

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

Commonwealth Bank of Australia

CBA74QON: **Dr MULINO:** There was some reporting in the AFR on 19 November around some underperforming funds, and Commonwealth Bank Group Super—I think it was the Accumulate Plus Balanced product—was nominated as one of the MySuper funds that was underperforming. I think the net return benchmark was minus 1.01 per cent. Have you seen that report? It's based on APRA numbers. Do you accept those numbers?

Mr Cohen: I do recall the report. That was part of the APRA heatmap report, from memory. Group Super, as you're aware, is our employee super fund, our internal super fund. I don't recall the exact figures for that, as you've quoted. I'm not disputing them; I just don't recall them specifically.

Dr MULINO: Do you have at hand the fee structure for that MySuper product?

Mr Cohen: No, I don't. We can certainly give you the detail, the fee structure, of that. From memory, the MySuper product is not one of the more popular products amongst the products offered by Group Super, but we can give you the breakdown of fees and costs.

Dr MULINO: That would be great. I'd also be curious to get a bit of guidance on the corporate structure, if you will. Does CBA own a corporate entity which owns the trustees? Is that the way it works?

Mr Cohen: Yes, that's correct. For the Group Super fund, yes, that's correct.

Dr MULINO: Are you able to provide information on the ways in which the returns that are earned in that product are distributed to members and then ultimately to CBA?

Mr Cohen: Yes.

Mr Comyn: We'd be happy to. What David's alluding to is the Group Super product, which is available to all employees—my superannuation is in that product. So, we'd be happy to provide it.

Mr Cohen: Dr Mulino, if I understand you correctly, you might be asking whether there is a portion of the returns earned by that fund that is distributed to members and another portion that goes to the CBA corporate group. Is that correct?

Dr MULINO: Yes, as a dividend, I suppose you could describe it.

Mr Cohen: My understanding—and we'll confirm this to you in a follow-up—is that there is no profit dividend returned to the CBA Group.

Mr Comyn: That's my understanding as well but we're happy to confirm that.

Dr MULINO: What's the name of the company beneath the CBA that owns the trustee?

Mr Cohen: Off the top of my head, I cannot remember. We can tell you on notice.

Dr MULINO: Would it retain some of the earnings on the investment products as a dividend or as profit?

Mr Cohen: It incurs costs, as you would expect, in maintaining and operating the fund. So it draws funds for that purpose. I'm not aware that it actually retains a pool of profits, if you like, for future dividend into CBA.

Dr MULINO: Thank you for taking that on notice. I'd be interested to get a sense of the flows from that product.

Answer: The MySuper Balanced option is the fund default investment option and approximately 78% of the 64,000 Accumulate Plus members are in this option

a. Fee Structure

Investment fee of 0.55% of account balance per year (estimated for the 12 months to 30 June 2020). Administration fee comprising fixed fee of \$77.65 per year plus asset-based fee of 0.17% of account balance per year

b. Corporate Structure

Commonwealth Bank Officers Superannuation Corporation Pty Limited (CBOSC) is a constitutional corporation with a share capital of \$2.00, divided into 2 shares of \$1.00. CBA is the sole shareholder. CBOSC does not conduct any business other than as trustee of Group Super.

The Group Super Fund is an employer-sponsored (non-public offer) fund established by CBA for the benefit of eligible members, comprising current CBA employees, former CBA employees who retain Fund membership or a pension, and spouses of members and pensioners. It operates on a not for profit model.

c. Distribution of returns

The Fund does not make (and is not permitted to make) any payment in the nature of a distribution to CBA. The returns of Commonwealth Bank Group Super from the MySuper Product are either applied to member accounts (through unit price changes) or are retained in a notional reserve for the

payment of future fund administration expenses. Administration fee levels are reviewed annually to ensure they remain appropriate.

d. Retention of earnings

The objects for which CBOSC is established are to act as the Trustee of the Fund (and of any regulated superannuation fund within the meaning of section 19 of the Superannuation Industry (Supervision) Act 1993). The Trust Deed does not entitle CBOSC to be remunerated from the Fund for its services as the Trustee of the Fund, and CBOSC does not otherwise receive any fee or compensation for operating the Fund. CBOSC does not earn any revenues or underlying profit before tax, or incur any operating expenditure.