

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Q Super

- QS105QW:** Please advise the total remuneration package of your:
- a. company secretary, and
 - b. Chief Executive Officer, including:
 - i. total remuneration
 - ii. base salary
 - iii. annual bonuses
 - iv. deferred bonuses
 - v. equity or other options
 - vi. additional compensation not covered in the above.

Answer:

- a. The remuneration of the Company Secretary has been provided in a separate response.
- b. The remuneration of the QSuper Group Chief Executive Officer is provided in the table below.

	Total remuneration	Base salary	Annual bonuses	Deferred bonuses	Equity or other options	Additional compensation not covered
Chief Executive Officer	933,242	650,513	282,729 (of which 25% is deferred for two years)	75,906 (18/19)		9,681

Notes:

- *'Total remuneration' comprises fixed remuneration and incentives inclusive of superannuation and before tax is deducted, provided for the work conducted in the 2019/20 financial year. It does not include deferred bonuses paid but applicable to prior years.*
- *'Base salary' means the annual fixed remuneration before tax and superannuation contributions are deducted as at 30 June 2020.*
- *QSuper's does not pay 'bonuses' but has Board approved incentive schemes aligned to performance. The Board retains the absolute discretion to reduce all variable incentive payments downwards to zero.*
- *The 'annual bonus' refers to the total incentive amount related to the Financial Year 2019/20 of which 25% is deferred.*
- *The 'deferred bonus' relates to deferred incentives from financial year 2018/19, which were paid in September 2020.*

- *25% of the Chief Executive Officer's total incentive payment is deferred for 2 years. The payment is held at risk until the end of the 2 year deferral period. The Deferral Amount will be converted into a notional number of units whose performance over the Short Term Incentive Deferral period will reflect the performance of the QSuper Fund.*
- *Additional compensation not covered means the value of non-monetary fixed components such as car parking.*

It is noted that the figures in the table above differ in some respects to the disclosures in the QSuper Annual Report as a result of the different accounting and disclosure obligations that apply. For example, cash fixed remuneration in the Annual Report is disclosed including annual leave, allowances, and any salary sacrificed benefits (excluding superannuation, which is reported separately). In line with accounting standards, this may not agree with cash physically paid in the financial year.

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Q Super

- QS106QW:** For each year of the past decade, please advise the:
- annual remuneration of the average worker who contributes to your fund
 - average annual superannuation contribution from an employee to your fund
 - multiple your CEO is remunerated compared to the annual remuneration of the average worker who contributes to your fund.

Answer:

a. & c.

Financial Year (ending 30 June)	Average QLD Public Servant Salary	QLD Public Servant Data publishing date	Multiple
2019/20	\$90,283	Jun-19	7.2
2018/19	\$89,109	Dec-18	7.0
2017/18	\$86,514	Sep-17	6.9
2016/17	\$82,717	Sep-16	6.0
2015/16	\$80,734	Sep-15	6.2
2014/15	\$78,546	Sep-14	8.7
2013/14	\$77,413	Sep-13	8.6
2012/13	N/A	N/A	N/A
2011/12	N/A	N/A	N/A
2010/11	N/A	N/A	N/A

The source data from this source only dates back to 2013. Should prior data be required a request can be issued to Queensland Government to release prior data if possible and available.

Notes:

- *CEO remuneration is based on the contractual annual fixed remuneration as at 30 June of each year, for the CEO at that time.*
- *The Fund does not receive salary information from either members or employers, rather only contribution amounts made up of an employer component and a member component. For Defined Benefit members, QSuper receives information in relation to superannuable salary levels which differ from actual salaries. As the Defined Benefit*

category has been closed since 2008, calculating an average from this small cohort would not reflect the average salary of QSuper members.

- The largest default employer contributing to the QSuper Fund is the State of Queensland.
- Average member salary is based data released by the Queensland Government on: <https://www.forgov.qld.gov.au/queensland-public-service-workforce-statistics>
- The above data has been reported to the People & Nominations Committee (which also acts as the Group Remuneration Committee) annually as part of submissions relating to the annual remuneration review.

b.

The average annual superannuation contributions based on the assumptions below are:

Financial Year (ending 30 June)	Average Superannuation Contribution
2019/20	\$12,245
2018/19	\$11,888
2017/18	\$11,603
2016/17	\$12,524
2015/16	\$11,198
2014/15	\$10,998
2013/14	\$10,107
2012/13	\$9,398
2011/12	\$9,264
2010/11	\$8,840

Notes:

- Data includes Accumulation and Defined Benefit accounts.
- Data only includes members where the sum of at least one contribution type (i.e. employer or default member or voluntary) for the member is greater than zero during the financial year to exclude preserved/leaver members where no contributions are being made.
- Data is based on the sum of each contribution type into all accounts held by the member for the full financial year.

