

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### HOSTPLUS

**HP65QW:** Can you please advise what arrangements you have provided to defer the payment of rent for tenancies for assets owned by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** Most of Hostplus's investments in assets that collect rent from tenancies occur via collective vehicles. Any arrangements to defer or adjust the payment of rent, to the extent that they exist, are determined by the investment managers with no input from Hostplus. This is the case whether Hostplus controls the asset or not and hence this question is largely inapplicable to Hostplus.

However, Hostplus does directly own several assets, including Campus Living Villages (**CLV**), the Sydney International Convention Centre (**SICEEP**) and several property developments under the ISPT residential mandate. Hostplus does not control CLV.

CLV predominantly provides accommodation to students, although it does have some SMEs that take up tenancies, such as cafes and supermarkets, many of which have been able to continue to trade and some of which have been supported by the universities. For these SMEs, CLV has been in constant engagement regarding the potential to provide rent deferrals or adjustments and, whilst the situation is evolving, at this stage the financial impact to CLV is insignificant. The key objective of CLV management is to ensure that these SMEs remain financially viable such that they can continue to operate post-COVID-19.

SICEEP has seven retail tenancies under long-term leases with SMEs. Rent relief packages have been offered to all tenancies for an initial period of three months and will be reviewed at the end of that period in light of circumstances at that time. The dollar amount of the revenue from those tenancies, and the dollar impact of the rent relief packages, is confidential and commercially sensitive.

Of the assets within the ISPT residential mandate, only North Fremantle has any tenancies. These tenancies are few and are not expected to be impacted by COVID-19.

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**HP66QW:** Can you please advise what arrangements you have provided to defer the payment of rent for tenancies for assets controlled by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** See response to HP65QW.

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**HP67QW:** Can you please advise what arrangements you have provided to adjust the payment of rent for tenancies for assets owned by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** See response to HP65QW.

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**HP68QW:** Can you please advise what arrangements you have provided to adjust the payment of rent for tenancies for assets controlled by your fund as a result of keeping SMEs operational during the COVID-19 pandemic? And to what dollar value has that reduced revenue to your fund since 1 February 2020?

**Answer:** See response to HP65QW.

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**HP69QW:**                   **On 1 January 2020 what was your percentage share and nominal value of your listed and unlisted assets?**

**Answer:**                   As at 1 January 2020, the Hostplus Pooled Superannuation Trust held 38.1% (\$20.0B) in unlisted assets and 61.9% (\$32.5B) in listed assets.

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**HP70QW:                    On 1 January 2020 did your fund have liquidity issues resulting from  
honouring obligations to members?**

**Answer:                    No.**

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**HP71QW: What write down, if any, has been made to the value of unlisted assets?**

**Answer:** All of Hostplus' assets, inclusive of unlisted assets, are valued according to the Valuation Policy, a copy of which can be sourced from the Hostplus website at: <https://hostplus.com.au/super/about-us/investment-governance#valuations-policy>

For unlisted assets, while valuations must be performed at least annually under the Valuation Policy, valuations are generally undertaken on a quarterly basis by independent valuers. The Valuation Policy also contains triggers for interim, or out-of-cycle, reviews of valuations in particular circumstances. The impact of Covid-19 provided sufficient justification for out-of-cycle valuations and on that basis Hostplus implemented out-of-cycle revaluations of unlisted assets within the Property, Infrastructure and Private Equity asset classes.

Hostplus worked closely with its investment managers and its asset consultant to determine the appropriate impacts on the valuations of unlisted assets so as to ensure that those assets are measured and appropriate for the current circumstances. This in turn ensured that Hostplus' investment unit prices appropriately reflect the current circumstances in accordance with the best interests of all members.

