

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**MARITIME SUPER**

**MAR63QW:** Can you please advise what arrangements you have provided to **defer** the payment of rent for tenancies for **assets owned** by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** The Fund does not directly own any property investments. It invests in property via unlisted unit trusts of selected property managers. Those property managers are responsible for managing tenancies and all other matters associated with management of their properties.

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**MARITIME SUPER**

**MAR64QW:** Can you please advise what arrangements you have provided to **defer** the payment of rent for tenancies for **assets controlled** by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** The Fund does not directly control any property investments. It invests in property via unlisted unit trusts of selected property managers. Those property managers are responsible for managing tenancies and all other matters associated with management of their properties.

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**MARITIME SUPER**

**MAR65QW:** Can you please advise what arrangements you have provided to **adjust** the payment of rent for tenancies for **assets owned** by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** The Fund does not directly own any property investments. It invests in property via unlisted unit trusts of selected property managers. Those property managers are responsible for managing tenancies and all other matters associated with management of their properties.

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**MAR67QW:** On 1 January 2020 what was your percentage share and nominal value of your listed and unlisted assets?

**Answer:**

<b><u>Value (\$'000)</u></b>	<b>1 January 2020</b>
Listed	\$4,596,045
Unlisted	\$1,337,564
Total	\$5,933,609

<b><u>Value (%)</u></b>	<b>1 January 2020</b>
Listed	77.5%
Unlisted	22.5%
Total	100.0%

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**MARITIME SUPER**

**MAR68QW:** On 1 January 2020 did your fund have liquidity issues resulting from honouring obligations to members?

**Answer:** No

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**MARITIME SUPER**

**MAR69QW:** What write down, if any, has been made to the value of unlisted assets?

**Answer:** The Fund does not carry out valuations itself. It relies on the valuations provided by the various investment entities into which we invest.

The underlying investments of those entities are subject to regular independent valuations at various times.

Over any specified time period, those valuations inevitably lead to either a valuation increase or decrease over that time and also reflect all transactions and other activity during that period.

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**MAR70QW:** Listed companies holding infrastructure assets have had write downs of around 40 per cent:

- a) How does this compare to your write down of unlisted assets?
- b) If there is a difference, why is there a difference?

**Answer:**

- a) Refer to previous question as to whether unlisted asset valuations have altered and over which period.
- b) There will always be a difference between unlisted valuations and the share market valuations of similar listed entities or proxy indices. History has shown that the valuations of unlisted assets do not generally reach either the troughs or peaks of share market prices (eg strong share market rises over many periods including 2019).



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**MARITIME SUPER**

**MAR71QW:** Have you had any liquidity issues in honouring your obligations to members as a result of the:

- a) recent decline in the share market?
- b) permission by the Federal government to allow members to remove up to \$10,000 per financial year if they lose their job?

**Answer:**

- a) No
- b) No

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**MAR72QW:** What has been the current reduction of the value of your fund, and the unlisted and listed components since 1 January 2020?

**Answer:** Details at 30 April 2020:

<b><u>Value (\$'000)</u></b>	1 January 2020	30 April 2020
Listed	\$4,596,045	\$4,001,178
Unlisted	\$1,337,564	\$1,319,467
Total	\$5,933,609	\$5,320,646

<b><u>Value (%)</u></b>	1 January 2020	30 April 2020
Listed	77.5%	75.2%
Unlisted	22.5%	24.8%
Total	100.0%	100.0%

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**MARITIME SUPER**

**MAR73QW:** How many members have **requested the early release** of their superannuation since 12 March 2020, and to what value?

Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.

**Answer:** 1,310 members have requested the early release of their superannuation since 12 March 2020. The value of the early release requests is \$12,565,693.14 (subject to member's account balance at the time of payment).

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**MARITIME SUPER**

**MAR74QW:** How many members have **had approved the early release** of their superannuation since 12 March 2020, and to what value?

Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.

**Answer:** 1,090 members have had approved the early release of their superannuation since 12 March 2020. The value of these early release payments is \$10,365,693.14.

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**MAR75QW:** If some members have required the early release of their superannuation since 12 March 2020 and not been approved, please provide details of the grounds on which they have not been approved.

**Answer:** To date only 7 requests for early release of superannuation have been rejected or cancelled.

These requests have been rejected or cancelled for the following reasons:

- ATO revocation
- zero balance in the Fund to request
- the member contacting us to cancel the request

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### MARITIME SUPER

**MAR76QW:** Liquidity management:

- a) What is your fund's process for complying with APRA's prudential framework which requires trustees to have a liquidity management plan?
- b) How is the plan being reported to the trustee directors?
- c) Who is responsible for the day-to-day liquidity management for the fund?

**Answer:**

- a) The Fund's investment governance framework includes a liquidity management plan (refer Appendix 1).
- b) The liquidity management plan is being reported to trustee directors via weekly emails, Board meeting agenda papers and Investment Committee meeting agenda papers.
- c) The Trustee Board, under advice from the Investment Committee and through delegations to Fund management.

