

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS31QW:

For the past five years:

- a. What was the total cost of all advertising and/or marketing?
- b. What was the total cost of all advertising and/or marketing per member?
- c. What was the total cost of all advertising per new (FY19) member?
- d. What was the total cost of all television advertising and/or marketing?
- e. What was the total cost of all radio advertising and/or marketing?
- f. What was the total cost of all print advertising and/or marketing?
- g. What was the total cost of all online advertising and/or marketing?
- h. How many in-house staff are employed in advertising and marketing roles?
- i. How much was spent on engaging external advertising and marketing consultants?
- j. Do you advertise and/or directly financial contribute to the New Daily?

Answer:

a. What was the total cost of all advertising and/or marketing?

The total cost of all advertising and marketing expenditure for the last five years was:

	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Advertising / Brand	1,020,183	218,805	97,733	211,265	523,091
Direct Marketing Through Associations	1,107,851	874,311	1,778,796	1,710,529	1,488,680
Other promotional expenses *	60,777	87,904	113,776	268,027	269,065
Total	2,188,811	1,181,020	1,990,304	2,189,821	2,280,836

Note:

* Other promotion expenses includes items such as member research projects, promotional material and other ancillary promotional expenses.

b. What was the total cost of all advertising and/or marketing per member?

The total cost of all advertising and marketing expenditure for the last five years per member was:

	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Total of all advertising costs	2,188,811	1,181,020	1,990,304	2,189,821	2,280,836
Average Number of members	122,843	118,346	116,625	123,461	129,081
Total cost per member	\$17.82	\$9.98	\$17.07	\$17.74	\$17.67

c. What was the total cost of all advertising per new (FY19) member?

The total cost of all advertising and marketing expenditure for the last five years per new member (FY19 new members 31,630) was:

	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Total of all advertising costs	2,188,811	1,181,020	1,990,304	2,189,821	2,280,836
Total cost per FY19 new member	\$69.20	\$37.34	\$62.92	\$69.23	\$72.11

d. What was the total cost of all television advertising and/or marketing?

During the period concerned, Prime Super did not incur any expense or cost on direct television advertising or marketing.

e. What was the total cost of all radio advertising and/or marketing?

During the period concerned, Prime Super did not incur any expense or cost on direct radio advertising or marketing.

f. What was the total cost of all print advertising and/or marketing?

The total cost of all print advertising for the last five years was as follows:

	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Advertising	433,827	125,986	97,733	211,265	523,091
Brand	586,356	92,819	0	0	0
Total Advertising & Brand	1,020,183	218,805	97,733	211,265	523,091

Prime Super introduced a new brand in 2016. This involved a separate expenditure for the launch of the new brand and included the reprint of new letterhead and associated material, as well as separate brand awareness campaigns.

g. What was the total cost of all online advertising and/or marketing?

The total cost of all online advertising and/or marketing campaigns over the last five years was as follows:

	Total Online Advertising/Marketing Expenditure
30 June 2016	\$0
30 June 2017	\$0
30 June 2018	\$0
30 June 2019	\$61,132
30 June 2020	\$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 is embedded in the retainer paid for the provision of online advertising and/or marketing services.

Prime Super currently employs five people on a full time basis within the Marketing and Communications function, (refer to the response to (h) below). A portion of their salary cost does relate to on-line advertising, it has not been included in the above breakdown.

Prior to 30 June 2018 Prime Super did not undertake any online advertising or marketing campaigns in the Fund's own right.

Prime Super does have a number of marketing arrangements with organisations such as the Victorian Farmers Federation and other state based farming organisations and LASA (Leading Age Services Australia) whereby the Prime Super logo may appear in association with campaigns run by those organisations. There is no direct cost to Prime Super for those campaigns.

All costs incurred in these campaigns form part of the overall expenditure of the Fund. All costs for running the administration function of the Fund (i.e. not the investment function) are deducted from the Administration Reserve. The Administration Reserve is funded from the fees deducted from member accounts. Therefore, the cost of all advertising and other marketing activities is fully covered under the established member fee structure.

h. How many in-house staff are employed in advertising and marketing roles?

At 30 June 2020, Prime Super had a total of six persons in the marketing and communications team in the following roles:

- General Manager – Marketing & Communication;
- Communications Manager;
- Marketing and Communications Lead – Acquisition;
- Marketing and Communications Lead – Retention;
- Marketing and Communications Adviser; and
- Sponsorship & Events Coordinator (one day a week).

The roles are broad based roles and include function such as general marketing and advertising activities, as well as regulatory activities including:

- Preparation of annual reports and product disclosure statements;
- Preparation of member annual statements;
- Website maintenance; and
- General member communications across a broad range of standard and non-standard member communications (e.g. welcome letters, change of details etc).

The number of staff employed in the marketing and communications department over the last five years us as follows:

	Total Number of Employees
30 June 2016	3.0
30 June 2017	4.0
30 June 2018	4.5
30 June 2019	4.0
30 June 2020	5.2

i. How much was spent on engaging external advertising and marketing consultants?

The total cost of all online advertising and/or marketing campaigns over the last five years was:

	Total Online Advertising/Marketing Expenditure
30 June 2016	\$0
30 June 2017	\$0
30 June 2018	\$0
30 June 2019	\$61,132
30 June 2020	\$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 is embedded in the retainer paid for the provision of online advertising and/or marketing services.

j. Do you advertise and/or directly financial contribute to the New Daily?

Prime Super does not, and has never, advertised in the New Daily.

Prime Super does not, and has never, made a financial contribution to the New Daily of any kind.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

- PS32QW:** How much money have you spent on advertising on the following platforms in the past decade:
- a. Google?
 - b. Facebook?
 - c. Twitter?
 - d. Instagram?
 - e. A non-Google search engine?
 - f. Any social media platform that is not mentioned in (b) – (d)?

Answer:

During the period concerned, Prime Super did not segregate reporting of advertising across each of the platforms noted in the question prior to 30 June 2020. Prime Super began a general process of raising the profile of the Fund through social media and other online platforms in general in 2019. The total spend on all forms of online platforms over the last decade is as follows:

	Total Online Advertising/Marketing Expenditure
30 June 2011	\$0
30 June 2012	\$0
30 June 2013	\$0
30 June 2014	\$0
30 June 2015	\$0
30 June 2016	\$0
30 June 2017	\$0
30 June 2018	\$0
30 June 2019	\$61,132
30 June 2020	\$327,624

The total expenditure for the year ended 30 June 2020 on each of these platforms was:

- a. Google Search campaigns = **\$127,394.87**
- b. Facebook = **\$50,236.69**
- c. Twitter = **Nil**
- d. Instagram = **\$22,997.65**
- e. A non-Google search engine = **Nil**
- f. Any social media platform that is not mentioned in (b) – (d)? **YouTube = \$47,998.57**

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS33QW: Can you provide details if you have purchased the following over the past decade:
a. Google advertisements
b. Google search terms.

Answer:

Prime Super began a general process of raising the profile of the Fund through social media and other online platforms in general in 2019. The total spend on all forms of online platforms over the last decade is as follows:

	Total Online Advertising/Marketing Expenditure
30 June 2011	\$0
30 June 2012	\$0
30 June 2013	\$0
30 June 2014	\$0
30 June 2015	\$0
30 June 2016	\$0
30 June 2017	\$0
30 June 2018	\$0
30 June 2019	\$61,132
30 June 2020	\$327,624

Prime Super did not segregate reporting of advertising across each of the platforms noted in the question prior to 30 June 2020.