Hostplus has devalued assets within its Property and Infrastructure portfolios by a range of 7.5 - 10%, depending on the individual investment and the age of its most recent independent valuation. Hostplus' Private Equity investments have also been devalued by 15% on average. Further details are provided on the Hostplus website, which can be accessed by the link below:

<https://hostplus.com.au/2020updates>

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- HP72QW:**                   **Listed companies holding infrastructure assets have had write downs of around 40 per cent:**
- a. How does this compare to your write down of unlisted assets?**
  - b. If there is a difference, why is there a difference?**

**Answer:**

It is inappropriate to compare the valuations of different asset classes given individual assets will be impacted differently by changes in the economy.

As set out in Hostplus' response to HP71QW, Hostplus' unlisted assets, are generally valued by independent valuers in accordance with Hostplus' Valuation Policy, and in accordance with the prevailing accounting and prudential standards. The objective of this process is to obtain a fair determination of the underlying economic value of the assets, a determination which is independent of sentiment.

Regarding the extent of the revaluations of unlisted assets for Hostplus, please refer to HP71QW.

Based on Hostplus' analysis, the current decreases in the valuations of Hostplus' unlisted investments are less extreme compared to the current heightened volatility being experience in the listed markets. The pricing of listed assets is often more volatile as it is often a product of market sentiment and uncertainty.

Regarding the valuation movements in aggregate on all unlisted assets and on all listed assets over the first quarter of 2020, please refer to H74QW.



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**HP73QW:** Have you had any liquidity issues in honouring your obligations to members as a result of the:

- a. recent decline in the share market?
- b. permission by the Federal government to allow members to remove up to \$10,000 per financial year if they lose their job?

**Answer:** No.

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**HP74QW:                   What has been the current reduction of the value of your fund, and the  
unlisted and listed components since 1 January 2020?**

**Answer:**                   As at 31 March 2020, in respect of the Hostplus Pooled Superannuation Trust  
**(PST)**, there has been a reduction of 12.3% in the value of listed investments and  
11.4% in unlisted investments since 1 January 2020.

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**HP75QW:**                   **How many members have requested the early release of their superannuation since 12 March 2020, and to what value?**

**Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.**

**Answer:**                   Requests by members for early release of their superannuation are made to the ATO. In order to facilitate the provision of accurate and up to date data in the most efficient and cost-effective manner, details of the requests made by members (including details as to whether the ATO has approved those requests) should be obtained directly from the ATO.

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**HP76QW:** How many members have had approved the early release of their superannuation since 12 March 2020, and to what value?

**Please also provide monthly updates on the first of the month for the remainder of 2020 to the secretariat.**

**Answer:** As per to response to HP75QW, the ATO assesses and approves early release applications. Hostplus therefore does not have information on all approved applications. However, Hostplus is aware that, as of close of business on 24 April 2020, Hostplus had received notification from the ATO that it had approved 84,600 applications with total value of \$603m.

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**HP77QW:** If some members have required the early release of their superannuation since 12 March 2020 and not been approved, please provide details of the grounds on which they have not been approved.

**Answer:** Please refer to response to HP75QW. Hostplus does not have a role in determining which requests for early release are approved.

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HP78QW:

**Liquidity management:**

- a. **What is your fund's process for complying with APRA's prudential framework which requires trustees to have a liquidity management plan?**
- b. **How is the plan being reported to the trustee directors?**
- c. **Who is responsible for the day-to-day liquidity management for the fund?**

**Answer:**

a. Hostplus has a Liquidity Management Policy (**LMP**), which contains its liquidity management plan. The LMP was developed in accordance with the prevailing regulations, including APRA Prudential Standard SPS530.

b. The LMP was most recently updated, presented to and approved by the Board at its 27 March 2020 meeting. At that Board meeting, the annual Liquidity Review (which involves stress testing results and an assessment of the impacts upon liquidity management), was also presented to, discussed and approved by the Board. APRA has also reviewed the LMP.

c. The Finance department, in consultation with the Investment department, is responsible for the day-to-day liquidity management of the Hostplus Pooled Superannuation Trust (**PST**) and reports to the Board on a regular basis.