

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

CBUS

CBUS104QON: **CHAIR:** I asked a question related to remuneration. There was a request by AustralianSuper, amongst others, that there be a reduction in the remuneration of board members and executive management of various financial institutions. Has Cbus reduced its remuneration in the context of the COVID-19 crisis?
Mr Arter: No, it has not.
CHAIR: Why is that?
Mr Arter: We examined the issue carefully, both at the executive and the board, and I'm sure you're aware, given the difficulties of working under COVID conditions, being a Victorian, that things have been made very difficult, and the workloads on people—we elected not to reduce people's pay.
CHAIR: So you've no reduction, despite the fact that other industry funds are running round telling other financial institutions to do the same?
Mr Arter: [inaudible]
CHAIR: Sorry?
Mr Arter: No.
CHAIR: According to your answer, Cbus hasn't provided any funding or support to the ACTU's Member Connect program. Has it provided any other financial support to the ACTU?
Mr Arter: No.
CHAIR: Marketing, purchasing arrangements et cetera?
Mr Arter: We have a range of partnerships with various employer groups and employee groups. They're looked at particularly on a cost-benefit analysis, Mr Chair—
CHAIR: I am happy with just 'Chair'; it doesn't need to be gendered. It's fine.
Mr Arter: The purpose of these arrangements is to acquire new members for the fund and retain members in the fund. As you've probably gleaned from some of the comments that have gone on throughout today's proceedings, with fund management—indeed industry funds—it's a game of scale and, the more members one has and the larger the assets under management, the more cheaply one is able to buy services. So we look at these partnership arrangements in that context, and there are strict criteria for assessment of all these. They were actually noted in the royal commission and looked upon favourably when they examined them.
CHAIR: What are the other partnership arrangements that Cbus has?
Mr Arter: There are various partnership arrangements with both employer and employee groups. There are many, many of them. I wouldn't have time to nominate them all here.
CHAIR: I will put it on notice and, if you could provide the details of each of them to the committee, that would be fantastic. It would save us time now. I appreciate that.

Answer: All partnerships from FY15 to FY19 were provided in response to CBUS11QW. A list of partnerships for FY20 is set out below.

ACIF	Landscaping Victoria
ACTU	Master Concreters
Allied Earthmovers Association	Master Painters
AMCA	Master Plumbers
AMWU	Master Plumbers, PICAC, Plumbers
Asbestos Diseases Support Society	Union, Hydraulic Association, National
Aust Construction Association (ACA)	Fire Industry Assoc.

AWU	Mates in Construction
Ballarat Regional Trades and Labour Council	MatesMonitor
BERT	MBA
Building industry 2000	Mothers Day Classic
Building Industry Picnic Committee	MyGateway
Building Workers International	NAWIC
CCF	NECA
CCI	NECA Education & Careers
CEPU	NFIA
CFMEU	North East and Border Trades and Labour Council
CITC	OzHelp (Tas)
Construction of Charitable Works	PTEU
Consult Australia	QMCA
ETU	Services Trade College Australia
First Nations Foundation	Smart Energy Council
Foundation House	SPASA
FPA	TAFE Qld (Gold Coast campus)
GBCA	TAPS
Geelong Trades Hall Council	Tobacco-Free Portfolios
Gippsland Trade and Labor Council	Touched by Christopher
Incolink	Unions NSW
Landscape Queensland	Victorian Trades Hall
	Worldskills

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CBUS

CBUS105QON:

CHAIR: With an ordinary bank account, if I send money from my account to your account, it normally gets there within 24 hours. If money is transferred out of the payroll system, would the same also be true—there would be no delay of the receipt at Cbus appearing in an individual's account? There is no clearing house or other mechanism between the payment going from the payroll system and being received in the individual account at the CBUS end?

Mr Fok: There is a clearing house mechanism. It's at the time that we receive the money and that we can reconcile that we've received it. That is the time that, effectively, interest is applied and it's appropriate that that's the case, otherwise you would be using other members' money to pay interest for members coming into the fund where we haven't actually had the benefit of being able to invest that money.

CHAIR: How long does it take for the money to get out of the clearing house and into the account?

Mr Fok: I don't have visibly around the exact time frame. We do meet the requirements, the SIS requirements in terms of time to pay out.

CHAIR: I would have thought you could say that it takes a day, a week, a month, three months.