The total expenditure on Google Search terms for the year ended 30 June 2020 was \$127,394.87

Prime Super currently employs five people on a full time basis within the Marketing and Communications function, (refer to the response to PS31QW (h)). A small portion of their salary cost could be attributed to Google advertising and search items, it has not been included in the above breakdown.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS34QW:

Do you use Google Ad Words, or any Google provided or supported service to advertise any of your funds or your brand in any way whatsoever?

Answer:

Do you use Google Ad Words, or any Google provided or supported service to advertise any of your funds or your brand in any way whatsoever?

Prime Super does use Google Ad Words and Google provided or supported services to advertise the Fund.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS35QW: What percentage of the return on investment from your unlisted assets can be attributed to revaluations due to falling interest rates, and capital asset pricing model market yields used as the discount rate in discounted cash flow based valuations?

Answer:

Over the last 5 years, Prime Super's unlisted infrastructure portfolio has delivered an average return of 11.0% p.a. It is estimated that circa 1% to 2% p.a. of this return is due to discount rate compression coming from falling interest rates.

Over the last 5 years, Prime Super's unlisted property portfolio has delivered an average return of 15.0% p.a. It is estimated that circa 1% to 2% p.a. of this return is due to discount rate compression coming from falling interest rates.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

- PS36QW:** How will the overall fund performance be affected if:
- The income return of unlisted assets declines?
 - The fund can no longer purchase unlisted assets onshore?
 - The fund can no longer purchase unlisted assets offshore?

Answer:

a. The income return of unlisted assets declines?

The overall fund performance will be affected by a decline in the income return of unlisted assets.

Unlisted assets comprise approximately 30% of the total investment pool of Prime Super.

The overall return for the fund is based on the income generated from listed and unlisted assets. Where valuations of unlisted assets decreases, the percentage return from income from a fixed level of income will increase even though the dollar value received remains unchanged. Prime Super focuses on investing in assets where the income yield is less exposed to the general economic environment.

In the current environment where income returns may potentially be lower for an extended period of time, the valuation of certain assets will increase as a sign of the fact that those assets generate a stable form of income. In such a case the income yield may have reduced but the unrealised valuation of the asset will increase, so offsetting some of the income yield decline.

The overall fund performance is a combination of both the income generated and the unrealised movement in the market value of assets (both listed and unlisted). The expectation is that the overall return of the Fund will be lower for the foreseeable future as a result of the world economic environment. This is not as a result of the level of listed/unlisted investments held by Prime Super.

b. The fund can no longer purchase unlisted assets onshore?

Prime Super is a small- to mid-sized superannuation fund.

In the event that Prime Super can no longer purchase unlisted assets on-shore, there will be minimal impact on the overall fund performance as other investment can be purchased off-

shore. Alternatively, an increased allocation to other domestic assets with sound income potential will be invested in.

c. The fund can no longer purchase unlisted assets offshore?

Prime Super is a small- to mid-sized superannuation fund.

In the event that Prime Super can no longer purchase unlisted assets off-shore, there will be minimal impact on the overall fund performance as other investment can be purchased on-shore. Alternatively, an increased allocation to other international assets with sound income potential will be invested in.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS37QW: How have you structured the fund to address the writing back of the increased investment capitalised future returns?

Answer:

Prime Super interprets the question as being in relation to the adjustment to be made to unlisted assets as a result of a decrease in the value of those assets subsequent to the fall in listed markets in February and March 2020 as a result of the COVID-19 pandemic.

Unrealised investment gains/losses are accounted for in accordance with Australian Accounting Standard AASB 1056 Superannuation Entities. Unrealised investment losses are brought to account at the reporting date and are based on external investment valuations. Unrealised gains and losses are booked as investment income of the Fund in accordance with AASB 1056.

Prime Super is a cashflow positive fund, that is, more cash is received in contributions from employers and members than is paid out in benefits to members or as a rollover to another fund. Unrealised valuation decreases will therefore not impact on the ability of the Fund to meet member cash needs through withdrawals.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS38QW: What are the projected changes in income in light of the writing back of the increased investment capitalized future returns?

Answer:

Income includes both interest and dividends and the change in unrealised value of investments. The adjustment to the carrying value of investments held by Prime Super at 31 March 2020 was as follows:

ASSET	NEXT VALUATION DATE	BRING FORWARD VALUATION DATE	LATEST VALUE (MIDPOINT)*	LOW	DECREASE TO INVESTMENT CARRYING VALUE MADE
Igasamex	30/04/2020		US\$80.9m	US\$76.4m	5.6%
IPG	30/06/2020		A\$68.2m	A\$66.1m	3.1%
ITE College West	30/09/2020	30/06/20	S\$32.7m	n/a	5.0%
Penlink	30/06/2020		A\$47.8m	A\$46.0m	3.8%
Kinland Group	30/06/2020		NOK528.9m	n/a	5.0%
Rowville	30/06/2020		A\$11.7m	A\$11.4m	2.6%
SAE	31/03/2020		NOK362.2m	NOK354.8m	n/a
Southern Water	30/06/2020		£20.0m	£18.1m	9.5%
Storrin	31/03/2020		€12.2m	€11.8m	n/a
Vopak Term Eemshaven	31/03/2020		€28.6m	€27.2m	n/a
Worsley Cogen	31/05/2020		A\$57.8m	A\$53.5m	7.4%
1 King William	31/05/2020		A\$92.9m	n/a	9.0%
111 Alinga St	30/04/2020		A\$48.5m	n/a	0.0%
313 Adelaide St	31/12/2020	30/06/2020	A\$78.7m	n/a	10.8%
50 Miller St	30/06/2020	31/05/2020	A\$86.6m	n/a	11.7%
Citilink	30/06/2020		A\$81.8m	n/a	4.9%
First Sentier – Wholesale Infra	n/a		A\$24.0m	n/a	5.0%
ICG – Diversified Infra Trust	n/a		A\$43.1m	n/a	10.0%
Investa Commercial PF	n/a		A\$53.7m	n/a	10.0%
Lendlease Retail	n/a		A\$21.0m	n/a	20.0%
Lendlease Communities	n/a		A\$0.3m	n/a	n/a

Blackstone REP6	n/a		A\$1.3m	n/a	n/a
Gresham 3	n/a		A\$21,000	n/a	n/a
Macquarie REEF 7	n/a		A\$0.3m	n/a	n/a

Notes:

* the valuation is the gross asset valuation as reported through the latest valuation. The carrying value recorded by Prime Super is different as a result of specific asset related liabilities for the direct assets.

