

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### Prime Super

**PS01QW:** Please provide the details of any fund member briefings where it was possible to ask fund managers, executives or directors questions over the past five years.

#### **Answer:**

Within the period concerned, Prime Super did not conduct any broad based member briefing sessions, however, it did conduct some specific meetings. The specific meetings held during the period concerned are set out below:

Pension member briefing session	21 May 2019
Regional Member briefing sessions	
Ballarat Vic	27 June 2019
Toowoomba Qld	19 September 2019
Warrnambool Vic	1 October 2019

At the above-mentioned sessions the CEO presented to a range of members and employers on the performance of the Fund (being both the investment performance and the overall business performance) and the changes to superannuation in general. Invitations were sent to all members located within a reasonable traveling distance from the venue.

In addition to the above, Prime Super has conducted and continues to conduct onsite education session at employer premises to all staff of the employer (both members and non-members of Prime Super). These sessions have been conducted, and continue to be conducted, by the Regional Manager team. Further, the CEO has an annual programme of attending a number of onsite member briefings with the Regional Managers, which has been running continuously over the last five years. This enables the CEO to attend up to five briefing sessions throughout the country on an annual basis.

#### *Merger with Combined Super*

Prime Super merged with Combined Super as at 31 December 2018. As a result of this merger a number of member sessions were conducted both before and after the merger to ensure members were aware of the changes that would occur as a result of the merger. Meetings were also held with the employers to ensure the transition was managed appropriately and that the employers were able to engage efficiently with Prime Super.

The following member sessions were held, (Prime Super attendees were the CEO, Regional Manager and Distribution Manager):

Last Quarter of 2018

Geelong College (2 sessions)  
Caulfield Grammar (2 sessions)  
Geelong Grammar (2 sessions)  
Xavier College  
Haileybury (2 sessions)  
Overnewton Anglican Community College

First Quarter of 2019

Geelong College (2 sessions)  
Caulfield Grammar (2 sessions)  
Geelong Grammar (2 sessions)  
Xavier College  
Haileybury (2 sessions)  
Overnewton Anglican Community College  
Christ Church Grammar

The sessions were provided directly to members and discussed Prime Super, its investment performance, insurance offering, fee structure and service offering. The Prime Super offering was also discussed in light of the changes that would occur as a result of the merger of Combined Super into Prime Super.

*Annual Member Meeting*

Prime Super will conduct its first full member meeting on 29 October 2020. This meeting will be held in accordance with the requirement of law and will be attended by:

- The Chairman and at least one other Director;
- The CEO;
- The External Auditor; and
- The Actuary.

Invitations to attend this meeting have been sent to all members of Prime Super.

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SUPERANNUATION SECTOR**

**Prime Super**

**PS02QW:** Details of all ASIC fines and infringement notices incurred over the past five years.

**Answer:**

Prime Super has received no ASIC fines or infringement notices over the last five years.

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**Prime Super**

**PS03QW:** The name and company of your auditor for the past five years.

**Answer:**

The auditor of Prime Super over the last five years has been:

<b>Year End</b>	<b>Auditor Name</b>	<b>Audit Firm</b>
30 June 2016	Maree Pallisco	Ernst & Young
30 June 2017	Maree Pallisco	Ernst & Young
30 June 2018	Maree Pallisco	Ernst & Young
30 June 2019	John MacDonald	Ernst & Young
30 June 2020	John MacDonald	Ernst & Young

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**Prime Super**

**PS04QW:** For the past five years the total value in dollars and as a percentage of the total value of a fund:

- a. Listed investments.
- b. Unlisted investments.
- c. Total investments.

**Answer:**

The total value in dollars and as a percentage of the total value of the fund over the last five years is as follows:

	<b>Listed Investments \$ million</b>	<b>% of total investments</b>	<b>Unlisted Investments \$ million</b>	<b>% of total investments</b>	<b>Total Investments \$ million</b>
30 June 2016	2,187.46	70.3%	925.57	29.7%	3,113.03
30 June 2017	2,535.12	71.7%	1,002.58	28.3%	3,537.70
30 June 2018	2,816.74	71.9%	1,101.30	28.1%	3,918.04
30 June 2019	3,727.97	72.6%	1,476.63	28.4%	5,204.60
30 June 2020	3,777.48	72.8%	1,414.00	27.2%	5,191.48

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**Prime Super**

- PS05QW:** For the past five years the total value in dollars and as a percentage of the total return for the fund:
- a. Listed investments.
  - b. Unlisted investments.
  - c. Total investments.

**Answer:**

For the past five years the total value in dollars and as a percentage of the total return for the fund of listed investments, unlisted investments and total investments are set out below.:

**a. Listed investments**

	<b>Value of Investments \$'000</b>	<b>% of Total Assets</b>	<b>Annual Return %</b>
2016	2,272.2	73.0%	1.68
2017	2,664.0	75.3%	11.87
2018	2,972.8	75.9%	10.35
2019	3,939.9	75.7%	5.70
2020	3,779.1	72.8%	-0.39

**b. Unlisted investments**

	<b>Value of Investments \$'000</b>	<b>% of Total Assets</b>	<b>Annual Return %</b>
2016	840.8	27.0%	13.36
2017	873.7	24.7%	14.85
2018	945.3	24.1%	9.06
2019	1,264.7	24.3%	10.21
2020	1,412.4	27.2%	2.23

c. **Total investments**

	<b>Value of Investments \$'000</b>	<b>Annual Return %</b>
2016	3,113.0	4.45
2017	3,537.7	12.37
2018	3,918.0	9.99
2019	5,204.6	6.81
2020	5,191.5	0.39

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#### Prime Super

**PS06QW:** A copy of your asset valuation policy (covering amongst other things independence of valuation, managing conflicts of interest, frequency of valuation, publication of latest valuation timings to members etc).

#### Answer:

Attached is the Prime Super Valuation Manual (PS06QW.01). This document covers amongst other things (independence of valuation and frequency of valuation).

Conflicts of interest are managed through a separate policy. Prime Super seeks to remove conflicts of interest rather than managing any potential conflict of interest. Considering conflicts of interest and the valuation of assets the following controls exist:

- An Independent Valuer is appointed to conduct a valuation of those assets that are not traded on public markets;
- The valuation report from the Independent Valuer is provided direct to the Fund and to the Fund's investment adviser;
- The Fund's investment adviser conducts a review of the valuation report to ensure that the valuation basis and methodology is reasonable for the specific asset, and is consistent with the valuation basis and methodology used across other assets held by Prime Super;
- The Independent Valuer is appointed for a fixed term and rotation occurs of the Valuer, the Manual notes: "Where feasible, Prime Super should aim to rotate its valuers so that the same party is not used to value a particular asset over a period greater than three years."

Prime Super provides full disclosure of the valuation of each investment at 30 June each year within the annual report. The Annual Report is available on the Prime Super website.

Members can request additional information on the valuation of any asset held by Prime Super at any time.





# Prime Super

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## Valuation Manual

June 2020

<b>VERSION</b>	7
<b>PREPARED BY (TEAM)</b>	Investments
<b>DATE APPROVED</b>	TBA
<b>APPROVED BY AND HOW</b>	Trustee Board through a Board meeting
<b>EFFECTIVE DATE</b>	June 2020
<b>NEXT REVIEW</b>	June 2021

## Version Control

ISSUE DATE	VERSION	REVIEWED BY	SUMMARY OF CHANGES
Jun 2014	1	Lachlan Baird	
Oct 2015	2	Anita Dowsett	Annual review
Oct 2016	3	Jane Kang	Annual review
Jun 2017	4	Jane Kang	Annual review
Jun 2018	5	Jane Kang	Annual review
Jun 2019	6	Jane Kang	Annual review
Jun 2020	7	Jane Kang	Annual review

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# 1. Background

Prime Super is a regulated superannuation fund who invests the monies contributed by its members in order to provide for their retirement income needs. The purpose of this manual is to manage the Board's exposure to valuation risk by documenting the processes formulated to ensure asset values are measured reliably.

The Trustee invests the monies of Prime Super for the purpose of contributing to the retirement incomes of its members and their beneficiaries. The Trustee is obligated, by law and to support its own governance of the portfolio, to value the investments regularly in order that the Trustee may with confidence:

- issue annual accounts that it believes to present a true and fair picture of the standing and affairs of the trust; and
- transact member contributions and exits at values that are materially fair and equitable.

This Manual is designed to provide the framework for Prime Super's investment valuation process, which is central to Prime Super's investment strategy and operations, is a key component to Prime Super's crediting rate process and financial statements. This policy outlines the Trustee's approach to valuation issues such as instruction, frequency, and review.

This Manual also provides the guidelines for trigger events and circumstances warranting ad-hoc (i.e. outside of the valuation schedule) re-valuations of unlisted assets.

## 2. Overview of the Valuation Process

In accordance with Prime Super's Investment Strategy, members' funds are invested across a range of asset classes, containing both listed and unlisted assets. This includes investments in traditional listed asset classes such as shares, fixed interest and cash, as well as investments in unlisted assets including alternatives credit, property, infrastructure, private equity and other alternatives.

Under Prime Super's current investment arrangements, the Trustee, under advice, appoints professional investment managers, or invests through their trusts, in respect of traditional listed and traded securities. The Trustee is assisted by its investment adviser in the selection, acquisition and disposal of its non-traditional investments, which it may invest in through pools or directly.

As a regulated superannuation fund, Prime Super is required to follow the valuation requirements established by Australian Accounting Standard Board 1056 (AASB1056) Superannuation Entities. AASB 1056 Superannuation Entities requires assets and liabilities of superannuation entities, other than member liabilities, tax assets and liabilities, acquired goodwill and insurance assets and liabilities, to be measured at fair value.

In determining the fair value measurements and accounting for any transaction costs, a superannuation entity should apply the relevant principles and requirements in other applicable Australian Accounting Standards, including in particular AASB 13 Fair Value Measurement. AASB 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date".

However, given the high transaction costs typically associated with alternative assets and erring on the side of conservatism, Prime Super has elected to continue to apply realisation costs when reporting the valuation of its investments.

Sub-section 10(1) of the Superannuation Industry (Supervision) Act 1993 (Cth) ('SIS Act') also defines market value as 'the amount that a willing buyer of the asset could reasonably be expected to pay to acquire the asset from a willing seller if the following assumptions were made:

- a. that the buyer and the seller dealt with each other at arm's length in relation to the sale;
- b. that the sale occurred after proper marketing of the asset; and
- c. that the buyer and the seller acted knowledgeably and prudentially in relation to the sale'.

In addition to the requirements of accounting standards and regulatory requirements, in developing this Valuation Policy and its valuation processes, the Trustee has had regard to a range of industry guidance issued in relation to the valuation of unlisted assets (for example the International Private Equity and Venture Capital Guidelines and APRA's Prudential Practice Guide SPG 531 - *Valuation*).

For valuation purposes, Prime Super's investments and financial exposures can be categorised into four broad groups, which in turn shape the Trustee's approach to determining the net market value for an investment:

#### Category 1: Listed Assets and Assets Traded on Recognised Markets

This category typically includes listed equities, government bonds, traded corporate bonds, short-term money market securities, deposits and foreign exchange contracts. These securities have prices which are readily determinable through recognised and regulated exchanges, or through recognised brokerage markets, or payable at face value. Generally, Category 1 investments will be valued at the closing price, which by definition represents a gross realisable value. The Trustee applies a further provision in the valuation, accounting for realisation costs, to determine a "Net Market Value" (see section 4.8 – Realisation Costs).

#### Category 2: Unlisted Securities or Partnership Interests that hold Listed Assets

These assets typically include unlisted unit trusts and partnerships that mainly hold listed assets and assets traded on recognised markets (that is, Category 1 assets). For these assets, valuations are based on the manager's net asset value price or mid-price (where bid and offer prices are provided). The Trustee makes a further provision in the valuation, accounting for realisation costs, to determine a "Net Market Value" (see section 4.8 – Realisation Costs).

#### Category 3: Externally Managed Unlisted Investments

Category 3 investments typically include unlisted pooled investments in property, infrastructure, private equity (including externally managed private equity co-investments) and other securities. The valuation of these pooled or directly held securities are undertaken by the investment manager or responsible entity and provided to Prime Super's custodian. The valuation standards followed in these valuations typically follow industry guidelines or standards set by the constituent documents of the pool or the management agreement.

The Trustee engages its investment adviser to provide oversight services for each Category 3 investment to ensure that the basis of valuation is satisfactory to the Trustee and that the valuations themselves have been carried out according to the relevant standard.

The market value of Category 3 investments should be determined based on the net asset value price or mid-price (where bid and offer prices are reported). The Trustee makes a further provision in the valuation, accounting for realisation costs, to determine the net asset value or mid-price (see Section 4.8 – Realisation Costs). Therefore, an important part of the oversight

function for Category 3 investments includes the receipt and review of annual audited financial statements where available.

In the case of Category 3 assets in which Prime Super is the majority owner of the underlying investments, the investment will be valued in line with the practices of Category 4 assets. Therefore, such assets will be valued by an independent valuer and the Trustee will receive a valuation report accompanied by a memorandum from Prime Super's investment adviser providing a recommendation on the valuer's proposed valuation. The Trustee will consider the valuer's report, the adviser's recommendation and the view of Management in making its decision on an appropriate Trustee valuation for these assets.

#### Category 4: Directly Held Unlisted Investments

These assets include direct investments in property, infrastructure, private equity, or other securities or assets. Category 4 investments also include thinly traded corporate debt securities that are not traded through regulated exchanges or recognised brokerage markets (and therefore do not fall into the Category 1 definition). As there is no quoted trading or redemption value for these assets, Prime Super has established a valuation program to ensure that independent valuations are undertaken regularly.

The valuation of investments in this category will generally require an assessment of their specific cash flows and investment terms, with the valuation often based on comparable transaction parameters and risk adjusted discount rates.

