

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

TWUSUPER

TWU141QON:

CHAIR: In the context of the Your Future, Your Super legislation, and the obligation of best financial interest, will you be assessing your membership of the ACTU Member Connect program as to whether it's in the best financial interest of your members?

....

CHAIR: So it costs you \$33,000 to put your logo on that key contacts book?

Mr Sandy: In addition to that, we got to go to various conferences—

CHAIR: We'll come back to the rest of that answer. You say you got to engage with various conferences; did you have to pay registration fees in addition to that? Did it just give you the right to go, or did it include the registration fees?

Mr Sandy: That included the registration.

CHAIR: So how many people did you get to send to that conference or those conferences? Was it 10 or 20?

...

Mr Sandy: The proposal says that we're entitled to go to any of those events. I can't remember how many tickets that entitles us to, but—

CHAIR: Could you get back to us on that on notice?

Mr Sandy: Absolutely. Yes.

Answer:

The Fund would like to clarify for the Committee's benefit that membership of the ACTU Member Connect program is part of an arrangement entered into on commercial terms and in the best interest of the Fund's members.

The package includes advertising on websites and in ACTU publications that promotes issues relating to superannuation and supports the Fund's growth and retention strategies as well as attendance at relevant conferences where superannuation and policies related to the retirement outcomes of our members may be discussed.

Attendance at conferences is one component of the package, and the number of Fund representatives that may attend varies depending on the event, and the priorities of the Fund at that time.

In the Fund's analysis the program has provided a range of exposure and interaction opportunities with the ACTU (including its affiliates and their members) and has assisted in better connecting the Fund to members and influencers to help ensure the interests of the Fund's members are represented and heard in key forums and debates that can directly impact their retirement outcomes.

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TWU142QON:

Dr MULINO: The 10-year performance is not a bad guide to your long-term performance, obviously, so, for you, in the second quartile, it would be useful to know—and if you have it ready, please let me know, but if not please take this on notice: I'd be interested in some measures of the impact of your performance above median, on an average worker's expected lifetime balance at retirement, just to give a kind of concrete sense of what it means for a fund to perform above median for an extended period of time.

Mr Sandy: I'd have to take that on notice, because I don't have that.

Dr MULINO: That's fine. That would be very interesting to hear. Also, if you could, it'd be useful to get a sense of how you compare relative to the bottom quartile. A lot of the current regulatory focus, and rightly so, I think, is on those underperforming funds, which unfortunately many people are trapped in. I think that is also a very useful comparison.

Mr Sandy: Just to be clear there: you're looking at the average and comparing that to—

Dr MULINO: No—you versus the average and then you versus the bottom quartile—

Mr Sandy: Okay. Thank you.

Dr MULINO: just to show what that means in terms of the retirement balance for somebody on an average income.

Answer:

The Fund is currently undertaking modelling with an external provider in order to answer this question fully and will be pleased to provide additional information to the committee when it is available.

In the meantime, to assist the Committee, the Fund is focused on strong, long term returns for members and net investment returns to members of the Fund for the one year to 30 June 2021 were 18.98% for the Balanced (MySuper) Option and 25.72% for the Equity Plus Option.

Annualised investment returns for the Fund over 10 years to August 2021 are 8.96% for the Balanced (MySuper) Option and 10.9% for the Equity Plus Option.

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TWUSUPER

TWU143QON:

Dr MULINO: I am interested in some analysis on early release. I have data on how many of your members accessed early release, but I'd be interested in any analysis you've done in the period following that scheme in terms of the demographics of the cohort that accessed funds early—age, average balance and so forth.

Mr Sandy: We haven't really drilled into the demographic part of the membership. The only effort we did was looking around a particular cohort in the [inaudible]. We haven't projected that forward as to what that possibly could mean. One of the challenges in those projections is that we are doing projections over a long period of time, and it will depend on each age bracket. We certainly haven't done that work to date.

Dr MULINO: It would be great if you could take on notice any additional information you could provide. It has a disproportionately bigger impact on people with lower balances. We know that a significant number of people totally cleared out their accounts across a wide range of funds. There's been a lot of media reporting of the opportunity cost of having done that over the last year, which is significant, given high returns. I'd be interested if your people in the organisation are able to dig out some characteristics of who it was who accessed their funds.

Mr Sandy: We can certainly do it by age. We don't collect people's individual remuneration, but we can make some guesses around an average—

Dr MULINO: Maybe age and balance, or something like that.

Mr Sandy: We can do that.

Answer:

The Fund is currently undertaking modelling with an external provider in order to answer this question fully and will be pleased to provide additional information to the committee when it is available.