In the table above, the colour coding in the final column represents the following matters emerging from the review as at March 2020:

1. **Directly Held Infrastructure Assets of Prime Super** – a recent valuation occurred and the investment was subsequently written down to the low point valuation as determined by the Valuer. The Valuer was aware of the pandemic and potential impact on valuations,
2. **Valuation date is 30 June 2020** – the current carrying value of the investment is written down to the low point valuation as reported by the Valuer at the previous valuation. The next valuation is due as at 30 June 2020, as such the year end valuation will more fully account for the economic impact of the pandemic and its financial impact.
3. **Directly Held Property Assets of Prime Super** – specific consideration has been given to the tenant mix and the rental relief that is required to be provided, and the potential ongoing impact on future cashflow. A key comparison point for any future valuation is comparative sales, which may provide further downward pressure in the future. However, there is no intention of selling, or need to sell, any of these properties in a depressed market.
4. **Unit Trust Managed by Third Party** – monthly unit price received from manager. Initial write down over the current unit valuation of manager. The valuation of underlying assets will be monitored, and any additional write down required will be considered on an ongoing basis.
5. 111 Alinga Street – no write down has been provided as the property is 100% let to the Australian Federal Government. The assumption has been made that rent will continue to be received for the foreseeable future.
6. Remaining assets are unit trusts managed by third parties that have an immaterial value in the overall portfolio. No specific provision has been made against the current carrying value.

As at 30 June 2020 all managers and valuers have taken the potential impact of the pandemic into account in their valuation process, and as such Prime Super has returned to the midpoint value as reported by the Valuer. Investments in unit trusts are valued at the unit price as reported by the manager, with ongoing oversight of the underlying assets.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS39QW:

Valuation methodologies:

- a. Have you compared your valuation methodologies and assumptions for unlisted assets with other superannuation funds, and if so, what are the differences?
- b. Are you confident that your valuation methodologies and assumptions for unlisted assets reflect their value to the fund, and how often are they reviewed?
- c. How do you compare your valuations to listed investments, including, but not limited to, whether there is a cross check to stock prices for similar assets?
- d. Have you ever calculated whether there would be a difference between valuations if unlisted assets were listed?

Answer:

- a. **Have you compared your valuation methodologies and assumptions for unlisted assets with other superannuation funds, and if so, what are the differences?**

Prime Super has not undertaken a direct comparison to the valuation methodologies of other superannuation funds.

Prime Super values all unlisted assets on the basis of independent valuations performed by professional Valuers in accordance with the Accounting Professional & Ethical Standards Board Limited, APES 225 "Valuation Services". The valuation is brought to account in the financial statements of Prime Super in accordance with the Australian Accounting Standards Board's AASB 1056 Superannuation entities. The overall financial statements are in turn reviewed by the Fund's Auditor Ernst & Young, where the audit process includes the review of the valuation of unlisted assets by Prime Super.

Accordingly, Prime Super does not believe there is a need to review the methodologies adopted by other superannuation funds.

b. Are you confident that your valuation methodologies and assumptions for unlisted assets reflect their value to the fund, and how often are they reviewed?

Prime Super considers that the valuation methodologies and assumptions used to determine the valuation of unlisted assets are reasonable and that the valuations so determined reflect an appropriate carrying value for the investment.

Equity investments are valued at least twice a year, and debt investments are valued once a year. Where there is a significant change in the investment environment whether it be at the asset specific level or at the broader economic level an additional valuation may be requested.

The established process of valuing equity investments twice a year and changing the firm that undertakes the valuation once every three years provides comfort that the valuation reflects the best estimate of the value of that asset at the date of the valuation. The process of changing the Valuer every three year provides an ongoing review of the valuation methodologies and assumptions.

As well as utilising the services of an external professional Valuer to perform the valuation, Prime Super uses the services of its Investment Advisor to oversee the valuation process across the pool of unlisted investments. This process will highlight where a valuation has been performed on a basis, or on assumptions, that are materially different to the rest of the valuations.

c. How do you compare your valuations to listed investments, including, but not limited to, whether there is a cross check to stock prices for similar assets?

Where there is a similar publicly listed entity the valuation of the unlisted investment held by Prime Super is compared to the current valuation of the listed entity (based on the share price), through the comparison of relevant multiples:

- (Enterprise Value) / (Earnings Before Interest and Tax, Depreciation and Amortisation)
- (Regulatory Capital Value) / (Earnings Before Interest and Tax, Depreciation and Amortisation)

These multiples are compared to that of comparable listed entities over a number of years, based on publicly available information.

A further cross check occurs where there is a recent sale of an unlisted similar asset. This provides a valuation for a like asset from which a comparison point can be made.

d. Have you ever calculated whether there would be a difference between valuations if unlisted assets were listed?

The calculation of a valuation differential between an unlisted asset and the potential valuation if that asset were instead a listed asset is inherently difficult. Accordingly, no explicit

calculation has been performed on the unlisted asset held by Prime Super to determine a valuation if those unlisted investments were instead a publicly listed investment.

There are two valuation checks that are performed, where possible, to ensure the carrying value of an unlisted asset is not unreasonable when compared to public markets:

- Valuation multiples as noted in the response to part (c) above; and
- A cross check to the enterprise of similar assets that have been sold in a recent transaction.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS40QW: What is the current annual average return for your unlisted assets?

Answer:

The return for unlisted portfolio of Prime Super for the relevant periods to 31 March 2020 are as follows:

	Current Market Value \$A mill	Rolling 12 month IRR	Rolling 3 month IRR
Infrastructure	691.2	7.6%	10.1%
Property	463.8	12.7%	16.9%
Private Equity	34.5	6.7%	11.7%
Credit Opportunities	315.9	4.4%	5.8%
Infrastructure Credit	18.1	1.7%	3.3%
Total	1,523.4	8.0%	10.2%

The above returns are based on data as at 30 June 2020.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS41QW: Given the size of your large joint investments, why are they not listed for liquidity, valuation and public disclosure purposes?

Answer:

Prime Super has a total investment pool of circa \$5 billion, no individual investment is carried at more than \$100 million. The size of opportunities that Prime Super invests in is one where the opportunity does not have sufficient scale to be a listed investment.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS42QW:

- a. How many unlisted assets do you hold in the fund?
- b. What value share are unlisted assets of the fund's:
 - i. total value?
 - ii. total property value?

Answer:

The following table sets out the unlisted assets held by Prime Super as at 30 June 2020.

Asset Class / Fund Manager	Gross Market Value \$m	% of Asset Class	Total Fund Weighting
Property			
Lend Lease Prime Property	17.97	4.35%	0.35%
Investa Commercial Property	53.63	13.00%	1.03%
Royale Investment Trust	72.80	17.64%	1.40%
50 Miller Street	76.45	18.53%	1.47%
Blackstone Real Estate Part VI	0.90	0.22%	0.02%
Lend Lease Communities Fund 1	0.29	0.07%	0.01%
Macquarie Real Estate Equity Fund No.7	0.30	0.07%	0.01%
Citilink Bowen Hills Brisbane	75.33	18.25%	1.45%
313 Adelaide Street	65.07	15.77%	1.25%
111 Alinga Street	49.94	12.10%	0.96%
Total	412.68	100.00%	7.95%
Private Equity			
CM Capital Venture Trust 4	2.57	10.72%	0.05%
AIF Capital Asia III Fund	2.53	10.54%	0.05%
AIF Capital Asia IV Fund	9.55	39.81%	0.18%
Harbourvest DS VII Cayman LP	1.00	4.16%	0.02%
Harbourvest VII Cayman B LP	0.33	1.37%	0.01%
Harbourvest VII Cayman V LP	1.30	5.41%	0.03%
Partners GP EURO B 2008 B LP	4.25	17.73%	0.08%
Partners Group Secondary Fund	2.46	10.26%	0.05%
Total	23.98	100.00%	0.46%