Category 4 investments are generally held at cost for the first twelve months of ownership, unless there is an apparent change in circumstances which would indicate the need for a new valuation. The costs of acquisition are generally capitalised as part of the cost base of the investment. For overseas investments, acquisition costs will be capitalised at the Australian dollar equivalent value based on the spot exchange rate at the time the expenses are paid.

The frequency and timing of valuations reflect the trade-off between the cost of valuations and the benefits of more frequent updates. Depending on the nature of the investment, Prime Super may also request valuation updates conducted by an independent valuer or roll-forward valuations from its investment adviser. The level of influence the Trustee is able to exert over the timing and selection of a valuer for an investment varies with individual investments and is typically governed by the ownership structure of the asset.

Upon receipt of a valuation report the Trustee requests a review of the report by Prime Super's investment adviser as relevant. The adviser will review the valuation report for factual correctness and will provide a recommendation on the valuer's proposed valuation. While this recommendation often aligns with the point estimate of the valuer, the adviser could in specific circumstances recommend an alternate point within the valuer's range based upon a different view on specific factors apparent in its oversight role for the asset. The Trustee will consider the valuer's report, the adviser's recommendation and the view of Management in making its decision on an appropriate Trustee valuation for the asset.

While the valuation will generally fall within the independent valuer's range, the Trustee acknowledges that this valuation will represent a Trustee valuation rather than an independent valuation.

For all Category 4 investments which pay distributions, upon receipt of a distribution, Prime Super will instruct the custodian to reduce the carrying value (including the initial cost base for assets yet to be independently valued) by the distribution amount. This approach is consistent with the discounted cash flow valuation methodology applied by the independent valuers, whereby valuations are typically conducted cum of future distributions to equity holders.

As with the other asset categories, the Trustee makes a further provision in the valuation, accounting for realisation costs, to determine the “Net Market value” (see Section 4.8 – Realisation Costs).

### Valuation of Multiple Asset Holdings

The Trustee acknowledges that circumstances may arise whereby Prime Super may be invested in one or more securities or products that have economic ownership of the same underlying asset. For example, Prime Super may have invested directly in an asset and also through a pooled investment which has a stake in the same asset, or through two separately managed pooled investments which are both investors in the same asset. This may result in Prime Super implicitly holding its investments in the same asset at differing values. Where the Trustee becomes aware of such circumstances, the Trustee will seek to understand the key drivers of the differences in value and provided these are deemed reasonable, the Trustee will maintain its policy of utilising the valuation of the independent valuer and/or the manager or responsible entity of the relevant pooled investment. If the Trustee cannot ascertain the drivers of the valuation difference or believes the differences to be unreasonable, the Trustee will adopt the value that it determines to be most appropriate and will consistently apply it to all investments that hold the asset.

## 3. Valuation Risk

The following procedures detailed within this manual are in place to manage valuation risk including:

- Valuation arbitrage
- Cross subsidisation between varying classes of members
- Incorrectly calculated crediting rates
- Incorrect financial statements

## 4. Valuation Responsibilities, Policies and Practices

### 4.1 Policy Oversight

As with all RSE licensable activity, the Trustee is ultimately responsible for the valuation process. The Board may however delegate to appropriately skilled representatives and as such has delegated to the Chief Executive Officer responsibility for oversight of the valuation process generally and for the appointment of all valuers commissioned by Prime Super. The Board has also delegated to Prime Super’s Investment Committee the responsibility for ratifying the Chief Executive Officer’s decisions.

The Chief Executive Officer will report to the Trustee at least annually on the conduct of the valuation program and also confirm at the time of recommending the accounts for signing that the valuation of Prime Super’s investments conforms to the policies established in this manual. The Chief Executive Officer shall maintain the Valuation Schedule (attached) and keep the Trustee informed of changes to the Valuation Schedule.

### 4.2 The Role of the Custodian

NAB Asset Servicing (NAS) acts as master custodian for the Trustee. As part of this custodial service NAS reports the value of listed and unlisted investments which it holds on behalf of

Prime Super. The valuation policies and practices of NAS are set out in its pricing policy and by this reference are incorporated into Prime Super's policies and practices.

### **4.3 The Role of the Independent Valuer**

All valuations of Category 4 investments will be undertaken by persons with recognised expertise in such matters, working to written instructions, and providing their valuations in writing. Where feasible, Prime Super should aim to rotate its valuers so that the same party is not used to value a particular asset over a period greater than three years.

In some circumstances, such as where a valuation and its costs are shared among several investors, a series of independent valuations prepared by the one company over a period greater than three years may be unavoidable. In addition, where an investment and its valuation model are sufficiently complex it may be beneficial for Prime Super to extend the current valuer's contract greater than three years.

The valuation assumptions and methodology employed by the independent valuer in the valuation of Category 4 investments are disclosed in the valuation report issued by the independent valuer.

The independent expert valuers will generally express a valuation as a range, however, the Valuation Agreement under which the valuers are formally engaged by the Trustee require the valuer to nominate a point estimate in each instance.

While the Trustee relies on the reports of independent valuers and experts, it acknowledges that all valuations determined by the Trustee are by necessity, Trustee valuations.

### **4.4 The Role of the Investment Adviser**

The Trustee engages Whitehelm Capital (Whitehelm) as its primary Investment Adviser; it has oversight of the bulk of the assets within the portfolio and provides performance reporting on the whole of the Prime Super's portfolio. Whitehelm's practice and policy with respect to independent valuations and recommending carrying values forms part of Prime Super's policy.

For each Category 4 valuation event, the Trustee is provided with the valuation report produced by the independent valuer (if applicable) and an accompanying memorandum detailing the key drivers of the change in valuation.

The role of Prime Super's investment adviser is to provide information and assistance to the valuer where required throughout the process, to review the valuer's report and to make recommendations to the Trustee about the appropriateness of the valuation based upon its own knowledge of the asset and its expertise.

### **4.5 The Role of the Trustee**

The Trustee is responsible for the instructions and parameters of engagement for independent valuers for Category 4 assets. Following the receipt of the independent valuation and the accompanying memorandum from the investment adviser, it is the role of the Trustee to consider and ultimately adopt the recommendation.

However, in the event that either the investment adviser or management consider that the independent valuation is inappropriate, further work will be presented to the Trustee to assist in their deliberations. This could include but is not limited to:

- assessment of the appropriateness of using a discounted cash flow model approach;
- the reasonableness of the underlying assumptions supporting the valuation;
- cross check of the valuation against current pricing of comparable transactions;



- the basis of instruction from the Trustee of the investment to the valuer; and
- other circumstances that may have affected the outcome of the independent valuers' determination.

Following the receipt of this further information, a meeting of the Trustee will be convened with respect to this further analysis.

Subsequent to the above process, the valuation recommendation will be made to the Trustee for adoption.

## **4.6 The Role of the External Auditor**

Prime Super's external auditor should review the valuation process and sample test the specific values as part of the annual audit exercise. This will allow for testing of the controls, reliability of information and validity of assumptions. Where avoidable and practicable, Prime Super's external auditor should not undertake any valuations of Prime Super's assets.

In performing its role, the External Auditor will be required to place reliance on the work of the expert independent valuer and in doing so will exercise professional scepticism and judgement in assessing the work of the expert with which it is provided.

The role of the External Auditor does not require it to prepare a detailed valuation of any asset and it does not have the requisite input information to undertake such a task.

Accordingly, the External Auditor does not provide a second valuation for the Trustee to consider or a second opinion on the valuation the Trustee has adopted.

## **4.7 Frequency of Valuations**

The Trustee is committed to regular (and at least annual) valuation of the assets in the Prime Super's portfolio. Where Prime Super is able to exercise control over the appointment and timing of the valuation process, asset valuations should be conducted on a regular basis and where possible staggered throughout the year, with each asset revalued at least once each financial year. The key advantage of this valuation framework, and consistent with best practice, is to stagger the valuations of the assets throughout the year to prevent concentration of valuation movements and reduce the likelihood of material spikes in Prime Super's crediting rates.

In general, pursuit of member equity argues in favour of more frequent valuations, whilst a cost management focus suggests that valuations be conducted less frequently. It is also relevant to consider the size of an investment, as the reasonably fixed nature of valuations costs can impact more greatly on smaller assets.

Depending on the nature of the asset, the independent valuer should also be contracted to provide a quarterly or semi-annual update of the valuation. The valuation update conducted by the independent valuer in the form of a review of the annual valuation model should incorporate any changes to the valuation parameters to account for material information available since the previous valuation.

Where Prime Super is unable to influence the commissioning of the valuation, or where Prime Super is the single commissioning party and thus the cost of the regular update valuations is prohibitive, Prime Super may request its investment adviser to provide roll-forward valuations. These roll-forward valuations are based on the most recent independent valuation and informed by market changes in, for example, the risk-free rate and any distributions made by the company.

## **4.8 Ad-hoc Revaluations**

The overriding objective in recording the valuation of an asset is to ensure that it is a fair and reasonable reflection of the price at which it could be exchanged between knowledgeable, willing parties in an arm's length transaction.

In certain circumstances, Prime Super may determine it appropriate to delay, bring forward or otherwise deviate from the valuation schedule for an asset in the interests of member equity. Circumstances in which Prime Super may delay or bring forward an independent valuation of a Category 4 asset may include but not limited to:

- the loss or acquisition of a material supplier for a business;
- the failure to meet business projections required to satisfy a loan covenant;
- a change in regulations or government policy which will materially impact on the asset; and
- a material change in the nature of the business.

In these circumstances the Trustee will consider any relevant advice and determine whether the event represents a material impact requiring an ad-hoc valuation outside of the valuation schedule.

If an asset valuation is considered inappropriate because it becomes dated or otherwise unreliable (for example, through the audit process), the Trustee may adopt a revised valuation that may be outside of the previous range advised by the independent valuer. In such circumstances the Trustee would seek the advice of its asset consultants and other external advisers or seek a new independent valuation to assist in determining a revised Trustee valuation.

There are some circumstances in which the Trustee may delay an independent valuation of a Category 4 asset. For example, if an investee company is set to approve a new financial and business plan (or is awaiting the completion of a new financial model which embodies such a plan) or secures a new financing arrangement or a co-investor is seeking to divest, then a scheduled valuation may be held over until this information can be made available to the independent valuer.

Consistent with the valuation agreements with its valuers, the Trustee will communicate to the relevant valuer all material valuation developments of which the Trustee is aware in advance of each valuation. This will include the terms of any bona-fide offers or contemplated transactions involving the relevant asset, subject to any confidentiality constraints. In addition, the Trustee will advise its valuers of completed transactions for assets similar to that which respective valuers value within Prime Super's portfolio, subject to any confidentiality constraints.

Any decision by Prime Super to depart from a valuer's recommended point estimate and/or adjust the value of an asset should be approved by the Chief Executive Officer subject to ratification by Prime Super's Investment Committee and supported by appropriate analysis and documentation.

## **4.9 Realisation Costs**

As outlined in Section 2 of this document, AASB 1056 requires assets and liabilities of superannuation entities, other than member liabilities, tax assets and liabilities, acquired goodwill and insurance assets and liabilities, to be measured at fair value. In this standard fair value is referred to AASB 13 Fair Value Measurement, where it defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

With consideration to AASB13, given the high transaction costs typically associated with alternative assets and erring on the side of conservatism, Prime Super maintains the application of realisation costs when reporting the valuation of its investments.

As such, as part of the valuation process, the Trustee must determine the relevant realisation costs for each asset within the portfolio to ensure adequate provisioning for realisation. These costs are generally determined as a percentage of each investment and are applied by Prime Super's Custodian in its investment accounting for Prime Super, rather than being applied as a net amount in a Trustee valuation.

Realisation costs are reviewed regularly and at least annually by Management, which will seek advice as required from Prime Super's investment adviser, independent valuers and other qualified external parties.

Realisation costs are advised to NAB Asset Servicing (NAS) at least annually and whenever a change is required, or a new investment is undertaken.

## **5. The Valuation Schedule**

The attached Valuation Schedule records all investments held as at June 2020 and notes the following for each investment:

- the investment category of the investment;
- the asset type;
- the source of valuation;
- the estimated realisation costs; and
- the frequency of valuation.

The frequency of valuation indicated in the Valuation Schedule reflects the frequency at which the valuer or manager is expected to provide a valuation or a unit price.

## **6. Frequency of Review**

The Trustee must review the Valuation Manual at least annually or more frequency as required where there is a change in circumstances such as a material change to the investment strategy, regulatory requirements or processes.

