

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**Australian Catholic Superannuation**

**ACS136QW:** Please provide as separated data, what the base salary and bonuses were, or are set to be, paid in the 2019/20 and 2020/21 financial year for you:

- a. Chief Executive Officer or equivalent?
- b. Chief Investment Officer or equivalent?

**Answer:** The following table shows the base salary received by the Fund’s Chief Executive Officer and Chief Investment Officer for the 2019/20 and 2020/21 financial years.

Position	Financial year	Cash salary (including leave loading)	Bonuses
a. Chief Executive Officer	2019/20	\$496,067	Nil
	2020/21	\$513,815	Nil
b. Chief Investment Officer	2019/20	\$444,333	Nil
	2020/21	\$460,466	Nil

In 2020/21, there were 27 pay fortnights as distinct from only 26 pay fortnights in 2019/20.

The Fund did not pay any salary increases in 2020/21.

The Fund has never paid bonuses to the Chief Executive Officer or to the Chief Investment Officer.

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**ACS137QW:** Do you support superannuation funds delisting public companies?

**Answer:** The Fund outsources all asset management to third party asset managers and supervises the ongoing performance of those managers.

Investments are made across both public and private markets. Some managers are mandated to seek opportunities to take private companies public and others seek opportunities to take public companies private.

The Trustee appoints managers based on their track record to deliver investment performance, which is designed to deliver better member outcomes.

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**ACS138QW:** Property investments:

- c. Do you have any current investments in the National Housing Finance and Investment Corporation? If so, what is the size of your investments?
- d. Please provide information on the rental income for any residential property investments held for each year for the last five financial years.

**Answer:**

- a. The Fund does not have any current real property asset investments in the National Housing Finance and Investment Corporation (NHFIC).
- b. The Fund has not invested in any direct residential property investments.

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**ACS139QW:** Subscriptions to The New Daily:

- e. 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?
- f. 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. The Fund has never subscribed to The New Daily. The Fund has never considered subscribing its members to The New Daily, including through an opt-out model.
- b. The Fund is not aware of receiving any enquiry or request from Industry Super Holdings or The New Daily in relation to subscribing its members to The New Daily.

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**ACS140QW:** What arrangements, including donations, commissions, marketing expenditure or partnerships, do you have that lead to payments to research organisations or ‘think tanks’?

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

**Answer:** The Fund does not have any arrangements, including donations, commissions, marketing expenditure or partnerships, that lead to payments to research organisations or ‘think tanks’.

In addition, please note our response to ACS23QW, in which the Fund disclosed that it is a member of the following industry advocacy organisations: ASFA, AIST, ACSI, ICCG, RIAA, PRI.

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- ACS141QW:** 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:** The Fund outsources all asset management to third party asset managers.

The Fund does not have any direct or indirect investments linked to Tandem. IFM Investors (one of the Fund's asset managers) may offer a private equity strategy that has this exposure. The Fund is not an investor in IFM Investor's private equity strategy.

Please note that the Fund has been provided with the following information from IFM Investors in relation to this issue:

*"As you are aware, IFM Investors considers the rights of employees and their entitlements to be of critical importance. Our clear expectation is that the companies in which we invest hold the same views.*

*IFM Investors manages a 50% interest in Tandem Corp Pty Ltd (Administrator Appointed) on behalf of a fund in the private equity asset class.*

*As has been reported in the press, there has been a class action running against Tandem for over 2.5 years, but has not been to trial. Tandem has vigorously defended the class action.*

*On 1 July 2021 the directors of Tandem and six subsidiaries each resolved to place the companies into voluntary administration and appoint representatives from McGrathNicol to act as administrators. The Administrators are now in control of these companies. We understand that the Administrators are working to achieve an outcome in the best interests of all creditors (including employees).*

*There are an additional five subsidiaries of Tandem that continue to operate and are not in administration.*

*IFM Investors is not able at this time to provide further commentary on the administration and such commentary could negatively impact the Administrators' ability to achieve the best possible outcome for creditors (including employees)."*

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**ACS142QW:** 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:** The Fund outsources all asset management to third party asset managers. IFM Investors is one such asset manager.

Part of the Fund's due diligence of asset managers prior to appointment includes an assessment of the organisation's ability to attract and retain skilled key decision makers. This includes an assessment that the asset manager appropriately remunerates key decision makers as part of their staffing strategy.

It is expected that remuneration of key decision makers includes a competitive salary and both short and long-term incentives linked to return generation amongst a broader set of desired outcomes. This is in line with the global marketplace for the skillset required for the work. A sub-market remuneration including incentive is likely to lead to the loss of key decision makers to competing asset management firms or to start up their own business.

Any loss of confidence in any of the Fund's asset managers being able to attract and retain key decision makers is likely to lead to a decision to cease increasing the allocation to the manager and may even lead to termination of separate accounts or full redemptions from investment vehicles where possible.

The Fund is not aware of the specifics of the remuneration of any of its asset manager's key decision makers.

Please note that the Fund has been provided with the following information from IFM Investors in relation to this issue:



*“IFM has provided significant information to the Committee on our remuneration structures.*

*As you would be aware, our remuneration structures are designed to attract, retain, motivate and align IFM staff to aim to deliver superior net investment returns to members of superannuation and pension funds, and like-minded institutional investors around the world.*

*Importantly, our remuneration outcomes are aligned to our long term investment returns for investors and their members. Performance-based remuneration at IFM is based primarily on whether our products exceed investor return benchmarks net of all fees. For example, in 2019/2020, 75% of products performed at or above stated objectives. (2020/21 performance data is not yet available).*

*Please note that IFM Investors is the only fund manager to be called before the Committee. We have repeatedly communicated to the Committee that to provide commercially sensitive information, which our peers and competitors are not required to do, would place IFM at a competitive disadvantage and could risk the investment returns to members. In some cases, disclosure would also constitute a breach of a commercial contract.*

*If you would like further information about the Committee, please don’t hesitate to contact us.*

*We are also aware that a number of shareholders have received correspondence from a Mr Diez in relation to Aleatica. We will come back to you shortly with further information.”*