

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON ECONOMICS

INQUIRY INTO THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS
SUPERANNUATION SECTOR

Questions on Notice

Ref: AS145QON

No.	Member	Question	Response
AS145QON	Wilson	<p>CHAIR: Why don't you take on notice that you will provide to the committee—and we might ask this of all super funds—the financial contributions, either in subscriptions, memberships or partnerships that are provided to think tanks.</p> <p>Mr Silk: I'll take that on notice too. Please provide details of any payments made over the last five years.</p>	Last five years \$302,669.

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Ref: AS146QON

No.	Member	Question
AS146QON	Mulino	<p>Dr MULINO: Mr Silk, you gave an example of what \$100,000 invested over a period of time would have grown to under your balanced plan. I'm wondering—and this might be something to take on notice—whether either of you have similar figures for, say, a person on an average or median wage over the life cycle and how their eventual balance would be looking at retirement. Of course, the difficulty with this kind of cameo is that there are a lot of assumptions in play. But, again, just to make it more concrete and meaningful for somebody thinking about the impact of different long-term returns, what would be the average difference in balance at retirement for your returns versus, say, a median fund?</p> <p>Mr Silk: We've done a number of cameos, but one that might be of interest here is to assume a person on the median full-time income joins the workforce and has 40 years uninterrupted service. That is not a frequent occurrence, but I think it gives a good indication—</p> <p>Dr MULINO: It's a benchmark example.</p> <p>...</p> <p>Dr MULINO: It would be great if you could each provide, on notice, one or two cameos of that nature, and also to compare it to median and to, say, bottom quartile—not necessarily the very worst performing. The bottom quartile will give a sense of what it's like to be in a fund that is realistic and underperforming and that a significant number of people are caught in.</p> <p>Mr Silk: Yes, sure.</p>

Response		
AustralianSuper has prepared comparisons of the projected retirement balances for members.		
A member achieving AustralianSuper returns over their working lifetime would be \$316,000 better off than a member only achieving median returns. Compared with the bottom quartile return, a member would be \$364,000 better off.		
	Projected Balance	Difference to AustralianSuper
AustralianSuper	\$1,080,000	
Bottom Quartile	\$716,000	\$364,000
Median	\$764,000	\$316,000

The projections assume the 10-year return rates to 30 June 2021 are applied over their working life.

- 9.73% - AustralianSuper Balanced Option
- 8.28% - Median super fund
- 8.00% - Bottom quartile average

Source: 30 June 2021 SuperRatings report, SR50 Balanced (60-76) Index

Assumptions: Member enters the workforce at age 27 with \$0 balance and works 40 years to age 67. Salary at commencement is the Australian median for full-time workers at August 2020 of \$74,516 (Source: ABS), increasing with wage inflation of 3.5%. Employer contributions are 10% initially, rising to 12% in line with legislated increases. All cameos use AustralianSuper Administration fees of \$2.25 pw and 0.04% of account balance and AustralianSuper average insurance costs of \$550 pa. Investment returns projected over the working lifetime of a cameo member are historical 10-year returns for the Balanced Option as at 30 June 2021, net of fees and taxes. Results are expressed in today's dollars by discounting at wage inflation of 3.5%. All results rounded to the nearest \$1,000.

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Ref: AS147QON

No.	Member	Question
AS147QON	Mulino	[Early release of superannuation for Covid-19 affected members] Dr MULINO: As a follow-up question on notice, I'd be interested in your thoughts on the long-term implications. Obviously, you can calculate the short-term opportunity costs, but what are the long-term implications for these people?