## 7. Valuation Schedule – June-2020

NAS Portfolio Code	Asset Name	Category	Asset Type	Valuation Source	Realisation Costs	Indicative Valuation Frequency
<b>Cash</b>						
PRCASH	CFS Wholesale Institutional Cash Fund	2	Pooled fund	Manager valuation	0.00%	Daily
PRNPDP	CBA Capital Growth Account - 90 days	2	Direct	Manager valuation	0.00%	Daily
PRNPLD	CBA Capital Growth Account – 185 days	2	Direct	Manager valuation	0.00%	Daily
<b>Fixed Interest</b>						
PRBGBF	iShares Global Bond Index Fund	2	Pooled fund	Manager valuation	0.40%	Daily
PRBRGB	BlackRock Treasury Mandate	1	Separately managed account	Manager valuation	0.10%	Daily
<b>Global Floating Rate Credit</b>						
PRABGC	AB Global Floating Rate Credit	1	Separately managed account	Market Valuation	1.00%	Daily
<b>Australian Equity</b>						
PRBLAE	Bennelong Australian Equity	1	Separately managed account	Market Valuation	0.30%	Daily
PRVIAE	Vinva Australian Equity	1	Separately managed account	Market Valuation	0.30%	Daily
PRFTA E	Firetrail Australian Equity	1	Separately managed account	Market Valuation	0.30%	Daily
PRASAE	Ausbil Australian Equity	1	Separately managed account	Market Valuation	0.30%	Daily
PRNIKK	Nikko AM Australian Share Income Fund	2	Pooled fund	Manager valuation	0.30%	Daily
PRTSAE	Tribeca Small Cap Australian Equity	1	Separately managed account	Market Valuation	0.45%	Daily
<b>International Equity</b>						
PRAGEE	AQR Global Enhanced Equity Fund	2	Pooled fund	Manager valuation	0.15%	Daily
PRBEMF	iShares Emerging Markets IMI Equity Index Fund	2	Pooled fund	Manager valuation	0.35%	Daily
PRMFSE	MFS Global Equity Trust	2	Pooled fund	Manager valuation	0.25%	Daily
PRRIGE	Realindex RAFI Global Share Fund (Screened)	2	Pooled fund	Manager valuation	0.15%	Daily
PRWLGE	Wellington Global Quality Growth Fund	2	Pooled fund	Manager valuation	0.15%	Daily
<b>Absolute Return Strategies</b>						
PRPARF	PineBridge Global Dynamic Asset Allocation Fund	2	Pooled fund	Manager valuation	0.40%	Daily
PRSRRF	Schroders Real Return CPI +5% Fund	2	Pooled fund	Manager valuation	0.58%	Daily
<b>Infrastructure</b>						
PRPPEF	Emerging Markets Infrastructure Fund	3	Pooled fund	Manager valuation	0.40%	Quarterly
PRIGAS/PRIGS 2/PRIGS3	Igasamex	4	Direct	Independent valuation	2.00%	Annually plus semi-annual updates
PRIIPG/PRIPG 2/PRIPG3	International Parking Group	4	Direct	Independent valuation	2.00%	Annually plus semi-annual updates
PRSWAY/PRS WY2	Peninsula Link	4	Direct	Independent valuation	1.00%	Annually plus semi-annual updates
PRRTFE	Rowville	4	Direct	Independent valuation	1.00%	Annually plus semi-annual updates
PRSAEN	SAE	4	Direct	Independent valuation	2.00%	Annually plus semi-annual updates
PRSWCB/PRS WC2	Southern Water	4	Direct	Independent valuation	0.30%	Annually plus semi-annual updates
PRSVWF	Storrund Vindkraft	4	Direct	Independent valuation	2.00%	Annually plus semi-annual updates

NAS Portfolio Code	Asset Name	Category	Asset Type	Valuation Source	Realisation Costs	Indicative Valuation Frequency
PRVTEH	Vopak Terminal Eemshaven	4	Direct	Independent valuation	2.00%	Annually plus semi-annual updates
PRWCPE	Worsley Cogen Plant	4	Direct	Independent valuation	1.00%	Annually plus semi-annual updates
PRCWIF	CFS's Wholesale Infrastructure Income Strategy	3	Pooled Fund	Manager Valuation	0.40%	Monthly
PRIDIT	ICG's Direct Infrastructure Trust	3	Pooled Fund	Manager Valuation	0.40%	Monthly
PRMCIF	Magellan Core Infrastructure Fund	2	Pooled Fund	Manager Valuation	0.15%	Daily
PRITEC	ITE College West	4	Direct	Independent Valuation	1.00%	Annually plus semi-annual updates
PRPPPY	Kinland	4	Direct	Independent Valuation	2.00%	Annually plus semi-annual updates
<b>Property</b>						
PR1KWS	1 King William St	3	Direct investment managed by Royal Investment Trust	Independent valuation	1.30%	Annually plus semi-annual updates
PR50MS	50 Miller Street	3	Direct investment managed by Sumner Capital	Independent valuation	1.30%	Annually plus semi-annual updates
PRBRE6	Blackstone Real Estate Partners VI	3	Pooled fund	Manager valuation	1.30%	Quarterly
PRGP3D/PRGP3I	Gresham Property Fund No.3	3	Pooled fund	Manager valuation	1.30%	Quarterly
PRLLC1	Lend Lease Communities Fund No.1	3	Pooled fund	Manager valuation	1.30%	Quarterly
PRMRE7	Macquarie Real Estate Equity Fund 7	3	Pooled fund	Manager valuation	1.30%	Annual valuation upon request
PRALNG	111 Alinga St	3	Direct investment	Independent valuation	1.30%	Annually plus semi-annual updates
PRICPT	Investa Commercial Property Fund	3	Pooled Fund	Manager Valuation	1.30%	Monthly
PRLPPF	Lend Lease Australian Prime Property Fund Retail	3	Pooled Fund	Manager Valuation	1.30%	Daily
PRCITI	Citilink Bowen Hills Brisbane	4	Direct investment	Independent Valuation	1.30%	Annually plus semi-annual updates
PR313A	313 Adelaide Street	4	Direct investment	Independent Valuation	1.30%	Annually plus semi-annual updates
<b>Private Equity</b>						
PRCV4A/PRCV4B	CM Capital Venture Trust No.4	3	Pooled fund	Manager valuation	0.40%	Monthly
PRAIF3	AIF Capital Asia III	3	Pooled fund	Manager valuation	0.40%	Quarterly
PRAIF4	AIF Capital Asia IV	3	Pooled fund	Manager valuation	0.40%	Quarterly
PRHVD7	HarbourVest Dover Street VII Cayman Fund	3	Pooled fund	Manager valuation	0.40%	Quarterly
PRHVB7	HarbourVest VII Cayman Buyout Fund	3	Pooled fund	Manager valuation	0.40%	Quarterly
PRHVV7	HarbourVest VII Cayman Venture Fund	3	Pooled fund	Manager valuation	0.40%	Quarterly
PRPEBB	Partners Group European Buyout 2008	3	Pooled fund	Manager valuation	0.40%	Quarterly
PRPSLP	Partners Group Secondary 2008	3	Pooled fund	Manager valuation	0.40%	Quarterly
<b>Credit Opportunities</b>						
PRATJD	Alpha Trains	4	Direct	Independent Valuation	0.60%	Annually
PRARQD	Arqiva Junior Term Notes	1	Direct	Market Valuation	0.60%	Daily
PRAUND	Aunor Senior Secured Bond	4	Direct	Independent Valuation	0.60%	Annually
PRSPLT	Super Loans Trust	3	Pooled Fund	Manager Valuation	0.60%	Monthly
PRSYDA	Sydney Airport Debt	1	Direct	Market Valuation	0.60%	Daily
PRTDFD	TDF Term Loan	4	Direct	Independent Valuation	0.60%	Annually
PRYORK	Yorkshire Water Loan	4	Direct	Independent Valuation	0.60%	Annually
PRIFCR	Infrastructure Credit (Various)	1	Direct	Market Valuation	0.60%	Daily
PRCOSP/PRICSP	Interest Rate Swaps (Credit Opportunities)	2	Direct OTC Derivatives	NAS	0.60%	Daily
PRCCP1	Continuity Capital – Private Credit Fund 1	3	Pooled Fund	Manager Valuation	0.60%	Monthly

NAS Portfolio Code	Asset Name	Category	Asset Type	Valuation Source	Realisation Costs	Indicative Valuation Frequency
PRCCP2	Continuity Capital – Private Credit Fund 2	3	Pooled Fund	Manager Valuation	0.60%	Mon hly
PRMCPF	Metrics Credit Partners – Diversified Australian Senior Loan Fund	3	Pooled Fund	Manager Valuation	0.85%	Daily
PRWCID	Westbourne's Infrastructure Debt Fund 2	3	Pooled Fund	Manager Valuation	0.60%	Mon hly

**Socially Responsible Investments (SRI)**

PRASRI	AMP Capital Responsible Investment Leaders Balanced Fund	2	Pooled Fund	Manager Valuation	0.17%	Daily
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**Derivatives**

PRDMHD/PRF XHD	Forward foreign exchange	2	Direct OTC Derivatives	NAS	0.0%	Daily
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## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### Prime Super

- PS07QW:** Details of each individual asset currently held at a value other than available listed market prices (an unlisted asset) wholly owned by the fund or funds under your control, including:
- a. The asset name and location.
  - b. The frequency of the revaluation of the asset.
  - c. The most recent valuation.
  
  - e. The methodology used for its valuation.
  - f. Whether the valuation was completed internally or externally.
  - g. The details of any external party involved in the valuation.

#### Answer:

As at the date of this response, all assets held by Prime Super are carried at the latest market value (be it a publicly quoted price or a valuation as determined by an independent valuation firm).

As a result of the market correction in late February 2020, Prime Super reviewed the valuations of all unlisted investments. Valuations were adjusted from the mid-point to the low point valuation as recommended by the Valuer, to provide an additional level of conservatism in the valuation adopted by Prime Super. The result of this change was that unlisted investments were all carried at a Director valuation, as opposed to a valuation based on an independent valuation report.

The details of each investment held at a value that was not a listed market price are as follows:

#### **Sarpsborg Avfallsenergi AS (“SAE”)**

- a) SAE is a waste to energy facility in Norway.
- b) The asset is valued two times a year, typically in September and then in March.
- c) The most recent valuation was performed as at 31 March 2020.
  
- e) The valuation has utilised a discounted cash flow approach utilising a cost of equity as the discount rate. A cross-check based on a capitalised earnings approach has also occurred.
- f) The valuation was conducted externally.
- g) The valuation was conducted by KPMG, based on information prepared by the business.

This valuation occurred after the impact of the listed market correction, and the uncertainties have therefore been taken into account in the valuation assessment by the independent valuer.

### **111 Alinga Street, Canberra**

- a) 111 Alinga Street is an office building located in Canberra, Australian Capital Territory.
- b) The asset is valued two times a year, typically in October and then in April.
- c) The most recent valuation was performed as at 30 April 2020.
  
- e) The valuation has utilised a discounted cash flow approach and a capitalisation approach. A cross-check based direct comparison to similar properties has occurred.
- f) The valuation was conducted externally.
- g) The valuation was conducted by Jones Lang Lasalle, based on information prepared by the business.

This valuation occurred after the impact of the listed market correction, and the uncertainties have therefore been taken into account in the valuation assessment by the independent valuer.

### **313 Adelaide Street, Brisbane**

- a) 313 Adelaide Street is an office building located in Brisbane, Queensland.
- b) The asset was purchased in November 2019. The first external independent valuation occurred at 30 June 2020.
- c) The most recent valuation was performed as at 30 June 2020.
  
- e) The valuation has utilised a discounted cash flow approach and a market capitalisation approach.
- f) The valuation was conducted externally.
- g) The valuation was conducted by M3 Property, based on information prepared by the business.

This valuation occurred after the impact of the listed market correction, and the uncertainties have therefore been taken into account in the valuation assessment by the independent valuer.

### **153 Campbell Street (Citilink), Brisbane**

- a) 153 Campbell Street is an office building located in Brisbane, Queensland.
- b) The asset is valued two times a year, typically in October and then in April.
- c) The most recent valuation was performed as at 30 June 2020.
  
- e) The valuation has utilised a discounted cash flow approach and a market capitalisation approach.
- f) The valuation was conducted externally.
- g) The valuation was conducted by M3 Property, based on information prepared by the business.

This valuation occurred after the impact of the listed market correction, and the uncertainties have therefore been taken into account in the valuation assessment by the independent valuer.



## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### Prime Super

- PS08QW:** Details of each individual asset currently held at a value other than available listed market prices (an unlisted asset) partly owned by the fund or funds under your control, including:
- a. The asset name and location.
  - b. The frequency of the revaluation of the asset.
  - c. The most recent valuation.
  
  - e. The methodology used for its valuation.
  - f. Whether the valuation was completed internally or externally.

#### Answer:

As at the date of this response all assets held by Prime Super are carried at the latest market value, be it a publicly quoted price or a valuation as determined by an independent valuation firm.

As a result of the market correction in late February 2020, Prime Super reviewed the valuations of all unlisted investments. Valuations were adjusted from the mid-point to the low point valuation as recommended by the Valuer, to provide an additional level of conservatism in the valuation adopted by Prime Super. The result of this change was that unlisted investments were all carried at a Director valuation, as opposed to a valuation based on an independent valuation report.

The details of each investment held at a value that was not a listed market price are:

#### Igasamex

- a) Igasamex is a last mile gas distribution infrastructure asset in Mexico.
- b) The asset is valued two times a year, typically in October and then in April.
- c) The most recent valuation was performed as at 30 April 2020.
  
- e) The valuation has utilised a discounted cash flow approach as the primary methodology, with a cross check to market comparisons.
- f) The valuation was conducted externally.
- g) The valuation was conducted by PwC, based on information prepared by the business.

At 10 April 2020 Prime Super wrote the carrying value down from the previously advised midpoint valuation to the low point valuation. This resulted in a valuation write down of 5.6%. The valuation of this asset occurred post the adjustment in equity markets, and the Valuer has noted that an

assessment of the impact of COVID-19 has been taken into account in the determination of the valuation. The valuation at 30 April 2020 remains in place at 30 June 2020.

#### **International Parking Group (IPG)**

- a) IPG owns and operates car parks attached to Hospitals throughout Australia.
- b) The asset is valued two times a year, typically in December and then in June.
- c) The most recent valuation was performed as at 30 June 2020.
  
- e) The valuation has utilised a discounted cash flow approach.
- f) The valuation was conducted externally.
- g) The valuation was conducted by Ernst & Young, based on information prepared by the business.

At 10 April 2020 Prime Super wrote the carrying value down from the previously advised midpoint valuation to the low point valuation. This resulted in a valuation write down of 3.1%. At 30 June 2020 the valuation is carried at the mid-point value as determined by the independent Valuer based on the valuation report for 30 June 2020 which notes that an assessment of the impact of COVID-19 has been taken into account in the determination of the valuation.

#### **ITE College West (PPP Infrastructure Management Pte Ltd)**

- a) ITE College West owns and operates on campus facilities in Singapore for the Singapore Ministry of Education.
- b) The asset is valued two times a year, typically in December and then in June.
- c) The most recent valuation was performed as at 30 June 2020.
  
- e) The valuation has utilised a discounted cash flow approach primarily, with a cross-check based on market value approach.
- f) The valuation was conducted externally.
- g) The valuation was conducted by Leadenhall, based on information prepared by the business.

