

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### HOSTPLUS

##### HP110QON:

**CHAIR:** So just for clarity, what different types of financial advisors do you have working for Hostplus?

**Mr Watson:** We have two types of advisors. We have financial planners, as we call them, who provide comprehensive personal financial advice. So this is—

**CHAIR:** And they charge for the services they provide?

**Mr Watson:** They certainly do.

**CHAIR:** They do it out of the funds that members have with Hostplus?

**Mr Watson:** While members have the opportunity to pay for some of that advice, where it is entirely in regard to their interest in Hostplus, the vast, vast majority—

**CHAIR:** Does it have to be 100 per cent?

**Mr Watson:** Sorry?

**CHAIR:** It has to be 100 per cent related to activities within—

**Mr Watson:** No. To deduct from account, that part of the advice that relates solely to that interest in Hostplus, so comprehensive advice can take into account a range of people's other interests outside of their superannuation account. But the key point though is not all our members choose to tap their superannuation account to cover any part of the cost of their advice. The vast majority actually seek to pay for that advice from sources or means other than their Hostplus account. That is not a requirement; that is an open choice that they make.

**CHAIR:** So it is an open choice, but do you enable people to use their super funds to pay for financial advice they get outside of Hostplus?

**Mr Watson:** No, we don't.

**CHAIR:** So if you use our financial planner, you can use your own money in your super fund; if you don't use our financial planner, you can't?

**Mr Watson:** Just to clarify, I thought you meant can they use Hostplus money to get advice on things other than superannuation. If they have an external advisor who is advising them and part of that advice relates to their interest in Hostplus then that advisor can approach Hostplus to have some of that cost met. But again, our experience to date has been that very, very few members do wish to avail themselves of that service.

**CHAIR:** I will take on notice then: how many times has that been applied both in (a) number of applications, (b) number approved and also dollar value?

Hansard p. 35, 10 September 2020

##### Answer:

- a. Since January 2017, Hostplus has not received any formal applications from members to have external advice fees deducted from their Hostplus account.
- b. Nil.

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**HP111QON:**

**Mr FALINSKI:** You just mentioned in response to some completely unprompted questions from the deputy chair, which I'm sure required no coordination, that 50 per cent of people now retiring are not seeking the pension. You did mention where you got that figure from. I'm sorry [inaudible]—

**Mr Elia:** The source for that is the Treasury peer review of the MARIA model February 2018. Mr Falinski, we're very happy to provide you with that information.

**Mr FALINSKI:** That would be fantastic. Thank you.

Hansard p. 37, 10 September 2020

**Answer:**

Please see attachment HP111.1QON

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**HP112QON:**

**Mr FALINSKI:** David, do you accept in the Henry tax review that Ken Henry advised against increasing the super guarantee, because the review felt that on a cost-benefit analysis that increasing the super guarantee actually hurt the Australian economy?

**Mr Elia:** I'll need to go back and read the Henry tax review.

Hansard p. 38, 10 September 2020

**Answer:**

We refer the Committee to the Henry tax review, which sets out Mr Henry's findings.

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**HP113QON:**

**Dr MULINO:** I was googling this and didn't notice what website I was on. From what I saw—I think I've got the right one—its five-year net investment return is 9.65 per cent and admin fees are very low, at 0.16 per cent, on balances of more than \$50,000. Anyway, we can take that on notice. I seem to remember that last time you came you talked about the overall performance of the fund as having been very strong, because you are investing for the long term—in part, because of the demographics of your membership, which makes sense; it's a young demographic and you want to invest for their long term. Is it fair to say that's reflected in the performance of the MySuper product?

**Mr Elia:** In our long-term investment performance, certainly over five—I think over three years we're second quartile—seven, 10, 15, 20 and 50 years Hostplus is top quartile. I'm happy for Greg to provide you with more detailed information, if you wish.

Hansard p. 41, 10 September 2020

**Answer:**

As set out in the SuperRatings SR50 Survey of balanced funds, the Hostplus Balanced Option has performed as follows to 30 June 2020:

<b>Period</b>	<b>3 Yrs.</b>	<b>5 Yrs.</b>	<b>7 Yrs.</b>	<b>10 Yrs.</b>	<b>15 Yrs.</b>	<b>20 Yrs.</b>	<b>30 Yrs.</b>
Performance (%p.a.)	5.6	7.0	8.5	8.6	7.1	7.2	8.2
Quartile Ranking*	2	1	1	1	1	1	-

\* SuperRatings does not yet formally publish a 30-year comparison.