Response
<p>We have compared the outcomes for a member taking the full Early Release withdrawal of \$20,000 with a member who did not.</p> <p>The short-term impact for an AustralianSuper member is the loss of investment earnings for the 2020/21 year. On \$20,000 this amounts to just over \$4,000 (based on the 1-year return of 20.43% for the Balanced Fund).</p> <p>The long-term impact on a 25-year-old of withdrawing \$20,000 last year is that they would be \$77,000 worse off at retirement (this includes the \$20,000 withdrawn and \$57,000 in foregone earnings on the \$20,000).</p> <p>Assumptions: Member aged 25 takes early release of \$10,000 at 30 June 2020 and \$10,000 at 1 July 2020 and is invested in superannuation to age 67. Investment returns projected over the working lifetime of a cameo member are AustralianSuper's actual return of 20.43% for the first (past) year, and AustralianSuper's mandated assumption of 6.5% for the Balanced Option for the remaining 41 years. Results are expressed in today's dollars by discounting at wage inflation of 3.5% to 1 July 2021. All results rounded to the nearest \$1,000.</p>

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Questions on Notice

Ref: AS148QON

No.	Member	Question	Response
AS148QON	Simmonds	<p>Mr SIMMONDS: I understand. Can I take you back a step? Was it at your instigation that you thought it would be a good idea for all your members to sign up to the New Daily, or did they ask you to institute this arrangement?</p> <p>Mr Silk: I can't be sure of who initiated the discussions, but our—</p> <p>Mr SIMMONDS: Will you take that on notice for me, so we can get some clarity?</p> <p>Mr Silk: I will take it on notice...</p>	AustralianSuper initiated the discussions.

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Ref: AS149QON

No.	Member	Question	Response
AS149QON	Simmonds	Mr SIMMONDS: It's a question to both of you; I'm sure you've both engaged with your members. In your survey, what percentage of members came back and asked to be subscribed to the New Daily? ... CHAIR: Are you taking it on notice? Mr Silk: Yes.	AustralianSuper has not conducted a survey of this nature.

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Ref: AS150QON

No.	Member	Question	Response
AS150QON	Simmonds	<p>CHAIR: So, for clarity, then—and just going back to something Mr Simmonds raised—would you consider investing in the New Daily in the best financial interests of your members, noting that it gives no financial return? Mr Silk?</p> <p>Mr Silk: I would note that AustralianSuper doesn't invest in the New Daily.</p> <p>CHAIR: No, but a representative body for the sector does. So, for clarity, would you consider investing in the New Daily to be in the best financial interests of your members?</p> <p>Mr Silk: Well, it is a hypothetical question, because, with respect, ISH is not a representative body; ISH is the holding company of a number of other groups. It's not a representative body. So, we don't—</p> <p>CHAIR: Sure. Would you consider it to be in the best financial interests of your members to invest in such an entity?</p> <p>Mr Silk: Well, we don't.</p> <p>CHAIR: I know, but would you?</p> <p>Mr Silk: I'd need to consider that.</p> <p>CHAIR: Okay. Take that on notice...</p>	As AustralianSuper does not invest in The New Daily, the Fund does not hold this data.

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Questions on Notice

Ref: AS151QW

No.	Member	Question	Response
AS151QW	Wilson	Please provide as separated data, what the base salary and bonuses were, or are set to be, paid in the 2019/2020 and 2020/21 financial year for your: a. Chief Executive Officer or equivalent? b. Chief Investment Officer or equivalent?	Details of salary and other remuneration for the Chief Executive Officer and Chief Investment Officer for the period 2019/2020 are reported at page 69 of the Fund's 2019/2020 Annual Report. Details of salary and other remuneration for the Chief Executive Officer and Chief Investment Officer for the period 2020/2021 will be reported in the Fund's 2020/2021 Annual Report.

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Questions on Notice

Ref: AS152QW

No.	Member	Question	Response
AS152QW	Wilson	<p>Property investments</p> <p>a. Do you have any current investments in the National Housing Finance and Investment Corporation? If so, what is the size of your investments?</p> <p>b. Please provide information on the rental income for any residential property investments held for each year for the last five financial years.</p>	<p>a. Yes. The Fund has two investments in NHFIC bonds via an external manager with a total value of \$52,845,537 (21 July 2021).</p> <p>b. The Fund has received the following rental income from residential property investments:</p> <p><u>US Portfolio</u> 2017 – n/a 2018 – US\$139,437 2019 – US\$3,551,066 2020 – US\$7,845,369 2021 – US\$6,221,599*</p> <p><u>UK Portfolio (GBP)</u> 2017 – £130,000 2018 – £200,000 2019 – £230,000 2020 – £260,000 2021 – £280,000</p> <p><small>* Nine months of data currently available</small></p>