

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

**REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR**

LUCRF Super

LUC101QW

Please advise the total remuneration package of your:

- a. company secretary, and**
- b. Chief Executive Officer, including:**
 - i. total remuneration**
 - ii. base salary**
 - iii. annual bonuses**
 - iv. deferred bonuses**
 - v. equity or other options**
 - vi. additional compensation not covered in the above.**

Answer:

Details of the remuneration of executives is available on LUCRF's website and is accessible at: <https://www.lucrf.com.au/governance>. LUCRF's company secretary and CEO do not receive annual bonuses, deferred bonuses, or equity or other options.

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LUCRF Super

LUC102QW

For each year of the past decade, please advise the:

- a. annual remuneration of the average worker who contributes to your fund**
- b. average annual superannuation contribution from an employee to your fund**
- c. multiple your CEO is remunerated compared to the annual remuneration of the average worker who contributes to your fund.**

Answer:

LUCRF does not collect remuneration data for members of the fund. For contribution data, please refer to Table 3 of the APRA Superannuation Statistics Back Series which is accessible at <https://www.apra.gov.au/annual-fund-level-superannuation-statistics>.

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LUCRF Super

LUC103QW

In the context of marketing and advertising campaigns:

- a. How many is your fund currently running individually, or in collaboration with others?**
- b. How many have run, or are currently running since the beginning of calendar year 2020?**
- c. What is the actual cost for each campaign (including development, production, broadcasting, and distribution) to 30 June 2020?**
- d. What is the actual cost for each campaign (including development, production, broadcasting, and distribution) budgeted?**
- e. What is the budgeted cost for each campaign (including development, production, broadcasting, and distribution) from 1 July 2020 – 31 December 2020?**
- f. What is the budgeted cost for any existing or proposed campaigns (including development, production, broadcasting, and distribution) for the period 1 January 2021 – 30 June 2021?**
- g. What is the budgeted cost for any existing or proposed campaigns (including development, production, broadcasting, and distribution) for the period 1 July 2021 – 31 December 2021?**

Answer:

LUCRF undertakes various advertising and marketing activities for the purpose of increasing brand awareness, which in turn promotes membership retention and growth, and assist in increasing funds under management.

For detail about LUCRF's advertising and marketing activities, please see responses to LUC10QW, LUC11QW, LUC31QW and LUC32QW. Please also refer to Column BC of Table 3 of the APRA Superannuation Statistics Back Series which is accessible at <https://www.apra.gov.au/annual-fund-level-superannuation-statistics>.

Specific details of LUCRF's advertising and marketing expenditure is confidential and commercially sensitive.

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LUCRF Super

LUC104QW

For each of the following categories, please provide the percentages of employees that are women, men, or who identify otherwise:

- a. all employees**
- b. non-executive employees**
- c. executive employees**
- d. senior executive employees.**

Answer:

- a. Women = 37%
Men = 63%
- b. Women = 36%
Men = 64%
- c. Women = 50%
Men = 50%
- d. Women = 50%
Men = 50%

Note: We have a total of 8 executives, we do not distinguish between 'Executive' & 'Senior Executive' employees, so have included the same data for both questions. Further, no employee has indicated to LUCRF that they identify otherwise.

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LUCRF Super

LUC105QW

Do you have a target for the employment of:

- a. women as a share of:**
 - i. all employees?**
 - ii. executive employees?**
 - iii. senior executive employees?**

- b. people who are gender non-binary as a share of:**
 - i. all employees?**
 - ii. executive employees?**
 - iii. senior executive employees?**

Answer:

LUCRF does not have a specific target for the employment of women or people who are gender non-binary. However, LUCRF is committed to ensuring gender equality across all areas of the fund and employs non-discriminatory hiring practices which ensure equal opportunity regardless of gender.

