

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**legalsuper**

**LEG101QW**

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:**

- a. Company Secretary\*

<b>FY</b>	<b>Base ex super</b>	<b>Super</b>	<b>Total</b>
2020	\$200,912	\$19,087	\$219,999

- b. Chief Executive\*

<b>FY</b>	<b>Base ex super</b>	<b>Super</b>	<b>Total</b>
2020	\$460,054	\$25,000	\$485,054

\* Remuneration shown above is for 2019/20. There are no other components of remuneration other than those shown above.

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**LEG102QW**

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:**

- a. The 'average worker' which contributes to legalsuper works in legal support roles. According to the Australian Government Fair Work Ombudsman *Pay Guide – Legal Services Award 2010*<sup>1</sup>, the pay rate (effective 1 July 2019) for an *Adult Law Clerk, Level 6* is \$1,055.20 per week (\$54,870.40 per annum).
- b. Based on the income shown above, the 9.5% Superannuation Guarantee contribution totals \$5,212.69.
- c. The column calculating the multiple of an 'average worker' is based on an *Adult Law Clerk, Level 6* as shown at response a:

<b>FY</b>	<b>Total</b>	<b>Multiple of 'average worker'</b>
2011	(*)	(*) (\$43,659)
2012	(*)	(*) (\$44,923)
2013	\$446,154	9.68 (\$46,093)
2014	\$414,755	8.74 (\$47,476)
2015	\$432,637	8.89 (\$48,662)
2016	\$456,625	9.16 (\$49,832)
2017	\$445,469	8.65 (\$51,475)
2018	\$483,376	9.09 (\$53,173)
2019	\$466,400	8.50 (\$54,870)
2020	\$485,054	8.84 (\$54,870)

(\*): Due to COVID-19 and the inability to access hardcopy files in our offices, this information has not able to be sourced.

<sup>1</sup> legal-services-award-ma000116-pay-guide%20(1).pdf

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

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#### LEG103QW

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:

legalsuper is not currently conducting marketing or advertising campaigns either individually or in collaboration with others with one exception: legalsuper makes a small financial contribution to Industry Super Australia which undertakes collective advertising for industry funds.

legalsuper does provide member education and information about super to achieve increased member engagement – for example, helping members to select a more appropriate investment option, helping members to understand their retirement income options, etc.

In addition, we meet with members and employers to help them maximise their superannuation savings and to understand their superannuation obligations.

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

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- LEG104QW** 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:**

- a. Female 51% / Male 49%
- b. Female 51% / Male 49%
- c. Female 50% / Male 50%
- d. n/a

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

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**LEG105QW**

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:**

- a. No.
- b. No.

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**LEG106QW** 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:**

- a. legalsuper's fund administrator (Link Group) has confirmed there has been no reduction in the cost of transferring funds.
- b. There has been no reduction in fees charged to members for any savings. legalsuper's administration fee rates have been unchanged for several years.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

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**LEG107QW**

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:**

legalsuper has not adopted a greenhouse gas emissions target. The Investment Committee and Board continue to monitor the possibility of adopting such a target at a future point in time.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

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**LEG108QW**

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?
  - ii. Please provide a copy of the cost benefit analysis.

**ANSWER:**

legalsuper has no past or present involvement with The New Daily.



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SUPERANNUATION SECTOR**

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**LEG109QW**

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:**

legalsuper does not employ financial advisers. A team of Client Service Managers is employed who provide information and support to members and employers. These employees also provide general advice and personal advice although any such personal advice is limited to transition to retirement strategies.

All employees are paid a base salary only and no bonus.

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

#### legalsuper

**LEG110QW** 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:

- a. Technical innovations include: SCH Online (clearing house), Empirics (data analytics platform), Maritz (marketing and insights platform), MemberAccess (online member portal), MJOL (member and employer join online platform), various superannuation related calculators.
- b. In most cases, technological innovations delivered improved technology to enhance services to members and employers. The level of cost savings was low, however the scope of fund administration services from our fund administrator (Link Group) has increased with minimal increase in fees paid.
- c. legalsuper's administration fees (\$1.30 per week + 0.29% of account balance) have remained unchanged for several years.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**legalsuper**

**LEG111QW**

Valuations

- a. What data is provided to valuation teams to assess the value of unlisted assets?
- b. When the 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

No.	Question		
	for each unlisted asset valued under your valuation policy.		
	<b>Asset class</b>	i.e., Airport	
	<b>Financial year</b>	<b>In-house valuation conducted by</b>	<b>External valuation conducted by</b>
	<b>2010/2011</b>	i.e., Deloitte	i.e., Ernst & Young
	<b>2011/2012</b>		
	<b>2012/2013</b>		
	<b>2013/2014</b>		
	<b>2014/2015</b>		
	<b>2015/2016</b>		
	<b>2016/2017</b>		
	<b>2017/2018</b>		
	<b>2018/2019</b>		
	<b>2019/2020</b>		

**ANSWER:**

legalsuper does not directly invest in unlisted investments and therefore does not internally value these assets.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

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#### LEG112QW

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>).

Please advise how many times, over the last decade, such a paper, or equivalent, has been prepared for:

- a. your Board?
- b. a Board subcommittee?
- c. executive management?

#### ANSWER:

legalsuper sponsors the professional development programs of law societies and bar associations across Australia which simultaneously increases awareness of legalsuper's products and services in the legal profession.

The aggregate amount paid for these sponsorships was \$302,189 for the year ended 30 June 2020.

Organisations sponsored by legalsuper include the shareholders/stakeholders of its Trustee: Law Institute of Victoria (shareholder), Law Society of New South Wales (shareholder) and Australian Services Union (stakeholder).

