

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Sunsuper

SS100QW: Since 1 January 2020, for each fund, please outline:

- a. The date and value at the highest valuation of the fund?
- b. The date and value at the lowest valuation of the fund?
- c. The number of business days between the highest and lowest valuation for the fund?
- d. The nominal value between the highest and lowest valuation for the fund?
- e. The percentage value between the highest and lowest valuation for the fund?
- f. The number of business days between the date of the ASX's lowest valuation, and the lowest day for the valuation of the fund?
- g. The number of business days between the date of the ASX's lowest valuation, and the lowest valuation of unlisted assets in the fund?
- h. What volume of switching of investments occurred between funds between the highest and lowest valuations?
- i. What volume of switching between funds occurred in that time by trustees of the fund that are also members of the fund, between the highest and lowest valuations?
- j. What volume of switching between funds occurred in that time by executives of the fund that are also members of the fund, between the highest and lowest valuations?
- k. What volume of switching between funds occurred in that time by other employees of the fund that are also members of the fund, between the highest and lowest valuations?
- l. What integrity measures were taken to prohibit trustees, executives and employees switching between funds from taking advantage of arbitrage of any gap between the lowest valuation date of the ASX and any revaluation of the fund?

Answer

We have defined ASX as the S&P/ASX 300 Accumulation Index (Australian Shares), the performance benchmark for Sunsuper's Australian Equity Option.

a - k. Please refer to SS100.1QW. For (d) refer to the unit price in (a) and (b).

For (g) refer to the Diversified Alternatives and Property investment options which have a material strategic asset allocation to unlisted assets.

l. Sunsuper's *Restricted Trading Policy – Personal Trading (RTP)* describes controls and integrity measures that are safeguards against Sunsuper employees, secondees, contractors and directors (and their immediate family members) misusing material price sensitive non-public information relating to the fund's investments and investment options.

Key controls for Identified Persons include:

- requirement for pre-trade approval from the Head of Compliance before trading in any security;
- potential restrictions on transactions within Sunsuper investment options for specified periods (black-out periods); and
- requirement for additional approvals from the Head of Compliance prior to transacting in the Diversified Alternatives and Property investment options.