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Q Super

- QS107QW:** In the context of marketing and advertising campaigns:
- a. How many is your fund currently running individually, or in collaboration with others?
 - b. How many have run, or are currently running since the beginning of calendar year 2020?
 - c. What is the actual cost for each campaign (including development, production, broadcasting, and distribution) to 30 June 2020?
 - d. What is the actual cost for each campaign (including development, production, broadcasting, and distribution) budgeted?
 - e. What is the budgeted cost for each campaign (including development, production, broadcasting, and distribution) from 1 July 2020 – 31 December 2020?
 - f. What is the budgeted cost for any existing or proposed campaigns (including development, production, broadcasting, and distribution) for the period 1 January 2021 – 30 June 2021?
 - g. What is the budgeted cost for any existing or proposed campaigns (including development, production, broadcasting, and distribution) for the period 1 July 2021 – 31 December 2021?

Answer:

Background

Consistent with previous responses, we have defined marketing and advertising campaigns as large-scale campaigns that promote the QSuper brand across multiple media including billboards, radio and digital. They target:

1. Existing Members: to provide confidence and reassurance.
2. Seeking new members: to attract new members.

QSuper invests thoughtfully in marketing and advertising campaigns that benefit our members. Marketing and advertising campaigns support fund growth (retention of existing members and acquisition of new members). Sustainable growth is in the best interests of our members.

a. How many is your fund currently running individually, or in collaboration with others?

One. QSuper is currently running a campaign involving the Royal Flying Doctor Service (RFDS). From November 2020, QSuper plans to introduce a new Brand Campaign, called 'Blue Sky'.

b. How many have run, or are currently running since the beginning of calendar year 2020?

QSuper has run four marketing and advertising campaigns this calendar year.

1. Café Super (January 2020 – March 2020)
2. RFDS Phase 1 (January 2020 – March 2020) and Phase 2 (October 2020 – December 2020)

3. 3. End of Financial Year Performance campaign (July 2020 – September 2020).
4. 4. Blue Sky Phase 1 (November 2020 – December 2020)

c. and d.

Responses to questions c and d are included in the below table:

Campaign	Campaign Timing	c. What is the actual cost for each campaign (including development, production, broadcasting, and distribution) to 30 June 2020?	d. What is the actual cost for each campaign (including development, production, broadcasting, and distribution) budgeted?	Note
Café Super	Originally Jan-Jun 2020 Actual Jan-Mar 2020	\$1,029,000	\$1,800,000	All campaign activity paused from April due to COVID-19.
RFDS Phase 1	Originally Jan-Jun 2020 Actual Jan-Mar 2020	\$90,464	\$300,000	All campaign activity paused from April due to COVID-19.
End of Financial Year Performance campaign	July 2020 – September 2020	n/a	\$547,024	
Blue Sky Phase 1	Originally Sept-Dec 2020 Now Nov-Dec 2020	\$200,000	\$1,250,000	New campaign development to respond to COVID-19 context

Note: End of Financial Year Performance campaign used existing proprietary content from QSuper’s website and was promoted in certain media channels.

e. and f.

Responses to questions e and f are included in the below table:

Campaign	e. What is the budgeted cost for each campaign (including development, production, broadcasting, and distribution) from 1 July 2020 – 31 December 2020?	f. What is the budgeted cost for any existing or proposed campaigns (including development, production, broadcasting, and distribution) for the period 1 January 2021 – 30 June 2021?
End of Financial Year Performance	\$547,000	
RFDS Phase 2	\$200,000	\$320,000
Blue Sky Phase 1	As per response to (d)	
Blue Sky Phase 2		\$2,750,000

g. What is the budgeted cost for any existing or proposed campaigns (including development, production, broadcasting, and distribution) for the period 1 July 2021 – 31 December 2021?

QSuper's FY2021-2022 budgets will be set in early 2021 (March). Future marketing and advertising campaigns will be developed, once corporate budget and strategic outcomes are confirmed.

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Q Super

QS108QW: For each of the following categories, please provide the percentages of employees that are women, men, or who identify otherwise:

- a. all employees
- b. non-executive employees
- c. executive employees
- d. senior

Answer:

As at 12 October 2020, the following is the percentage breakdown by gender of requested classes of employees:

	Men	Women	Identify otherwise
All employees (n=1444)	48%	52%	0%
Non-executive employees (n=1401)	48%	52%	0%
Executive employees (n=34)	68%	32%	0%
Senior Executive (n=9)	67%	33%	0%

Notes:

1. Includes all QSuper Group employees. Excludes board members, external workers and contractors
2. Executive employees comprises of Heads of Departments and other executive Leaders. It excludes Senior Executive employees
3. Senior Executive employees comprises of Chiefs of divisions and the Chief Executive Officer. It does not include Heads of Departments or other executive leaders.
4. The QSuper People Management system has not previously included the ability for employees to record if they identify as other than male or female. This has been introduced in 2020, however, does not yet contain this selection for existing employees recruited prior to July 2020.

