for example, do divest fully from all fossil fuel exposure, not just entities unable to evolve, which may make these portfolios on paper seem clean. But we all have to think about whether the paper virtue translates into real world impact. For climate ambitions to be met, all industries have to make innovative transformations to become clean and futureproof. For this to happen, capital markets need to focus on heavy emitting industries and support those companies making deep decarbonisation changes, changes that go beyond protecting one portfolio to protecting the planet.

Let me give you three quick examples off the top of my head in our portfolios. The first is a German electricity provider, RWE. That company scored poorly on emissions because of historical reliance of fossil fuels and its price was penalised by the market. Renewables now comprise one-third of RWE's energy production. By 2030 they have a plan to reduce emissions by 50% versus their 2019 baseline and are further to carbon neutrality by 2040. Something we can do to support them to deliver, is by remaining engaged, thereby creating sustainable value in your portfolio and beyond to improve real world outcomes.

Equinor, previously Norwegian state coal is another example, the company's plan to be carbon neutral is by 2030 and that's evidenced in their allocation of more than 25% of their total R& B budget to hydrogen and carbon capture and storage technologies. WEC Energy is another example, a US company, retiring old coal plants with a plan to achieve less than 10% revenue from coal by 2025. They're investing US$4 billion in solar, wind, battery storage technology, all critical to accelerating the transition to a new energy regime.

We all have a natural tendency, I think, to undervalue things that are complex and climate, which is inseparable from the other 16 sustainable development goals, is also very complex. To translate paper virtue to real world impact required deep system appreciation, support of companies making deep decarbonisation changes and early stage investments that lean into innovations capable of leapfrogging us forward. We've been doing these things for two decades, well before they became fashionable.

Our track record of investing early means that you harvest the additional returns from providing early stage capital and you're genuinely contributing to new renewable asset capacity in the world, rather than just recycling claims on existing assets without changing any real outcomes at all. This is why we don't offer a standalone ESG option, which would be an easy marketing win, but not necessarily part of a real world solution. I hope that answers your question.

Peter Jamieson: Thanks very much, Alison. Get ready, I'm coming straight back to you, and it's connected to that very comprehensive answer you gave there. But Colin's asked a question specifically about portfolio targets, so I'll come back to you in a moment with that one.

Just to cover Colin's question, many big super funds have set 2050 or sooner net zero portfolio decarbonisation targets and several funds have also set interim targets, portfolio decarbonisation targets fast becoming the bare minimum expectation on super funds who claim to support climate action. CSC, however, has not disclosed targets to decarbonise its portfolio, but instead says it aspires to achieve net zero emissions as soon as possible. When will CSC implement portfolio decarbonisation targets?

Alison Tarditi: Thanks again for your question. It is the expectation now that everybody needs to set a target. We've set ourselves a target and that is to do as fast a job at this as is possible and still be genuine. So as I said in the formal comments this evening, it is really important to us that our values are upheld and our values are to do what we say we do. So we are on track, as I think Garry mentioned and I mentioned also, to be well ahead of any Paris Agreement in terms of carbon neutrality, in terms of the changes that we've made already to our portfolio.

We're committed to continuing to do that through the three avenues that I've spoken about earlier, which are direct investing in renewables and in the technologies and infrastructure that support the potential to leapfrog the constraints on moving to the new energy regime faster and make no mistake, we are moving to a new energy regime around the world. We're investing and engaging with companies who are currently involved in the old energy regime, in order to help them leapfrog as well into the new regime successfully. And we're cooperating with global entities around the world to improve the transparency of these risks and reporting and support capital markets to be part of the solution robustly.

So we're a signatory to the Partnership for Sustainable Capital Markets, we're a member of the Investor Group on Climate Change and we believe in this engagement globally, because voice that's accumulated behind a lot of capital has greater impact. That's why as a signatory to the Carbon Disclosure Project since 2002, we've been one of 108 institutional investors from 24 countries who've engaged collectively with over 1020 companies across 49 countries. This year our combined efforts have supported more than 13,000 companies to disclose their data on climate impact. So I think you really need to focus on the outcomes that we generate, rather than the marketing lines that we have and we are on track, as I mentioned earlier, to be carbon neutral well within the Paris Agreement timelines and the faster the better, I guess.