Option Name	(a) The date and value at the highest valuation of the fund	(b) The date and value at the lowest valuation of the fund	(c) The number of business days between the highest and lowest valuation for the fund	(e) The percentage value between the highest and lowest valuation for the fund	(f) The number of business days between the date of the ASX's lowest valuation, and the lowest day for the valuation of the fund	(h) What volume of switching of investments occurred between the highest and lowest valuations?	(i) What volume of switching between funds occurred in that time by trustees of the fund that are also members of the fund, between the highest and lowest valuations?	(j) What volume of switching between funds occurred in that time by executives of the fund that are also members of the fund, between the highest and lowest valuations?	(k) What volume of switching between funds occurred in that time by other employees of the fund that are also members of the fund, between the highest and lowest valuations?				
	Date	Date	Business Days	%	Business Days	ins	outs	ins	outs	ins	outs	ins	outs
Opt Super-Balanced	20-Feb-20	3,7429	23-Mar-20	3,0962	23	1	1084	0	2525	0	0	0	6
Opt Pen-Balanced	20-Feb-20	4,3659	23-Mar-20	3,5351	23	1	78	0	337	0	0	0	0
Lifecycle Pool-Balanced	20-Feb-20	1,7870	23-Mar-20	1,4815	23	1	573	0	5075	0	0	0	2
Opt Super-Retirement	20-Feb-20	3,0550	23-Mar-20	2,6567	23	1	491	0	622	0	0	0	3
Opt Pen-Retirement	20-Feb-20	3,5992	23-Mar-20	3,0782	23	1	125	0	449	0	0	0	0
Lifecycle Pool-Retirement	20-Feb-20	1,5779	23-Mar-20	1,3743	23	1	142	0	1203	0	0	0	1
Opt Super-Growth	20-Feb-20	3,7886	23-Mar-20	3,0190	23	1	1153	0	3242	0	0	0	15
Opt Pen-Growth	20-Feb-20	4,5556	23-Mar-20	3,5402	23	1	26	0	66	0	0	0	0
Opt Super-Conservative	20-Feb-20	2,8560	24-Mar-20	2,6115	24	2	2691	0	1169	0	0	0	16
Opt Pen-Conservative	20-Feb-20	3,0697	24-Mar-20	2,7684	24	2	230	0	260	0	0	0	0
Opt Super-Divers Bonds	23-Jul-20	3,0306	19-Mar-20	2,8629	89	3	845	0	788	0	0	0	2
Opt Pen-Divers Bonds	23-Jul-20	1,7413	19-Mar-20	1,6304	89	3	208	0	259	0	0	0	0
Opt Super-Balanced Indx	20-Feb-20	3,5466	23-Mar-20	2,7688	23	1	223	0	318	0	0	0	2
Opt Pen-Balanced Indx	20-Feb-20	2,5365	23-Mar-20	1,9495	23	1	14	0	54	0	0	0	0
Opt Super-Social Con Bal	20-Feb-20	3,3658	23-Mar-20	2,7590	23	1	203	0	175	0	0	0	1
Opt Pen-Social Con Bal	20-Feb-20	2,3343	23-Mar-20	1,8637	23	1	4	0	13	0	0	0	0
Opt Super-Divers Bonds Indx	09-Mar-20	2,9811	19-Mar-20	2,8510	9	3	323	0	321	0	0	0	1
Opt Pen-Divers Bonds Indx	09-Mar-20	2,4769	19-Mar-20	2,3515	9	3	34	0	55	0	0	0	0
Opt Super-Intl Shs Hedge Indx	19-Feb-20	4,6848	23-Mar-20	3,1590	24	1	592	0	766	0	0	0	14
Opt Pen-Intl Shs Hedge Indx	19-Feb-20	3,8635	23-Mar-20	2,5069	24	1	66	0	56	0	0	0	0
Opt Super-Intl Shs Unhldg Indx	20-Feb-20	2,5340	16-Mar-20	1,9585	18	6	434	0	661	0	0	0	16
Opt Pen-Intl Shs Unhldg Indx	20-Feb-20	3,7161	16-Mar-20	2,8035	18	6	48	0	83	0	0	0	0
Opt Super-Aust Prop Indx	20-Feb-20	3,1801	23-Mar-20	1,6886	23	1	574	0	625	0	0	0	8
Opt Pen-Aust Prop Indx	20-Feb-20	3,2636	23-Mar-20	1,6618	23	1	36	0	78	0	0	0	0
Opt Super-Aust Shares	20-Feb-20	5,0005	23-Mar-20	3,3255	23	1	572	0	797	0	0	0	11
Opt Pen-Aust Shares	20-Feb-20	5,4953	23-Mar-20	3,5228	23	1	34	0	56	0	0	0	0
Opt Super-Cash	27-Jul-20	1,9816	02-Jan-20	1,9708	145	57	14112	0	6062	0	0	1	60
Opt Pen-Cash	27-Jul-20	1,7982	02-Jan-20	1,7867	145	57	2371	0	1535	0	0	0	0
Lifecycle Pool-Cash	27-Jul-20	1,1215	02-Jan-20	1,1167	145	57	783	0	2766	0	0	0	2
Opt Super-Shares	20-Feb-20	3,7732	23-Mar-20	2,6224	23	1	276	0	560	0	0	0	3
Opt Pen-Shares	20-Feb-20	2,8523	23-Mar-20	1,9161	23	1	10	0	27	0	0	0	0
Opt Super-Aust Shares Indx	20-Feb-20	2,7438	23-Mar-20	1,8601	23	1	690	0	728	0	0	0	17
Opt Pen-Aust Shares Indx	20-Feb-20	3,0396	23-Mar-20	1,9804	23	1	75	0	103	0	0	0	0
Opt Super-Property	21-Feb-20	1,7983	24-Mar-20	1,5286	23	2	710	0	689	0	0	0	7
Opt Pen-Property	21-Feb-20	1,9027	24-Mar-20	1,6402	23	2	42	0	67	0	0	0	0
Opt Super-Emerg Mkts Shares	20-Jan-20	1,6161	19-Mar-20	1,2856	43	3	483	0	579	0	0	1	16
Opt Pen-Emerging Markets	20-Jan-20	1,7688	19-Mar-20	1,3761	43	3	12	0	31	0	0	0	0
Opt Super-Capital Guaranteed	27-Jul-20	2,3728	02-Jan-20	2,3600	145	57	2983	0	1861	0	0	0	18
Opt Pen-Capital Guaranteed	27-Jul-20	2,5450	02-Jan-20	2,5295	145	57	674	0	455	0	0	0	0
Opt Super-Div Alternatives	21-Feb-20	1,2340	04-May-20	1,1436	50	29	566	0	768	0	0	0	25
Opt Pension-Div Alternatives	21-Feb-20	1,2619	04-May-20	1,1613	50	29	87	0	203	0	0	0	0
Opt Super-RB Super Defined Benefit Option	20-Feb-20	1,3641	23-Mar-20	1,1273	23	1	3	0	13	0	0	0	0
Opt Pen-RB Super Pension Option	20-Feb-20	1,4141	23-Mar-20	1,1401	23	1	0	0	0	0	0	0	0