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Q Super

- QS109QW:** Do you have a target for the employment of:
- a. women as a share of:
 - i. all employees?
 - ii. executive employees?
 - iii. senior executive employees?
 - b. people who are gender non-binary as a share of:
 - i. all employees?
 - ii. executive employees?
 - iii. senior executive employees?

Answer:

- a. QSuper has a 40:40:20 gender diversity target across the organisation. This aims for 40% women, 40% men and 20% made up for either gender, who identify as gender non-binary or choose not to nominate a gender. This gender diversity target has been embedded into the talent development program, succession planning and recruitment processes. These targets apply at all levels of the Group (all employees, executive and senior executive employees).
- b. QSuper has not set specific targets for employees who identify as gender non-binary.

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QSuper

- QS110QW:** Since the introduction of Superstream, which has standardised the transfer of funds, has there been:
- a. A reduction in the cost to the fund for transferring funds, and if so, by how much?
 - b. A reduction in the fees charged to members reflecting any saving, and if so, by how much?

Answer:

- a. The implementation of Superstream at QSuper was delivered through a Superstream project between July 2013 to August 2019. The estimated cost to the Fund for transferring funds has been monitored since that time, however no material reductions have been identified.
- b. QSuper reviews the fees charged to members on an annual basis. There are a number of factors which are considered as part of the fee-setting process, such as sharing the benefit of any specific cost savings delivered through business initiatives, balanced with reinvesting in new products and services for members and managing new regulatory compliance requirements.

QSuper has reduced member administration fees on four occasions during the SuperStream implementation period (in July 2013, July 2015, September 2017 and July 2018).

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SUPERANNUATION SECTOR

Q Super

QS111QW: Greenhouse gas emissions

a. Does your fund have an internal target for your own greenhouse gas emissions footprint by:

- i. 2030?
- ii. 2035?
- iii. 2040?
- iv. 2045?
- v. 2050?

b. Does your fund have a target for reducing greenhouse gas emissions from investments by:

- i. 2030?
- ii. 2035?
- iii. 2040?
- iv. 2045?
- v. 2050?

c. Does your fund intend to divest from investments if they do not reach their greenhouse gas emissions reduction targets by:

- i. 2030?
- ii. 2035?
- iii. 2040?
- iv. 2045?
- v. 2050?

Answer:

- a. No.
- b. The objective of QSuper's strategy is to achieve more informed investment decisions through increased understanding and reporting of climate change risks and manage climate change risks and opportunities consistent with the transition to a low carbon economy largely consistent with the Paris Accord.

To assist the Board's consideration of climate change risks a body of work has been identified which includes completing scenario analysis of these risks relative to various transition pathways that may emerge.

Once completed, this work will inform discussion of possible actions (implications for portfolio integration and stewardship activity) where relevant, for existing and new assets consistent with the selected target pathway.

- c. Any decision will be informed by QSuper's assessment of Climate Change risks once completed.

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SUPERANNUATION SECTOR**

QSuper

QS112QW: The New Daily

- a. Have you ever completed a cost benefit analysis of The New Daily to your fund?
 - i. If so, when did you complete this cost benefit analysis?
 - ii. Please provide a copy of the cost benefit analysis.
- b. Have you ever completed a cost benefit analysis of The New Daily to your members?
 - i. If so, when did you complete your cost benefit analysis of the New Daily to your members?
 - ii. Please provide a copy of the cost benefit analysis.

Answer:

QSuper is not affiliated in any way with The New Daily. On this basis, we have not completed a cost benefit analysis of the New Daily to the Fund or to Fund members.

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Q Super

- QS113QW:** Financial advisers remuneration
- a. Are your financial advisers paid:
 - i. a base salary?
 - ii. non-salaried remuneration, including bonuses?
 - b. Are your financial advisers, who are only remunerated with a base salary, eligible to provide:
 - i. personal advice?
 - ii. general advice?

Answer:

QSuper has no Financial Advisers.

Notes:

The QSuper Board has appointed QInvest Limited (QIL) to provide certain services, including the provision of Financial Advice services to QSuper members. QIL is a wholly owned subsidiary of QSuper.

QSuper pays QIL for the intra-fund component of this Financial Advice via an agreed service fee. QIL has recently ceased providing non-intra fund advice services. Historically, the non-intra-fund component, such as scaled and comprehensive advice, was charged by QInvest directly to its clients.

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SUPERANNUATION SECTOR

Q Super

QS114QW: Have any technology innovations within the fund reduced the cost of operating the fund over the past decade? If so, please outline:

- a) the technological innovations
- b) the cost saving
- c) the cost saving passed through to fees charged to members.

Answer:

a. QSuper has identified a number of technology improvements implemented over the last decade which have delivered productivity benefits, enabling the Fund to provide new services and enhance existing services to members in a cost effective way. A selection of these are listed below.

Workflow management: In FY2012/13, QSuper implemented a workflow management tool to replace a previous work management tool that no longer met business requirements and was at high risk of introducing additional operational cost into the organisation due to aging infrastructure and inflexible processes. The new technology provided QSuper with operational efficiencies through the implementation of workflow and workforce management improvements, document imaging and processing capabilities, integration to the core superannuation registry system for straight through processing and a workflow that could be modified as business processes changed over time.