In the meantime, to assist the Committee, the Fund can advise that more than 30,000 members accessed withdrawals under the federal government's temporary early release of superannuation scheme, which totalled approximately 320 million dollars.

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TWUSUPER

TWU144QW:

Do you support superannuation funds delisting public companies?

Answer:

Led by the Fund's trustee directors on the Board, Investment Committee, and with the support of Fund staff TWUSUPER has developed and implemented a set of investment beliefs that governs all investment related decisions and places members' best interests first and foremost.

The Fund makes investment decisions in accordance with the best financial interests of its members, including diversifying risk across a portfolio of holdings and according to the profile and priorities of the Fund's members. The Fund considers its investments as part of this mix and does not necessarily prioritise one type of company structure or vehicle over another.

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TWUSUPER

TWU145QW:

Property investments

- a. Do you have any current investments in the National Housing Finance and Investment Corporation? If so, what is the size of your investments?
- b. Please provide information on the rental income for any residential property investments held for each year for the last five financial years.

Answer:

a. No

b. N/A

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TWUSUPER

TWU146QW:

What arrangements, including donations, commissions, marketing expenditure or partnerships, do you have that lead topayments to research organisations or ‘think tanks’?

Please provide:

- a. Names of the think tanks.
- b. Payments made over the last five years.

Answer:

The Fund is constantly engaged in a range of strategies and activities to better understand the Fund’s members, stakeholders, and ensure a better future for its members in retirement and conducted in members best financial interests.

This includes but is not limited to research and analysis relating to impacts of public and industry policies on the Fund’s members, market and customer experience research, investment and company research and analysis, shareholder research and related activities, and research that assists the Fund in better engaging with its members and improving their member experience.

Organisations with which the Fund has engaged in the past five years (and which includes research) has included SuperRatings, Colmar Brunton, Association of Superannuation Funds Australia, IndustrySuper Australia, The Australia Institute, Australian Council of Superannuation Investors, Australian Institute of Superannuation Trustees, Mercer, McKell Institute, Rice Warner, Rainmaker, KPMG, Institutional Shareholder Services, Database Consultants Australia, Centre for Independent Studies.

These arrangements are mostly entered into on a confidential, commercial basis in accordance with the Fund’s procurement policies and it is appropriate the values of each engagement remain confidential as disclosure may prejudice obtaining best value in future procurement processes.

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TWU147QW:

At the House Economics superannuation hearing on 8 July 2021 representatives of Australian Super and CBUS outlined they were not aware that IFM Investors (a company wholly owned by industry funds) had paid a bonus of \$12m, and were asked whether they had asked questions about the bonus and the bonus structures within IFM Investors.

According to the Australian Financial Review (IFM Investors gives \$12.7m bonus to UK Director, 14 February 2020) a bonus of \$12.7 million bonus was paid.

According to the Sydney Morning Herald (A lot of bling: Industry shocked at \$36 million bonus allegation, 22 March 2019) bonus structures existed to allow for bonuses of up to \$36m to be paid.

Therefore, if you are an owner of IFM Investors, please advise:

- a. What inquiries have been made, or will be made, about bonuses of that size with IFM Investors?
- b. What information you have sought, or will seek, from IFM investors about bonus structures within IFM Investors?

Answer:

The Fund has more than six billion dollars invested on behalf of more than 100,000 members across a range of investment classes and vehicles that includes more than thirty-five investment managers.

The Fund has developed and implemented a set of investment beliefs that governs all investment related decisions, places members' best interests first and foremost and are available on the Fund website. As part of its investment beliefs, the Fund considers that the appropriate management of ESG factors contributes to higher long-term investment returns, mitigates risk, and supports its role as a responsible member of the Australian investment community.

A range of research and analysis activities are undertaken to monitor the performance of investments, which are consistently assessed and integrated within the Fund's investment process in pursuit of the best outcomes for members.

The remuneration practices of public companies are of interest to the Fund and are reflected in our proxy voting record. In general the Fund is most interested in the alignment of incentive schemes with company performance. For example, the Fund may raise concerns when bonuses are paid to executives whose performance has clearly been detrimental to the company.

Remuneration is a particularly complex issue, and industry practices vary significantly between industries. While the Fund believes industry practices should be consistent with shareholder interests it does not generally form a view on the quantum of total remuneration or on bonuses, which would ordinarily be a matter for remuneration committees that are experts in their field and cognisant of prevailing industry practice. Companies in a particular industry are often obliged to pay

high bonuses in order to retain key personnel if their competitors are also offering equally generous remuneration arrangements.