Peter Jamieson: Great, thanks very much, Alison. I'm going to change gears a bit now and I'm going to introduce you to one of our other Q&A panel members tonight, Adam Nettheim, who is the Executive Manager for Customer Operations. So I'm coming to you next, Adam, with a question from Pieter. Pieter's asked about is it possible to transfer my remaining CSC fund to another super fund, such as QSuper and what, if any, penalties are there? Over to you, Adam.

Adam Nettheim: Thanks, Peter and thanks, Pieter, for the question. I might address this more generally talking about rolling out of DB funds in general. There's a couple of items that people should consider when they're doing or thinking about doing this kind of transaction. First of all, be aware of the benefits of retaining your DB fund. DB funds quite often have features within them that are not common across other products, so make sure that you're well understood of what's available to you. Some DB funds, like our own, provide a lifetime pension option, not all DB funds still allow that option even if you do rollover to them. A lot of DB funds are closed in other funds, so again, be very aware that if you are rolling out of a DB fund, you're either getting into something that you're very aware of or something that's very comparative to what you've got.

So be clear in your mind in what you have now and what you're looking to get into. Speak to one of the team, we can help you with a rollover. You also need to make sure that the receiving fund, you've suggested QSuper in this space, is one that is considered an eligible rollover fund, so they can take the money in the first instance. If you exit before understanding that, you might actually find that you can't come back if the receiving fund can't accept it. So best thing to do, ring one of the team, as Peter Jamieson said there's contact details on our website. Ring one of the team, speak about your particular circumstance, but be very clear and well educated on what it is that you're doing and if it's the right thing to do then we will help you get the transaction completed.

Peter Jamieson: Good on you, Adam, some really good suggestions there for our defined benefits customers, which covers both our military and APS schemes, typically CSS, PSS, military super are the main ones. Okay, we'll go to our next question and this one's coming to you, Damian. This is a question from [unclear] about can I choose the investment fund that my CSC super is invested in? So over to you, Damian.

Damian Hill: Thanks, Peter and thanks, [unclear] for your question. CSC offers generally four investment options. The vast majority of our customers are in the default MySuper product that Alison talked about extensively, but she also talked about that about 18% of our customers choose from our other options and so we've got an aggressive option, an income-focused option and a cash option. So those, if you're one of our defined contribution schemes, you can make a choice about those at any time and switch when you would like in that regard.

Peter Jamieson: Thank you, Damian. I'm going to ask a follow-up question about investment options to Alison. Alison, this question comes from Mark and Mark would like to know if there's any work being done to look at adding additional investment options outside of the current four options. Is CSC looking at how cryptocurrency would or could be added to their current investment mandates? Over to you, Alison.

Alison Tarditi: Thank you very much for that question. Our investment options have really been designed specifically around a lifecycle. So that is why we offer just three premixed options, the aggressive for customers at the beginning of their working life cycle, the balanced MySuper for the bulk of our customers and the income-focused option for customers closer to retirement. So we believe that that suite of products supports you to make an informed choice and align your investment product with your stage of adequacy in retirement and work life. So that's the first point I'd make.

The second question you asked about cryptocurrencies, you do actually have a very small exposure to Bitcoin indirectly through some public companies in our portfolio and some of our VC investments. It's actually very small, less than 0.4% of our assets under management and the exposure to that comes through PayPal, given its decision to let its customers trade Bitcoin on its platform. Through Tesla's direct investment in Bitcoin and through one of our external hedge fund managers, who took a very small beachhead exposure to ensure that we could properly understand as an insider the state of the market's infrastructure development in a real and timely way, to understand its relevance to institutional investors.

We've not invested directly in commercial decentralised cryptocurrency like Bitcoin ourselves because of several risks, I think, to the value. The material regulatory risk that governments either ban or limit the use of decentralised cryptocurrency for transactional purposes. The fact that Bitcoin transactions are very expensive to make, energy greedy and slow to execute, making them as yet unsuitable as a medium of exchange. That energy intensity, of course and the location of Bitcoin mining is concentrated in regions where electricity is still primarily generated using coal and so it's very climate unfriendly. Its volatility, it really is a speculative asset and it can have discreet price adjustments of 25% to 75%.

Finally, while much is made of the limited supply of Bitcoin, with the implication being for sustainable price depreciation, we're not convinced by this argument at this stage. Because the supply of alternative cryptocurrency is not limited and new versions pop up regularly. There's Ethereum, Litecoin, Tether, Solana, Stellar, Cardano, I could keep going for half an hour or so, even Dogecoin was described as a joke by its creator and tweeted about incessantly, I think, by Elon Musk.