Employer Self Service: In FY2015/16, QSuper implemented a new employer portal and contributions gateway, enabling employers to submit automated superannuation contributions for 300,000 members that met the legislative requirements for Superstream. This has significantly increased the number of contribution transactions automatically processed straight into member accounts, reducing the number of staff required to process contributions. Additional benefits included a reduction in transaction costs and a reduction in errors that needed to be manually corrected.

Digitisation of Member Requests: In FY2016/17, QSuper commenced digitising common member requests, allowing members to self-serve without needing to contact QSuper or fill out paper forms. These requests could then be processed straight through to members' accounts. This initiative significantly reduced the number of back-office staff required to process member requests for high volume activities such as investment switches, accumulation account withdrawals, beneficiary nominations, and consolidations from other funds. This service has also reduced request processing times for our members and improved risk controls. Over half of all member requests are now processed through self-service.

Robotic Process Automation (RPA): From FY2018/19, QSuper has implemented RPA to automate manual tasks for certain processes. Automating these tasks has created capacity within QSuper back-office operations to perform other activities that would have otherwise required additional staff at additional cost.

Contact Centre technology: In FY2018/19, QSuper replaced the aging technology that supported the Contact Centre with a new cloud-based technology solution. Benefits of the technology included:

- Automated workforce management, scheduling and forecasting, improving efficiency of how we utilise our Contact Centre resources;
- Routing of calls to the best skilled and available agent every time improving the member experience and reducing the time spent on calls that needed to be forwarded onto an expert before being answered;
- Real time monitoring, reporting and analysis to drive more effective and informed real time decision making
- Greater self-serve options for employees, reducing management overhead; and
- Improved stability and reliability of the technology reducing call dropouts and member wait times.

Mobile application: In FY2019/20, QSuper implemented a robust and secure mobile application on the iOS and Android platforms. The app allows members to access their account and find fund level information via the app, reducing both the cost for QSuper to respond to member requests and the effort on behalf of the member to find the information they need.

b. A reduction in operating costs has not been the sole driver of these initiatives and it is difficult to quantify specific cost savings associated with each. Each initiative has delivered cost savings as well as cost avoidance, and created efficiencies to do other work and offer more services to members. All have contributed to multiple reductions in administration fees charged to members, discussed in more detail below.

c. QSuper reviews the fees charged to members on an annual basis. There are a number of factors which are considered as part of the fee-setting process, such as sharing the benefit of any specific cost savings delivered through business initiatives, balanced with reinvesting in new products and services for members as well as managing new regulatory compliance requirements.

QSuper has reduced member administration fees on four occasions during the last decade (in July 2013, July 2015, September 2018 and July 2018).

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SUPERANNUATION SECTOR**

QSuper

- QS115QW:**
- What data is provided to valuation teams to assess the value of unlisted assets?
 - When the fund provides data to valuation teams to assess the value of unlisted assets, does this include internal modelling of asset valuations?
 - What assumptions are provided to valuation teams when assessing the value of unlisted assets?
 - When valuation teams assess the value of unlisted assets, do they solely take account of past performance?
 - When valuation teams assess the value of unlisted assets, what weighting do they take on the projected value of the market for such unlisted assets to inform their valuations?
 - For the past decade can you please complete the below table for each unlisted asset valued under your valuation policy.

Asset class	i.e., Airport	
Financial year	In-house valuation conducted by	External valuation conducted by
2010/2011	i.e., Deloitte	i.e., Ernst & Young
2011/2012		
2012/2013		
2013/2014		
2014/2015		
2015/2016		
2016/2017		
2017/2018		
2018/2019		
2019/2020		

Answer:

- The responsibility for unlisted valuations remains with external managers and/or independent valuation experts as outlined in our prior responses to QS44QW and QS48QW. As such, our external managers rather than the QSuper Funds Management team, liaises directly with valuation teams to provide them with the necessary information to perform their work. The types of information provided would typically include financial projections prepared by company management and/or external managers as well as underlying economic, operating and financial assumptions, which would vary by asset.
- See response to QS115QW (a) above.
- See response to QS115QW (a) above.

- d. Valuation teams typically consider both past and forecast financial performance when conducting valuations.
- e. QSuper's external managers and external valuers use industry standard methods to arrive at the value of unlisted assets. Discounted cash flow valuations will typically include an assumption around the projected terminal value of an asset with the contribution to total value varying depending on the nature of the asset and the valuation timeframe.
- f. In-house valuations are usually performed by external managers while external valuations are conducted by independent valuation firms. External valuers for any unlisted asset directly owned as at 30 June 2020 are outlined in attachments QS115.1QW, QS115.2QW, QS115.3QW.

