

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS136QON:

Mr Baird: We do. We look at that. The key driver for us to ensure we get that long-term performance is that we focus on getting a good return year on year, and by doing that we end up, over the medium to long term, being at the upper end in returns. By reviewing what the lower quartile performance is, we can understand the additional value coming through to members' retirement savings. One of our key issues is that we have a higher number of smaller account balances and members on lower incomes, and that's always a challenge.

Dr MULINO: What kind of quantum are we talking about for, say, a person on average income over their life getting your returns over the long term versus the bottom quartile?

Mr Baird: I don't have that figure handy, but I could provide it to you if you like.

Dr MULINO: Thanks. It's likely to be many tens of thousands?

Mr Baird: It is, yes.

Answer:

Prime Super measures investment performance against the market based on data compiled by SuperRatings.

Ten year returns for the year ended 31 December 2020 for the default MySuper option:

Prime Super Return	8.33%
SuperRatings MySuper Average Return	7.56%
SuperRatings MySuper Bottom Quartile Return	7.16%

The following table shows excess earnings on various account balances invested for ten, twenty and thirty years based on the noted account balances, measured against the average investment return reported by SuperRatings. The excess earnings relates to net investment earnings (after investment fees and taxes) applied to an account balance. The impact of contributions, administration fees and insurance deductions have been excluded to demonstrate the benefit of strong investment performance.

Account Balance	Years to Retirement 10	Years to Retirement 20	Years to Retirement 30
\$50,000	\$3,986.18	\$8,290.15	\$12,937.25
\$100,000	\$7,972.36	\$16,580.30	\$25,874.50
\$250,000	\$19,930.89	\$41,450.75	\$64,686.25

From an investment return point of view a member with an account balance of \$50,000 invested in Prime Super will have an additional almost \$8,300 in their account after twenty years as a result of the strong long term investment performance of Prime Super, when compared to the average return generated by superannuation funds.

The following table shows excess earnings on various account balances invested for ten, twenty and thirty years based on the noted account balances, measured against the bottom quartile investment return reported by SuperRatings. The excess earnings relates to net investment earnings (after investment fees and taxes) applied to an account balance. The impact of contributions, administration fees and insurance deductions have been excluded to demonstrate the benefit of strong investment performance.

Account Balance	Years to Retirement 10	Years to Retirement 20	Years to Retirement 30
\$50,000	\$6,167.81	\$13,096.46	\$20,879.80
\$100,000	\$12,335.62	\$26,192.92	\$41,759.61
\$250,000	\$30,839.06	\$65,482.31	\$104,399.02

From an investment return point of view a member with an account balance of \$50,000 invested in Prime Super will have an additional \$13,000 in their account after twenty years as a result of the strong long term investment performance of Prime Super, when compared to the bottom quartile return generated by superannuation funds.

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PS137QW: Do you support superannuation funds delisting public companies?

Answer:

In concept there is no issue with a private investor (be it a private equity investor, superannuation investor, or any other investor) purchasing all the listed shares in a listed entity where it sees value that has not been fully realised by public markets.

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Prime Super

PS138QW:

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. Do you have any current investments in the National Housing Finance and Investment Corporation? If so, what is the size of your investments?**

Prime Super does not have any, nor has it ever had any, investments in the National Housing Finance and Investment Corporation.

- b. Please provide information on the rental income for any residential property investments held for each year for the last five financial years.**

Not applicable.

Prime Super does not invest in any residential property investment.

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PS139QW:

Subscriptions to The New Daily

- a. Has your fund ever considered subscribing your members to The New Daily through an opt-out model? If so:
 - i. Was this proposed initially internally, or externally?
 - ii. Who proposed it?
 - iii. Who approved it?
 - iv. What was the approval process?
 - v. What legal advice was sought?
 - vi. On what date did it proceed, or is it proposed to proceed?
- b. Have the following groups ever enquired or requested your fund to subscribe your members to The New Daily:
 - i. Industry Super Holdings?
 - ii. The New Daily?

Answer:

- a. Has your fund ever considered subscribing your members to The New Daily through an opt-out model?**

Prime Super has no relationship with The New Daily.

At no time has Prime Super ever considered subscribing members to The New Daily on any basis.

- b. Have the following groups ever enquired or requested your fund to subscribe your members to The New Daily:**

No party has ever engaged with Prime Super in relation to The New Daily.

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Prime Super

PS140QW: What arrangements, including donations, commissions, marketing expenditure or partnerships, do you have that lead to payments to research organisations or ‘think tanks’?

Please provide:

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

Answer:

Prime Super does not make payments, (including donations, commissions, marketing expenditure or partnerships) to ‘think tanks’.

Prime Super does subscribe to research organisations to receive generic market comparison information, such as the SuperRatings Fund Crediting Rate Survey and the Quarterly Rainmaker Information Benchmarking Report.

The following payments have been made over the last five years to research organisations in relation to generic research conducted by these organisations:

	SuperRatings	Rainmaker Information
30 June 2017	\$8,400	\$45,000
30 June 2018	\$12,500	\$42,000
30 June 2019	\$12,500	\$57,000
30 June 2020	\$12,875	\$65,000
30 June 2021	\$13,260	\$41,500

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PS141QW:

According to the Australian Financial Review (IFM's Tandem leaves workers in the lurch, 7 July 2021), IFM Investors have invested in a business that has left them wholly owning a subsidiary, Tandem Networks, that avoids them paying out the full entitlements of subcontractor. Therefore, if you are an owner of IFM Investors:

- a. Do you think it is acceptable that an investment made by your investment vehicle dishonours contractual arrangements with subcontractors?
- b. What inquiries have been made to ensure that subcontractors are being paid?
- c. What steps do you expect IFM Investors to go through should they not honour entitlements to subcontractors?
- d. Would you divest from IFM Investors should they not honour entitlements to subcontractors?

Answer:

Prime Super is not an owner of IFM Investors, and Prime Super has no investments with IFM Investors.

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PS142QW:

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:

Prime Super is not an owner of IFM Investors, and Prime Super has no investments with IFM Investors.