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**legalsuper**

**LEG113QW** 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:**

- a. 3.
- b. 0.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

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**LEG114QW** 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
- g. accrued from funds held in the clearing house?

**ANSWER:**

legalsuper does not have an internal clearing house.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

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- LEG115QW** 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:
- What is the name of the clearing house?
  - Who owns the clearing house?
  - Why do you use an external clearing house?
  - How much does it cost annually to use the external clearing house?
  - How much does it cost annually to each member to use the external clearing house?
  - What happens to non-interest income and/or capital gains accrued from funds held in the external clearing house?

#### ANSWER:

- Super Clearing house Online (SCH Online).
- SCH Online is operated by The Superannuation Clearing House Pty Limited, a corporate authorised representative of the product issuer, Pacific Custodians Pty Limited.
- The clearing house is included in the service offering by our fund administrator, Link Group.
- The cost of the clearing house is included in an infrastructure fee covering a wide range of services; however, an annual estimate of the cost would be around \$40,000.
- There are no charges to Fund members or employers to use SCH Online.
- Any fees charged are retained by SCH Online. There is no other non-interest income.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**legalsuper**

**LEG116QW**

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:**

legalsuper does not have an internal clearing house.



**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

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**LEG117QW**

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:**

a. i.

Correctly paid monies will be held in the clearing house overnight and disbursed the next day. If the user has not paid correctly or there are data integrity issues, the monies will be refunded to the user's settlement account if the data or payment issues cannot be resolved within 10 days. When monies are received by legalsuper, they will be allocated to the member's account in the below timeframes.

Regardless of the time taken to allocate, the payment effective date will be the date legalsuper receives the payment.

a. ii.

One day.

a. iii.

One day.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

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b. i.

Three days.

b. ii.

Three days.

b. iii.

Three days.

c. i.

Same day (i.e. Day 0).

c. ii.

Same day (i.e. Day 0).

c. iii.

Same day (i.e. Day 0).

d. i.

No.

d. ii.

Any incidental interest earned on the bank account during clearing is retained by SCH Online.

e.

Any fees charged are retained by SCH Online. There is no other non-interest income.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**legalsuper**

**LEG118QW**

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.

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

**ANSWER:**

<b>Month in 2020</b>	<b>Payouts for FOREX hedges</b>	<b>Losses for FOREX hedges</b>
January	\$3,560,944	
February		-\$3,343,382
March		-\$10,261,367
April		-\$22,086,194
May		-\$8,478,070
June	\$11,272,330	

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

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**LEG119QW**

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.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

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ANSWER:

Age	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 superannuation 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>Someone who was 16 in 2005/2006 financial year</i>	9%	<i>i.e. 9 per cent of column 3</i>	<i>i.e. the totals deducted</i>	<i>i.e. growth on the balance reflecting the time reality of growth and when fees are deducted</i>	<i>i.e. The total balance for that account at the end of the financial year once growth and fees have affected the balance</i>
16	2005/2006	\$22,024	9%	\$1,982	\$544	\$112	\$1,550
17	2006/2007	\$28,439	9%	\$2,560	\$641	\$381	\$3,850
18	2007/2008	\$34,279	9%	\$3,085	\$743	-\$298	\$5,895
19	2008/2009	\$43,124	9%	\$3,881	\$1,054	-\$897	\$7,825
20	2009/2010	\$51,069	9%	\$4,596	\$1,186	\$825	\$12,060
21	2010/2011	\$54,782	9%	\$4,930	\$1,286	\$1,187	\$16,891
22	2011/2012	\$56,647	9%	\$5,098	\$1,360	-\$113	\$20,517
23	2012/2013	\$58,291	9%	\$5,246	\$1,427	\$3,767	\$28,103
24	2013/2014	\$59,810	9.25%	\$5,532	\$1,529	\$3,874	\$35,980
25	2014/2015	\$67,470	9.5%	\$6,410	\$1,744	\$3,736	\$44,382
26	2015/2016	\$67,470	9.5%	\$6,410	\$1,839	\$1,642	\$50,595
27	2016/2017	\$63,705	9.5%	\$6,052	\$1,837	\$5,616	\$60,426
28	2017/2018	\$63,705	9.5%	\$6,052	\$2,026	\$5,711	\$70,163
29	2018/2019	\$66,560	9.5%	\$6,323	\$2,324	\$5,010	\$79,172
30	2019/2020	\$66,560	9.5%	\$6,323	\$2,379	-\$82	\$83,035
<b>Totals</b>				<b>\$74,481</b>	<b>\$21,917</b>	<b>\$30,471</b>	<b>\$83,035</b>

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

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#### LEG119.1QW

#### Explanation of methodology:

- 'Annual average income of fund members' is an estimation based on national minimum wage data and average weekly total cash earnings data as described below:
  - For 2005-2013, national minimum wage for respective ages. These amounts have been increased by a factor of the average weekly total cash earnings to the national minimum wage for the years 2014-2020.
  - For 2014-2020, actual average weekly total cash earnings were sourced from the Australian Bureau of Statistics, Employee earnings and hours, Australia, Table 4.
- 'Average Compulsory superannuation contribution in that year (%) of income' is the actual Superannuation Guarantee legislated rate for the years specified.
- 'All fees, insurances, indirect cost ratios and other deductibles not classified as fees' has been calculated using actual legalsuper fees for the years specified as disclosed in the relevant Product Disclosure Statements.
- 'Average growth in that year' has been calculated using the actual investment performance for legalsuper's default investment option for the years specified.