Mr Fok: It's not months. But the important thing is that—

CHAIR: It's not months, but how long is it then? It is less than 28 days. How many days is it? Could you give me an average or a data point to clarify that? I can't imagine it's that complicated. I'm sure each one comes in with some sort of identifier, so how long does it take to go to that? The holding of money in the tens or hundreds of millions of dollars in a clearing account or clearing house for even a number of days obviously means that money can be accrued by the fund, which is not necessarily going through to the contribution to the individual superannuant.

Mr Fok: We can get back to you on the actual time frames. Once we have the appropriate information around details and so forth, interest is determined right up until the day it's paid, but we can give you that specific information.

CHAIR: What happens if you receive money and you don't know who it's tagged to or identified to?

Mr Fok: That's not my area of expertise. We would need to provide information in relation to that.

CHAIR: You can take that on notice.

Mr Fok: Yes. But, again, where we can match money coming in and the person, then the time that they receive interest will be matched to that date. That is my understanding. But we could come back to you with more fulsome detail on that.

CHAIR: Could you do so, and the extent to which what volume of money is accrued presently that hasn't been met against individual accounts. Also, how long is the average time it then takes to have it back, and what steps does Cbus take to make sure that money is reunited with the proper account? Can you take that on notice?

Mr Fok: I can do that. It would be useful to understand the specifics in terms of time frames and so forth that you are relating to, but we can certainly come back to you on that

Answer:

Cbus offers a super clearing house service, QuickSuper, which is owned and operated by Westpac. Employers can, however, opt to send contributions through any clearing house of their choosing. Cbus receives contribution payments from various clearing houses.

Contributions submitted through Cbus' clearing house (QuickSuper) are paid via electronic funds transfer. The contributions and allocation details are typically received by Cbus within one business day.

Employers are required to send super contribution payments and data electronically in a standard format using the SuperStream compliant method. Occasionally incorrect contribution details are entered, causing a short delay. Delays can also occur within the banking system, which is outside of Cbus' control.

Cbus complies with the legislative requirement to allocate contributions to a member's account within three business days of receiving the contribution payment (cleared funds) and the mandatory contribution information, whichever is the later.

Cbus members earn interest on contributions from the date the money is received by Cbus, rather than the date money is allocated to their account, ensuring they benefit immediately from investment returns.

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CBUS

CBUS106QON: **CHAIR:** Are there labour hire redundancy funds in the sector?

Mr Arter: There is a building redundancy fund called Incolink, yes.

CHAIR: Have people who have consulted Cbus about their early withdrawal been referred to that fund as an alternative from drawing down from their super?

Mr Arter: I don't know.

CHAIR: Could you do an investigation, for want of a better phrase, to establish whether that has occurred?

Mr Arter: Incolink is a fund in which people who have been made redundant but are not yet permitted to access their superannuation under the normal preservation rules can receive some form of compensation or income. Incolink is a fund which has on its board, as you would imagine, both builder and employee representatives. But I don't run Incolink.

CHAIR: I'm not asking whether you run Incolink or not. I'm asking whether Cbus is referring people there rather than drawing down on their super under the early release scheme.

Mr Arter: I'll make an inquiry on that for you.

Answer: Please refer to Cbus' response to **CBUS103QW**.

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CBUS

CBUS107QON: **Dr MULINO:** Thank you. How many MySuper products do you have?

Mr Arter: We have one MySuper product. How is that performing on the APRA heat map or any other metrics you might want to refer to?

Mr Arter: It's performing very well. In terms of its individual performance vis-a-vis the market, it is top quartile—and Mr Fok might want to make a comment on that. I'm looking at the figures here to 30 June 2020. The total fee on a \$50,000 account is 1.05 per cent. That is rated white, which means there are no issues; that's the best rating you can obtain. It's in the top quartile of performance. Mr Fok might want to talk further about the performance of that product over one, five or 10-plus years.

Mr Fok: In relation to the APRA heat map process, they made it very clear that they don't give green. Certainly, they did look at the MySuper product in terms of the competitive field and also against a risk-adjusted measure. We are very pleased that no matter which way you look at it, whether you adjust for risk or just look at it outright, it continues to be white. That includes the fees that are paid as well. It includes returns, fees and risk.

Dr MULINO: I think they look at five-year returns. It would be great if you could provide some broader context for that product—if that's meaningful given how long it's been in existence.

Answer: Cbus has a history of strong long-term performance, helping its members build a secure future. Cbus' default investment option, Growth (Cbus MySuper) has consistently performed better than the industry average.

Growth (Cbus MySuper) was launched on 1 October 2013 when the default option was renamed from Growth (Cbus Choice). The performance history set out below includes the period before the MySuper launch.