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LUCRF Super

LUC106QW

Since the introduction of Superstream, which has standardised the transfer of funds, has there been:

- a. A reduction in the cost to the fund for transferring funds, and if so, by how much?**
- b. A reduction in the fees charged to members reflecting any saving, and if so, by how much?**

Answer:

LUCRF has not undertaken an analysis of the reduction in costs and/or fees attributable to the introduction of Superstream. However, in October 2018, LUCRF's variable administration fee reduced from 0.22% to 0.18% per annum, certain investment fees were reduced, and LUCRF's indirect cost ratio reduced from 0.43% to 0.39% per annum for the MySuper Balanced option. This occurred after the introduction of Superstream. For further details on this fee reduction, please see: <https://www.lucrf.com.au/knowledge-centre/important-update/our-significant-event-notice-about-fee-reduction>.

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LUCRF Super

LUC107QW

Greenhouse gas emissions

- a. Does your fund have an internal target for your own greenhouse gas emissions footprint by:**
 - i. 2030?**
 - ii. 2035?**
 - iii. 2040?**
 - iv. 2045?**
 - v. 2050?**

- b. Does your fund have a target for reducing greenhouse gas emissions from investments by:**
 - i. 2030?**
 - ii. 2035?**
 - iii. 2040?**
 - iv. 2045?**
 - v. 2050?**

- c. Does your fund intend to divest from investments if they do not reach their greenhouse gas emissions reduction targets by:**
 - i. 2030?**
 - ii. 2035?**
 - iii. 2040?**
 - iv. 2045?**
 - v. 2050?**

Answer:

LUCRF is currently in the process of finalising its Climate Change Strategy Policy. LUCRF also incorporates environmental, social and governance principles into its investment decision-making. The fund is also developing its approach for assessing the possibilities of reducing the emissions profile of its operations and investments. For further details, please see LUCRF's response to LUC95QW.

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LUCRF Super

LUC108QW

The New Daily

- a. Have you ever completed a cost benefit analysis of The New Daily to your fund?**
 - i. If so, when did you complete this cost benefit analysis?**
 - ii. Please provide a copy of the cost benefit analysis.**

- b. Have you ever completed a cost benefit analysis of The New Daily to your members?**
 - i. If so, when did you complete your cost benefit analysis of the New Daily to your members?**
 - ii. Please provide a copy of the cost benefit analysis.**

Answer:

LUCRF no longer holds any shares in The New Daily. Prior to acquiring the shares in The New Daily, the fund undertook an assessment of its investment (which LUCRF viewed as an investment in a marketing program) to ensure that it was in the best interests of its members. The New Daily does not incur any costs with, or pay any fees to, The New Daily.

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LUCRF Super

LUC109QW

Financial advisers remuneration

- a. Are your financial advisers paid:**
 - i. a base salary?**
 - ii. non-salaried remuneration, including bonuses?**

- b. Are your financial advisers, who are only remunerated with a base salary, eligible to provide:**
 - i. personal advice?**
 - ii. general advice?**

Answer:

- a.**
 - i. Yes.**
 - ii. No.**

b. LUCRF's financial advisers are licenced to provide personal advice and general advice, but predominately provide only general advice.

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LUCRF Super

LUC110QW

Have any technology innovations within the fund reduced the cost of operating the fund over the past decade?

If so, please outline:

- a. the technological innovations**
- b. the cost saving**
- c. the cost saving passed through to fees charged to members.**

Answer:

LUCRF has implemented technological innovations which have resulted in costs savings. LUCRF has not however undertaken an analysis of the cost savings and fee reductions attributable to each specific technological innovation.

Due to its ability to reduce its operating costs generally, LUCRF has been able to reduce the fees charged to members. For further details about LUCRF's fee reductions, please see: <https://www.lucrf.com.au/knowledge-centre/important-update/our-significant-event-notice-about-fee-reduction>.

