

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

REST

REST141QW: In dollar terms, how much advertising space did your fund book (directly or indirectly through a broker or agent) in the second half of 2020 that was unused on:

- a. radio?
- b. television?
- c. print?

Answer: Zero for all channels – Rest had no advertising that was booked and unused.

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REST

REST142QW: In minutes, how much advertising space did your fund book (directly or indirectly through a broker or agent) in the second half of 2020 that was unused on:

- a. radio?
- b. television?
- c. print?

Answer: Zero for all channels – Rest had no advertising that was booked and unused.

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REST

REST143QW: Please complete the table for the last five financial years outlining your financial contribution to Industry Super Australia.

Answer:

| Financial Year | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| Contribution (\$) | 0 | 0 | 0 | 0 | 0 |

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REST

REST144QW: What is your current policy on whether your funds are permitted to invest in:

- a. residential property?
- b. Build-to-Rent housing?
- c. social housing?

Answer:

Rest does not prohibit investment in those categories. Those categories would fall within Rest's "other" sector in its Property Asset Class Guidelines. Rest's Board-approved Guidelines permit between 0-40% of Rest's property portfolio to be invested in the "other" sector. Each investment proposal is assessed on its individual investment characteristics and portfolio fit.

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REST

REST145QW: What data do you have on the home ownership rates of fund members?

Answer:

Rest does not collect this data on our fund membership.

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REST

REST146QW: Have you ever:

- a. completed internal research that includes retirement outcomes for fund members who own their home in retirement, compared to those who do not?
- b. commissioned external research that includes retirement outcomes for fund members who own their home in retirement, compared to those who do not?

Answer:

a. No

b. No

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REST

REST147QW: For the last five financial years, please complete the table for the average return on all your investments.

Answer:

Accumulation investment options

| Financial Year Average return % | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|--|----------------|----------------|----------------|----------------|----------------|
| Australian Shares | 3.32% | 13.98% | 16.74% | 6.83% | -6.95% |
| Balanced | 1.87% | 9.26% | 6.45% | 5.07% | -0.82% |
| Basic Cash | 1.81% | 1.45% | 1.51% | 1.60% | 0.66% |
| Bond | 1.62% | 3.73% | 1.00% | 5.31% | 1.27% |
| Capital Stable | 1.81% | 6.97% | 4.53% | 4.24% | -0.15% |
| Cash | 2.04% | 1.93% | 1.83% | 1.97% | 1.26% |
| Cash Plus | 1.78% | 2.21% | 1.42% | N/A | N/A |
| Core Strategy¹ | 1.82% | 11.07% | 8.76% | 5.96% | -1.05% |
| Diversified | 2.01% | 11.84% | 8.71% | 6.25% | -1.27% |
| High Growth | 1.81% | 13.71% | 10.45% | 6.95% | -1.93% |
| Overseas Shares | -3.69% | 16.69% | 11.95% | 9.33% | -2.00% |
| Property | 12.99% | 11.77% | 10.74% | 9.52% | 0.64% |
| Shares | -0.57% | 15.84% | 14.11% | 8.64% | -2.88% |
| Australian Shares Index | N/A | N/A | N/A | N/A | -6.72% |
| Overseas Shares Index | N/A | N/A | N/A | N/A | 3.82% |
| Balanced Index | N/A | N/A | N/A | N/A | 0.44% |

Pension investment options

| Financial Year Average return % | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|--|----------------|----------------|----------------|----------------|----------------|
| Australian Shares | 1.79% | 15.36% | 16.76% | 9.22% | -3.78% |
| Balanced | 1.81% | 10.50% | 6.76% | 5.72% | -0.24% |
| Basic Cash | 2.12% | 1.75% | 1.69% | 1.89% | 0.79% |
| Bond | 1.85% | 4.33% | 1.15% | 6.13% | 1.55% |
| Capital Stable | 1.86% | 7.96% | 4.83% | 4.81% | 0.32% |
| Cash | 2.41% | 2.30% | 2.16% | 2.33% | 1.51% |
| Cash Plus | 2.09% | 2.67% | 1.66% | N/A | N/A |