	Historical returns % (crediting rate) to 30 June 2020			
	1 year	5 years p.a	10 years p.a	Since inception (01/07/1984) p.a
Growth (Cbus MySuper)	0.75%	7.13%	8.54%	8.98%

Return information is also published on Cbus' website and is accessible at: <https://www.cbussuper.com.au/super/my-investment-options>.

A five-year return of 7.13% places Cbus as the third best performing 'Balanced' fund over the time period ending 30 June 2020¹. These returns also compare favourably against the average fund. Data from independent research company, SuperRatings, as at 30 June 2020 is set out below.

	Average Annual Return (%) as at 30 June 2020		
	5 years	7 years	10 years
Growth (Cbus MySuper)	7.13%	8.49%	8.54%
SuperRatings Median	5.83%	7.27%	7.43%

¹ <https://www.superratings.com.au/top-10-super-funds/>

This is also published on Cbus' website and is accessible at: <https://www.cbussuper.com.au/super/my-investment-options/how-the-growth-cbus-mysuper-option-compares>

Currently, APRA's MySuper Product Heatmap (**Heatmap**) can only provide an assessment on shorter-term three and five-year performances and is limited to MySuper products. In contrast, the tens of thousands of "Choice" super products have been subject to significantly less scrutiny and fewer disclosure requirements, despite the fact that many perform poorly compared to MySuper products. The Productivity Commission found that even after controlling for asset allocation, 36% of Choice products in their sample underperformed, noting this was likely a conservative estimate of underperformance. It also found that there is a 'tail' of Choice products with high fees (exceeding 1.5%).

These assessments will eventually become more reliable when the Heatmap is able to include longer-term returns and can be compared to the entire industry, rather than just one segment.

When looking at investment returns on the Heatmap, any product that is performing above a determined benchmark is coloured white. Products that are performing below that benchmark are presented on a continuous coloured gradient from pale yellow to dark red. Cbus' returns across all benchmarks are coloured white, indicating outperformance of benchmarks.

According to the Heatmap, Cbus had the second highest 5-year net return on investment (**NIR**) relative to Simple Reference Portfolio p.a. and the seventh highest 5 year NIR p.a.

Returns	Growth (Cbus MySuper)
5 year NIR p.a.	9.21%
5 year NIR relative to Simple Reference Portfolio p.a.	1.74%
5 year NIR relative to Listed SAA Benchmark Portfolio p.a.	1.37%
5 year Net Return (\$50,000 rep member) p.a.	8.92%
3 year Net Investment Return (NIR) p.a.	10.09%
3 year NIR relative to Simple Reference Portfolio p.a.	0.96%
3 year NIR relative to Listed SAA Benchmark Portfolio p.a.	1.52%
3 year Net Return (\$50,000 rep member) p.a.	9.78%

This information is published on the APRA website and is accessible at: <https://www.apra.gov.au/mysuper-product-heatmap>.

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CBUS108QON: **Mr Fok:** In relation to the APRA heat map process, they made it very clear that they don't give green. Certainly, they did look at the MySuper product in terms of the competitive field and also against a risk-adjusted measure. We are very pleased that no matter which way you look at it, whether you adjust for risk or just look at it outright, it continues to be white. That includes the fees that are paid as well. It includes returns, fees and risk.

Dr MULINO: I think they look at five-year returns. It would be great if you could provide some broader context for that product—if that's meaningful given how long it's been in existence. For a lot of members, it's really the longer term returns that are the more meaningful. I asked this of Hostplus and I would have asked it of AMP but I ran out of time—I will ask it of AMP on notice. Do you have a demographic breakdown of early release by age or gender, and do you have any indicators that might indicate socio-economic status?

Mr Arter: I don't have those to hand but would be happy to provide them to you.

Answer:

Gender

Cbus' membership is 91% male and 9% female. As at 30 September 2020, of the 173,224 unique members paid out under the COVID-19 Early Release scheme (**Scheme**) (representing 23% of Cbus' total membership):

- 13,095 (or 8%) are female. 19% of Cbus' total female membership have applied for the scheme.
- 160,072 (or 92%) are male. 24% of Cbus' total male membership have applied for the scheme.

Age

Claims under the Scheme are skewed towards younger members (< 40 years). The below age bands are overrepresented in claims when compared to total membership:

- 25-29 years old members, who make up 13% of Cbus' membership, made up 17% of total claims. 31% of members in this age bracket accessed the Scheme.
- 30-34 years old members, who make up 14% of Cbus' membership, made up 19% of total claims. 32% of members in this age bracket accessed the Scheme.
- 35-39 years old members, who make up 12% of Cbus' membership, made up 16% of claims. 31% of members in this age bracket accessed the Scheme.