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**HP114QON:**

**Dr MULINO:** This is something you might want to take on notice. You've already given us a couple of examples of investments in the medical research area. This is something that came up last time and I explored it a bit with you. I think it was an invest of around a billion dollars in start-ups, innovation and VC equivalent. I would be interested in some case studies or examples, to the extent that that's not commercial-in-confidence, of companies that you have had a material investment in where there has been significant growth in turnover or employment—success stories, if you will. I think that's something of interest to the potential for super funds to invest in innovation.

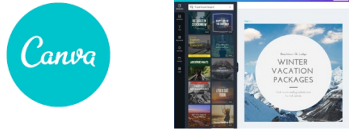
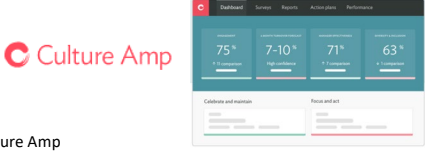


**Mr Elia:** We'd be delighted to provide that. We will come back to you on that.

Hansard p. 41-42, 10 September 2020

**Answer:**

Please refer to page 29 of our Annual Report 2020, which is available from our website at: <https://hostplus.com.au/super/forms-and-brochures/annual-report>.

Please also refer to some further examples as below:

Company	Description	Website
 <p>Canva</p>	<p>Based in New South Wales, Canva has been changing the way in which we communicate. Canva gives their users the ability to design, create and produce professional prints in a variety of formats and sizes, delivered straight to their doorstep. The online graphic design platform has attracted over 15 million happy users across 190 countries, who have collectively created more than 1 billion designs.</p>	<p><a href="https://www.canva.com/">https://www.canva.com/</a></p>
 <p>Culture Amp</p>	<p>Culture Amp is the leading People &amp; Culture Platform helping companies take action to improve employee engagement, retention and performance. Founded in Melbourne with offices now in San Francisco, London, and New York City. Culture Amp is a Culture First certified B Corporation used by 2,750+ customers which include Aegon, Airbnb, Go Cardless, KIND Snacks, McDonald's, Bon Secours Mercy Health, Salesforce and Slack.</p>	<p><a href="https://www.cultureamp.com/">https://www.cultureamp.com/</a></p>
 <p>Athena</p>	<p>Athena Home Loans is a fintech company based in Victoria with a mission to deliver big savings to Australian borrowers by helping them pay off their home loan faster. The innovative digital platform allows Athena to cut costs, capital and complexity from the \$1.7 trillion mortgage market which bypasses the banks to connect borrowers to superfund backed loans. The digital experience enables borrowers to refinance their loan in as little as 15 minutes on their mobile phone. Recently Athena introduced the Accelerates program which reduces borrowers interest rate based on their loan value ratio, an Aussie first!</p>	<p><a href="https://www.athena.com.au/">https://www.athena.com.au/</a></p>
 <p>Baraja</p>	<p>Founded in New South Wales, Baraja's mission is to deliver LiDAR to support the autonomous vehicle revolution. Baraja has invented a new type of LiDAR called Spectrum-Scan™ which delivers the highest performance available to address the challenge of self-driving cars. Baraja is expanding globally, with offices in Australia, the U.S. and China.</p>	<p><a href="https://www.baraja.com/">https://www.baraja.com/</a></p>

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**HP115QON:**

**Dr MULINO:** You've obviously got a lot of people on your books who have gone down the early release path—as you say, over 387,000, I think, and 110,000 repeats. I think you indicated that it's predominantly a younger demographic that's doing that and a significant number, I think 38,000, had fully emptied their accounts. Are you able to provide an SES breakdown?

**Mr Elia:** What type of breakdown was that?

**Dr MULINO:** Socio-economic status—earnings or any measures you have. We're looking at younger people. Do you have a sense of any other kind of characteristics that might be material?

**Mr Elia:** Yes, I do. In fact, I'm pulling this up as we speak. One of the things that we basically sought to track is where the majority of these claims were coming from—from which suburbs. When I looked at the total number of claims in terms of the where highest number of claims were emanating, we had Melbourne and Sydney as No. 1 and No. 2. We had Auburn, Hurstville, Strathfield, Rockdale, Glenroy—which is where I grew up and where my parents still live—Reservoir, Craigieburn, St Albans, Tarneit and Campsie. I think—

**Dr MULINO:** This was not practised at all, Mr Falinski. Let's just say: my electorate came up there, and I can guarantee you that was not at all rehearsed. But, anyway, thank you for that. Again, it would be very useful to get a bit of detailed data on that if you would be able to.