¹ Core Strategy is Rest's MySuper product, and comprises the majority of funds under management for Rest

| | | | | | |
|-------------------------|--------|--------|--------|--------|--------|
| Core Strategy | 1.56% | 12.40% | 9.30% | 6.85% | -0.26% |
| Diversified | 1.82% | 13.28% | 9.08% | 7.02% | -0.77% |
| High Growth | 1.54% | 15.35% | 10.93% | 7.87% | -1.37% |
| Overseas Shares | -4.23% | 18.51% | 12.95% | 9.94% | -1.87% |
| Property | 14.16% | 12.92% | 11.84% | 10.34% | 0.74% |
| Shares | -1.84% | 17.54% | 14.73% | 9.93% | -2.31% |
| Australian Shares Index | N/A | N/A | N/A | N/A | -7.40% |
| Overseas Shares Index | N/A | N/A | N/A | N/A | 4.14% |
| Balanced Index | N/A | N/A | N/A | N/A | 0.44% |

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REST

REST148QW: For the last five financial years, please complete the table for investments across all your funds in all forms of residential property:

- a. in nominal value
- b. as a share of your total portfolio
- c. the average return on investment.

Answer:

Australian residential property

| Financial Year | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Nominal value (\$) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Share of portfolio (%) | n.a. | n.a. | n.a. | n.a. | n.a. |
| Average return (%) | n.a. | n.a. | n.a. | n.a. | n.a. |

Overseas residential property

| Financial Year | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Nominal value (\$) | \$274,242,221 | \$454,957,406 | \$649,412,263 | \$771,998,270 | \$873,472,463 |
| * Share of portfolio (%) | 0.7% | 1.0% | 1.2% | 1.4% | 1.6% |
| Average return (%) | 6.35% | 17.86% | 14.07% | 6.40% | 3.86% |

* Share of portfolio is calculated as nominal value divided by total Trustee FUM as at 30 June in the relevant financial year.

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REST

REST149QW: For the last five financial years, please complete the table for investments across all your funds in Build-to-Rent property:

- a. in nominal value
- b. as a share of your total portfolio
- c. the average return on investment.

Answer:

Australian Build-to-Rent property

| Financial Year | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Nominal value (\$) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Share of portfolio (%) | n.a. | n.a. | n.a. | n.a. | n.a. |
| Average return (%) | n.a. | n.a. | n.a. | n.a. | n.a. |

Overseas Build-to-Rent property

| Financial Year | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Nominal value (\$) | \$274,242,221 | \$454,957,406 | \$649,412,263 | \$771,998,270 | \$873,472,463 |
| * Share of portfolio (%) | 0.7% | 1.0% | 1.2% | 1.4% | 1.6% |
| Average return (%) | 6.35% | 17.86% | 14.07% | 6.40% | 3.86% |

* Share of portfolio is calculated as nominal value divided by total Trustee FUM as at 30 June in the relevant financial year.

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REST

REST150QW: For the last five financial years, please complete the table for investments across all your funds in social housing property:

- a. in nominal value
- b. as a share of your total portfolio
- c. the average return on investment.

Answer:

| Financial Year | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|
| Nominal value (\$) | \$0 | \$0 | \$0 | \$0 | \$0 |
| Share of portfolio (%) | n.a. | n.a. | n.a. | n.a. | n.a. |
| Average return (%) | n.a. | n.a. | n.a. | n.a. | n.a. |

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REST

REST151QW: Please outline your policy on:

- a. Fund members using their superannuation fund for a deposit to buy their first home.
- b. Retirees using their superannuation to:
 - i. renovate their home
 - ii. pay rent.

Answer:

Rest has no policy on any of the matters in (a) or (b). Rest notes that the current legislation and regulations governing superannuation do not permit the early release of superannuation to purchase a home, and that superannuation funds do not have a role in directing their members on the use of their superannuation after retirement.

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REST

REST152QW: Within your fund, what percentage of retirees in each of the last five financial years used their superannuation to:

- a. renovate their home?
- b. clear their remaining mortgage?

Answer:

Rest does not collect or have access to this information.