The modelling is used by the Board to assist in consideration of the design of the MIC Options, particularly the asset allocation targets and ranges outlined above in section 2.4. It is also used to review annually, and more frequently if needed, the liquidity crisis management planning outlined in section 4.7 below.

### 4.7 Liquidity crisis management planning

#### *Principles*

The Board's objective is to manage the illiquidity levels within the approved ranges around agreed targets for the MIC Options. At times circumstances can lead to declines in the liquidity position of MIC options. From an equity perspective, it is desirable to stay within the ranges, although in some circumstances it is not possible without creating unacceptable side-effects.

The Investment Committee will meet as necessary to advise the Trustee on a recommended strategy in response to declining liquidity. In developing a strategy, the Trustee will consider the particular circumstances surrounding the current and anticipated level of illiquidity and may take advice from one or more of the Fund's investment advisers.

#### *Critical stress points*

The first critical stress point is five bps below the top of the range for an MIC Option (eg at 30% for Growth Option).

At this level a register of preferred liquid managers is to be compiled with potential redemption priorities and amounts. The practical (rather than theoretical) liquidity of each of these 'liquid' mandates and the time lags for redemption, are to be monitored and recorded on the register. This register would be reviewed monthly and be ready to be used as needed for redemptions.

The second critical stress point is the top of the range for an MIC Option (eg 35% for Growth Option).

If the illiquid range of one of the MIC options is exceeded, the Investment Committee will develop a formal strategy in response. The Fund modelling (refer section 4.6) should be re-run with the updated liquidity positions of the MIC options, and after the stress test assumptions have been re-assessed in conjunction with the Fund's Investment Adviser.

The strategy options available include:

- No action, if supported by investment advice that the situation is deemed to be temporary, but monitor closely against cash flow and switch movements;
- Sell liquid assets directly from those which are more readily saleable from the listed register, if such a sale is possible at values which are reasonable, as advised by the Investment Adviser;
- Consider which trust distributions could be received in cash rather than reinvested.
- Begin consideration of the possibility of access to some of the unlisted investments, by developing a second register of mandates which are a potential source of funds (similar to the listed register) but also including the feasibility of access, the likely discount and the expected time to payment. This register would be reviewed monthly;
- Advise APRA of the situation, including details of the Boards' liquidity crisis management plan.

The third critical stress point is illiquidity reaching a point at 5% above the top of the target range (eg 40% for the Growth Option).

At this point the Board must review its liquidity crisis management plan and introduce consideration of further strategies which may include:

- Continue to sell liquid assets from the listed register, subject to considerations of equity and maintenance of the most appropriate asset allocations across all MIC Options;
- Seek to negotiate any other terms and conditions eg reductions in drawdowns in relevant illiquid investments;
- Consider selling illiquid assets from the unlisted register on the secondaries market after advice from the Investment Adviser (in particular on the discount needed to achieve such sales) as to the long term impact of such sales on the Fund's investment objectives and illiquid asset program, and consideration of the immediate impact on unit prices and on equity between members;
- Seek APRA approval for a temporary freeze on payments and transfers out of the Fund;
- Seek APRA approval for a temporary freeze on switches between MIC Options or a partial freeze to the extent that members can switch their liquid assets but must retain their illiquid assets.

In this situation it would be expected that the stress testing outputs of the Fund modelling would be re-run frequently as required. It is not possible to be definitive about the most appropriate strategy until the circumstances are known. However the trustee must take expert independent advice.

#### *Equity considerations*

Temporary variations outside the liquid ranges may be acceptable, subject to the advice of the Investment Adviser, because the Trustee is also aware that sales of illiquid assets are often not possible in the short term and/or can only be achieved at heavily discounted values which may not be in the best interest of all groups of members.

However the Trustee is very conscious of the need to maintain equity between all members; those who remain in the Fund in their existing MIC Options, those who switch between MIC Options and those who leave the Fund.

Selling liquid assets at market value to achieve liquidity needs to be weighed against the discount for selling illiquid assets and the ability to find buyers for those illiquid assets. In particular if the discount needed to achieve a secondary sale were to reduce the MIC Option unit price by more than 30bps, this would generally be seen to be a material impact on equity between members.

The seeking of approval for a freeze is considered generally to be a last resort as the Trustee is conscious that such action could create concern amongst members and may exacerbate the problem by causing more members to seek to transfer out of the Fund and lead to greater member equity issues.

#### *Monitoring*

In any period where the liquidity position falls within one of these crisis points, the frequency of the regular liquidity monitoring outlined in section 4.5 above is increased to ensure that information is current and actions are timely. As well as asset allocations and liquidity positions being monitored more frequently (daily data is available), other key factors including expected cashflows, currency funding and MIC switches, are monitored at least monthly and as frequently as needed.

As a minimum, the Board will be provided with a report monthly on the current liquidity levels, the crisis management plan actions and the anticipated activity over the next month.

A meeting of the Investment Committee will be called whenever necessary to manage the liquidity situation, including where decisions are required to implement the liquidity management plan which are beyond the scope of the Authorities and Delegations Policy.