At 10 April 2020 Prime Super wrote the carrying value down from the previously advised midpoint valuation to the low point valuation. This resulted in a valuation write down of 5.0%. At 30 June 2020 the valuation is carried at the mid-point value as determined by the independent Valuer based on the valuation report for 30 June 2020 which notes that an assessment of the impact of COVID-19 has been taken into account in the determination of the valuation.

#### **Peninsula Link (Southern Way)**

- a) Peninsula Link owns and operates the Victorian Freeway bypass of Frankston.
- b) The asset is valued two times a year, typically in December and then in June.
- c) The most recent valuation was performed as at 30 June 2020.

- e) The valuation has utilised a discounted cash flow approach primarily, with a cross-check based on market value approach.
- f) The valuation was conducted externally.
- g) The valuation was conducted by Leadenhall, based on information prepared by the business.

At 10 April 2020 Prime Super wrote the carrying value down from the previously advised midpoint valuation to the low point valuation. This resulted in a valuation write down of 3.8%. At 30 June 2020 the valuation is carried at the mid-point value as determined by the independent Valuer based on the valuation report for 30 June 2020 which notes that an assessment of the impact of COVID-19 has been taken into account in the determination of the valuation.

### **Kinland Group**

- a) The Kinland Group owns and infrastructure for the provision of childcare and aged care services in Scandinavia.
- b) The asset is valued two times a year, typically in December and then in June.
- c) The most recent valuation was performed as at 30 June 2020.
  
- e) The valuation has utilised a discounted cash flow approach utilising a cost of equity as the discount rate. A cross-check based on a capitalised earnings approach has also occurred.
- f) The valuation was conducted externally.
- g) The valuation was conducted by KPMG, based on information prepared by the business.

At 10 April 2020 Prime Super wrote the carrying value down from the previously advised midpoint valuation to the low point valuation. This resulted in a valuation write down of 5.0%. At 30 June 2020 the valuation is carried at the mid-point value as determined by the independent Valuer based on the valuation report for 30 June 2020 which notes that an assessment of the impact of COVID-19 has been taken into account in the determination of the valuation.

### **Rowville Transmission Facility**

- a) The Rowville Transmission Facility is an electricity transformation and switching facility in Rowville a suburb in the South East of Melbourne.
- b) The asset is valued two times a year, typically in December and then in June.
- c) The most recent valuation was performed as at 30 June 2020.
  
- e) The valuation has utilised a discounted cash flow approach.
- f) The valuation was conducted externally.
- g) The valuation was conducted by Ernst & Young, based on information prepared by the business.

At 10 April 2020 Prime Super wrote the carrying value down from the previously advised midpoint valuation to the low point valuation. This resulted in a valuation write down of 2.6%. At 30 June 2020 the valuation is carried at the mid-point value as determined by the independent Valuer based

on the valuation report for 30 June 2020 which notes that an assessment of the impact of COVID-19 has been taken into account in the determination of the valuation.

### **Southern Water**

- a) Southern Water is a United Kingdom based water utility company.
- b) The asset is valued two times a year, typically in December and then in June.
- c) The most recent valuation was performed as at 30 June 2020.
  
- e) The valuation has utilised a discounted cash flow approach utilising a cost of equity as the discount rate. A cross-check based on a capitalised earnings approach has also occurred.
- f) The valuation was conducted externally.
- g) The valuation was conducted by KPMG, based on information prepared by the business.

At 10 April 2020 Prime Super wrote the carrying value down from the previously advised midpoint valuation to the low point valuation. This resulted in a valuation write down of 9.5%. At 30 June 2020 the valuation is carried at the mid-point value as determined by the independent Valuer based on the valuation report for 30 June 2020 which notes that an assessment of the impact of COVID-19 has been taken into account in the determination of the valuation.

### **Storrun Vindkraft AB**

- a) Storrun Vindkraft is an operational windfarm located in Sweden.
- b) The asset is valued two times a year, typically in September and then in March.
- c) The most recent valuation was performed as at 31 March 2020.
  
- e) The valuation has utilised a discounted cash flow approach utilising a cost of equity as the discount rate. A cross-check based on a capitalised earnings and generation capacity multiples has occurred.
- f) The valuation was conducted externally.
- g) The valuation was conducted by KPMG, based on information prepared by the business.

This valuation occurred after the impact of the listed market correction, and the uncertainties have therefore been taken into account in the valuation assessment by the independent valuer.

### **Vopak Terminal Eemshaven B.V.**

- a) Vopak Terminal Eemshaven is a built for purpose bulk terminal for the storage of strategic oil reserves in the Netherlands.
- b) The asset is valued two times a year, typically in September and then in March.
- c) The most recent valuation was performed as at 31 March 2020.
  
- e) The valuation has utilised a discounted cash flow approach utilising a cost of equity as the discount rate. A cross-check based on comparable transactions in the listed market.

- f) The valuation was conducted externally.
- g) The valuation was conducted by Ernst & Young, based on information prepared by the business.

This valuation occurred after the impact of the listed market correction, and the uncertainties have therefore been taken into account in the valuation assessment by the independent valuer.

### **Worsley Multi-Fuel Cogeneration Facility**

- a) The Worsley Multi-Fuel Cogeneration Facility is a built for purpose built provider of steam and electricity to the Worsley Alumina Refinery in Western Australia.
- b) The asset is valued two times a year, typically in November and then in May.
- c) The most recent valuation was performed as at 31 May 2020.
  
- e) The valuation has utilised a discounted cash flow approach utilising a cost of equity as the discount rate. A cross-check based on capitalised earnings has occurred.
- f) The valuation was conducted externally.
- g) The valuation was conducted by KPMG, based on information prepared by the business.

This valuation occurred after the impact of the listed market correction, and the uncertainties have therefore been taken into account in the valuation assessment by the independent valuer.

### **1 King William Street, Adelaide**

- a) 1 King William Street is an office building located in Adelaide, South Australia.
- b) The asset is valued two times a year, typically in November and then in May.
- c) The most recent valuation was performed as at 31 May 2020.
  
- e) The valuation has utilised a discounted cash flow approach and a capitalisation approach. A cross-check based direct comparison to similar properties has occurred.
- f) The valuation was conducted externally.
- g) The valuation was conducted by Colliers International, based on information prepared by the business.

This valuation occurred after the impact of the listed market correction, and the uncertainties have therefore been taken into account in the valuation assessment by the independent valuer.

### **50 Miller Street, North Sydney**

- a) 50 Miller Street is an office building located in North Sydney, New South Wales.
- b) The asset is valued two times a year, typically in November and then in May.
- c) The most recent valuation was performed as at 31 May 2020.

- e) The valuation has utilised a discounted cash flow approach and a capitalisation approach. A cross-check based direct comparison to similar properties has occurred.
- f) The valuation was conducted externally.
- g) The valuation was conducted by Colliers International, based on information prepared by the business.

This valuation occurred after the impact of the listed market correction, and the uncertainties have therefore been taken into account in the valuation assessment by the independent valuer.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**Prime Super**

**PS09QW:** Details of arrangements for the temporary or permanent use for corporate venue hire (including corporate boxes), including additional non-hire costs such as catering, at sporting venues over the past five years.

**Answer:**

Prime Super does not currently have, nor has it had at any time over the last five years, any arrangement for the temporary or permanent use for corporate venue hire (including corporate boxes), including additional non-hire costs such as catering, at sporting venues.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### Prime Super

- PS11QW:** Details of costs for advertising campaigns for the past five years, including:
- a. The companies invited to tender for all or parts of any advertising campaign.
  - b. The companies awarded campaigns.
  - c. The total cost of each campaign.
  - d. The cost of the campaign's development.
  - e. Broadcasting (television, radio and internet) and publishing costs.
  - f. Assessment reports of the efficacy of campaigns in either retaining or gaining new members.

#### Answer:

##### General

At a general level, Prime Super has not undertaken any broad based advertising campaigns, whether it be through television, radio, internet or print. Print Super has instead focused on marketing directly to members through associations that Prime Super partners with.

No direct television or radio campaigns were undertaken by Prime Super. A social media campaign was undertaken in 2019. This is explained further below beneath the heading "2019 Social media campaign".

Monthly reports are received in relation to these activities. Monthly reviews of campaigns and the results of those campaigns allow for the ongoing development of specific campaigns as well as the overall strategy. This data is mapped back to the overall outcome for the Fund in the value of contributions received, and more importantly the value of voluntary contributions and rollovers into the Fund.

##### 2019 Social media campaign

In addition to the above, in 2019 Prime Super did run a tender to appoint an organisation to assist in the development and execution of a digital (social media) marketing strategy. The answers to questions a. – f. above in respect of this tender, are set out below.



**a. The companies invited to tender for all or parts of any advertising campaign.**

The following two organisations were invited to tender for the role:

- The Creative Works;
- Tiger Pistol

**b. The companies awarded campaigns.**

Tiger Pistol was successful.

**c. The total cost of each campaign.**

Prime Super does not have an allocation to specific campaigns. Instead there is a broad based targeted social media strategy aimed at raising the profile of the Fund. The total cost of all online advertising and/or marketing campaigns to date was:

	<b>Total Online Advertising/Marketing Expenditure</b>
<b>30 June 2019</b>	\$61,132
<b>30 June 2020</b>	\$327,624

The above costs include all aspects of online marketing and advertising, including the use of search engines and campaign design and management services for online campaigns. The direct cost of advertising and all other aspects of the social media and digital campaigns are embedded in the retainer paid to Tiger Pistol for the provision of online advertising and/or marketing services.

**d. The cost of the campaign's development.**

All costs are embedded in the overall project cost with Tiger Pistol. As such, please refer to the response to (c) above.

**e. Broadcasting (television, radio and internet) and publishing costs.**

No direct television or radio campaigns were undertaken by Prime Super as part of the social media program run with the assistance of Tiger Pistol.

All costs for the campaigns are embedded in the overall project cost with Tiger Pistol. As such, please refer to the response to (c) above

**f. Assessment reports of the efficacy of campaigns in either retaining or gaining new members.**

Monthly reports are received on the campaigns undertaken.

Monthly reviews of campaigns and the results of those campaigns allow for the ongoing development of specific campaigns as well as the overall strategy. This data is mapped back to the overall outcome for the Fund in the value of contributions received, and more importantly the value of voluntary contributions and rollovers into the Fund.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**Prime Super**

**PS12QW:**

Over the last five financial years:

- a. What is the total budget for all costs associated with the fund?
- b. What were the total assets under management?
- c. What are the total number of employees?
- d. What are the total number of contractors?
- e. What are the total number of externally hired contracts, and their value?

**Answer:**

The following table provides a response to the specific questions raised in respect of the last five financial years:

- a. What is the total budget for all costs associated with the fund?
- b. What were the total assets under management?
- c. What are the total number of employees?
- d. What are the total number of contractors?
- e. What are the total number of externally hired contracts, and their value?

	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2019</b>	<b>30 June 2020</b>
What is the total budget for all costs associated with the fund (1)	\$19,993,000	\$19,265,000	\$22,995,000	\$21,995,000	\$23,965,000
What were the total assets under management (2)	\$3,123,335,000	\$3,556,830,000	\$3,967,778,000	\$5,254,778,000	\$5,216,729,000
What are the total number of employees	31	35	37	41	47
What are the total number	0	0	0	0	1

of contractors					
What are the total number of externally hired contracts, and their value (3)	0	0	0	0	0

Notes:

- (1) The total budget relates to the operations and administration of the Fund. The costs associated with the investment function are not included in the budget as those costs relate to the investment function of the Fund, in addition a significant portion of the investment costs are subject to the performance of the underlying investment managers. Investment costs are managed through the net investment return of the Fund.
- (2) The total assets under management include all investments plus other assets (such as office equipment and tax assets etc), as reported in the annual financial statements of Prime Super. All figures are extracted from the annual audited financial statements of Prime Super, with the exception of the figure for 30 June 2020 which is based on draft financial statements.
- (3) For the purpose of answering this question, we have assumed that the reference to “externally hired contracts, and their value” is meant to be a reference to “externally hired contractors, and their value”.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**Prime Super**

**PS13QW:**

Over the last five financial years:

- a. What is the total number of member accounts?
- b. What is the total increase in the number of members as a result of the fund's default status?
- c. What is the total increase in the number of members through voluntary adoption or switching?
- d. What was the average member balance?
- e. What was the average dollar amount deducted in insurance fees per member, across all fund products in dollar terms and as a share of a member account?
- f. What was the total number of inactive accounts? (Please use the APRA definition: no contributions for two years)

**Answer:**

All questions, and all answers, below are in respect of the last five financial years.

- a. **What is the total number of member accounts?**
- b. **What is the total increase in the number of members as a result of the fund's default status?**

Changes in in the number of members in the accumulation fund over the last five years are as follows:

	<b>Opening Number of Member</b>	<b>New Members</b>	<b>Exited Members</b>	<b>Closing Number of Members</b>
<b>30 June 2016</b>	124,690	17,551	22,788	119,453
<b>30 June 2017</b>	119,453	16,156	20,358	115,251
<b>30 June 2018</b>	115,251	17,774	17,225	115,800
<b>30 June 2019</b>	115,800	31,630	19,058	128,372
<b>30 June 2020</b>	128,372	23,956	25,840	126,488

Prime Super merged with Combined Super effective 31 December 2018. This merger added 8,852 members in total (8,564 accumulation members and 288 pension members) during the year ended 30 June 2019.

There are a small number of Industrial Award agreements that nominate Prime Super as a default fund. As such, Prime Super does not track membership sourced from Award agreements.

Changes in in the number of members in the pension fund over the last five years are as follows:

	<b>Opening Number of Member</b>	<b>New Members</b>	<b>Exited Members</b>	<b>Closing Number of Members</b>
<b>30 June 2016</b>	633	372	96	909
<b>30 June 2017</b>	909	308	138	1,079
<b>30 June 2018</b>	1,079	220	180	1,119
<b>30 June 2019</b>	1,119	714	202	1,631
<b>30 June 2020</b>	1,631	247	207	1,671

No members in the pension division are as a result of a default arrangement.