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Q Super

QS116QW: In the Financial Services Royal Commission documentation an ‘*Audit and Risk Management Committee*’ paper was compiled for CBUS (*‘Review of payments made to sponsoring organisations’*—

<https://financialservices.royalcommission.gov.au/public-hearings/Documents/Additional-exhibits-round-5/EXHIBIT-5.368.pdf>).

Please advise how many times, over the last decade, such a paper, or equivalent, has been prepared for:

- a. Your board?
- b. A Board subcommittee?
- c. Executive Management?

Answer: For the purposes of this question, QSuper’s sponsoring organisations are defined as: (i) the Queensland Government; (ii) the Queensland Teachers’ Union; (iii) the Queensland Nurses’ & Midwives Union; (iv) the Queensland Police Union; and (v) Together Queensland. These are the five organisations prescribed in QSuper’s enabling legislation [i.e. *Superannuation (State Public Sector) Act 1990* and subordinate legislation], as those that nominate candidates for appointment to the QSuper Board.

- a. Two. In August 2018 and December 2019 the QSuper Board was presented with submissions which provided an update on the activities and outcomes of QSuper’s advertising and sponsorships for the previous financial year and the current (forward looking) financial year. Prior to 2018, the QSuper Board utilised a subcommittee to consider matters related to products, services and advice including overseeing advertising and sponsorships.
- b. Four. Prior to becoming a public offer superannuation fund on 1 July 2017, QSuper took a low key approach to promoting the Fund and brand. This was considered fit for purpose for a closed fund. As the marketing and sponsorship activities were very limited, and the expenditure was minor, there was less need for direct Board oversight. The marketing and sponsorship activities and budget have increased since 1 July 2017, and therefore an annual reporting cycle has subsequently been established.
- c. One. Prior to being submitted to the QSuper Board for consideration, a paper titled ‘*Sponsorship & Donations Framework*’ was endorsed by Executive Management in mid-2019.

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SUPERANNUATION SECTOR**

Q Super

- QS117QW:** Over the past decade, how many non-disclosure agreements have you agreed to in relation to:
- a. human resources issues?
 - b. sexual harassment issues?

Answer:

- a. Since 01/01/2010, we have identified 30 Deeds of Agreement (which include a standard non-disclosure clause).

Note: Deeds of Agreement identified as relating to human resources issues include:

- a) matters resolved through mutual separation; and*
- b) resolution of a claim being brought by an employee in relation to their termination.*

- b. Since 01/01/2010, we have identified zero (0) Deeds of Agreement (which include a standard non-disclosure clause) which relate to sexual harassment issues.

Note: QSuper has acted in good faith and used best efforts in the time available to identify all non-disclosure agreements during the requested 10 year period. However, due to changes in filing systems (paper to electronic), archiving of files and inconsistent historical file management (prior to 2015) it is possible a number of additional agreements may exist but were not identified in our search.

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Q Super

QS118QW: Do you use an internal clearing house to receive the superannuation payments from employers, or their payroll representatives, before they are allocated to an individual member's account and/or fund? If so:

- a. What is the name of the clearing house?
- b. Why do you use a clearing house?
- c. How much does it cost annually to use the clearing house?
- d. How much does it cost annually to each member to use the clearing house?
- e. What happens to interest accrued from funds held in the clearing house?
- f. What happens to non-interest income and/or capital gains accrued from funds held in the clearing house?

Answer:

QSuper does not use an internal clearing house to receive the superannuation payments from employers, or their payroll representatives, before they are allocated to an individual member's account and/or fund.

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Q Super

QS119QW: Do you use an external clearing house to receive the superannuation payments from employers, or their payroll representatives, before they are allocated to an individual member's account and/or fund? If so:

- a. What is the name of the clearing house?
- b. Who owns the clearing house?
- c. Why do you use an external clearing house?
- d. How much does it cost annually to use the external clearing house?
- e. How much does it cost annually to each member to use the external clearing house?
- f. What happens to non-interest income and/or capital gains accrued from funds held in the external clearing house?

Answer:

Yes. QSuper uses an external clearing house to receive the superannuation payments from employers, or their payroll representatives, before they are allocated to an individual member's account and/or fund.

a. What is the name of the clearing house?

QSuper uses a white-labelled clearing house known as QSuper Employer Direct.

b. Who owns the clearing house?

SuperChoice Services Pty Ltd owns the clearing house.

c. Why do you use an external clearing house?

To comply with the ATO Superstream legislation and payment standards, QSuper completed an evaluation of numerous suppliers before selecting the clearing house that would best meet QSuper's requirements and compliance obligations.

An external supplier was chosen as QSuper is not a technology provider nor is it licensed to provide clearing house services. An external clearing house can provide the specialised infrastructure and capability to ensure that the platform is maintained in accordance with all on-going commercial and legislative requirements and has appropriate data protection.

Superchoice as the selected provider, is a specialist in data and payment services. The Superstream solution is sufficiently flexible to enable customisation to meet the specific requirements of QSuper.