Cleared accounts

As at 29 September 2020, 9,906 members, or 6% of those paid funds pursuant to a claim under the Scheme, have cleared out their accounts and in doing so have exited the Fund. These exits are skewed towards:

- Younger members - 80% of members who have cleared out their accounts and exited the Fund are aged under 40 years
- Female members - 8% of total female claimants (vs 6% of male claimants) have cleared out their accounts and exited the Fund.

Critically, those members will have lost their insurance cover.

Location

The top 5 postcodes / suburbs nationally with the highest volume of claims are as follows:

1. Postcode 3997 (VIC) - Botanic Ridge, Canons Creek, Cranbourne (2,844 Claims)
2. Postcode 2170 (NSW) - Casula, Casula Mall, Chipping Norton (2,312 Claims)
3. Postcode 3030 (VIC) - Cocoroc, Derrimut, Point Cook (2,112 Claims)
4. Postcode 3064 (VIC) - Craigieburn, Donnybrook, Kalkallo (1,939 Claims)
5. Postcode 2770 (NSW) - Bidwill, Blackett, Dharruk (1,801 Claims)

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CBUS

CBUS109QW: Proxy advice

(a) How much do you pay proxy advisers in Australia and offshore?

(b) Who do you seek proxy advice from, and for what asset classes?

Answer:

Cbus engages third party proxy service providers CGI Glass Lewis for global and Australian listed equities and Australian Council Superannuation Investors for Australian listed equities (ASX300).

Cbus has secured competitive commercial arrangements with these entities. The value of individual contracts are confidential and commercially sensitive.

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CBUS

CBUS110QW: During the evidence you gave at the public hearing on 10 September 2020, you stated that you have saved money by not using external advisers. Can you please inform the committee:

(a) How much you believe you have saved by internalising your investment management?

(b) How many people do you employ in these functions?

(c) What asset classes do your internal fund managers cover?

(d) What is the total cost of this operation to your members?

Answer:

Cbus' total investment cost fell from 0.86% in FY2017 to 0.56% in FY 2020 for the Growth (Cbus MySuper) investment option. The Growth (Cbus MySuper) option is the default option for accumulation members in the Fund and represents approximately 82% of total funds under management.

Based on this reduction in costs from 0.86% to 0.56%, members invested in the Growth (Cbus MySuper) option last year alone saved \$135m of investment fees, and cumulatively have saved \$240m since FY17. Broadly assuming the same level of fee savings across the other options, total savings to Cbus members in FY20 (as compared to FY17) are expected to exceed \$150m.

This decline in costs has not been at the expense of performance as Cbus continues to deliver very strong returns to members. At 30 June 2020, the Growth (Cbus MySuper) option was ranked 3rd in the SuperRatings Balanced Fund Survey over the 5-year period. More recently, to 31 August 2020, the Growth (Cbus MySuper) option was ranked 2nd over the 5-year period.

Cbus has internal managed strategies for the following asset classes:

- Cash
- Fixed Interest
- Credit
- Equities
- Infrastructure

Cbus' wholly owned subsidiary, Cbus Property Pty Ltd (**Cbus Property**), also manages part of Cbus' total property portfolio. Cbus Property has delivered very strong returns over the short and long term.

The cost of managing internal strategies is included in the total investment costs. These internal managed strategies have contributed to the reduction in total costs over the last few years. Specific details are commercial in confidence.

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CBUS

CBUS111QW: Please provide your operating costs over the last twenty years.

Answer: Cbus' operating costs are disclosed in annual APRA reporting. This can be viewed on APRA's statistics website which is accessible at: <https://www.apra.gov.au/annual-fund-level-superannuation-statistics>.

Information about Cbus' operating costs is contained in Table 3, column BU.

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CBUS

CBUS112QW:

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:

Cbus' Executive Team Remuneration can be viewed here:
<https://www.cbussuper.com.au/content/dam/cbus/files/governance/board-executive/Executive-Remuneration-Report-2019-20.pdf>

Cbus' Company Secretary's remuneration package is confidential.

Cbus does not offer deferred bonuses, annual bonuses, equity or other options, or additional compensation.