Infrastructure Credit Post Swaps			
Infrastructure Credit Pre Swaps	18.69	102.66%	0.36%
Infrastructure Credit Swaps	-0.48	-2.66%	-0.01%
Total	18.21	100.00%	0.35%
Credit Opportunities Post Swaps			
IFM Super Loans Trust	0.05	0.02%	0.00%
Westbourne Capital Infra Debt	31.69	11.05%	0.61%
Continuity Capital Prvt Cred 1	3.48	1.21%	0.07%
Continuity Capital Prvt Cred 2	14.43	5.03%	0.28%
Metrics Credit Fund	34.49	12.03%	0.66%
Arqiva Junior Med Term Notes	18.97	6.62%	0.37%
Alpha Trains Junior Debt	50.37	17.57%	0.97%
Sydney Airport Debt	21.51	7.50%	0.41%
TDF Term Loan	49.00	17.09%	0.94%
Aunor Senior Secured Loan	38.54	13.44%	0.74%
Yorkshire Water	27.01	9.42%	0.52%
Credit Opportunities Pre Swaps	289.54	100.99%	5.58%
Credit Opportunities Swaps	-2.83	-0.99%	-0.05%
Total	286.71	100.00%	5.52%
Infrastructure			
Magellan Core Infrastructure	17.89	2.74%	0.34%
ICG Div Infra Trust	43.28	6.64%	0.83%
CFS Wholesale Infrastructure	24.07	3.69%	0.46%
Emerging Markets Infrastructure Fund	0.81	0.12%	0.02%
Southern Water	18.34	2.81%	0.35%
Southern Water 2	9.89	1.52%	0.19%
International Parking Group	17.50	2.68%	0.34%
International Parking Group 2	22.40	3.43%	0.43%
International Parking Group 3	32.04	4.91%	0.62%
Peninsula Link	30.70	4.71%	0.59%
Peninsula Link Two	18.31	2.81%	0.35%
Igasamex	36.31	5.57%	0.70%
Igasamex Two	66.64	10.22%	1.28%
Igasamex Three	9.36	1.44%	0.18%
Rowville Transmission Facility	11.37	1.74%	0.22%
Storrund Vindkraft Onshore Wind	19.03	2.92%	0.37%
Worsley Multi Fuel Cogen Plant	54.48	8.36%	1.05%
Sarpsborg Avfallsenergi AS	54.83	8.41%	1.06%
Vopak Terminal Eemshaven	48.46	7.43%	0.93%
Kinland AS	83.62	12.82%	1.61%
ITE College West	32.73	5.02%	0.63%
Total	652.06	100.00%	12.56%
Sustainable Responsible Entities			
Pendal SRI Balanced	19.43	100.00%	0.37%

Total	19.43	100.00%	0.37%
Absolute Return Strategies			
Schroders Real Return Fund	0.73	44.76%	0.01%
PineBridge Abs Return Fund	0.90	55.24%	0.02%
Total	1.62	100.00%	0.03%
Alternatives Currency Hedging	18.73		0.36%
Total	18.73		0.36%
Total Value of Unlisted Assets	1,433.44		27.61%
Prime Super - Total Fund	5,191.48	100.00%	100.00%

In response to the specific questions raised

a. How many unlisted assets do you hold in the fund?

Prime Super has a total of 57 separate unlisted assets.

b. What value share are unlisted assets of the fund's total value and total property value?

- i. At 30 June 2020, the total value of unlisted assets was \$1,433.44 million which is equivalent to 27.61% of the total fund value at that date.
- ii. At 30 June 2020, the total value of property assets was \$412.68 million which is equivalent to 7.95% of the total fund value at that date.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS43QW:

Discount rates:

- a. For unlisted assets, do you use a consistent discount rate for income across all unlisted assets, or an asset-specific discount rate?
- b. What is the discount rate you apply to the income from unlisted assets, and has it changed over the past decade, and if so, when and why?

Answer:

- a. **For unlisted assets, do you use a consistent discount rate for income across all unlisted assets, or an asset-specific discount rate?**

The discount rate applied to unlisted investments of Prime Super depends upon the asset and the location of that asset. Prime Super relies on the Valuer to determine a discount rate that is applicable to the particular investment. Each asset has a specific discount rate that has been assessed by an independent valuer that takes into account the idiosyncratic risks (e.g. regulatory, geographic, cash flow predictability) of each asset in question.

This approach does mean that there may be differences between the discount rate utilised across the investments held by Prime Super.

- b. **What is the discount rate you apply to the income from unlisted assets, and has it changed over the past decade, and if so, when and why?**

As noted above, each of Prime Super's unlisted assets has its own discount rate that is applied to its modelled cash flows. These discount rates are regularly assessed and updated by independent valuers in accordance with the Australian Accounting Standard Board AASB 1056 *Superannuation Entities*, and both the Australian and International Private Equity and Venture Capital Guidelines, as well as APRA's Prudential Practice Guide SPG 531 - *Valuation*.

For reference, these discount rates that are applied to Prime Super's unlisted asset's cash flows, range between 6.4% (a low risk Australian asset) to 13.4% (a moderate risk Latin American asset).

These discount rates are assessed regularly by independent valuers, typically on a quarterly or semi-annual basis, depending on the stability of the cash flows underpinning the valuation. As such, over the past decade all of Prime Super's unlisted investments have witnessed a change in their assessed discount rate. Whilst the magnitude and direction of these changes over the

last decade is specific to each individual investment, ceteris paribus, these discount rates have reduced over the last decade following corresponding reductions in global long term bond rates.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS44QW: Of the unlisted assets, how many have outperformed the average return on investments in superannuation over the past five years?

Answer:

The following table sets out the return for each unlisted asset to 31 March 2020:

Asset Class / Fund Manager	Total Amount Invested \$m	Since Inception IRR %p.a.	Benchmark Return	Over/Under Performed
Property				
Lend Lease Prime Property	33.4	-9.8%	11.50%	No
Investa Commercial Property	49.7	12.5	11.50%	Yes
Royale Investment Trust (1 King William)	22.7	15.9	11.50%	Yes
50 Miller Street	34.0	22.3	11.50%	Yes
Blackstone Real Estate Part VI	US\$12.5	11.6	11.50%	Yes
Lend Lease Communities Fund 1	5.0	-3.9	11.50%	No
Macquarie Real Estate Equity Fund No.7	9.2	3.0	11.50%	No
Citilink Bowen Hills Brisbane *	80.8	-1.2	11.50%	N/a
313 Adelaide Street *	78.1	-1.2	11.50%	N/a
111 Alinga Street	37.0	15.1	11.50%	Yes
Private Equity				
CM Capital Venture Trust 4	4.9	6.6%	15.50%	No
AIF Capital Asia III Fund	US\$7.2	3.8%	15.50%	No
AIF Capital Asia IV Fund	US\$9.5	9.9%	15.50%	No
Harbourvest DS VII Cayman LP	US\$8.3	1.2%	15.50%	No
Harbourvest VII Cayman B LP	US\$5.6	10.5%	15.50%	No
Harbourvest VII Cayman V LP	US\$4.9	6.8%	15.50%	No
Partners GP EURO B 2008 B LP	€10.0	21.9%	15.50%	Yes
Partners Group Secondary Fund	€10.0	13.7%	15.50%	No
Credit Opportunities Post Swaps				
IFM Super Loans Trust	1.2	7.9%	5.00%	Yes

