

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

First Super

FS63QW: 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 has no direct property investment.

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FS64QW: 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 control any assets that it rents to tenants.

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FS65QW: 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 control any assets that it rents to tenants.

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FS66QW: Can you please advise what arrangements you have provided to **adjust** 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 control any assets that it rents to tenants.

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FS67QW: On 1 January 2020 what was your percentage share and nominal value of your listed and unlisted assets?

Answer:

| Type | Nominal value (\$'000) | Percentage share |
|-------------|-------------------------------|-------------------------|
| Listed | 1,328,795 | 39.7% |
| Unlisted | 2,041,581 | 60.3% |

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FS68QW: On 1 January 2020 did your fund have liquidity issues resulting from honouring obligations to members?

Answer: No.

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FS69QW: What write down, if any, has been made to the value of unlisted assets?

Answer: The processes for valuing unlisted assets have generally functioned smoothly and the Fund itself has had to write down only one asset.

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- FS70QW:** 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. The Fund's write downs as detailed in FS69QW were substantially less than 40%.
- b. This is because write downs of listed companies holding infrastructure assets bear no relevance to the write down detailed in FS69QW.

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FS71QW: 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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FS72QW: What has been the current reduction of the value of your fund,
and the unlisted and listed components since 1 January 2020?

Answer: 7.1%, 0.2% and 17.6% respectively.

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FS73QW: 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: This information is made publicly available by APRA at <https://www.apra.gov.au/covid-19-early-release-scheme>.

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First Super

FS74QW: 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: This information is made publicly available by APRA at <https://www.apra.gov.au/covid-19-early-release-scheme>.

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FS75QW: 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: First Super acts upon the instruction of the ATO which is responsible for approving early release applications. First Super does not approve or deny early release applications.

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FS76QW:

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 regularly monitors liquidity and the feasibility of its liquidity management plan and provides updates to APRA as requested.
- b. Regular liquidity reporting is provided to the co-chairs of the Board weekly and to the Investment Committee and full Board as and when they meet.
- c. The Trustee office.

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FS77QW: Since 12 March 2020, has your fund provided any liquidity to:

- a. REST?
- b. Hostplus?
- c. any other superannuation fund?

If so, for each fund, can you provide details of the amount, the date and the terms?

Answer: No to (a), (b), (c)

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FS78QW: Since 12 March 2020, has your fund loaned any cash to:
a. REST?
b. Hostplus?
c. any other superannuation fund?
If so, for each fund, can you provide details of the amount, the date and the terms?

Answer: No to (a), (b), (c)

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FS79QW: Regarding any investments you have with IFM Investors, please provide the following:

- a. The capital invested each year for the past five years.
- b. The accumulated valuation of investments for the past five years.
- c. The dividends received from those investments for the past five years.

Answer: Details of those investments managed by IFM Investors can be found in the Fund's Annual Reports, available at <https://www.firstsuper.com.au/forms-resources/product-disclosure-statements/>.

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- FS80QW:** Regarding any investments you have with ME Bank, please provide the following:
- a. The capital invested each year for the past five years.
 - b. The accumulated valuation of investments for the past five years.
 - c. The dividends received from those investments for the past five years.

Answer: Details of those investments managed by ME Bank can be found in the Fund's Annual Reports, available at <https://www.firstsuper.com.au/forms-resources/product-disclosure-statements/>.

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- FS81QW:** If you are an investor in ME Bank, have you individually (or in collaboration with other funds), ever commissioned reports into its valuation in the past decade?
- a. And if so, how many reports and in what year?
 - b. Were any commissioned to be completed by the UK-based group, LEK?
 - c. And please provide copies.

Answer: No.

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FS82QW:

According to reports in the *Australian Financial Review* superannuation fund, Hostplus, redefined the definition of 'illiquid assets' ('Hostplus warned of liquidity "perfect storm"', *Australian Financial Review*, 18 May 2020). Therefore, can you please advise:

- a. How you define 'illiquid assets' within your fund, including details of holdings and timeframes?
- b. How you define 'liquid assets' within your fund, including details of holdings and timeframes?
- c. How long each of these definitions have been used?
- d. What prompted any switch to these definitions?
- e. What the prior definitions were before any switch?