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Sunsuper

- SS101QW:** On financial advisers providing non-intrafund advice (i.e. comprehensive advice - beyond the scope of intrafund advice) within the fund over the past five financial years:
- a. How many do you employ (or are you paying for through outsourced arrangements)?
 - b. What is the revenue generated from these non-intrafund advisers?
 - c. How many financial advisers within the fund also provide intrafund advice?
 - d. If you have non-intrafund financial advisers within the fund also providing intrafund advice, how is their remuneration determined from different sources?
 - e. Is there any cross-subsidisation for non-intrafund financial advisers within the fund from activities funded through intrafund advice?
 - f. Is there any cross-subsidisation for financial advisers from intrafund advice to non-intrafund financial advisers within the fund?
 - g. What is the total budgeted cost and actuals for financial advisers?
 - h. What is the remuneration level/range for the financial advisers employed to provide non-intrafund advice to your members?
 - i. What is the aggregated cost of their remuneration?
 - ii. What is the aggregated cost for their employment?
 - iii. What is the aggregated cost for their on-costs, including but not limited to, superannuation, leave, training support and office space?
 - iv. What is the aggregated cost for marketing their services?
 - v. What is the aggregated cost for administrative support services?
 - vi. What is the aggregated cost for professional insurance and indemnity?
 - vii. What is the aggregated cost for compliance oversight?
 - viii. What is the aggregated cost for legal oversight?
 - ix. What is the aggregated cost for other regulatory oversight?
 - x. What is the aggregated cost for the unit, including overheads, that provides financial advice within the fund?

Answer:

a.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Financial Advisers	4	4	0	0	0

From November 2016 Sunsuper has employed salaried intrafund advisers only.

b.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Revenue Generated	\$195,000	\$61,636	N/A	N/A	N/A

c. Today, none. Four advisers employed until November 2016 provided both intrafund advice and non-intrafund personal advice. As noted above, this vertically integrated model for advice has since been discontinued.

d. Sunsuper does not have 'non-intrafund financial advisers'.

Before 2016, Sunsuper had four (4) advisers who provided non intrafund personal advice. They were remunerated by salary and may have been eligible for a bonus by achieving customer service targets, quality and compliance requirements, and received no commissions. Importantly, at no time did their remuneration not comply with relevant conflicted remuneration rules.

e. Before 2016 the fee charged to members for non-intrafund personal advice did not cover all costs. This model of service provision was dis-established.

f. No.

g. N/A. Sunsuper no longer provides non intrafund personal advice. Refer to our previous response to SS54QW provided to this Committee. The 2015/2016 and 2016/2017 figures includes the cost of these services.

h. Remuneration of non-intrafund advisers (as per response (e),) is shown below. These advice services ceased being offered in 2016

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Base Remuneration Range	\$100,000 - \$130,000 pa	\$100,000 - \$130,000 pa	N/A	N/A	N/A

i.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Aggregated Cost of Remuneration	\$640,000	\$650,000	N/A	N/A	N/A

Includes base, bonus, super, leave

ii.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Aggregated Cost of Employment	\$680,000	\$690,000	N/A	N/A	N/A

iii.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Aggregated Cost of On-costs	\$200,000	\$200,000	N/A	N/A	N/A

iv – v & vii – ix

These costs are funded through various business units of Sunsuper and cover a range of activities for the entire business. They are not separately attributed to financial advice activities.