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LUCRF Super

LUC111QW

Valuations

- a. What data is provided to valuation teams to assess the value of unlisted assets?
- b. When the fund provides data to valuation teams to assess the value of unlisted assets, does this include internal modelling of asset valuations?
- c. What assumptions are provided to valuation teams when assessing the value of unlisted assets?
- d. When valuation teams assess the value of unlisted assets, do they solely take account of past performance?
- e. When valuation teams assess the value of unlisted assets, what weighting do they take on the projected value of the market for such unlisted assets to inform their valuations?
- f. For the past decade can you please complete the below table for each unlisted asset valued under your valuation policy.

Asset class	i.e., Airport	
Financial year	In-house valuation conducted by	External valuation conducted by
2010/2011	i.e., Deloitte	i.e., Ernst & Young
2011/2012		
2012/2013		
2013/2014		
2014/2015		
2015/2016		
2016/2017		
2017/2018		
2018/2019		
2019/2020		

Answer:

The majority of LUCRF's assets are managed by an investment manager who undertakes the valuation in accordance with LUCRF's Asset Valuation Policy (please refer to the response to LUC06QW for a copy of that policy). Please refer also to the responses to LUC08QW, LUC39QW and LUC70QW.

LUCRF's directly owned unlisted assets (three commercial property assets) represent circa 0.2% of total Fund assets (and circa 1% of total unlisted assets), as outlined in response to LUC08QW. These assets are valued externally by an independent valuer. The valuer examines the available market evidence and applies this analysis to both the traditional capitalisation

approach and the discounted cash flow approach. These approaches are then checked by the direct comparison approach, analysed on a rate per square metre of total lettable area. Further details relating to valuations are confidential and commercially sensitive.

These assets were valued by external valuers as follows.

Asset class	Directly owned commercial properties	
Financial year	In-house valuation conducted by	External valuation conducted by
2010/2011	n.a.	Knight Frank
2011/2012	n.a.	Jones Lang LaSalle
2012/2013	n.a.	Jones Lang LaSalle
2013/2014	n.a.	Jones Lang LaSalle
2014/2015	n.a.	M3
2015/2016	n.a.	Jones Lang LaSalle
2016/2017	n.a.	Jones Lang LaSalle
2017/2018	n.a.	Jones Lang LaSalle
2018/2019	n.a.	Colliers International
2019/2020	n.a.	Colliers International

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LUCRF Super

LUC112QW

In the Financial Services Royal Commission documentation an 'Audit and Risk Management Committee' paper was compiled for CBUS ('Review of payments made to sponsoring organisations'—<https://financialservices.royalcommission.gov.au/public-hearings/Documents/Additional-exhibits-round-5/EXHIBIT-5.368.pdf>).

Please advise how many times, over the last decade, such a paper, or equivalent, has been prepared for:

- a. your Board?
- b. a Board subcommittee?
- c. executive management?

Answer:

LUCRF undertakes an internal assessment, and where appropriate undertakes an external appraisal and evaluation, of all major sponsorships. The sponsorship proposal, together with the internal assessment and the external appraisal, is presented to the Growth & Transformation Committee to consider. Major sponsorship agreements are reviewed periodically.

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LUCRF Super

LUC113QW

Over the past decade, how many non-disclosure agreements have you agreed to in relation to:

a. human resources issues?

b. sexual harassment issues?

Answer:

a. Nil.

b. Nil.

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LUCRF Super

LUC114QW

Do you use an internal clearing house to receive the superannuation payments from employers, or their payroll representatives, before they are allocated to an individual member's account and/or fund?

If so:

a. What is the name of the clearing house?

b. Why do you use a clearing house?

c. How much does it cost annually to use the clearing house?

d. How much does it cost annually to each member to use the clearing house?

e. What happens to interest accrued from funds held in the clearing house?

f. What happens to non-interest income and/or capital gains accrued from funds held in the clearing house?

Answer:

LUCRF does not use an internal clearing house.

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LUCRF Super

LUC115QW

Do you use an external clearing house to receive the superannuation payments from employers, or their payroll representatives, before they are allocated to an individual member's account and/or fund?

