

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

NULIS

NU73QW: On 1 January 2020 what was your percentage share and nominal value of your listed and unlisted assets?

Answer:

The information below is provided by NULIS Nominees (Australia) Limited (**NULIS**) as the Registrable Superannuation Entity (**RSE**) licensee for the MLC Super Fund (**MSF**). It is also the RSE licensee for the MLC Superannuation Fund (**MLCSF**), the DPM Retirement Service (**DPMRS**), and the PremiumChoice Retirement Service (**PCRS**) (collectively the **MLC Wrap Funds**).

The split between listed and unlisted holdings in each super fund is derived from the investment options held by members (itself a function of members' demographics, risk tolerance, investment objectives and liquidity requirements) and the structure of those investment options (i.e. asset allocation).

MSF

NULIS has values of listed and unlisted assets as at 31 December 2019 which have been used for this response. For clarity, unlisted assets include unlisted infrastructure, unlisted property, private equity and unlisted alternative assets.

As at 31 December 2019:

- a. Unlisted assets totalled \$11,053m which was 13.5% of the fund's total investment value.
- b. Listed assets totalled \$70,744m which was 86.5% of the fund's total investment value.

MLC Wrap Funds

The funds enable members to invest across a large investment list of options, including unlisted registered Managed Investment Schemes (MISs), the majority of which are operated by entities unrelated to NULIS, listed securities and term deposits.

NULIS has values of listed and unlisted assets as at 31 December 2019 which have been used for this response. For clarity, unlisted assets consist of publicly offered registered Managed Investment Schemes (MISs) which are valued independently by the Responsible Entity (RE) of each MIS.

As at 31 December 2019:

- a. Unlisted assets totalled \$17,017m which was 76.6% of the funds' total investment value.
- b. Listed assets totalled \$5,185m which was 23.4% of the funds' total investment value.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

NULIS

NU74QW: On 1 January 2020 did your fund have liquidity issues resulting from honouring obligations to members?

Answer:

The information below is provided by NULIS Nominees (Australia) Limited (**NULIS**) as the Registrable Superannuation Entity (**RSE**) licensee for the MLC Super Fund (**MSF**). It is also the RSE licensee for the MLC Superannuation Fund (**MLCSF**), the DPM Retirement Service (**DPMRS**), and the PremiumChoice Retirement Service (**PCRS**) (collectively the **MLC Wrap Funds**).

NULIS confirms that on 1 January 2020, no funds had liquidity issues resulting from honouring obligations to members.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

NULIS

NU75QW: What write down, if any, has been made to the value of unlisted assets?

Answer:

The information below is provided by NULIS Nominees (Australia) Limited (**NULIS**) as the Registrable Superannuation Entity (**RSE**) licensee for the MLC Super Fund (**MSF**). It is also the RSE licensee for the MLC Superannuation Fund (**MLCSF**), the DPM Retirement Service (**DPMRS**), and the PremiumChoice Retirement Service (**PCRS**) (collectively the **MLC Wrap Funds**).

MSF

On 2 April 2020, in light of the significant uncertainties and economic impacts that have arisen due to the coronavirus pandemic, NULIS revalued downwards the unlisted assets in our private equity program by 10%.

Unlisted real estate and infrastructure assets are accessed through externally managed pooled trusts, and any changes to their values are provided by the managers of those trusts. As part of this external valuation process, some unlisted infrastructure assets were revalued downwards at the end of the March 2020 quarter.

For context, the FTSE Developed Core Infrastructure 50/50 Index (**FTSE Index**) is a recognised global index of listed infrastructure assets. As at 27 April 2020, this index has fallen in value by approximately 15% compared with the beginning of calendar year 2020.

The re-valuation of infrastructure assets in most MSF portfolios has been less than the FTSE Index for this period. This is because recent market events have mostly impacted the volume dependent transportation-based assets such as airports, whereas our infrastructure exposure is largely defensively positioned with a focus on core, mature assets with stable cashflows which are less sensitive to the economic slowdown.

MLC Wrap Funds

The funds enable members to invest across a large investment list of options, including unlisted registered Managed Investment Schemes (MISs), the majority of which are operated by entities unrelated to NULIS, listed securities and term deposits.

The unlisted assets consist of publicly offered registered Managed Investment Schemes (MISs) which are valued independently by the Responsible Entity (RE) of each MIS. NULIS does not value these assets.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

NULIS

NU76QW: 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:

The information below is provided by NULIS Nominees (Australia) Limited (**NULIS**) as the Registrable Superannuation Entity (**RSE**) licensee for the MLC Super Fund (**MSF**). It is also the RSE licensee for the MLC Superannuation Fund (**MLCSF**), the DPM Retirement Service (**DPMRS**), and the PremiumChoice Retirement Service (**PCRS**) (collectively the **MLC Wrap Funds**).

MSF

Our unlisted infrastructure assets are accessed through externally managed pooled trusts. The ongoing valuation of these assets is conducted by the external managers of the trusts through engagement with independent valuers.