To date, prices of all of these cryptocurrencies have been highly correlated and as I said, dominated by speculative activity. By contrast, the underlying blockchain technology that's a very significant development has multiple applications beyond the support of cryptocurrency trading and we're live to that issue and monitor developments there very closely. The institutional quality of the infrastructure that enables the use of cryptocurrency, the composition of market participants and government attitudes towards its proliferation is something that we're all focused on.

I would make one final point, that there's quite a difference between these decentralised cryptocurrencies and the centralised versions, which don't have the same potential for wholesale disruption of our global monetary system. The Bank for International Settlements in conjunction with seven, I think, other central banks, have drafted a principle for developed countries central bank digital currency use and that really focuses on constraining the use of these currencies, to make sure they don't interfere with the existing commercial banking systems and the way our monetary policies operate.

China, Singapore, Canada, I think Sweden's E-krona are very progressed in terms of central bank digital currency development and these are centralised, scalable and will be in use around the world. So it's very hard today to define the boundaries on these developments and their influence on the intermediation of credit, on monetary policy, on capital flows. But it's fair to say, I think, that the monetary system operating a decade from now will be very different to today and that bears our focus and we are watching that carefully.

Peter Jamieson: Thank you, Alison. I'll just take us back to the very start of Alison's answer there about our investment options and one of the things that Alison said during her speech, which is just under 20% of our customers have actually chosen an investment option which isn't a default option. So there's an opportunity there immediately for all customers to have a look at their investment option, make sure it reflects where you are, your appetite for risk and how far through your career you are and that line will help improve your preparation for retirement.

Okay, we're going to go to our next question now and this is coming to Adam Nettheim again. This is a question about a particular topic that is of concern to a number of customers, but specific to a number of APS employers. So the question is from Kenneth and Christopher and this is asking, can we provide insights into the joint AFP, Australian Federal Police and CSC review, particularly challenges, resource implications and completion date? Adam.

Adam Nettheim: Great, thank you, Christopher and Kenneth. As Peter said, this is something that is an issue for a couple of employers that we're dealing with at the moment and I might address again a little more broadly and then bring it a bit more directly back to the AFP specifically. So this is a historic issue in how some components of a government employee's salary and therefore their super contributions have been calculated. Employers take responsibility for making sure that that calculation is correct and is part of their payroll function and of course, supply CSC with the data with which to utilise in our superannuation systems.

We've had a number of different agencies who have notified CSC of their issues, the first one about five years ago. The agencies range from very small agencies up to some of the large ones, like the AFP. The APSC also wrote to all agencies back in 2019, just to confirm their responsibility in ensuring that contribution data being received by CSC or any other super fund is accurate and encouraging the employers to try to rectify. CSC is currently working with 15 employers who have identified that they have issues and there's a range of situations. For some people it's an under-contribution, for other people it's an overcontribution. For some employers this goes back a number of years and of course, the further it goes back the more complex it gets for us to make good on the contribution and the impact into the super account.

When this first started, CSC developed guides, checklists, processes, even assisted some employers with suggested communication, letters and templates and so on and also provided data scope, how we are going to get the data from the employer so that we can pop it into our system as easily as possible. I say that reasonably lightly, putting our data into a system is not always easy and for some of our customers, we do have some ways in getting the data in and getting their accounts corrected. For others it is quite a manual process. To give you an idea, current contributing customers are somewhat easier in order to rectify their account, but then depending on a number of circumstances, retirement, family law splits, death in validity cases, people moving into a pension phase and so on, all creates greater complexity in how we rectify the person's account. Add on top of that in a lot of cases people have made decisions around their superannuation and sometimes they're finding out that there's more to be thought about now that their data has been corrected and they understand their new position with their superannuation.

Specifically with the AFP, we have got a great working relationship with the team at the AFP. We understand that the AFP is increasing the size of their team, who are rectifying the data through their payroll systems and being able to supply it to us. So we've seen a scale-up in the amount of data coming to CSC. As I said, we work very closely with the team. We've worked very closely with the consultancy who was also brought in to help the AFP understand the situation in the first instance, so that working relationship is strong. What we're seeing now with that scale-up is at the same time from a CSC perspective we're also scaling up the amount of people that we have who can rectify members' accounts and also the skills there and where possible, the automation to do so at a faster pace.