If so:

a. What is the name of the clearing house?

b. Who owns the clearing house?

c. Why do you use an external clearing house?

d. How much does it cost annually to use the external clearing house?

e. How much does it cost annually to each member to use the external clearing house?

f. What happens to non-interest income and/or capital gains accrued from funds held in the external clearing house?

Answer:

a. Westpac Quicksuper Gateway.

b. Westpac Banking Corporation.

c. LUCRF uses an external clearing house to ensure superannuation contributions, rollover amounts and underlying data is electronically remitted using data standards and security protocols compliant with Superstream obligations. LUCRF previously used an internal clearing house however, it determined that it imposed greater cost and effort requirements. For this reason, LUCRF decided to close its internal clearing house and transfer to an external clearing house.

d. Details of the arrangement with Westpac are confidential and commercially sensitive.

e. Members are not charged a fee for clearing house services.

f. Funds held by the clearing house provider awaiting clearance are held in a non-interest-bearing account.

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LUCRF Super

LUC116QW

If you use an internal clearing house please outline when money is received into the clearing house:

- a. On average, how long does it stay in the clearing house before it:**
- i. is allocated to a member's account and/or fund?**
 - ii. is allocated to purchase units for a member's account and/or fund?**
 - iii. appears in a member's account and/or fund statement and/or online record?**

- b. What is the longest time that it has stayed in the clearing house before it:**

- i. is allocated to a member's account and/or fund?**
- ii. is allocated to purchase units for a member's account and/or fund?**
- iii. appears in a member's account and/or fund statement and/or online record?**

- c. What is the shortest time that it has stayed in the clearing house before it:**

- i. is allocated to a member's account and/or fund?**
- ii. is allocated to purchase units for a member's account and/or fund?**
- iii. appears in a member's account and/or fund statement and/or online record?**

- d. For interest accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:**

- i. the individual member's account and/or fund?**
- ii. a different account and/or fund? If so, what is its name?**

- e. For non-interest income and/or capital gains accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:**

- i. the individual member's account and/or fund?**
- ii. a different account and/or fund? If so, what is its name?**

Answer:

LUCRF does not use an internal clearing house.

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LUCRF Super

LUC117QW

If you use an external clearing house please outline when money is received into the clearing house:

- a. On average, how long does it stay in the clearing house before it:**
- i. is allocated to a member's account and/or fund?**
 - ii. is allocated to purchase units for a member's account and/or fund?**
 - iii. appears in a member's account and/or fund statement and/or online record?**

b. What is the longest time that it has stayed in the clearing house before it:

- i. is allocated to a member's account and/or fund?**
- ii. is allocated to purchase units for a member's account and/or fund?**
- iii. appears in a member's account and/or fund statement and/or online record?**

c. What is the shortest time that it has stayed in the clearing house before it:

- i. is allocated to a member's account and/or fund?**
- ii. is allocated to purchase units for a member's account and/or fund?**
- iii. appears in a member's account and/or fund statement and/or online record?**

d. For interest accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:

- i. the individual member's account and/or fund?**
- ii. a different account and/or fund? If so, what is its name?**

e. For non-interest income and/or capital gains accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:

- i. the individual member's account and/or fund?**
- ii. a different account and/or fund? If so, what is its name?**

Answer:

- a. One business day.**
- b. If payments cannot be reconciled within three business days, the clearing house provider will attempt to return the money to the employer.**
- c. One business day. Where the payment and accompanying data is received before 4:00 pm EST, those reconciled payments are allocated to the member's account on the following business day.**
- d. N/A. No interest accrues.**
- e. N/A. No non-interest income or capital gains accrue.**

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LUCRF Super

LUC118QW

During the first half of 2020 there were significant market movements because of the economic response to the COVID-19 pandemic. Please complete the following table outlining the total payouts and losses in foreign exchange hedging.

