

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

HOSTPLUS

HP104QW:

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:

For the purpose of responding to this question, Hostplus has interpreted "fund" as meaning its Balanced Option.

The daily unit pricing, including historic unit pricing, for Hostplus' investment options, including its Balanced Option, can be accessed at: <https://hostplus.com.au/investment/our-investment-performance/investment-returns>. Historic ASX values can be accessed at: <https://www.asx.com.au/about/historical-market-statistics.htm>.

During the period 20 February 2020 to 23 April 2020, net \$1,075,598,136 was switched out of the Balanced Option into other Hostplus Options by members of Hostplus.

This included:

- No switching from trustees of the Fund

- \$115,468 switched into the Balanced Option by an Executive of the Fund
- \$1,907,225 net switched out of the Balanced Option by other employees (non-executives and non-trustees).

In accordance with relevant law and regulations, Hostplus has in place internal procedures and appropriate measures to ensure the integrity and probity of internal decision making, including in relation to investment options.

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- HP105QW:** 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: Hostplus provides its members with access to comprehensive personal financial product advice. Hostplus refers to its response to HP54QW.

The table below sets out the financial advisers who provide comprehensive personal advice to Hostplus members (**Comprehensive Advisors**), and the revenue generated from these advisors, for the last five financial years:

Year ending 30 June	No. of financial advisors	Comprehensive advice fees collected
2015	10	\$148,992
2016	10	\$304,602
2017	8.31	\$704,121
2018	7.42	\$1,236,363
2019	7.74	\$1,266,801

The fee charged for comprehensive personal advice is charged on a fee for service basis. The Comprehensive Advisors generally only provide comprehensive personal advice. The intrafund advice service provided by Hostplus to its members is separately provided by Hostplus' Intra-Fund Advisors (please see response to HP106QW). The Intra-Fund Advisors comprise different individuals to the Comprehensive Advisors.

The Comprehensive Advisors are remunerated in accordance with their predetermined and set salary. Their remuneration is not determined by or linked to specific levels of advice delivery or advice fee generation. Information regarding remuneration and specific costs is confidential and commercially sensitive.

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- HP106QW:** 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:

Hostplus provides its members with intrafund advice on their interest in Hostplus. Hostplus refers to its response to HP55QW.

Hostplus does not separately charge its members for the provision of general or intrafund advice. It is provided pursuant to the administration fee charged to members.

The table below sets out the number of financial advisers employed to provide intrafund advice (**Intra-Fund Advisors**):

Year ending 30 June	FTE
2015	1.00
2016	3.01
2017	3.81
2018	4.12
2019	4.77

All Intra-Fund Advisors are licensed to provide intrafund advice within the Fund. The Intra-Fund Advisors only provide general and intrafund advice. Intra-Fund Advisors' remuneration is set without any reference to other sources or types of advice. Information regarding remuneration and specific costs is confidential and commercially sensitive.

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HP107QW:

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, for the part of any personal financial advice that relates solely to their interest in Hostplus.
- b. Yes, as above.
- c. Yes, as above, and on a case-by-case basis.

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HP108QW: Do you allow external financial advisers access to online facilities to charge for external financial advisers consented by members using their funds?

Answer: No.

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HP109QW: Hostplus has published liquidity updates on 1 April 2020 and 1 June 2020. As compared to your Financial Statements end FY 2019, it is apparent that at least half of the increase in cash is attributable to a liquidation of Alternative investments held by Host Plus:

- a. Is this correct?
- b. How was approximately \$2bn of expedited liquidity raised from the nine Alternative investments listed in your Annual Report when traditional practise across this sector is to lock investments for duration in under either soft or hard terms?
- c. Was the liquidity as at 1 April immediately available to Hostplus, or at some future date?
- d. The 1 June update suggests that Hostplus has reinvested in Alternatives. Is new funding to the asset class, or a cancellation of prior redemptions?

Answer: Redemption applications for approximately \$2.6 billion from liquid defensive investments within the Alternatives asset class were made from 20 March 2020 to 27 March 2020. Approximately 75% of the Alternatives asset class was structured to be redeemable within 30 days, approximately 60% typically available within two weeks and 25% typically available in a week.

New funding has recently been committed to the Alternatives asset class, and one partial redemption was cancelled.