**c. What is the total increase in the number of members through voluntary adoption or switching?**

As noted in the response above, Prime Super does not track membership sourced from Award agreements. Membership is generated through established relationships with contributing employers and member direct information sessions conducted at employer work sites.

Membership is generated through direct selection by employees and through a preferred superannuation arrangement with an employer. A preferred superannuation arrangement with an employer is where Prime Super engages directly with the employer and provides information sessions directly to employees.

**d. What was the average member balance?**

The average account balance for accumulation members is:

	<b>Average Account Balance Inactive Members</b>	<b>Average Account Balance Active Members</b>	<b>Average Account Balance All Members</b>
<b>30 June 2016</b>	10,540	29,069	23,084
<b>30 June 2017</b>	11,631	31,780	25,470
<b>30 June 2018</b>	13,307	35,493	28,691
<b>30 June 2019</b>	14,063	41,673	34,098
<b>30 June 2020</b>	16,397	42,287	36,772

The average account balance for pension members is:

	<b>Average Account Balance Pension Members</b>
<b>30 June 2016</b>	167,206
<b>30 June 2017</b>	161,313
<b>30 June 2018</b>	176,299
<b>30 June 2019</b>	223,895
<b>30 June 2020</b>	232,594

- e. **What was the average dollar amount deducted in insurance fees per member, across all fund products in dollar terms and as a share of a member account?**

The average dollar amount deducted in insurance fees per member, across all fund products in dollar terms is:

	<b>Insured Members</b>	<b>Insurance Premiums</b>	<b>Premium Per Member Per Annum</b>
<b>30 June 2016</b>	91,250	\$28,101,843	\$307.96
<b>30 June 2017</b>	94,321	\$29,778,932	\$315.72
<b>30 June 2018</b>	92,178	\$27,920,000	\$302.89
<b>30 June 2019</b>	83,240	\$27,492,514	\$330.28
<b>30 June 2020</b>	81,957	\$21,727,000	\$265.10

The average dollar amount deducted in insurance fees per member, across all fund products as a share of a member account, based on the average account balance for all members is:

	<b>Average Account Balance</b>	<b>Premium Per Member Per Annum</b>	<b>Premium Per Member As a %</b>
<b>30 June 2016</b>	23,084	\$307.96	1.33%
<b>30 June 2017</b>	25,470	\$315.72	1.24%
<b>30 June 2018</b>	28,691	\$302.89	1.06%
<b>30 June 2019</b>	34,098	\$330.28	0.97%
<b>30 June 2020</b>	36,772	\$265.10	0.72%

- f. **What was the total number of inactive accounts? (Please use the APRA definition: no contributions for two years)**

The split between inactive and active accounts in the accumulation fund is as follows:

	<b>Inactive Accounts</b>	<b>Active Accounts</b>	<b>Total Number of Accounts</b>
<b>30 June 2016</b>	38,585	80,868	119,453
<b>30 June 2017</b>	36,091	79,160	115,251
<b>30 June 2018</b>	35,504	80,296	115,800
<b>30 June 2019</b>	35,219	93,153	128,372
<b>30 June 2020</b>	26,945	99,543	126,488

All pension members have an active account.



**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**Prime Super**

**PS14QW:** Please provide the one, five, and ten year net return after fees, costs, and taxes for the primary default MySuper balanced product.

**Answer:**

The return (after fees, costs, and taxes) for the default MySuper option of Prime Super to 30 June 2020 is:

1 year Return	0.48%
5 Year Return	6.42% p.a.
10 Year Return	8.14% p.a.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### Prime Super

#### PS15QW:

Over the last five financial years:

- a. What was the average dollar amount deducted for administration and asset management fees per member, across all fund products? (please do not include insurance fees)
- b. What was the cost (%) of fund administration expenses as a proportion of funds under management?
- c. What was the total cost of in-house administration expenses?
- d. What was the cost of in-house administration expenses as a proportion of funds under management?
- e. What was the total cost of any external administration expenses?
- f. What was the cost of any external administration expenses as a proportion of funds under management?
- g. What was the total cost of any external administration expenses to Related Parties?
- h. What was the cost of any external administration expenses to Related Parties as a proportion of funds under management?
- i. How many staff are employed in roles considered part of the administrative cost?

#### Answer:

All questions, and all responses, below are for the last five financial years.

- a. **What was the average dollar amount deducted for administration and asset management fees per member, across all fund products? (please do not include insurance fees)**

The amount deducted for administration and asset management fees is interpreted as concerning the member fees deducted from a member account that relates to the administration function of the Fund.

The amount deducted from members' accounts generates a surplus over the costs incurred in the running of the administration function of the business (that is the cost for receiving contributions, paying benefits, maintaining members accounts, and the delivery of all services and the management of the statutory and compliance obligations of a superannuation fund). The surplus generated from member fees is maintained in an Administration Reserve which supports the maintenance of a stable member fee structure over an extended period of time and the funding of additional activities in relation to the provision of new services and/or benefits and the compliance with additional regulatory requirements.

Additional costs such as the costs incurred in the system development and management of the early release of superannuation benefits as a result of the COVID-19 pandemic are funded from the Administration Reserve, rather than being a direct cost on members.

The cost of investments (being investment management and investment advice) is related directly to the investment strategy and the pool of investments being managed, it does not relate to the number of members of the Fund.

Prime Super has a member administration fee that has two limbs:

- (1) Weekly account fee of \$1.30 per member per week; plus
- (2) An account based fee of 0.50%.

The account based fee is capped at \$500 per annum.

In addition, from 1 July 2019 no administration fees are charged on accounts with an account balance of less than \$6,000.

	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2019</b>	<b>30 June 2020</b>
Total administration fees deducted from member accounts (1)	\$25,270,000	\$25,082,000	\$26,437,000	\$28,994,000	\$26,471,000
Average number of members during the financial year (2)	122,843	118,346	116,625	123,461	129,081
Average dollar amount deducted per member for administration costs	\$205.71	\$211.94	\$226.68	\$234.84	\$205.07

Notes:

- (1) The total assets under management include all investments plus other assets (such as office equipment and tax assets etc), as reported in the annual financial statements of Prime Super. All figures are extracted from the annual audited financial statements of Prime Super, with the exception of the figure for 30 June 2020 which is based on draft financial statements.
- (2) Simple average of total accumulation members plus pension members

**b. What was the cost (%) of fund administration expenses as a proportion of funds under management?**

The amount deducted for administration and asset management fees is interpreted as concerning the member fees deducted from a member account that relates to the administration function of the Fund. (Refer to response to (a) above). The actual cost of all administration functions of the Fund (i.e. not investment functions) is set out in the response to PS12QW.

	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2019</b>	<b>30 June 2020</b>
Total administration fees deducted from member accounts (1)	\$25,270,000	\$25,082,000	\$26,437,000	\$28,994,000	\$26,471,000
Average Funds under management for the financial year	\$3,031,561,000	\$3,340,082,000	\$3,762,304,000	\$4,611,278,000	\$5,235,753,000
Cost of member administration fee as a % of FUM	0.83%	0.75%	0.70%	0.63%	0.51%

Fund administration expenses are not a function of funds under management, in general they relate to the number of members. Whether a member has \$1 in their account or \$1,000,000 in their account the administration cost is the same for that member. Therefore, the following table is a more appropriate way to look at administration Costs:

	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2019</b>	<b>30 June 2020</b>
Total administration fees deducted from member accounts (1)	\$25,270,000	\$25,082,000	\$26,437,000	\$28,994,000	\$26,471,000
Average number of members during the year	122,843	118,346	116,625	123,461	129,081
Average of Administration Fees deducted	\$205.71	\$211.94	\$226.68	\$234.84	\$205.07

from a  
member's  
account

**c. What was the total cost of in-house administration expenses?**

	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2019</b>	<b>30 June 2020</b>
Total actual expenditure incurred in running the administration of the Fund (i.e. no investment costs included)	\$17,658,471	\$17,570,452	\$20,184,354	\$24,917,055	\$25,176,826
Amount paid to an external administrator	\$6,917,715	\$6,747,633	\$7,721,608	\$8,800,032	\$8,559,483
Net internal costs associated with the administration of the Fund	\$10,740,756	\$10,822,819	\$12,462,746	\$16,117,023	\$16,617,343

The net internal costs noted in the above table include all costs associated with the administration of a superannuation fund including, Board costs, Secretarial, risk compliance and audit, tax, marketing, business development etc.

Prime Super merged with Combined Super as at 31 December 2018. This merger involved the take on of a number of staff and Directors and an increase in the overall business.

**d. What was the cost of in-house administration expenses as a proportion of funds under management?**

	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2019</b>	<b>30 June 2020</b>
Net internal costs associated with the administration of the Fund	\$10,740,756	\$10,822,819	\$12,462,746	\$16,117,023	\$16,617,343
Average Funds under management for the financial year	\$3,031,561,000	\$3,340,082,000	\$3,762,304,000	\$4,611,278,000	\$5,235,753,000
Net internal costs associated with the administration of the Fund as a % of average funds under management	0.35%	0.32%	0.33%	0.35%	0.32%

**e. What was the total cost of any external administration expenses?**

Prime Super outsources the administration to a third party provider. Over the last five years the external administration to Prime Super has been Australian Administration Services Pty Ltd, part of the Link Limited group.

	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2019</b>	<b>30 June 2020</b>
External administration expense	\$6,917,715	\$6,747,633	\$7,721,608	\$8,800,032	\$8,559,483

**f. What was the cost of any external administration expenses as a proportion of funds under management?**

	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2019</b>	<b>30 June 2020</b>
External administration expense	\$6,917,715	\$6,747,633	\$7,721,608	\$8,800,032	\$8,559,483
Average Funds under management for the financial year	\$3,031,561,000	\$3,340,082,000	\$3,762,304,000	\$4,611,278,000	\$5,235,753,000
External administration expense as a % of FUM	0.23%	0.20%	0.21%	0.19%	0.16%

Fund administration expenses are not a function of funds under management, in general they relate to the number of members. Whether a member has \$1 in their account or \$1,000,000 in their account the administration cost is the same for that member. Therefore, the following table is a more appropriate way to look at administration Costs:

	<b>30 June 2016</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2019</b>	<b>30 June 2020</b>
External administration expense	\$6,917,715	\$6,747,633	\$7,721,608	\$8,800,032	\$8,559,483
Average number of members during the year	122,843	118,346	116,625	123,461	129,081
External administration expense as a % of FUM	0.23%	0.20%	0.21%	0.19%	0.16%

**g. What was the total cost of any external administration expenses to Related Parties?**

No external administration services are provided by Related Parties, therefore the total cost per annum over the last five years is \$0 per annum.

**h. What was the cost of any external administration expenses to Related Parties as a proportion of funds under management?**

Not applicable.

**i. How many staff are employed in roles considered part of the administrative cost?**

There are two elements to the administration function:

- (a) Staff employed directly by Prime Super to run and develop the business of Prime Super. There are total of 44 persons (40.8 full time equivalent individuals) employed by Prime Super; and
- (b) Approximately 30 persons are currently employed across a range of services through the third party administration function that Prime Super has in place.



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

**Prime Super**

**PS16QW:** What is the total number of statutory fines over the past five years?

**Answer:**

Prime Super has received no statutory fines over the past five years.

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

Prime Super

- PS17QW: Over the last five financial years:
- a. The number of rollover requests that the fund did not pay out to another fund for each year?
  - b. The average dollar value of a rollover for each year?
  - c. The value of any clawback accounts and/or funds held that is used to hold funds between financial years?

Answer:

All questions, and all answers, below relate to the last five financial years.

- a. **The number of rollover requests that the fund did not pay out to another fund for each year?**

Prime Super paid all valid requests for a rollover each year for the past five years. There have been no valid requests that the Fund has refused to pay.

The following table highlights all benefit requests received by Prime Super that have not been paid as a benefit to the member:

Year and Rejection reason	Number of rejections
<b>2016</b>	
Member not found with supplied information	861
No Longer a member of Superannuation entity	3
Rollover could not be processed due to rules	209
<b>2017</b>	
Member not found with supplied information	872
No Longer a member of Superannuation entity	79
Rollover could not be processed due to rules	389
<b>2018</b>	
Member not found with supplied information	136
No Longer a member of Superannuation entity	612
Rollover could not be processed due to rules	900
<b>2019</b>	
Member not found with supplied information	174
No Longer a member of Superannuation entity	834
Rollover could not be processed due to rules	1,249

## 2020

Member not found with supplied information	87
No Longer a member of Superannuation entity	309
Rollover could not be processed due to rules	719
<b>Grand Total</b>	<b>7,433</b>

### Notes:

The categories in the table above ought to be understood as follows:

- Member not found with supplied information – a claim as been received from an individual where the details of the claimant do not match to the records held by Prime super. This may occur as a result of a name change (due to married/unmarried status of member) or an address change. Further clarifications are then sought from the member before a benefit is paid.
- No Longer a member of Superannuation entity – a claim has been received from an individual that is no longer a member of the Fund. Therefore, no benefit is paid.
- Rollover could not be processed due to rules – encompasses a number of sub-categories as follows:
  - The claim is on an account with a nil account balance;
  - The claim is a duplicated benefit claim; or
  - A claim has been made where the payment details include the payment of a benefit to a non-complying superannuation fund (such as a self-managed fund).

### b. The average dollar value of a rollover for each year?

The average dollar of rollovers over the last five years is as follows:

Year Ended 30 June 2016	\$18,553
Year Ended 30 June 2017	\$21,067
Year Ended 30 June 2018	\$25,895
Year Ended 30 June 2019	\$28,624
Year Ended 30 June 2020	\$23,979

### c. The value of any clawback accounts and/or funds held that is used to hold funds between financial years?

Prime Super has no clawback accounts and/or funds held that are used to hold funds between financial years.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### Prime Super

#### PS18QW:

- a. Does the fund maintain a reserve at least partially funded through insurance premiums, rebates from an insurance company (such as profit share arrangements) or tax benefits that have arisen from insurance?
- b. The total value of that reserve?
- c. The total value of tax rebates received from the ATO on insurance premiums?