Answer:

LUCRF Super's foreign exchange hedging contracts (managed by QIC Limited) roll on a quarterly basis (in January, April, July and October each year), whereupon foreign exchange hedging profits are either paid to LUCRF Super or foreign exchange hedging losses are settled by LUCRF Super. Realised profits or losses over the period requested are detailed below.

Month in 2020	Payouts for FOREX hedges (\$)	Losses for FOREX hedges (\$)
January	+\$0.6 million (i.e. realised profit settled)	n.a.
February	n.a.	n.a.
March	n.a.	n.a.
April	n.a.	-\$65.2 million
May	n.a.	n.a.
June	n.a.	n.a.

Whilst outside the requested range, it should be noted that a currency hedging profit of \$69.1 million was paid to LUCRF Super for currency hedging contracts in July (representing the quarter-ending July 2020) when currency hedges were rolled from July to October.

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LUC119QW

Assuming a young Australian whose birthday was 1 July 1989, got their first job on 1 July 2005, opened a default superannuation account on 1 July 2005, made the average contribution of a person in that age bracket, using the default product offer made at that time and made no additional contributions, received the average growth, paid all fees, insurances and deductibles, please complete the following table.

Age	Financial year	Annual average income of fund members from that age bracket in that year (\$)	Average Compulsory superannuation contribution in that year (%) of income	Resulting average annual superannuation contribution made (\$)	All fees, insurances, indirect cost ratios and other deductibles not classified as fees (\$)	Average growth in that year (\$)	Balance at the end of that year (\$)
16	2005/2006	i.e. Someone who was 16 in 2005/2006 financial year	i.e. 9 per cent	i.e. 9 per cent of column 3	i.e. the totals deducted	i.e. growth on the balance reflecting the time reality of growth and when fees are deducted	i.e. The total balance for that account at the end of the financial year once growth and fees have affected the balance
17	2006/2007						
18	2007/2008						
19	2008/2009						
20	2009/2010						
21	2010/2011						
22	2011/2012						
23	2012/2013						
24	2013/2014						
25	2014/2015						
26	2015/2016						
27	2016/2017						
28	2017/2018						
29	2018/2019						
30	2019/2020						
Totals				i.e. The sum total of the cells above	i.e. The sum total of the cells above	i.e. The sum total of the cells above	i.e. The final balance

Answer:

LUCRF does not collect average income data from its members.

Data relating to fees and returns is set out in the APRA Superannuation Statistics Back Series, which can be accessed at: <https://www.apra.gov.au/quarterly-superannuation-statistics>.

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LUCRF Super

LUC120QW

In reference to the original publication of the article “CEOs push Andrews to reopen faster” in the *Australian Financial Review* on 20 October 2020 (see attachment) which states:

Meanwhile, restaurateur Chris Lucas, pub owner and former AFL player Paul Dimattina and CSL chairman Brian McNamee all spoke of repercussions from elements of the labour movement for criticising the state government over the failures which led to the crisis and the subsequent slow pace of reopening the economy. Union-aligned industry superannuation fund managers have pressured Dr McNamee to stop his outspoken criticisms of the state government lockdown, even though he has repeatedly said he is speaking in a personal capacity and not for the company.

In the context of confronting, bullying or intimidatory workplace cultures, please advise:

(a) has the Chair of your fund been in contact through any medium with Dr McNamee or his office since 5 August 2020, and if so please advise the name of the person who made contact and the nature of any communications.

(b) have board members of your fund been in contact through any medium with Dr McNamee or his office since 5 August 2020, and if so please advise the name(s) of the person(s) who made contact and the nature of any communications.

(c) has the CEO of your fund been in contact through any medium with Dr McNamee or his office since 5 August 2020, and if so please advise the name of the person who made contact and the nature of any communications.

(d) have senior executives of your fund been in contact through any medium with Dr McNamee or his office since 5 August, and if so please advise the name(s) of the person(s) who made contact and the nature of any communications.

Answer:

No.