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CBUS

CBUS113QW:

For each year of the past decade, please advise the:

- a. annual remuneration of the average worker who contributes to your fund
- b. average annual superannuation contribution from an employee to your fund
- c. multiple your CEO is remunerated compared to the annual remuneration of the average worker who contributes to your fund.

Answer:

Due to the insecure and sessional work patterns which typify the basis of employment in the building and construction industry, coupled with the high levels of non-compliance with SG requirements, it is not possible to accurately determine the requested data across our membership.

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SUPERANNUATION SECTOR

CBUS

CBUS114QW:

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:

Please refer to Cbus' response to **CBUS12QW & CBUS32QW**.

Cbus secures competitive commercial arrangements for these arrangements. The nature and value of campaigns are confidential and commercially sensitive, and public disclosure of these would be detrimental to member outcomes.

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CBUS

CBUS115QW: 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 executive employees.

Answer: As at 1 October 2020:

	Male	Female
All employees	50.6%	49.4%
Non-Executive employees	50.3%	49.7%
Executive employees*	62.5%	37.5%

*This classification includes Cbus' CEO, CIO, CFO, CRO and all other executives.

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CBUS

CBUS116QW:

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:

Cbus' gender targets and employment figures are in our annual report which can be found here <https://www.cbussuper.com.au/about-us/annual-report>.

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CBUS

CBUS117QW: 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:

Information about Cbus' Climate Change Roadmap can be viewed here: <https://www.cbussuper.com.au/content/dam/cbus/files/governance/reporting/Climate-Change-Roadmap.pdf>

This information is also set out in Cbus' Annual Integrated Report – Responsible Investment Supplement, which can be viewed here: <https://www.cbussuper.com.au/about-us/annual-report>

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CBUS

CBUS118QW: 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:

- a.
 - i. Yes
 - ii. No
- b.
 - i. Yes
 - ii. Yes

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CBUS

- CBUS119QW:** 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: Cbus is a profit to member fund, and as such, the benefits of savings, including those stemming from the introduction of Superstream, are passed on to members – whether in lower fees or improved services.

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CBUS

CBUS120QW: 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?

Please provide a copy of the cost benefit analysis.

Answer: Cbus does not invest in The New Daily.

The Fund conducted cost benefit analyses during the period when it was an investor, prior to selling its shareholding in 2016.

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CBUS

CBUS121QW: 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: Cbus' operating costs are disclosed in annual APRA reporting. This can be viewed on APRA's statistics website which is accessible at: <https://www.apra.gov.au/annual-fund-level-superannuation-statistics>.

Information about Cbus' operating costs is contained in Table 3, column BU.

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CBUS

CBUS122QW: Valuations

- a. What data is provided to valuation teams to assess the value of unlisted assets?
- b. When your fund provides data to valuation teams to assess the value of unlisted assets, does this include internal modelling of asset valuations?
- c. What assumptions are provided to valuation teams when assessing the value of unlisted assets?
- d. When valuation teams assess the value of unlisted assets, do they solely take account of past performance?
- e. 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?
- f. 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:

- a. Information as requested by the valuer.
- b. No.
- c. Information as requested by the valuer.
- d. No.
- e. This is a decision for each valuer, and it varies.
- f. As we noted in **CBUS8QW**, the identities of the entities that provide the valuations have not been provided as that information is confidential. Cbus and its agents are subject to non-disclosure obligations in relation to this information.

For more information about valuations, please refer to the Cbus Valuation Policy (provided in response to **CBUS7.1QW**) and specifically unlisted external valuation frequency, which is in accordance with the requirements of Prudential Regulations SPS530 Investment Governance and SPG531 Valuations.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

CBUS

- CBUS123QW:** 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>).
- a. Please update Table 1 in the KMPG report for actuals for Financial Years 2010/2011, 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, and budgeted for Financial Year 2020/2021.
 - b. Please update Table 5 in the KMPG report for actuals for Financial Years 2010/2011, 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, and budgeted for Financial Year 2020/2021.
 - c. Please update Table 6 in the KMPG report for actuals for Financial Years 2010/2011, 2011/2012, 2012/2013, 2013/2014, 2014/2015, 2015/2016, 2016/2017, 2017/2018, 2018/2019, 2019/2020, and budgeted for Financial Year 2020/2021.

Answer: Payments made in connection with Partnership Agreements are disclosed at an aggregate level in Cbus' Annual Financial Statements, which can be viewed here: <https://www.cbussuper.com.au/about-us/annual-report>.