The benefits of the solution include:

- an easy to use platform for employers that enables the efficient administration of superannuation in one location.
- administration efficiencies gained by QSuper due to the high proportion of straight through processing.
- provision of a client support service to QSuper to assist employers.
- employer contributions data is validated and reconciled with the associated payment.

The benefits of the solution for employers include:

- the ability to pay Superannuation Guarantee (SG) contributions for all employees to any super fund as a single electronic payment of their chosen method (whether Direct Debit or Direct Credit).
- enables employers to comply with their regulatory obligations to send contributions using the Superstream standard.

Employers that use the service are provided with a combined Financial Service Guide (FSG) and Product Disclosure Statement (PDS) to inform them about the clearing house service.

d. How much does it cost annually to use the external clearing house?

This information has been provided in a separate response.

e. How much does it cost annually to each member to use the external clearing house?

There is no explicit cost to a member to use the clearing house service. Costs are included with all other administration costs and charged as part of the administration fee.

f. What happens to non-interest income and/or capital gains accrued from funds held in the external clearing house?

The external clearing house is the appropriate party to provide an answer to this question.

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SUPERANNUATION SECTOR

Q Super

QS120QW: If you use an internal clearing house please outline when money is received into the clearing house:

- a. On average, how long does it stay in the clearing house before it:
 - i. is allocated to a member's account and/or fund?
 - ii. is allocated to purchase units for a member's account and/or fund?
 - iii. appears in a member's account and/or fund statement and/or online record?
- b. What is the longest time that it has stayed in the clearing house before it:
 - i. is allocated to a member's account and/or fund?
 - ii. is allocated to purchase units for a member's account and/or fund?
 - iii. appears in a member's account and/or fund statement and/or online record?
- c. What is the shortest time that it has stayed in the clearing house before it:
 - i. is allocated to a member's account and/or fund?
 - ii. is allocated to purchase units for a member's account and/or fund?
 - iii. appears in a member's account and/or fund statement and/or online record?
- d. For interest accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:
 - i. the individual member's account and/or fund?
 - ii. a different account and/or fund? If so, what is its name?
- e. For non-interest income and/or capital gains accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:
 - i. the individual member's account and/or fund?
 - ii. a different account and/or fund? If so, what is its name?

Answer:

Not applicable. As per response to QS118QW, QSuper does not use an internal clearing house.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS
REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR

Q Super

- QS121QW:** If you use an external clearing house please outline when money is received into the clearing house:
- a. On average, how long does it stay in the clearing house before it:
 - i. is allocated to a member's account and/or fund?
 - ii. is allocated to purchase units for a member's account and/or fund?
 - iii. appears in a member's account and/or fund statement and/or online record?
 - b. What is the longest time that it has stayed in the clearing house before it:
 - i. is allocated to a member's account and/or fund?
 - ii. is allocated to purchase units for a member's account and/or fund?
 - iii. appears in a member's account and/or fund statement and/or online record?
 - c. What is the shortest time that it has stayed in the clearing house before it:
 - i. is allocated to a member's account and/or fund?
 - ii. is allocated to purchase units for a member's account and/or fund?
 - iii. appears in a member's account and/or fund statement and/or online record?
 - d. For interest accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:
 - i. the individual member's account and/or fund?
 - ii. a different account and/or fund? If so, what is its name?
 - e. For non-interest income and/or capital gains accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:
 - i. the individual member's account and/or fund?
 - ii. a different account and/or fund? If so, what is its name?

Answer:

Background information

The Product Disclosure Statement (PDS) provides the following information to employers to enable the Superannuation Guarantee (SG) due dates to be met:

- 5 Banking Days before the deadline (if paying by Direct Debit)
- 2 Banking Days before the deadline (if paying by Direct Credit)

By engaging an external clearing house, the employer appoints the clearing house to act as an agent of the employer in meeting their superannuation obligations. The length of time money stays in the clearing house depends on the Bulk Electronic Clearing System (BECS) approved payment method chosen:

- For Employers paying via Direct Credit the money is in the clearing house account overnight. This is the minimum time possible within the banking system.
- For employers paying via Direct Debit the money is in the clearing house account for 3 nights. This is the time a Direct Debit payment takes to clear the banking system.

It is the employer's obligation to pass all the required information in sending both the matching data and money. Until the SuperStream data is compliant and reconciled the associated payment cannot be sent to the superannuation funds.

a. On average, how long does it stay in the clearing house before it:

i. is allocated to a member's account and/or fund?

A large proportion of QSuper's employers use the Direct Credit option for payments. Therefore, on average, the money stays in the clearing house account for 1.2 days before it can be sent to the superannuation fund.

Superannuation funds are required under the SuperStream legislation to allocate payments to a member account within 3 business days of the receipt of both the contribution data and the associated payment.

ii. is allocated to purchase units for a member's account and/or fund?