Answer:

- a. Illiquid assets are private equity, timber/furniture/pulp, infrastructure, property and 50% of floating rate debt.
- b. All other assets are therefore defined as liquid.
- c. For at least seven years.
- d. N/A
- e. N/A

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FS83QW: Have you completed a skills audit in the past five years of the following:

- a. Your board of directors?
- b. Your investment committee?
- c. And if not, why not?
- d. And if so, presently what gaps are identified?

Answer:

- a. Yes.
- b. Yes.
- c. N/A
- d. None.

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- FS84QW:** Prior to appointment, have employees fulfilling fiduciary roles had their investment performance track record assessed before fees?
- a. And if not, why not?
 - b. And if not prior to appointment, have they following appointment?
 - c. And if so, on what timeframe?

Answer:

- a. Other than in relation to cash, the Fund does not employ personnel to directly invest member funds. It relies on managers to do this. Cash portfolio management involves investing in short term duration term deposits.
- b. Cash investment option performance is reviewed quarterly.
- c. See (b) above.

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FS85QW: Can you please provide data to complete this table for your unlisted asset holdings based on their geographic spread:

| Country/Region | Share of fund asset value | | Share of fund income | |
|--------------------------------|---------------------------|---|----------------------|---|
| | \$ | % | \$ | % |
| North America (inc USA) | | | | |
| - United States specifically | | | | |
| South America | | | | |
| Asia (inc China) | | | | |
| - China specifically | | | | |
| Africa | | | | |
| Europe (not inc UK) | | | | |
| Europe (inc UK) | | | | |
| - United Kingdom specifically | | | | |
| Australasia (inc Aus) | | | | |
| - Australia specifically | | | | |

Answer: The Fund does not directly hold any non-Australian unlisted assets.

Details of directly held unlisted Australian assets are published in the Fund's Annual Reports and financial statements which can be found at <https://www.firstsuper.com.au/forms-resources/product-disclosure-statements/>

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FS86QW: Please provide a copy of your Constitution.

Answer: This is available on the Fund's website at
<https://www.firstsuper.com.au/wp-content/uploads/2016/06/First-Super-Constitution-2012.pdf>

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FS87QW: Please provide details, including the event name, organising entity, ticket price and attendee(s) for the past decade of the tickets purchased for events and/or fundraisers for political parties or related entities, individual MPs and individual candidates for political office or the associated fundraising entities of political parties, individual MPs and individual candidates for political office.

Answer: Not applicable.

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FS88QW: Do you currently have an art collection?
a. If so, can you advise its current valuation?
b. If so, can you advise where it is stored and/or exhibited?

Answer: No, therefore remainder not applicable.

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FS89QW:

Do you engage proxy advisers?

- a. What are the terms of engagement for proxy advisers?
- b. To what extent are they empowered to act on behalf of the entity?
- c. Does their advice get provided to the board?
- d. How often is advice submitted to the board?
- e. Is their advice formally adopted by the board?
- f. Are their positions publicly stated?
- g. How does the board assess these positions concurrent with their duties as trustees and the sole purpose test?

Answer:

Yes.

- a. To advise on voting on ASX-listed companies in accordance with ACSI principles.
- b. They are not.
- c. Yes.
- d. Quarterly, in summary form.
- e. Voting is in accordance with First Super's policy.
- f. No.
- g. First Super has adopted an investment governance statement to address its best interests, sole purpose and prudential obligations. The statement contains policy on proxy voting.

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FS90QW: Are you currently, or have you previously been, a member or subscriber of the ACTU Members Connect Program?

- a. If so, what is the timeframe of your membership?
- b. What has been the annual fee year-on-year?
- c. How have you assessed its value to your members?

Answer: No, therefore remainder not applicable.