Westbourne Capital Infra Debt	37.4	4.3%	5.00%	No
Continuity Capital Private Cred 1	US\$5.6	3.8%	5.00%	No
Continuity Capital Private Cred 2	US\$10.0	3.2%	5.00%	No
Metrics Credit Fund	34.7	4.5%	5.00%	No
Arqiva Junior Med Term Notes	£10.0	5.0%	5.00%	Yes
Alpha Trains Junior Debt	€30.6	7.4%	5.00%	Yes
Sydney Airport Debt	US\$14.8	2.3%	5.00%	No
TDF Term Loan	€30.0	1.8%	5.00%	No
Aunor Senior Secured Loan	€33.0	6.7%	5.00%	Yes
Yorkshire Water	£15.0	6.9%	5.00%	Yes
Infrastructure Credit Post Swaps				
Infrastructure Credit Pre Swaps	46.0	3.4%	3.4%	Yes
Infrastructure				
Magellan Core Infrastructure	15.5	7.6%	10.0%	No
ICG Div Infra Trust	39.1	8.6%	10.0%	No
CFS Wholesale Infrastructure	23.1	8.4%	10.0%	No
Emerging Markets Infrastructure Fund	US\$5.2	11.4%	10.0%	Yes
Southern Water	£15.0	3.2%	10.0%	No
Southern Water 2	£8.0	2.3%	10.0%	No
International Parking Group	14.7	16.1%	10.0%	Yes
International Parking Group 2	20.1	10.5%	10.0%	Yes
International Parking Group 3	26.0	21.9%	10.0%	Yes
Peninsula Link	14.6	18.9%	10.0%	Yes
Peninsula Link Two	17.2	15.8%	10.0%	Yes
Igasamex	US\$7.4	21.4%	10.0%	Yes
Igasamex Two	US\$16.0	21.8%	10.0%	Yes
Igasamex Three	US\$3.6	21.1%	10.0%	Yes
Rowville Transmission Facility	14.0	10.8%	10.0%	Yes
Storrund Vindkraft Onshore Wind	€13.5	7.8%	10.0%	No
Worsley Multi Fuel Cogen Plant	47.2	9.1%	10.0%	No
Sarpsborg Avfallsenergi AS	NOK 279.3	12.8%	10.0%	Yes
Vopak Terminal Eemshaven	€25.3	10.7%	10.0%	Yes
Kinland AS *	NOK 524.7	-1.2%	10.0%	N/a
ITE College West *	S\$35.0	-1.5%	10.0%	N/a
Total				
Prime Super - Total Fund	5,191.48	100.00%		100.00%

Notes:

* investment purchased during the year, and carried at cost at the date of the above figures.

A number of legacy investments are included in the unlisted portfolio. These legacy investments have been acquired as a result of a merger, and the loss incurred through immediate liquidation outweighs the benefit of retaining the investment through to maturity. The return noted in the table above relates to the return received by Prime Super since the date of the merger. The mergers that these legacy investments relate to were:

- Health Industry Plan – April 2014
- Combined Super – December 2018

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS45QW: Have you completed any analysis about your capacity to continue to provide returns to fund members at the current, or past rate, into the future based on the valuations of your unlisted assets?

Answer:

Prime Super’s investment portfolio is structured through two separate components, as follows:

	Strategic Asset Allocation
Listed Portfolio	70.0%
Alternatives Portfolio	<u>30.0%</u>
Total Portfolio	100.0%

The Alternatives portfolio is configured as follows:

	Strategic Asset Allocation
Infrastructure	14.0%
Property	7.5%
Infrastructure	0.5%
Credit Opportunities	8.0%
Infrastructure Debt	<u>0.0%</u>
Total Alternatives Portfolio	100.0%

Prime Super conducted a review of all investments within the alternatives portfolio to determine the appropriate carrying value post the market correction in February 2020. Where a write-down in the asset value of any individual investment was required, this write-down was processed. The valuation of each infrastructure and property asset was undertaken by an Independent Valuer.

Nothing was noted in this review, and through the review conducted by the Independent Valuer that would cause Prime Super to be concerned that any specific asset would not continue to deliver the long term return expectations of the asset, given the current economic climate that each asset is facing.

A core component of this assessment is an understanding of the revenue source that each asset has. Prime Super has a focus on investing in infrastructure assets and property assets where revenues are

backed by Government or semi-government entities. This provides an additional level of security over the returns to be generated from these investments.

Prime Super is currently of the view that the unlisted portfolio, when taken as a whole, will continue to perform in line with expectations and so support the delivery of investment returns to fund members into the future.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS46QW:

Over the past decade:

- a. Have you ever devalued an unlisted asset?
- b. Have you ever devalued an unlisted asset by more than \$10 million?
- c. Have you ever devalued an unlisted asset by more than \$50 million?
- d. Have you ever devalued an unlisted asset by more than \$100 million?
- e. Please advise the companies and/or individual valuers that have valued your unlisted assets.

Answer:

Prime Super has a wide range of investments in unlisted assets. Across this pool there are investment that perform well above expectations, many that perform in line with expectations and a number that perform below expectations. It is expected, and well understood by Prime Super, that some investments will be written down from time to time.

a. Have you ever devalued an unlisted asset?

For the period concerned, Yes.

General downward valuation adjustments have been made by Directors prior to a formal reduced valuation from the independent Valuer, for the following reasons:

- April 2020 precautionary Director initiated valuation write-down as a result of the correction of listed markets resulting from the COVID-19 pandemic. Once external valuations have been completed with full consideration of the new environment valuations will return to that determined by an independent valuer;
- GFC adjustments. Valuation of unlisted assets were adjusted down in light of the GFC. Once an external valuation had been conducted by an independent Valuer post the onset of the GFC valuations returned to that determined by an independent valuer.

The carrying value of an investment may be written-down on investments for many reasons, as a result of an updated valuation report from an Independent Valuer, including, but not limited to:

- The loss of a key tenant in a directly held property. The loss of a tenant reduces the future cashflow expectations of the asset, which has a direct flow on effect to the current carrying value.
- An increase in the borrowing cost of debt at the time of refinancing. An increase in the cost of debt leads to an increased cost of debt into the future and accordingly a reduction

in the net cashflow forecasts of the business which has a direct negative impact on the current valuation of the business.

- The change of a Valuer can lead to a more conservative approach to the valuation of an investment, through an increased discount rate applied to future cashflows.
- Recent sales of similar businesses or properties can lead to a valuation decrement, as there is a new publicly available benchmark for the value of the underlying business or property.

b. Have you ever devalued an unlisted asset by more than \$10 million?

During the period concerned, the following assets have been written down by more than \$10 million but less than \$50 million.

Carrix – US Container Terminal operator

A total of US\$29.6 million (A\$35.0 million) was invested in October 2007. The business was a container terminal business through ports along the east coast of the US and South America. The investment performed poorly through the Global Financial Crisis as a result of a change in distribution avenues, and did not recover sufficiently in the following period. The valuation was written down to \$0 in March 2013.

Agrico Pty Ltd – Australian Farming investment

A total of \$69.8 million was invested into a number of farming ventures primarily in Victoria, Australia in throughout 2001.

The extended drought throughout the mid 2000s and the increase in the value of the Australian dollar resulted in a significant increase in the cost of operations combined with lower production (due to the drought) and a fall in the value of sales (with the Australian dollar trading above parity with the US dollar).