Disaggregated data regarding these agreements is commercially confidential and would not be in members' best financial interests to disclose.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

CBUS

CBUS124QW: 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: Cbus has not entered into any non-disclosure agreements in relations to human resources or sexual harassment issues over the past decade.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

SUPERANNUATION SECTOR

CBUS

CBUS125QW: 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: Cbus 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

CBUS

CBUS126QW: 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:

- a. QuickSuper
- b. Westpac
- c. Cbus uses an external clearing housing due to its proven capability and performance in providing the transactional service and value for money. Running a clearing house is not a core competency of the Trustee.
- d. This information is confidential and commercially sensitive.
- e. This information is confidential and commercially sensitive.
- f. No non-interest income or capital gains accrue.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

SUPERANNUATION SECTOR

CBUS

- CBUS127QW:** 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: Cbus 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

CBUS

CBUS128QW: 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: Please refer to Cbus' response to **CBUS105QW**.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

SUPERANNUATION SECTOR

CBUS

CBUS129QW:

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.

Month in 2020	Payouts for FOREX hedges (\$)	Losses for FOREX hedges (\$)
January		
February		
March		
April		
May		
June		

Answer:

The Fund operates a currency hedging programme to manage the currency exposure resulting from offshore investments. The level of hedging will be determined by the targeted foreign currency exposure, which can be adjusted through time depending on the Fund's outlook and overall positioning.

The programme is managed by a specialist external currency manager, who is monitored closely by the investment team. The Fund has a robust, staggered roll programme in place, designed to minimise the cash flow impact of a significant decline in the Australian dollar by diversifying the maturity dates over a 6-month period. Over the past 12 months, foreign currency hedging losses were managed without issue. Given the subsequent rise in the Australian dollar, existing hedging positions are presently in a net positive position.

Further details are unable to be provided as they are confidential and commercial sensitive.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

SUPERANNUATION SECTOR

CBUS

CBUS130QW: 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.

A g e	Financial year	Annual average income of fund members from that age bracket in that year (\$)	Average Compulsory superannuation contribution in that year (%) of income	Resulting average annual superannuat ion contribution made (\$)	All fees, insurances, indirect cost ratios and other deductibles not classified as fees (\$)	Average growth in that year (\$)	Balance at the end of that year (\$)
16	2005/2006	i.e. Someone who was 16 in 2005/2006 financial year	i.e. 9 per cent	i.e. 9 per cent of column 3	i.e. the totals deducted	i.e. growth on the balance reflecting the time reality of growth and when fees are deducted	i.e. The total balance for that account at the end of the financial year once growth and fees have affected the balance
17	2006/2007						
18	2007/2008						
19	2008/2009						
20	2009/2010						
21	2010/2011						
22	2011/2012						
23	2012/2013						
24	2013/2014						
25	2014/2015						
26	2015/2016						
27	2016/2017						
28	2017/2018						
29	2018/2019						
30	2019/2020						
Totals				i.e. The sum total of the cells above	i.e. The sum total of the cells above	i.e. The sum total of the cells above	i.e. The final balance

Answer: Please refer to response for question **CBUS113QW**.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

SUPERANNUATION SECTOR

CBUS

CBUS131QW:

In reference to the original publication of the article “CEOs push Andrews to reopen faster” in the Australian Financial Review on 20 October 2020 (see attachment) which states:

“Meanwhile, restaurateur Chris Lucas, pub owner and former AFL player Paul Dimattina and CSL chairman Brian McNamee all spoke of repercussions from elements of the labour movement for criticising the state government over the failures which led to the crisis and the subsequent slow pace of reopening the economy.

Union-aligned industry superannuation fund managers have pressured Dr McNamee to stop his outspoken criticisms of the state government lockdown, even though he has repeatedly said he is speaking in a personal capacity and not for the company.”

In the context of confronting, bullying or intimidatory workplace cultures, please advise:

- (a) has the Chair of your fund been in contact through any medium with Dr McNamee or his office since 5 August 2020, and if so please advise the name of the person who made contact and the nature of any communications.
- (b) have board members of your fund been in contact through any medium with Dr McNamee or his office since 5 August 2020, and if so please advise the name(s) of the person(s) who made contact and the nature of any communications.
- (c) has the CEO of your fund been in contact through any medium with Dr McNamee or his office since 5 August 2020, and if so please advise the name of the person who made contact and the nature of any communications.
- (d) have senior executives of your fund been in contact through any medium with Dr McNamee or his office since 5 August, and if so please advise the name(s) of the person(s) who made contact and the nature of any communications.

Answer:

- a. No
- b. No
- c. No
- d. No