

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Sunsuper

SS125QW:

In dollar terms, how much advertising space did your fund book (directly or indirectly through a broker or agent) in the second half of 2020 that was unused on:

- a. radio?
- b. television?
- c. print?

Answer:

- a. \$0
- b. \$0
- c. \$0

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Sunsuper

SS126QW:

In minutes, how much advertising space did your fund book (directly or indirectly through a broker or agent) in the second half of 2020 that was unused on:

- a. radio?
- b. television?
- c. print?

Answer:

- a. 0 minutes
- b. 0 minutes
- c. 0 minutes

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Sunsuper

SS127QW:

Please complete the table for the last five financial years outlining your financial contribution to Industry Super Australia.

Financial year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Contribution \$					

Answer:

Over the past five financial years, Sunsuper has not made any financial contribution to Industry Super Australia.

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Sunsuper

SS128QW:

What is your current policy on whether your funds are permitted to invest in:

- a. residential property?
- b. Build-to-Rent housing?
- c. social housing?

Answer:

Sunsuper's investment policies allow for investments into residential property, build-to-rent housing and social housing.

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Sunsuper

SS129QW:

What data do you have on the home ownership rates of fund members?

Answer:

Sunsuper does not routinely collect this information from members.

While providing services to those Sunsuper members seeking intra fund advice, we may gather this information through broader 'fact finding' solely for the purpose of providing personal advice.

However, we neither hold this information in a central data base nor do we aggregate this information or use this for any other purpose.

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Sunsuper

SS130QW:

Have you ever:

- a. completed *internal* research that includes retirement outcomes for fund members who own their home in retirement, compared to those who do not?
- b. commissioned *external* research that includes retirement outcomes for fund members who own their home in retirement, compared to those who do not?

Answer:

- a. No
- b. No

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Sunsuper

SS131QW:

For the last five financial years, please complete the table for the average return on all your investments.

Answer:

Super saving account returns % p.a.					
Financial year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Lifecycle strategy – Cash Pool	1.8	1.6	1.7	1.7	0.8
Lifecycle strategy – Balanced Pool	3.1	12.2	10.7	8.5	-1.7
Lifecycle strategy – Retirement Pool	2.7	9.4	8.0	7.4	-1.2
Cash	2.3	2.1	1.9	2.0	1.3
Retirement	2.8	9.5	8.1	7.5	-1.2
Balanced	3.1	12.3	10.7	8.6	-1.7
Growth	2.8	14.4	12.3	9.1	-2.4
Conservative	3.4	7.0	5.8	6.4	-0.2
Balanced - Index	4.3	7.7	8.8	8.6	0.9
Shares	-0.7	16.0	13.8	9.4	-1.7
Australian Shares	2.0	14.0	14.1	9.8	-7.7
Australian Shares - Index	1.5	13.6	12.6	12.0	-6.1
International Shares - Hedged	-3.3	21.9	4.4	N/A	N/A
International Shares - Unhedged	-2.9	17.4	15.2	N/A	N/A
International Shares Index - Hedged	-0.9	19.0	11.2	5.2	0.6
International Shares Index - Unhedged	1.6	14.1	15.2	10.3	3.5
Diversified Alternatives	N/A	N/A	8.3	8.9	-0.9
Emerging Markets Shares	-9.9	17.7	11.5	5.3	-1.7
Property	10.0	6.5	9.4	6.9	-1.6
Australian Property - Index	21.7	-4.9	11.8	17.7	-18.1
Diversified Bonds ¹	3.7	3.4	2.1	6.6	3.4
Diversified Bonds - Index ²	9.0	-0.3	1.9	7.1	4.1
Socially Conscious Balanced ³	0.3	8.6	9.3	7.3	0.2
Capital Guaranteed	3.8	2.5	2.5	3.4	1.5

¹ Previously Fixed Interest

² Previously Fixed Interest - Indexed

³ Previously Ethical, Environmental and Socially Responsible Investments

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Sunsuper

SS132QW:

For the last five financial years, please complete the table for investments across all your funds in all forms of residential property:

- a. in nominal value
- b. as a share of your total portfolio
- c. the average return on investment.

Answer:

Financial year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Nominal value (\$)	181	184	421	1029	1158
Share of portfolio (%)	0.5%	0.4%	0.7%	1.5%	1.7%
Average return (5)	14%	7%	9%	8%	3%

Residential property is defined as any residential property that is available for rent and covers sub-sectors such as single family homes, multifamily, build to rent, student accommodation, retirement villages, aged care, etc.

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Sunsuper

SS133QW:

For the last five financial years, please complete the table for investments across all your funds in Build-to-Rent property:

- a. in nominal value
- b. as a share of your total portfolio
- c. the average return on investment.