The underlying assets of the business were sold progressively from 2014 through to 2016. The total value of the proceeds was \$23.1 million. The total loss on the investments was \$46.7 million. This investment was written down progressively from 2010 through to the final sale in 2016.

c. Have you ever devalued an unlisted asset by more than \$50 million?

During the period concerned, no investment held by Prime Super has ever been devalued by more than \$50 million but less than \$100 million.

d. Have you ever devalued an unlisted asset by more than \$100 million?

During the period concerned, no investment held by Prime Super has ever been devalued by more than \$100 million.

e. Please advise the companies and/or individual valuers that have valued your unlisted assets.

The Valuers currently utilised by Prime Super are:

- Colliers International – property
- Jones Lang LaSalle – property
- M3 Property – property
- Ernst & Young – infrastructure
- KPMG – infrastructure
- PwC – infrastructure
- Leadenhall – infrastructure/debt

Prime Super has an established valuation framework governed through the Valuation Manual. The Valuation Manual notes:

4.3 The Role of the Independent Valuer

All valuations of ... (Directly Held Investment) ... 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 ... (Directly Held Investment) ... 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.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS47QW:

For each year of the past decade:

- a. How many fund members do you have?
- b. How many financial planners do you have in total numbers, and as a member to financial planner ratio?
- c. How many financial advisers do you have in total numbers, and as a member to financial planner ratio?

Answer:

a. How many fund members do you have?

The membership (accumulation plus pension members) of Prime Super at 30 June for the last ten years is as follows:

	Total Number of Members
30 June 2011	134,766
30 June 2012	142,620
30 June 2013	135,719
30 June 2014	138,226
30 June 2015	125,323
30 June 2016	120,362
30 June 2017	116,330
30 June 2018	116,919
30 June 2019	130,003
30 June 2020	128,127

Over the above period Prime Super merged with two funds:

30 April 2014	Health Industry Plan (19,179 member accounts)
31 December 2018	Combined Super (8,851 member accounts)

b. How many financial planners do you have in total numbers, and as a member to financial planner ratio?

Over the requested period Prime Super offered full financial planning services as follows:

- Up to December 2014 – through Industry Fund Financial Planning Pty Ltd, an outsourced financial planning firm;
- January 2015 to December 2019 – Financial planners employed directly by Prime Super, but operating under a third party providers financial planning licence
- December 2019 to April 2020 – no direct financial planning services were offered by Prime Super;

	Number of Financial Planners Employed Directly	Number of Financial Planners External Service	Number of Members per Financial Advisers
30 June 2011	0.0	0.7	192,500
30 June 2012	0.0	0.7	203,700
30 June 2013	0.0	0.7	193,800
30 June 2014	2.0	0.0	69,000
30 June 2015	2.0	0.0	62,000
30 June 2016	2.0	0.0	60,000
30 June 2017	2.0	0.0	58,000
30 June 2018	2.0	0.0	58,000
30 June 2019	2.0	0.0	65,000
30 June 2020	0.0	0.0	N/a

Intra-fund Advice

In May 2020 Prime Super entered into an arrangement with Link Advice Pty Limited for the provision of Intra-fund advice to members of Prime Super.

The service offered is an over the phone service provided by Link Advice Pty Limited to members for the provision of intra-fund advice only. In addition, three Financial Planners directly employed by Prime Super are licenced under the Link Advice Pty Limited AFSL to provide intra-fund advice directly to members of Prime Super.

c. How many financial advisers do you have in total numbers, and as a member to financial planner ratio?

Prime Super does not currently employ any Financial Planners that provide full financial planning advice.

As noted in the response to part (b) above, Prime Super currently employees three individuals to provide intra-fund advice directly to members of Prime Super. These individuals provide advice through the financial planning licence held by Link Advice Pty Limited.

	Number of Advisers Providing Intra-fund Advice Only	Number of Members per Financial Advisers
30 June 2011	0.0	N/a
30 June 2012	0.0	N/a
30 June 2013	0.0	N/a
30 June 2014	2.0	69,000
30 June 2015	2.0	62,000
30 June 2016	2.0	60,000
30 June 2017	2.0	58,000
30 June 2018	2.0	58,000
30 June 2019	3.0	43,000
30 June 2020	3.0	42,700

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS48QW:

For each year of the past decade:

- a. How much is charged for financial planning annually to fund members, and what is the average per fund member?
- b. How much is charged for financial planning annually to funds, and what is the average per fund member?
- c. How much is charged for financial advice annually to fund members, and what is the average per fund member?
- d. How much is charged for financial advice annually to funds, and what is the average per fund member?

Answer:

Each of the questions below, and the answers below, relate to the decade ending 30 June 2020.

- a. How much is charged for financial planning annually to fund members, and what is the average per fund member?**

There is no direct charge to all members for financial planning services. There is a cost in the provision of services to members, this cost is embedded in the existing fee structure of Prime Super.

Financial planning advice is only offered to members of Prime Super.

Prime Super provides a financial planning service to the members of Prime Super. The embedded cost of the financial planning service is a cost that is borne by all members on the basis that the service is available to all members. Where a member requests financial planning advice the member pays for the specific advice they receive. The net annual cost of financial planning services is the cost of the service less planning fees received from members, the net annual cost is as follows:

	Net Cost of Financial Planning Service	Cost Per Member per annum
30 June 2011	\$29,700	\$0.22
30 June 2012	\$86,168	\$0.60
30 June 2013	\$159,206	\$1.17
30 June 2014	\$166,373	\$1.20
30 June 2015	\$29,273	\$0.23
30 June 2016	\$62,732	\$0.52

30 June 2017	\$172,191	\$1.48
30 June 2018	\$31,407	\$0.27
30 June 2019	\$32,870	\$0.25
30 June 2020	\$25,350	\$0.20

Para planning fees incurred in the provision of financial planning advice to members is paid for directly by members.

- b. How much is charged for financial planning annually to funds, and what is the average per fund member?**

Refer response to paragraph (a) above.

- c. How much is charged for financial advice annually to fund members, and what is the average per fund member?**

Refer response to paragraph (a) above.

- d. How much is charged for financial advice annually to funds, and what is the average per fund member?**

Refer response to paragraph (a) above.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS49QW:

For each year of the past decade:

- a. What is the cost of general advice annually, and what is the average per fund member?
- b. What are the aggregate value of bonuses provided for general advice, and what is the average per adviser?

Answer:

- a. What is the cost of general advice annually, and what is the average per fund member?**

The cost of general advice is embedded within the service offering of Prime Super.

Over the phone general advice is provided to members through the call centre. The cost of this service is embedded in the service offering from the Administrator to Prime Super, Link Limited.

General advice is only offered to members of Prime Super.

General advice is also offered by Prime Super Financial advisors. The cost of the provision of general advice is not separately identified, and is available to all members of the Fund at no cost.

- b. What are the aggregate value of bonuses provided for general advice, and what is the average per adviser?**

No bonuses are paid to any employees of Prime Super in relation to the provision of general advice.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS50QW:

For each year of the past decade:

- a. What is the cost of scaled advice annually, and what is the average per fund member?
- b. What are the aggregate value of bonuses provided for scaled advice, and what is the average per adviser?

Answer:

a. What is the cost of scaled advice annually, and what is the average per fund member?

