

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Aware Super		
No.	Member	Question – Proof Hansard reference / Written 8 July 2021, p. 26
FSS136QON	Mulino	<p><b>Dr MULINO:</b> ...You've already talked about your one-year and medium returns. I wouldn't mind if you could dive into that a little bit. Specifically, if you look at your fund's performance over the medium and long-term, what does that mean for a median or average income earner over their lifetime in terms of the difference they get at the end of their life in their balance compared to what they would have achieved with, say, a median-performing fund or a bottom-quartile fund? Do you have cameos that can portray that in a comprehensible way?</p> <p><b>Mr Graham:</b> We do. Again, I might take the detail on notice, because I don't have those numbers to hand, but we have done some analysis that suggests many, many thousands of dollars in benefit. I think it's around \$50,000-odd in benefit, but I'll take that on notice for the detail and come back with exact figures. But it's a very material difference in the impact to members between being a strongly performing fund and being an underperforming fund. It is very material through the lifetimes of our members, based on the average balances members have through their lives.</p>
Answer:		<p><b>Summary response</b></p> <p>Cameo 1 – Aware Super 57 year old member’s benefit above median</p> <ul style="list-style-type: none"> <li>• A 57 year old female member in Aware Super with 10 years to retirement, based on returns to 30 June 2021, is expected to have \$46,000 more in her retirement balance than the same person in a peer fund with median returns. This is driven by the compounding on a sizeable balance at this age.</li> <li>• The person in a peer fund with median returns would need to work about one more year to have the same balance.</li> </ul> <p>Cameo 2 – Aware Super outcome for 21 year old female starting work, who retires at 67</p> <ul style="list-style-type: none"> <li>• Aware Super member expected to retire with \$77,000 higher balance than a member in a peer median fund.</li> <li>• The same person in a peer median fund would need to delay retirement for more than two years to have the same balance.</li> </ul> <p>For Cameo 2, we assume the performance difference in the last 10 years persists over the entire accumulation phase. See more assumptions in Appendix A below.</p>

## **Appendix A**

### **Key Assumptions for Cameos 1 & 2**

- Modelled a female member aged 57 in 2011 with median balance and retired at age 67 in 2021.
- Investment strategy for accumulation is 100% in Aware Super Growth option.
- Historical returns are used for the Aware Super Growth option and the peer median fund for 10 years up to 6/30/2021.
- Peer median fund data is sourced from the SuperRatings SR50 Balanced (60-76) Index.
- Historical SG rates are modelled assuming average salary (estimated salary on basis of SG paid).
- Results are shown in today's dollar values using AWOTE as the deflator.

### **SR50 Balanced (60-76) Index over 10 years**

- Aware Super Growth: 8.97%
- First quartile: 8.86%
- Median: 8.28%
- Bottom Quartile: 8.00%

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FSS137QON	Mulino	<p><b>DR MULINO:</b> Again, could you just talk a little bit about this, because what you've spoken about here today is that you've been pushing, obviously, for higher returns and have been achieving solid results in terms of where you sit in the rankings, but at the same time you have been putting downward pressure on fees A lot of the benchmark comparison sites that we see these days look at those two components. Obviously, to achieve higher returns while putting downward pressure on fees is the ultimate goal—higher returns net of fees. So could you just talk about some of the strategies you've been using to achieve higher returns but also how your scale and consolidation have been helping you on fees? You've touched on that a little bit, but is there anything more you want to add on that?</p> <p><b>Mr Graham:</b> ...There are countless examples of where we've been able to invest directly in businesses and develop them and create that value on a longer term basis.</p> <p>Again, I'm happy to give the committee some examples, if it would like. There are a lot of examples across our portfolio.</p>
Answer:		<p><b>Reducing investment fees</b></p> <p>Across external equity managers, we have improved management fee arrangements as we have scaled our mandates with both with existing and new managers. Our steps to insource the management of some Australian and global equities portfolios have contributed to lower fees in these sectors.</p> <p>Within our private equity program, our ability to be a substantial investor, and seed new strategies and managers has helped lower management fees. Our extensive co-investment program has lowered the overall performance fee impact of this traditionally more expensive sector.</p> <p><b>Examples of direct investment</b></p> <p>Examples of assets where we have invested directly in businesses to develop them and create value on a longer term basis for our members include:</p> <ul style="list-style-type: none"> <li>• Bankstown &amp; Camden Airport – expanded operations &amp; helped build extra facilities</li> <li>• ProTen – provided capital for growth</li> <li>• Victorian Land Registries – helped streamline operations</li> </ul>