Answer:

Financial year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Nominal value (\$)	0	0	0	0	0
Share of portfolio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Average return (5)	N/A	N/A	N/A	N/A	N/A

The definition of Build-to-Rent property refers to the NSW Treasury definition requiring the following key characteristics:

- (i) At least 50 units;
- (ii) Unified ownership structure; and
- (iii) Genuine option to enter into a fixed term lease of at least 3 years.

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Sunsuper

SS134QW:

For the last five financial years, please complete the table for investments across all your funds in social housing property:

- a. in nominal value
- b. as a share of your total portfolio
- c. the average return on investment.

Answer:

Financial year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Nominal value (\$)	0	0	0	0	0
Share of portfolio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Average return (% Time-weighted)	N/A	N/A	N/A	N/A	N/A

The definition for Social Housing refers to affordable housing provided by the government and community sectors to assist people who are unable to afford or access suitable accommodation in the private rental market. It includes public housing, state owned and managed Indigenous housing and community housing. Public housing is owned and managed by state and territory governments while community housing is housing that is either owned or managed by not-for-profit community sector organisations.

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Sunsuper

SS135QW:

Please outline your policy on:

- a. Fund members using their superannuation fund for a deposit to buy their first home.
- b. Retirees using their superannuation to:
 - i. renovate their home
 - ii. pay rent.

Answer:

- a. As a regulated superannuation entity, Sunsuper supports members utilising their superannuation monies for any purpose permitted by the relevant law as passed by the Australian Parliament.

Superannuation law does not permit individuals to use their superannuation funds as a deposit for their first home except in limited circumstances.

The First Home Super Saver Scheme (FHSS scheme) allows individuals to make voluntary concessional (before-tax) and voluntary non-concessional (after-tax) contributions into their super fund to save for their first home. Eligible individuals can then apply to release these voluntary contributions (including any associated earnings) to purchase their first home.

Sunsuper members have utilised the FHSS scheme.

b (i) and (ii)

Sunsuper's purpose is to inspire and empower Australians to fulfil their retirement dreams.

Once an individual is retired under the relevant law as passed by the Australian Parliament, the manner in which they utilise their superannuation monies is entirely a matter of individual choice.

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Sunsuper

SS136QW:

Within your fund, what percentage of retirees in each of the last five financial years used their superannuation to:

- a. renovate their home?
- b. clear their remaining mortgage?

Financial year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Super used for renovations (%)					
Super used to clear mortgage (%)					

Answer:

a & b.

Sunsuper does not routinely collect this information from members.

While providing services to those Sunsuper members seeking intra fund advice, we may gather this information through broader 'fact finding' solely for the purpose of providing personal advice.

However, we neither hold this information in a central data base nor do we aggregate this information or use this for any other purpose.

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Sunsuper

SS137QW:

Insurance premiums

- a. Have you ever deducted insurance premiums from fund members for insurance policies that they are not covered by?
- b. Have you ever completed an audit to identify if insurance premiums have been deducted from fund members for insurance policies that they are not covered by?

Answer:

- a. Sunsuper maintains an insurance strategy as required under s52(7) of the Superannuation Industry (Supervision) Act 1993. Sunsuper offers default cover for eligible members and Tailored cover for members who want to change their cover (or to obtain cover when they are not eligible for default cover).

Sunsuper's default insurance arrangements are designed to provide cover to a broad section of the population, noting that there are occasions where a member may not meet an eligibility requirement on first becoming insured.

As outlined below, in certain limited circumstances, when a member lodges a claim it may become evident that eligibility criteria is not satisfied. If this occurs, premiums are refunded, and the insurance cancelled.

Sunsuper proactively engages with the relevant regulators and reports on issues identified, and any remediation required. To date, Sunsuper has not been subject to any regulatory enforcement actions or subject to a formal investigation by either ASIC or APRA in relation to its administration of insurance.

We were a key supporter of the Insurance in Superannuation Working Group [ISWG] and early signatory to the Insurance in Superannuation Voluntary Code of Practice [Code] and have a strong commitment to ensuring we take a leading position within the industry in this area.

The Code requires funds to refund insurance premiums if we identify that a member was not eligible to claim against automatic insurance cover for any event from the start of cover.

There were no instances of non-compliance against this requirement identified for the financial year to 30 June 2020 as reported in Sunsuper's Annual Code Compliance Report published on 12 November 2020.

Insurance arrangements are offered through *Sunsuper for life* (the flagship 'public offer' arrangement) with employer specific insurance arrangements offered under the *Sunsuper for life - Business* and *Sunsuper for life - Corporate* plans. These are outlined in relevant Product Disclosure Statements and Insurance Guides which can be found at <https://www.sunsuper.com.au/pds-guides>.