Hansard p. 42, 10 September 2020

**Answer:**

Please see attachment HP115.1QON



## Early release application summary by member

Member age bands		Member balance bands	
<25	43,131	\$0	43,799
25 to 34	134,263	\$0 to \$10k	139,607
35 to 44	74,186	\$10k to \$20k	27,739
45 to 54	36,864	\$20k to \$50k	44,164
55 to 64	13,185	\$50k to \$100k	28,632
>65	607	\$100k to \$250k	16,671
		\$250k to \$500k	1,508
		>\$500k	116
Grand Total	302,236	Grand Total	302,236

Member gender		Member tenure bands	
Female	146,313	<1 year	17,665
Male	150,362	1-3 years	108,699
Unknown	5,561	4-5 years	37,728
		5-10 years	57,796
		>10 years	80,348
Grand Total	302,236	Grand Total	302,236

Member state	
NSW	99,068
VIC	88,392
QLD	45,728
WA	33,703
SA	17,204
TAS	7,816
NT	4,804
ACT	3,848
Overseas	121
Unknown	1,552
Grand Total	302,236

## Member age and balance bands

Age Bands	Balance Bands								Grand Total
	\$0	\$0 to \$10k	\$10k to \$20k	\$20k to \$50k	\$50k to \$100k	\$100k to \$250k	\$250k to \$500k	>\$500k	
<25	10,685	31,261	1,044	134	7				43,131
25 to 34	24,052	70,982	14,476	18,679	5,417	646	11		134,263
35 to 44	6,152	24,272	7,803	16,019	13,577	6,127	232	4	74,186
45 to 54	2,084	9,623	3,271	6,898	7,031	7,126	789	42	36,864
55 to 64	737	3,218	1,088	2,372	2,529	2,708	465	68	13,185
>65	89	251	57	62	71	64	11	2	607
Grand Total	43,799	139,607	27,739	44,164	28,632	16,671	1,508	116	302,236



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**HP116QW: How did you ensure that your selection of investment manager IFM Investors was consistent with the Superannuation Industry (Supervision) Act, given the clear conflict of interest of your fund being an active shareholder in the holding company?**

**Answer:**

In selecting its investment managers, the Trustee carefully considers, and has due regard to, its SIS Act obligations. This is exemplified within its Strategic Plan, which contains the key strategic pillar of “Responsibly optimising long-term net investment returns”. The key performance measures associated with that strategic pillar relate to the MySuper default option (the Balanced option) achieving above median peer returns over 5 years as well as achieving CPI + 3% p.a. returns over 10 years.

Consistent with its SIS obligations, the Trustee utilises the services of an independent asset consultant to provide recommendations regarding the appointment of all investment managers. Based on these recommendations, the Trustee engages various investment managers, which include but are not limited to IFM Investors.

For clarity, Hostplus is a shareholder of Industry Super Holdings Pty Ltd (**ISH**). Hostplus does not hold a controlling interest in ISH, holding only 10.61% of shares. As detailed in Hostplus’s financial statements, ISH does not meet the definition of a related party under AASB 142. Hostplus also does not have any direct ownership of, control or influence over, or involvement in the management of, IFM Investors. All transactions with IFM Investors are made on normal commercial terms, under normal conditions and at market rates.

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- HP117QW:**
- (a) How much have you received in dividends from Industry Super Holdings (ISH)?**
  - (b) What value have you placed on your shareholding of ISH?**
    - (i) Have your auditors undertaken independent valuation of this shareholding?**
    - (ii) Can you provide that valuation?**

**Answer:**

Hostplus's valuation of ISH is published on page 12 of its financial statements for the year ended 30 June 2020. Information on the income earned from its investment in ISH is also disclosed in Hostplus's financial statements. The financial statements are available on Hostplus's website at: <https://hostplus.com.au/super/about-us/governance-and-disclosures>.

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**HP118QW:** **In placing fund members' money with investment managers, what steps do you take to ensure that the sole purpose test in the Superannuation Industry (Supervision) Act is adhered to?**

**Answer:** Hostplus maintains an investment strategy which has regard to the unique demographics of Hostplus's membership base. This investment strategy ensures that the sole purpose test is part of all investment decision making and includes the process undertaken for due diligence on all investment decisions, including placing members' money with investment managers.

Hostplus also utilises the services of an asset consultant to provide expert, independent advice regarding the appointment and performance of investment managers.