Depending on whether an employer pays via Direct Credit or Direct Debit, once the money and data is received into QSuper's account and its data repositories, there are 3 business days to allocate the money to the member. The unit price applied will be as per the date the funds are received into QSuper's bank account.

iii. appears in a member's account and/or fund statement and/or online record?

Upon reconciliation of the superannuation data and payments, the units purchased will appear in the transaction list in the member's superannuation account.

b. What is the longest time that it has stayed in the clearing house before it:

All payments are submitted in alignment with standard BECS processes.

All data is validated and corrected prior to the payment being debited from the employer account or the employer paying the nominated clearing house account by Direct Credit.

Where errors do occur, it is generally related to the payment amount (overpayment or underpayment) for a specific employee.

To ensure that employers meet their SG obligations, the clearing house will send the contribution data and file to the funds for processing (that is, there is no delay in issuing the payment for employees not affected by the error).

i. is allocated to a member's account and/or fund?

Payments can only be allocated to the member's account after it has been received by the superannuation fund.

Superannuation funds are required under SuperStream legislation to allocate payments to a member's account within 3 business days of the receipt of both contribution data and the associated payment.

ii. is allocated to purchase units for a member's account and/or fund?

Depending on whether an employer pays via Direct Credit or Direct Debit, once the money and data is received into QSuper's account and its data repositories, there are 3 business days to allocate the money to the member. The unit price applied will be as per the date the funds are received into QSuper's bank account.

iii. appears in a member's account and/or fund statement and/or online record?

Upon reconciliation of the superannuation data and payments, the units purchased will appear in the transaction list in the member's superannuation account.

c. What is the shortest time that it has stayed in the clearing house before it:

All payments are submitted in alignment with standard BECS processes.

For Employers paying via Direct Credit the money is in the clearing house account overnight. This is the minimum time possible within the banking system.

For employers paying via Direct Debit the money is in the Clearing house for 3 nights. This is the time a Direct Debit payment takes to clear the banking system.

i. is allocated to a member's account and/or fund?

a. For Direct Credit payments the funds are held in the clearing house overnight. This allows the clearing house to reconcile the funds in the morning after the payment is received then pay the money to the superannuation fund.

b. For Direct Debit, the funds are held in the clearing house for 3 nights. This is to allow the funds to clear before being sent to the superannuation fund.

ii. is allocated to purchase units for a member's account and/or fund?

a. Depending on whether an employer pays via Direct Credit or Direct Debit, once the money and data is received into QSuper's account and its data repositories, there are 3 business days to allocate the money to the member. The unit price applied will be as per the date the funds are received into QSuper's bank account.

iii. appears in a member's account and/or fund statement and/or online record?

Upon reconciliation of the superannuation data and payments, the units purchased will appear in the transaction list in the member's superannuation account.

d. For interest accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:

i. the individual member's account and/or fund?

Only the contribution amounts transferred by employers to the clearing house are paid into the superannuation fund, after being cleared and reconciled.

ii. a different account and/or fund? If so, what is its name?

The Financial Services Guide (FSG)/PDS for the clearing house facility states that interest on funds deposited in the clearing house facility is retained by the clearing house.

e. For non-interest income and/or capital gains accrued from holding funds in the clearing house for the member, is it then subsequently allocated to:

Only the contribution amounts transferred by employers to the clearing house are paid into the superannuation fund, after being cleared and reconciled.

Contributions received by QSuper are converted into units in the investment option or options applicable for each member, on the same day as being received.

Members receive all investment earnings and capital gains from the day the contributions are received by QSuper.

i. the individual member's account and/or fund?

N/A

ii. a different account and/or fund? If so, what is its name?

N/A

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Q Super

QS122QW: During the first half of 2020 there were significant market movements because of the economic response to the COVID-19 pandemic. Please complete the following table outlining the total payouts and losses in foreign exchange hedging.

Answer:

The purpose of FOREX hedging is to reduce the impact of the volatility in foreign exchange rates on the value of Fund assets. To the extent there are losses on FOREX hedges, the underlying foreign assets being hedged would experience an equal and opposite gain in Australian dollar terms. The opposite applies to FOREX payouts. Effectively, the FOREX hedges work to neutralise volatility brought on by currency movements.

Month in 2020	Payouts for FOREX hedges (\$)	Losses for FOREX hedges (\$)
January	16,856,308.20	(102,359,883.28)
February	20,944,944.00	(142,474,172.68)
March	40,771,026.57	(318,791,601.57)
April	101,875,742.83	(646,010,338.20)
May	102,967,587.46	(165,531,754.01)
June	58,023,096.99	(70,821,089.81)

Note: *Payouts for FOREX hedges* has been interpreted as payouts to QSuper and *Losses for FOREX hedges* has been interpreted as losses to QSuper. The table reports the profit or loss by currency per day of settlement for each month. Profits have been aggregated within each month and the sum of these has been included in the payouts column. Similarly, the losses have been aggregated within each month and the sum of these has been included in the losses column.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

SUPERANNUATION SECTOR

Q Super

QS123QW: Assuming a young Australian whose birthday was 1 July 1989, got their first job on 1 July 2005, opened a default superannuation account on 1 July 2005, made the average contribution of a person in that age bracket, using the default product offer made at that time and made no additional contributions, received the average growth, paid all fees, insurances and deductibles, please complete the following table.