#### Answer:

- a. **Does the fund maintain a reserve at least partially funded through insurance premiums, rebates from an insurance company (such as profit share arrangements) or tax benefits that have arisen from insurance?**

Prime Super does not maintain any reserve that is partially funded through insurance premiums.

Prime Super is run on the basis that the insurance offered by the Insurer is equivalent to the insurance offering received by members. The insurance premiums levied by the insurer are the premiums that are charged to members for the insurance provided.

There is one exception to this statement, however.

In late 2017 Prime Super was advised that its appointed Insurer (CommInsure) was to be sold to AIA. As a result of this announcement CommInsure offered Prime Super a 5% discount on insurance premiums.

This offer of a discounted premium arose six months after an annual review identified that the policy was performing according to forecast, that is, there was no indication that a premium adjustment was necessary. In addition, the discount was made during the implementation of the Insurance Voluntary Code of Practice and increasing uncertainty around the pricing of insurance policies.

Prime Super was also advised that AIA, as the new owner of CommInsure, had no visibility of the discounted premium offered by CommInsure.

The uncertainty concerning the discount offered by CommInsure resulted in Prime Super instigating a full external Insurance tender. The premium discount of 5% was accepted, but was not passed onto members, that is, member insurance premiums remained unchanged.

The discount of 5% was accumulated in the Administration Reserve of Prime Super, and was used to offset the cost of the Insurance tender and implementation of new insurance arrangements.

The rationale for not passing on the discount immediately to members was:

- The cost of implementation, including the preparation and issuance of a new Product Disclosure Statement and the changes required on the administration system were significant;
- The risk associated with the offered discount (being simply an act of 'buying' the business was high, and as such premiums would increase again shortly after); and
- The risk associated with AIA as the new owner not backing the discounted offering were also considered high.

By taking the discount through to the administration reserve of Prime Super and using it to partially offset the cost of a tender and the implementation of new insurance arrangements, all insured members of the Fund had a better outcome.

The result of the tender was that Prime Super terminated the arrangement with CommInsure and appoint TAL Life Limited as the provider of member insurance for the Fund.

**b. The total value of that reserve?**

Not applicable.

**c. The total value of tax rebates received from the ATO on insurance premiums?**

Prime Super does not receive any tax rebates on insurance premiums. The tax rebates on any insurance premiums are received directly by the member to their account.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**Prime Super**

**PS19QW:** The number of trusts or investment vehicles the fund controls in each of the low tax regions, including but not limited to Andorra, the Bahamas, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, the Channel Islands, the Cook Islands, Hong Kong, the Isle of Man, Mauritius, Lichtenstein, Luxembourg, Monaco, Panama, St Kitts and Nevis? Or tax efficient arrangements such as a 'double Dutch sandwich'?

**Answer:**

Prime Super does not control any trusts or investment vehicles in any of the low tax regions noted.

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

**Prime Super**

**PS20QW:**

- a. The number of accounts that have been transferred to the ATO as a result of 'Protecting your Super' legislation?
- b. The value of the money that will be paid to the ATO as a result of the 'Protecting your Super' legislation?
- c. The number of accounts that has been transferred into an eligible rollover fund in the 2019 financial year?
- d. The value of the money that has been transferred into an eligible rollover fund in the 2019 financial year?

**Answer:**

- a. The number of accounts that have been transferred to the ATO as a result of 'Protecting your Super' legislation?**

A total of 4,051 accounts have been transferred to the ATO as a result of 'Protecting your Super' legislation.

- b. The value of the money that will be paid to the ATO as a result of the 'Protecting your Super' legislation?**

The total value of the accounts that have been transferred to the ATO as a result of 'Protecting your Super' legislation is \$7,247,774.11.

- c. The number of accounts that has been transferred into an eligible rollover fund in the 2019 financial year?**

Prime Super has not instigated any transferal of member accounts into an eligible rollover fund in the 2019 financial year. If, however, a member has selected an eligible rollover fund as the destination for their rollover payments this will have occurred.

**d. The value of the money that has been transferred into an eligible rollover fund in the 2019 financial year?**

On the assumption that this question seeks information regarding transfers to eligible rollover funds at the instigation of Prime Super (and not at the selection of the member), not applicable, refer response above.



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

**Prime Super**

**PS21QW:** Have you ever made a donation and/or subscription fee to the ACTU Member Connect and/or ACTU Superannuation Partnerships program, and if so, to what value over the past five years?

**Answer:**

At no time during the period concerned has Prime Super ever made a donation, or paid a subscription fee, to the ACTU Member Connect and/or ACTU Superannuation Partnerships program.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### Prime Super

**PS22QW:** Does the fund pay any external consultants for any advocacy and communication services, and if so can you please name them and the costs incurred over the past five years?

#### **Answer:**

Prime Super has historically not engaged any consultants for the provision of advocacy and communication services.

Prime Super is an independent superannuation Fund that has an ownership structure whereby the members own the Trustee of Prime Super. That is, the Trustee is not owned by any Union, Employer Association, Bank or any other entity.

As a truly independent superannuation fund, Prime Super took the view in late 2019 that it was necessary to raise the fund's profile with Government and ensure the voice a truly independent superannuation Fund was heard.

Consequently, TG Endeavour was appointed in December 2019 to assist Prime Super in engaging directly with those in Government and the Opposition on superannuation matters and specifically in relation to Prime Super.

For the year ended 30 June 2020 the total cost of this relationship was \$36,294. There was no fee incurred in respect of such a service prior to December 2019, over the course of the past five years.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### Prime Super

#### PS23QW:

- a. How many staff are employed for the purpose of policy research or analysis?
- b. How much was spent on engaging external policy and data analysis consultants?
- c. How much was spent on membership of industry advocacy organisations that provide policy and data analysis service to member funds?

#### Answer:

#### a. How many staff are employed for the purpose of policy research or analysis?

Prime Super does not specifically employ any staff for the purpose of policy research or analysis.

Prime Super does employ the following personnel, who among other things, will analyse legislation and assist in provide guidance to the Trustee in compliance with legislation:

- General Counsel;
- General Manager, Risk and Compliance;
- Legal and Compliance Manager.

#### b. How much was spent on engaging external policy and data analysis consultants?

Prime Super did not engage any external advisors in relation to policy analysis at any time over the last five years.

Save for the following engagements:

1. engagement of Rice Warner during the year ended 30 June 2018 to undertake a member insurance review and assist in an insurance tender as part of which they undertook some analysis of data, Prime Super did not engage any other external advisors to conduct data analysis at any time over the last five years. The work undertaken by Rice Warner cost \$54,000;
2. Ernst & Young was engaged to undertake some research into behaviours of members under the age of 35. Total cost of the engagement was \$19,332;

- c. **How much was spent on membership of industry advocacy organisations that provide policy and data analysis service to member funds?**

Prime Super is not a member of an industry advocacy organisation that provides policy and data analysis service to member funds. The cost is therefore \$0.

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

Prime Super

PS25QW:

- a. What external parties manage your investments, if any?
- b. What are the fee structures per member from external management?

Answer:

a. What external parties manage your investments, if any?

The following external parties have been engaged to manage investments on behalf of Prime Super:

Investment Advisor	Whitehelm Capital Pty Ltd
Master Custodian	National Australia Bank Asset Services, a division of the National Australia Bank Limited

The following table lists all investment managers engaged by Prime Super as at 30 June 2020:

Asset Class / Fund Manager	Managing Entity	Prime Super Shareholder Y/N**
<b>Cash</b> Notice Period 90DYS CFS Institutional Cash Fund Notice Period Deposits CBA 180	Commonwealth Bank of Australia Colonial First State Investments Limited Commonwealth Bank of Australia	Yes No Yes
<b>Australian Fixed Interest</b> Blackrock Aus GOVT Bond	Blackrock Investment Management (Australia) Limited	No
<b>Overseas Fixed Interest</b> BlackRock Global Bond Index	Blackrock Investment Management (Australia) Limited	No
<b>Australian Shares</b> Bennelong Australian Equities	Bennelong Australian Equity Partners Pty Ltd	No

Vinva Australian Equities	Vinva Investment Management Limited	No
Ausbil Australian Equity	Ausbil Investment Management Limited	No
Firetrail Australian Equity	Firetrail Investment Pty Ltd	No
Tribeca Small Cap Aust Equity	Tribeca Investment Partners Pty Ltd	No
Nikko Aus Share Income Fund	Nikko Asset Management Australia Limited	No
<b>Developed Markets Overseas Shares</b>		
AQR Global Enhanced Equity Fund	AQR Capital Management, LLC	No
MFS Global Equity Trust	MFS International Australia Pty Ltd	No
Real Index Global Share Fund	Realindex Investment Pty Limited	No
Wellington Global Equity	Wellington Management Company LLP	No
<b>Developed Markets Overseas Shares (Unhedged)</b>		
Developed Markets Hedging	Macquarie Investment Management Limited	No
<b>Emerging Markets Shares</b>		
BlackRock Indexed Emerging Markets IMI Equity Fund	Blackrock Investment Management (Australia) Limited	No
State Street Futures Overlay	State Street Bank and Trust Company	No
Perennial Protect	Perennial Value Management Limited	No
<b>Property</b>		
Lend Lease Prime Property	Lendlease Real Estate Investments Limited	No
Investa Commercial Property	Lendlease Real Estate Investments Limited	No
Royale Investment Trust	1KW Adelaide Pty Ltd	Yes
50 Miller Street	The Trust Company (Australia) Limited	Yes
Blackstone Real Estate Part VI	Blackstone Real Estate Associates VI, LP	No
Gresham Property Fund No 3	Gresham Partners Capital Limited	No
Lend Lease Communities Fund 1	Lendlease Real Estate Investments Limited	No
Macquarie Real Estate Equity Fund No.7	Macquarie Real Estate Equity Fund No.7 Pty Limited	No
Citilink Bowen Hills Brisbane	PS Citilink Pty Ltd	Yes
313 Adelaide Street	PS Financing SPV Pty Ltd	Yes

111 Alinga Street	PS Infrastructure House Pty Ltd	Yes
<b>Private Equity</b> CM Capital AIF Capital Harbourvest DS LP  Partners Group	CM Capital Investments Pty Ltd AIF Capital Asia III, L.P. Dover Street VII (AIV 2) Cayman Fund L.P.  PARTNERS GROUP SECONDARY 2008, L.P.	No No No  No
<b>Infrastructure Credit Post Swaps</b> Infrastructure Credit Swaps	Macquarie Investment Management Limited	No
<b>Credit Opportunities Post Swaps</b> IFM Super Loans Trust Westbourne Capital Infra Debt  Continuity Capital Private Cred  Metrics Credit Fund Arqiva Junior Med Term Notes Alpha Trains Junior Debt Sydney Airport Debt TDF Term Loan Aunor Senior Secured Loan Yorkshire Water Credit Opportunities Swaps	IFM Investors Pty Ltd Westbourne Credit Management Limited  Continuity Capital Partners Pty Limited  Metrics Credit Partners Pty Ltd Prime Super Pty Ltd Prime Super Pty Ltd Prime Super Pty Ltd Prime Super Pty Ltd Prime Super Pty Ltd Prime Super Pty Ltd Prime Super Pty Ltd Macquarie Investment Management Limited	No No  No  No N/a N/a N/a N/a N/a N/a N/a No
<b>Infrastructure</b> Magellan Core Infrastructure  ICG Div Infra Trust CFS Wholesale Infrastructure  Emerging Markets Infrastructure Fund  Southern Water International Parking Group Peninsula Link Igasamex Rowville Transmission Facility	Magellan Asset Management Limited Infrastructure Capital Group Limited Colonial First State Infrastructure Holdings Limited  Emerging Market Infrastructure Fund, L.P.  Greensand Holdings Limited International Parking Group Pty Ltd Southern Way Pty Limited Igasamex USA, Ltd. Rowville Transmission Facility Pty Ltd	No No No  Yes  Yes Yes Yes Yes Yes

Storrund Vindkraft Onshore Wind Worsley Multi Fuel Cogen Plant Sarpsborg Avfallsenergi AS Vopak Terminal Eemshaven Kinland AS ITE College West	Storrund Vindkraft AB WR Carpenter No.1 Pty Limited Sarpsborg Infrastructure AS Vopak Terminal Eemshaven B.V. Odin BidCo AS PPP Infrastructure Management Holding Pte Limited	Yes Yes Yes Yes Yes Yes
<b>Sustainable Responsible Entities</b> Pandal SRI Balanced AMP Investment Leaders Balance	Pandal Institutional Limited AMP Capital Funds Management Limited	No No
<b>Absolute Return Strategies</b> Schroders Real Return Fund	Schroder Investment Management Australia Limited	No
PineBridge Abs Return Fund	PineBridge Investments LLC	No
<b>Global Floating Rate Credit</b> Alliance Bernstein Global Floating Rate Credit	Alliance Bernstein Investment Management Australia Limited	No
<b>Alternatives Currency Hedging</b> Alternatives Currency Hedging	Macquarie Investment Management Limited	No

Where Prime Super is noted as being a shareholder it is where:

1. A direct investment by Prime Super in the equities that are listed on the Australian share market for which Prime Super is the registered shareholder; or
2. A direct investment of the Fund in respect of which Prime Super is the owner of the special purpose vehicle that owns the underlying investment.