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|  |  | <ul style="list-style-type: none"><li>• First Estate – developed a new industrial and logistics park to support the growth in Greater Western Sydney.</li></ul> |
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FSS138QON	Mulino	<p><b>Dr MULINO:</b> ...I'd be interested in the early release that occurred in two tranches. We're now some way down the path, so funds have had a bit of time to assess the impact of it. Could you give us a sense of—and some of this might be on notice—how many people took advantage of early release but also any sense you have of the demographics of that in terms of, say, age and income profile. Then also another aspect would be how many people cleared out their accounts. Then, finally—and this might be something to put on notice—what's the opportunity cost? Obviously that requires assumptions in terms of long-run returns. Some have put in the aggregate and a certain number of thousand dollars for people who took out both tranches. What are your thoughts on the long-term opportunity costs for a median-income earner?</p> <p><b>Ms Stewart:</b> In terms of early release, I'll give you some stats on our fund, but a bit of your question we will have to take on notice. In terms of who accessed that from Aware Super, we had just over 100,000 of our members apply for and get early release. That came to just under \$900 million in terms of assets. Interestingly, that was probably lower than many other large funds. I think it speaks to the types of members that we have in our fund, being nurses, doctors and paramedics—very much people at the forefront and the front line of fighting COVID. So that's certainly what we saw.</p> <p>In terms of how many emptied their accounts, we'd have to take that on notice, I don't have that number off the top of my head. You're right: for those that took that money out, that will obviously have a significant impact and bearing on their retirement savings. I'll have to take on notice the exact amount.</p>																					
<b>Answer:</b>		<p>a. Number and Demographics of members taking early release across both FY20 and FY21 (Apr 2020 to Jan 2021)</p> <table border="1"> <thead> <tr> <th colspan="2">Number of withdrawals and members</th> <th>Aware Super</th> </tr> </thead> <tbody> <tr> <td>Total no. of accounts which saw withdrawals under early release for FY 20 &amp; FY 21 combined</td> <td></td> <td>101,876</td> </tr> <tr> <td>Accounts closed</td> <td></td> <td>2,496</td> </tr> <tr> <th colspan="2">Value of payments / amounts withdrawn</th> <th>Aware Super</th> </tr> <tr> <td>Total value of payments to members FY 20 &amp; FY 21</td> <td></td> <td>\$883 m</td> </tr> <tr> <td>Average amount withdrawn FY20 (excl VicSuper)</td> <td></td> <td>\$8,692</td> </tr> <tr> <td>Average amount withdrawn FY21</td> <td></td> <td>\$8,833</td> </tr> </tbody> </table>	Number of withdrawals and members		Aware Super	Total no. of accounts which saw withdrawals under early release for FY 20 & FY 21 combined		101,876	Accounts closed		2,496	Value of payments / amounts withdrawn		Aware Super	Total value of payments to members FY 20 & FY 21		\$883 m	Average amount withdrawn FY20 (excl VicSuper)		\$8,692	Average amount withdrawn FY21		\$8,833
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		<p><b>Demographic information</b></p> <p>Age and gender of Aware Super members of the 101,876 who withdrew from their super accounts under COVID Early Release</p> <p><b>Gender</b></p> <table data-bbox="523 421 874 488"> <tr> <td>Female</td> <td>65%</td> </tr> <tr> <td>Male</td> <td>35%</td> </tr> </table> <p><b>Age groups</b></p> <table data-bbox="523 577 874 801"> <tr> <td>Under 25</td> <td>4.2%</td> </tr> <tr> <td>26 - 35</td> <td>24.4%</td> </tr> <tr> <td>36 - 45</td> <td>30.2%</td> </tr> <tr> <td>46 - 55</td> <td>28.0%</td> </tr> <tr> <td>56 - 65</td> <td>12.7%</td> </tr> <tr> <td>over 65</td> <td>0.4%</td> </tr> </table>	Female	65%	Male	35%	Under 25	4.2%	26 - 35	24.4%	36 - 45	30.2%	46 - 55	28.0%	56 - 65	12.7%	over 65	0.4%
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		<p>b. Opportunity cost for median income earner</p> <p><b>Cameo 1 – Female member, aged 25 taking early release, impact on final retirement balance</b></p> <ul data-bbox="564 1014 1361 1171" style="list-style-type: none"> <li>• The 25 year old who withdraws \$20,000 from a balance of \$20,000 is projected to retire with approximately \$77,000 less or -15% of final retirement balance</li> <li>• Equivalent of needing to work 2 years longer to recover.</li> </ul>																