I know in your question you asked about do we have an end date. It's a little hard to predict at the moment because we don't have all the data from the AFP, they are bringing it to us in drops or tranches. Somewhat we will be dependent on the speed of the AFP in getting us the data, but also then the complexity of the situations that we have to deal with. As I said before, some easier, some with greater manual intervention. I'd love to be able to give you a firmer date on that, but to do so would be probably not accurate.

Peter Jamieson: Thanks, Adam. A complex piece of work, but rest assured we're committed to getting it sorted and getting it behind us as quickly as possible. We'll now move to a question from Bruce, directed at Damian. Damian, are we developing any new innovative retirement income products and what will they look like and when will they be released?

Damian Hill: Thanks, Bruce. Yes, we are. As many of you may know, there's a new retirement income covenant which is a piece of legislation that is coming in to take effect, where every fund has to have a strategy, retirement income strategy, by 30 June next year. So we're actively looking at that. We know that we have a unique advantage in this area. CSC's unique customer base means that we already have almost 250,000 pensioners that we can learn from about how they use their income in retirement. A lot of them are DB pensions but we're looking to leverage off the unique customer base that we already have in designing our retirement products for the future. So we'll be looking at, because of our unique situation, how we will supplement our existing retirement products, we've got an account-based pension and our DB pensions, to meet these new retirement income covenants. So you'll hear more news about this towards the middle of next year.

Peter Jamieson: Thanks, Damian. I'm coming back to you with the next question as well, so this question is about stapling, which you mentioned in your talk, specifically as it relates to defined benefits scheme. So the question comes from Wendy and it's stapling. What's the situation for government employees in a defined benefits super scheme and also in another super fund? Damian.

Damian Hill: Thanks, Wendy. So in respect to the defined benefit funds, defined benefit funds are exempted from stapling, because they can't necessarily take contributions from new employers, et cetera, like that. So if you're in a DB fund, that part of your account will be exempted from stapling. However, if the other part that you talk about is in respect to an accumulation type benefit where you get either the 15.4% or SG into the account, then when you are going to change jobs in the future your new employer will automatically start contributing to that scheme, unless you decide that you want to move to another scheme. It's always within your power to move your super to another scheme at that time.

Peter Jamieson: Excellent, thanks, Damian. Next question coming to you, Alison. This is a question from Lindsay regarding our investment portfolio, but specifically as it relates to China and the question is specifically, how much investment is made in China or Chinese companies? Alison.

Alison Tarditi: Some people say I do my best work on mute, so I've just shown you that. We do actually invest in Chinese assets, currently 6% is our total funds, or around $3.6 billion, are invested in China assets, because they're an increasing share of global capital markets and a genuine source, we believe, of diversification. Because their cycles in business, in policy, differ from those in other large economy. The China bond market, for example, is valued at around, I think, US$13.5 trillion and it's the second largest in the world. It's recently been included in flagship global indices and it's one of the few bond markets anywhere in the world still offering adequate yield compensation.

One point of differentiation that I think is important for you to understand is that we don't invest in China passively, because we don't want to simply adopt the exposures that their rising share of equity and debt market indices dictate. Rather, we enter this region with control over our allocations, retaining our comparative advantages in asset allocation and asset quality selection. So while 6% of our capital is invested in China assets, this only contributes 1.5% to our overall level of portfolio risk. So portfolio diversification, dynamic asset allocation management and quality asset selection all play a critical role in delivering that result.

For example, we recognised the implications of rising policy uncertainty in China earlier this year and responded by reducing your exposure proactively. This meant that as China equities fell by 19% between January and September this year, our balanced option was not materially impacted and actually rose in value by 11%. This has been a consistent pattern for us throughout the four significant drawdown episodes in Chinese equities since 2015.

Peter Jamieson: Thank you, Alison. The next question coming to you, Adam and this is from [unclear]. How does one change between the three types of investment portfolios, for example, from default to the aggressive option or vice versa?