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REST

REST153QW: Insurance premiums:

- a. Have you ever deducted insurance premiums from fund members for insurance policies that they are not covered by?
- b. Have you ever completed an audit to identify if insurance premiums have been deducted from fund members for insurance policies that they are not covered by?

Answer:

- a. As a fund with a high number of members with insurance and high volumes of interactions, Rest has historically had some instances of this kind arising from particular members' circumstances. However, the fund does all within its control to minimise the likelihood of such circumstances arising and ensuring that they are neither widespread nor systemic. In such cases, these instances have been investigated and found to have no systemic cause or widespread incidence.
- b. Rest has regularly completed audits of internal processes, including insurance, according to a planned schedule set by our internal and external auditors, and our second line risk function. A comprehensive review of insurance claims and processes was performed in April 2019, in preparation for the transition of our insurance services from AIA to TAL.

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REST

REST154QW: Material distributed to members:

- a. Have you ever distributed materials to members that state and/or suggest that:
- i. members have coverage under insurance policies that they do not have?
 - ii. members are required to keep a minimum balance in their superannuation fund?
 - iii. their employer may be unwilling to contribute to another superannuation fund?
 - iv. members require a statement of any kind from their employer to move away from your fund?
- b. Have you ever completed an **audit** of materials distributed to members that state and/or suggest that members have coverage under insurance policies that they do not have?
- c. Have you ever completed an **audit** to establish whether you have distributed materials to members that state and/or suggest that:
- i. they are required to keep a minimum balance in their superannuation fund?
 - ii. their employer may be unwilling to contribute to another superannuation fund?
 - iii. they require a statement of any kind from their employer to move away from your fund?

Answer:

a. (i)

As a fund with a high number of members with insurance and high volumes of interactions, Rest has historically had some instances of this kind arising from particular members' circumstances. However, the fund does all within its control to minimise the likelihood of such circumstances arising and ensuring that they are neither widespread nor systemic. In such cases, these instances have been investigated and found to have no systemic cause or widespread incidence.

a. (ii) and (iv)

Historically, Rest required some members to provide an employment termination date or separation certificate, or confirm their employer would no longer contribute to Rest, before a rollover of their entire superannuation balance into another fund was processed.

This requirement applied to members covered by a Workplace Enterprise Bargaining Agreement under which the employer did not have a choice of fund, and was therefore required to make superannuation contributions to Rest.

Members who were subject to this restriction were able to rollover part of their balance, provided they left a minimum balance in Rest.

If an employer notified Rest that a member had terminated employment before Rest received a rollover request, the rollover request was processed without requiring further information. If the member's employer had not notified Rest that they had terminated employment, Rest asked the member to confirm their employment termination date or provide a separation certificate, or confirmation that their employer would no longer contribute to Rest. Upon receipt of that confirmation the rollover was processed.

A description of Rest's practice in relation to rollovers has been included in disclosures to members incorporated by reference into product disclosure statements, in forms used to request a rollover (either available on the website or supplied on request), in correspondence to members who requested a full rollover if confirmation of termination of employment was required and the employer had not notified Rest, and verbally on member contact phone lines. This includes a continuing disclosure of the requirement to keep a minimum balance in the fund on request of a partial rollover, as permitted under SIS Regulation 6.35(b).

Since 3 May 2018, Rest has not required any members to confirm termination of employment and full rollovers have been executed within the legislated period of time.

a. (iii)

Rest has not distributed material to members suggesting that their employer may be unwilling to contribute to another superannuation fund.

b.

Rest has regularly completed audits of internal processes, including insurance, according to a planned schedule set by our internal and external auditors, and our second line risk function. A comprehensive review of insurance claims and processes was performed in April 2019, in preparation for the transition of our insurance services from AIA to TAL. Communications to members are regularly reviewed, most recently as part of the program for the Voluntary Code of Practice on Insurance in Superannuation.

c. (i) and (ii) and (iii)

As per processes described in the response to questions a(ii) and a(iv) above, Rest disclosed information to members consistent with those processes and rules we had in place at the time, in relation to rollover requests. Rest has undertaken audits of processes and communications as part of the investigation and remediation process of this matter.