For context, the FTSE Developed Core Infrastructure 50/50 Index (**FTSE Index**) is a recognised global index of listed infrastructure assets. As at 27 April 2020, this index has fallen in value by approximately 15% compared with the beginning of calendar year 2020.

The re-valuation of infrastructure assets in most MSF portfolios has been less than the FTSE Index for this period. This is because recent market events have mostly impacted the volume dependent transportation-based assets such as airports, whereas our infrastructure exposure is largely defensively positioned with a focus on core, mature assets with stable cashflows which are less sensitive to the economic slowdown.

MLC Wrap Funds

The funds enable members to invest across a large investment list of options, including unlisted registered Managed Investment Schemes (MISs), the majority of which are operated by entities unrelated to NULIS, listed securities and term deposits.

The unlisted assets consist of publicly offered registered Managed Investment Schemes (MISs) which are valued independently by the Responsible Entity (RE) of each MIS. NULIS does not value these assets.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

NULIS

NU77QW: 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:

The information below is provided by NULIS Nominees (Australia) Limited (**NULIS**) as the Registrable Superannuation Entity (**RSE**) licensee for the MLC Super Fund (**MSF**). It is also the RSE licensee for the MLC Superannuation Fund (**MLCSF**), the DPM Retirement Service (**DPMRS**), and the PremiumChoice Retirement Service (**PCRS**) (collectively the **MLC Wrap Funds**).

As at 30 April 2020, NULIS has had no liquidity issues in honouring 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.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

NULIS

NU78QW: What has been the current reduction of the value of your fund, and the unlisted and listed components since 1 January 2020?

Answer:

The information below is provided by NULIS Nominees (Australia) Limited (**NULIS**) as the Registrable Superannuation Entity (**RSE**) licensee for the MLC Super Fund (**MSF**). It is also the RSE licensee for the MLC Superannuation Fund (**MLCSF**), the DPM Retirement Service (**DPMRS**), and the PremiumChoice Retirement Service (**PCRS**) (collectively the **MLC Wrap Funds**).

MSF

NULIS has values of listed and unlisted assets as at 31 December 2019 and as at 31 March 2020 which have been used for this response. For clarity, unlisted assets include unlisted infrastructure, unlisted property, private equity and unlisted alternative assets.

Between 31 December 2019 and 31 March 2020:

- The fund's total investment value decreased by \$10,299m.
- Unlisted assets increased by \$553m.
- Listed assets decreased by \$10,852m.

NULIS notes that the data, as at 31 March 2020, includes the effect of currency movements and pre-dates a revaluation downwards on 2 April 2020 of the unlisted assets in our private equity program by 10%.

MLC Wrap Funds

The funds enable members to invest across a large investment list of options, including unlisted registered Managed Investment Schemes (MISs), the majority of which are operated by entities unrelated to NULIS, listed securities and term deposits.

NULIS has values of listed and unlisted assets as at 31 December 2019 and as at 31 March 2020 which have been used for this response. For clarity, unlisted assets consist of publicly offered registered Managed Investment Schemes (MISs) which are valued independently by the Responsible Entity (RE) of each MIS.

Between 31 December 2019 and 31 March 2020:

- The funds' total investment value decreased by \$2,953m.
- Unlisted assets decreased by an estimated \$2,430m.
- Listed assets decreased by an estimated \$523m.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

NULIS

NU79QW: How many members, affected by COVID-19, 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:

The information below is provided by NULIS Nominees (Australia) Limited (**NULIS**) as the Registrable Superannuation Entity (**RSE**) licensee for the MLC Super Fund (**MSF**). It is also the RSE licensee for the MLC Superannuation Fund (**MLCSF**), the DPM Retirement Service (**DPMRS**), and the PremiumChoice Retirement Service (**PCRS**) (collectively the **MLC Wrap Funds**).

Early release of superannuation applications are made directly to the ATO who then approve the early release of superannuation for members. NULIS' role is limited to processing ATO approved applications. NULIS does not have details on the number of members who have made a request to the ATO for the early release of their superannuation.

Since 12 March 2020 to 3 May 2020, NULIS has received 35,359 approved applications from the ATO with a total dollar value of \$269,699,288.

NULIS confirms it will provide cumulative updates to the above figures on the first of each month commencing 1 June 2020.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

NULIS

NU80QW: How many members, affected by COVID-19, 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:

The information below is provided by NULIS Nominees (Australia) Limited (**NULIS**) as the Registrable Superannuation Entity (**RSE**) licensee for the MLC Super Fund (**MSF**). It is also the RSE licensee for the MLC Superannuation Fund (**MLCSF**), the DPM Retirement Service (**DPMRS**), and the PremiumChoice Retirement Service (**PCRS**) (collectively the **MLC Wrap Funds**).

The ATO approves early release of superannuation applications for members and NULIS' role is limited to processing ATO approved applications.

Since 12 March 2020 to 3 May 2020, NULIS has received 35,359 approved applications from the ATO with a total dollar value of \$269,699,288.