**b. What are the fee structures per member from external management?**

The cost of all investment activities is deducted from the investment returns prior to the crediting of those returns to a members account. Therefore, all crediting rates declared by Prime Super are net of all costs associated with the investment function. The investment cost is dependent upon which investment option a member is invested in, and for the year ended 30 June 2019 were as follows (as disclosed in the current Product Disclosure Statement):

MySuper	0.46%	(including Performance Based Fee of 0.04%)
Managed Growth	0.50%	(including Performance Based Fee of 0.06%)
Alternatives	0.76%	(including Performance Based Fee of 0.10%)
Conservative	0.33%	(including Performance Based Fee of 0.03%)
Income Focused	0.47%	(including Performance Based Fee of 0.02%)
SRI balanced option	1.15%	(including Performance Based Fee of 0.07%)



Australian Shares	0.53%	(no Performance Based Fee was paid)
International Shares	0.38%	(including Performance Based Fee of 0.09%)
Property	0.78%	(including Performance Based Fee of 0.02%)
Fixed Interest	0.25%	(no Performance Based Fee was paid)
Cash	0.06%	(no Performance Based Fee was paid)

The cost of investments is determined as a percentage amount against the value invested, and is deducted from investment earnings.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### Prime Super

#### PS26QW:

#### Governance:

- a. How many trustee board members did the fund have?
- b. What was the total salary of all trustee board members?
- c. What was the average salary of all trustee board members?
- d. Are there any performance-based assessments that determine trustee board remuneration, and if so what are they?
- e. What was the salary of the trustee board chair?
- f. What was the average length of service of all trustee board members?
- g. What is the length of service of the longest serving trustee board member?
- h. Are trustee board members asked whether they have conflicts of interest at each meeting, and if not, why not?
- i. What is the conflict of interest policy for trustee board members?
- j. Does your fund have a policy on gender diversity and/or balance for listed companies?
- k. Does your board have gender balance?

#### Answer:

#### a. How many trustee board members did the fund have?

At 30 June 2020 Prime Super had a total of nine Directors.

During the year ended 30 June 2020 the Board of Prime Super went through significant change:

1. A merger with Combined Super at 31 December 2018 added five Directors to the Board. During the Calendar year ended 31 December 2019 the Board had a total of twelve Directors.
2. Two Directors appointed to the Board as a result of the merger with Combined Super retired as at 31 December 2019.
3. The Chair and one other long-term Director of Prime Super (prior to the merger with Combined Super) reached the end of their term of appointment and retired as at 31 December 2019.
4. A market search for a new Chair (conducted by a third-party recruitment professional) was undertaken in late 2019. This resulted in the appointment of a new Chair from 1 January 2020.
5. Effective 1 January 2020 the Board had a total of nine Directors.
6. One further Director reached the end of their term of appointment in June 2020 and resigned from the Board effective 30 June 2020.
7. Effective 1 July 2020 the Board had a total of eight Directors.

8. A new Director has been interviewed and appointed subject to satisfactory completion of the fit and proper requirements of the Fund. The total number of Directors will then increase to nine.

**b. What was the total salary of all trustee board members?**

Directors are Remunerated at the following rate:

Chair	\$150,000
Committee Chair/Director	\$78,750
Director	\$68,250

Total Directors fees for the year ended 30 June 2020 (noting the changes in the Board as detailed in the response to (a) above) was: \$786,042.

**c. What was the average salary of all trustee board members?**

The arithmetic average adjusted for length of service for all trustee board members during the financial year ending 30 June 2020 was \$68,351.

**d. Are there any performance-based assessments that determine trustee board remuneration, and if so what are they?**

There are no performance-based assessments the determine any aspect of Director Remuneration.

**e. What was the salary of the trustee board chair?**

The salary of the Chair of the Board of Prime Super was reviewed as a part of the external process to appoint a new Independent Chair effective 1 January 2020. As a result of this process the salary of the Chair was increased to \$150,000, effective from the date of appointment.

**f. What was the average length of service of all trustee board members?**

At 30 June 2020 the average length of service of all Directors was 3.3 years.

At 1 July 2020 the average length of service of all Directors was 2.5 years.

**g. What is the length of service of the longest serving trustee board member?**

At 30 June 2020 the length of service of the longest serving Director was 9.85 years.

At 1 July 2020 the length of service of the longest serving Director was 5.7 years.

**h. Are trustee board members asked whether they have conflicts of interest at each meeting, and if not, why not?**

A standing agenda item for every Board and Committee meeting is the declaration of interests. Directors are asked to confirm that disclosed interests are correct and if there are any further interests that are to be notified.

**i. What is the conflict of interest policy for trustee board members?**

Prime Super manages conflicts by ensuring no Director or responsible person has any involvement with any entity in which Prime Super will potentially be, or could be perceived to be, paying for a service or product.

**j. Does your fund have a policy on gender diversity and/or balance for listed companies?**

Prime Super does not have an explicit policy on gender diversity.

At the Prime Super Trustee level, actions are being taken to move to a position of better gender balance.

In relation to the companies that Prime Super invests in through the Australian Equities portfolio, Prime Super has long seen Environmental, Social and Governance as a key driver in the long-term success of listed companies. Gender diversity is a key driver in a sound Governance structure of businesses that are successful in the long term. Prime Super seeks to invest in those companies that are clear and open in relation to gender diversity.

**k. Does your board have gender balance?**

No.

The Board recently increased its female representation from 1 to 2 and improving gender diversity is an ongoing aim of the Board.

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

#### Prime Super

#### PS27QW:

In the context of the ACCC's legal action and question for competition in monopoly infrastructure entities:

- a. What are the implications for infrastructure investment returns if the ACCC is successful in its legal action?
- b. Have you analysed your infrastructure investment portfolio to examine the risk of ACCC action to reduce anti-competitive monopoly of oligopoly pricing?
- c. If so, can you provide details of the likely impact, and what is the project impact on revenue and income?

#### Answer:

- a. **What are the implications for infrastructure investment returns if the ACCC is successful in its legal action?**

Our understanding of the legal action being undertaken by the ACCC is to remove a barrier to competition. The change is to allow a competing infrastructure asset to be established in a nearby location, which will have significant implications for the cost of goods across the national economy.

A key attraction to an investment in an infrastructure asset is security around returns, that is the returns generated from an infrastructure asset are underpinned by a revenue stream that has a higher degree of certainty when compared to other investment opportunities, and the prevailing economic climate. This higher degree of certainty is as a result of the difficulty in establishing a truly competing facility (be it a port, road or other true infrastructure asset).

The risk associated with an investment in an infrastructure asset will therefore increase if it is easier to establish a competing facility, this will have downward pressure on the return expectations for an investment, or downward pressure on the valuation.

The valuation of an infrastructure asset and the return generated from that asset are intimately linked and relate to the risk associated with that asset. If the risk of competition increases which will reduce either the volume of throughput or the price of the output then both the return expectation from the investment, and the value of that investment will fall.

- b. Have you analysed your infrastructure investment portfolio to examine the risk of ACCC action to reduce anti-competitive monopoly of oligopoly pricing?**

Prime Super does not invest in monopoly infrastructure assets in Australia. Accordingly, there is little direct risk on the current investment portfolio of Prime Super as a result of ACCC action to reduce anti-competitive monopoly of oligopoly pricing.

- c. If so, can you provide details of the likely impact, and what is the project impact on revenue and income?**

Not applicable.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**Prime Super**

**PS28QW:** In dollar terms, for each of your superannuation products, can you please provide annual data for the past five financial years on average, for a member with a balance of \$6,000, \$50,000 and \$150,000?

- a. Investment fees
- b. Administration fees
- c. Indirect costs
- d. Any other cost to a member which is incurred or foregone by way of a lesser return pre-unit price (but not included in the indirect cost ratio) including any other costs, charges, fees, direct or indirect benefits including any benefit by way of rebate, set-off, commission, in-kind, tax credit/offset retained, interest (or interest rebate) retained by any party involved in the management, custody, review, compliance, administration, servicing, asset consulting, valuation, operation and maintenance, financing, auditing, brokerage, execution, settlement, or otherwise of the assets in the fund, or their underlying assets.
- e. An aggregate total of all fees mentioned above.

**Answer:**

**a. Investment fees**

Prime Super does not charge any investment fees. All costs associated with the investment function are included in the net investment return declared to members. The cost of generating the investment return for each investment product over the last five years is as follows:

<b>MySuper</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$46.80	\$390.00	\$1,170.00
30 June 2017	\$46.20	\$385.00	\$1,155.00
30 June 2018	\$36.60	\$305.00	\$915.00
30 June 2019	\$27.60	\$230.00	\$690.00
30 June 2020	\$30.60	\$255.00	\$765.00

<b>Managed Growth</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$54.60	\$455.00	\$1,365.00
30 June 2017	\$54.00	\$450.00	\$1,350.00
30 June 2018	\$40.80	\$340.00	\$1,020.00
30 June 2019	\$30.00	\$250.00	\$750.00
30 June 2020	\$31.20	\$260.00	\$780.00

<b>Conservative</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$34.80	\$290.00	\$870.00
30 June 2017	\$34.80	\$290.00	\$870.00
30 June 2018	\$26.40	\$220.00	\$660.00
30 June 2019	\$19.80	\$165.00	\$495.00
30 June 2020	\$21.00	\$175.00	\$525.00

<b>Australian Equity</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$34.80	\$290.00	\$870.00
30 June 2017	\$36.60	\$305.00	\$915.00
30 June 2018	\$47.40	\$395.00	\$1,185.00
30 June 2019	\$31.80	\$265.00	\$795.00
30 June 2020	\$37.80	\$315.00	\$945.00

<b>International Equity</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$33.00	\$275.00	\$825.00
30 June 2017	\$26.40	\$220.00	\$660.00
30 June 2018	\$19.20	\$160.00	\$480.00
30 June 2019	\$22.80	\$190.00	\$570.00
30 June 2020	\$26.40	\$220.00	\$660.00

<b>Property</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$148.20	\$1,235.00	\$3,705.00
30 June 2017	\$180.00	\$1,500.00	\$4,500.00
30 June 2018	\$93.60	\$780.00	\$2,340.00
30 June 2019	\$46.80	\$390.00	\$1,170.00
30 June 2020	\$46.80	\$390.00	\$1,170.00



<b>Fixed Interest</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$18.00	\$150.00	\$450.00
30 June 2017	\$22.20	\$185.00	\$555.00
30 June 2018	\$19.80	\$165.00	\$495.00
30 June 2019	\$15.00	\$125.00	\$375.00
30 June 2020	\$18.00	\$150.00	\$450.00

<b>Cash</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$5.40	\$45.00	\$135.00
30 June 2017	\$3.60	\$30.00	\$90.00
30 June 2018	\$2.40	\$20.00	\$60.00
30 June 2019	\$3.60	\$30.00	\$90.00
30 June 2020	\$2.40	\$20.00	\$60.00

<b>Alternatives</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$115.20	\$960.00	\$2,880.00
30 June 2017	\$122.40	\$1,020.00	\$3,060.00
30 June 2018	\$75.60	\$630.00	\$1,890.00
30 June 2019	\$45.60	\$380.00	\$1,140.00
30 June 2020	\$42.60	\$355.00	\$1,065.00

<b>Income Focussed</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	N/a	N/a	N/a
30 June 2017	N/a	N/a	N/a
30 June 2018	\$40.80	\$340.00	\$1,020.00
30 June 2019	\$28.20	\$235.00	\$705.00
30 June 2020	\$34.20	\$285.00	\$855.00

The Income Focused option was first offered to members from 1 July 2017.

<b>Social/Responsible Investments*</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	N/a	N/a	N/a
30 June 2017	N/a	N/a	N/a
30 June 2018	N/a	N/a	N/a
30 June 2019	\$69.00	\$575.00	\$1,725.00
30 June 2020	\$63.60	\$530.00	\$1,590.00

\* The Social/Responsible Investments option was first offered to members from 1 January 2019.

The above costs are the costs incurred in the generation of investment returns. Prime Super utilises an active investment style, which involves a lower base fee for ongoing performance and performance fee where investment performance exceeds an agreed measure. The true measure of the cost incurred in generating an investment return is the net return itself.

The highest cost reported in the above table is that for the property option in 2017. The investment return for the property option in that year after this cost was 24.49%.

In our opinion the higher cost is justified by the higher return.

**b. Administration fees**

Prime Super levies an Administration fee that has two limbs:

- Weekly fee of \$1.30 per member per week; plus
- Account based fee of 0.50% per annum (capped at \$500).

In dollar terms for the past five financial the cost of administration fees is as follows:

	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$102.80	\$322.80	\$572.80
30 June 2017	\$97.60	\$317.60	\$567.60
30 June 2018	\$97.60	\$317.60	\$567.60
30 June 2019	\$97.60	\$317.60	\$567.60
30 June 2020	\$97.60	\$317.60	\$567.60

The revenue generated from this fee structure generates a surplus from operations which is maintained in the Administration Reserve. The Administration Reserve is maintained to manage the ongoing financial structure of the Fund, that is as a means of absorbing ongoing cost increases, and as a resource to cover the cost of other matters that arise during a year. Other matters include the cost of regulatory compliance, which is borne out of the surplus of operations, rather than as an increased cost to members.

**c. Indirect costs**

Prime Super does not charge any indirect costs. All costs of the operations of the business are met through the above investment fees and administration fees.

**d. Any other cost to a member which is incurred or foregone by way of a lesser return pre-unit price (but not included in the indirect cost ratio) including any other costs, charges, fees, direct or indirect benefits including any benefit by way of rebate, set-off, commission, in-kind, tax credit/offset retained, interest (or interest rebate) retained by any party involved in the management, custody, review, compliance, administration, servicing, asset consulting, valuation, operation and maintenance, financing, auditing, brokerage, execution, settlement, or otherwise of the assets in the fund, or their underlying assets.**

Except as identified above, Prime Super charges no other fees to members as a direct fee or by way of a foregone or lesser return on any investment.

All tax benefits flow back to members directly through the investment return or at member level on their account.

**e. An aggregate total of all fees mentioned above.**

The aggregated total of all fees levied on an account is as set out in the following tables. It should be noted that investment fees are deducted from investment returns, and are not a deduction from a members account. Investment costs cannot be considered in isolation from the investment returns.