Adam Nettheim: Great question and first of all, congratulations on being interested in looking at your investment options under your superannuation account and thinking about making changes. The actual change itself isn't too hard, it is about either going online, onto the website and pulling down a form, or ringing one of our contact centres to get assistance in making the switch. So the mechanics of making the switch is not difficult at all. What I would always say to people when they're talking about switching, first of all, congratulations. Be very understanding of your investments risk profile, your comfort in what you're about to switch into and out of, a little bit similar to the message that I gave around the rollout before and make smart switches.

Peter Jamieson: Smart switches, good advice. Thanks, Adam. Okay, our next question I'm going to go to Damian and this is from Michael. Michael's question is CSC has been wonderful addressing our financial planning and keeping us informed. My question is what are CSC's plans to support retirees after retiring? I've seen the start of a pilot program with Mercer, but there must surely be more value adding services retirees need other than just sending us our fortnightly pension. Damian, other services in retirement.

Damian Hill: Thanks very much, Michael, for the question and obviously we're looking at our retirement products as I talked about just in regard to the earlier question. But we already do have some other services for our retirees and we're very conscious, as I was saying before, about the unique nature of CSC's customer base, where we have almost 250,000 pensioners at this stage. So we have one of the largest payrolls of any provider in the country and our oldest customer, as far as I know, is 109 years old. So we hold our customers for a lot longer than the typical superannuation fund.

So a couple of places I'd refer you through to. Firstly, is to look at our 3rd Act program, which is specifically designed for retirees, newsletters, et cetera, like that, so you can find out about that on our website as well. So we know that the third act of your life is a very important one and we look to forward through that in partnering with you. There's also the pilot program that you sort of referred to, which we have launched in the last couple of months. It's with an organisation called Mercer and it's called CaLM, care and living with Mercer. It's aged care, we're piloting an aged care service.

We know that aged care is a really important part of life and it's a really complex system. This isn't just designed for those that are looking or thinking about aged care, it can also be done by the children who might already be caregivers for it, or are thinking about their own future as well. What it is is a guided service through the complex aged care system in Australia, to help individuals or couples work through all those complexities, what you need to think about, what the options are and you design a personalised plan just for you and you as a couple in that regard. It's not covering the financial advice, we know that financial advice is a separate issue in this regard, but it is the complexity of the aged care system.

So if you're interested in taking part in that pilot, please feel free to do either on your own behalf or on behalf of our parents or whatever the case may be. We look forward to you doing that and giving us feedback. As we say, it's only a pilot at the moment, we've got hundreds of our customers looking at it at this stage and we look forward to expanding it or evolving it as we see the need requires.

Peter Jamieson: Thanks, Damian. The next question coming to you, Alison, back to another slant on climate change. This question is coming from Colin. Colin's question is should climate change investment suffer market declines in the near future and impact on member returns, will CSC bite the bullet and withdraw investments and invest elsewhere, e.g. iron ore mining, to sustain credible returns? Alison.

Alison Tarditi: Thanks, Colin. I'm not entirely sure I've understood the question exactly correctly, so let me give it my best shot. When we think about climate it's not a univariate issue; it's part of a system of risks that we consider when we think about outcomes for your portfolio and outcomes in the real world. Because it's a common risk with multiple direct and indirect channels through which it could impact your portfolio, we use scenario and stress analysis. So our stress testing follows the latest evolving recommendations of peak bodies globally, including IPCC and strives to incorporate the implications from direct physical risk, regulation risk, litigation risk and competitive positioning.

So we're really looking to think about climate as we do technology risk, as we do other environmental and social and governance risks, to try and build the most robust portfolio we can that will withstand multiple future states. That reflects in the fact that our returns per unit of risk are consistently high across our competitors. Now, I'm not sure if I've completely answered your question, but if I've understood it correctly, I hope that helps.

Peter Jamieson: Great, thanks, Alison. Next question to Adam, this is from [unclear] and the question is will the investments up and down affect the pension amount for a member receiving a fortnightly pension? Couple of nuances there, I think, Adam.

Adam Nettheim: Yes, great question, thank you. So first of all, it's a difficult question to answer without appreciating which product you're either in or looking to be in. We've got a couple of pension products, we've got the DB-related pension product which typically once you're into the pension phase, the changes that you see are a twice per annum CPI increase typically. So that's a very safe kind of lifetime pension product with a reversionary option out to your partner.

If you are not in the DB schemes or if you are talking about the CSCri product, the CSCri product is a typical or more typical product in the pension market. It's linked to investment markets, as the investments go up and down so does your balance, which of course depending on how you've constructed your fortnightly pension can either remain seated with less capital sitting behind, or move up and down along with the market shifts.