Scaled advice is provided for in the overall financial advice offering of Prime Super. That is Prime Super does not seek to generate a profit from the provision of financial advice, rather advice is provided as required by members.

Scaled advice is only offered to members of Prime Super.

Prime Super provides a financial planning service to the members of Prime Super. The embedded cost of the financial planning service is a cost that is borne by all members on the basis that the service is available to all members. Where a member requests financial planning advice the member pays for the specific advice they receive. The net annual cost of financial planning services is the cost of the service less planning fees received from members, the net annual cost is as follows:

	Net Cost of Financial Planning Service	Cost Per Member per annum
30 June 2011	\$29,700	\$0.22
30 June 2012	\$86,168	\$0.60
30 June 2013	\$159,206	\$1.17
30 June 2014	\$166,373	\$1.20
30 June 2015	\$29,273	\$0.23
30 June 2016	\$62,732	\$0.52
30 June 2017	\$172,191	\$1.48
30 June 2018	\$31,407	\$0.27
30 June 2019	\$32,870	\$0.25
30 June 2020	\$25,350	\$0.20

Para planning fees incurred in the provision of financial planning advice to members is paid for directly by members.

- b. What are the aggregate value of bonuses provided for scaled advice, and what is the average per adviser?**

No bonuses are paid to any employees of Prime Super in relation to the provision of scaled advice.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS51QW:

For each year of the past decade:

- a. What is the cost of comprehensive advice annually, and what is the average per fund member?
- b. What are the aggregate value of bonuses provided for comprehensive advice, and what is the average per adviser?

Answer:

The questions and responses set out below concern the decade ending 30 June 2020.

- a. **What is the cost of comprehensive advice annually, and what is the average per fund member?**

Prime Super does not offer comprehensive financial planning advice to members of Prime Super, or any other person.

- b. **What are the aggregate value of bonuses provided for comprehensive advice, and what is the average per adviser?**

Not applicable.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS52QW:

For each year of the past decade:

- a. What is the cost of intra-fund advice annually, and what is the average per fund member?
- b. What are the aggregate value of bonuses provided for intra-fund advice, and what is the average per adviser?

Answer:

The questions and responses set out below concern the decade ending 30 June 2020.

a. What is the cost of intra-fund advice annually, and what is the average per fund member?

Intra-fund advice is a component of general advice. General advice is embedded within the service offering of Prime Super.

Over the phone general advice is provided to members through the call centre. The cost of this service is embedded in the service offering from the Administrator to Prime Super, Link Limited.

General advice is only offered to members of Prime Super.

General advice is also offered by Prime Super Financial advisors. The cost of the provision of general advice is not separately identified, and is available to all members of the Fund at no cost.

b. What are the aggregate value of bonuses provided for intra-fund advice, and what is the average per adviser?

No bonuses are paid to any employees of Prime Super in relation to the provision of intra-fund advice.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS53QW: How many employees does the fund have?

Answer:

At 30 June 2020 the number of persons employed by Prime Super was:

Total number of persons	44
Full time equivalents	40.8

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS54QW: How do you define employee misconduct?

Answer:

Prime Super has a Human Resources Management Policy that sets out the expectations of employees including the behaviour that is expected in the workplace.

Prime Super encourages a supportive work environment. The Human Resources Management Policy notes:

Each employee is entitled to pursue their work in an environment of civility free of activity or innuendo that diminishes their personal dignity. Behaviour that may diminish an employee's personal dignity includes:

- *Any behaviour intended to intimidate*
- *Destructive innuendo and sarcasm (including rumours and gossip)*
- *Verbal and non-verbal threats*
- *Inappropriate or overly forceful language*
- *Invasion of personal space*
- *Freezing out, ignoring, excluding or cutting off in conversation*
- *Unreasonable refusal of applications for leave or training*
- *Setting of impossible deadlines*
- *Shifting of goal posts without consultation*
- *Constant undervaluing of efforts*
- *Persistent efforts to demoralise*

Claims of effrontery of personal dignity are not an appropriate response to claims of unsatisfactory performance or misconduct where the claims are made in an appropriate and confidential environment.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS55QW:

Over the past five years:

- a. How many employees have been cautioned for misconduct?
- b. How many employees have had a penalty (such as, but not limited to, loss of bonus) for misconduct?
- c. How many employees have been terminated for misconduct?
- d. How many employees have been cautioned for misconduct, as a share of all employees over that timeframe?
- e. How many employees have had a penalty (such as, but not limited to, loss of bonus) for misconduct, as a share of all employees over that timeframe?
- f. How many employees have been terminated for misconduct, as a share of all employees over that timeframe?

Answer:

Over the past five years:

- a. No employees have been cautioned for misconduct.
- b. No employees have had a penalty (such as, but not limited to, loss of bonus) for misconduct.
- c. No employees have been terminated for misconduct.
- d. Not applicable.
- e. Not applicable.
- f. Not applicable.

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS56QW: Do you support current Corporations Law provisions for the disclosure of corporate remuneration?

Answer: Remuneration of Directors and Executives is disclosed on the website in accordance with the Corporations Law.

Templates for questions PS57QW to PS62QW:

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS57QW: Of the twenty highest remunerated employees over the past decade, please provide the number whose total remuneration in a financial year (including all forms of remuneration, including but not limited to, base salary, regularized and deferred bonuses and incentives including, but not limited to, shares) falls within these brackets?

Answer: Within the period concerned:

Total remuneration package value	Number (ie 1 employee)
<\$1,000,000	20
\$1,000,001 - \$2,000,000	0
\$2,000,001 - \$3,000,000	0
\$3,000,001 - \$4,000,000	0
\$4,000,001 - \$5,000,000	0
\$5,000,001 - \$6,000,000	0
\$6,000,001 - \$7,000,000	0
\$7,000,001 - \$8,000,000	0
\$8,000,001 - \$9,000,000	0
\$9,000,001 - \$10,000,000	0
\$10,000,001 - \$11,000,000	0
\$11,000,001 - \$12,000,000	0
\$12,000,001 - \$13,000,000	0
\$13,000,001 - \$14,000,000	0
\$14,000,001 - \$15,000,000	0
\$15,000,001 - \$16,000,000	0
\$16,000,001 - \$17,000,000	0
\$17,000,001 - \$18,000,000	0
\$18,000,001 - \$19,000,000	0
\$19,000,001 - \$20,000,000	0
\$20,000,001 - \$25,000,000	0
\$25,000,001 - \$30,000,000	0
\$30,000,001 - \$35,000,000	0
\$35,000,001 - \$40,000,000	0
\$40,000,001 - \$45,000,000	0
\$45,000,001 - \$50,000,000	0
>\$50,000,000	0

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS58QW: Of the twenty highest incentive bonuses paid over the past decade, please provide the number that fall within these brackets?

Answer: No incentive bonus has been paid by Prime Super over this period.