**Assumptions for cameo**

- Modelled a female member aged 25 with \$20,000 balance and retired at age 67.
- Assuming average salary with the current SG rate with the legislated increases.
- Investment strategy for accumulation is Aware MySuper Lifecycle option and for pension is Aware Super Balanced Growth option.
- Investment returns are assumed to be the CPI+ objective, with CPI of 2.5% p.a.
- Results are shown in today’s dollar values using AWOTE as the deflator for accumulation and CPI as the deflator for pension.

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<b>FSS139QW</b>	Wilson	Do you support superannuation funds delisting public companies?
<b>Answer:</b>		<p>We expect that on a relatively infrequent basis, super funds may purchase shares in a listed public company and delist that company.</p> <p>This would only arise where the funds, with long term horizons, could identify improved outcomes in members' best interests by taking private ownership.</p>

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<b>No.</b>	<b>Member</b>	<b>Question – Written</b>
<b>FSS140QW</b>	Wilson	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.
<b>Answer:</b>		a. We do not have any current investments in the National Housing Finance and Investment Corporation. b. Rental income from residential property is commercially sensitive information.



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<b>No.</b>	<b>Member</b>	<b>Question – Written</b>
<b>FSS141QW</b>	Wilson	<p>Subscriptions to The New Daily</p> <p>a. Has your fund ever considered subscribing your members to The New Daily through an opt-out model? If so:</p> <ul style="list-style-type: none"> <li>i. Was this proposed initially internally, or externally?</li> <li>ii. Who proposed it?</li> <li>iii. Who approved it?</li> <li>iv. What was the approval process?</li> <li>v. What legal advice was sought?</li> <li>vi. On what date did it proceed, or is it proposed to proceed?</li> </ul> <p>b. Have the following groups ever enquired or requested your fund to subscribe your members to The New Daily:</p> <ul style="list-style-type: none"> <li>i. Industry Super Holdings?</li> <li>ii. The New Daily?</li> </ul>
Answer:		<p>a. Aware Super has not considered subscribing members to the New Daily.</p> <p>b. No formal requests to subscribe members to The New Daily were received by Aware Super from either Industry Super Holdings or The New Daily.</p> <ul style="list-style-type: none"> <li>i. Neither First State Super nor VicSuper was approached by ISH for subscriptions to The New Daily.</li> <li>ii. VicSuper was approached. There was an evaluation, but the Board declined to invest or encourage members to subscribe.</li> </ul>

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<b>FSS142QW</b>	Wilson	<p>What arrangements, including donations, commissions, marketing expenditure or partnerships, do you have that lead to payments to research organisations or ‘think tanks’?</p> <p>Please provide:</p> <ul style="list-style-type: none"> <li>a. Names of the think tanks.</li> <li>b. Payments made over the last five years.</li> </ul>
<b>Answer:</b>		See below.

<b>Entity</b>	<b>FY 17</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY 21</b>
<b>CEDA</b> - Committee for Economic Development of Australia	\$ 73,930	\$ 127,959	\$ 211,754	\$ 44,153	\$ 28,790
<b>CSRI</b> - Committee for Sustainable Retirement Incomes	\$ 16,500	\$ 33,000	-	-	-