Answer:

Age	FY	Average income	Average contribution (%)	Average contribution (\$)	Deductions	Average growth	End of Year Balance
16	2005/06	\$11,430	17.75%	\$2,029	MER \$ 4 Insure \$224 Tax <u>\$304</u> Total \$533	\$98	\$1,594
17	2006/07	\$18,943	17.75%	\$3,362	MER \$ 17 Insure \$233 Tax <u>\$504</u> Total \$754	\$423	\$4,625
18	2007/08	\$23,012	17.75%	\$4,085	MER \$ 40 Insure \$238 Tax <u>\$613</u> Total \$890	-\$186	\$7,634
19	2008/09	\$26,989	17.75%	\$4,791	MER \$ 65 Insure \$ 232 Tax <u>\$ 719</u> Total \$1,016	-\$1,084	\$10,324
20	2009/10	\$31,728	17.75%	\$5,632	MER \$ 90 Insure \$ 240 Tax <u>\$ 845</u> Total \$1,175	\$1,626	\$16,408
21	2010/11	\$43,721	17.75%	\$7,760	MER \$ 137 Insure \$ 256 Tax <u>\$1,164</u> Total \$1,557	\$1,662	\$24,273
22	2011/12	\$47,459	17.75%	\$8,424	MER \$ 179 Insure \$ 446 Tax <u>\$1,264</u> Total \$1,888	\$2,046	\$32,854
23	2012/13	\$51,716	17.75%	\$9,180	MER \$ 223 Insure \$ 468 Tax <u>\$1,377</u> Total \$2,068	\$3,722	\$43,688

Age	FY	Average income	Average contribution (%)	Average contribution (\$)	Deductions	Average growth	End of Year Balance
24	2013/14	\$56,732	17.75%	\$10,070	MER \$ 301 Insure \$ 495 Tax <u>\$1,510</u> Total \$2,306	\$6,685	\$58,137
25	2014/15	\$59,515	17.75%	\$10,564	MER \$ 576 Insure \$ 631 Tax <u>\$1,585</u> Total \$2,791	\$9,100	\$75,009
26	2015/16	\$61,690	17.75%	\$10,950	MER \$ 734 Insure \$ 826 Tax <u>\$1,642</u> Total \$3,202	\$5,908	\$88,665
27	2016/17	\$65,161	17.75%	\$11,566	MER \$ 960 Insure \$ 602 Tax <u>\$1,735</u> Total \$3,297	\$10,077	\$107,012
28	2017/18	\$66,881	17.75%	\$11,871	MER \$1,328 Insure \$ 668 Tax <u>\$1,781</u> Total \$3,777	\$8,471	\$123,577
29	2018/19	\$68,951	17.75%	\$12,239	MER \$1,302 Insure \$ 545 Tax <u>\$1,836</u> Total \$3,683	\$15,049	\$147,182
30	2019/20	\$72,488	17.75%	\$12,867	MER \$1,189 Insure \$ 665 Tax <u>\$1,930</u> Total \$3,784	-\$540	\$155,724
Totals				\$125,389	MER \$7,145 Insure \$6,768 Tax <u>\$18,808</u> Total \$32,721	\$63,057	\$155,724

Methodology and Assumptions:

Annual Salary

QSuper does not receive salary information from either employers or members.

The average annualised salary of all fund members born in 1989 for each year that were active in that year (i.e. contributed to the fund) has been calculated based on the total contributions received, to determine the average superannuable salary in that year. It is noted that the superannuable salary can differ from actual salary (which may include bonuses and overtime) and the average will include members who worked on a part time or casual basis.

Contribution

- Default before tax (employee/employer) rate levied on a member's income as at 1 July 2005 and each year thereafter.

- In 2005 QSuper was not an open fund. All members were Queensland public servants. The contribution rate for any and every new member was 17.75% (5% member, 12.75% State Government) as required under the Superannuation (State Public Sector) Act QLD 1990.

Contribution Tax

- Contributions are taxed at a flat rate of 15%

Insurance

- QSuper offers three types of default insurance: death, temporary and permanent disablement (TPD) and Income Protection (IP).

Member Expense Ratio (MER)

- All administration fees, investment management fees and indirect costs are expressed as a percentage of funds under management and combined into a single rate that is deducted from the gross return before unit price/s are declared.
- Average of the annualised monthly fees for the financial year were used in the calculations.

Average growth

- Gross change in the market value of the member's total investments (account balance) over the financial year as a result of investment returns (assuming all cashflows occur halfway throughout the year)
- Default investment option was the QSuper Balanced option until the launch of the fund's MySuper product, QSuper Lifetime (Outlook group) from the 2013/14 financial year.