Peter Jamieson: Great, thanks, Adam. We've got a question here from Fiona which I'm going to take myself. Not quite sure I fully understand the question, but it'll give me an opportunity just to remind everybody about bringing any questions that we can't get to tonight to our contact centre teams. So the question from Fiona is with the offering of your partner contributions to PSSap, does this mean it is part of your super, or does your partner have a separate fund? Is it possible for your partner to combine their funds with your super contributions?

There is opportunity for partners to share contributions and that's just a general capability within the super system. Typically, individuals have their own super funds, each individual having their own fund, but Fiona, I'd suggest that if this is an issue specific to you and that you're needing some assistance with, our customer contact centre team would be more than happy to help out and provide you with the options available to you. But thank you for the question.

Okay, we're not quite to the last but we're getting close to the last question, we might make this the second last question, we're coming up to 7:56. Alison, this one's coming to you. How much of the default option fund is invested in Australian assets and what's the target level for investment by CSC in infrastructure in Australia?

Alison Tarditi: Thank you for the question. Australian assets, our balanced fund has about 24% of its total funds under management invested in Australian equities. Our income fund a little less at 9% and our aggressive option a little bit higher at 28%. So that's our exposure to Australian equity assets and our infrastructure program, we are opportunistic when we buy assets for our customers. What we're looking for is returns that compensate you well for the costs and the risks associated with each of those projects. So at present we have about 12% of our balanced MySuper option exposed to real assets and about half of that is in property assets, about half currently in infrastructure both in Australia and internationally, in Europe and in the United States.

One of our differentiating characteristics is that we've always been focused on the infrastructure of the future, so we were an early investor into data centres, for example and Canberra Data Centre, which you own, has been returning after all fees and costs something like 58% per annum since we invested in it. So we're really looking for the best assets. We don't have a specific target and we will take as many of those terrific assets that can make that sort of return for you as we can access. But we do that carefully and we cast a lens across the relative value available in Australia, but also internationally.

Peter Jamieson: Thanks very much, Alison. Yes, I think we'll make this the last question. This is a question from [Banaji] which I will take. Will the iEstimator be enhanced with more options, such as how a future promotion will affect super balances? Thanks very much, Banaji, for that question. For those customers who aren't aware, iEstimator is a tool, one of many tools that we have available on our website to help customers estimate the options they have in terms of preparation for retirement and adjust various components to forecast their position in retirement. We also include within our statement an estimate of future retirement balances and future retirement income, which has been part of what we've included in our digital statement over the last couple of years.

We are absolutely enhancing the iEstimator tool, along with introducing other tools as well, Banaji, to make it easier for you to assess your options, consider choices you might make to change your retirement outcomes and ensure you're getting to the right place you need to be. Future promotion, I'm pretty sure that can be catered for by estimates of salary. Once again though, it's a question that we can take through the contact centre and help support you through estimating where you'll be in retirement based on changes in your salary, changes in other factors over the rest of the time period until you retire.

So I think that probably draws us to the end of our Q&A session at 7:59. Recognising that it's getting late in the evening, I will conclude the Q&A session there. Thank you very much to everyone who submitted a question during the meeting tonight. Clearly, we couldn't respond to all of your questions, but we have attempted to respond to questions that represent the areas of interest to most customers. Thank you to our panel for answering all of those questions.

We are going to respond to all questions, however and those questions and answers will be available on our website within 30 days, along with a transcript of this meeting. A recording of the meeting will also be available on our website within the next few days. So on behalf of our Board and executive team, I'd like to thank you once again for taking the time to attend our annual member meeting tonight.

You've heard from our Chair, you've heard from our Chief Executive, Chief Investment Officer and you've heard from our Head of Customer Operations. I hope what you've heard consistently is our commitment, our commitment to you, our customers. Our first and only interest is to ensure each and every one of you reach your retirement dreams, whatever they are and whenever you choose to retire and we thank you for your service. We are proud to serve those who serve our country and we're also committed to listening to you, to getting better and improving everything we do.

To this end, you'll shortly receive a survey requesting your feedback and suggestions on how we can make this meeting even more valuable to you in the future. As always, we appreciate your feedback. Thank you for attending, have a good evening and I'll now close the meeting.

End of Transcript