Sunsuper issues a 'Welcome Insurance Summary' for all members when cover commences which outlines the terms and conditions and any exclusions applicable to their insurance cover.

Additionally, an 'Annual Insurance Summary' is also provided outlining the member's insurance cover and terms, conditions and any exclusions that apply.

There are very limited circumstances where insurance premiums may be deducted from fund members for insurance policies where the member is ineligible for such cover:

- a member has elected to increase insurance cover and has been subject to underwriting but has failed to disclose a pre-existing health condition that causes rejection of a claim later. Two potential outcomes exist in this scenario - the member would continue to be covered for any future ill-health event that was not pre-existing (provided premiums continued to be paid) or the member's cover would be voided, and all premiums refunded;
 - a member is ineligible for cover due to not meeting eligibility criteria, such as the 'At Work' definition at the time cover commences. If a member was never eligible to claim for any event from the start of the cover, premiums would be refunded back to the commencement of cover date.
 - insurance cover should have ceased under superannuation law or insurance policy requirements, for example, due to contribution inactivity or there being insufficient funds in the member's account to pay premiums but was inadvertently maintained (due to a data error or other technical issue). In such cases remediation would be undertaken on a case by case basis to ensure the member was not disadvantaged as a result of the error; and
 - insurance cover was erroneously provided (due to a data error or other technical issue) – for example if a member was under age 25 and not eligible for cover under superannuation law and did not otherwise opt-in to cover. In such cases, the individual may be offered the opportunity to maintain the cover or cover would be ceased and premiums refunded.
- b. Sunsuper has undertaken assurance activity in respect to insurance administration and associated controls in the past and aggregate premium reconciliations are conducted regularly.

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Sunsuper

SS138QW:

Material distributed to members

- a. Have you ever distributed materials to members that state and/or suggest that:
 - i. members have coverage under insurance policies that they do not have?
 - ii. members are required to keep a minimum balance in their superannuation fund?
 - iii. their employer may be unwilling to contribute to another superannuation fund?
 - iv. members require a statement of any kind from their employer to move away from your fund?
- b. Have you ever completed an audit of materials distributed to members that state and/or suggest that members have coverage under insurance policies that they do not have?
- c. Have you ever completed an audit to establish whether you have distributed materials to members that state and/or suggest that:
 - i. they are required to keep a minimum balance in their superannuation fund?
 - ii. their employer may be unwilling to contribute to another superannuation fund?
 - iii. they require a statement of any kind from their employer to move away from your fund?

Answer:

- a.
 - i. Sunsuper has never intentionally distributed materials to members that state and /or suggest that members have coverage under insurance policies that they do not have. All Sunsuper issued documents, including public website content and direct member communications are subject to content review in accordance with a documented internal policy.

We were a key supporter of the Insurance in Superannuation Working Group [ISWG] and early signatory to the Insurance in Superannuation Voluntary Code of Practice [Code] and have a strong commitment to ensuring we take a leading position within the industry in this area.

The Code contains a number of requirements focused on providing members with clear and timely communications on an ongoing basis. There were no instances of non-compliance against this requirement identified for the financial year to 30 June 2020 as reported in Sunsuper's Annual Code Compliance Report published on 12 November 2020.

Over time when we have become aware of data issues or technical issues which have unintentionally resulted in members being notified that they erroneously hold cover when in fact they do not.

In these instances, an internal incident report is raised in accordance with internal policy requirements. These incidents are analysed, rectified and correction communications are issued to members.

As an example, in August 2019 we became aware of 65 members who were not notified under the changes arising from *Protecting your Super* reforms that insurance cover was being cancelled (unless the member otherwise opted to retain cover). This occurred as at the time the data for the letter was generated, the member did not have insurance cover.

In this instance, insurance cover was reinstated, and a correction communication issued to these members advising the steps they would need to take to prevent cover from being cancelled again.

- ii. Sunsuper may require that members who request a partial rollover of their superannuation balance maintain at least \$6,000 in their account. This rule was implemented on 29 March 2020 in line with SIS Regulations 6.35 (1)(b) (modified by the 'Putting Members Interests First' legislation). This is outlined in product disclosure statements and associated material and is also outlined the relevant transfer form. Prior to this Sunsuper only issued material to members suggesting they consider retaining sufficient funds in their accounts if they wished to retain insurance cover (so that cover would not lapse).
- iii. No.
- iv. No.
- b. An annual review of all communications issued to members is undertaken to ensure accuracy of content.
- a. (i), (ii) and (iii)
Refer response (b).