NULIS confirms it will provide cumulative updates to the above figures on the first of each month commencing 1 June 2020.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

NULIS

NU81QW: If some members, affected by COVID-19, 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:

The information below is provided by NULIS Nominees (Australia) Limited (**NULIS**) as the Registrable Superannuation Entity (**RSE**) licensee for the MLC Super Fund (**MSF**). It is also the RSE licensee for the MLC Superannuation Fund (**MLCSF**), the DPM Retirement Service (**DPMRS**), and the PremiumChoice Retirement Service (**PCRS**) (collectively the **MLC Wrap Funds**).

The ATO approves early release of superannuation applications for members. NULIS' role is limited to processing ATO approved applications. NULIS does not have details on applications that were not approved by the ATO.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

NULIS

NU82QW: 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:

The information below is provided by NULIS Nominees (Australia) Limited (**NULIS**) as the Registrable Superannuation Entity (**RSE**) licensee for the MLC Super Fund (**MSF**). It is also the RSE licensee for the MLC Superannuation Fund (**MLCSF**), the DPM Retirement Service (**DPMRS**), and the PremiumChoice Retirement Service (**PCRS**) (collectively the **MLC Wrap Funds**).

Answer to a.

NULIS has a current Liquidity Management Plan (**LMP**) which describes the approach for managing liquidity for the MSF and the MLC Wrap Funds. In the absence of any trigger event, the LMP is reviewed every three years.

The LMP forms part of NULIS's Investment Governance Framework and has been developed for the purpose of complying with Australian Prudential Regulation Authority ('APRA') Prudential Standard SPS 530 – Investment Governance and the Superannuation Industry (Supervision) Act 1993.

In accordance with the LMP, the Trustee's approach to liquidity management is guided by the following key principles:

- Members benefits, including pension payments, should be paid in a timely manner;
- For directly managed investment options, the actual asset allocations should remain within the agreed ranges;
- regulatory obligations must be complied with;
- Tax, fees and expenses should be paid in a timely manner;
- potential adverse liquidity scenarios should be properly understood prior to implementation of an investment option;
- liquidity scenarios should be re-evaluated on an ongoing basis;
- adequate resources must be in place to manage liquidity and cash flow, and for the effective management of liquidity events;

- appropriate liquidity management controls must be in place;
- liquidity events must be managed in the best interests of members and to ensure ongoing compliance with regulatory obligations; and
- liquidity risk must be managed in accordance with the Trustee's Risk Management Framework.

These principles are applied separately to:

- Directly managed investment options;
- Externally managed investment options made available to members;
- Single securities made available to members;
- The combination of investment options selected by individual members; and
- Cash-flow management in respect of on-going expenses and tax of the fund.

For investment options, the trustee manages liquidity by:

- considering liquidity as part of the investment selection process;
- considering liquidity as part of the development of investment objectives and strategy for directly managed investment options;
- having regard to the diversification of assets;
- establishing member specific diversification limits where appropriate;
- having a low appetite for directly offering unlisted investments (e.g. direct property assets) other than term deposits as stand-alone options to members due to the high-risk factors associated with these assets;
- establishing liquidity tolerance levels in the Trustee's Risk Appetite Statement (**RAS**);
- monitoring cash-flows to the various options and maintaining appropriate cash balances within each investment option; and
- requiring stress testing to be undertaken to consider how the liquidity of investment options can be managed in a range of stress scenarios.

The Trustee also manages liquidity at a fund level to make sure payment obligations for expenses and taxes can be met. A range of operational liquidity measurement and monitoring activities are conducted, including:

- Cash-flow forecasting;
- Monitoring of timing mismatches between receipts and payments;
- Assessment and quantification of available funding and liquidity sources to meet cash-flow requirements; and
- A risk appetite for operational liquidity risk within the Fund.

Answer to b.

To measure and monitor liquidity, a range of activities are conducted, including:

- analysis and monitoring against the liquidity tolerance limits in the Trustee's RAS;
- stress testing activities; and
- monitoring the status (e.g. members impacted, value of RSE assets, redemption windows available) of investment options that become illiquid due to a liquidity event (such as the termination or wind-up of a managed investment scheme).

The Trustee Board and investment Committees receive a range of reports on the outcomes of liquidity management and monitoring activities. Key issues addressed in these reports include:

- outcomes from the monitoring of liquidity levels against the Trustee's liquidity tolerance levels outlined in the Trustee's RAS;
- outcomes from stress testing;
- details on the status of new and existing liquidity events; and
- recommendations to the Trustee regarding what actions may be appropriate to ensure the Trustee continues to act in the best interests of members (including the reasons for its recommendation).

The Trustee also receives cash flow reporting for each superannuation fund.

Answer to c.

In addition to the Trustee Board and its investment committees, day-to-day liquidity management for the fund is primarily the responsibility of:

- National Wealth Management Services Limited (**NWMSL**) as the appointed business services provider. NWMSL also utilises the services of ThreeSixty Research Solutions, a division of GWM Adviser Services Limited;
- JANA Investment Advisers Pty Ltd as the appointed investment consultant for internally managed investment options in MSF; and
- MLC Asset Management Services Limited as the appointed portfolio manager for internally managed investment options in MSF.