

# VicSuper and First State Super merger discussions

Progress update July 2019

Non-binding memorandum of understanding > **Binding heads of agreement** > Due diligence > Merger deed > Operational milestones > Successor fund transfer

Merger discussions between VicSuper and First State Super are progressing well, and continue to point to potential benefits for members should these two strongly aligned funds decide to combine. The merger would create one of Australia's largest superannuation and advice businesses, managing more than \$120 billion in savings on behalf of more than 1.1 million Australians.

## Early talks well received

Earlier this year VicSuper and First State Super announced joint discussions to explore the benefits of a merger.

The talks have been well received by employers, members, Government, media and ratings agencies to date. A potential merger is broadly seen as a progressive and proactive step for the two Funds, and one that's very much aligned with the growing trend of consolidation across the superannuation industry.

## Funds commence due diligence

The two Boards have signed a Binding Heads of Agreement subject to due diligence. Over the coming months, the Funds will undertake a detailed review of each other's operations, consider various operating models and discuss how best to leverage the potential combined investment scale to deliver even better outcomes for our members.

## Good governance

Our Boards have agreed that Director representation should reflect the membership composition of the merged fund. We've consulted with our stakeholders and regulators and, following due diligence, we would take the following approach:

- Merge both entities and form one fund and one Board by 30 June 2020;
- The future Board of the merged fund would continue to reflect equal member and employer representation with one Independent Chair and 14 Directors, four of whom would be from VicSuper's nominating bodies;
- By June 2022, reduce the Board to include an Independent Chair and 10 Directors, two of whom would be from VicSuper's nominating bodies;
- First State Super's current Independent Chair, Neil Cochrane, would be appointed as Chair of the merged fund;
- First State Super's current CEO, Deanne Stewart would be appointed as CEO of the merged fund;
- VicSuper's current CEO, Michael Dundon will continue with the fund following the merger to help ensure a smooth transition.

## Members remain our number one priority

While due diligence is underway we will continue to provide our members and employers with the same level of service and care they have come to expect from us.



"Our conversations with First State Super have clearly indicated that a merger between our two Funds has the potential to offer significant benefits to members, and it's with their interests in mind that we look to this next phase in our merger discussions."

**Michael Dundon,**  
VicSuper CEO

"We have a lot in common with VicSuper. We both have a member-first culture and a heritage in the public sector, and we both believe quality financial advice can help our members make the most of their retirement savings."

**Deanne Stewart,**  
First State Super CEO



# An opportunity to lead the way

A merger between VicSuper and First State Super would present an opportunity to build on the shared heritage, values and strengths of these two successful and strongly aligned profit-to-member super funds, paving the way for new market leadership and innovation.

## Initial discussions point to potential benefits for members

Early discussions between VicSuper and First State Super have identified significant benefits for members of both Funds should a merger go ahead:

- scale benefits that could help members' retirement savings over the long term;
- broader investment market opportunities and increased diversification, which could then reduce costs and improve outcomes for our members;
- collective strength of our education, advice and retirement solutions could provide great value services and a unique, differentiated offer to members;
- combining our retirement assets could provide opportunities to develop innovative and potentially market-leading retirement income solutions for our members.

### Shared heritage

VicSuper and First State Super share a similar member base of people who work in education, community services and health. Both Funds share a public sector heritage and have a growing number of employers and members from the private sector.

### Commitment to responsible investing

Both VicSuper and First State Super share a strong commitment to active ownership and responsible investing. The due diligence process will give us the opportunity to discuss and consider what a shared investment philosophy and approach would look like.

### Shared values

Both Funds have very similar values and strong cultural alignment. Our people, and the way we collaborate, are the reason for our success and why we are so trusted by our members.

In 2019 both Funds were recognised by the industry for acting solely in their members best interests winning Best Fund: Integrity at the 2019 Chant West Fund of the Year Awards.

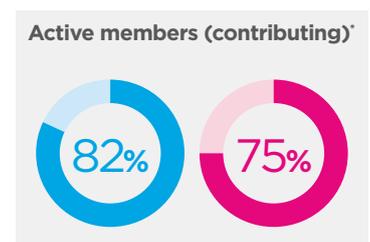
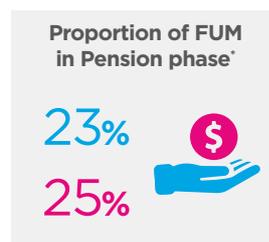


### Increasing scale

Both Funds are committed to delivering the best possible outcomes for our members and one of the key ways to do this is by increasing scale. With more scale, we could offer even better services and access a greater range of investment opportunities that could deliver strong, sustainable investment returns over the long-term.

### The importance of advice

Both Funds believe in the importance of quality financial advice to help our members make the most of their retirement savings. Both have a proven track record in developing market-leading advice solutions and retirement products for members.



\*As at 31 May 2019