<b>MySuper</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$149.60	\$712.80	\$1,742.80
30 June 2017	\$143.80	\$702.60	\$1,722.60
30 June 2018	\$134.20	\$622.60	\$1,482.60
30 June 2019	\$125.20	\$547.60	\$1,257.60
30 June 2020	\$128.20	\$572.60	\$1,332.60

<b>Managed Growth</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$157.40	\$777.80	\$1,937.80
30 June 2017	\$151.60	\$767.60	\$1,917.60
30 June 2018	\$138.40	\$657.60	\$1,587.60
30 June 2019	\$127.60	\$567.60	\$1,317.60
30 June 2020	\$128.80	\$577.60	\$1,347.60

<b>Conservative</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$137.60	\$612.80	\$1,442.80
30 June 2017	\$132.40	\$607.60	\$1,437.60
30 June 2018	\$124.00	\$537.60	\$1,227.60
30 June 2019	\$117.40	\$482.60	\$1,062.60
30 June 2020	\$118.60	\$492.60	\$1,092.60

<b>Australian Equity</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$137.60	\$612.80	\$1,442.80
30 June 2017	\$134.20	\$622.60	\$1,482.60
30 June 2018	\$145.00	\$712.60	\$1,752.60
30 June 2019	\$129.40	\$582.60	\$1,362.60
30 June 2020	\$135.40	\$632.60	\$1,512.60

<b>International Equity</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$135.80	\$597.80	\$1,397.80
30 June 2017	\$124.00	\$537.60	\$1,227.60
30 June 2018	\$116.80	\$477.60	\$1,047.60
30 June 2019	\$120.40	\$507.60	\$1,137.60
30 June 2020	\$124.00	\$537.60	\$1,227.60

<b>Property</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$251.00	\$1,557.80	\$4,277.80
30 June 2017	\$277.60	\$1,817.60	\$5,067.60
30 June 2018	\$191.20	\$1,097.60	\$2,907.60
30 June 2019	\$144.40	\$707.60	\$1,737.60
30 June 2020	\$144.40	\$707.60	\$1,737.60

<b>Fixed Interest</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$120.80	\$472.80	\$1,022.80
30 June 2017	\$119.80	\$502.60	\$1,122.60
30 June 2018	\$117.40	\$482.60	\$1,062.60
30 June 2019	\$112.60	\$442.60	\$942.60
30 June 2020	\$115.60	\$467.60	\$1,017.60

<b>Cash</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$108.20	\$367.80	\$707.80
30 June 2017	\$101.20	\$347.60	\$657.60
30 June 2018	\$100.00	\$337.60	\$627.60
30 June 2019	\$101.20	\$347.60	\$657.60
30 June 2020	\$100.00	\$337.60	\$627.60

<b>Alternatives</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	\$218.00	\$1,282.80	\$3,452.80
30 June 2017	\$220.00	\$1,337.60	\$3,627.60
30 June 2018	\$173.20	\$947.60	\$2,457.60
30 June 2019	\$143.20	\$697.60	\$1,707.60
30 June 2020	\$140.20	\$672.60	\$1,632.60

<b>Income Focussed</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	N/a	N/a	N/a
30 June 2017	N/a	N/a	N/a
30 June 2018	\$138.40	\$657.60	\$1,587.60
30 June 2019	\$125.80	\$552.60	\$1,272.60
30 June 2020	\$131.80	\$602.60	\$1,422.60

<b>Social/Responsible Investments*</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	N/a	N/a	N/a
30 June 2017	N/a	N/a	N/a
30 June 2018	N/a	N/a	N/a
30 June 2019	\$166.60	\$892.60	\$2,292.60
30 June 2020	\$161.20	\$847.60	\$2,157.60

\* The Social/Responsible Investments option was first offered to members from 1 January 2019.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**Prime Super**

- PS29QW:** As a percentage of the value of the member account, for each of your superannuation products, can you please provide annual data for the past five financial years on average, for a member with a balance of \$6,000, \$50,000 and \$150,000?
- a. Investment fees
  - b. Administration fees
  - c. Indirect costs
  - d. Any other cost to a member which is incurred or foregone by way of a lesser return pre-unit price (but not included in the indirect cost ratio) including any other costs, charges, fees, direct or indirect benefits including any benefit by way of rebate, set-off, commission, in-kind, tax credit/offset retained, interest (or interest rebate) retained by any party involved in the management, custody, review, compliance, administration, servicing, asset consulting, valuation, operation and maintenance, financing, auditing, brokerage, execution, settlement, or otherwise of the assets in the fund, or their underlying assets.
  - e. An aggregate total of all fees mentioned above.

**Answer:**

**a. Investment fees**

Prime Super does not charge any investment fees. All costs of investment are included in the net investment return declared to members. The cost of generating the investment return for each investment product is as follows:

<b>MySuper</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	0.78%	0.78%	0.78%
30 June 2017	0.77%	0.77%	0.77%
30 June 2018	0.61%	0.61%	0.61%
30 June 2019	0.46%	0.46%	0.46%
30 June 2020	0.51%	0.51%	0.51%

<b>Managed Growth</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	0.91%	0.91%	0.91%
30 June 2017	0.90%	0.90%	0.90%
30 June 2018	0.68%	0.68%	0.68%
30 June 2019	0.50%	0.50%	0.50%
30 June 2020	0.52%	0.52%	0.52%

<b>Conservative</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	0.58%	0.58%	0.58%
30 June 2017	0.58%	0.58%	0.58%
30 June 2018	0.44%	0.44%	0.44%
30 June 2019	0.33%	0.33%	0.33%
30 June 2020	0.35%	0.35%	0.35%

<b>Australian Equity</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	0.58%	0.58%	0.58%
30 June 2017	0.61%	0.61%	0.61%
30 June 2018	0.79%	0.79%	0.79%
30 June 2019	0.53%	0.53%	0.53%
30 June 2020	0.63%	0.63%	0.63%

<b>International Equity</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	0.55%	0.55%	0.55%
30 June 2017	0.44%	0.44%	0.44%
30 June 2018	0.32%	0.32%	0.32%
30 June 2019	0.38%	0.38%	0.38%
30 June 2020	0.44%	0.44%	0.44%

<b>Property</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	2.47%	2.47%	2.47%
30 June 2017	3.00%	3.00%	3.00%
30 June 2018	1.56%	1.56%	1.56%
30 June 2019	0.78%	0.78%	0.78%
30 June 2020	0.78%	0.78%	0.78%

<b>Fixed Interest</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	0.30%	0.30%	0.30%
30 June 2017	0.37%	0.37%	0.37%
30 June 2018	0.33%	0.33%	0.33%
30 June 2019	0.25%	0.25%	0.25%
30 June 2020	0.30%	0.30%	0.30%

<b>Cash</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	0.09%	0.09%	0.09%
30 June 2017	0.06%	0.06%	0.06%
30 June 2018	0.04%	0.04%	0.04%
30 June 2019	0.06%	0.06%	0.06%
30 June 2020	0.04%	0.04%	0.04%

<b>Alternatives</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	1.92%	1.92%	1.92%
30 June 2017	2.04%	2.04%	2.04%
30 June 2018	1.26%	1.26%	1.26%
30 June 2019	0.76%	0.76%	0.76%
30 June 2020	0.71%	0.71%	0.71%

<b>Income Focussed</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	N/a	N/a	N/a
30 June 2017	N/a	N/a	N/a
30 June 2018	0.68%	0.68%	0.68%
30 June 2019	0.47%	0.47%	0.47%
30 June 2020	0.57%	0.57%	0.57%

The Income Focused option was first offered to members from 1 July 2017.

<b>Social/Responsible Investments*</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	N/a	N/a	N/a
30 June 2017	N/a	N/a	N/a
30 June 2018	N/a	N/a	N/a
30 June 2019	1.15%	1.15%	1.15%
30 June 2020	1.06%	1.06%	1.06%

\* The Social/Responsible Investments option was first offered to members from 1 January 2019.



The above costs are the costs incurred in the generation of investment returns. Prime Super utilises an active investment style, which involves a lower base fee for ongoing performance and performance fee where investment performance exceeds an agreed measure. The true measure of the cost incurred in generating an investment return is the net return itself.

The highest cost reported in the above table is that for the property option in 2017. The investment return for the property option in that year after this cost was 24.49%.

In our opinion the higher cost is justified by the higher return.

**b. Administration fees**

Prime Super levies an Administration fee that has two limbs:

- Weekly fee of \$1.30 per member per week; plus
- Account based fee of 0.50% per annum (capped at \$500).

In dollar terms for the past five financial the cost of administration fees is as follows:

	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	1.71%	0.65%	0.38%
30 June 2017	1.63%	0.64%	0.38%
30 June 2018	1.63%	0.64%	0.38%
30 June 2019	1.63%	0.64%	0.38%
30 June 2020	1.63%	0.64%	0.38%

The revenue generated from this fee structure generates a surplus from operations which is maintained in the Administration Reserve. The Administration Reserve is maintained to manage the ongoing financial structure of the Fund, that is as a means of absorbing ongoing cost increases, and as a resource to cover the cost of other matters that arise during a year. Other matters include the cost of regulatory compliance, which is borne out of the surplus of operations, rather than as an increased cost to members.

**c. Indirect costs**

Prime Super does not charge any indirect costs. All costs of the operations of the business are met through the above investment fees and administration fees.

**d. Any other cost to a member which is incurred or foregone by way of a lesser return pre-unit price (but not included in the indirect cost ratio) including any other costs, charges, fees, direct or indirect benefits including any benefit by way of rebate, set-off, commission, in-kind, tax credit/offset retained, interest (or interest rebate) retained by any party involved in the management, custody, review, compliance, administration, servicing, asset consulting, valuation, operation and maintenance, financing, auditing, brokerage, execution, settlement, or otherwise of the assets in the fund, or their underlying assets.**

Except as identified above, Prime Super charges no other fees to members as a direct fee or by way of a foregone or lesser return on any investment.

All tax benefits flow back to members directly through the investment return or at member level on their account.

**e. An aggregate total of all fees mentioned above.**

The aggregated total of all fees levied on an account is as set out in the following tables. It should be noted that investment fees are deducted from investment returns, and are not a deduction from a members account. Investment costs cannot be considered in isolation from the investment returns.

<b>MySuper</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	2.49%	1.43%	1.16%
30 June 2017	2.40%	1.41%	1.15%
30 June 2018	2.24%	1.25%	0.99%
30 June 2019	2.09%	1.10%	0.84%
30 June 2020	2.14%	1.15%	0.89%

<b>Managed Growth</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	2.62%	1.56%	1.29%
30 June 2017	2.53%	1.54%	1.28%
30 June 2018	2.31%	1.32%	1.06%
30 June 2019	2.13%	1.14%	0.88%
30 June 2020	2.15%	1.16%	0.90%

<b>Conservative</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	2.29%	1.23%	0.96%
30 June 2017	2.21%	1.22%	0.96%
30 June 2018	2.07%	1.08%	0.82%
30 June 2019	1.96%	0.97%	0.71%
30 June 2020	1.98%	0.99%	0.73%

<b>Australian Equity</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	2.29%	1.23%	0.96%
30 June 2017	2.24%	1.25%	0.99%
30 June 2018	2.42%	1.43%	1.17%
30 June 2019	2.16%	1.17%	0.91%
30 June 2020	2.26%	1.27%	1.01%

<b>International Equity</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	2.26%	1.20%	0.93%
30 June 2017	2.07%	1.08%	0.82%
30 June 2018	1.95%	0.96%	0.70%
30 June 2019	2.01%	1.02%	0.76%
30 June 2020	2.07%	1.08%	0.82%

<b>Property</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	4.18%	3.12%	2.85%
30 June 2017	4.63%	3.64%	3.38%
30 June 2018	3.19%	2.20%	1.94%
30 June 2019	2.41%	1.42%	1.16%
30 June 2020	2.41%	1.42%	1.16%

<b>Fixed Interest</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	2.01%	0.95%	0.68%
30 June 2017	2.00%	1.01%	0.75%
30 June 2018	1.96%	0.97%	0.71%
30 June 2019	1.88%	0.89%	0.63%
30 June 2020	1.93%	0.94%	0.68%

<b>Cash</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	1.80%	0.74%	0.47%
30 June 2017	1.69%	0.70%	0.44%
30 June 2018	1.67%	0.68%	0.42%
30 June 2019	1.69%	0.70%	0.44%
30 June 2020	1.67%	0.68%	0.42%

<b>Alternatives</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	3.63%	2.57%	2.30%
30 June 2017	3.67%	2.68%	2.42%
30 June 2018	2.89%	1.90%	1.64%
30 June 2019	2.39%	1.40%	1.14%
30 June 2020	2.34%	1.35%	1.09%

<b>Income Focussed</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	N/a	N/a	N/a
30 June 2017	N/a	N/a	N/a
30 June 2018	2.31%	1.32%	1.06%
30 June 2019	2.10%	1.11%	0.85%
30 June 2020	2.20%	1.21%	0.95%

<b>Social/Responsible Investments*</b>	<b>\$6,000 Account</b>	<b>\$50,000 Account</b>	<b>\$150,000 Account</b>
30 June 2016	N/a	N/a	N/a
30 June 2017	N/a	N/a	N/a
30 June 2018	N/a	N/a	N/a
30 June 2019	2.78%	1.79%	1.53%
30 June 2020	2.69%	1.70%	1.44%

\* The Social/Responsible Investments option was first offered to members from 1 January 2019.

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS**

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

**Prime Super**

**PS30QW:** To the extent that any of the fees and costs listed in the previous two questions are paid to a related entity or associate of the trustee, or any of their respective related entities or associates, please set out the function performed or service provided by that person, and the amount (total quantum) paid to that entity or person at a whole-of-fund level.

**Answer:**

There are no related or associate entities of the Trustee that perform any duties or function for the Trustee, or that receive any remuneration from the Trustee.