Total incentive bonuses value	Number (ie 1 employee)
<\$1,000,000	0
\$1,000,001 - \$2,000,000	0
\$2,000,001 - \$3,000,000	0
\$3,000,001 - \$4,000,000	0
\$4,000,001 - \$5,000,000	0
\$5,000,001 - \$6,000,000	0
\$6,000,001 - \$7,000,000	0
\$7,000,001 - \$8,000,000	0
\$8,000,001 - \$9,000,000	0
\$9,000,001 - \$10,000,000	0
\$10,000,001 - \$11,000,000	0
\$11,000,001 - \$12,000,000	0
\$12,000,001 - \$13,000,000	0
\$13,000,001 - \$14,000,000	0
\$14,000,001 - \$15,000,000	0
\$15,000,001 - \$16,000,000	0
\$16,000,001 - \$17,000,000	0
\$17,000,001 - \$18,000,000	0
\$18,000,001 - \$19,000,000	0
\$19,000,001 - \$20,000,000	0
\$20,000,001 - \$25,000,000	0
\$25,000,001 - \$30,000,000	0
\$30,000,001 - \$35,000,000	0
\$35,000,001 - \$40,000,000	0
\$40,000,001 - \$45,000,000	0
\$45,000,001 - \$50,000,000	0
>\$50,000,000	0

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS59QW: Of the twenty highest performance bonuses paid over the past decade, please provide the number that fall within these brackets?

Answer: During the period concerned, and otherwise, no performance bonus that exceeds \$1,000,000 has ever been paid by Prime Super. Any performance bonus if payable is capped at 10% of an employee's package

Total performance bonuses value	Number (ie 1 employee)
<\$1,000,000	20
\$1,000,001 - \$2,000,000	0
\$2,000,001 - \$3,000,000	0
\$3,000,001 - \$4,000,000	0
\$4,000,001 - \$5,000,000	0
\$5,000,001 - \$6,000,000	0
\$6,000,001 - \$7,000,000	0
\$7,000,001 - \$8,000,000	0
\$8,000,001 - \$9,000,000	0
\$9,000,001 - \$10,000,000	0
\$10,000,001 - \$11,000,000	0
\$11,000,001 - \$12,000,000	0
\$12,000,001 - \$13,000,000	0
\$13,000,001 - \$14,000,000	0
\$14,000,001 - \$15,000,000	0
\$15,000,001 - \$16,000,000	0
\$16,000,001 - \$17,000,000	0
\$17,000,001 - \$18,000,000	0
\$18,000,001 - \$19,000,000	0
\$19,000,001 - \$20,000,000	0
\$20,000,001 - \$25,000,000	0
\$25,000,001 - \$30,000,000	0
\$30,000,001 - \$35,000,000	0
\$35,000,001 - \$40,000,000	0
\$40,000,001 - \$45,000,000	0
\$45,000,001 - \$50,000,000	0
>\$50,000,000	0

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS60QW: Of the twenty highest severance packages over the past decade, please provide the number whose total package (including all forms of accumulated severance package, including but not limited to, base salary, regularized and deferred bonuses and incentives including, but not limited to, shares) falls within these brackets?

Answer: Over the last ten years no severance payment of any kind has been made to a dollar value that exceeds \$1,000,000.

Total severance package value	Number (ie 1 employee)
<\$1,000,000	3
\$1,000,001 - \$2,000,000	0
\$2,000,001 - \$3,000,000	0
\$3,000,001 - \$4,000,000	0
\$4,000,001 - \$5,000,000	0
\$5,000,001 - \$6,000,000	0
\$6,000,001 - \$7,000,000	0
\$7,000,001 - \$8,000,000	0
\$8,000,001 - \$9,000,000	0
\$9,000,001 - \$10,000,000	0
\$10,000,001 - \$11,000,000	0
\$11,000,001 - \$12,000,000	0
\$12,000,001 - \$13,000,000	0
\$13,000,001 - \$14,000,000	0
\$14,000,001 - \$15,000,000	0
\$15,000,001 - \$16,000,000	0
\$16,000,001 - \$17,000,000	0
\$17,000,001 - \$18,000,000	0
\$18,000,001 - \$19,000,000	0
\$19,000,001 - \$20,000,000	0
\$20,000,001 - \$25,000,000	0
\$25,000,001 - \$30,000,000	0
\$30,000,001 - \$35,000,000	0
\$35,000,001 - \$40,000,000	0
\$40,000,001 - \$45,000,000	0
\$45,000,001 - \$50,000,000	0
>\$50,000,000	0

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS61QW: Of the twenty highest termination payments over the past decade, please provide the number whose total package (including all forms of accumulated termination package, including but not limited to, base salary, regularized and deferred bonuses and incentives including, but not limited to, shares) falls within these brackets?

Answer: Over the last ten years no termination payment of any kind has been made to a dollar value that exceeds \$1,000,000.

Total termination package value	Number (ie 1 employee)
<\$1,000,000	20
\$1,000,001 - \$2,000,000	0
\$2,000,001 - \$3,000,000	0
\$3,000,001 - \$4,000,000	0
\$4,000,001 - \$5,000,000	0
\$5,000,001 - \$6,000,000	0
\$6,000,001 - \$7,000,000	0
\$7,000,001 - \$8,000,000	0
\$8,000,001 - \$9,000,000	0
\$9,000,001 - \$10,000,000	0
\$10,000,001 - \$11,000,000	0
\$11,000,001 - \$12,000,000	0
\$12,000,001 - \$13,000,000	0
\$13,000,001 - \$14,000,000	0
\$14,000,001 - \$15,000,000	0
\$15,000,001 - \$16,000,000	0
\$16,000,001 - \$17,000,000	0
\$17,000,001 - \$18,000,000	0
\$18,000,001 - \$19,000,000	0
\$19,000,001 - \$20,000,000	0
\$20,000,001 - \$25,000,000	0
\$25,000,001 - \$30,000,000	0
\$30,000,001 - \$35,000,000	0
\$35,000,001 - \$40,000,000	0
\$40,000,001 - \$45,000,000	0
\$45,000,001 - \$50,000,000	0
>\$50,000,000	0

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

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

Prime Super

PS62QW: Of the twenty highest redundancy payments over the past decade, please provide the number whose total package (including all forms of accumulated redundancy package, including but not limited to, base salary, regularized and deferred bonuses and incentives including, but not limited to, shares) falls within these brackets?

Answer: Over the last ten years three redundancy payments have been made and none were for an amount that exceeds \$1,000,000

Total redundancy package value	Number (ie 1 employee)
<\$1,000,000	3
\$1,000,001 - \$2,000,000	0
\$2,000,001 - \$3,000,000	0
\$3,000,001 - \$4,000,000	0
\$4,000,001 - \$5,000,000	0
\$5,000,001 - \$6,000,000	0
\$6,000,001 - \$7,000,000	0
\$7,000,001 - \$8,000,000	0
\$8,000,001 - \$9,000,000	0
\$9,000,001 - \$10,000,000	0
\$10,000,001 - \$11,000,000	0
\$11,000,001 - \$12,000,000	0
\$12,000,001 - \$13,000,000	0
\$13,000,001 - \$14,000,000	0
\$14,000,001 - \$15,000,000	0
\$15,000,001 - \$16,000,000	0
\$16,000,001 - \$17,000,000	0
\$17,000,001 - \$18,000,000	0
\$18,000,001 - \$19,000,000	0
\$19,000,001 - \$20,000,000	0
\$20,000,001 - \$25,000,000	0
\$25,000,001 - \$30,000,000	0
\$30,000,001 - \$35,000,000	0
\$35,000,001 - \$40,000,000	0
\$40,000,001 - \$45,000,000	0
\$45,000,001 - \$50,000,000	0
>\$50,000,000	0