- vi. Refer to response SS102QW b (vi). This reflects professional indemnity insurance premiums relevant to all Sunsuper advice activities is not specific to non-intrafund personal advice.
- x. Refer to response SS102QW (b)(x).

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Sunsuper

- SS102QW:** On financial advisers providing intrafund advice (i.e. strictly limited to advice on your super fund for the member only - not spouse) within your fund over the last five financial years:
- a. How many do you employ (or are you paying for through outsourced arrangements)?
 - b. What is the remuneration level / range for the financial advisers employed to provide intrafund advice to your members?
 - i. What is the aggregated cost of their remuneration?
 - ii. What is the aggregated cost for their employment?
 - iii. What is the aggregated cost for their on-costs, including but not limited to, superannuation, leave, training support and office space?
 - iv. What is the aggregated cost for marketing their services?
 - v. What is the aggregated cost for administrative support services?
 - vi. What is the aggregated cost for professional insurance and indemnity?
 - vii. What is the aggregated cost for compliance oversight?
 - viii. What is the aggregated cost for legal oversight?
 - ix. What is the aggregated cost for other regulatory oversight?
 - x. What is the aggregated cost for the unit, including overheads, that provides intrafund advice?
 - c. What is the revenue that intrafund advisers have generated?
 - d. How many financial advisers providing intrafund advice also provide it within the fund?
 - e. If you have financial advisers providing intrafund advice also providing it within the fund, how is their remuneration determined from different sources?
 - f. Is there any cross-subsidisation for financial advisers providing intrafund advice from revenue funded through activities within the fund?
 - g. What is the total budgeted cost and actuals for the intrafund advice unit?
 - h. What is the revenue generated from these financial advisers?
 - i. Within your fund, is there any cross-subsidisation for intrafund advice services?

Answer:

a.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Financial Advisers	16	16	16	17	14

b.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Base Remuneration Range	\$70,000 - \$130,000 pa	\$70,000 - \$130,000 pa	\$70,000 - \$130,000 pa	\$70,000 - \$130,000 pa	\$70,000 - \$130,000 pa

i.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Aggregate cost of Remuneration	\$1,940,000	\$1,980,000	\$2,240,000	\$2,320,000	\$1,870,000

Includes base, bonus, superannuation, leave

ii.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Aggregate cost of Employment	\$2,050,000	\$2,090,000	\$2,370,000	\$2,490,000	\$2,060,000

iii.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Aggregate cost of on-costs	\$600,000	\$660,000	\$680,000	\$770,000	\$680,000

iv – v & vii – ix

These costs are funded through various business units of Sunsuper and cover a range of activities for the entire business. They are not separately attributed to financial advice activities.

vi.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Aggregate cost of PI Insurance	\$20,000	\$20,000	\$20,000	\$30,000	\$30,000

- x. Refer to our response to SS54QW previously provided to the Committee. To supplement that response, the total cost of advice services in the 2019/ 2020 financial year was \$5.39M.

- c. Nil. Sunsuper does not generate revenue from intrafund advice.
- d. All Sunsuper intrafund advisers only provide advice within the fund.
- e. Sunsuper's intrafund advisers are remunerated only by Sunsuper as employees.
- f. No. Sunsuper does not charge a fee for intrafund advice. The service is provided without charge to all members. The service is provided to members through their administration fees.
- g. As per b(x) above.
- h. Nil.
- i. Sunsuper's advice model is to provide intrafund advice to all members, without charge or subsidisation. If a member seeks personal advice other than intrafund advice, the member is charged a fee by an external adviser with no subsidisation by Sunsuper.

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Sunsuper

SS103QW: Do you allow members to use their funds to pay for:

- a. Financial advice?
- b. Internal financial advisers?
- c. External financial advisers?

Answer:

- a. Yes.
- b. N/A – Sunsuper discontinued the vertically integrated provision of advice for a fee in 2016.
- c. Yes.

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Sunsuper

SS104QW: Do you allow external financial advisers access to online facilities to charge for external financial advisers consented by members using their funds?

Answer: Yes. Sunsuper has an online advice fee application form that facilitates the process to charge an advice fee from a member's account for advice within the Sole Purpose Test.

Members must approve the deduction of the fee before Sunsuper acts on the request and a range of compliance controls apply.